

SMALL DETAILS CREATE THE BIG PICTURE

Science-led strategy across biopharma R&D

IDENTIFYING UNDER-THE-RADAR BIOPHARMA DEAL OPPORTUNITIES

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Where are today's opportunities?
The private sector still remains
buoyant, whilst the public downturn
opens up possibilities

Q4 2021 brought the beginnings of a strong drawdown of the public biotech market, from the highs of the pandemic period to levels broadly similar to those pre-pandemic. This has been particularly acute in the smaller cap biotech space as shown by comparing the market cap unweighted biotech (XBI) and weighted (IBB) EFTs, with the XBI down ~1.5-2x more depending on the exact date period used.

This has had the expected effect on public equity offerings, with IPOs down -55% in number vs. pre-pandemic levels on a full-year adjusted basis and other offerings down -30% (**Figure 2**). In addition, the average value of these fewer offerings has also decreased by -20-30%. Interestingly, despite the market drawdown, and

Deal making in pharma is the life blood of the industry & critical for managing the high risk of drug development.

Here we discuss that low valuations in the public sector seem to have increased the attractiveness of asset licensing & partnering as a mean for financing (**Figure 1**). This dynamic presents the opportunity to transact highly interesting assets in public firms which were previously unactionable outside a large acquisition.

At Scitaris, we deploy a validated, **science-driven search methodology** to interrogate a clients strategic option space to efficiently evaluate & identify these handful of under-the-radar opportunities amongst thousands.

several big pharma players declaring they are hunting for opportunities, the number of acquisitions in 2022 will be similar to pre-pandemic levels and well below 2021 if they continue at the current rate. Albeit the value of these acquisitions has dropped by -46% on average vs. pre-pandemic and even more vs. 2020/21, perhaps highlighting a bonafide market value correction.

Perhaps most interesting is that the BD&L, partnering and VC deal volume remains very robust, on-course to be similar to pre-pandemic levels but with much higher deal values; +147% for BD&L (+87% for up-front payments) and +55% for VC, USD inflation across this period is just approximately +18%. The latter indicates that the private space likely remains relatively well capitalized for now, likely in part due to the lag between raising and deploying capital. This is perhaps exemplified by the fact that whilst PIPEs have decreased -16% this is relatively robust vs. the -58% decrease of other public offerings, indicating a willingness of institutional investors to fund public firms at the current market prices.

