WHITE PAPER

Partner or Competitor: Why, When and How to Decide Whether to Collaborate

Highly competitive pharma markets require different thinking for an asset to succeed. As landscapes expand to more players and evolve into increased complexity, new strategies must keep pace to identify when and how to form partnerships – or else risk being outclassed.

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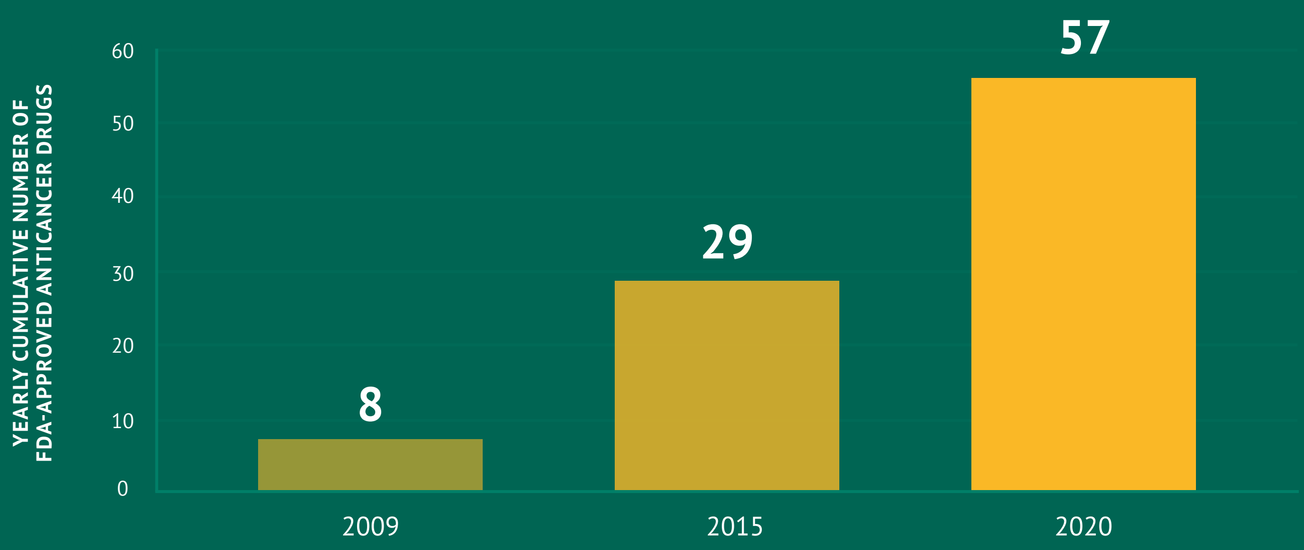
Introduction

Success can be difficult to define and achieve in a highly competitive market. At a minimum, a company must defend against external threats, so partnering with the right organization or asset may be the secret to success that a company needs to bolster its portfolio, extend its innovation and establish its competitive advantage.

We advise clients on decision making in the pharmaceutical industry's most competitive and most highly dynamic markets. For example, according to a 2021 *JAMA Network* publication, the yearly cumulative number of FDA-approved oncology drugs in the clinical setting increased from eight in 2009 to 57 in 2020 due to explosive growth across several oncology areas, including CAR-T therapies, cytokine therapies, immune checkpoint modulators, oncolytic virus therapies and vaccines. Such examples provide a snapshot of a marketplace that can be bewilderingly competitive, erratic and convoluted. Adding to this complexity, a recent PWC analysis, revealed that COVID-19 had caused a significant dip in mergers and acquisitions (M&A) in biopharma during 2020, with a tremendous upswing in M&A predicted for 2022. There is therefore a clear need for companies to be prepared for dynamic ebbs and flows and the ability to make swift strategic go/no-go decisions on potential partnerships.

This paper will explore five critical strategic questions that will help organizations evaluate scenarios and make better decisions for their assets and businesses against uniquely competitive backdrops.

