




*Fueling life sciences through
transformative transactions*

BIOPHARMA BUY-SIDE DEAL PROCESS KEYS TO SUCCESS

JUNE 13, 2017

Locust Walk is positioned as a fully integrated advisor with all key capabilities necessary for life science transaction advisory



Investment Banks

| Pros | Cons |
|----------------------------------|--------------------------------------|
| Financial analytic capability | Lack of industry operating expertise |
| Board level network and contacts | Strategic deliverables unusual |
| Investor connectivity | Limited involvement early in process |



Full-Time Hires

| Pros | Cons |
|----------------------------|--|
| Deep company understanding | Limited resources to execute transactions |
| Long-term commitment | Multiple work stream distractions |
| Operational expertise | Lack of broad experience (e.g., finance & partner) |




Locust Walk

Locust Walk integrates the benefits of multiple advisors to provide a full-service offering for clients



Consulting Firms

| Pros | Cons |
|---------------------------------------|-------------------------------------|
| Strategic analytic insights | Lack transaction capabilities |
| Board-ready deliverables | Not licensed as a broker/dealer |
| Primary/ secondary research specialty | Lack detailed company understanding |



Individual Consultants












| Pros | Cons |
|---|--|
| Industry & operational expertise | Not licensed as a broker/dealer |
| Close working relationship with management team | Lack of broad experience (e.g., finance & partner) |
| | Limited resources |

Locust Walk has helped build many successful life science companies

| | | | | | |
|--|--|--|--|--|---|
|  <p>Advised on company acquisition</p>  <p>\$55M Upfront, \$154M CVR</p> |  <p>Sell-side Japan/Asia collaboration for PRS-080</p>  <p>\$2.75M Upfront, \$80M Milestones, Plus Royalties</p> |  <p>Sell-side immuno-oncology collaboration</p>  <p>\$31M Upfront, \$539M Milestones, Plus Royalties</p> |  <p>Sell-side Japan licensing agreement for THG-1001</p>  <p>Undisclosed</p> |  <p>Sell-side US licensing agreement for arhalofenatone</p>  <p>\$15M Upfront, \$190M Milestones, Plus Royalties</p> |  <p>Buy-side US rights acquisition for Kevevis</p>  <p>\$8.5M Upfront, Undisc. Milestones and Royalties</p> |
|  <p>Advised on company acquisition</p>  <p>Undisclosed</p> | <p>NeoTX Therapeutics</p> <p>Buy-side licensing agreement for ANYARA</p>  <p>\$250K Upfront, \$71M Deal Value</p> |  <p>Identified and initiated buy-side acquisition</p>  <p>Undisclosed</p> |  <p>Sell-side license for Canadian rights of IbuCream</p> <p>Leading Consumer Health Co</p> <p>Undisclosed</p> |  <p>Immuno-Oncology Advisor</p> <p>Undisclosed</p> |  <p>Development & commercial collab. for anti-LIGHT mAb</p> <p>KYOWA KIRIN</p> <p>Undisclosed</p> |
|  <p>Advised on IPO process and syndicate selection</p> <p>\$25M NASDAQ IPO</p> |  <p>Sell-side Asian licensing agreement for fasinumab</p>  <p>\$55M Upfront, \$270M Milestones</p> |  <p>Sell-side Asian licensing agreement for Tecarfarin</p>  <p>Undisclosed Value</p> |  <p>Buy-side licensing agreement for ALT1103 for Acromegaly</p>  <p>\$5M Upfront, \$105M Milestones, Plus Royalties</p> |  <p>Buy-side asset acquisition of Somatoprim for Acromegaly</p>  <p>\$30M in Cortendo Equity</p> |  <p>Advised private placement to leading healthcare investors</p>    <p>\$33.2M Private Placement</p> |
|  <p>Sell-side North American Oravig® rights</p>  <p>Undisclosed Value</p> | |  <p>Advised on Series B financing</p> <p>Life Science Investors</p> <p>\$24.3M Series B</p> |  <p>Advised private placement to leading healthcare investors</p>    <p>\$26.4M Private Placement</p> | | |

Locust Walk has **closed 21 transactions** across a variety of deal types, stages of development and therapeutic areas since 2015

Locust Walk has significant buy-side experience

| | | | | |
|---|---|---|--|--|
|  <p>Buy-side US rights acquisition for Kevevis, approved orphan drug</p>  <p>\$8.5M Upfront, Undisc. Milestones and Royalties</p> |  <p>Buy-side licensing agreement for ALT1103 for Acromegaly</p>  <p>\$5M Upfront, \$105M Milestones, Plus Royalties</p> |  <p>Buy-side asset acquisition of Somatoprim for Acromegaly</p>  <p>\$30M in Equity</p> |  <p>Buy-side advisor on collaboration and follow-on investment</p>  <p>Undisclosed Transaction Value</p> |  <p>Buy-side advisor for acquisition of a second pipeline asset</p>  <p>Private specialty pharma company</p> |
|  <p>Buy-side advisor to acquire late stage orphan products</p> <p>Company sold for \$8.3B</p> |  <p>Buy-side advisor to add commercial heme/renal product</p> <p>Public specialty pharma company</p> |  <p>Buy-side advisor supporting respiratory orphan product search</p> <p>Public specialty pharma company</p> |  <p>Buy-side advisor to acquire late/commercial orphan products</p> <p>Private spec pharma company, ex-Ovation Pharma team</p> |  <p>Buy-side advisor to build hospital franchise</p> <p>Public specialty pharma company</p> |
| <p>NeoTX Therapeutics</p> <p>Buy-side licensing agreement for ANYARA</p>  <p>\$250K Upfront, \$71M Deal Value</p> |  <p>Buy-side advisor to acquire late/commercial orphan products</p> <p>Company sold for \$1.1B</p> | <p>CONFIDENTIAL</p> <p>Buy-side advisor to acquire commercial products</p> <p>PE-backed specialty pharma</p> |  <p>Buy-side advisor to acquire clinical-stage orthobiologic assets</p> <p>Public biopharma company</p> |  <p>Buy-side advisor on setting up new acquisition initiative</p> <p>\$B private family owned business</p> |

Locust Walk routinely surfaces opportunities that clients have never previously considered

Asking the right questions: key factors for a successful buy-side process



Why

- *Why are we undertaking a buy-side process? What defines success? What are the constraints and limitations? How do these translate into a set of search parameters?*



What

- *What is the universe of assets that match key search criteria? Which assets appear to be transactable? Which assets are worthy of resource-intensive pursuit?*



