Perspectives of Innovative Small Companies on the Industry’s Prospects for 2012 and Beyond

ACI Forum on Structuring, Negotiating and Managing Life Sciences Collaborations and Acquisitions

February 28, 2012
Panelists

- Wendy Tsai, Founder and VP Alliances, Cellona Therapeutics

- Julia C. Owens, Senior V.P. Corporate Development and Strategy, Lycera

- Gregory Miller, Head, Business & Corporate Development, CoNCERT Pharmaceuticals

- Hemmie Chang, Chair, Licensing & Strategic Alliances Group, Partner, Foley Hoag LLP
Mission: Develop targeted therapeutics to improve survival paradigms in cancer patients.

Strengths:
- Management team has an extensive and successful track record in the critical elements of Cellona’s business model.
- Pioneering science and robust patents.
- Milestone-driven corporate planning with non-dilutive seed capital from government QTDP grant; foundation and angels.

Partnering Strategy: Academic collaboration
Mission: Discovery and development of first-in-class oral medications to treat patients with serious immune diseases for which existing therapies are inadequate.

Strengths:
- Experienced and accomplished leadership and scientific teams with core capabilities in discovery research, medicinal chemistry and early development.
- $36 million Series A financing.
- Significant research collaboration with Merck.

Partnering Strategy: Big Pharma
Gregory Miller – CoNCERT Pharmaceuticals

- **Mission**: Applying DCE Platform™ (deuterated chemical entity platform) to create novel, differentiated drugs.

- **Strengths**:
  - Successful clinical demonstration achieved.
  - Rapid progression from initial synthesis to clinic.
  - Broad patent estate and intellectual property position.
  - Strong financial position – over $110 million raised.

- **Partnering Strategy**: Pharma and Government, with parallel development of unpartnered programs
Licensing Trends: Recent Deal Activity

Licensing Deals With >$10M Upfront Payment

Challenging Environment for Early Stage Funding

Life sciences funding by stage 2009-2011

Source: PricewaterhouseCoopers, “Zigzagging upward,” February 2012

Why did your company delay R&D 2011?

Source: California Biomedical Industry 2012 Report
Expanding Base of Early Stage Investors
Financing Trends: Positioning for Success

- DE-RISKED ASSETS
- VC INCUBATED
- CAPITAL EFFICIENT, VIRTUAL MODEL
- ROBUST R&D PIPELINE
- SYNDICATED RISK
- PHARMA PARTNERSHIP EARLY STAGE DEAL
Data set includes 299 alliances by big pharma, mid-sized European companies, top Japanese, and big biotech for which up-fronts were disclosed. 2010 Phase II average skewed by mammoth Abbott/Reata deal; if excluded average drops to $38.3mm.
Evaluating Potential Partnerships

Some overlapping priorities:

- Exclusivity
- Upfront and near-term milestones
- Retain profit share option
- Partner with resources, marketing expertise

- Innovation
- Diverse partners
- Complementary program to internal R&D
- Ability to make rapid progress

SMALL INNOVATOR

POTENTIAL PARTNER
Process of Seeking a Collaboration

- Royalties
- Upfront payments
- Milestone payments
- Profit share option
- Timing
- Ownership of IP
- Control
Going From “Early Stage” to the Next Stage

Develop technology

Raise $110M

$1B strategic alliance
## Developing Diverse Pipeline in Parallel

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<tr>
<th>Development Programs</th>
<th>Research</th>
<th>Preclinical</th>
<th>Phase I</th>
<th>Phase 2</th>
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<tr>
<td><strong>CTP-499: Diabetic Nephropathy</strong>&lt;br&gt;(anti-inflammatory/anti-fibrotic/anti-oxidant)</td>
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<td><strong>C-10291: Narcolepsy, Fibromyalgia</strong></td>
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Thinking About Exit: What’s Pharma Buying?

Source: Elsevier's Strategic Transactions
VCs: In which industries do you expect to see investment froth in 2012?

- **Consumer IT**: 73%
- **Healthcare IT**: 26%
- **Business IT**: 19%
- **Clean Tech**: 14%
- **Med Device**: 3%
- **Biopharma**: 2%
- **None**: 13%

Final thoughts from our panel

- Wendy Tsai, Founder and VP Alliances, Cellona Therapeutics
- Julia C. Owens, Senior V.P. Corporate Development and Strategy, Lycera
- Gregory Miller, Head, Business & Corporate Development, CoNCERT Pharmaceuticals
- Hemmie Chang, Chair, Licensing & Strategic Alliances Group, Partner, Foley Hoag LLP