FDA-Approved Anticancer Drugs (2009-2020)



1 Where to begin, and what are the first steps?

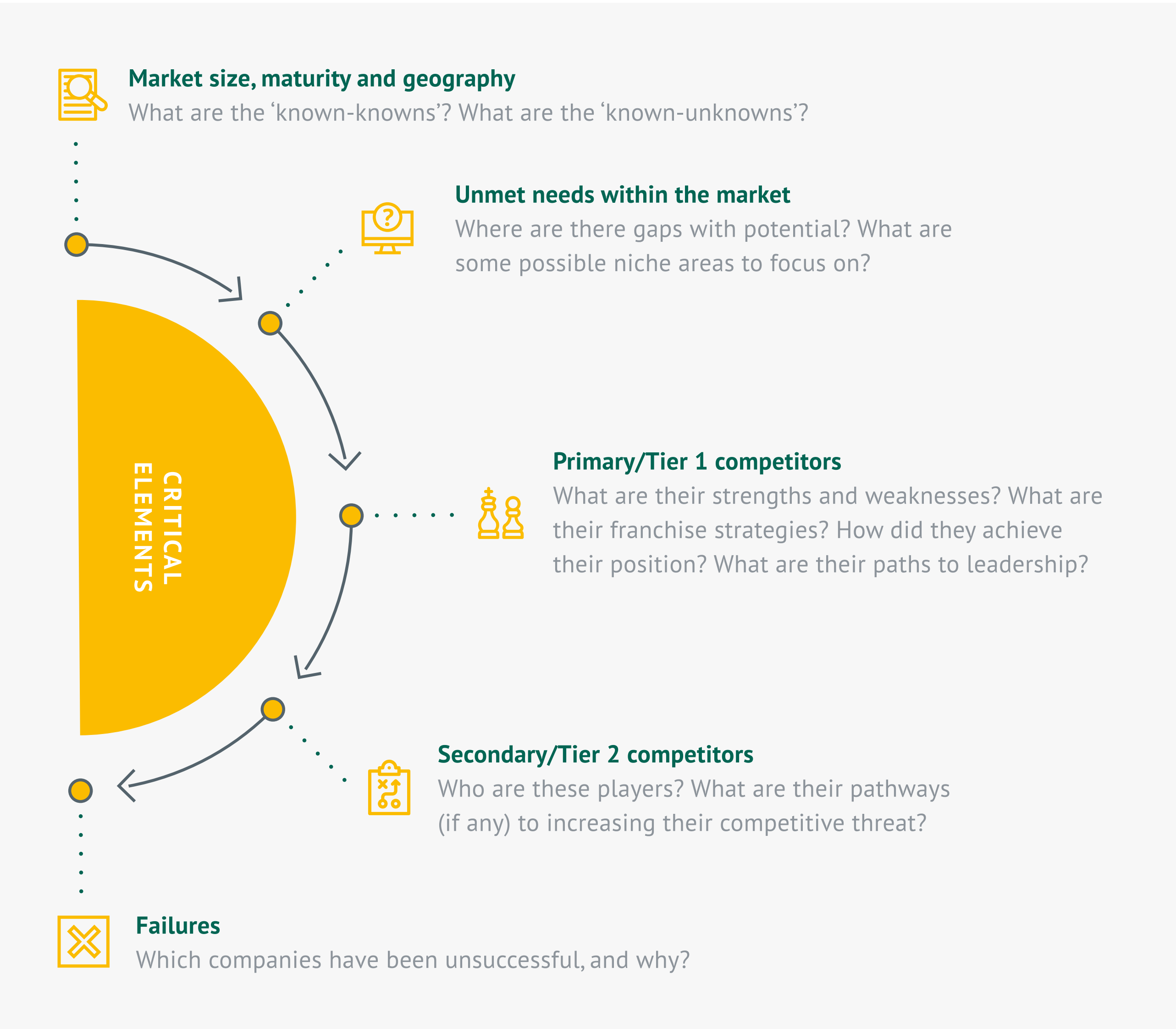
Critical analysis of your organization is a vital part of understanding your current and ideal future position.

To do that, you must have an accurate and objective understanding of your market – this is often best conducted by an external partner with specialized therapeutic area expertise. Once you define the state of both the current and the likely future market maps, your competitors and where you sit, you can shift the analysis to your company and assets.

