



Partnering with Larger Companies

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BioPharm Services

- BioManufacturing Consulting
 - Simulation and Cost Modeling
 - Knowledge Management
 - Manufacturing Strategy
- Business Development/Program Management
 - Market Research
 - **Partnering**
 - **Manufacturing Contracts**
 - **M&A**
 - **Technology Licensing**
 - **Government Grants**
- Offices in US and UK

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Agenda

- Why work with larger partners?
- Finding the partner/forging the relationship
- Types of relationships – which one is right for you?
- The working relationship – how to make it work and common pitfalls
- Three case studies



Focus will be on biomanufacturing companies/technologies,
but lessons apply across applications/industries

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More Than One Path

Based on experience

- Three case studies
- Differences from company to company, space to space, and technology to technology

There is no right answer.
This is like raising children,
it all depends.

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Why Work Together?

- Funding has dried-up
 - Private/VC funding for early stage companies is virtually non-existent
 - Government investment and stimulus often requires partnering
 - Larger companies have both funds and capacity, but often lack pipelines
- Unfortunately, larger companies are currently looking for bargains

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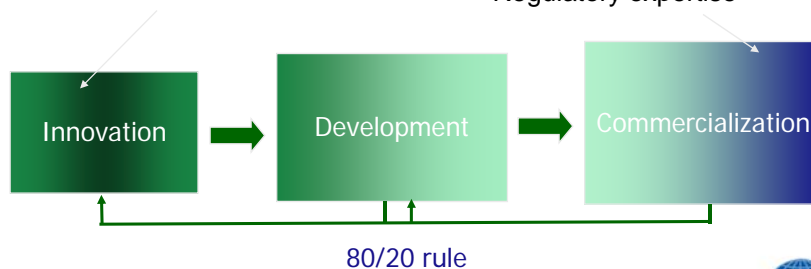
Why Work Together? (cont.)

Small Companies bring:

- Knowledge of technology
- Speed in development and decision making
- Innovative environment

Large Companies bring:

- Resources
- Knowledge of the marketplace
- Mass production expertise
- Regulatory expertise



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Trade-offs for a Small Company

- Advantages
 - Resources
 - Credibility
 - Discipline
 - Mitigates risk
- Challenges
 - Sharing value (often most of the value)
 - Slower pace*
 - Loss of control

How do you capture the advantages while minimizing the down-side?

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Finding/Engaging the Large Partner

Selling technology/companies/partnerships
is like selling magic beans.

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Who is Buying?

What companies will be most interested and why?

- Timing can be everything

Who within the company is making the decision?

- Buying Technology is generally a high-level decision with many people weighing in – everyone must be on board – get them vested
- Need a very high-level champion
- PEOPLE MAKE DECISIONS

More than one buyer?

- How important is exclusivity?
 - Market dynamics
 - Stage of technology
 - Willingness to pay
- During negotiations, always have BATNAs
 - Balance disclosure against competition - standstills

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What Do the Buyers Care About?

Mitigating their risk

- What could happen wrong if they buy the technology?
- What could happen wrong if they do not buy?
- Less concerned about overpaying than failure

Their Future

- Will this program be a part of their personal future?
- How will this technology affect their legacy?
- How will the deal affect their
 - Promotions?
 - Bonuses?

The impact on the individuals is as (or more) important as the impact on the company.

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Credibility is Critical

Can you deliver on the promise?

Build Credibility Through:

- Relationships
- Data and Publication
- University and Government (double edge)
- Large Partners
- Large Investors
- Products on the Market

Structure the deal to mitigate risk -

It is often worth giving up value to get Credibility!

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Sell the Vision

- Don't be afraid to ask for fair value
 - Run the numbers, figure out what it could be worth
 - Ask for a large percentage of the value (remember that you have done all of the work when the risk was high)
 - Lead them to the worst case if they do not buy
- Get them vested in the process
 - Up-fronts
 - Stand-stills
- Listen closely to what they tell you and be flexible
- Be ready to walk away (for now at least)

They may need you more than you need them.


