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Licensing vs. M&A:
Evaluating the Trends and Seeking the Greatest Return

Michael G. McCully
Director & Senior Analyst
Recombinant Capital



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Licensing vs. M&A

- Recent Biotech Financing Trends
- IPO Returns and M&A Valuations
- Licensing Trends

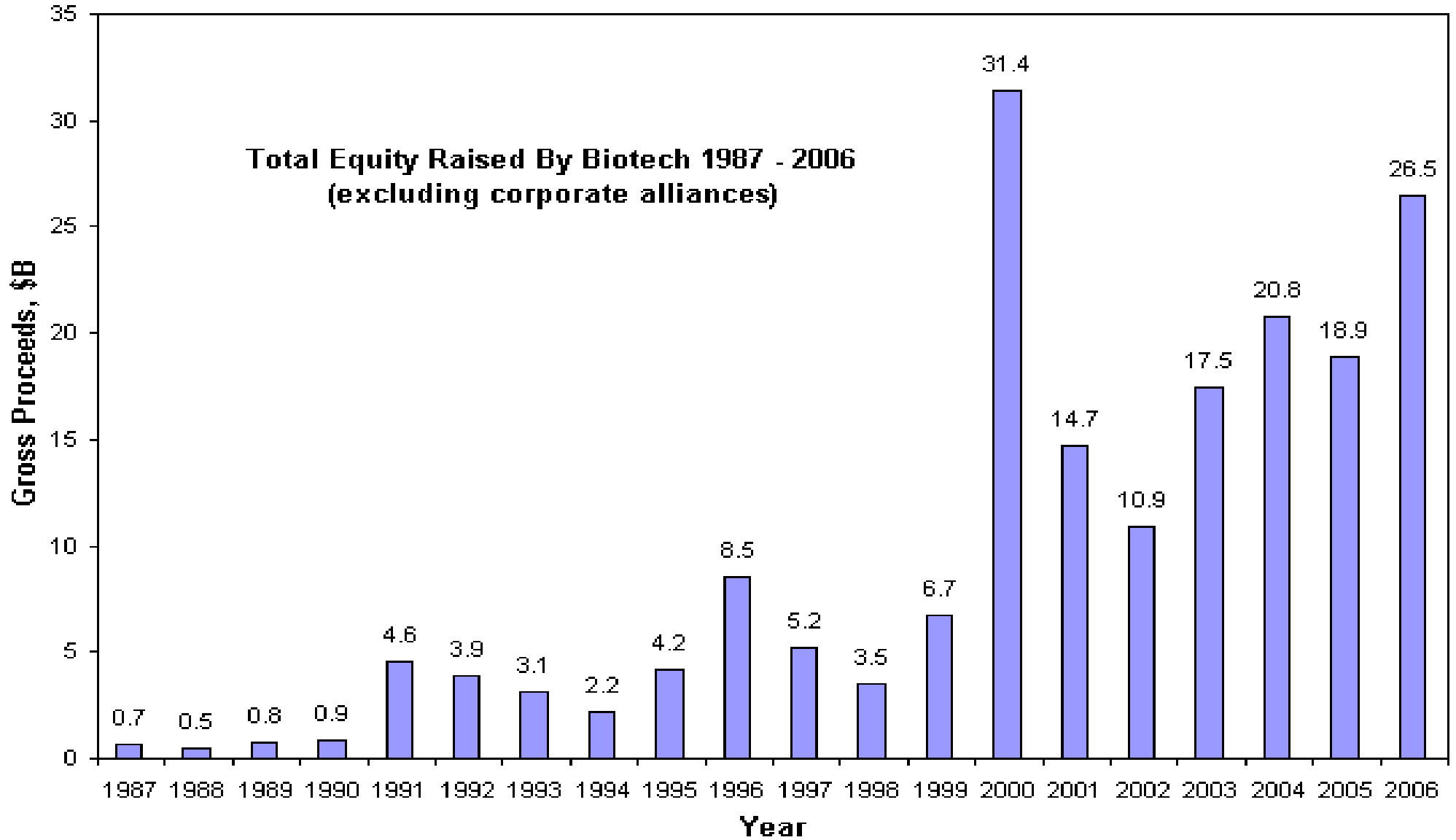


Biotech Financing Trends

- Biotech industry raised \$26.5 billion in 2006
 - ◆ \$8.5 billion raised by three companies
 - ☞ Amgen \$5 billion convertible senior notes
 - ☞ Gilead \$1.3 billion convertible senior notes
 - ☞ MedImmune \$1.15 billion debt financing
 - ☞ Celgene \$1.032 billion follow-on offering

- 1H 2007 figure already stands at \$18.6 billion!
 - ◆ Big Bio and Specialty Pharma bring in the bulk of it

