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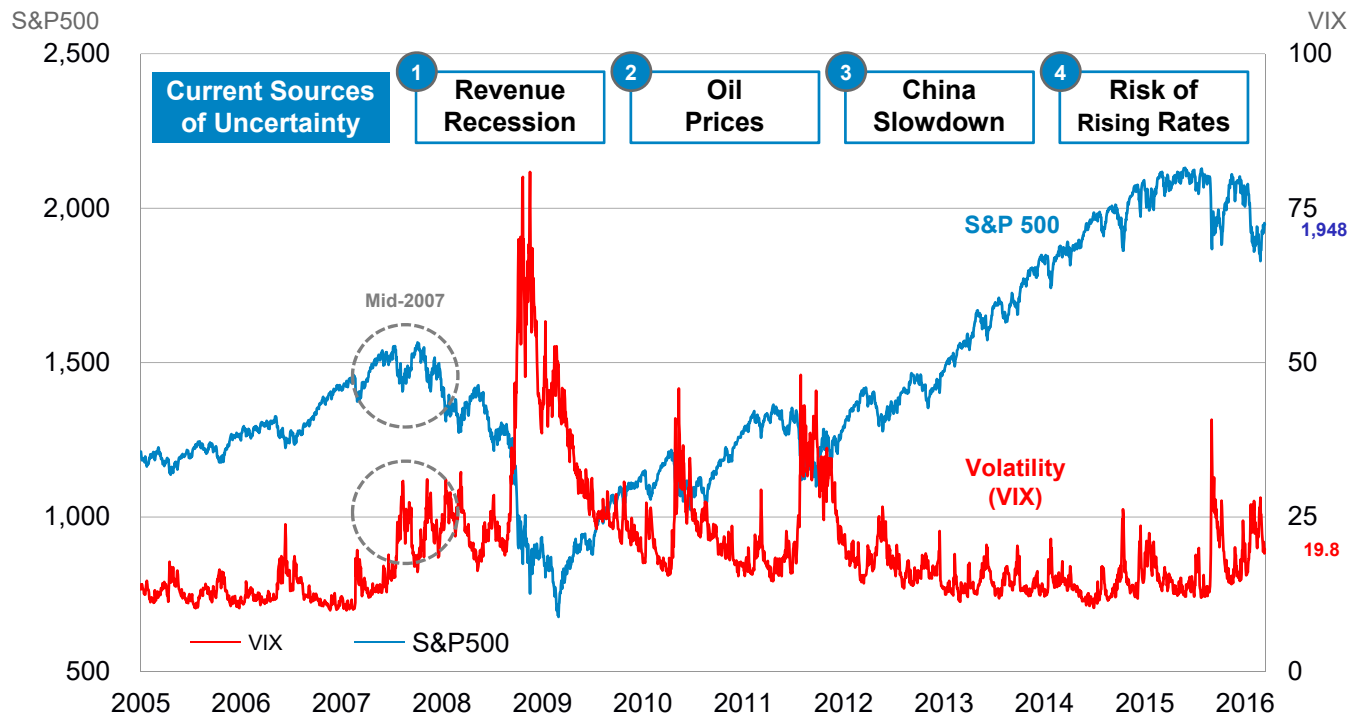
State of Affairs in the Biotech Industry

