Several top-ranked Biopharma companies have matched the consistent sales growth of major traditional pharma companies. A key component of this success has been the increasing reliance of big Pharma to improve R&D productivity and rejuvenate sales of marketed portfolios through licensing and partnership deals.

Big Pharma has been acquiring Biopharma companies at an increasing rate, resulting in this becoming the fastest-growing M&A sector in 2008 with deal values up 87%. Intense competition and financial uncertainty has also prompted a surge in biopharma consolidation, with 52 biopharma/biopharma deals in 2007.

Considerable potential for Biopharma licensing deals still exists, particularly within the OAD class of drugs and non-invasive insulin drug delivery technologies.

The total deal size of early-stage alliances with biopharma has increased six-fold, with total deal values in 2007 estimated at $18bn. This has been driven by the relatively lower costs of discovery and lead development, despite the higher risk of failure.

Co-development/co-promotion deals accounted for 30% of licensing deals over 2006-07. Licensing deals will continue to become more complex due to biopharma’s desire to remain involved in their product lifecycle beyond the stages of discovery and development.

Examine the licensing landscape of the biopharma industry with this report’s analysis of Biopharma and Pharma licensing and alliance activity and an examination of specific approaches utilized by both sectors.

Discover the drivers and challenges facing Biopharma licensing, understand how Biopharma companies are preparing to exploit new opportunities and assess deal-making trends across clinical trials phases and key therapeutic areas.

Evaluate the strategies of leading companies involved in biopharmaceutical licensing with this report’s analysis of deal activities amongst leading players and identify the changing dynamics of Biopharma/Pharma partnerships.

Assess the future prospects of the Biopharma industry and how current market and political/regulatory factors will impact the dynamics of licensing and alliances, as well as potential strategies for sustaining growth.

Figure 1.4: Biopharma vs. Pharma global sales*

*While Pharma sector sales accounted for 86.5% or $548,790m of the global market share in 2007, Biopharma sales grew at a stronger rate than Pharma’s over 2006–07: 15.5% compared to 8.6%. Similarly, Biopharma grew at an impressive CAGR of 15.9% over 2003–07, compared to the 8.2% CAGR of the Pharma industry.*
Evolving Trends in Biopharmaceutical Licensing

**Explore issues including...**

**Biopharmas reduced reliance on Pharma.** Biopharma is sustaining its efforts to increase its role outside of product development/discovery to become actively engaged in the future of their products. As such, it is becoming increasingly difficult to differentiate big Pharma from major Biopharma companies.

**Optimizing revenue potential.** Biopharma are increasingly targeting high value therapy areas, such as oncology and inflammatory disease, bringing them into direct competition with major Pharma.

**Future competitive strategies.** With licensing deals increasing in value and complexity, Biopharma companies are looking to increase their involvement by forming long-term, partnership-based relationships. This active engagement in licensing deals will typically involve the negotiation of equity investment and the co-promotion and co-marketing of a drug that allows Biopharma to generate additional downstream revenues.

**Drug development potential.** The emergence of several new Biopharma companies with innovative technology platforms has created immense potential for intra-Biopharma licensing trends to continue developing novel drugs that can successfully differentiate themselves within the marketplace.

**Discover...**

- How will the increasing competition for attractive Biopharma licensing candidates affect deal terms and values?

- How can Biopharma companies improve their licensing strategies to ensure future growth?

- What have been the major trends in licensing agreements between Biopharma and Pharma over 2001-08?

- Which strategies have Biopharma used to reduce their reliance on Pharma?

- How has the value, volume and competition for Biopharma licensing deals changed over 2001-08?

- What have been the strategies of successful Biopharma and Pharma deal-makers?

- Why are Biopharma and Pharma increasingly adopting M&A strategies instead of entering into licensing agreements?
Chapter 2: Biopharmaceutical deals and trends

Number and average value of Biopharma Licensing Deals
Biopharma licensing peaked in 2005 with 1,057 deals, largely attributable to the height of licensing activity with leading pharmaceutical companies and an increase in the number of deals with other Biopharma companies. The number of licensing deals involving Biopharma has fallen over 2007–08, which is believed to be indicative of the evolving ability of Biopharma to independently develop and bring drugs to market. The escalation of M&A, an increasing trend since 2004, has also impacted the level of Biopharma licensing deals. Over the past three years, on average, there have been more than 15 M&As per year between Pharma and Biopharma, along with an estimated 52 Biopharma/Biopharma consolidation deals in 2007 alone. This internal Biopharma consolidation emerges as a definitive indication of the ability of well-established Biopharma companies to compete strongly with traditional Big Pharma, which has been driven by their robust pipelines and development capabilities.

Deals involving the exchange of technology and scientific knowledge remain a crucial component in licensing deals and alliances between the Pharma and Biopharma industries. As compared to straight licensing deals, these technology-based deals have the potential to offer significant access to the discovery and development of a number of compounds. The increasing emergence of biologic technology deals has surpassed the number of drug discovery deals for small-molecule technologies over the period of analysis, which is further discussed below.

The average deal values for Biopharma companies, mirroring the activity of licensing deals, experienced consistent growth over 2004–06, peaking at an average of $175m in 2006. Despite the declining trend in licensing deals and value, there still exists an opportunity for growth within the Biopharma industry, which is forecast to be driven by smaller and emerging Biopharma companies.

Licensing deal partners
The trends for the top 20 Biopharma companies (Abraxis, Actelion, Amgen, Amylin, Biogen-Idec, Celgene, Cephalon, CSL, Cubist, Genentech, Genzyme, Gilead, Imclone, Merck KGaA/Serono, MedImmune, MGI, Millennium, PDL BioPharma, UCB and Viropharma) are based on 2007 revenues. The licensing activity of these Biopharma companies has shown a split between deals with Pharma and Biopharma, with consistently more deals with other Biopharma companies since 2004. While relying on Pharma for deals, Biopharma has increasingly looked within the biopharma industry to maintain revenues through licensing deals and alliances.
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