

A close-up photograph of a person's face, focusing on their eyes and nose. The person has light-colored eyes and is looking slightly to the right. The image is used as a background for the main text.

THE VALUATION EXPERTS

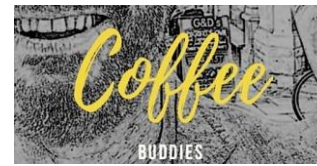
Trends and facts on licensing deals

Patrik Frei & Elias Neuendorf (Venture Valuation)

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Valuation: Independent assessment and valuation

Biotechgate / Business Development Databases

HelloPartnering – Biotechgate Digital Partnering

- Experts Finance / Biotech-Pharma
- Not a venture capitalist
- Track record of over 800 valued companies internationally
- Clients include Start-ups, Pharma, Biotechs, Medtech, VCs and Family Offices
- 35 employees in Asia, Europe and North America



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- 1) Business Development Database
 - Licensing assets and products
 - Licensing agreements / terms
 - Financing rounds
 - Company profiles

2) Investors Database

Licensing Deal Database:

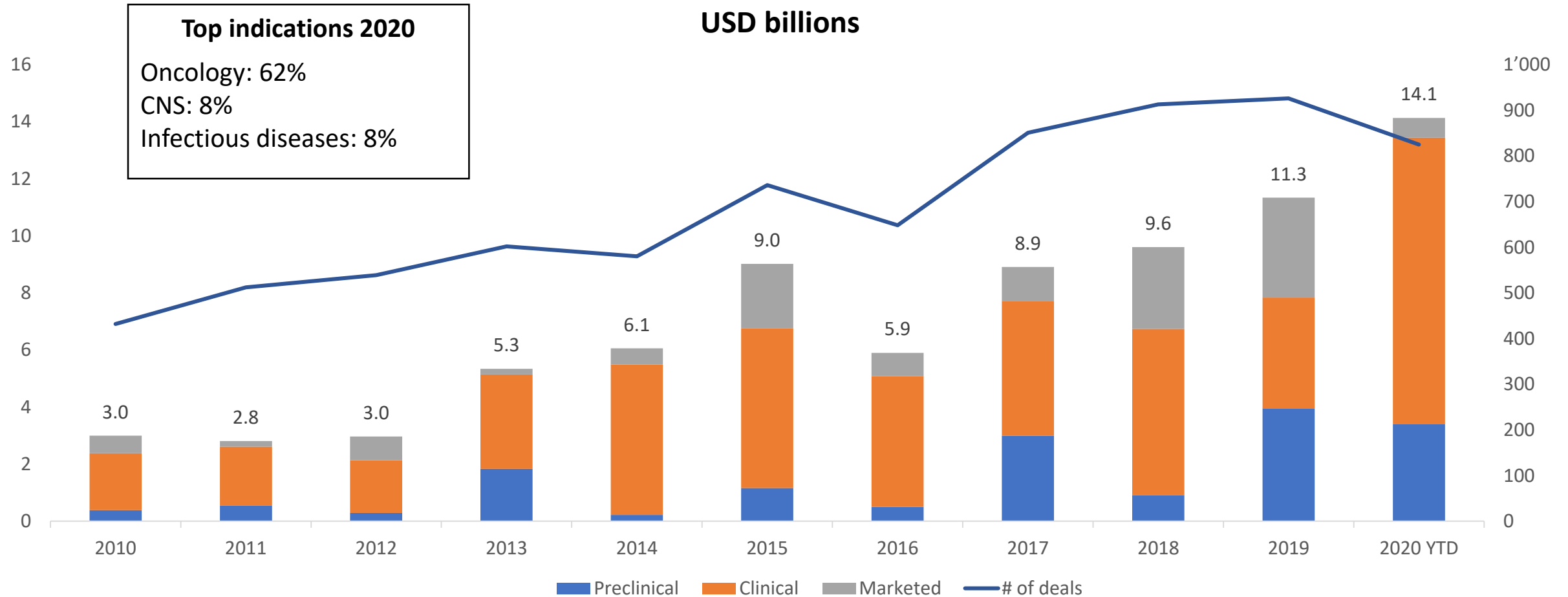
- 10'000+ licensing deals and terms
- 890 actual licensing contracts (pdf for download)