March 2, 2016

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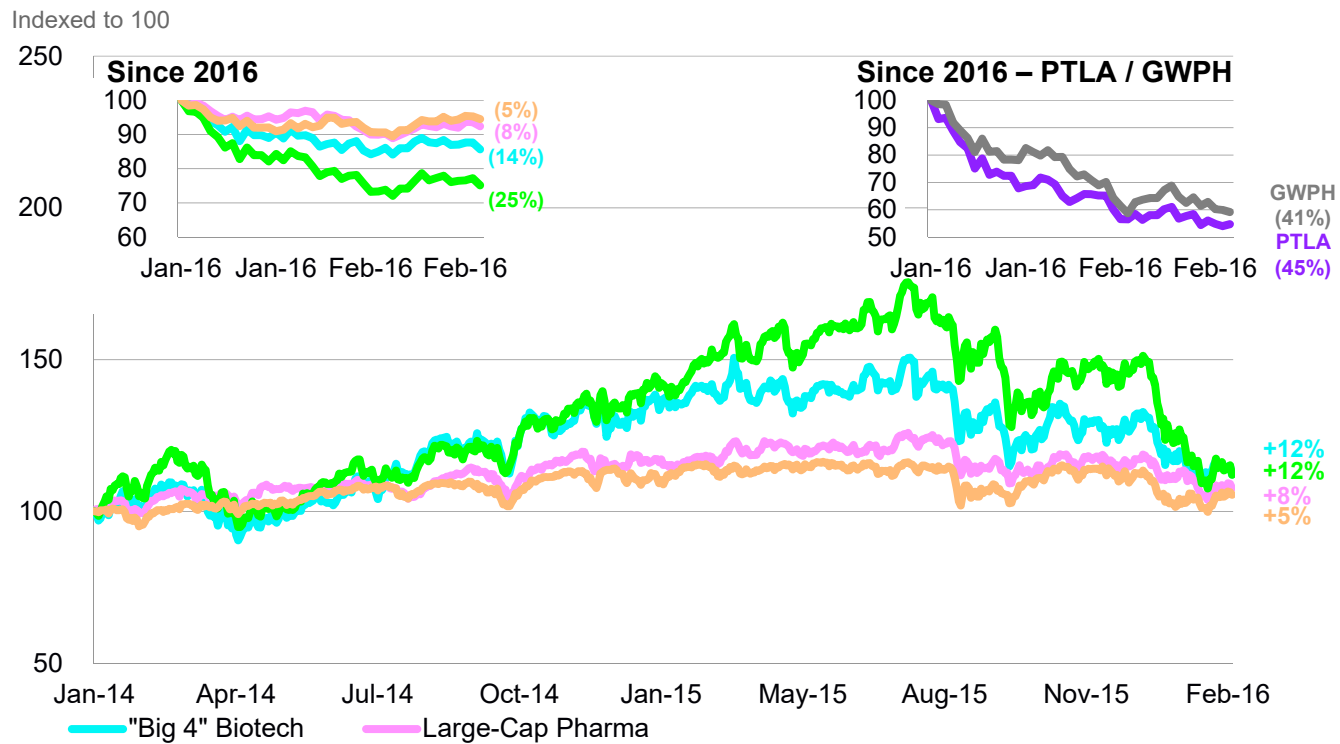
Remember the Macro Environment

Key Indices



General Downturn In Market

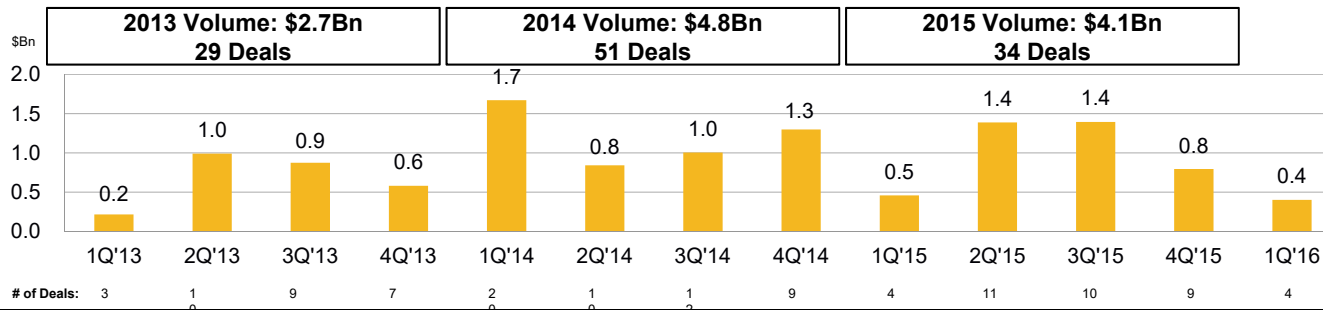
Share Price Since 2014



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Biotech IPO Volumes and Market Windows Since 2013