Who & When

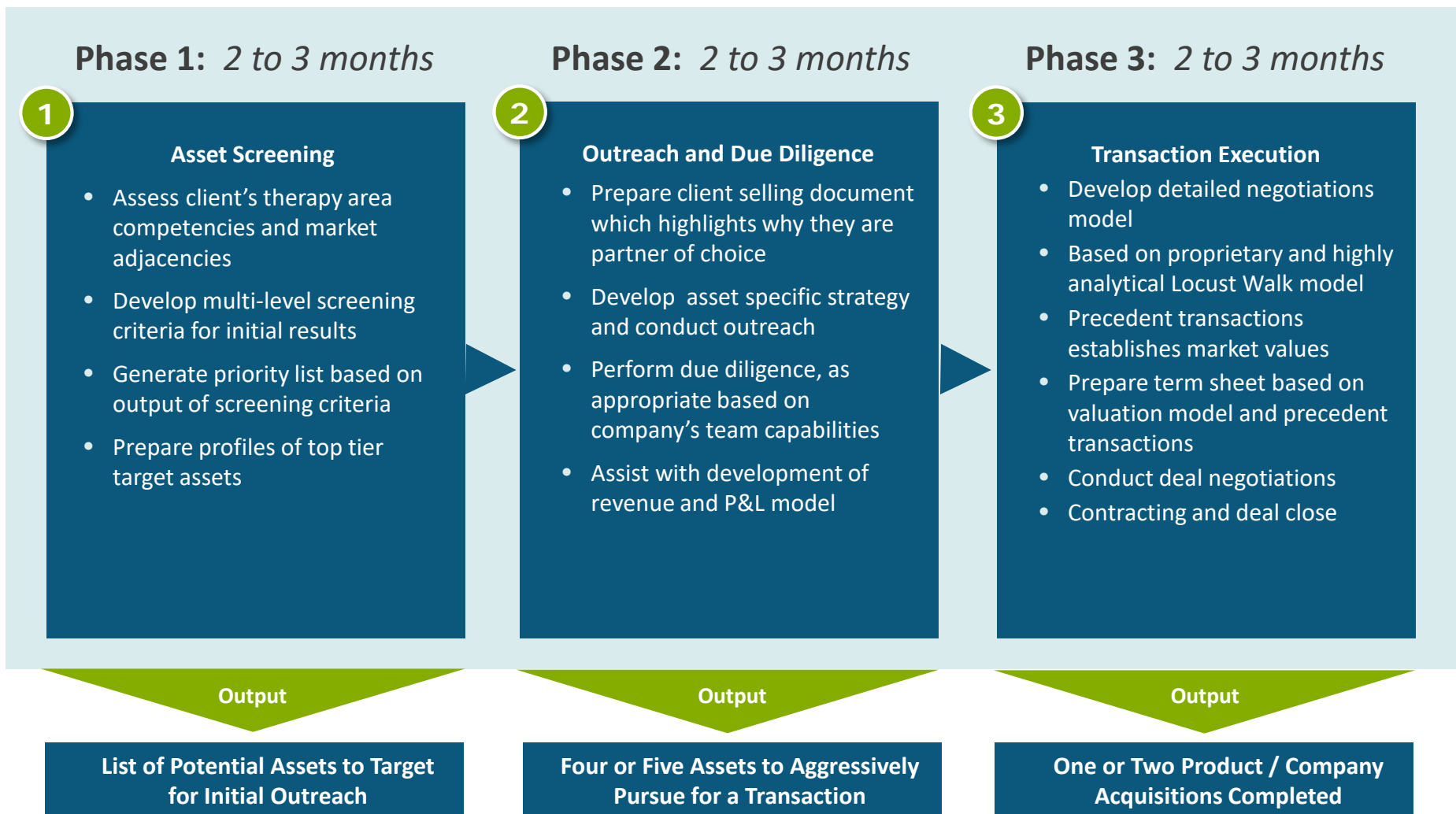
- *When is the right time to open a dialog with the company? Who is the appropriate point of contact? How do we best manage the approach to maximize receptivity?*



How

- *How to manage the process and relationships with the target company to move toward close? How to overcome unforeseen obstacles and roadblocks?*

Locust Walk's typical buy-side approach



Buy-side Process: Keys to Success

AGENDA

- 1 Defining Goals and Constraints
- 2 Implementing a Successful Asset Screen
- 3 Building the Business Case
- 4 Conducting Initial Outreach and Discussions
- 5 Executing on Assets of Interest

DEFINING SUCCESS:
ALIGNING ON GOALS AND CONSTRAINTS OF
PORTFOLIO EXPANSION

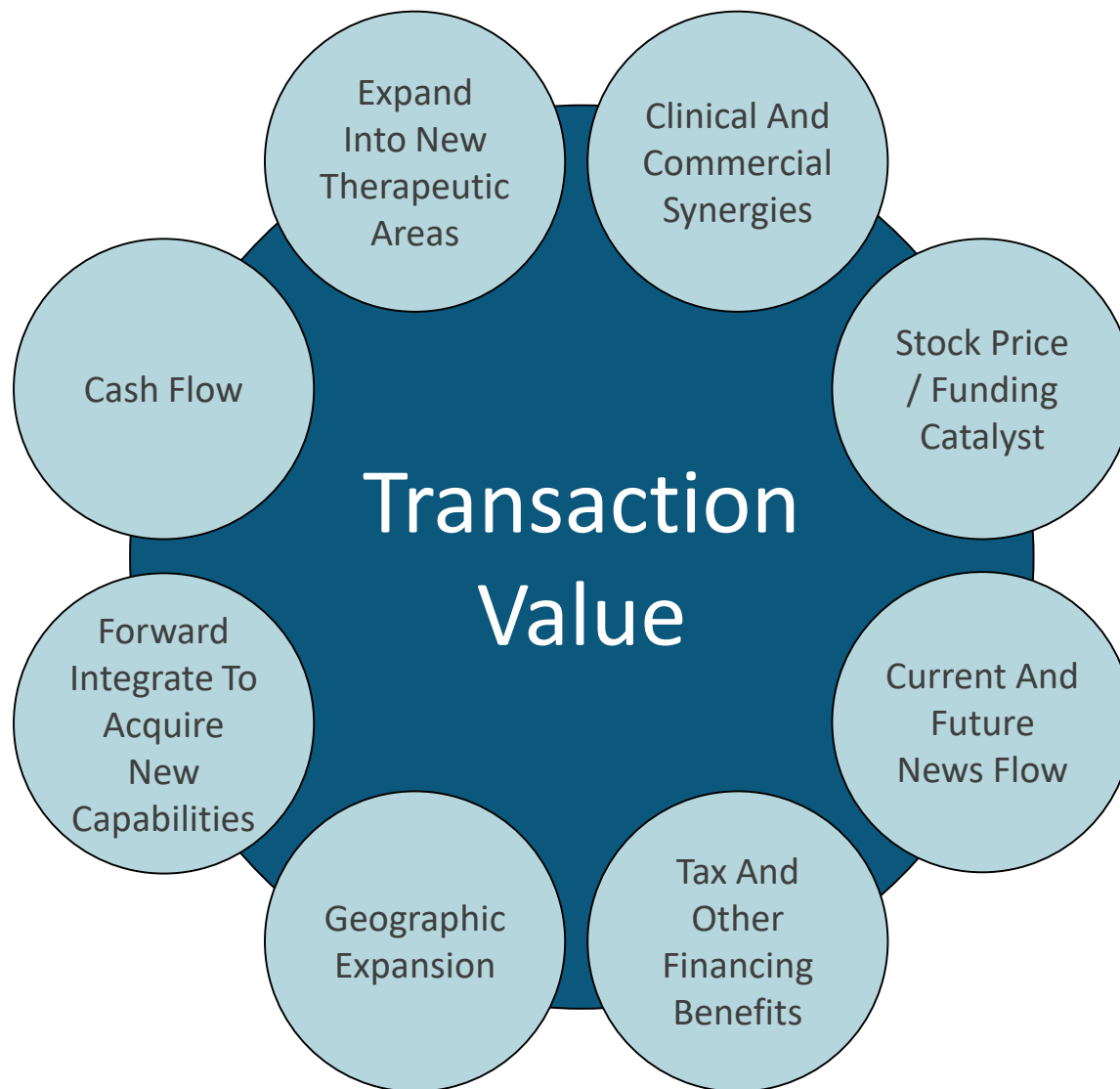
Defining key questions and considerations at the outset of a buy-side process is a central key to success

- There are a wide variety of strategic reasons for pursuing a process to expand a company's portfolio
- Planning a buy side process with strategic goals clearly in mind is an important key to success
- Before investing time and resources into a portfolio expansion project, companies should clearly define their goals and criteria
- Resource constraints and motivation(s) for expanding portfolio should be the direct basis for asset search criteria – help maintain a focused a disciplined view of success throughout

