

The 2023 Partnering Performance and Reputation Survey Report



AUTHORS

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Introduction and Industry Update:

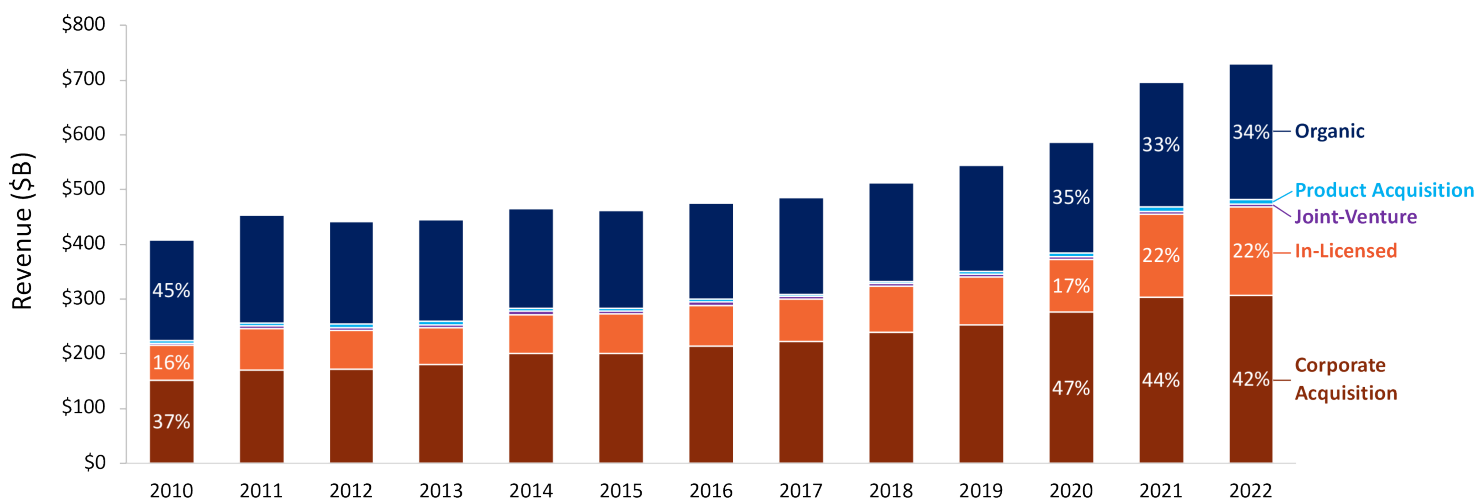
Acquisition and licensing deals are essential to large pharmaceutical companies as they serve to bolster the size of a company's pipeline without the time and resources required to bring a product through preclinical and clinical development. The practice of heavily relying on external innovation is not new in the pharmaceutical industry, with many large pharma CEOs articulating a clear vision and focus on external innovation to diversify and augment their pipelines while mitigating the risks associated with organic early-phase development.

Over the last decade, the share of top pharma companies' revenue that stems from externally innovated products has continued to grow (Figure 1). On average, approximately 65% of the revenue is derived from external innovation. The large increase in the share of licensing revenue between 2020 and 2022 is largely attributed to the Pfizer-BioNTech COVID licensing deal which independently increased the share by 4%. In fact, only 7 of the Top 25 companies derive

more than 50% of their revenue from internally developed products (Figure 3). These seven companies can largely be classified into two segments that include companies focused in specific therapeutic areas (e.g., Novo Nordisk focused in diabetes) or companies that may have potential cultural assimilations. Even a large share of Gilead's organic revenue can be attributed to its historical acquisition of Pharmasset, which provided the basis for its Hepatitis C franchise and associated follow-on products (e.g., Epclusa).

Given the increased number of acquisition and licensing deals and the growing influence of external innovation on company revenue, it continues to be even more important for large pharmaceutical companies to improve their partnering processes. With the goal of improving their partnering programs, leaders from 13 different large pharmaceutical companies worked with Triangle Insights to understand perceptions associated with their partnering reputation and feedback on specific components associated with their overall partnering process. This effort constituted the third version of the Partnering Performance and Reputation Survey (PPRS), which builds upon the previous surveys completed in 2018 and 2020.