In addition to analyzing the situation and SWOT (strengths, weaknesses, opportunities, threats), companies should also examine their franchise strategy to develop a clear idea of the values that underpin the business and know what they stand for. What underlying drivers make your organization unique? What would your organization and your franchise want to be known for in the long term?

Further, do not waste effort and resources. Be realistic about your worth and deliberate in your actions. Make sure that your mission is aligned with your customers' expectations so that, for example, you do not think of yourselves as an innovator when the market sees you as a reliable manufacturer of low-cost generics.

You also need to carry out an analysis of your target market to understand the following critical elements:



The approach we recommend at Prescient is to pool the knowledge and expertise within an organization through strategy workshops and gain an understanding through external benchmarking exercises to inform the overall strategy for the future. It is common at this stage for multiple product profiles from assets considered for potential partnership to be strategically assessed by comparing various parameters, such as mechanism of action (MoA), target patient population and critical clinical efficacy and safety measures, to arrive at an aligned target product profile (TPP). This TPP provides the benchmarks for a 'successful' asset that could benefit the treatment paradigm in a clinically meaningful way.

2 Which factors determine the 'right deal'?

Deals and partnerships are vital to thriving in a competitive environment.

The pharmaceutical industry exists in a landscape of complex alliances and M&A. For example, in 2020, Pharma Intelligence reported that in the decade since 2010, "The biopharmaceutical industry struck a total of 596 major [i.e., possessing a total value of $100m or greater] M&A deals over the last decade... with a collective $1.6tn changing hands in these transactions."

Such deals and partnerships are necessary within the pharmaceutical industry as they offer insights into unique market and business development strategies – and the blueprint from past 'wins' or 'losses' to build a successful future. Beyond insights, these relationships offer a pivotal source of innovation. However brilliant the minds in an organization, there will always be more, potentially better, ideas and sources of innovation beyond its walls. Partnerships provide the key to opening the door to external ideas and expertise that can be combined with your company to result in something even more significant than a sum of its parts.

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> Pharma Intelligence, Informa, March 2020

Pharma Intelligence also cited examples of successful partnerships and M&A, categorizing the underlying drivers into three objectives:

1. **Executing portfolio strategy**
This can involve acquiring assets that complement an existing franchise, such as combination drug treatments. It could also include acquiring a company that is showing early promise in a new, high-growth therapy area.

2. **Tapping into external innovation**
Larger pharma companies seldom make significant discoveries themselves; instead, they tend to acquire small innovative companies. Pharma-academic partnerships are also on the rise and are collaboratively fueling innovation. Companies are increasingly funding early drug discovery research, enabling the development of first-in-class therapeutics.

3. **Delivering investor return**
Ultimately, deals are measured by their return on investment (ROI) and how they impact a company's overall performance.

If these three objectives align with you and your potential partner, a partnership might be the ideal strategy for a win-win scenario.

A company may seek a later-stage asset with a higher probability of success and a quicker, more clearly defined path to market to supplement a revenue gap – with a lower risk and a higher price tag. Alternatively, a company may seek an earlier-stage asset with a lower probability of success and less clearly defined path to market to become a leader with an innovative or novel MoA – with a higher risk and a lower price tag.

3 Partner or competitor? How do you identify opportunities and threats?

A threat to one business may be an opportunity for another. In other words, every threat may be a potential partnership for you, so your key competitors should be carefully monitored and strategically evaluated for potential collaboration.

In evaluating the competitors in your target disease landscape, you must ensure that you have a framework that documents, organizes and prioritizes the critical pieces of information that will support your decision. In addition, creating the 'right' forum(s) for discussion and alignment is essential to ensure that the knowledge within an organization is shared appropriately and applied effectively.

To determine whether another company is a potential business development partner or a competitor, establish benchmarks for what 'good' looks like in either scenario. While there may be similarities between the broad assessment categories, such as commercial attractiveness and clinical probability of success, the thresholds for what 'good' looks like will differ for a partner compared to a competitor, impacting subsequent strategic planning activities. For a partnership, the strategic fit is an essential assessment criterion to consider so you can ensure that the product will truly complement and elevate your company's existing franchise(s) and is aligned to your overall strategic vision. Additional considerations should include the strength of an asset's clinical profile, market potential and strategic fit, and whether the asset could be either a potential direct threat or a potential complement to internal assets.

