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**Operator:** The BioWorld Insider Podcast.

**Lynn Yoffee:** This is the BioWorld Insider Podcast and I'm Lynn Yoffee. As longtime readers of BioWorld already know, we invest a lot into bringing you not just the immediate news of the day, but also the context around it, an approach that's key to our efforts to deliver the big picture. Outside of the clinical readouts that shaped that picture, few drivers are more meaningful to the ultimate survival and success of therapeutics programs than dealmaking. Today, *BioWorld News* editor Michael Fitzhugh is talking with *BioWorld* Senior Analyst Karen Carey, to give you the latest view on how dealmaking is progressing this year. Michael?

**Michael Fitzhugh:** Thanks, Lynn. I'm so excited to have Karen with us today. Karen, thanks for joining us.

**Karen Carey:** Yes, thank you, glad to be here.

**Michael:** Deal-making is always a favorite topic for me. It's so often the story of these big strategic moves, these big audacious goals, and of course, at times, big money on the line. That's why I was so surprised to dive into your take on the current Biopharma deal-making landscape. While keeping pace with 2020, you brought the value of completed M&A and the second quarter of this year is languishing relative to recent years. I thought things would just begin to rev up again, what's going on?

**Karen:** Well, what has been happening, Michael, is the value of M&As are just not where they've been by this point in other years. We had about $11.7 billion, through 41 completed M&As in the first quarter, and another $20 billion through 31 M&As in the second quarter of this year. Actually, five M&As accounts for most of the second quarter, with the largest being the merger of Jazz and GW Pharmaceuticals. That one was announced in February. It closed in May, and it was valued at $7.2 billion, which, at the time it was announced, it was a 50% premium to GW's closing stock price.

The merger brought to Jazz the seizure medication Epidiolex which has reached $510 million in sales and some other cannabinoid products. This Jazz/GW merger was the big one for the year so far. Overall, we are way down from other first tuffs. There are several other quarters going back to 2016 that have done worse than the first and second quarters of this year but when we add it all together, and we look at the entire first half of 2021, the $31.7 billion value is the absolute lowest, it is only 27% of what we saw last year, and it's only about 33% of what we saw in 2019.

**Michael:** So way down, what do you think going on there? Why are things panning out that way?

**Karen:** A couple of reasons. One, the number and the amount of financings are absolutely insane right now. At last count, the industry has raised $72 billion aside from 2020, in which 134.5 billion was raised. The 2021 amount is more than any other full year on record. It's more than any other full year in terms of IPOs, private placements, and venture capital financings.

When companies have easy access to capital, they tend to shy away from M&As. Although admittedly, we are seeing more mergers with special purpose acquisition companies or stacks in lieu of an IPO, Panacea Acquisition bought Nuvation in February, Longevity bought 4D pharma in March. We have at least eight others of these stacks on our pending list, the highest being BCTG's offer to buy Tango for 353 million, that is supposed to close in the third quarter.

Partnerships also are strong. They are right in line with what we saw in 2020 so companies may choose to go that route instead of an M&A. One other thing I'll mention is that we may not see too many more of these huge mergers such as Bristol Myers $74 billion buyout of Celgene in 2019 or AbbVie's $63 billion purchase of Allergan last year. Those mega-mergers somewhat skew the numbers in other years.

As these companies are bought, there are fewer of them that can demand that high of a price. There is one big one pending, AstraZeneca's $39 billion offer for Alexion which was a 45% Premium at the time it was announced. If completed, it would be the third-largest takeover to date of a biotech developer.

**Michael:** I thought that M&A might be an outlier in some sense but it looks like the second quarter subdued track record even extends to other kinds of deals. You were talking about partnering earlier, but just looking at licensing collaborations and jayvees, you wrote in your story that Q2 held 468 deals in those categories, which is the lowest number since the fourth quarter of 2019. What's the big picture dynamic there? where are things going now?

**Karen:** It is the lowest number. We had 468 in Q2, but only 412 in the fourth quarter of 2019. The thing to point out here, Michael, is 2020 was an extraordinary year. Yes, the volume of deals was down in the second quarter, but we are comparing it to last year, which hit all kinds of records. 2020 recorded the highest number of deals for any single here at 2067 and the highest value at $198 billion.

For the first time, since the pandemic started, things appear to be slowing down but we will have to wait and see what happens next quarter with that. The first quarter of this year, in contrast, had the highest number of licensing collaborations and joint ventures for any quarter in the last five or six years. Q1 had 559. Maybe the drop in Q2 is a reflection of that, a correction of sorts, and we'll see it go back up in Q3. It's hard to say.