Figure 1.



Source: EvaluatePharma accessed May 2023

Figure 1: Source of Pharmaceutical Sales for Leading Companies (\$B) from 2010-2022 (Note significant increase in 2022 in-licensing share is attributed to the Pfizer-BioNTech deal), **Note:** EvaluatePharma revenue figures do not align exactly with company reported revenue (i.e., Pfizer reported \$100M in revenue compared with \$88M from EvaluatePharma).

Figure 2.

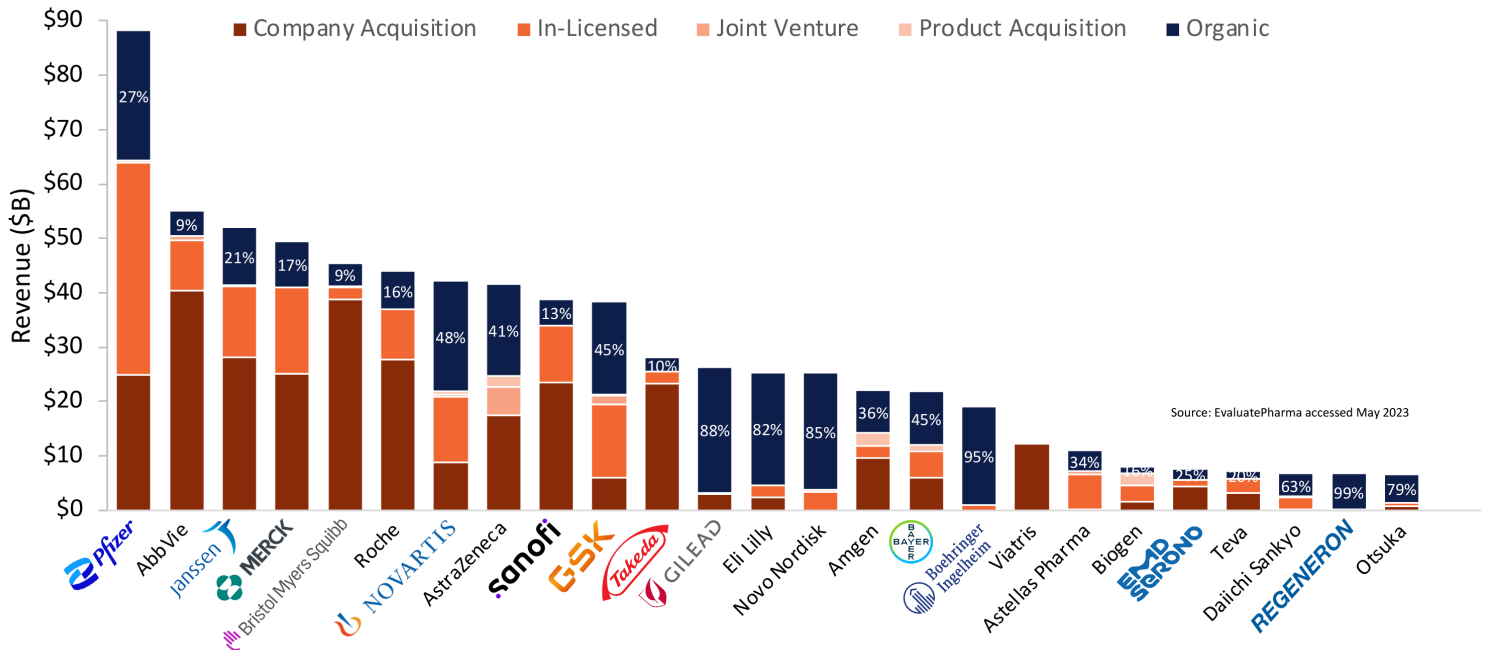


Figure 2: Source of 2022 Revenue for Leading Companies (\$B). **Note:** EvaluatePharma revenue figures do not align exactly with company reported revenue (i.e., Pfizer reported \$100M in revenue compared with \$88M from EvaluatePharma).