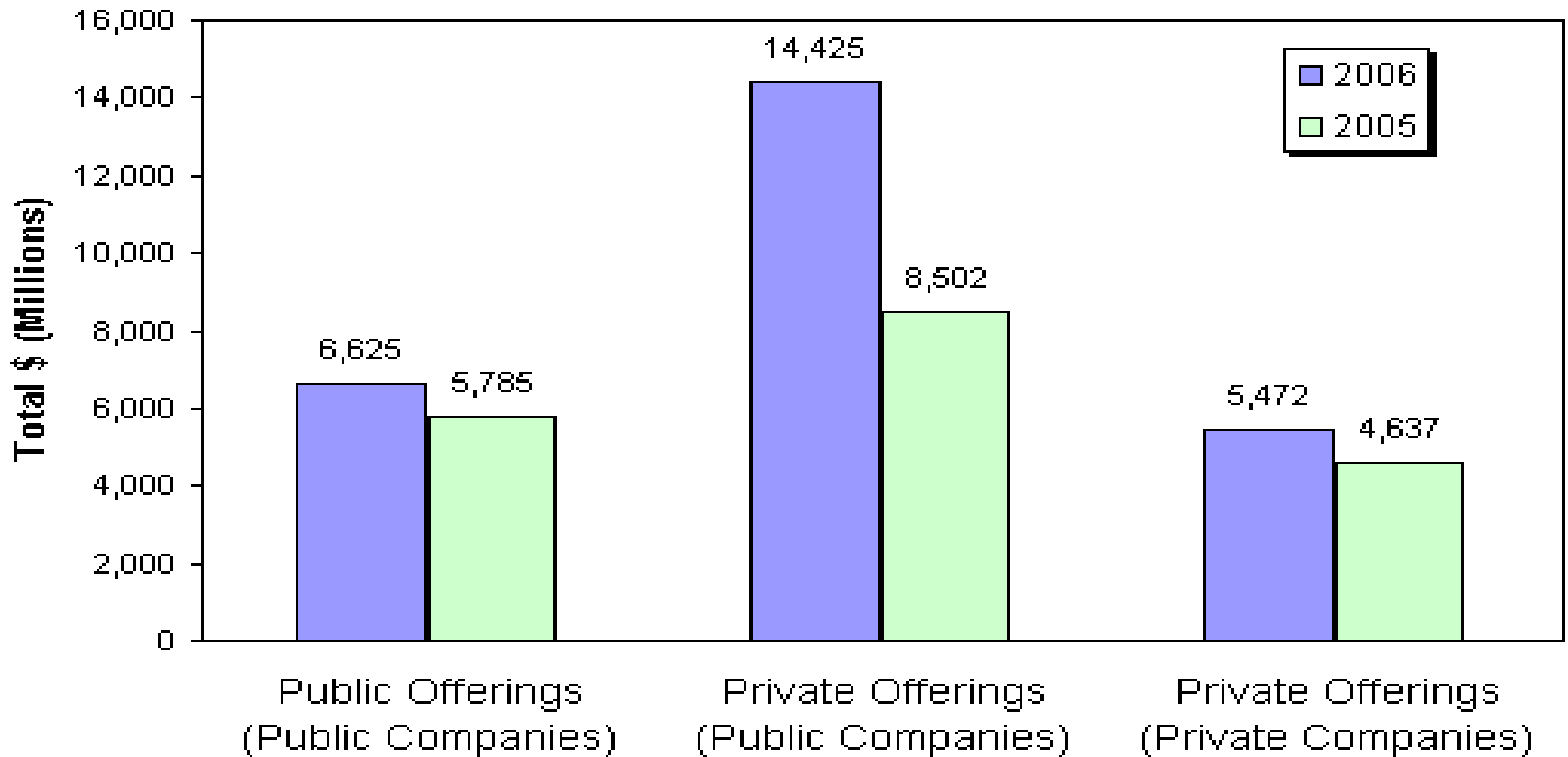
Biotech Financing



Biotech Financing

Equity Investments In Biotechnology

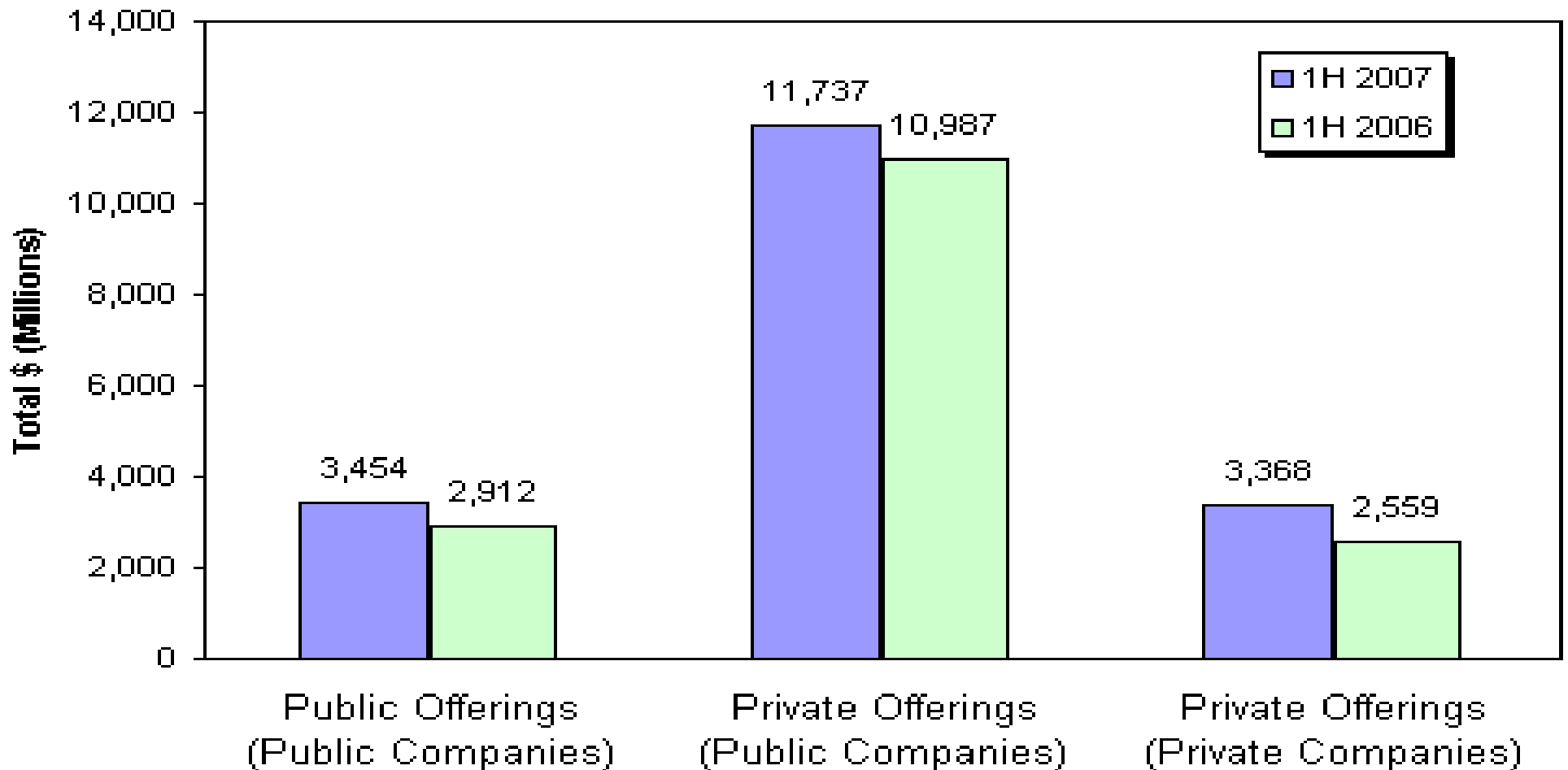
2006 (Total: \$26,522M) vs 2005 (Total: \$18,924M)