- Licensing Deal trends
- Valuation of licensing deals
- Questions

- Overview and current environment
- Deal structure
- Deal size

Licensing deal overview

**Disclosed upfronts and # of deals
USD billions**

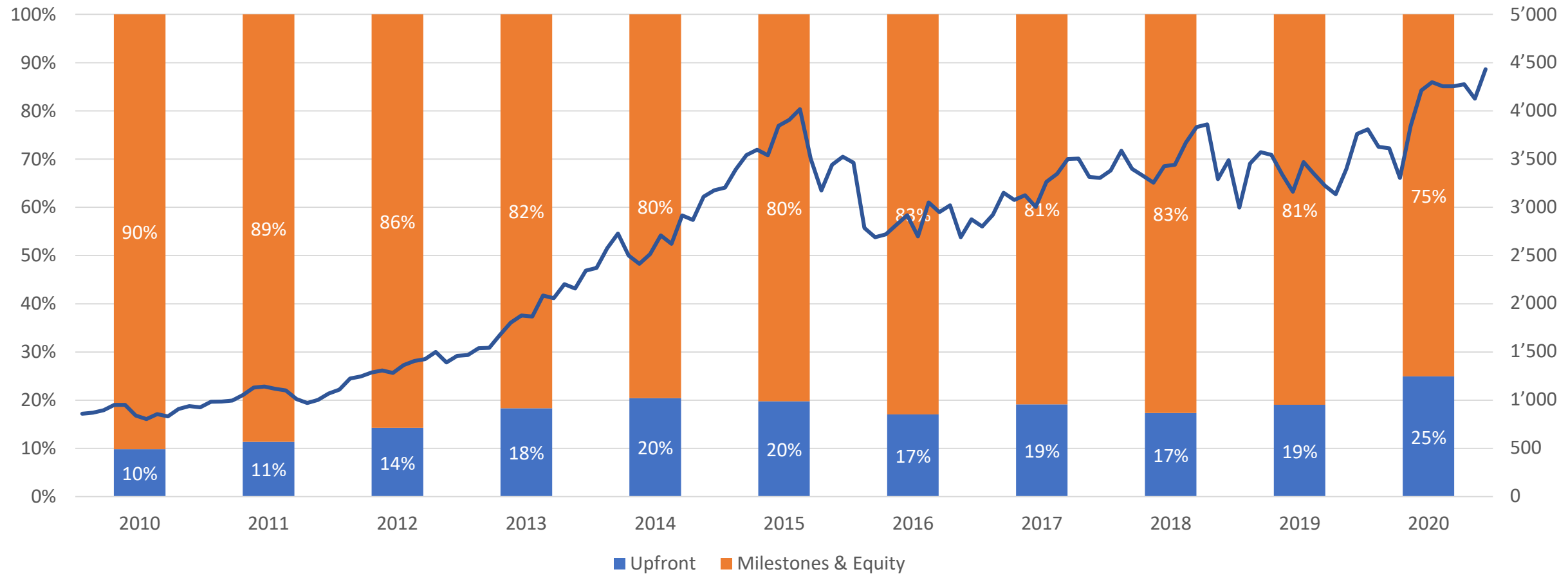


Source: Biotechgate.com. N = 7564 (# of deals) and N = 2131 (disclosed upfronts).