Figure 3.

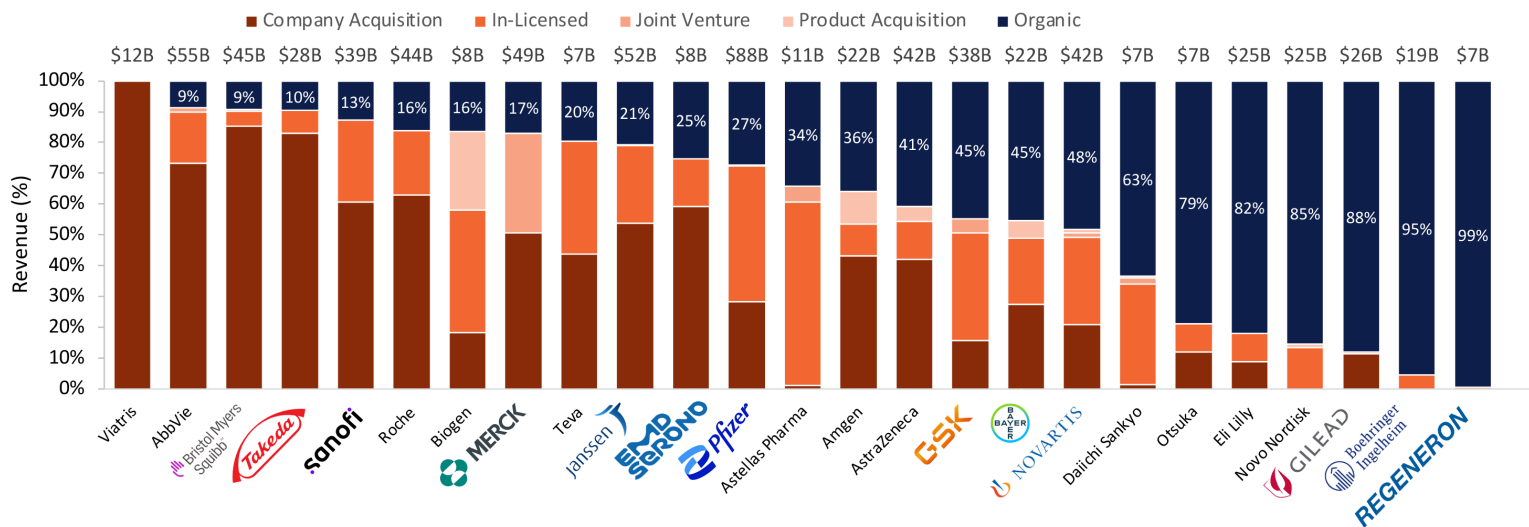


Figure 3: Share of 2022 Pharmaceutical Sales for Leading Companies.

Survey Design:

Triangle Insights collaborated with business development representatives from 13 large pharmaceutical companies to understand the perspectives from biotech executives as it pertains to partnering with large pharma organizations. Contained in the survey were two key sections:

- **Partnering Reputation:** Respondents were asked to provide overarching views regarding the reputation of partnering with large pharma organizations, agnostic of whether the individual had previously partnered or had discussions with the specific large pharma organization. Participants could include up to five companies as industry leaders for different prompts relating to aspects of partnering.
- **Partnering Performance:** Respondents were asked to provide perspectives at each step of the partnering process, including initial outreach, due diligence, negotiation, and post-deal collaboration. Each individual was asked to identify the companies with which they had previously interacted, and to identify the stages of the partnering process during which they interacted with each specific firm. For each partnering stage that a respondent had interacted with a company in, they were asked to rate the company on a scale of 1 to 7 for a number of different aspects related to that stage.

The 2023 survey mirrored many of the components included within the 2020 version with the aim of understanding potential changes in perspective from respondents. As appropriate, Triangle has indicated changes from the 2020 version of the survey in the presented results.