"To determine whether another company is a potential business development partner or a competitor, establish benchmarks for what 'good' looks like in either scenario."

You need to identify the triggers and parameters that will enable a decision on whether to compete or join forces. For example, what are the unmet needs in a particular disease area? Is a competitor addressing a specific niche within an indication that may be a clear opening your product can fill?

How has this worked in the real world?

Combinatorial therapies are an example of how partnerships have worked well. Combining a therapy with complementary MoAs is a potential sweet spot for competitors to join forces. Exelixis has capitalized on this strategy through its multiple collaborations for cabozantinib in solid tumors, where the combination assets (Opdivo and Yervoy/Tecentriq) would have otherwise faced stiff competition from Exelixis' flagship molecule. Combination partnerships can also evolve along with the development of a given asset. For example, MorphoSys and Xencor's recent collaboration to develop a novel combination therapy in non-Hodgkin lymphoma was built upon a 10-year partnership between the two companies, following MorphoSys' in-licensing of tafasitamab in 2010. Leveraging this relationship was the first of many steps for MorphoSys to establish tafasitamab as a backbone therapy in this space.

Another approach for a company that occupies a significant market share in a disease area is to partner with a smaller organization to solidify the majority share of that disease area. While there may be market overlap, this approach can offer a greater clinical and commercial outcome compared to forgoing the partnership. It also enables the company to provide complete support services within a disease area without contending with competitors' products, creating expertise gaps. Moreover, establishing market leadership and therapeutic expertise could ease the barriers to future launches of more novel products. For example, BMS leveraged the legacy of the multiple myeloma drugs acquired from Celgene for successful near-term launches of newer modalities such as CAR-Ts, bispecific antibodies and CELMoDs.

4 How is the decision progressed?

Establishing the appropriate cross-functional governance structure is critical to executing a strategy efficiently within regulatory frameworks.

Businesses must also specify the correct forums to foster agile decision making. Communication should be consistent, deliberate and cross-functional, with a responsible party ensuring that the operation moves forward and incorporates changes within the landscape that inform the overall thinking. Roles and responsibilities within these forums should be clearly defined – who is responsible/accountable, who we consult and who we inform. Then, depending on the potential landscape triggers and business needs, a final call should be made within a time frame dictated by the urgency of making a go/no-go decision.

On top of this pyramid, the leadership must have clear go/no-go decision points and decide on whose shoulders the final decision or veto rests. Governance must consider where expertise sits within an organization, how and when to best leverage those stakeholders, and the most appropriate tools and frameworks to deploy. For instance, late-stage deals may require commercial experts to weigh in on product forecasts and predicted ROIs, while early-stage assets may require clinical experts and KOLs to weigh in on the clinical potential of the asset under consideration.

Again, the decisions hinge on many factors. Even for two assets with the same MoA, different companies may take different approaches upon identifying their unique partners. For example, following Gilead's $4.9bn purchase of Forty Seven, Inc., and its mid-stage anti-CD47 asset, magrolimab, M&A activity around anti-CD47 MoAs peaked, and deals were struck between other companies for earlier-stage CD47 assets. AbbVie reacted by striking a $2bn partnership with I-Mab to license lemzoparlimab outside China, in one of the biggest out-licensing deals made by any Chinese biotech. At the same time, biopharma giant Pfizer announced that the company put down an initial $25m equity investment and later acquired Trillium Therapeutics with its two lead anti-CD47 assets in a $2bn buyout.

5 How do you ensure agility in your decision-making approach?

It is important to remember that a strategy tailored for one set of circumstances may not work so well should those circumstances change. Therefore, decisions should focus on efficiency – not merely considering speed, but also incorporating calculated risk and an understanding of the marketplace as a whole – with plans to monitor and continue good governance. The internal and external triggers for change will vary over time, and it may be possible to forecast these early through scenario planning.