Biotech Financing

Equity Investments In Biotechnology

1H 2007 (Total: \$18,559M) vs 1H 2006 (Total: \$16,458M)

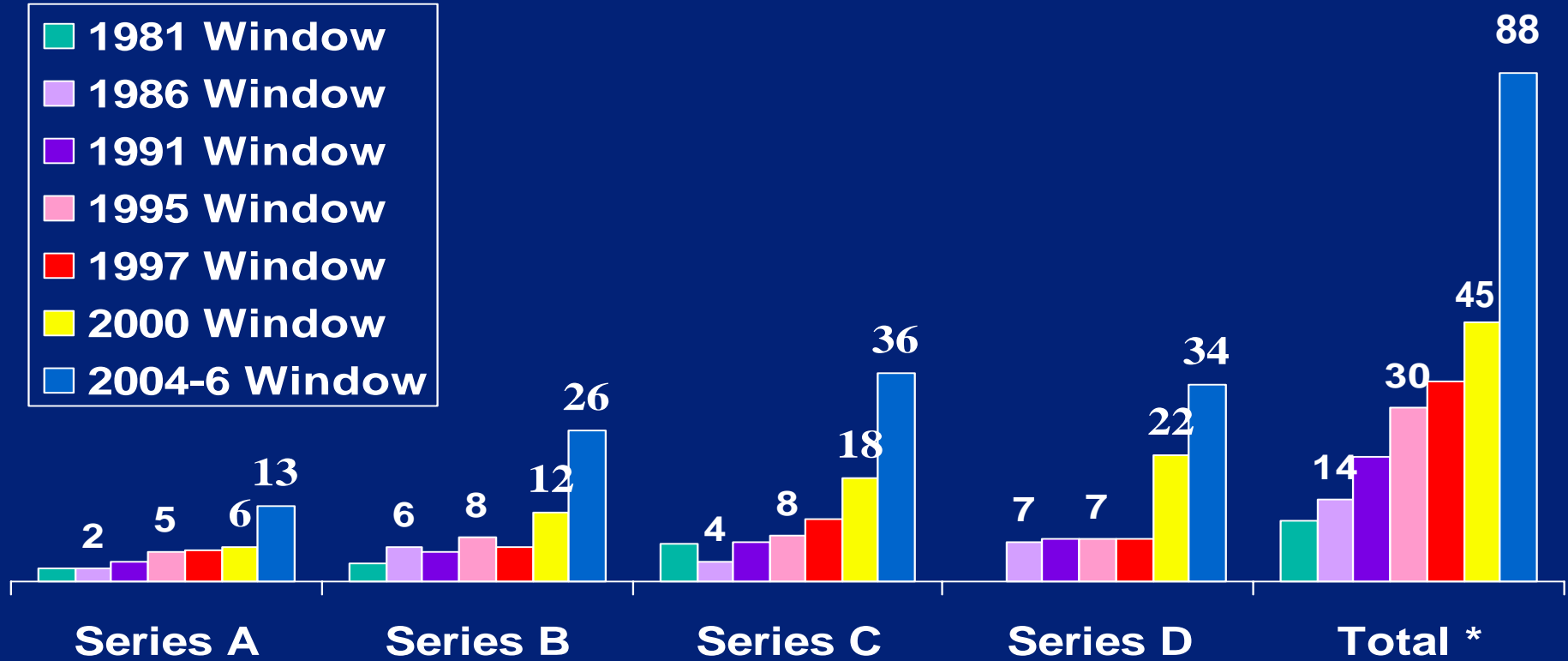


IPO versus M&A

- Biotech Raising Much More Cash pre-IPO
- But IPO Valuations are Flat
- Investor Returns are Drastically Down
- Is M&A Really the Answer?