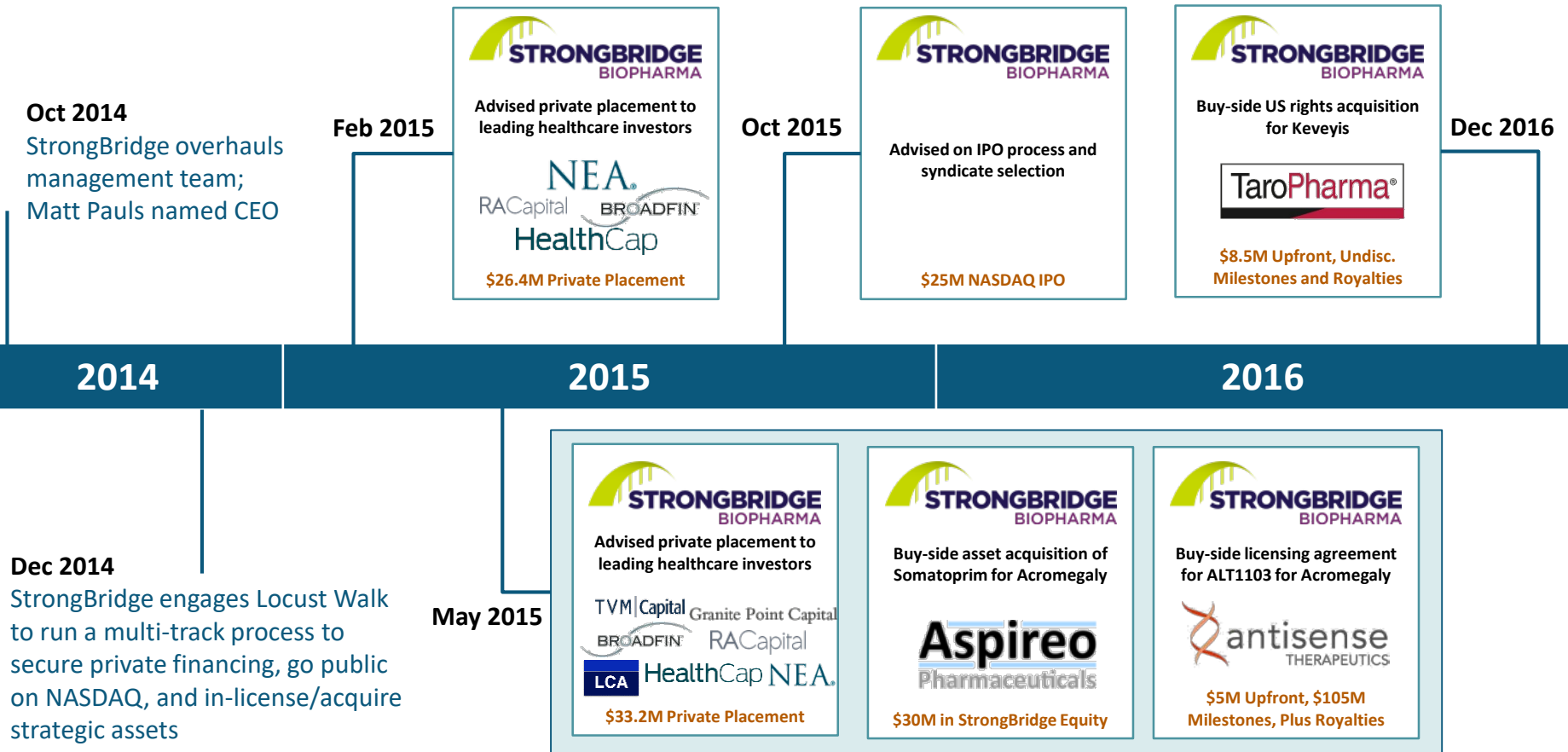


Key question: what does success look like and what does it take to get there?

Why do companies undertake buy-side processes?

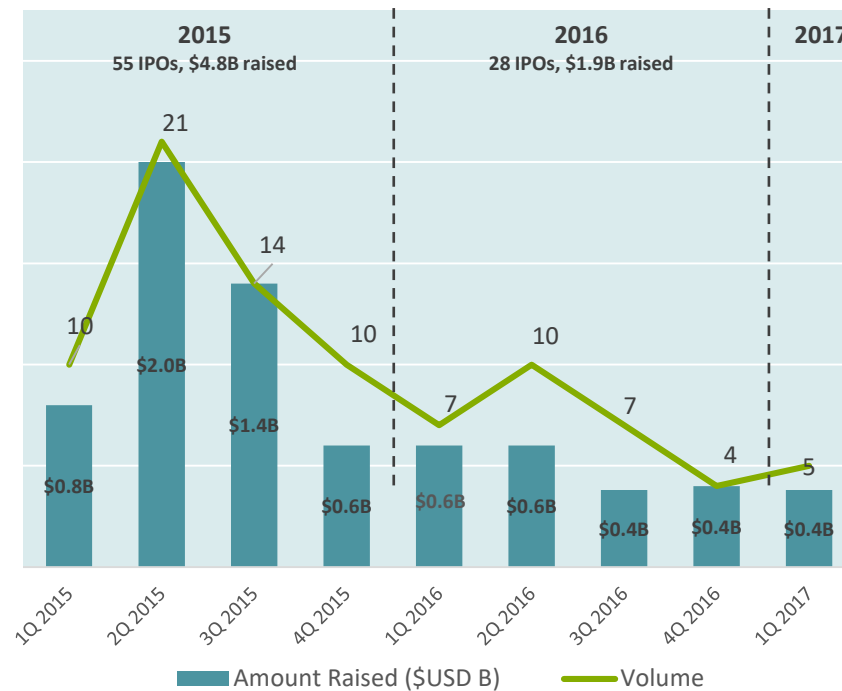


Case study: Strongbridge Biopharma built significant value by multiple strategic deals



May transactions were completed in unison

Deal and IPO activity have declined recently, creating a potential buyer's market

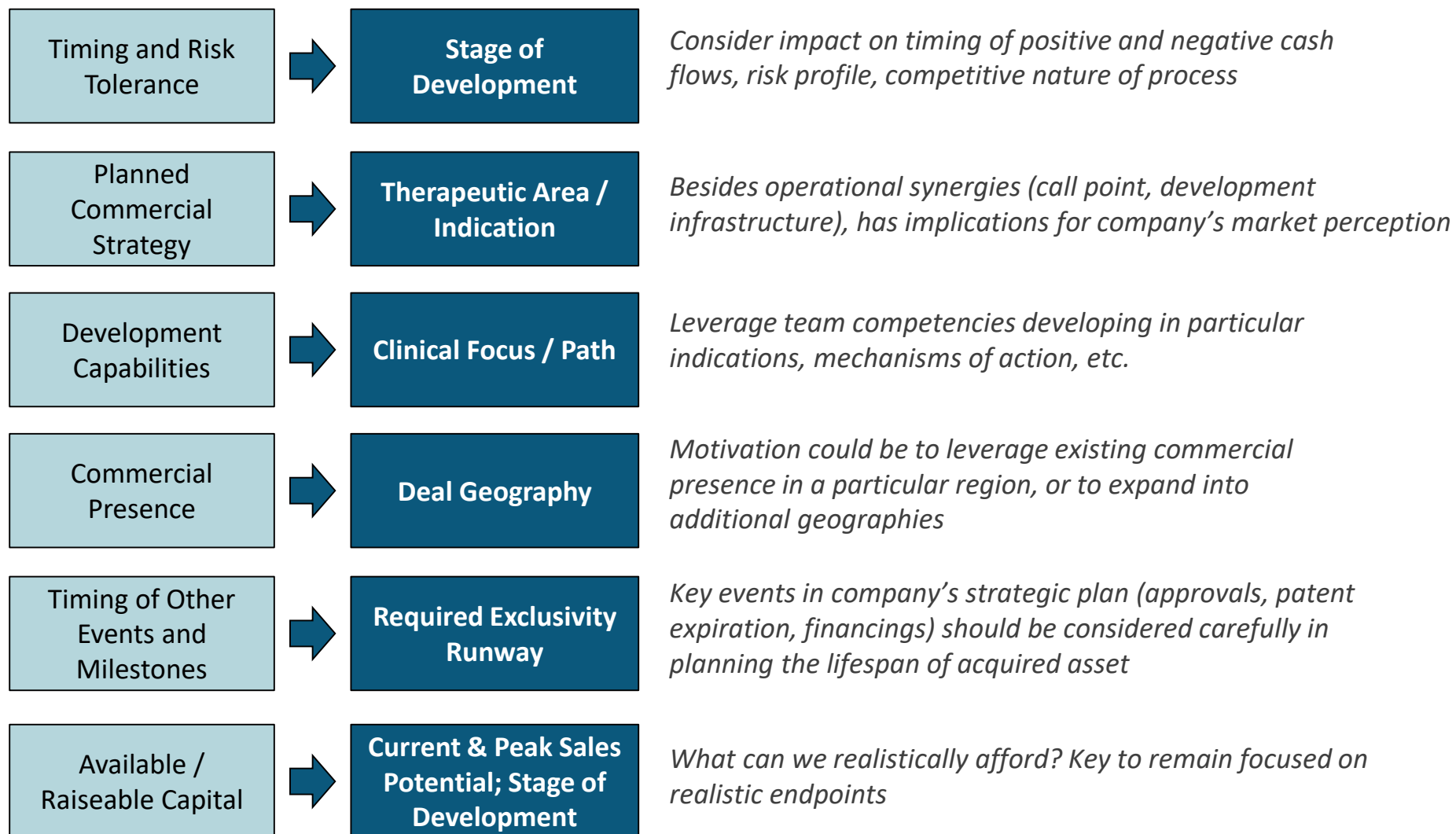


Key Takeaways

1. Lack of partners and IPO exits in the space have created a buyer's market in which selling companies seeking funding (additional raises or strategic partnerships) are desperate for some form of capital
2. With larger acquirers/investors being more selective, it is crucial for companies to strengthen their portfolios in order to optimize public perception and thus maximize shareholder value