Practical approaches in this final stage include:

1. **Working backward from catalyst timepoints for decisions**
   Collecting in-human clinical data is the last stage of a process spanning a number of years, with initial signals in scientific journals, presentations from academic laboratories and trends in MoAs. From these catalyst timepoints, it should be possible to map out what you need to know and when you need to know it.

2. **Analyzing the competition for opportunity**
   You may not be the only business with an eye on the prize. Knowing how other players are engaging with the market presents vital information that can shape strategy, such as positioning a product to force the competition to become redundant or making early overtures for collaboration.

3. **Performing investment analysis**
   Understanding where other companies are investing their funds will help identify areas of upcoming interest.

4. **Considering sponsorship**
   Leadership through choppy and uncertain waters is an ongoing process. Although decisive actions may need to be taken, an 'all-or-nothing' outcome should not be rushed; there may still be opportunities to make cautious first steps through the early funding of external studies or joint, non-exclusive research. Internal business development and academic ventures offer opportunities to stake an early claim and gain an intelligence advantage.

Conclusion

Each case must be taken on its own merits, and a final decision made based on various factors within the marketplace and surrounding the business and product.

These factors may change rapidly, so it is vital to look to the future in your strategic planning to identify the triggers that will impact your decision making.

The difference between a competitor and a collaborator may shift quickly and unpredictably; therefore, it is essential to set up the processes and people in advance, so that quick, deliberate decisions that capitalize on dynamic changes can be made.

It is imperative to keep in mind that strategies must be kept agile as the business landscape evolves. Ensuring that decisions are based on the best possible intelligence, with a thorough awareness of internal and external market triggers, is fundamental.

In addition, vital decision making points should be consulted with and communicated clearly to the appropriate internal stakeholders.

Finally, external help can be crucial. External analysis and perspectives need to complement internal subjectivity and expertise about an asset's strategic goals, while internal knowledge and expertise may be the key to your company's ultimate 'best' decision. Drawing this essential information out by asking the right questions has always been at the heart of what Prescient does for its clients. Being perpetually curious and armed with learnings from both 'wins' and 'failures' across various disease areas, assets and companies means that we often ask questions that clients have not. Though there are never guarantees in the most competitive markets, decisions can be best set up for success supported by the right tools, data and insights to ensure that the minds of decision makers can be 'free' and well-informed to answer these critical questions.

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Katy is a Associate Vice President in our Advisory business. Since earning her master's degree in bioscience from Keck Graduate Institute, she has acquired several years of experience in life science management consulting, advising clients on brand, commercialization and corporate portfolio strategy engagements. She has focused on late-stage, pre-launch assets across various disease areas, including oncology, hematology, dermatology and rare diseases. At Prescient, Katy's focus is on driving the growth of the Advisory team by ensuring engagements are of high quality, expanding Prescient Advisory's presence and supporting team professional development.

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Ben is a Vice President and supports both our East and West Coast clients in the US. He holds a BSc in biomedical sciences and an MSc in biomedical engineering, and has eight years' experience working in biotechnology prior to joining Prescient in 2010. Ben has held progressively more senior roles at Prescient, which has given him a deep understanding of what is needed to build and motivate teams that deliver results with a high degree of client satisfaction. He has also been closely involved in managing projects across multiple therapeutic areas, including oncology, immunology and biosimilars.