Survey Results:

Figure 4 illustrates the results of three segments within the partnering reputation portion of the survey, where respondents ranked up to five companies for each category. Pfizer became the company most frequently mentioned as “Best Partner Overall.” Roche Genentech was the second most mentioned company followed by Janssen, Novartis, and Bristol-Myers Squibb to complete the top five best partners overall. Bristol-Myers Squibb was the only current top five company that was not in the top five best partners overall in previous renditions of the survey (2018 and 2020). The rankings for “Best Partner – Later Stage,” which illustrates companies’ reputation as a partner for companies with later stage assets directly mirrored the rankings for “Best Partner Overall.” Meanwhile, the most mentioned companies for “Best Partner — Early Stage” were very similar in composition to the other categories, though Gilead did break into the top five. While the results of the early stage partner were similar to those of the 2020 survey, Roche Genentech’s lead was narrowed, potentially due to a larger focus of large pharma organizations on early stage partnering throughout COVID.

Figure 4:

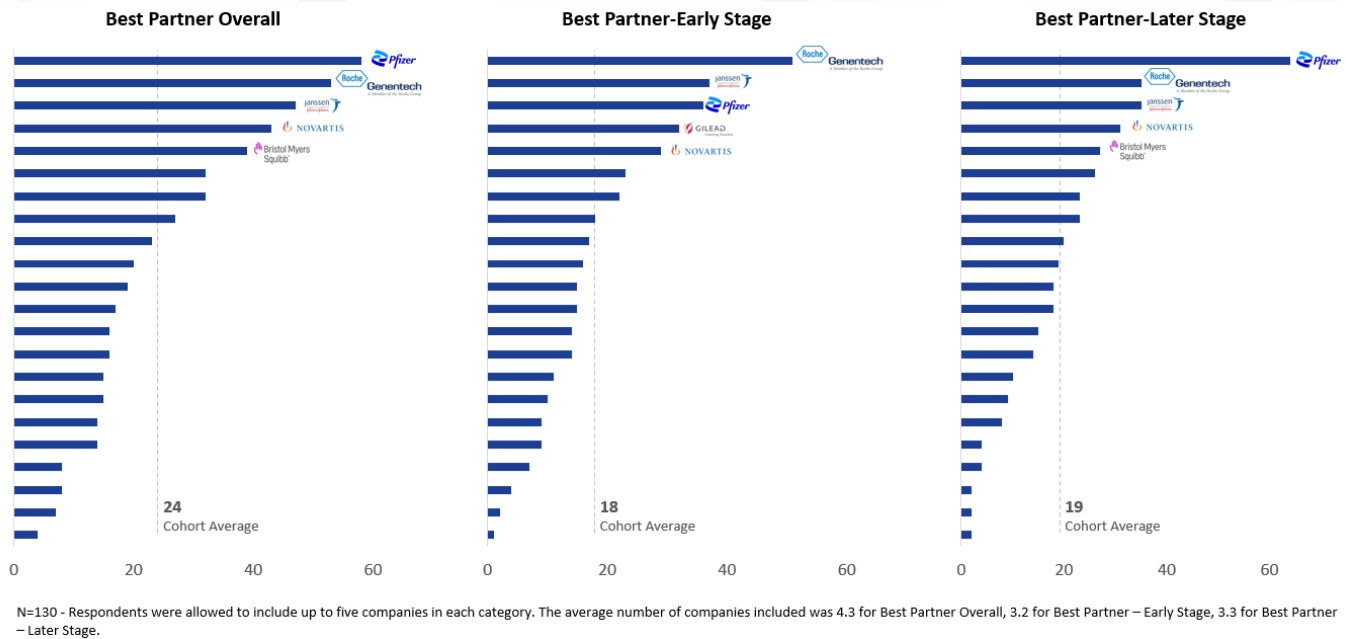


Figure 4. Best Partner: Companies regarded as the top potential industry partners either overall or specifically for companies with early or later stage assets. Responses are based on company reputations (each respondent could include up to five companies).

