

Biotech Dealmaking Gets off to a Strong Start in 2012

Roche's hostile \$5.7 billion bid for Illumina sets the stage for a protracted fight, Burrill & Company says

SAN FRANCISCO, CA, February 01, 2012— Roche's hostile \$5.7 billion bid for the tools and sequencing systems company Illumina reflected strong dealmaking activity in the life sciences in January. In total, not including Roche's bid, more than \$10 billion in global partnering and M&A deals were announced during the first month of the year.

The wrangling between Roche and Illumina is likely to go on for months. The deal reflects Roche's efforts to build itself into a personalized medicine powerhouse and its belief that sequencing technology will eventually migrate from the lab to the doctor's office.

Not counting the Roche-Illumina deal, life sciences companies announced \$6.2 billion in agreed upon acquisitions in January. This included Bristol-Myers Squibb's \$2.5 billion agreement to acquire hepatitis C drug developer Inhibitex; Amgen's \$1.2 billion agreement to acquire Micromet, which is developing a new class of drugs that enlist the body's T-cells to battle cancer; and Celgene's agreement to acquire privately held Avila Therapeutics for \$350 million plus milestones which if met could push the total value of the deal up to \$925 million.

"We are seeing not only Big Pharma, but Big Biotech moving to build its pipeline through strategic acquisitions and partnering deals," says G. Steven Burrill, CEO of Burrill & Company, a diversified global financial services firm focused on the life sciences industry. "What's interesting is the number of deals focused on platforms as opposed to late-stage molecules. These companies are seeking not only to fill their pipelines, but also to find faster, more economical ways to discover and develop new therapies and move into diagnostics."

On the partnering front, January saw robust activity with more than \$4.7 billion in announced deals. Forma Therapeutics was involved in the two largest agreements for the month. The first with Boehringer-Ingelheim calls for \$65 million in upfront payments and research funding to screen for and optimize compounds against multiple oncology targets over four years. Milestone payments could raise the total deal value to \$815 million. Forma also entered into a collaboration to discover, develop, and commercialize small molecular drugs that target tumor metabolism mechanisms with Janssen Biotech. Specific terms of the agreement were not released, but the deal could represent up to \$700 million in project and milestone payments over several years.

Two life sciences companies completed initial public offerings in January. Renewable Energy Group raised \$72 million in the first life sciences IPO of the year. The biodiesel producer sold 7.2 million shares at \$10 each, well below its range of \$13 to \$15 a share. Verastem, a pre-clinical therapeutics company developing drugs that target cancer stem cells, raised \$55 million in its IPO. The company priced at \$10, the midpoint of its target range of \$9 to \$11. Existing investors committed to purchasing nearly a third of the offering. The company is led by Christopher Westphal, the former CEO of Sirtris Pharmaceuticals, which he sold to GSK in 2008 for \$720 million.

"The street is anticipating the Facebook IPO. That could help generate general excitement about new issues," says Burrill. "Still, M&A has been the preferred exit for life sciences companies and that trend is likely to continue until we see enough demand for biotech stocks to make IPO exits competitive with M&A exits."

Life Sciences Capital Scorecard in USD M

	JAN 2012	JAN 2011	Change
Global Venture Capital	988	840	17.6%
U.S. VC	748	560	33.6%
IPOs (2 in 2012 v. 4 in 2011)	127	548	-76.8%
U.S. IPOs (2 in 2012 v. 0 in 2011)	127	0	
Global PIPEs	119	326	-63.5%
U.S. PIPES	72	201	-64.2%
Global Follow-ons	455	1,423	-68.0%
U.S. Follow-ons	455	603	-24.5%
Global Other Equity	115	N/A	
U.S. Other Equity	110	N/A	
Global Debt Offerings	2,593	2,531	2.4%
U.S. Debt	2,201	2,531	-13.0%
Global Other Debt	313	1,597	-80.4%
U.S. Other Debt	309	88	251.1%
Total Global Public Financings	3,722	6,425	-42.1%
Total U.S. Public financings	3,274	3,423	-4.4%
Global Partnering	4,716	61,303	-92.3%
U.S. Partner/Licenser	2,682	34,001	-92.1%
Global M&A	6,198	148,561	-95.8%
M&A, U.S. Target	5,765	71,854	-92.0%