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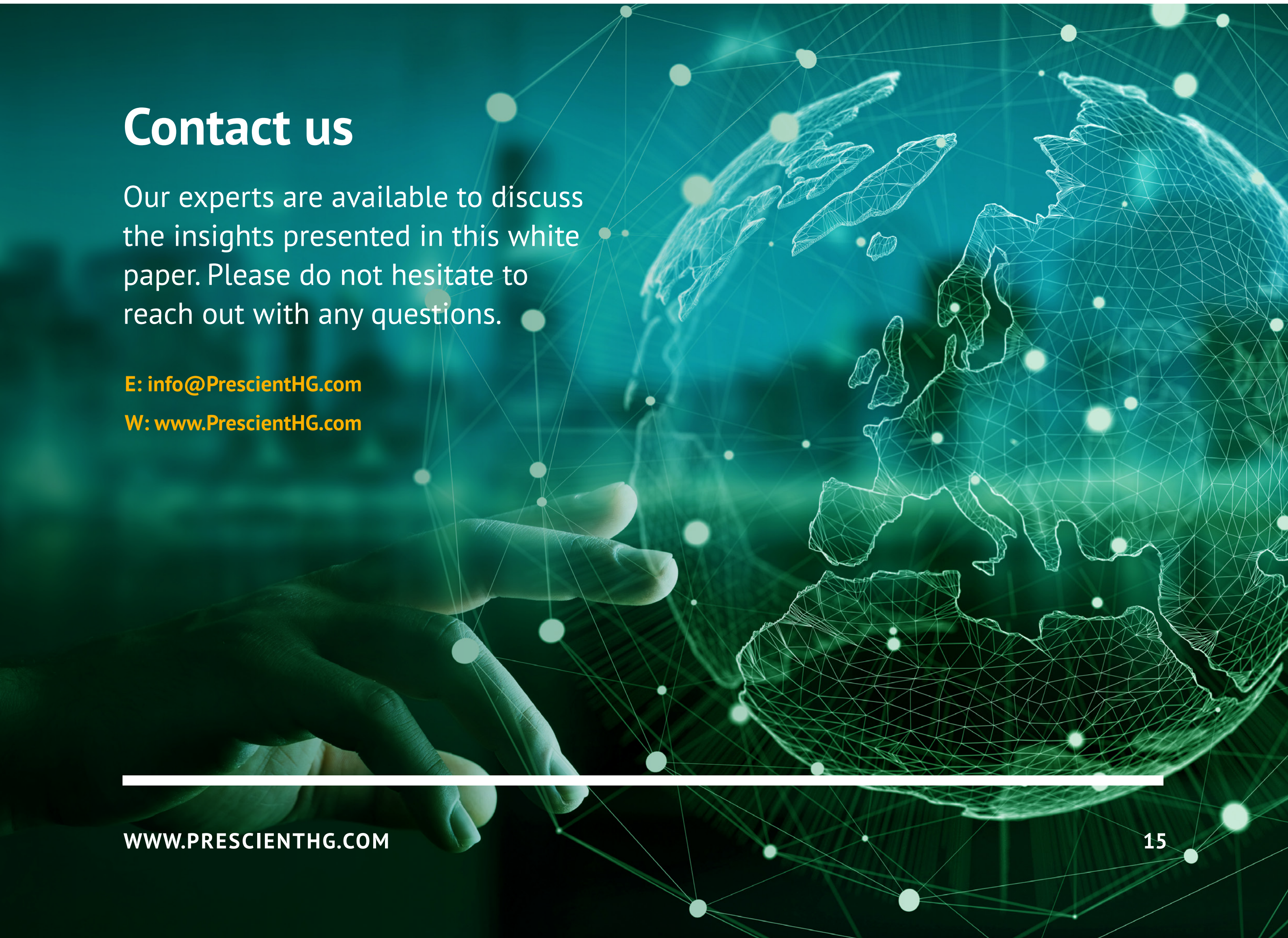
About Prescient

Prescient® is a pharma services firm specializing in dynamic decision support and product and portfolio strategy. We partner with our clients to turn science into value by helping them understand the potential of their molecules, shaping their strategic plans and allowing their decision making to be the biggest differentiating factor in the success of their products. When companies partner with Prescient, the molecules in their hands have a greater potential for success than the same science in the hands of their competitors.

Founded in 2007, Prescient is a global firm with a footprint in eight cities across three continents.

Our team of more than 400 experts partners with 23 of the top 25 biopharmaceutical companies, the fastest-growing mid-caps and cutting-edge emerging biotechs, including some of the biggest and most innovative brands. More than 80% of our employees hold advanced life sciences degrees, and our teams deliver an impressive depth of therapeutic, clinical and commercial expertise.

Prescient has been a portfolio company of Bridgepoint Development Capital since 2021 and Baird Capital since 2017. For more information, please visit: www.PrescientHG.com.



Contact us

Our experts are available to discuss the insights presented in this white paper. Please do not hesitate to reach out with any questions.

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