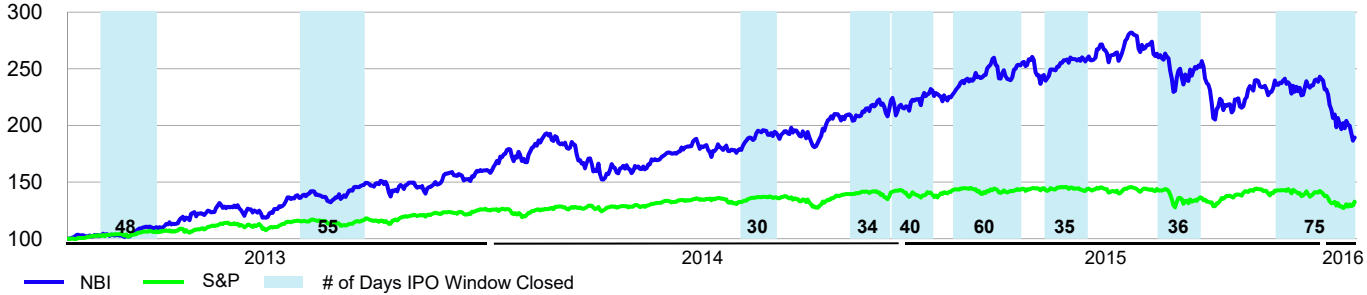
Biotech Deal Volume Breakdown



Longest Period Biotech IPO Window Closed

>30 Days with No Biotech IPO Pricings

NBI, S&P Indexed to 100

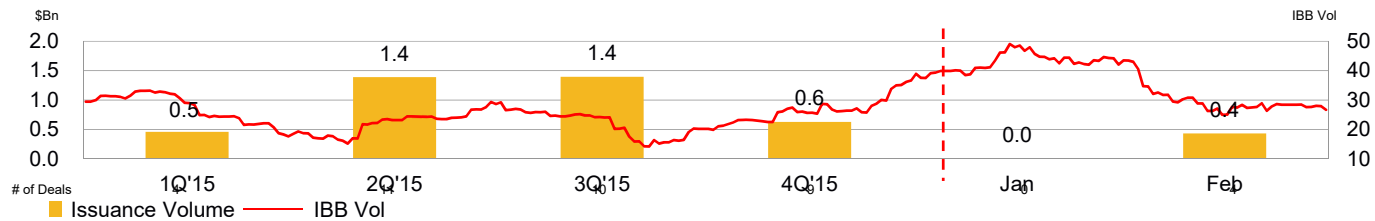


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IPO Market Has Deteriorated

Biotech IPOs 2015TD

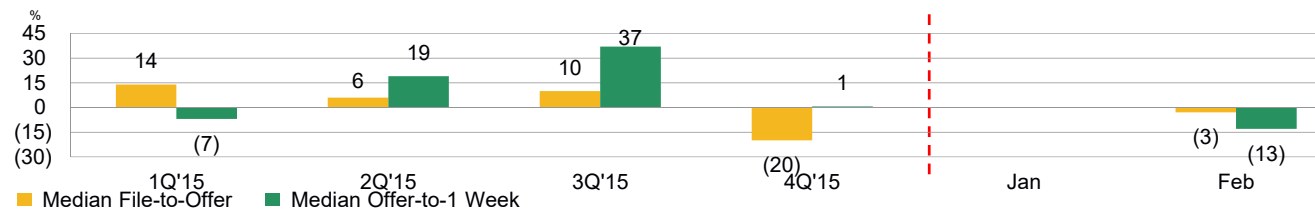
Biotech IPO Issuance Volume



IPO Pricing Environment Has Deteriorated, But Deals Getting Done

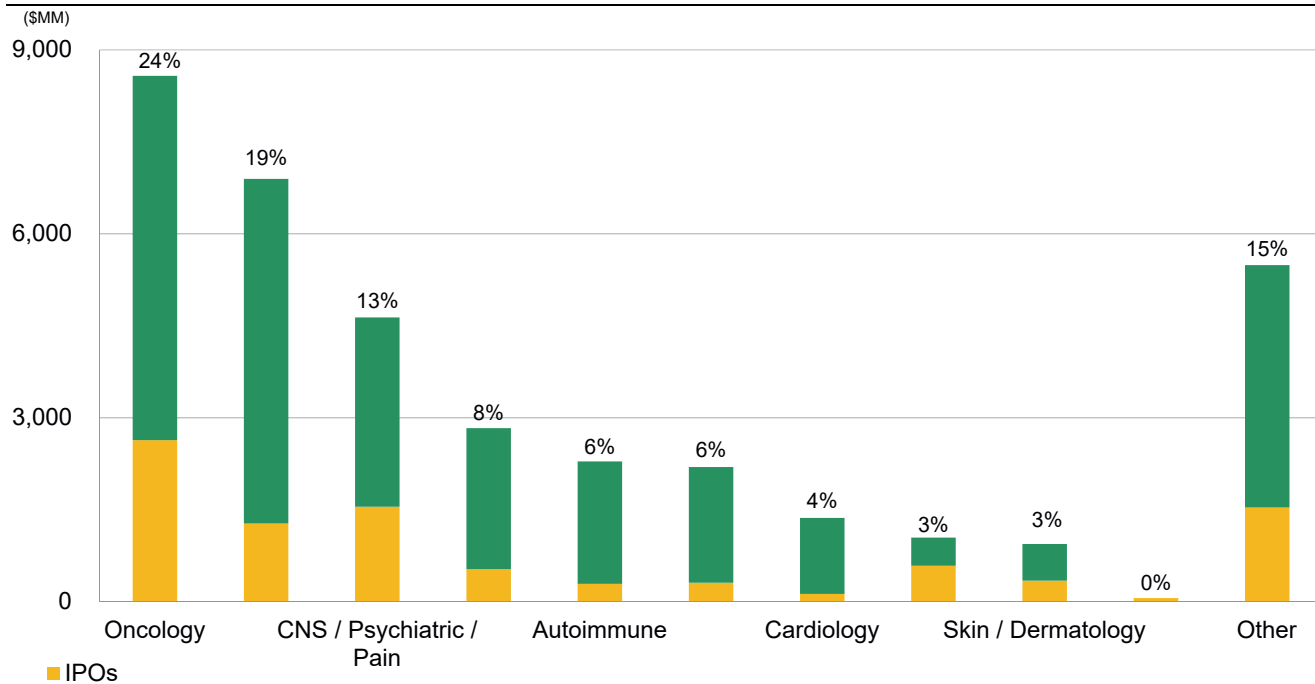


IPO Pricing and Trading Post-Labor Day Has Been Challenged



Where is Public Market Biotech Funding Going?

2014TD Biotech Capital Raised



Fundamental Valuation Drivers for IPO

Company Positioning	Financial Model	External Factors
<ul style="list-style-type: none">• Market size and position• Robustness of clinical data → Translatability• Pipeline visibility• Business momentum• Business model• Management quality	<ul style="list-style-type: none">• Key inflection points• Funding requirements• Visibility of revenues and earnings• Existing investors	<ul style="list-style-type: none">• Comparable valuations• Market volatility• Tone of markets• M&A• Shareholder activism