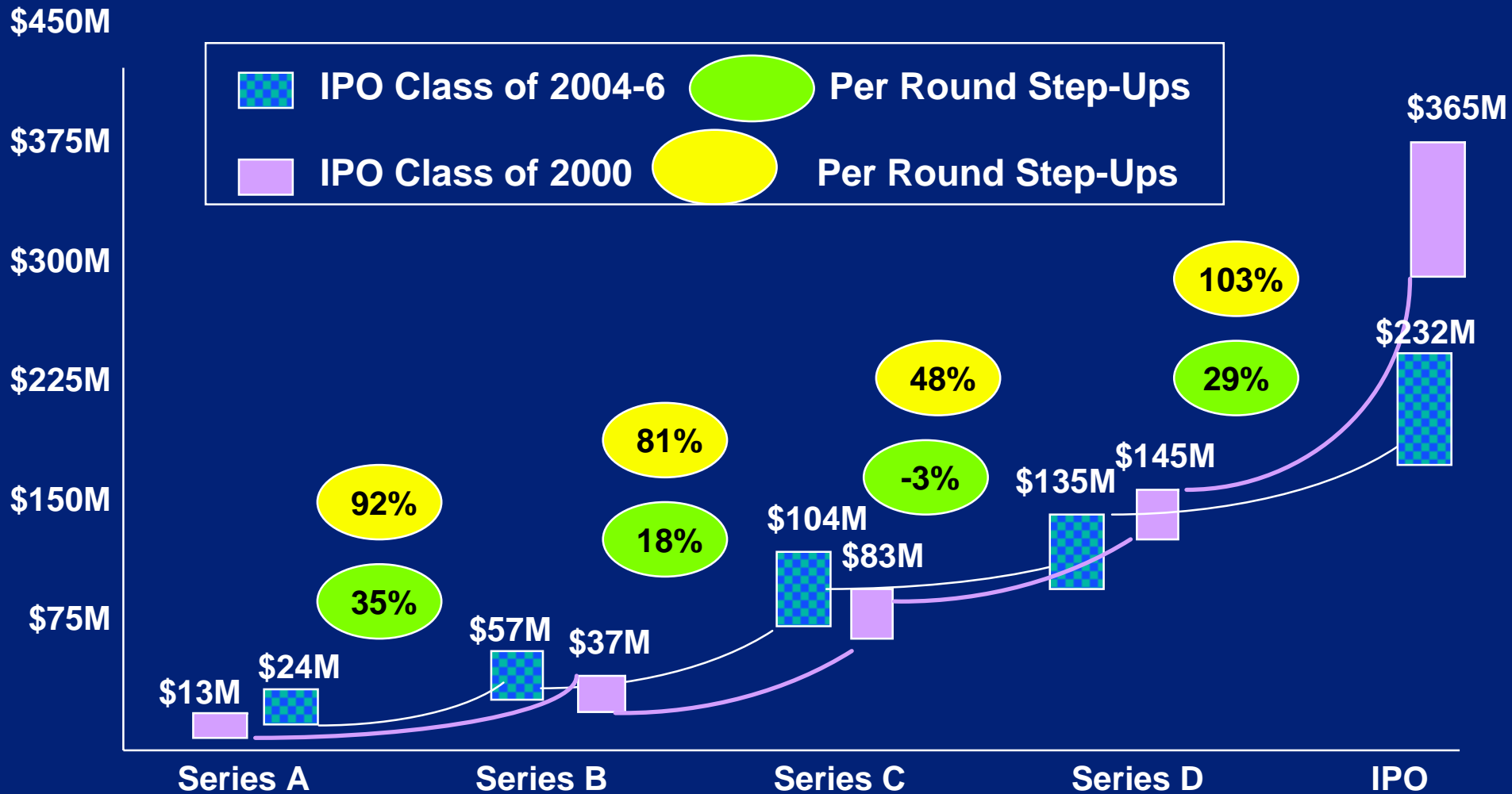
Average Private Cash Raised



* Totals do not correspond to the sum of each Series since not every company had all Series.



Pre-IPO Valuations & Step Ups



* 65 VC-Backed Biotechs went public from 12/99-3/01;
73 VC-Backed Biotechs went public from 10/03-12/06

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Private Equity Exits

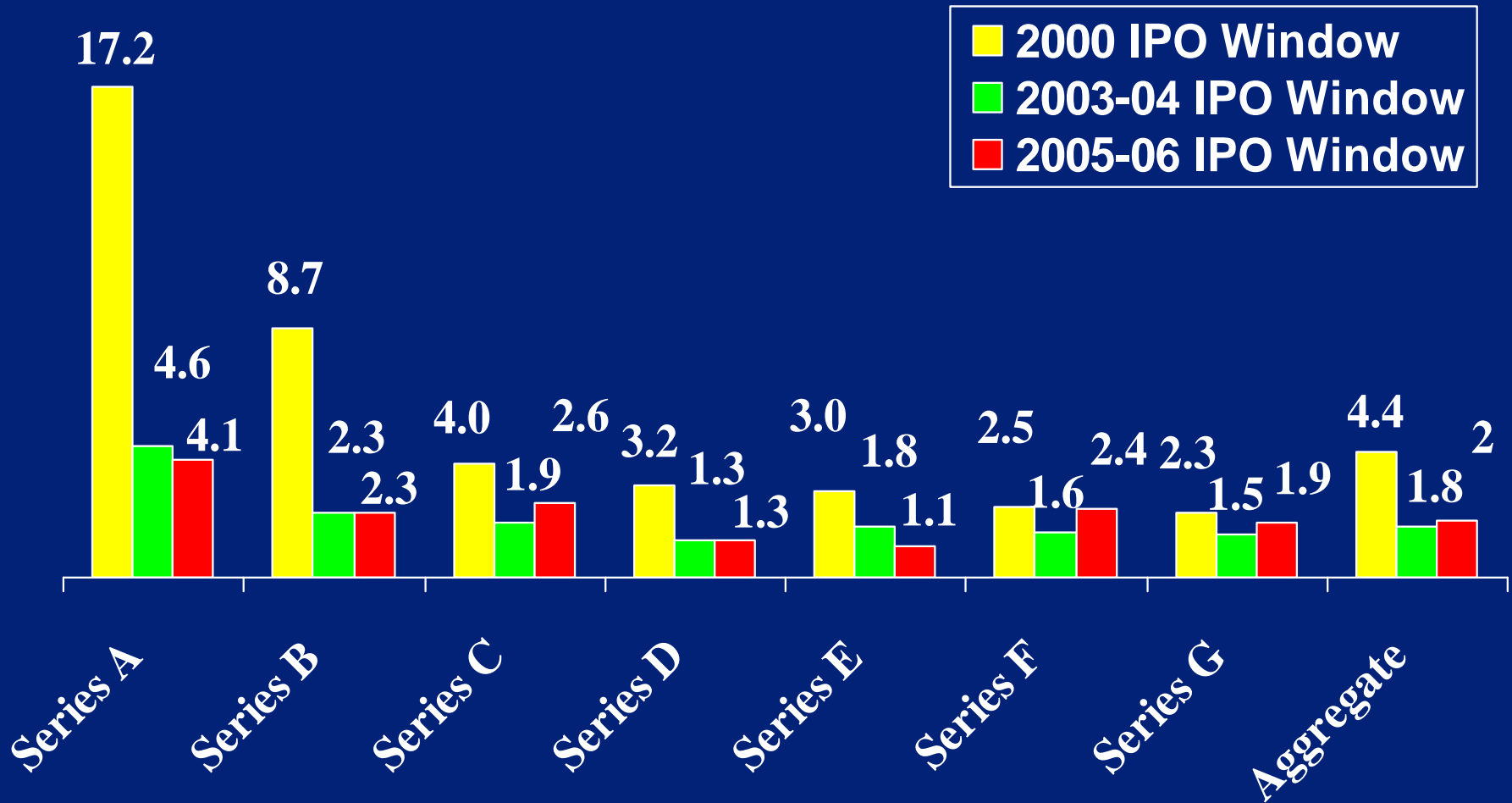
■ Current IPO Marketplace

	2003-06	2003-04	2005-06
Average IPO Value (pre-money)	\$231.6	\$257.1	\$206.7
Average Private Capital Raised	\$87.8	\$96.6	\$79.1
Average IRR	17%	17%	18%
Cash-on-Cash	1.9x	1.8x	2.0x
Total IPO Proceeds	\$4,144	\$2,162	\$1,981