Partnering Reputation:

Overall partnering reputation may be influenced by several intertwined factors that are not always easily disaggregated. Factors that could influence partnering reputation may include general awareness, market capitalization, pharmaceutical revenue, deal size, frequency of deals, etc. While frequency of deals seems to be the most closely correlated single variable (see Figure 5), there are several caveats to the conclusion. It is important for large pharma to consider a multitude of factors to increase reputation which may increase the number of initial partnership opportunities. However, it is imperative to fully support the partnering process from initial outreach to post-deal collaboration to continue to build reputation.

Figure 5:

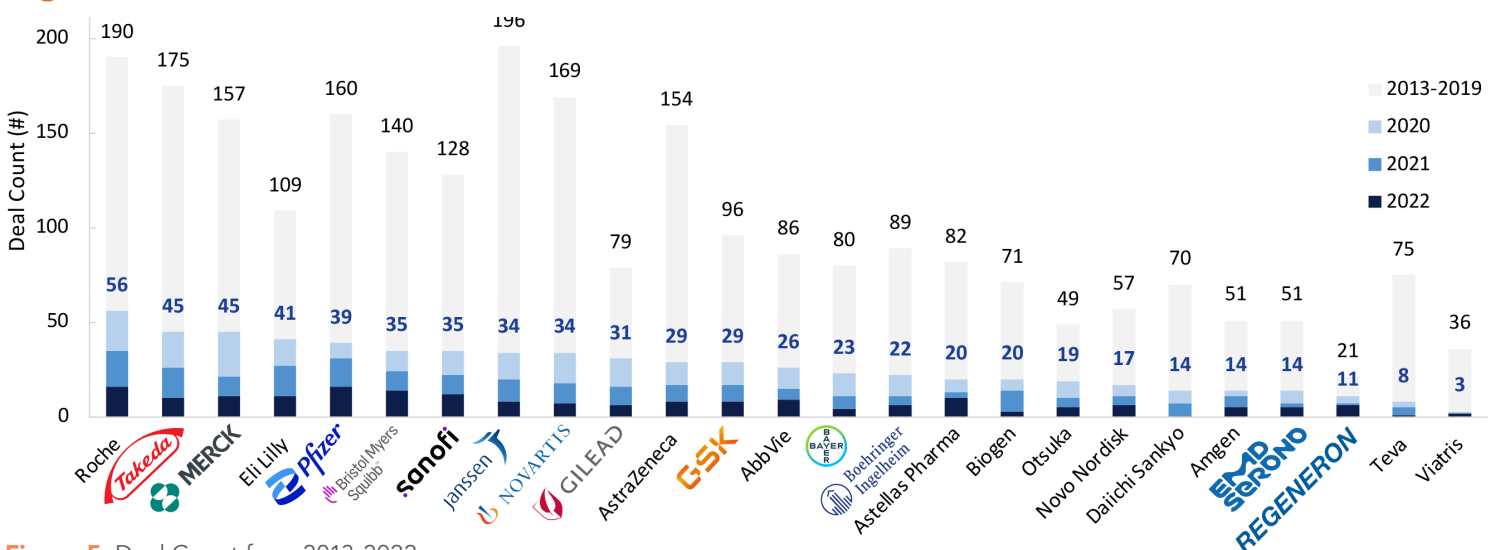


Figure 5. Deal Count from 2013-2022

Source: EvaluatePharma accessed May 2023

Performance Results:

Initial Outreach:

Merck and Eli Lilly both performed exceptionally well across the different aspects of initial outreach, placing in the top three across several categories (see Figure 6). Both companies were leaders across the three steps where respondents indicated better favorability across the entire cohort, including clear steps for contacting,

appropriate technical capabilities, and responding in an appropriate timeframe.

These higher average ratings may signal large pharma companies have placed increased significance on increasing the breadth of opportunities they are willing to consider. By ensuring the steps for contacting them are clear and that potential partners hear back in an appropriate timeframe, large companies are able to draw in potential partners.