Deal structure: Upfront payments



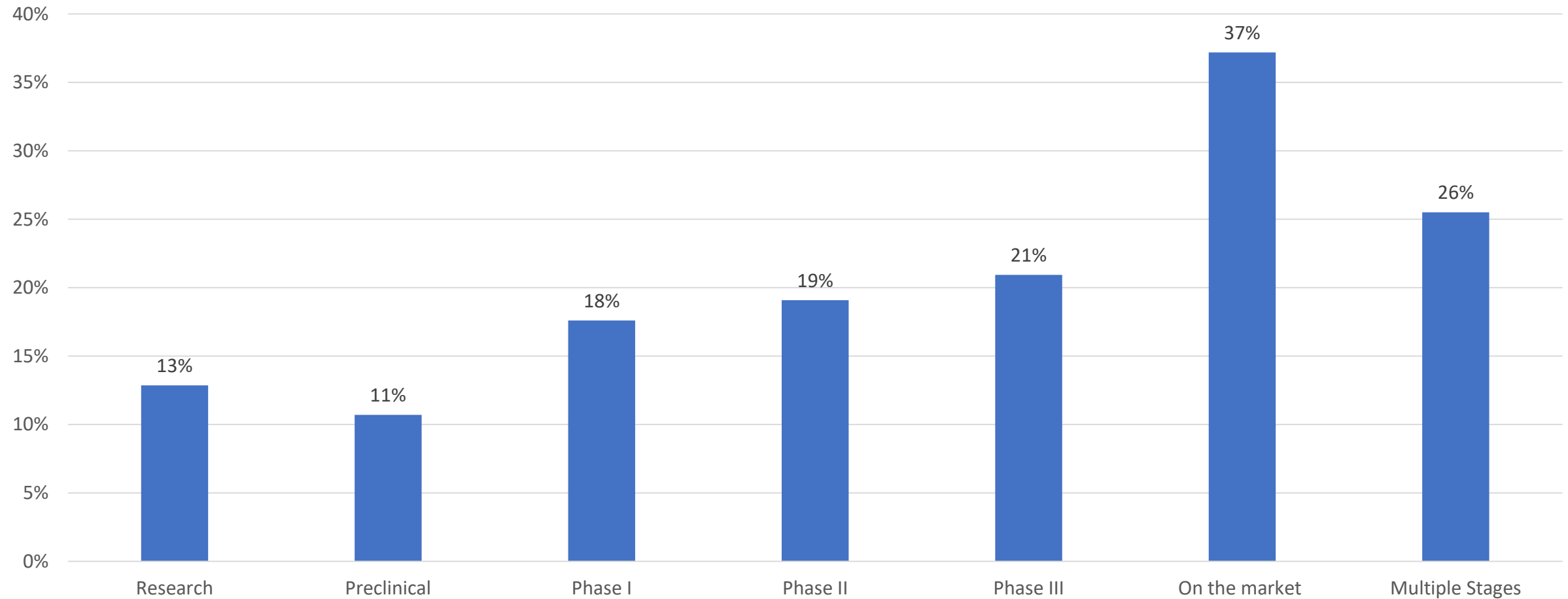
Share of upfront vs additional payments in licensing deals



Deal structure: Upfront payments



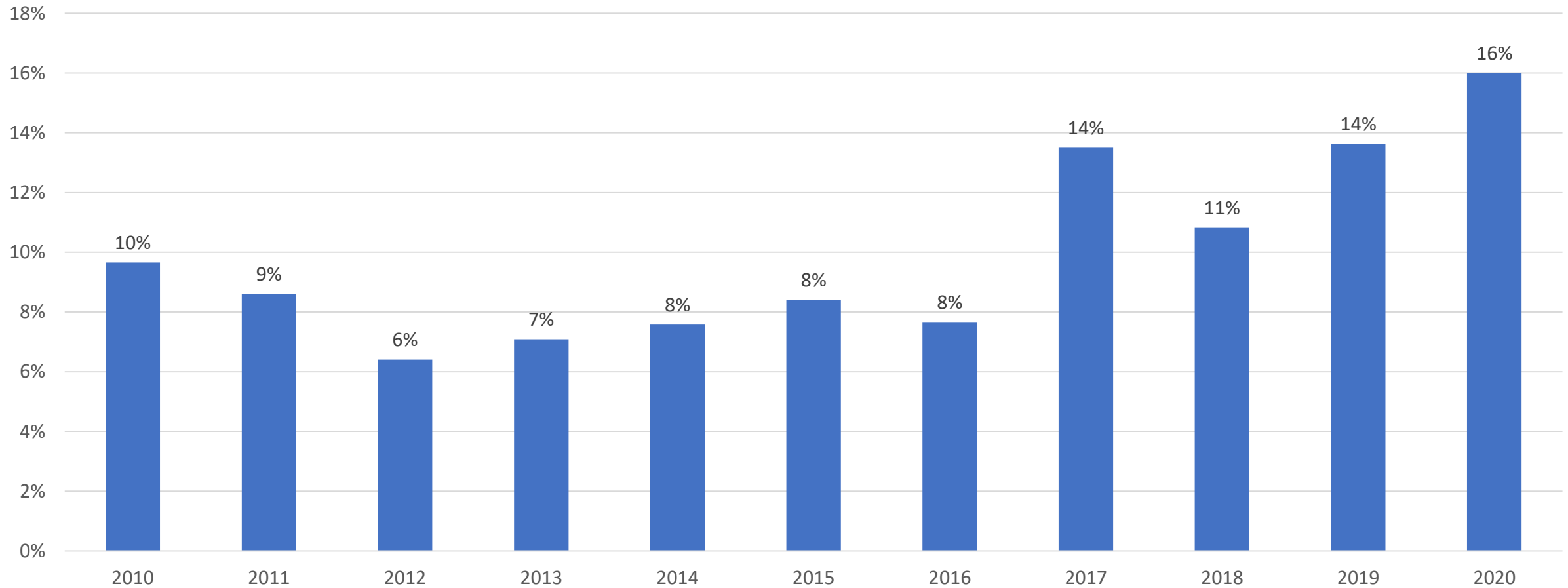
Share of upfront in total potential deal value 2010-2020