Will Partnering Return as an IPO Critical Success Factor?

IPOs With >\$250MM Pre-Money Valuations Since 2010

Company	Year	Pre-Money Value (\$MM)	IPO Size (\$MM)	Summary			Phase of Lead Asset
				Partner(s) ?	Crossovers?	>\$50MM Cash	
Voyager	2015	297	81	✓	✓	✓	I
CytomX	2015	384	92	✓	✓		Preclinical
FibroGen	2014	1,037	168	✓	✓	✓	III
MacroGenics	2013	332	92	✓	✓		III ready
Acceleron	2013	336	96	✓	✓	✓	II
Agios	2013	476	122	✓	✓	✓	Preclinical
OncoMed	2013	416	94	✓	✓	✓	I
Epizyme	2013	398	89	✓		✓	I
Portola	2013	397	140	✓	✓	✓	III
Merrimack	2012	547	105	✓	✓	✓	III
ChemoCentryx	2012	296	52	✓	✓	✓	III
Ironwood	2010	880	216	✓	✓	✓	III

How Does Partnering Drive Strategic Value?

Benefits

- + Non-dilutive \$ to de-risk through inflection points
- + Eliminate need to build certain infrastructure
- + Enhance visibility to strategics
- + Financially sound return

Considerations

- Retention of rights vs. royalty
- Governance
- Strategic appeal (and timing)

⇒ Assessment of Risk / Reward

What Will Drive Accelerated M&A Activity?