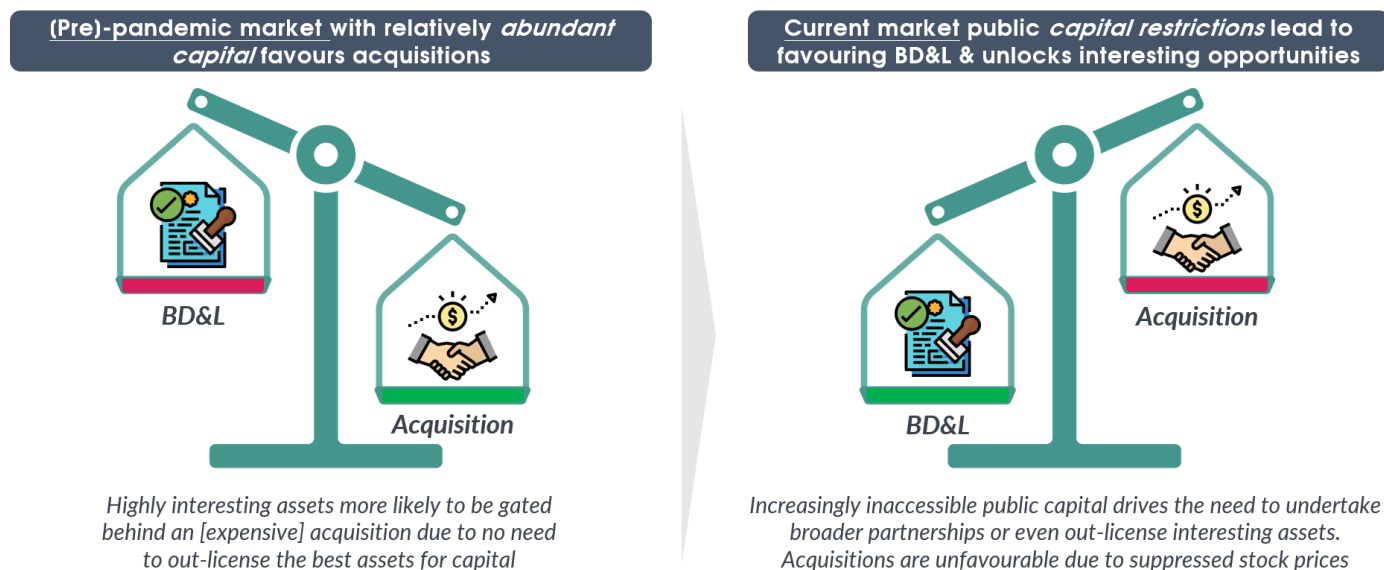


Figure 1. Cartoon illustrating today's changing market dynamics

Taken the above together, biotech firms seem to be navigating the depressed public markets through obtaining strong deal values in BD&L, perhaps through a willingness to license higher value assets or undertake broader partnerships than previously, and leaning on the private sector through PIPEs where possible. Good examples of this include; Taiho Pharmaceutical licensing Cullinan's 4th-gen EGFR inhibitor, CLB-081, for \$275mn upfront and Novartis taking options on novel capsids from Voyager Therapeutics for \$54mn upfront and a \$1.5bn total deal value.

Thus, considering the capitalization of the private market, the more transactable options are likely to be public firms burning cash too quickly to raise effectively at their current market valuation and with just one high-value asset, pushing the conversation from BD&L to acquisition.

Nevertheless, just because an asset and/or firm may be transactable certainly doesn't mean it is worth transacting. The opportunities which are of a high potential, scientifically robust and commercially feasible whilst also being in the realm of transactability are still rare.

Scitaris' science-led search strategy

Scitaris has a strong track record of identifying these under-the-radar assets and/or companies for potential BD&L and/or M&A in a manner tailored to the clients'

specific needs and constraints, financial or otherwise.

Here we outline our search process on a real-world example, Biotech X, for which name and specifics have been modified to maintain confidentiality. Scitaris was approached by the US-based biotech, with a market cap in the three-digit millions, to support leveraging their balance sheet to bolster their slim pipeline.

Before starting the search process, Scitaris helped crystallise the company's strategic framework for deal making. This core strategy serves as a basis to outline the opportunity search space, inform the deep evaluation of identified opportunities, and finally aid the value creation and de-risking strategy

BiotechX's strategic objective was to identify a late-stage opportunity with compelling science within the company's focus area of oncology but excluding immuno-oncology assets that likely required a combination with a checkpoint inhibitor. Due to their firepower constraints, the search space was limited to companies likely to transact, such as biotechs with a short to medium cash runway, or companies that appeared likely to divest a non-pipeline-lead.

To find a transaction opportunity that matched Biotech X' aims, Scitaris deployed its systematic asset search methodology which utilizes proprietary algorithms to