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Alliance Structure

Finding the structure that works for both companies


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Types of Alliances


- Acquisition
- Joint venture
- License
 - (exclusive, co., and non)
- Co-development agreement
 - (w/ or w/out license)
- “Teammates” on government projects

Worldwide Rank



Alliance Type	Worldwide Rank (approximate)
Acquisition	10
Joint venture	25
License	15
Co-development agreement	12

The structure that works best will depend largely on the state of the project

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Types of Alliances

- Acquisition
 - Potential big value up-front
 - Mitigates Small Company risk
 - Loss of control
 - Cultural fit
 - Potentially loses the Small Co. advantages
- Joint venture
 - Difficult to make work
 - Better for Large Companies with similar clout
 - Focussed on the “end game”



Fluctuates dramatically based on external forces

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Types of Alliances

- License (co-development)
 - Benefits from Large and Small Company advantages if structured/managed well
 - Allows for the sharing of risk/value
 - Requires IP and opens opportunities for disagreement on ownership
 - Introduces management challenges
- “Teammates” on government projects
 - High dependence on who is the Prime
 - Alignment of goals around a single customer
 - Good environment for collaboration

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The Working Relationship

(and case studies)



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The Working Relationship

- Set Clear Goals with Benefits for Both Parties
 - Structure tasks to play to strengths
- Identify High Level Champions/Decision Makers
 - Have the authority (budgets) to make decisions
 - Vested in the success of the program
 - Meet regularly

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The Working Relationship (cont.)

- Identify/empower Project Managers
 - Focussed on the program
 - Incentivized to succeed
 - Empowered to manage their company's people/resources
- Engage both companies in all tasks
- Communicate
 - Regular meetings
 - **Team-building opportunities**

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Case I

- License, co-dev., JV
 - Large Co. funds dev. (cost basis)
- Work Plan
 - Small Company performs development
 - Hand-off to Large Company at Pilot Mfg.
- Organization
 - Very high-level oversight (at first)
 - No clear Program Managers
- Communication limited to reporting

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Case I – Results

Initial Program Faltered

- Program slightly behind schedule and over budget
- Large Co. pushed down management
- Large Co. mid-management wanted control earlier (NIHS)
- Disagreement on goals (strategic and tactical)
- Significant billing disputes

Resolution

- Contract Dispute
- Development Race
- Ultimate buy-out by Large Co.

Was this a good relationship for the Small Company?

- Lots of pain and sleepless nights
- Provided credibility
- Provided an ultimate deal
- Value was lower than it might have been

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Case II

- License, co-dev.
 - Companies co-dev. w/leadership shift at Pilot
 - “Fixed” funding based on clear milestones and goals
 - Costs reimbursed with pre-approval
- Work Plan
 - R&D at Small Co. with constant oversight
 - Market research and analytics at Large Co.
 - Hand-off to large company after Pilot Mfg.
- Organization
 - Top-level leadership with monthly involvement
 - Strong Program Managers
- Regularly Scheduled and Informal Communication

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Case II – Results

Program proceeding well

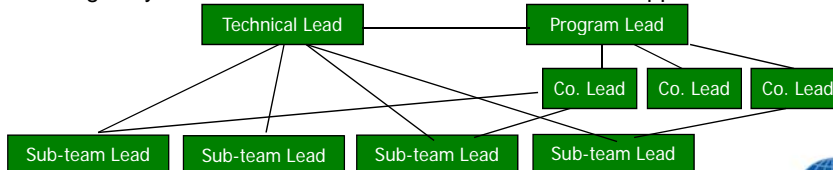
- Program behind schedule and over budget
- Goals have shifted (with agreement of parties)
- Large Co. has approved/funded over-runs
- New developments at Small Co. have added significant value
- Large Co. is considering broader license
- Both parties would call this program a banner success

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Case III

- Government program (Small, Small, Small, Med., Large)
 - Med. is Prime
 - Small is “Program Manager”
- Work Plan
 - R&D project with crystal clear goals
 - Companies contribute to virtually all tasks
- Organization
 - High-level oversight (weekly)
 - Technical and Program leads
 - Sub-teams based on sub-tasks
- Regularly Scheduled and Informal Communication – Happens at all levels



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Case III

Program proceeding well

- Meeting Goals
- Forged a tight relationship
 - Not without challenges
 - Benefits outside project
- Building radically new technology
 - Benefit to the government
 - Benefit to the companies
- All parties would call the program a success

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Conclusions

- Working with large companies can be extremely valuable to smaller companies
 - Credibility/Resources/Discipline
- The relationships can be painful
 - Control/Risk/Speed
- With proper management, the pain can be mitigated and the value enhanced
 - Set Clear Goals with Benefits for Both Parties
 - Identify High-Level Champions/Decision Makers
 - Identify/empower Project Managers
 - Engage both companies in all tasks
 - **Communicate**

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