A Large Pharma Perspective on Product Partnering

Dr Chris Henderson
AstraZeneca Global Licensing
Scope of Presentation

- AstraZeneca
- AZ Global Licensing
- Partner Characteristics
- Challenges
Marketing Excellence

• AstraZeneca has adopted a TA focus, enabling us to achieve world-class marketing and sales capacity in our chosen fields. We have developed and marketed many products which have become market leaders.

• In addition to introducing novel compounds, we have gained a strong reputation for strategies to extend the value of our brands.

• These skills and expertise put us in an excellent position to successfully exploit our future products, both in-house and licensed-in.
Key Therapy Areas

- 5 Areas of Focus

<table>
<thead>
<tr>
<th>Therapy Area</th>
<th>Rank</th>
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<tbody>
<tr>
<td>Gastrointestinal</td>
<td>1</td>
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<tr>
<td>Cancer</td>
<td>2</td>
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<tr>
<td>Respiratory</td>
<td>5</td>
</tr>
<tr>
<td>Cardiovascular</td>
<td>6</td>
</tr>
<tr>
<td>Neuroscience</td>
<td>6</td>
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</tbody>
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Pie chart showing:
- GI 34%
- Cancer 22%
- Respiratory 11%
- Neuroscience 14%
- Cardiovascular 11%
- Other 6%
Global Presence

- 2003 sales = $18.8b

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
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<tbody>
<tr>
<td>USA</td>
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<tr>
<td>Nordic countries</td>
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<tr>
<td>France</td>
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<td>Germany</td>
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<td>US</td>
<td>49</td>
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<tr>
<td>Japan</td>
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Global Presence

- Subsidiaries in 45 countries
- Distributors in 70 additional countries
- 15,000+ sales representatives

[Map showing global presence with red for salesforces and blue for distributors]
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AZ Global Licensing

• An International Department providing a deal-making capability across the Business.

• A centrally managed but dispersed organisation with resources deployed at key R&D sites and in major commercial centres (UK, Sweden, North America).

• Focus on global and major licensing territory deals.

• Integrated with other partnering groups (eg. Bus. Dev.; Global Discovery Alliances) through Therapy Area Partnering Teams.
Note: Where Therapy Area alignment is indicated, this represents primary, but not exclusive, responsibility.
Operating Model: Management Of Deal-making

**SPONSOR**
- SET member, Senior Management Support

**OWNER (TA, RA)**
- Advocates deal
- Recipient of deal

**Transaction Management**
- Located in each major commercial centre
- Overall project management
- Principal contact with partner
- Secures commercial, financial, legal support
- Principal negotiator
- Prepares investment proposal
- Establish networks

**Evaluation Management**
- Deployed at key R&D centres
- Captures external investment needs
- Establishes and manages evaluation and due diligence teams
- Establish networks

**Global Licensing Responsibility**
SPECIFY - Develop external investment needs with internal clients.
IDENTIFY - Search and screen opportunities to meet needs.
EVALUATE - Progressive evaluation of technical, commercial and strategic merits of individual prospects.
CLOSE - Develop deal proposition, negotiate terms, prepare contracts, secure approval to sign.
MANAGE - Effective handover to recipient Manager in the Business.
Strategy Definition: Key Aspects

- Licensing strategy - subset of business strategy (R&D, Marketing Companies)
- Senior Management guidance on strategic direction and prioritisation
- Licensing staff engaged in the strategic process
- Co-ordinate external investment strategies within the ‘licensing community’
Define Strategy

SET (LEC)

CV TAMT [TA + RA]

CORE PARTNERING TEAM

AZ Business Strategy
CV Business Strategy
Disease Area Options
CV Partnering Strategy
**Licensing Executive Committee**