Deal structure: Average royalties



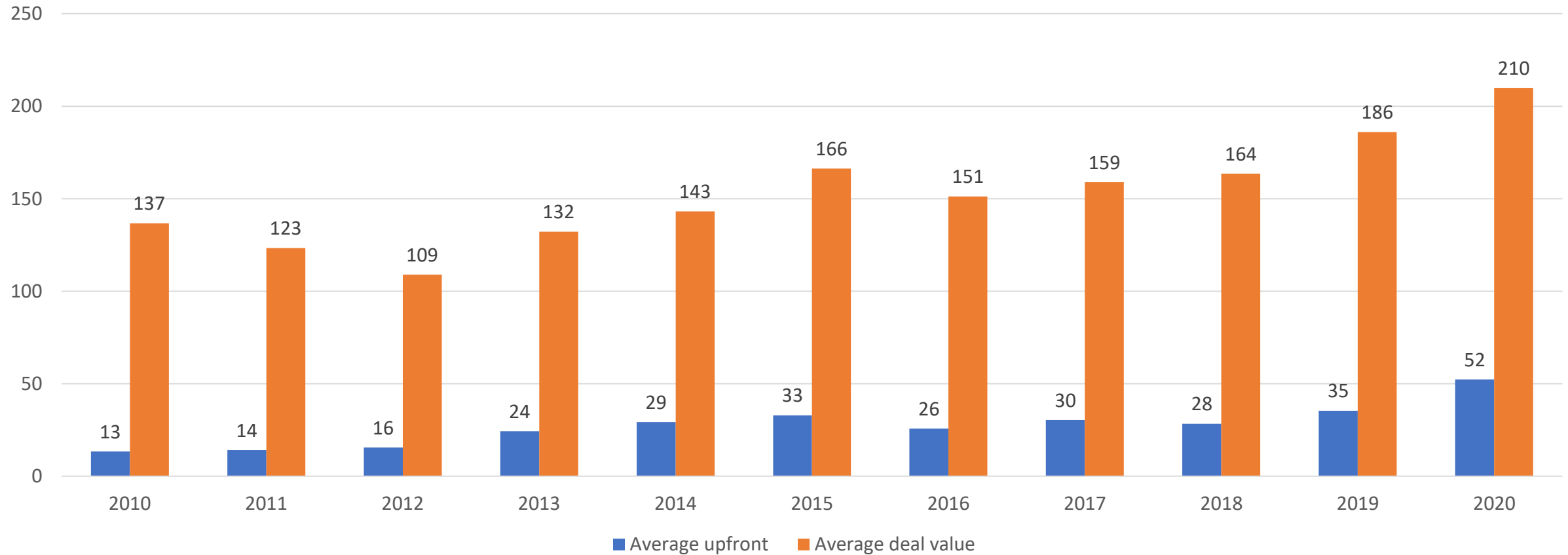
Average disclosed royalty percentages



Deal size: Average upfront and total deal value

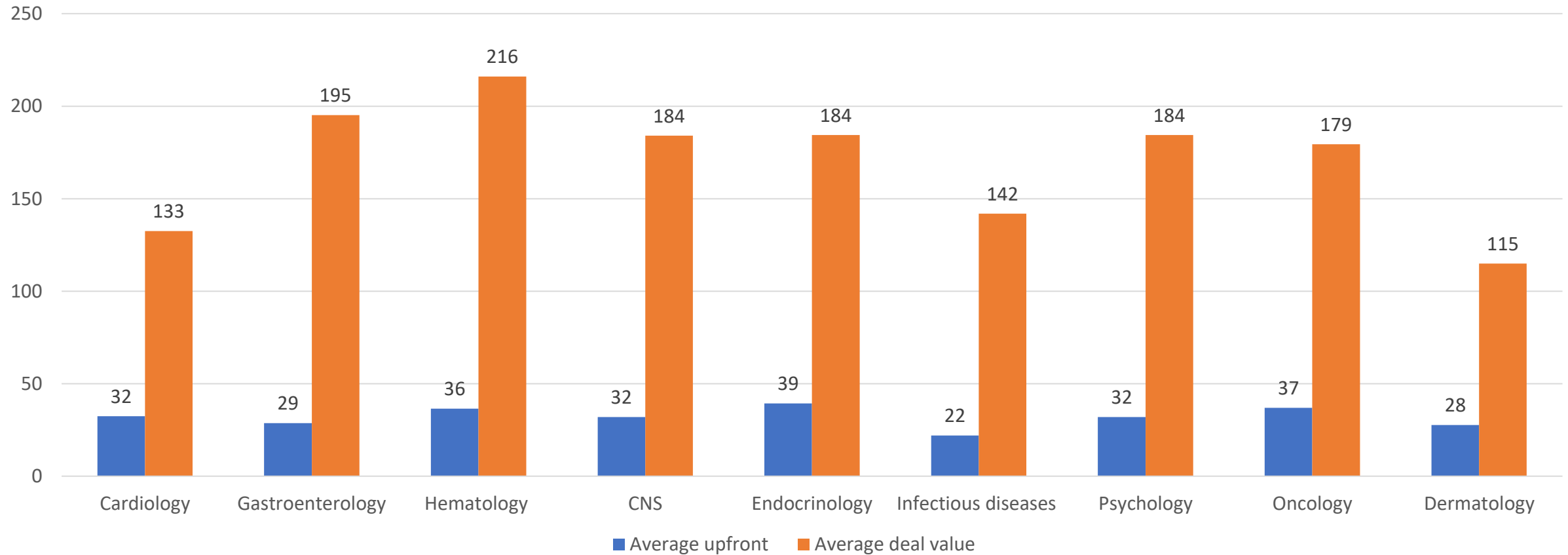


Average upfront and average potential deal value 2010-2020
USD m



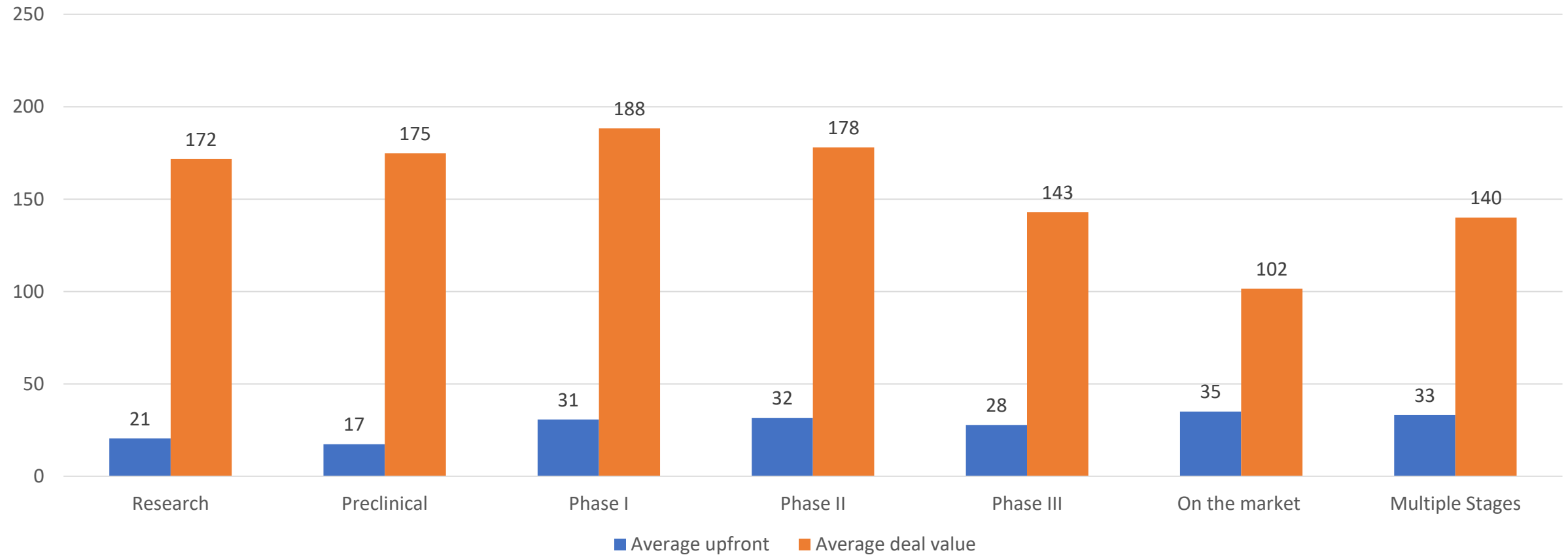