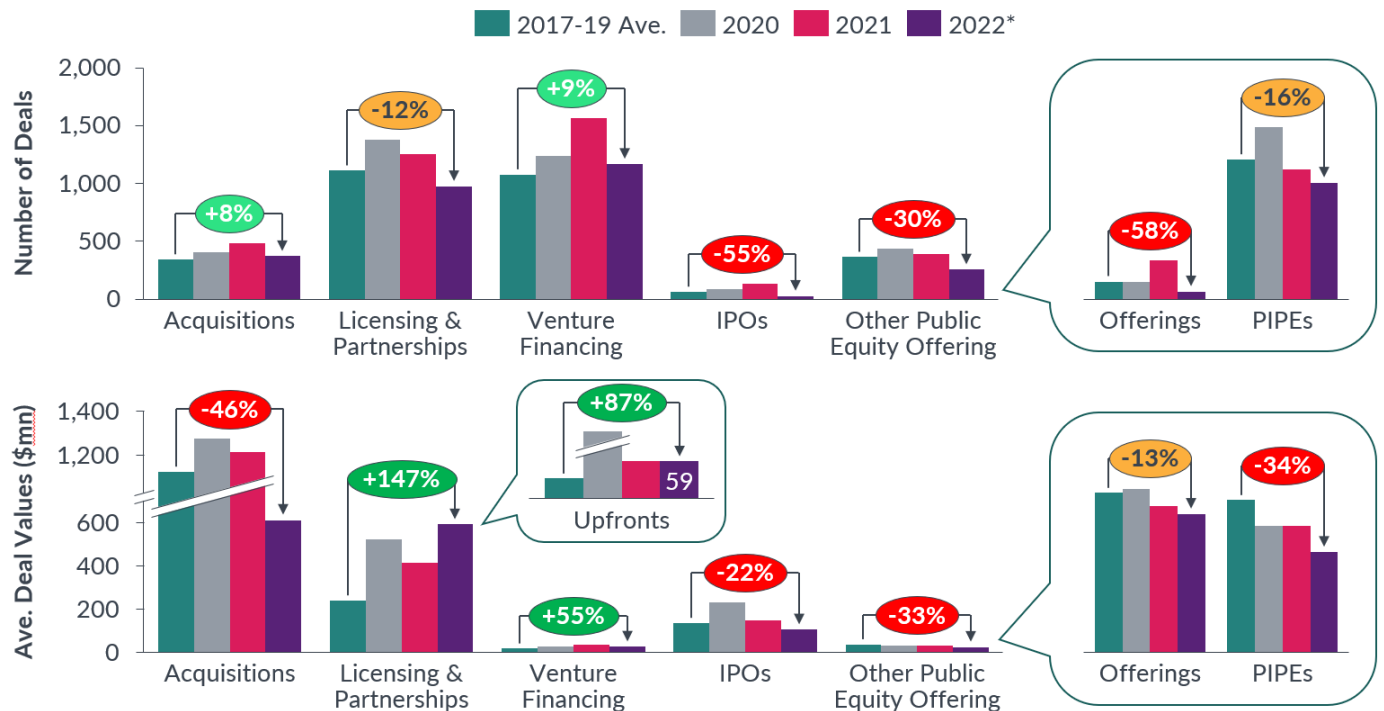


Figure 2. Deals Analysis from 2017 to Today across the EU & US. Analysis was undertaken in early-September 2022 using GlobalData as a data source. Data from 2017-2019 was averaged to represent “pre-pandemic” levels of activity and value. *2022 deal counts were extrapolated to year end linearly, a method validated by the pre-pandemic data. 2022 deal values are an average of data available to date.

filter and prioritize, now, >76k+ biopharma NMEs and >16k+ companies worldwide. Further details on Scitaris’ asset search methodology, can be found [here](#).

Scitaris’ customized filtering derived an option space of assets, which was automatically ranked by both the client strategic criteria and Scitaris’ “quality” algorithm to highlight the opportunities with the highest potential to fit BiotechX’s needs. The top-ranked assets are then subject to three levels of review, with the least interesting opportunities deprioritized at each step.

Options were discussed on a weekly basis with Biotech X with transactability outreaches undertaken on promising candidates before moving forward. Ultimately, several candidates reached the due-diligence stage, with a couple making it to the deal decision. Scitaris supported the due diligence and prioritization, combining its eye for scientific details with its ability to deconstruct industry trends. The intrinsic value of each asset was evaluated by contextualizing all relevant data against the competitive situation in the targeted oncology indication(s) in extensive depth. When Biotech X pulled the trigger on

a clinical asset with transformative potential in a high unmet need oncology indication, the value of the deal was highlighted by the reaction of the market, with the biotech’s market cap increasing by more than 2-fold that day.

Scitaris continues to deploy its science-driven search strategy to optimize asset searches for its clients. Especially in these challenging times where biopharma deal opportunities are scarce, the highly customized approach and great flexibility is adding agility that helps to maximize deal value generation.

Reach out to us today, to learn more about the customized solutions **SCITARIS** can provide to help you grow your business

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