Figure 6:

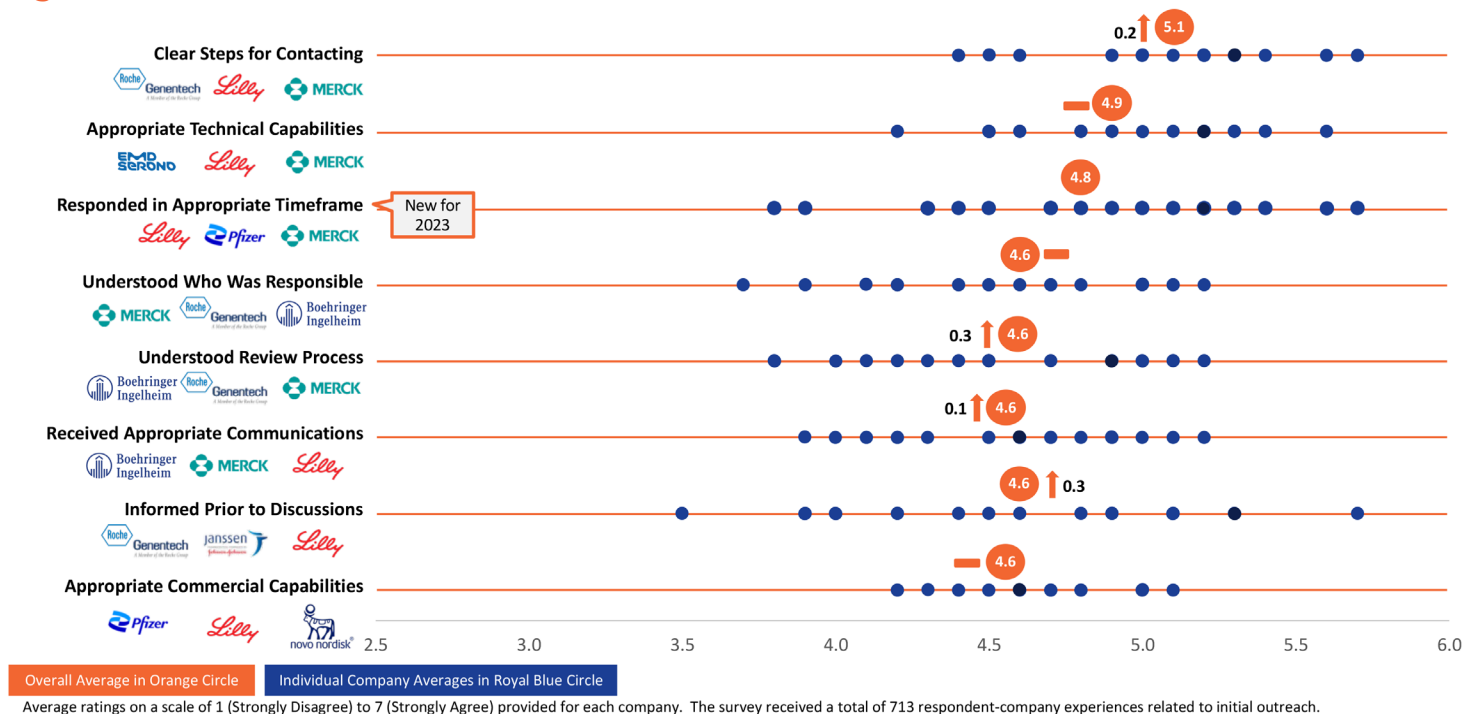


Figure 6. Initial Outreach Note: the blue dots denote the average for individual companies, while the larger orange dots show the overall average. The orange arrows represent the change in the overall average from 2020 to 2023. The logos of the three companies that performed best in each aspect are included below the name of the aspect on the left.

Due Diligence:

Merck, Amgen, and EMD Serono all were highly rated in multiple aspects of due diligence (see Figure 7). The top performers all have a combination of appropriate technical expertise and an overall process that is efficient and communicative. The most highly scored aspect was the matching of a person with the right background to perform diligence. This aspect is crucial to set the stage for a long-term partnership as it continues to build trust between the partnering companies. Respondents indicated a relatively sizeable decline in appropriate access to senior management across the cohort compared to the 2020 survey. This decline may be correlated to the large number of partnership discussions that have occurred across the past few years.

