



Early-Stage Pharma Partnering: Maximizing the value of your assets and choosing the right business partner to advance innovation

Strategies for effective collaboration
in early-stage licensing deals

A i2e Consulting White Paper

Introduction

Biotech companies often struggle to translate scientific achievements into compelling investor propositions due to limited resources and skills in market assessment, revenue forecasting and building partnering packages. Smaller organizations do not have the resources to address the complexities of developing comprehensive partnering packages that protect compound identities from the beginning. They must also navigate negotiations with a strong understanding of term sheets, legal and market dynamics.

Scientists focus on technical research aspects, while investors and partners prioritize financial metrics, creating a disconnect between internal R&D stakeholders, such as Researchers, Regulatory, Commercial and Legal can lead to compliance risks, fines, intellectual property risks and financial risks.

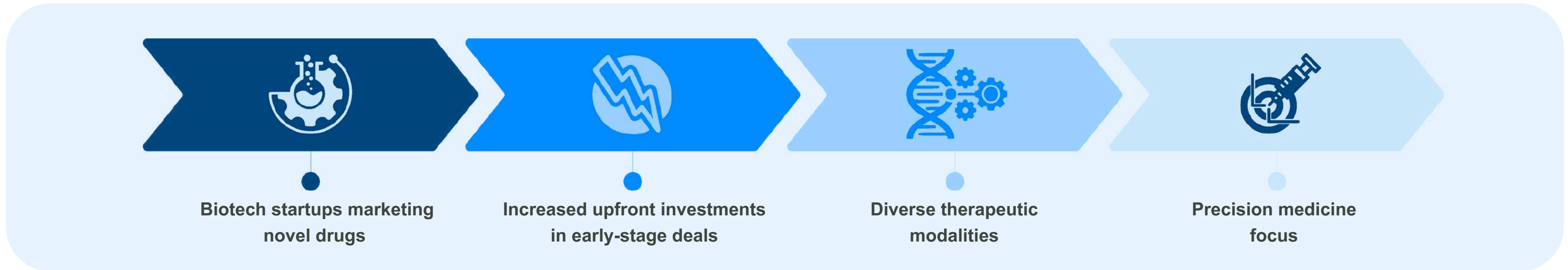
- BD&L professionals help R&D Stakeholders understand and utilize financial and commercial metrics through analyses and valuations of business opportunities, enabling informed decisions that align technical innovations with market potential and investor expectations.
- Ensure that licensing agreements and partnerships adhere to all regulatory requirements, reducing the risk of regulatory setbacks and protecting innovations without disclosing the chemical identity.
- Facilitate connections with the right investors and co-development partners, ensuring researchers maximize the value of their pipeline assets.



Researchers must develop comprehensive partnering packages that protect compound identities from the beginning, while managing negotiations with a strong understanding of term sheets and market dynamics.

Emerging Biotech requires ongoing insights into market trends and competitor activities, allowing them to leverage Business Development and Licensing (BD&L) and forecasting services. This strategic approach can significantly enhance their market positioning, attract investment on favorable terms, and drive growth in the highly competitive pharmaceutical landscape.

Market dynamics in the early-stage pharma partnerships



- **Small biotech companies are commercializing their groundbreaking innovations & novel drugs, attracting significant investments.**

In May 2024, Nona Biosciences, a U.S. biotech company, signed a licensing agreement with AstraZeneca to develop preclinical mAbs into novel tumor-targeted cancer therapies, with Nona set to receive \$19 million upfront and up to \$585 million in potential milestone payments.

- **Companies are developing a diverse array of novel therapeutic modalities to target an expanding range of molecular targets.**

These novel modalities include protein degraders, antibody-drug conjugates (ADCs), small interfering RNA (siRNA), and advanced gene editing techniques like CRISPR. For example, Versant-backed Firefly Bio is working on the next generation of ADC.

- **Big pharma significantly increased upfront investments in early-stage deals (Phase I and II).**

In 2023, Phase II deals averaged \$405 million, largely due to a \$4 billion upfront payment in the Daiichi/Merck deal and totaled \$310 million without this outlier. Phase I deals saw a substantial 42% YoY increase in upfront payments. Meanwhile, Phase III deals, often for less-than-worldwide licensed territories, experienced a slight median upfront payment decrease from \$75 million in 2022 to \$70 million in 2023.

- **BioPharma realigning their portfolios, strategically focusing on precision medicine to explore new growth opportunities & stand out in the market.**

This innovative approach moves away from the "one-size-fits-all" model of traditional medicine, instead focusing on tailoring treatments to the unique genetic, molecular, and lifestyle characteristics of each patient. Small biotechs like Nuvectis Pharma are at the forefront of the precision medicine revolution, leveraging advancements in genomics, biomarkers, and targeted therapies to transform the treatment of serious medical conditions.