SOURCE: Locust Walk Analytics, BioSciDB, Biopharm Catalyst, Company Press Release, NASDAQ

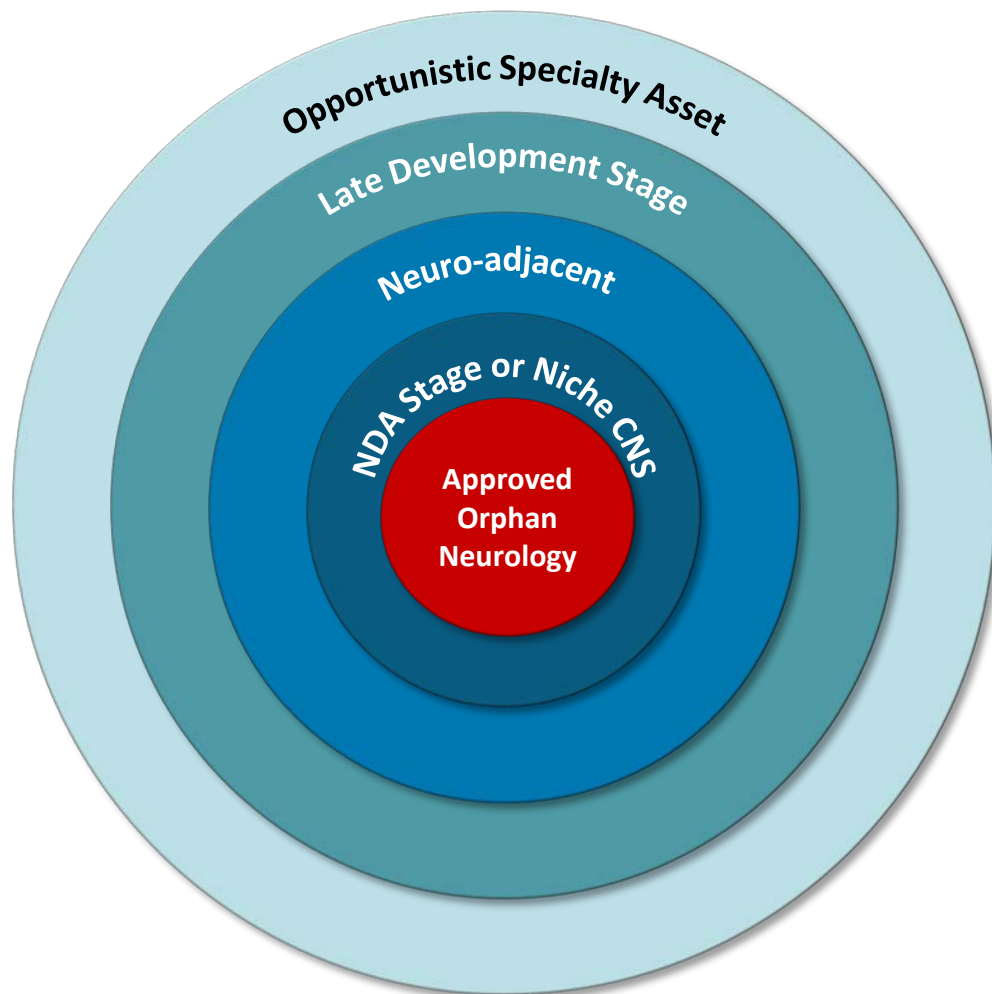
Key asset search criteria flow directly from defined process goals and resource constraints



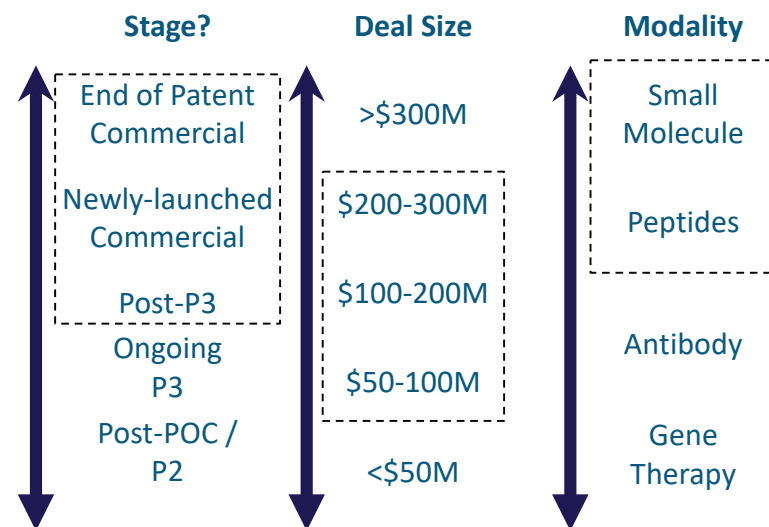


Illustrative

Planning should include what defines a perfect match as well as which criteria are flexible



Sample Filtering Criteria



Keys to success: Discipline and top-down alignment

| | Best BD Teams | Average BD Teams |
|-----------------|--|--|
| Proactivity | Proactive in finding assets in areas of strategic interest | Reactive to inbound interest from potential partners |
| Opportunism | Opportunistic and not formulaic so long as the product fits within the broader strategy | Too opportunistic and chase random opportunities losing focus |
| Process | Have a well-oiled, repeatable process with clear expectations and deliverables as output | Haphazard and disorganized without a repeatable process |
| Top-Down Buy-in | Board and leadership team fully engaged; transaction committee formed to move quickly | Skunk works operation without a mandate and lack of board transparency |
| Culture | Mindset of a deal-making machine; understanding that everything has “hair” | Cautious – what will “the Street” think? Analysis paralysis overthinking deals |

IDENTIFYING TARGETS:
IMPLEMENTING AN EFFICIENT AND THOROUGH
ASSET SEARCH PROCESS

Boiling the ocean: how to implement an efficient process for identifying assets of interest

- A key goal in a buy-side process is identifying target assets that are a strategic fit, have attractive potential and are attainable
- While many groups may already be aware of assets in their target space, it is important to undertake a search process that is:
 - ▶ Thorough: minimize chance of losing out on a potentially transformative opportunity
 - ▶ Well resourced: asset screening and evaluation takes significant time and resources
 - ▶ Disciplined: avoid spending time on things which are not realistic, transactable or affordable
 - ▶ Creative & open-minded: be willing to explore less obvious opportunities
- Planning and executing a well-organized & clearly-defined process based on strategic goals will optimize chances of success