Figure 7:

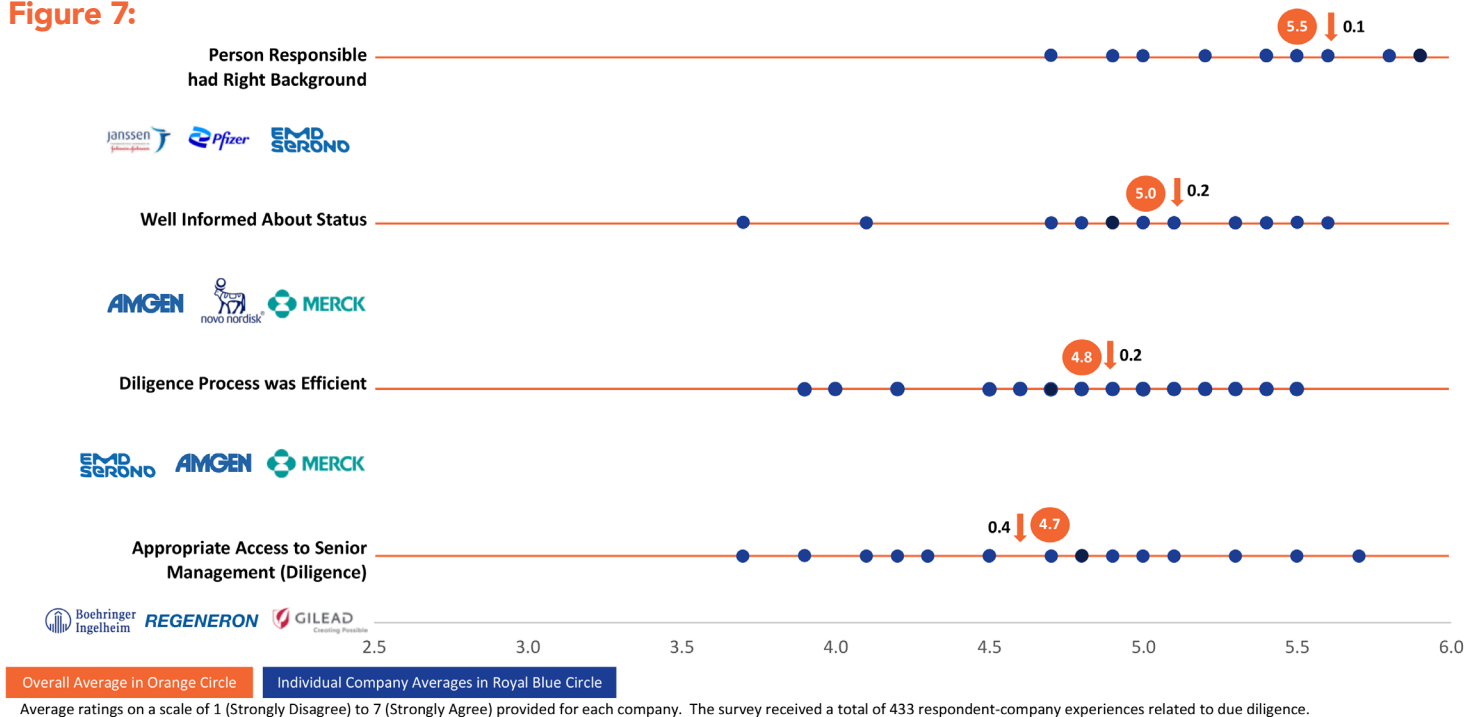


Figure 7. Due Diligence. See Figure 6 description for additional information regarding the components in the graph.

Negotiation:

Gilead, Takeda, and Bayer were all given high performance ratings in negotiations (see Figure 8). Survey participants gave partnering companies high scores for the aspects relating to understanding the priorities of both negotiating parties as well as assigning a trustworthy person to perform the negotiation. The high average scores in these three aspects of negotiation highlight the value of transparency and trust in negotiation proceedings.