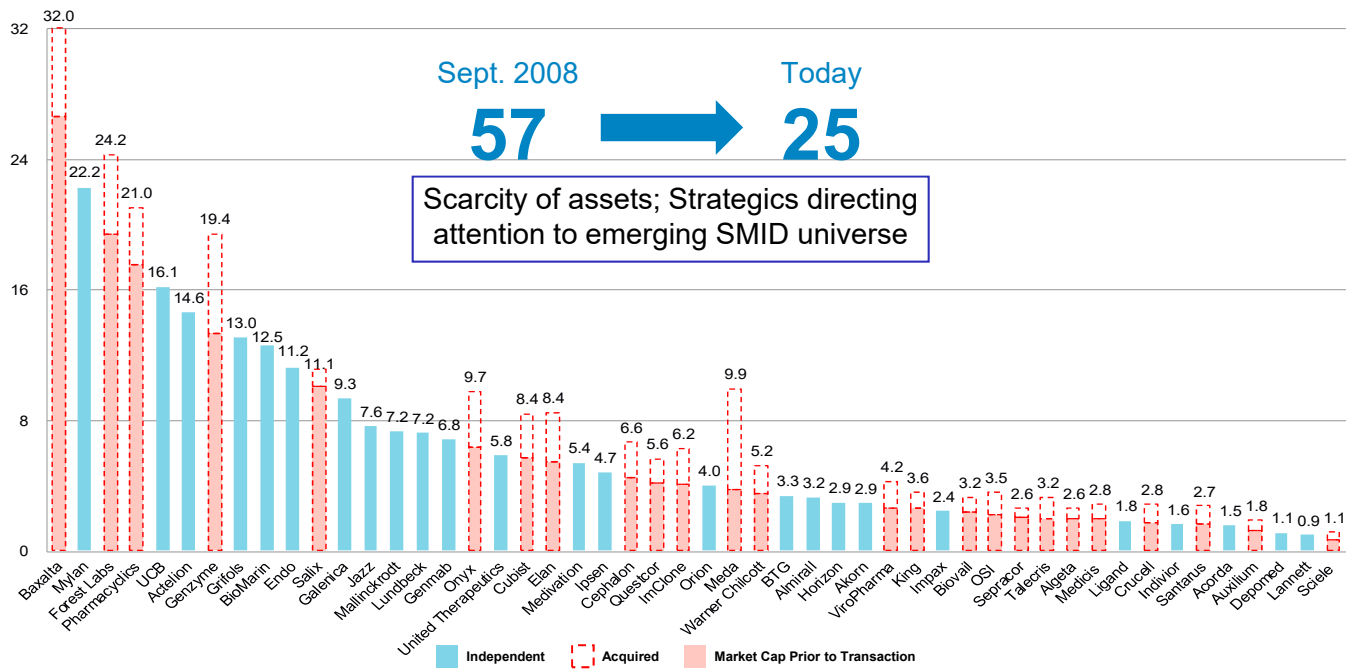
- Seeking growth
- Continued threats – generic cliffs, disappointing R&D productivity
- Long-lived (non-cliff) assets
- Newly approved products
- Specialty therapeutic areas
- Partnerships not precluding acquisitions
- Diversification – single product risk, therapeutics
- Potential for synergies
- Hostile activity and shareholder activism

Profitable Biopharma Target Universe is Shrinking

Mid-Cap Pharma Universe

~\$1Bn – \$30Bn

Market Capitalization (\$Bn)