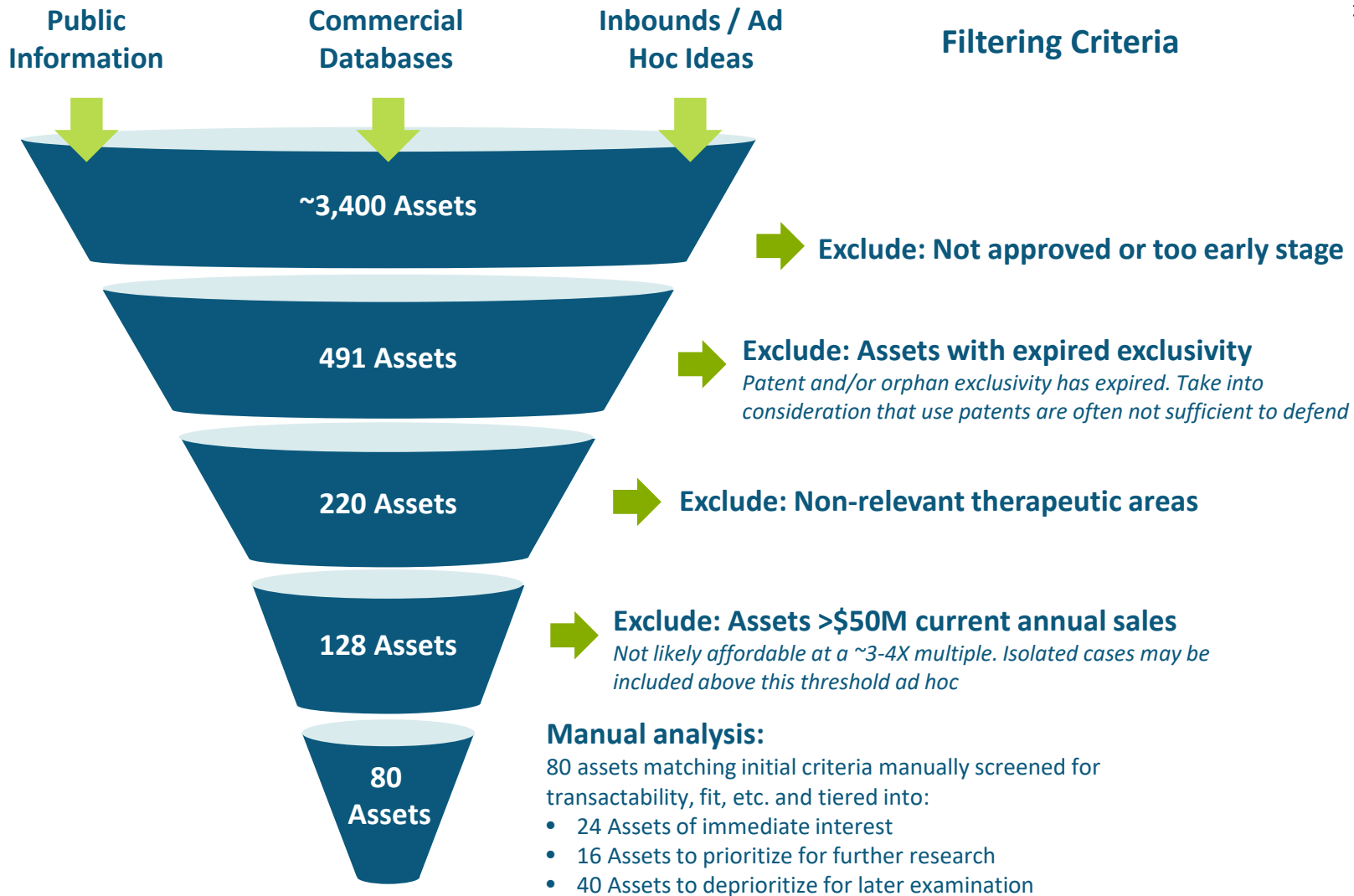


Key question: how to identify an optimal opportunity among a large group of less attractive ones?



Illustrative

Creating a disciplined screening methodology to understand the universe of available assets and identify logical targets



A wide variety of asset databases are available as source material for asset screening

Sample asset databases:

GlobalData.*

ims*

FDA*

THOMSON REUTERS

CORTELLIS™

Medtrack®

Adis Insight

DATAMONITOR

Evaluate Pharma®

* Used by Locust Walk

- Important criteria for choosing among array of available asset databases:
 - ▶ Cost
 - ▶ Completeness and accuracy
 - ▶ Prompt updates
 - ▶ Included data points
 - ▶ Searchable criteria
 - ▶ Exportable data
- It is difficult to find a single source that completely satisfies all criteria
- It may be necessary to cross-reference multiple sources and/or perform multiple parallel screens to ensure a thorough and exhaustive search



Illustrative

Utilizing a scoring framework for the screening process can help prioritize assets to focus on first

Scoring Framework for Target Screening Process

| Score | Strategic Fit | Stage of Development | Product Differentiation | Transformative vs. Incremental | Timeline Synergy | Probability of Technical & Regulatory Success | Transactability "Getability (target willingness) |
|-------|---------------------------------|------------------------------------|--|---|--|--|---|
| 5 | Same call point/target audience | @ FDA with complicated Phase 3 | Best in Class/First in Class | Regenerative medicine, cell therapy, biologics, focus, (vs. transitional ortho devices) | Fills product gaps with news every 3-6 months | Compelling safety & Efficacy data- merely time and execution to approval | <\$5M Cash, with equity, and quick close, link to Venture, Debt close |
| 4 | Other therapeutic area synergy | Ongoing Phase 3 (timing dependent) | Next generation advancements or Strong Clinical Data | Transformative – new call point, new indication, or non-core applications of our tech | Possible earlier approval than product or EU opportunities | Proven data, uncertain regulatory environment | < 10M cash, with equity, Venture debt & Equity |
| 3 | One-stop shopping | Phase 2 with strong POC | Engineering advancements that we can leverage, strong clinical or regulatory | Adjacent with similar story, one-step capabilities a plus | Complementary, 12 month timelines, but fundable | Reasonable regulatory environment, obvious technical & safety data now established | \$50M transaction – value & investment needed – bring in large group of new investors |
| 2 | Adjacent – service like | Phase 1 Pre POC Phase 2 | Product/Formulation improvements to existing therapy | Next gen products, but not standalone | Overlays product milestones | Early POC technical data, unclear or onerous regulatory pathway | \$100M transaction – significant approval & financing needed |
| 1 | Unrelated | Pre-clinical | Me-too | Me-Too/Good enough products | Longer w/o any material milestones | Completely unproven NCE or Mechanism of action, highly speculative | Merger/Large Deal |



Illustrative

Illustrative output from screening and scoring process; defining criteria and weighting are an important key

| | | | | | | | | | | | Weighting | | | | | | | | | | | | | | |
|--------|-----------|---------|------|-------|----------|-------------------|-----------------|-----------------|--------------|---|-----------|-----|-----|-----|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | 35% | 30% | 20% | 15% | | | | | | | | | | | |
| Drug | Company | Apprv'd | LOE | Sales | Transact | Sales/ Afford. | Remain Excl. | Patient Pop. | Fit Score | Notes | | | | | | | | | | | | | | | |
| Drug 1 | Company 1 | 2012 | 2026 | 20.7M | ● | ◐ | ● | ◑ | 74% | Returned from originator over poor sales, key investor has pushed to bag the drug - should be highly transactable. | | | | | | | | | | | | | | | |
| Drug 2 | Company 2 | 2012 | 2024 | | ◑ | ◐ | ◑ | ◑ | 68% | 2014 sales = \$15M, ~6K patients in US Peak sales can be much higher but Company does not seem to have prioritized. | | | | | | | | | | | | | | | |
| Drug 3 | Company 3 | 2013 | 2032 | 8.4M | ◐ | ◐ | ● | ● | 68% | Differentiated formulation of existing medication. May be available. | | | | | | | | | | | | | | | |
| Drug 4 | Company 4 | 2012 | 2029 | 0.5M | ◐ | ◐ | ● | ● | 68% | Device-like delivery system for ophthalmic drug. | | | | | | | | | | | | | | | |
| Drug 5 | Company 5 | 2009 | 2016 | 17.5M | ◐ | ◑ | ◐ | ● | 65% | Acquired in 2013. Possibly not enough differentiation. Sales have lagged historically – might be transactable. | | | | | | | | | | | | | | | |
| Drug 6 | Company 6 | 2002 | 2017 | 17.4M | ◐ | ◑ | ◐ | ● | 65% | Acquired in 2013. Old drug, little remaining exclusivity. Tail drug – might be willing to transact. | | | | | | | | | | | | | | | |
| Drug 7 | Company 7 | 2014 | 2021 | 4.2M | ? | ● | ◑ | ◑ | 65% | Peak sales could be ~\$80-\$90M, could be worth more if approved for second indication. Unknown transactability, but not in a strategic area for company. | | | | | | | | | | | | | | | |
| Drug 8 | Company 8 | 2009 | 2016 | 89.7M | ◐ | ● | ? | ◑ | 64% | Company's only drug in this category. Unable to verify sales as company hasn't reported. Would need to look at LOE more closely. | | | | | | | | | | | | | | | |

**Standardized scoring systems provide a means to objectively
evaluate opportunities and prioritize best fit**

Being open to non-obvious or troubled assets can expand the universe of available opportunities

- As long as it remains consistent with overall goals, openness to under-the-radar ideas or assets with imperfections can create additional opportunities
 - ▶ Failed clinical trials; possibility of approval / repurpose for secondary indication(s)
 - ▶ Failed or troubled launches; may enable transactability and create growth potential in the right hands
 - ▶ Surrounding PR issues, enabling a potential “white knight” story
 - ▶ Assets that have changed hands as part of larger transaction
 - ▶ Sourcing from ex-US, ex-EU regions – e.g. Asia
- Deal-making culture is essential to recognize an opportunity with “hair” and to overcome the inevitable internal objections



