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RECENT TRENDS IN M&A AND STRATEGIC TRANSACTIONS

BayBio 2007

April 26, 2007



Panelists

Panel Moderator:

- **Sergio Garcia**, Partner and Co-Chair Life Sciences Group, Fenwick & West LLP

Panel Speakers:

- **Jung Choi**, Senior Director, Corporate Development, Gilead Sciences, Inc.
- **William J. Newell, JD**, Executive Vice President, Aerovance, Inc.
- **George Milstein**, Director, Head of Investment Banking, Pacific Growth Equities, LLC
- **Mike Raab**, Partner, Medical and Life Sciences, NEA



Perspectives on M&A Transactions in Life Sciences

- How do you view the key drivers and challenges in strategic transactions and M&A deals from where you sit as:
 - A business development executive at a large biotechnology company
 - A life sciences investor or investment banker
 - A VC-backed portfolio company



Deal activity is soaring

- Deal values for strategic alliances set an all-time record during 2006 – totaling over \$23 billion

- Unprecedented M&A premiums are driving the value of M&A to the highest levels in history
 - Average premium in M&A transactions with values over \$500M increased to 60% in 2006 – more than twice the average premium from '03-'05
 - Some deal premiums even crossed the 100% threshold – e.g., Merck's acquisition of Sirna



Meanwhile....the biotech IPO “window” remains elusive

- Total amount raised in 2006 by 20 biotech IPOs was \$944M
 - Amount raised is 50% more than in 2005
 - However, the average amount raised dropped for third year in a row
- Many newly public biotech companies are struggling to maintain their offering price
- VCs are forced to hold investments several years beyond the initial public offering
- Is the IPO model for biotech companies broken?



M&A – An increasingly attractive exit strategy

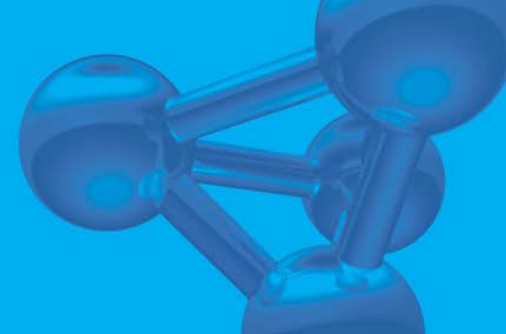
- Are the challenging public markets forcing more companies to consider M&A earlier,
or
- Are there simply more buyers chasing target companies,
or
- Both?



Is M&A the Holy Grail?

- Is everything up for sale now no matter who is buying?
- Why is management at many biotech companies so willing to sell?
- Is there anything wrong with building a company to sell it?

M&A Structures



- Are M&A structures/terms changing?
 - Earn Outs
 - “Phased” Acquisitions
- How can the early stage target company best preserve the M&A option?



Management/Board Dynamics

- How is the M&A backdrop affecting the dynamics between management and the board?
- How can management and the board work together to ensure that all tactical options are pursued – strategic partnering, collaborations, licensing, another financing round and M&A?

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