Deal size: Averages in different indications

Average upfront and average potential deal value 2010-2020
USD m



Deal size: Averages in different stages

Average upfront and average potential deal value 2010-2020
USD m



- Licensing Deal trends
- Valuation of licensing deals
- Questions



1. Valuation of a product – Why?

⇒ Strategic development decision

⇒ Licensing deal

2. Estimate deal terms – How?

⇒ Value asset/product (rNPV*)

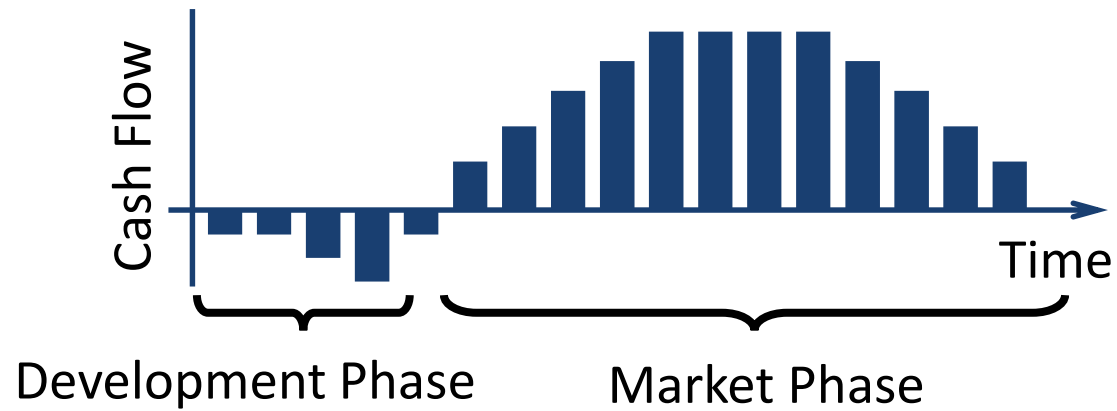
⇒ Distribution of value (licensee / licensor)

⇒ Benchmark deal-terms

⇒ Different deal structures (front- / back-loaded)