Seeing value where others don't can enable access to a potential "Diamond in the Rough"

One page summary profiles are a useful tool to help reach consensus on individual assets



Key value of summary profiles:

- Succinctly summarize opportunity & risks
- Memorialize key learnings to be revisited later
- Provide mechanism for team alignment and prioritization
- Requires sufficient work to answer top level questions and to inform a decision to learn more



Qutenza is a topical patch for postherpetic nerve pain for patients looking for alternatives to oral treatments

OPPORTUNITY HIGHLIGHTS⁵

1. Qutenza is an alternative or adjunct to oral tricyclic antidepressants for PHN patients
2. Limited U.S. sales and off-strategy (MS and spinal cord injury) indication for Acorda suggest deprioritization and potential for growth with a focused partner
3. Acquired in a multi-asset transaction from NeurogesX in 2013 along with Ph3-ready NP-1998, a topical capsaicin solution for diabetic neuropathy; NP-1998 appears to be primary value driver for transaction and may suggest willingness to divest Qutenza

KEY RISKS / QUESTIONS

1. What is the risk of generic entry given Nov 2016 LOE?
2. European partner, Astellas, has driven WW sales. Unlikely to acquire ex-US rights given different ownership.
3. Previous label expansion efforts have been unsuccessful, e.g. HIV-associated neuropathy; additional label opportunities unclear.
4. Potential for application site pain from capsaicin may limit addressable market?
5. Is pain an area of future strategic growth for Company?

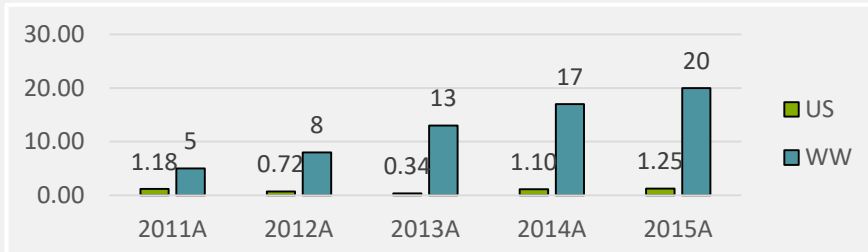
TARGET PRODUCT PROFILE²

| | |
|----------|--|
| Efficacy | The percent change in average pain from baseline to Week 8 was - 18% (+/-2%) for the low-dose control and -29% (+/-2%) for Qutenza. Some patients experienced a decrease in pain as early as 1 week. |
| Safety | The most common adverse reactions (2: 5% and greater than control) are application site erythema, application site pain, application site pruritus and application site papules. Accidentally touching the patch can cause burning or stinging |
| Dosing | 8% capsaicin patch 640 mg/cm ² , each patch contains a total of 179 mg capsaicin; administered every 3 months |

PRODUCT OVERVIEW³

| | |
|------------------------------|---|
| Approved/Launched | November 2009 |
| Indication / TA ² | Management of neuropathic pain associated with postherpetic neuralgia (PHN): Incidence of herpes zoster is 3.6 per 1000 person-years; Increasing incidence with age |
| Call Point | Primary care administration |
| Modality | Cutaneous patch once every 3 months/as needed |
| Price ⁵ | ~\$1600 per patch |
| Exclusivity ⁶ | Orphan LOE November 2016 |
| Transaction History | 2013 acquired from NeurogesX for US rights. Astellas holds exclusive rights for Europe |

US & WW SALES^{1,3} (in \$M)



COMPETITIVE LANDSCAPE^{3,4,6}

1. First line = tricyclic antidepressants, gabapentin, or pregabalin
2. Alternatives therapies include: intrathecal glucocorticoid injections but are not useful for PHN involving the trigeminal nerve
3. Topical pain solutions are recommended for patients seeking alternatives to oral therapies, or who have contraindications for TCAs or anticonvulsants
4. Zacin (Teva) capsaicin cream sold \$7M WW in 2015, also approved for PHN, OA and painful diabetic neuropathy



LOCUST WALK
INSTITUTE

SIZING THE OPPORTUNITY: BUILDING THE STRATEGIC BUSINESS CASE

Conducting efficient, early due diligence to understand the business case

- 1 Due Diligence & Strategic/Financial Analysis**
- 2 Outreach & Discussion with Target Company**

**Assets
Selected from
Screening and
Profiles**



Early primary and secondary research allows prioritization of opportunities

- Quick, initial primary / secondary research to make a go/no-go decision or prioritize
- Not a substitute for deal diligence; goal is early understanding of key questions and opportunities
- Key goals are to understand:
 - ▶ Current and sustainable therapeutic niche
 - ▶ Competitive landscape and incoming threats
 - ▶ Current revenue and/or potential for growth
 - ▶ Exclusivity runway and potential extension strategies
 - ▶ History of asset and strategic value to current owner



KOL and payer interviews are a quick path to a high level understanding of the landscape, differentiators and therapeutic value

How are patients diagnosed? What is the referral pattern? What other physicians/specialties manage the condition?

What drives treatment selection? How do you determine which therapy to use if multiple are available?

How does the condition manifest and progress? How are patients segmented?

What are the greatest needs and limitations of existing therapies? What's in the pipeline?

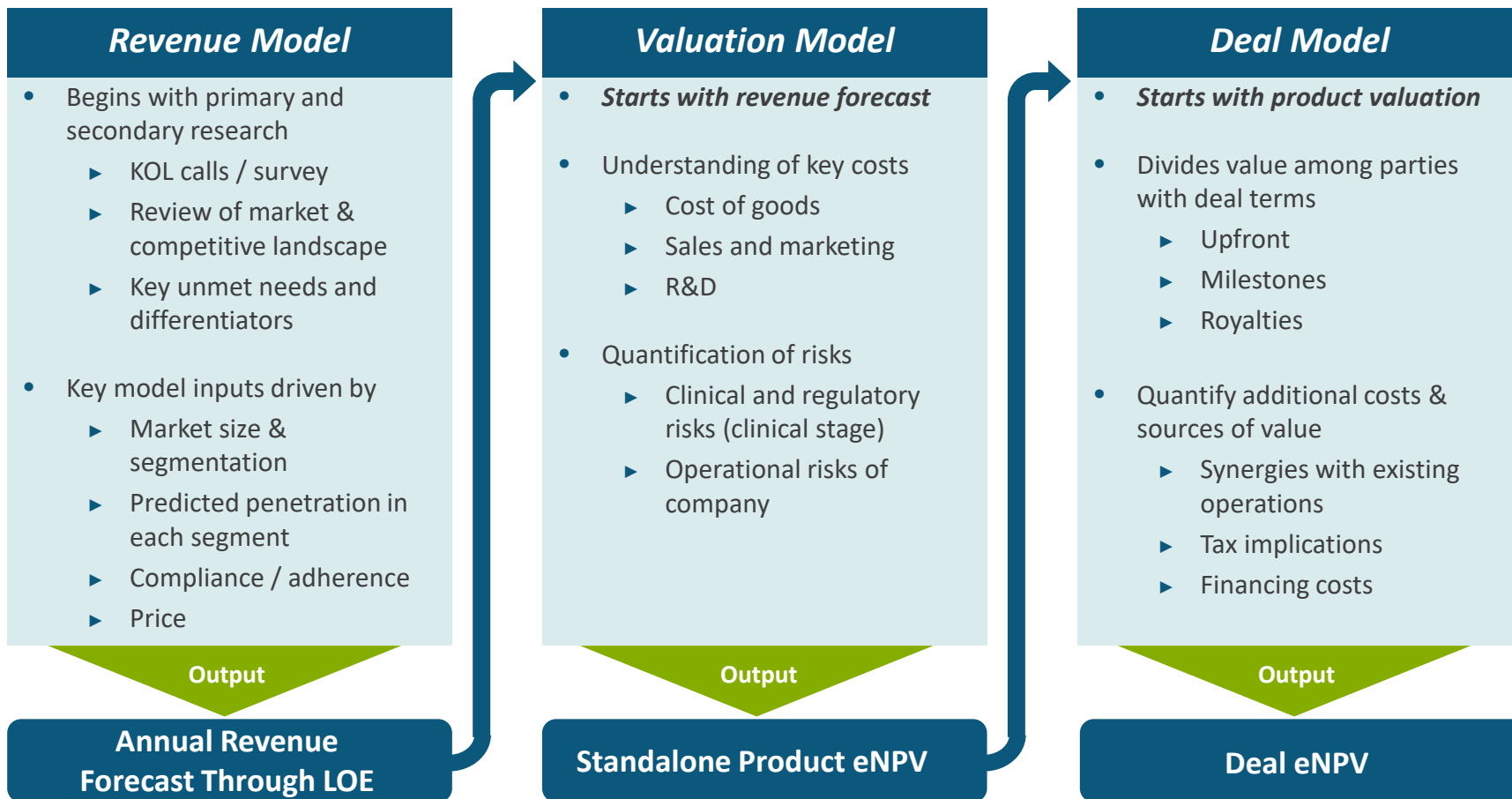
What is the current treatment algorithm and how would Product X fit in?