→ 2000-01 IPO Window Average IRR and Cash-on-Cash were 44% and 4.4x, respectively



Cash-on-Cash Returns at IPO

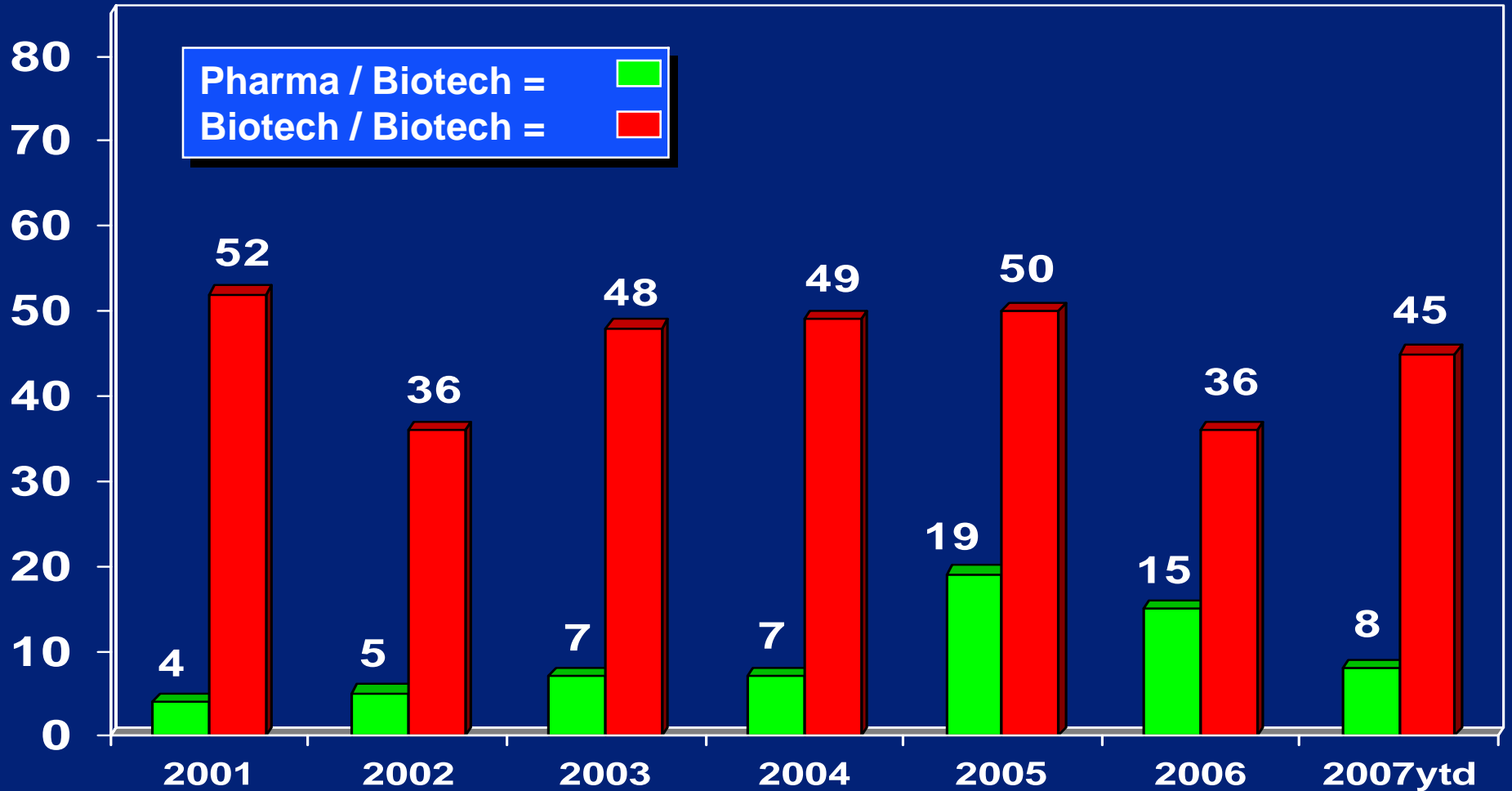


* Cash-on-Cash returns are calculated using IPO price



Biotech M&A by Year

Announced Number of Transactions





M&A Exits – Private Cos.

- Recent Acquisitions – Private Biotech

	2006	2007ytd
Private Companies Acquired	33	47
Total Value of Acquired Companies	\$3,511	\$3,332
Average Valuation	\$175.6	\$144.9
Average Amount of Earnout	43.9%	55.4%

→ *With so many M&A deals including contingent payments, is M&A really the answer?*



Premium M&A Deals

- Recent Biotech M&A Exits 2006 – present

Date	Acquirer / Acquiree	Total Size
7/07	Merck / NovaCardia	\$350
6/07	Amgen / Alantos	\$300
6/07	Amgen / Ilypsa	\$420
3/07	Eisai / Morphotek	\$325
3/07	Lilly / Hypnion	\$315
12/06	Forest / Cerexa	\$594
12/06	GSK / Domantis	\$454
9/06	Amgen / Avidia	\$450
7/06	Gilead / Corus Pharma	\$365
5/06	Merck / GlycoFi	\$400
5/06	Biogen IDEC / Conforma	\$250

→ 11 deals, average value of \$384M

IPO versus M&A

- Similar Valuations
 - ◆ IPO \$207M for Biotech IPOs in 2005-07ytd
 - ◆ M&A \$160M for Private Biotech in 2006-07ytd