January's dealmaking activity helped drive life sciences stocks higher. The Amex Biotech Index shot up 21 percent during the month, outperforming the major market indices as the Dow Jones Industrial Average rose 3.4 percent and the Nasdaq Composite Index ended the month up 8.1 percent. The Burrill Select Index also posted a strong performance, as it rose 13.5 percent, the best among the Burrill family of indices. Hepatitis C drug developer Inhibitex was the biggest mover in January as its shares rose 133 percent to end the month at \$25.25 thanks to the announcement that BMS would acquire it. The bio-renewables company Metabolix was among the biggest decliners for the month as its shares fell nearly 42 percent to \$2.65 on news that Archer Daniels Midland terminated its joint venture with the company to produce biodegradable plastic.

Venture financings also got off to a strong start with companies globally raising \$988 million, up 17.6 percent from the \$840 million raised during the same period a year ago. U.S. venture capital financings in the life sciences reached \$748 million, up from \$560 for the same period a year ago. Among the largest financings for the month was startup Warp Drive Bio's up to \$125 million in funding, \$75 million of which is equity financing tied to the achievement of milestones. The company, backed by Third Rock Ventures and the drug giant Sanofi, is trying to develop new natural product drugs by using proprietary genomic tools to find them within microbes. The deal comes with a built-in exit for investors by providing for Sanofi to buy the company should it meet its milestones.

On the regulatory front, the U.S. Food and Drug Administration approved four new drugs in January, plus two treatments for type 2 diabetes -- Lilly and Boehringer Ingelheim's linagliptin-metformin combination pill and the long awaited extended release formulation of Amylin's Byetta, known as Bydureon. The new drugs include Pfizer's kidney cancer drug Inlyta, Genentech and Curis' melanoma drug Erivedge, Vertex's cystic fibrosis drug Kalydeco, and BTG therapeutics Voraxaze, which clears the body of toxic chemotherapeutics.

The approvals come as Congress begins to turn its attention to renewal of the Prescription Drug User Fee Act, which allows the agency to collect fees from industry to fund the cost of reviewing products. The FDA sent its recommendations to Congress for the fifth incarnation of PDUFA, which is set to expire at the end of September. It also sent recommendation for new user fee programs for generic drugs and biosimilars.

"It's critical Congress move quickly to pass the renewal of PDUFA and not allow the legislation to get bogged down in extraneous issues," says Burrill. "User fees provide nearly two-thirds of the funding for drug reviews today. They do not, however, address the chronic underfunding of the agency, which Congress will also need to address at this time when there is continued pressure to cut spending."

BURRILL INDICES	12/30/2011	1/31/2012	Month Change
Burrill Select	432.49	490.70	13.5%
Burrill Large Cap	529.22	595.24	12.5%
Burrill Mid-Cap	295.33	325.49	10.2%
Burrill Small Cap	88.25	95.02	7.7%
Burrill BioGreenTech	151	152.42	0.9%
Burrill Diagnostics	175.42	190.40	8.5%
Burrill Personalized Medicine	100.62	110.29	9.6%
Canadian Biotech	59.17	60.26	1.8%
NASDAQ	2605.15	2816.55	8.1%
DJIA	12217.56	12632.91	3.4%
Amex Biotech	1090.18	1319.64	21.0%
Amex Pharmaceutical	332.94	330.86	-0.6%

About Burrill & Company

Founded in 1994, Burrill & Company is a diversified global financial services firm focused on the life sciences industry. With \$1.5 billion in assets under management, the firm's businesses include venture capital/private equity, merchant banking, and media. By leveraging the scientific and business networks of its team, Burrill & Company has established unrivaled access and visibility in the life sciences industry. This unique combination of resources and capabilities enables the company to provide life sciences companies with capital, transactional support, management expertise, insight, market intelligence, and analysis through its investments, conferences, and publications. Headquartered in San Francisco, the company oversees a global network of offices throughout the United States, Latin America, Europe, and Asia. For more information visit: www.burrillandco.com .

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