Has there been any change in your treatment algorithm or management of the disease in recent years?



**Conduct qualitative interviews with key stakeholders:
Physicians, KOLs, Payers, Patients, P&T Committees, etc.**

Understanding potential product revenue potential is the first step to understanding asset value



Tips for Revenue Modeling

- Build multiple revenue scenarios to allow testing of key sensitivities
- Source or cite rationale for all model assumptions – key is to make the model defensible to potential partners
- Build models that are clear and easy to follow, as they may be reviewed by colleagues, or, even potential partners

Key point of understanding is the fit and synergy with current and planned strategy that support a transaction

Revenue Synergies

- Accelerate the launch of a current pipeline product
- Create additional awareness of company, sales reps and marketing efforts
- Strengthen relationships with stakeholders
- Build internal infrastructure and competencies

Cost Synergies

- Leverage existing or planned commercial presence
 - ▶ Geography
 - ▶ Prescriber / call point
 - ▶ Marketing infrastructure
- Allows for shared overhead and/or FTEs in support roles
- Enables shared development, manufacturing or other infrastructure

Potential synergies should be evaluated both qualitatively and quantitatively as a source of additional deal value



MANAGING DISCUSSIONS: DECIDING HOW AND WHEN TO APPROACH A POTENTIAL TARGET COMPANY

Key considerations when doing initial outreach

- Once an asset of interest is identified, the obvious next step is to approach the current owner about a possible deal
- Approach should be tailored to asset importance (to both buyer and seller), potential deal size and type, desired speed of close
- How and when to make the initial approach, as well as how to carry on ongoing deal discussions, is a question that has a critical impact on the ultimate success of the process
- Knowing that most identified assets will not transact, maintaining a healthy pipeline of opportunities in outreach / discussion phase is important



Key question: who and when to contact about beginning a deal discussion

When is the right time to make first contact?

Option #1: Exploratory Outreach

Option #2: Guns Blazing

Method

- Do initial outreach to test the waters and see if asset is transactable
- Gain an understanding of company's strategy and asset's importance

- First step is primary and secondary research and preliminary valuation
- Initial approach is with non-binding term sheet (subject to diligence)

Pros

- Avoid spending time / resources on projects that are not realistic
- Resource constrained teams can focus only on projects likely to transact

- Ability to come in with a quick term sheet; harder to ignore out of hand
- Gain a full understanding of the asset value before moving forward
- Build understanding of the space; potentially yield more opportunities

Cons

- Soft probe of interest is a weaker initial approach; easy to say no
- Can create a slower process, leaving more time for competitive bidders

- Spending time and money at risk, possibly on a non-starter

Exploring creative deal types can open doors to otherwise unavailable opportunities

Situation:

Asset is of strategic importance



Approach:

Investigate co-promotion, especially if there are non-core indications / call points

Small, single product company



Explore M&A, as license of core asset would be tantamount to a sale of the company

Company is based ex-US



Investigate geographic trade – e.g. EU rights for our drug in exchange for US rights to theirs

Dev. potential for additional indications



Subdivide licensed rights by indication / sales channel (can come with complications)

Key Takeaways

1. Access to a strategic asset is the goal; the deal type pursued is a tool to get there
2. The deal type pursued can impact the approach to the company (board, CEO, BD)

DOING THE DEAL:
SUCCESSFUL EXECUTION TO SECURE ASSETS OF
INTEREST

Key factors in successful deal execution

- Even when both parties are open to exploring a deal, many internal and external factors can negatively impact the odds of success
- Clearing key hurdles such as buy-in from key stakeholders, getting final alignment on terms and language, and navigating unexpected external events are critical steps
- Focusing on an efficient, thorough and fast deal execution process can increase the odds of deal success



Key question: how to overcome obstacles and maximize the chances of deal success?

Selling yourself as the right partner can be an important key to success



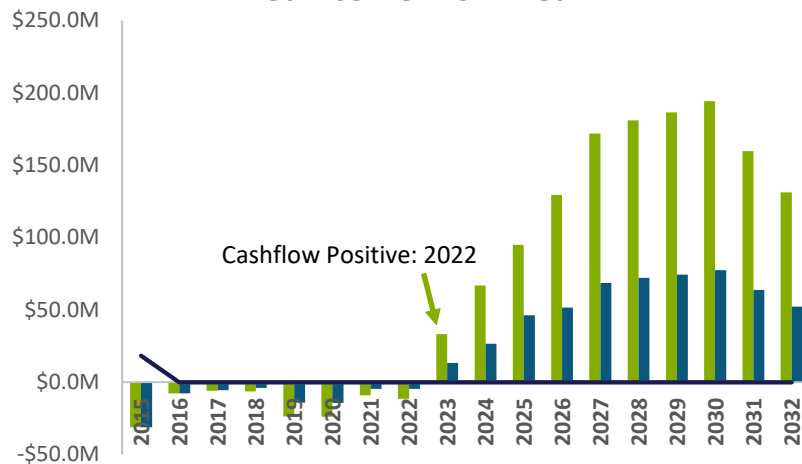
Selling yourself:

- It is often necessary to convince the seller that you are the right partner to develop / commercialize their asset
- This is most important when a deal has downstream components (milestones / royalties) or the seller will maintain a stake
- Details about plans for product development, launch and commercial projections help give confidence it's in the right hands
- See *Locust Walk's* recent (June 6) blog post about selling your company as an ideal partner

The best buyers are the best sellers!

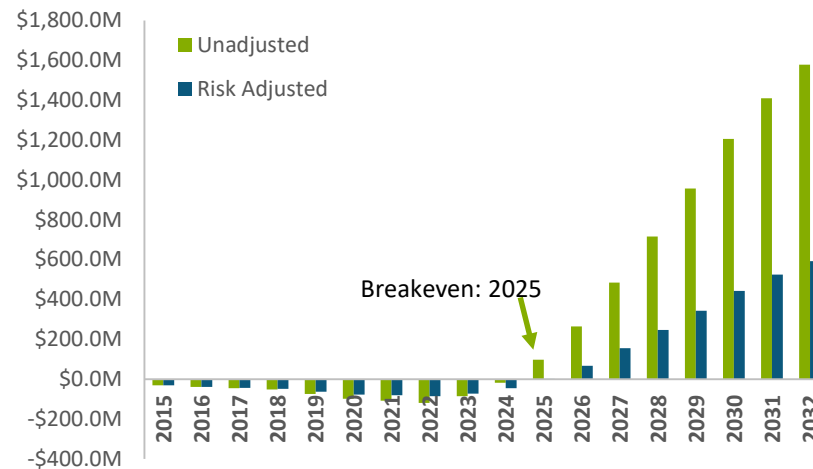
Understanding and communicating opportunity costs, risks and value to key stakeholders and decision makers

Net Income From Deal



| | Unadjusted | Risk Adjusted |
|--------------------|------------|---------------|
| Pre-Tax IRR | 29.9% | 21.0% |
| Post-Tax IRR | 27.4% | 19.0% |
| Avg. ROIC* | 273.5% | 102.5% |
| Total Capital In** | \$25.0M | \$25.0M |
| Cashflow Positive | 2023 | 2023 |
| Breakeven | 2025 | 2025 |
| Cost to Approval | \$89.1M | \$58.4M |
| Peak Net Sales | 277.4M | 110.7M |