- Tech Platform Acquisitions
 - ◆ Domantis
 - ◆ Abmaxis
 - ◆ GlycoFi
 - ◆ Sirna
 - ◆ Cambridge Antibody
 - ◆ Avidia



Trends in Biotech Alliances

- Redefining BigCo – More than just Pharma
 - ◆ Data from In-Licensing Deals for Top 25 Licensors
 - ◆ Includes Genentech, Amgen, Biogen IDEC, Genzyme
 - ◆ Deals completed January 2003 to July 2006 – 612 Deals

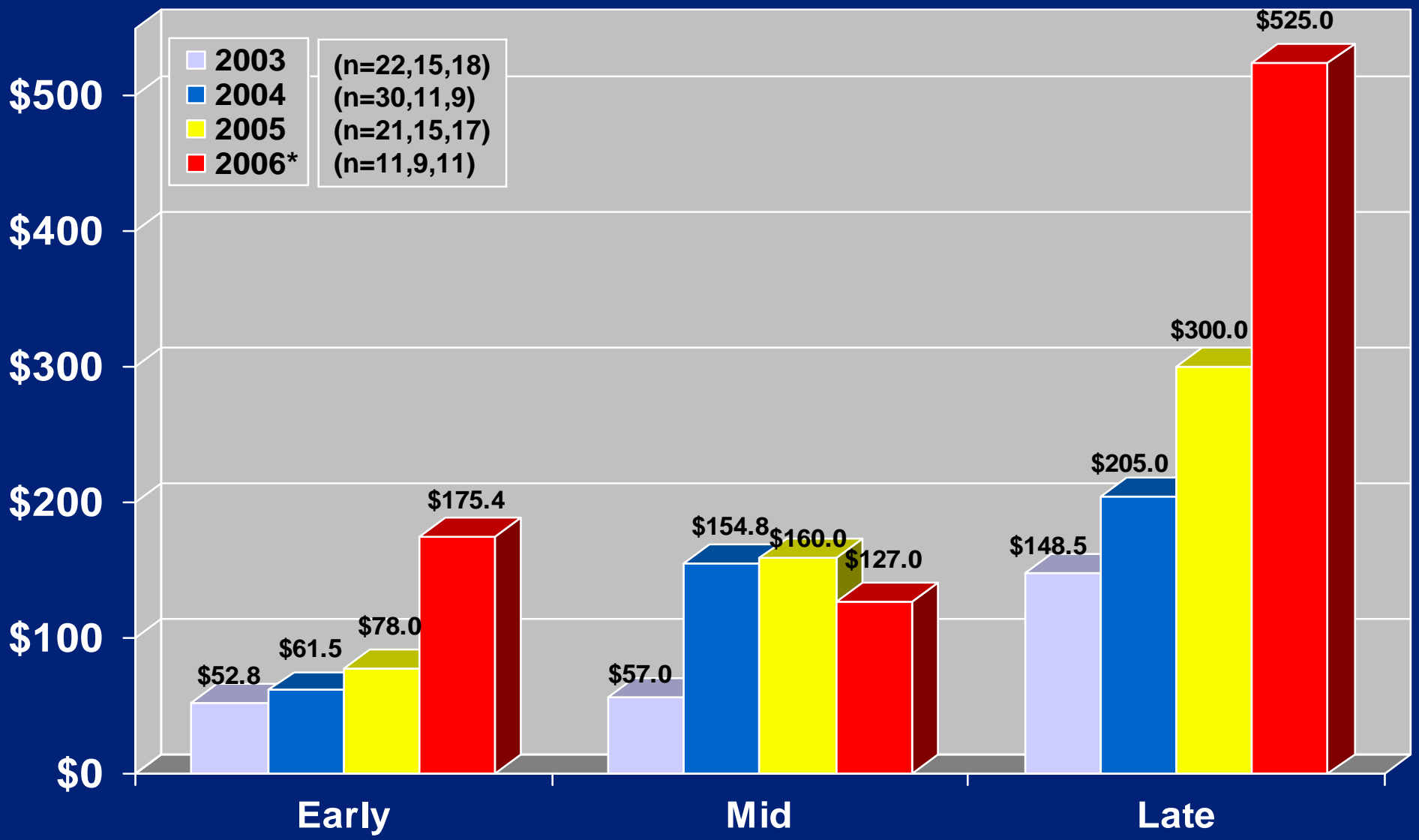
- Top Licensing Shops
 - ◆ Merck – 57 Deals: 46 Early, 8 Mid, 3 Late
 - ◆ Novartis – 50 Deals: 34 Early, 6 Mid, 10 Late
 - ◆ GSK – 42 Deals: 28 Early, 7 Mid, 7 Late
 - ◆ AstraZeneca – 35 Deals: 31 Early, 1 Mid, 3 Late

- Increased Activity – Merck, NVS, Novo, Astellas, Takeda
- Decreased Activity – Lilly, Serono, Bayer