Critical drivers shaping the early stages partnership



Large pharmaceutical companies are increasingly partnering with small biotech firms to enhance their value and access breakthrough discoveries. In turn, Small Biotech's gain funding, infrastructure, and market reach, helping them navigate the complexities of drug development more effectively.

The key factors that influence the formation of early-stage partnerships includes

- **Innovative Modalities (including Cell & gene therapy (CGT), CAR-T, bispecific & mRNA treatments):** This wide range of new approaches promises to discover new targets, increase effectiveness with fewer side effects, and in some cases, even achieve definitive cures.
- **First-in-Class (novel assets):** Big pharma companies are particularly interested in biotech firms developing novel, cutting-edge therapies that address unmet medical needs and the potential to be market leaders
- **AI-driven target identification:** Companies are leveraging digitization, automation, AI/ML for in silico discovery to accelerate innovation and uncover novel disease targets for effective treatments.
- **Precision medicine :** Pharma firms developing targeted therapies & personalized treatment approaches are attracting substantial capital from strategic investors.
- **Access to novel technologies:** Biotech firms are known for their innovative research and specialized knowledge in niche areas. By partnering with these companies, big pharma can gain access to cutting-edge technologies and therapies that address unmet medical needs. This allows them to expand their portfolios and stay competitive in the market.
- **Funding & financial incentives:** Availability of venture capital and government grants for biotech startups, as well as attractive financial incentives for big pharma to invest in novel therapies, play a crucial role in forming partnerships.

**i2e drives end-to-end
innovation by enabling
critical business
development and
licensing services!**

i2e understand the importance of making informed decisions when it comes to selecting the right asset for your clinical development pipeline. To assist in this process, we leverage comprehensive research to create robust forecasts for each potential asset, examining the expected market positioning and market share – and an associated range of expected net present values (NPVs) and Internal Rate of Returns (IRR)

i2e puts best effort into potential partner screening, partner reach out, term sheet creation and alliance management.

Commercial and financial assessment	Initial outreach	Due diligence	Negotiation & deal	Alliance management
Market assessment	Preliminary partner interest	In-depth evaluation	Term sheet	Implementation
<ul style="list-style-type: none"> • Indication and Asset prioritization • Market Landscape Analysis and Competitor Benchmarking • View of pricing, market access, potential patient shares • Forecasting, NPV, and IRR • Program risk quantification and valuation to support investments 	<ul style="list-style-type: none"> • Partner identification and Outreach • Partnering Package Review • Qualification of Interest • Shortlisting of Interested Partners 	<ul style="list-style-type: none"> • Signing the Non-Disclosure or Confidentiality Agreement • Access to Client data room for detailed evaluation of confidential information, pertaining to clinical data, development plan, manufacturing etc. 	<ul style="list-style-type: none"> • Drafting favorable term sheet to get best value of the asset • Negotiating on the structure of the deal, including financial aspects, roles and responsibilities etc. • Signing the contract 	<ul style="list-style-type: none"> • Develop a robust alliance management strategy • Identify and eliminate problem areas • Monitor performance and alliance health

For further discussion and to explore how we can assist you, please feel free to contact us at parmod.kumar@i2econsulting.com

We look forward to engaging with you and addressing any questions.

References

1. i2e Consulting analysis
2. Kate H. Kennedy, Krisstel Gomez, Natalie J. Thovmasian, Dennis C. Chang; Small biotechs versus large pharma: Who drives first-in-class innovation in oncology?
3. 2023 Annual Biopharma Licensing and Venture Report; J.P.Morgan
4. Trendspotting: What's Coming for Biotech in 2024; Bio-IT World Team
5. Mike Brochu, Lu Chen & Brian Bush; New Drug Modalities 2023
6. Innovation pushing the deal market to adapt and evolve; KPMG



Find out more



Parmod Kumar

Director, Life Sciences

20+ years of Life Science Strategy & Analytics experience

 [parmod.kumar](#)

 parmod.kumar@i2econsulting.com

[READ MORE ON BD&L](#)



i2e Consulting

i2e leads transformation for the life sciences industry through best-in-class analytics and technology solutions. Our market-leading execution capabilities and domain expertise help BioPharma identify the best pipeline assets and provide investment theses to make an informed decision. We help small biotech's find the right investors and ecodevelopment partners to get the best value from their pipeline assets.

www.i2econsulting.com

 USA, Groton, CT

 www.i2econsulting.com