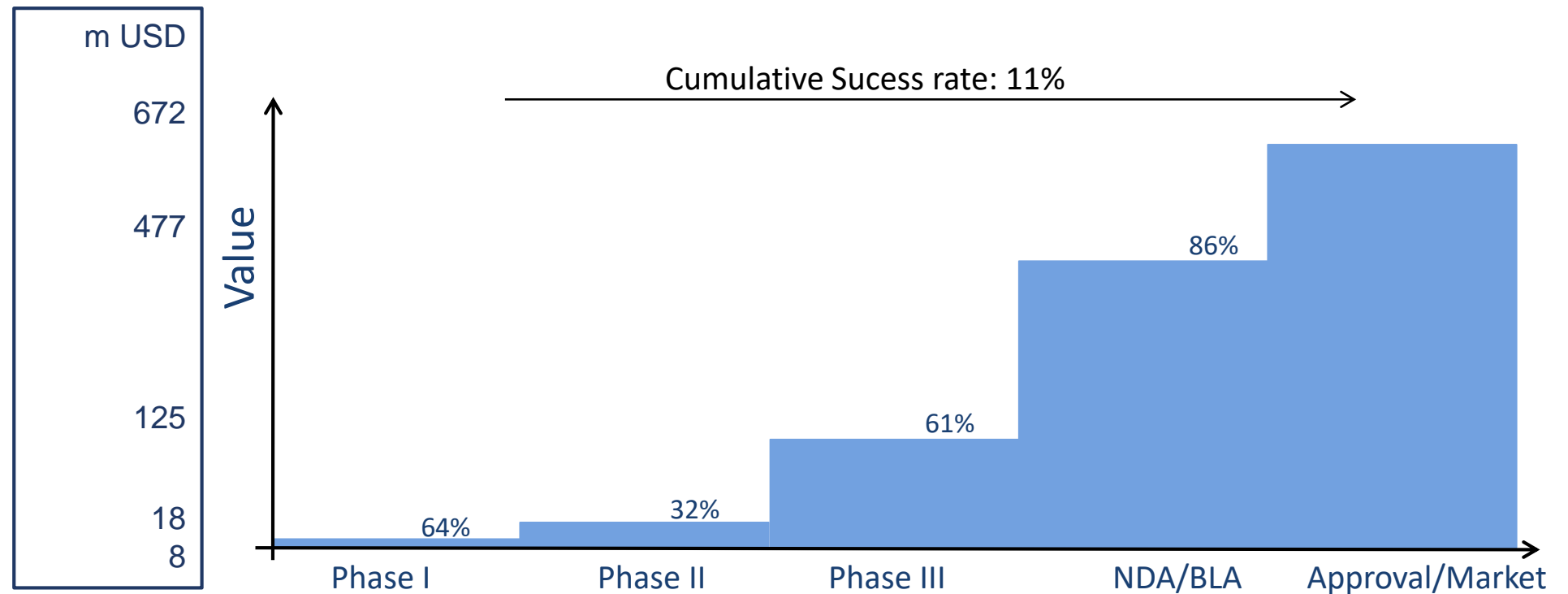
* rNPV: risk adjusted net present value

1. Development phase
Product Risk (r)
=> investment
=> success rate or attrition rate
2. Market phase
Patent expiry
=> revenues
=> end of revenues
3. Discount
=> non-product development
specific risk (General Risk)



The relation between Risk and Value

- Completion of a phase → Direct value increase





- Front/ back-loading a deal can heavily influence deal structure

In USD m	Payment of	rNPV* (or up-front)
Up-front	1 m	1 m
Finish Pre-clinical	1 m	0.44 m
Finish Phase I	1 m	70'000
Finish Phase II	1 m	17'000
Finish Phase III	1 m	8'000
Approval / Enter market	1 m	5'000
Royalties	1%	0.70 m

* rNPV: risk adjusted net present value

Timing of payments



- Two very different deal structures can look identical



Cash Flow



- Pharma
- Biotech

- Non-discounted, non-risk adjusted

1

rNPV



- Pharma
- Biotech

- 25 million upfront
- 300 million milestones
- 5% royalties

2

rNPV



- Pharma
- Biotech

- 5 million upfront
- 50 million milestones
- 12% royalties

- Valuation is key to negotiate a licensing deal
- Value = future potential and risk
- Increase value: increase potential / decrease risk
- It's all about the assumptions (rational / source / benchmark)
- Benchmark deal and assumptions



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Thank you for listening!

www.biotechgate.com

www.venturevaluation.com

p.frei@venturevaluation.com

e.neuendorf@venturevaluation.com

Venture Valuation AG

Kasernenstrasse 11

8004 Zürich

Switzerland

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