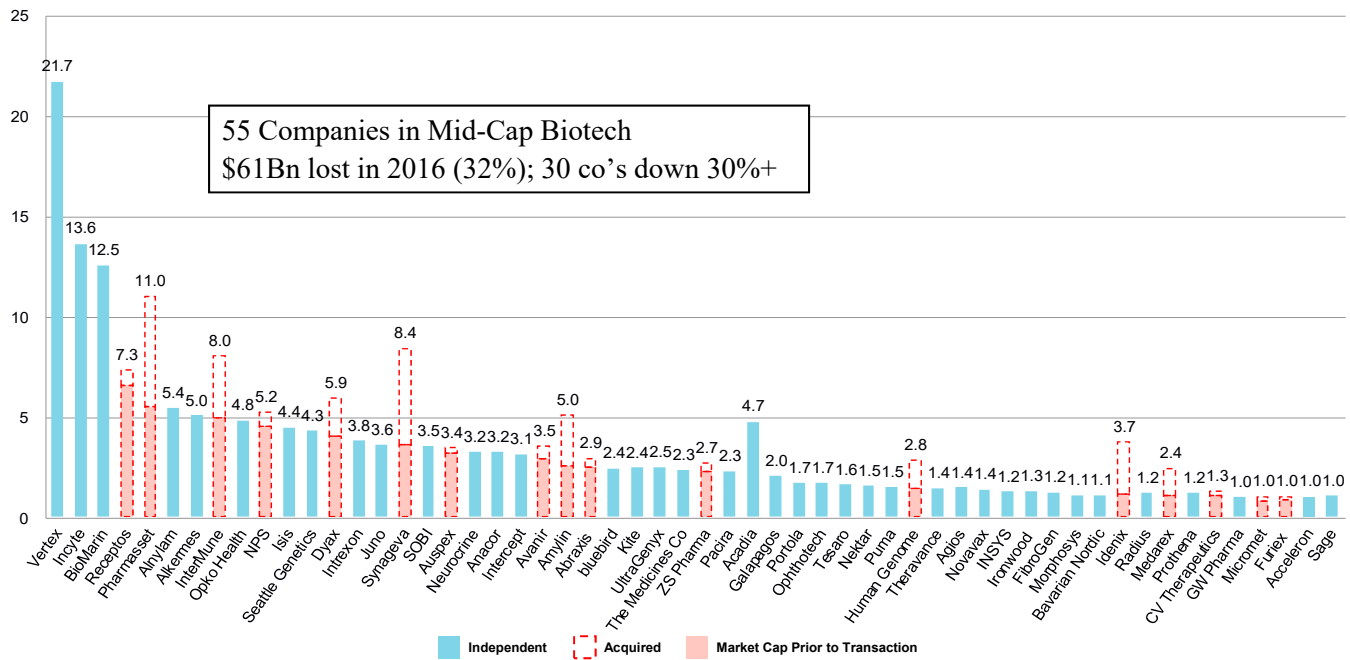


Unprofitable Biopharma Target Universe

Unprofitable Mid-Cap Biotech / Spec. Pharma Universe

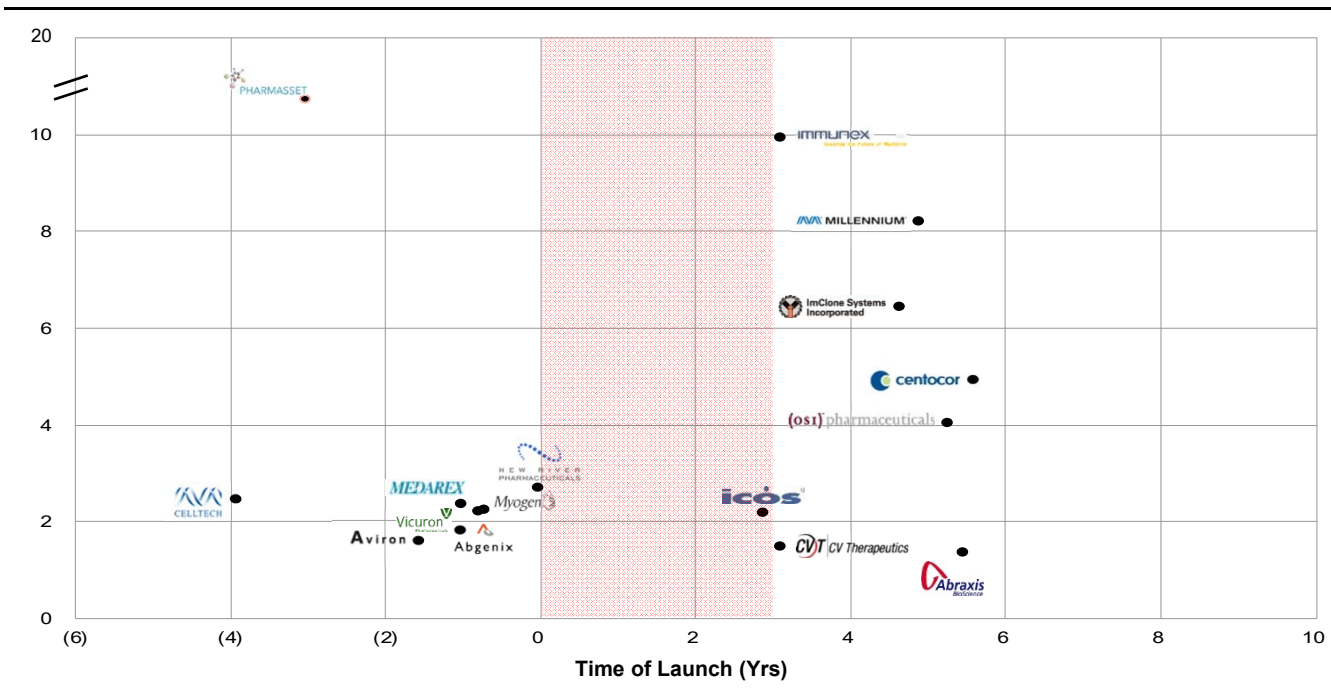
~\$1Bn – \$30Bn

Market Capitalization (\$Bn)



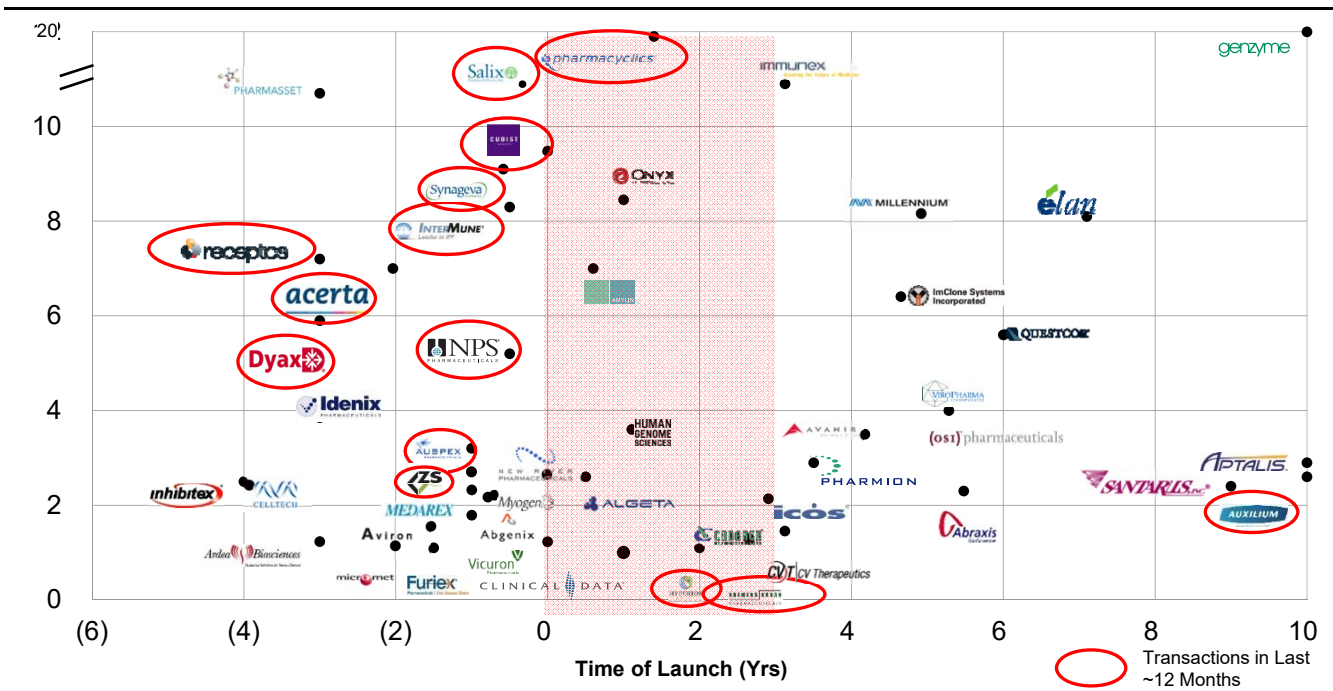
When Do Acquisitions Happen?

Transaction Value (\$Bn) (2011)



When Do Acquisitions Happen?

Transaction Value (\$Bn) (2016)



Current State of the Industry

- Fundamental strength remains significant
- Maturing universe to deliver important milestones in 2016 / 2017
 - Product launches, pivotal trials
- Strategic activity will remain high and accelerate
- Business plans adjusting to reduced public investment
 - Strategic partnerships
 - Disciplined use of cash for meaningful inflection points
 - Creative financings