Big Co Deals Since 2003

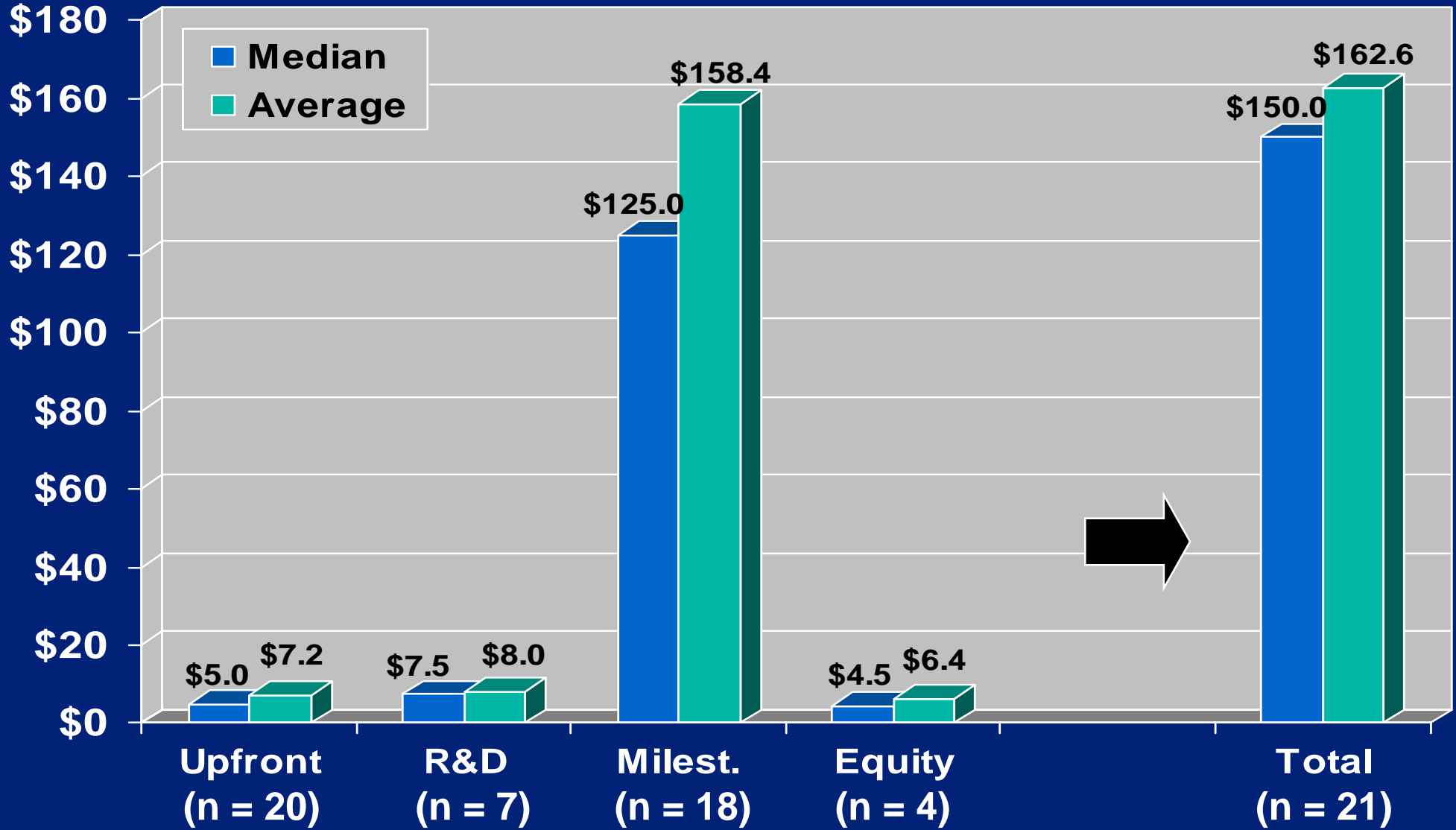
Median Total Size of Deals





Bio Out-L to 'BigCo'

Payments in Lead Stage Deals since 2003





Early Stage Dealmaking

- Big Pharma progression back to Early Stage Deals
 - ◆ 2002 – Year of the Phase III Deal
 - ◆ 2003 – Phase II Deals
 - ◆ 2004 – Phase I
 - ◆ 2005 & 2006 – Preclinical and Lead Stage

- GSK – CEEDD (Center for Excellence in External Drug Development)

- Tech Platforms – mAbs, RNAi, next gen. modalities

Trends in Phase II and Discovery-Stage Deal Terms: Proof of Concept Opt-In for GPCR Programs

EPIX

Option to 5-HT4 agonist (PRX-03140) and 3 other GPCR programs (12/06)

- \$17.5M Upfront Cash
- \$17.5M Equity Purchase @ 25% premium
- \$1.2B total milestones across 4 programs (~ \$300M milestones per Program):
 - 10 pre-Option paymts (2 remaining for PRX-03140)
 - 7 post-Option paymts (9 for PRX-03140)
 - 3 sales milestones per Program