Breakeven Analysis



| | Unadjusted | Risk Adjusted |
|----------------------|------------|---------------|
| Product NPV | \$247.7M | \$83.1M |
| Deal NPV (Buyer) | \$224.5M | \$59.9M |
| Deal NPV (Seller) | \$18.4M | \$18.4M |
| Deal Split (Buyer) | 92.4% | 76.5% |
| Potential Synergy*** | \$0-30.5M | \$0-12.5M |

The need for speed: the importance of fast deal execution

- Once you've identified an asset you want, it is often advantageous to move quickly and decisively
- Confirmatory diligence needs to be conducted, but ramping up and executing quickly can optimize a process by:
 - ▶ Minimizing time for a competitive bidder to get involved
 - ▶ Signal to the seller that you're serious – can be an important differentiator in competitive situations
 - ▶ Reduce the window for uncontrolled external forces to destroy the deal
 - ▶ Keep forward momentum on both sides



Getting to a deal: managing each side's needs and overcoming deal obstacles

Deal approach

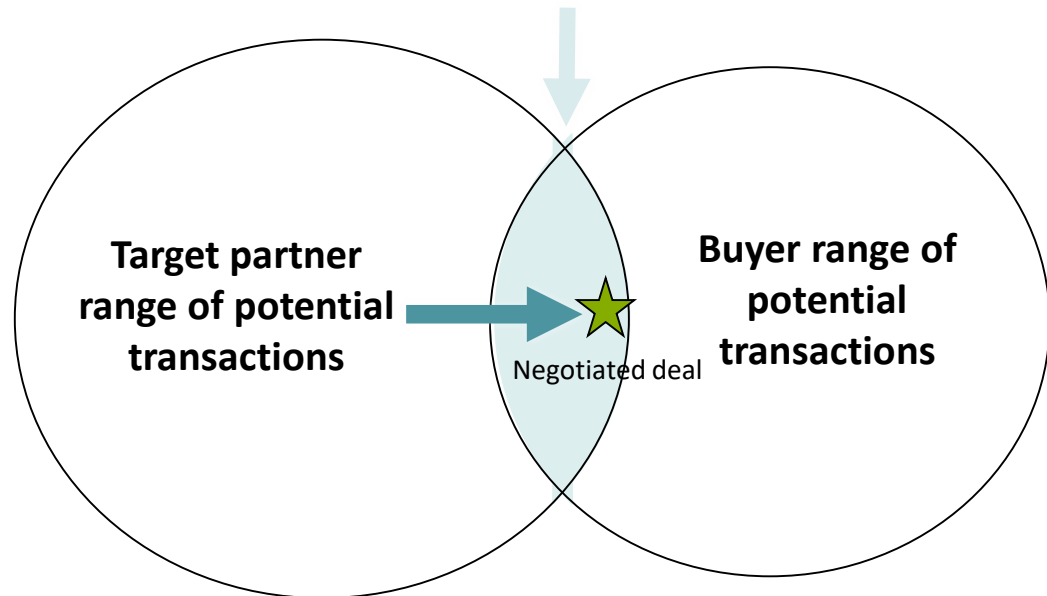
Solve for solutions to sensitive issues

- Identify key issues that need to be addressed in the deal, differentiating “must haves” from “nice to haves”
- Maintain open dialogue to discuss informal solutions that bridge gaps
- Seek buy-in on proposed solutions from key stakeholders, including managing expectations for likely deal outcomes and alternatives
- Build and preserve post-transaction relationships between parties



Flexibility in deal structuring to “Get to Yes”

Range of mutually acceptable deal terms



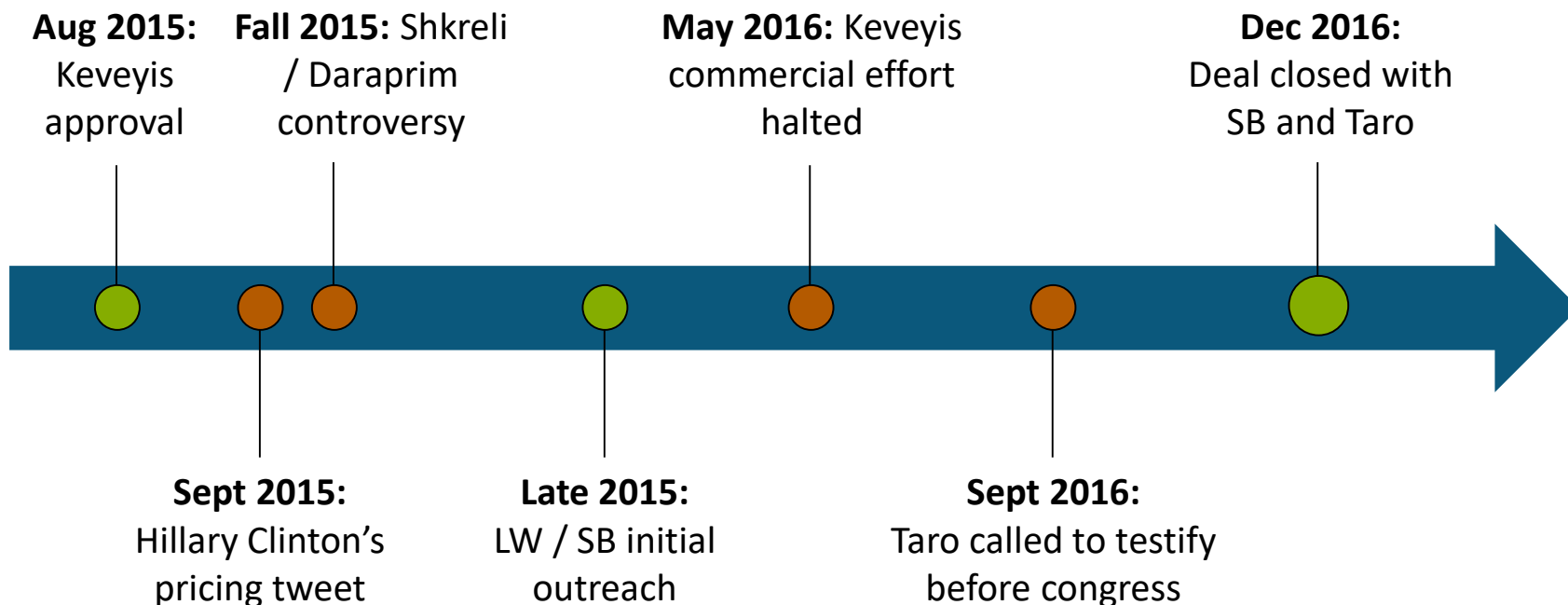
Sample Target partner's deal sensitivities

- General resistance to transact
- P&L considerations or tax implications
- Headline value and PR benefit/risk
- Contractual obligations to upstream partners or employee considerations
- Diligence requirements

Sample buyer's deal requirements

- Deal timing and speed
- Form of consideration (cash v equity)
- Deal type (asset v stock v license)
- Managing asset risk with milestones
- Restrictions on overall deal value
- Acquiring only what is necessary

Case Study: Navigating pitfalls to get to a successful deal



Keveyis deal was completed despite a series of seemingly insurmountable external obstacles

Conclusion: a well planned deal process conducted with strategic goals clearly in sight will optimize chances of success

- **Planning:** Beginning a portfolio expansion project by clearly defining strategic goals and constraints will ensure a focused and disciplined process
- **Screening:** Utilizing a combination of a thorough, well-organized screening process and a creative eye for an undervalued opportunity will enable the identification of opportunities of interest
- **Outreach:** Appropriately tailoring outreach to target companies, including keeping an open mind about creative deal structures, will increase the odds of finding a path to a mutually beneficial deal
- **Execution:** Focusing on execution of a thorough and efficient negotiation and close can maximize the chance of ultimate success, including overcoming internal and external obstacles that arise along the way

Upcoming Locust Walk Institute webinar topics

- BioPharma Sell-Side Transaction Execution – How to Negotiate the Best Deal
- Overview of BioPharma Venture Finance
- BioPharma Valuation Analysis
- BioPharma Partnering and Financing Term Sheet Review
- BioPharma Partnering in Japan
- BioPharma Partnering in Europe
- MedTech Business Development Best Practices

*Please let us know other topics you would like to see covered in future webinars. Email maria@locustwalk.com and we will try to accommodate your request.