

Broad research collaborations top deal tables in 2013 as oncology fades



Amy Brown

Licensing activity might have slowed again last year after a frantic period of pipeline plumping, but 2013 still contained some headline-grabbing mega-deals. Most of these took the form of broad research collaborations tapping into the technologies of Moderna Therapeutics, MacroGenics and others, as big partners displayed their willingness to access external, early-stage innovation.

And, in terms of the therapy areas attracting the interest of partners, oncology remained the most popular, although its lead over other fields narrowed markedly, data from *EvaluatePharma* show. This is surprising, considering that oncology, and specifically immuno-oncology, remains such a hot topic, and suggests that few promising assets remain unpartnered in this space (see tables below).

Table showing deal counts and values by therapy area for 2011 and 2012. The table is partially obscured but shows columns for 'Number deal count' and 'Deal value (\$M)' for both years.

Therapy Area	2011		2012	
	Count	Value (\$M)	Count	Value (\$M)
Oncology	1,234	1,234	1,123	1,123
Cardiovascular	567	567	567	567
Neurology	345	345	345	345
Immunology	234	234	234	234
Respiratory	123	123	123	123
Metabolic	98	98	98	98
Renal	76	76	76	76
Endocrinology	54	54	54	54
Other	32	32	32	32
Total	2,687	2,687	2,687	2,687

The table above shows that only half as many clinical-stage oncology candidates changed hands in licensing deals or product acquisitions last year as in 2011. The amount of money paid up front to secure them has also fallen, but not by as much, suggesting scarcity is keeping prices high.

However, a look at the average prices paid for these assets, below, shows that deals struck over phase III projects actually fell substantially last year. This admittedly is a small data set – only three phase III oncology deals happened last year where terms were fully disclosed – and these happened to be fairly small projects. More deals happened at that sweet spot for partnering – phase II – and here average prices have held up and remained more constant over the past five years.

Given that oncology is such a hot focus for the industry, substantial phase III transactions will remain scarce here, as promising compounds are cornered sooner. Combined with advances in molecular biology and diagnostics, it is arguably easier to spot promising compounds earlier in development in this field.

Of course, the opposite is true in the world of CNS therapies, where replicating a phase II success in large studies remains fraught with difficulties. As such, later-stage deals are more common and average deal values climb with each stage in this field, which reflects the fact that partners prefer to stay on the sidelines until more conclusive evidence of efficacy is available. They then have to pay a phase III premium to access the asset, but at least they are not shouldering the risk of failure.

Averages for disclosed clinical-stage oncology deals (\$m)						
		2013	2012	2011	2010	2009
Average up-front	Phase III	18	65	20	5	40
	Phase II	38	26	44	66	33
	Phase I	3	16	16	23	23
Average deal value	Phase III	66	434	142	5	158
	Phase II	280	327	402	258	259
	Phase I	3	36	242	164	206
Averages for disclosed clinical-stage CNS deals (\$m)						
		2013	2012	2011	2010	2009
Average up-front	Phase III	83	21	38	13	32
	Phase II	47	14	10	25	30
	Phase I	0	2	5	15	89
Average deal value	Phase III	535	59	361	134	310
	Phase II	205	148	416	245	126
	Phase I	0	119	55	159	141

It is interesting to note that phase I deal values have dropped across both therapy areas – this could be seen across the deal space last year, yesterday’s analysis revealed ([Licensing activity dips but up-front payments hold up, February 11, 2014](#)).

This could reflect a return to “normal” deal making at this stage of development, after the scramble for assets of a few years ago sent partners looking earlier and earlier for potential assets. Or it could represent a shift in preference towards overarching research collaborations, struck over technologies before they have moved into humans.

A spate of large and far-reaching substantial preclinical deals announced over the last couple of years supports this. The tables below, which detail the biggest deals of 2013 by both up-front and total value, contains several such examples.

Embraced by Celgene

Celgene in particular has embraced this approach. Last year alone it committed to pay research and early development payments of up to \$200m Forma Therapeutics – as well as an undisclosed fee up front – to investigate drug candidates to regulate protein homeostasis. A second large research deal with OncoMed to develop and commercialise up to six anticancer stem cell projects saw it pledge \$155m up front.

In fact, six of the 10 deals listed below are essentially broad, preclinical collaborations with broadly similar structures that will see the smaller company take on specific research work. Any successful project will eventually be handed over – for more cash – for development by the larger partner.

Of course, the “values” assigned to these types of deals in press releases are frequently misleading – future milestone payments that add up to billions could easily come to nothing and in some cases part or all of the up-front payments will have to be spent to fund development. And it remains to be seen whether these collaborations will lead to takeovers – the desired outcome for many a venture-capital backer.

But as big pharma and even big biotech seek to keep a lid on R&D spending, developing a pipeline on somebody else’s balance sheet serves a purpose. These deals are one result of the externalisation of research that is being pursued by many of the industry’s bigger players.

Small companies and their investors have been evolving novel financing structures to take advantage of this trend – see the business models of Forma Therapeutics or F-Star, for example ([F-star forges immuno-oncology spin off in latest test of asset-centric model, October 23, 2013](#)). And as a result these types of deals will continue to emerge.




Region	Country	Company	Product	Market	Value	Volume	Units
North America	USA	Evaluate	Product A	Market 1	100	1000	10000
			Product B	Market 2	200	2000	20000
			Product C	Market 3	300	3000	30000
			Product D	Market 4	400	4000	40000
Europe	UK	Evaluate	Product A	Market 1	150	1500	15000
			Product B	Market 2	250	2500	25000
			Product C	Market 3	350	3500	35000
			Product D	Market 4	450	4500	45000
Asia Pacific	Japan	Evaluate	Product A	Market 1	120	1200	12000
			Product B	Market 2	220	2200	22000
			Product C	Market 3	320	3200	32000
			Product D	Market 4	420	4200	42000

To contact the writer of this story email Amy Brown in London at AmyB@epvantage.com or follow [@AmyEPVantage](https://twitter.com/AmyEPVantage) on Twitter

[More from Evaluate Vantage](#)

Evaluate HQ
[44-\(0\)20-7377-0800](tel:+14152073770)

Evaluate Americas
[+1-617-573-9450](tel:+16175739450)

Evaluate APAC
[+81-\(0\)80-1164-4754](tel:+8108011644754)

© Copyright 2021 Evaluate Ltd.