GSK

**EPIX has U.S. Co-Pro
option for 5-HT4
agonist program
Reversion royalty to
GSK for Returned
Cmpds**

**Tiered Double-
Digit Royalties**

**GSK Opt-in at PoC for
each Program
PRX-03140 in clinical
development for
Alzheimer's disease**

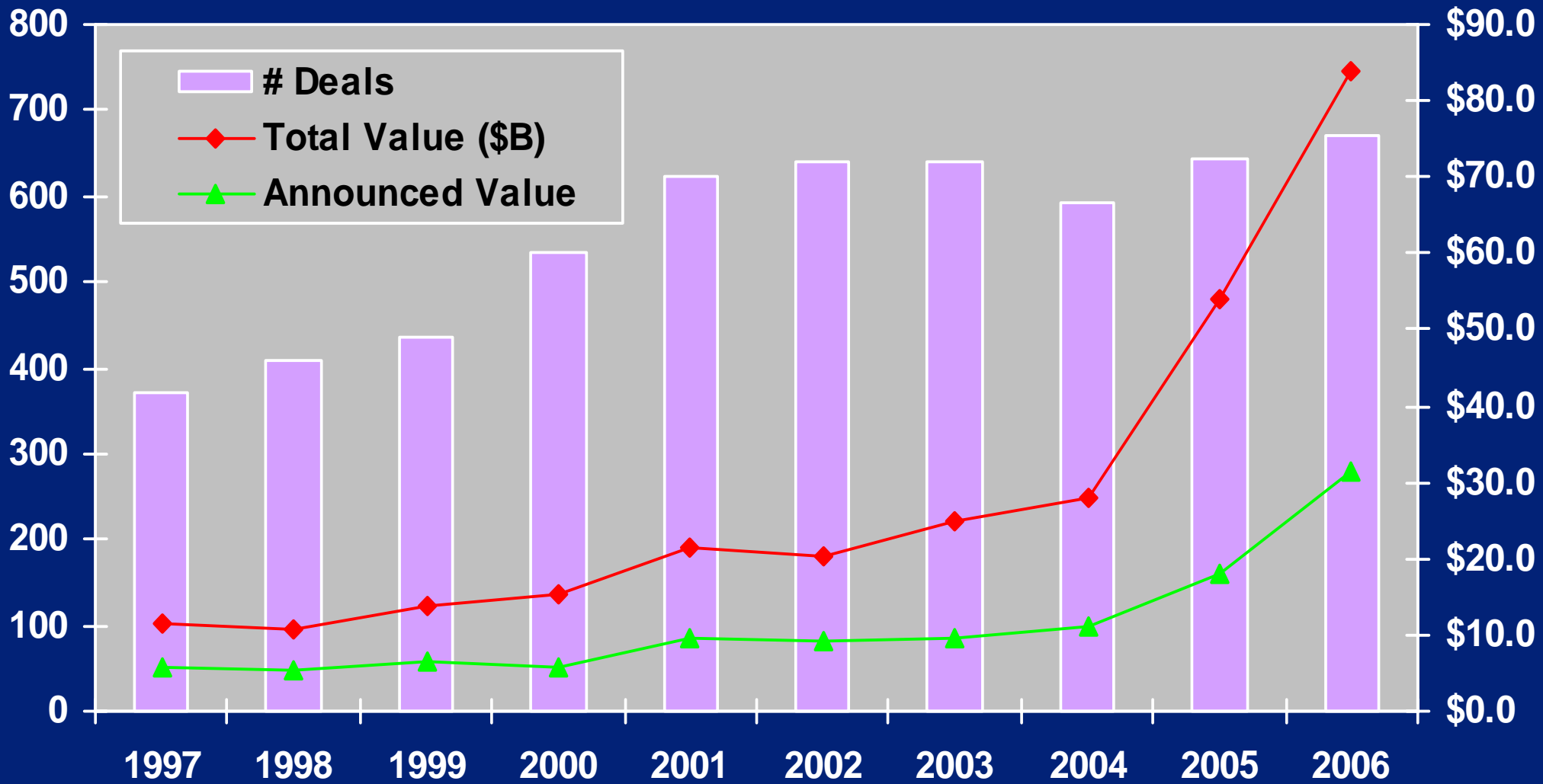
GSK shall manufacture

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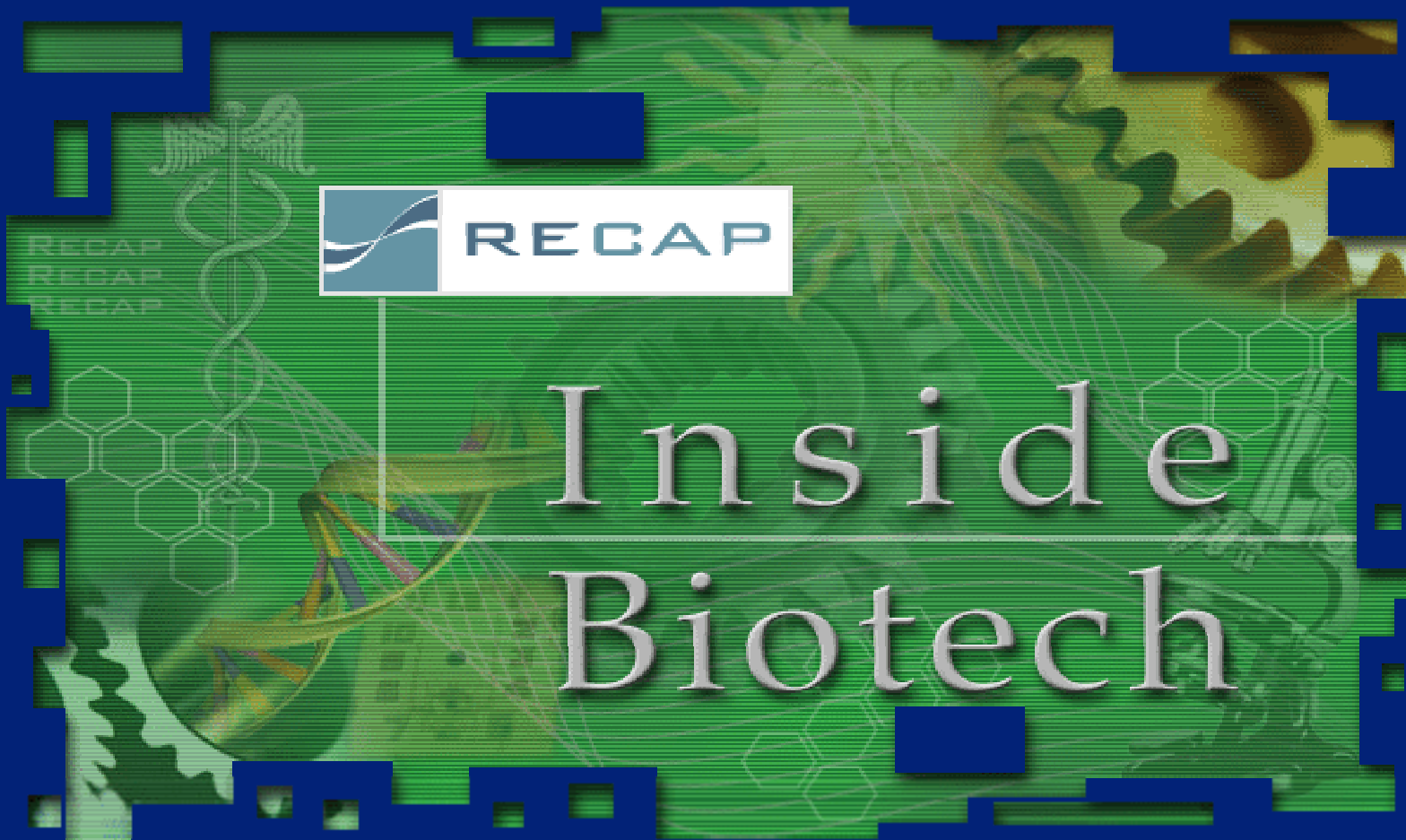


Value of Biotech Out-L Deals

Number Deals by Year and Total Value



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