

## Deal hungry biopharma remains happy to pay up



[Amy Brown](#)



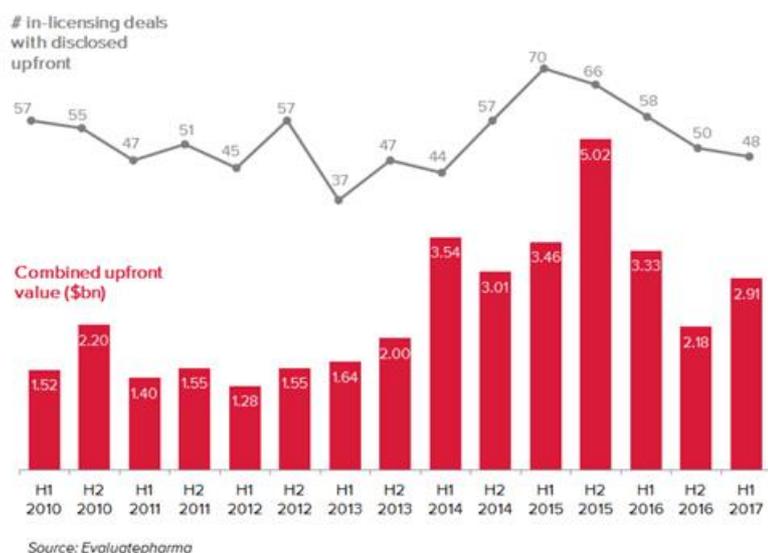
### **As companies retreat from M&A licensing deal valuations hit new peak.**

The post-biotech boom drop in M&A has not gone unnoticed, and a look at data on licensing deals suggests a similar retrenchment. But those concerned by the slow-down should take comfort from the fact that the amount of cash changing hands as biopharma companies exchange assets is still above pre-peak levels.

In the first half of 2017 almost \$3bn worth of up-front payments were negotiated, an analysis of *EvaluatePharma* data shows, a figure that does not look particularly weak compared to recent years. Average transaction values have also held up across all stages of development and risen noticeably among earlier phase projects – painting a picture of a sector that remains highly motivated to do deals (see charts below).

True, the number of licensing pacts being struck has sunk back to pre-boom levels, but then the activity of the last few years could realistically never have been maintained. And those in the buyers' camp would no doubt welcome a return to more rational thinking, particularly as valuations of very desirable assets show no sign of retreating.

### In-licensing deal upfronts 2010-1H17

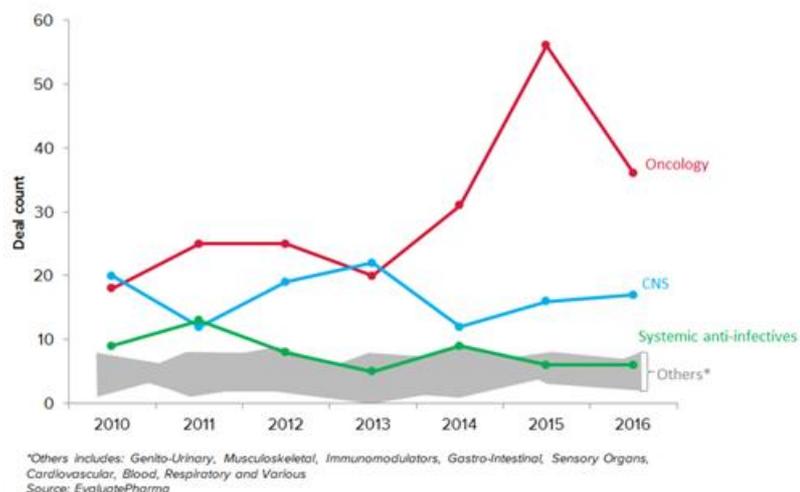


The analysis above looks at partnering deals where an up-front price was disclosed. Omitted were those without financial terms available or where only a total deal value was announced, a figure that is frequently vastly inflated by long-term milestones that in many cases will never be paid out.

Thus the deal count numbers here will understate overall licensing activity in the biopharma sphere to a certain extent, as some transactions have not been counted. For example, a 2015 collaboration between Purdue and Esteve over pain therapies was valued at over \$1bn but revealed nothing about up-front payments, thus was not included.

This caveat aside, the analysis above suggests that while deal activity has dimmed back to historical norms, valuations remain healthy.

### In-licensing deal count by therapy area 2010-16



Looking beyond the top line to deals by therapy area, the surge in interest in oncology projects is very apparent, with no other therapy area registering noticeable growth in transaction volume since 2010.

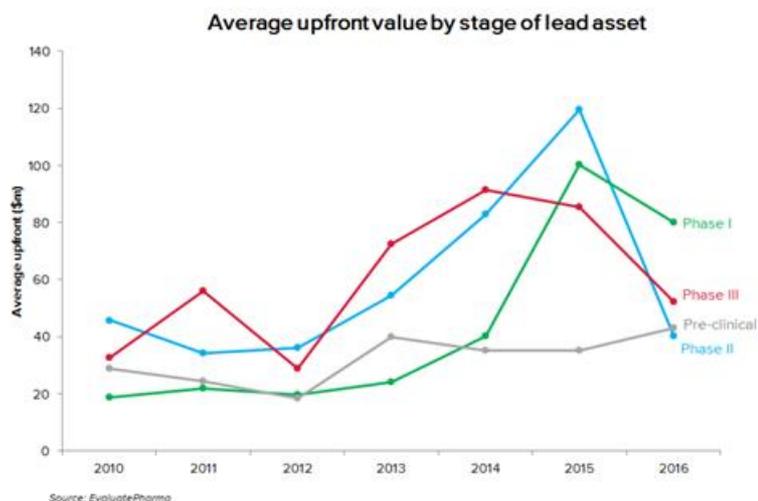
Projects targeting the central nervous system also remain a relatively big draw, though this represents a huge field; systemic anti-infectives stands out as having seen a decline in activity over this period.

Looking at the cash changing hands paints a similar picture, with a big spike in total up-fronts for cancer projects from 2014 the one noticeable trend. Huge deals like Pfizer's in-licensing of Merck KGaA's anti-PD-L1 antibody Bavencio, for \$850m up front, or the \$650m that Sanofi handed over to Regeneron to kick off a broad cancer antibody research deal, were struck during the boom years.

Splitting out deals by phase shows perhaps the clearest evidence of rising valuations, the caveat of outlier deals notwithstanding. The analysis below, of average deal values since 2010, shows the clearest rises for earlier stage assets, those in pre-clinical or phase I testing. Ignoring the surge that mirrors the biotech boom, phase II and III assets have actually not shifted in value that much, when comparing 2010 to 2016.

This would certainly support claims that acquirers are looking earlier and earlier to find attractive assets - with a predictable impact on valuations.

The burning question that remains is whether the licensing scene will follow the M&A market, with soaring valuations eventually acting as a brake on activity.



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