**MEMBERS:**
- EVP: PS&L
- EVP: ISMO (RoW)
- EVPs: R&D
- HoD: Legal
- EVP: N.America Business
- VP: Licensing (Sec)

**ROLE:**
- Provides strategic direction and prioritisation to Global Licensing
- Reviews deal proposals and provides authority to proceed to due diligence and contract negotiation
- ‘On line’ decision making; participation in negotiation
- Performance measures for licensing
Opportunity Identification: Key aspects

• Close engagement with key information sources (R&D, marketing companies). Easy accessibility

• Promote understanding of Licensing vision, role and remit

• Clear communication of strategic targets. Proactive v.s. Reactive

• Provide feedback. Reward ‘finders’

• Knowledge management is challenging
Opportunity Evaluation: Key aspects

- Licensing staff aligned with key clients but operate flexibly.
- Progressive evaluation - suitable initial filter process.
- Definition of owner and sponsor with early engagement of key functions (technical and commercial): single Deal Team that expands as evaluation proceeds.
- Recognition of licensing commitment in personal goals and reward for Project Team members.
Therapy Area Partnering Team

Objective & task to:

- Establish and Drive the TA/RA licensing objectives.
- Identify and screen licensing opportunities and make recommendations to TAMT and RAMT.
- Facilitate the interface between key functions which are all represented.
- Permanent team (8-10 people).
- Led by Global Licensing.
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From Purchase to Partnership

**Biotech**
- Highly Innovative
- Risk Taking
- Rapidly Evolving
- FIPCO potential
- Platform to Product

**Big Pharma**
- Innovative but Risk Averse
- Highly Capable
- Pipeline is Lifeblood
- Commercial Powerhouse
- Global Player

**Technologies**

**Capabilities**

**Products**
Why Alliances fail?

- Not enough time or commitment spent establishing strong team-based working relationships between the 2 organizations
- Cultural mismatch and lack of strategic consistency
- Lack of clear objectives; individual objectives need to be transparent to the other partner (ie. No hidden agendas)
- Change in organizational structure or personnel
- Most factors are considered “manageable” with exception of Failure in Technology and Drastic Changes in Environment

![Graph showing reasons for alliance failure]
Choosing your Partner: Other Key Considerations

**Management**
Is the mission and strategy of the alliance appropriate to both partners? Are management practices compatible/synergistic? Are resources allocated appropriately? Where does the alliance fit within the overall strategic intent of the partner? Importance to the partner?

**Organisation and Work Processes**
How effectively will the work be organised? Are skills and capabilities of partner complementary? Are critical roles and responsibilities recognised? Is the decision making process compatible? Could dispute resolution be problematic.

**Culture**
Is the culture and behaviour of management and staff of partner compatible so that people will work together effectively? Do principals and staff likely to be seconded to the alliance trust one another? Are there hidden agendas? Will information be shared freely?
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Business Environment

- Pharmaceutical innovation is increasingly a “mixed economy” > 30% of Big Pharma products are from outside sources.
- R&D productivity remains an issue.
  - Registration of NMEs in decline?
  - Genomics revolution yet to deliver fully
- High growth and profit aspirations are at odds with the level of innovation and sector funding.
- Intensified Big Pharma competition to acquire products. Everyone is potentially a ‘Partner of Choice’.
Partnering Options

- discovery alliances
- co-development
- fostering
- marketing collaborations
- joint ventures
- spin-offs
The Changing Deal Environment

‘Traditional’
- Upfront
- Milestones
- Royalties

‘New World’
- Cash
- Loans
- Equity
- Convertibles
- Quids
- Co-funding
- Royalties
- Profit Sharing

Milestones

Upfront

Royalties

Cash
Other Issues for Large Pharma

- Partner of choice?
- Deal Complexity
- Finance Issues (e.g., M/S capitalisation, product margins)
- Global vs Regional Product Partnerships
- Quids
- Profit Share vs Cost Share
- Optimal Alliance Management
Drivers for Partnering

Growth expectations
Market Pressures
Globalisation of markets
The Technology race
Need for Innovation
R&D productivity
Increased costs
New players

Partnersing is a strategic imperative

Respect your Partner’s needs within your own framework