**Michael:** I don't think **[unintelligible 00:06:54]** argue with you about 2020 being a outlier of year. [chuckles] **[unintelligible 00:07:00]**

**Karen:** Absolutely.

**Michael:** There's another interesting trend in the mix with lots of activities in both pandemic-focused and regenerative medicine, driven by very different funding sources. Tell us a little bit about those areas.

**Karen:** We are not seeing the same level of deal activity focused on COVID-19 as we did last year. That's not quite a surprise. We seem to be moving away from the pandemic a bit. It looks like about 12% of the deals are working toward therapeutics and vaccines right now. Well, that percentage was closer to 20% last year and more like 29% during 2020 2nd quarter. Those deals about 125 this year are falling and they only account for $1.8 billion of the total.

For most of these are mentioned, the money is not disclosed. We actually see more pandemic money disclose through industry deals with nonprofits or government but we track those separately. They are at 122 partnerships worth 6.7 5 billion so far this year. As for Regenerative Medicine, we have 105 deals valued at nearly $13 billion focused on this space. That is about 16% of the total. The top deal in this area is the most recent one done in June, when Shoreline and Gilead's Kite Pharma, they signed on to develop allogeneic cell therapies for cancer. That one is the discovery stage deal worth $2.3 billion and it may be the biggest cell therapy partnership today.

**Michael:** Preclinical efforts also accounted for about 23% of this year's total deal value and suffer upfront payments, particularly for clinical stage products are rising. How are things developing there? What's driving that? What do you think?

**Karen:** I was looking solely at preclinical deals, which represents about 23% of the overall value of deals. If you add in discovery stage deals like the Shoreline/Kite deal, it's even higher, around 38%. That's quite a turnaround from earlier years when companies were partnering mainly at the clinical stage. What exactly is happening with that? I'm not entirely sure but financings, in general, are also investing in earlier stage companies.

Not only are we seeing more of these preclinical or early discovery stage deals, we're seeing a lot more money. Bristol Myers partnership with Agenus, for example, is valued at $1.56 billion and is focused on the anti-ticket bio-specific antibody, AGEN1777 for cancer. The FDA cleared an IND to start off phase one trial for that earlier this week. Upfronts are also definitely getting a lot bigger. If I had to highlight one, it would be the $2 billion immune-oncology packed in June between GlaxoSmithKline and iTeos for its anti-TIGIT monoclonal antibody EOS-448.

That is significant because it's a phase one, two drug that pulled in a $625 million upfront payment. Overall, Michael, another thing I expect we will continue to see is the number of deals valued at $1 billion-plus continuing to go up. Those deals have tripled in five years, going from 11 in 2017 to 30 so far in 2021. Most of them are focused on cancer. The iTeos/GSK deal is a good example of that, as is the Bristol Myers Agenus partnership. Both of those deals are for anti-TIGIT candidates.

**Michael:** That is a lot of money on the line. I know that in a lot of cases, it's just, in big part, bio-bucks that we're waiting to see whether or not finally realized depending on the success of programs but it's really remarkable to see those kinds of numbers showing up in deals. It is crystal ball time. [chuckles] Can you tell me what is happening in Q3 M&A and beyond? I know you can't project individual deals but what are you expecting to see?

**Karen:** Well, maybe more of the same we will continue to see. Currently, we have 41 M&As on the pending list valued at about $56 billion combined. If every single one is completed this year, we still won't come close to reaching the M&A values for either the last two years, we may be more in line with 2018 though. I think we will keep seeing deals staying in line with what we saw in 2020. We may not beat 2020 but I think we'll be in line with it or just slightly below it.

I also would expect the AstraZeneca $39 billion buyout of Alexion and to close in the third quarter probably in September. As I mentioned, that would be the third largest of a biotech developer to date but it would be the largest M&N this year. There's only two ahead of it, the 2019 acquisition of Celgene for $74 billion and Roche's buyout of Genentech for about $47 billion in 2009. Overall, more preclinical deals, higher upfront payments, more cell, and gene therapy partnerships, that's what I see in my crystal ball.

**Michael:** Excellent. Lots to look forward to in terms of news that we will certainly be reporting on BioWorld Sharing with our leadership. Thank you so much for taking that look at Q2, taking a look at the future. It's been a pleasure.

**Karen:** Thanks, Michael. I appreciate it.

**Lynn:** Thank you, Karen and Michael. We'll put a link to Karen's second-quarter deals analysis and the show notes. Of course, all of us here at *BioWorld*, we'll continue to keep you posted on the important deals as they happen. That's our show for today. If you need to track the development of drugs, turn to bioworld.com, follow us on Twitter, or email us at newsdesk@bioworld.com. Thanks for joining us.

**Operator:** *BioWorld*, published by Clarivate is a subscription-based news service. All of our COVID-19 content, more than 5,000 articles, and data entries since the start of the pandemic are freely accessible.

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