Figure 8:

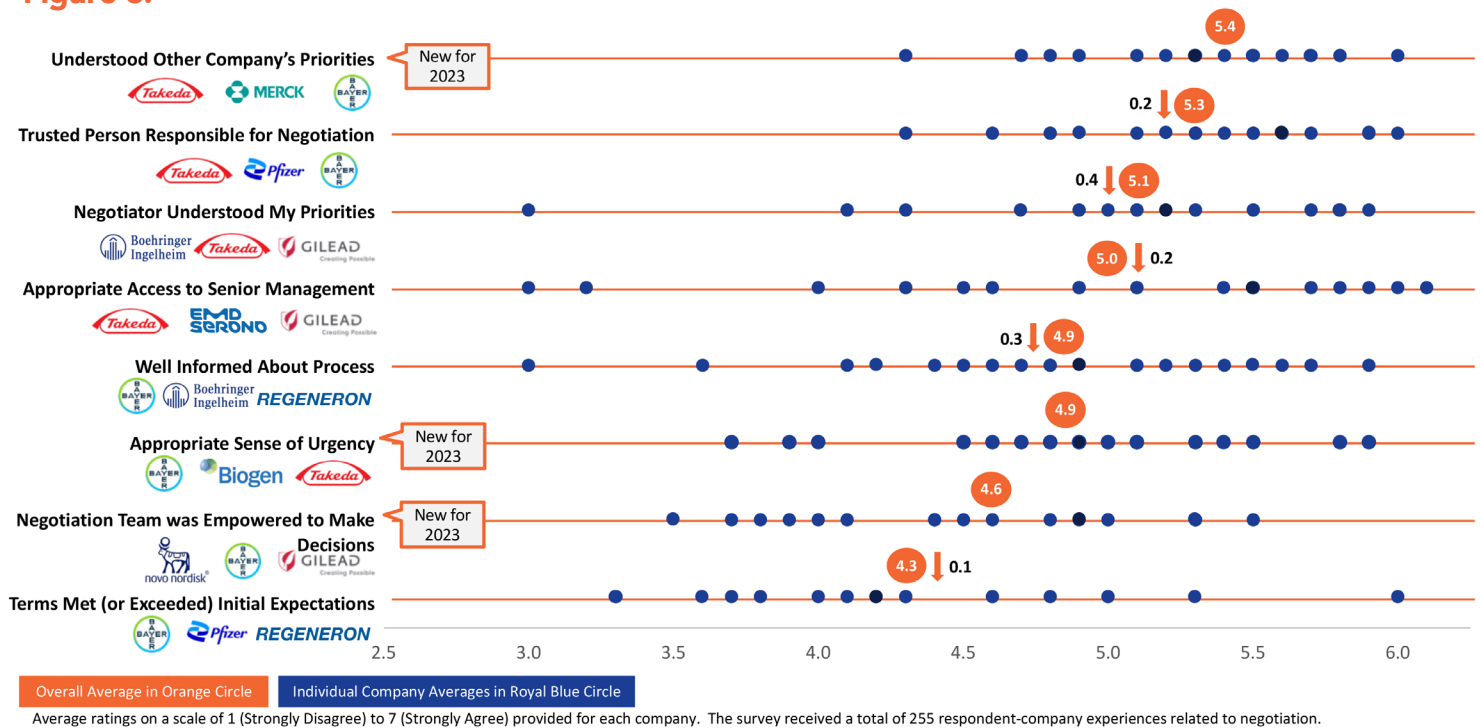


Figure 8. Negotiation. See Figure 6 description for additional information regarding the components in the graph.

Post-Deal Collaboration:

Novo Nordisk and AstraZeneca received high scores from participants in multiple aspects of post-deal collaboration (Figure 9). Bristol-Myers Squibb was in the top three scoring companies for each of the six aspects relating to post-deal collaboration. The two aspects of post-deal collaboration that received the highest average ratings both were directly related to the individual responsible for the relationship with the partner. The high scores for these aspects speak positively to the quality of the personnel.

Figure 9:

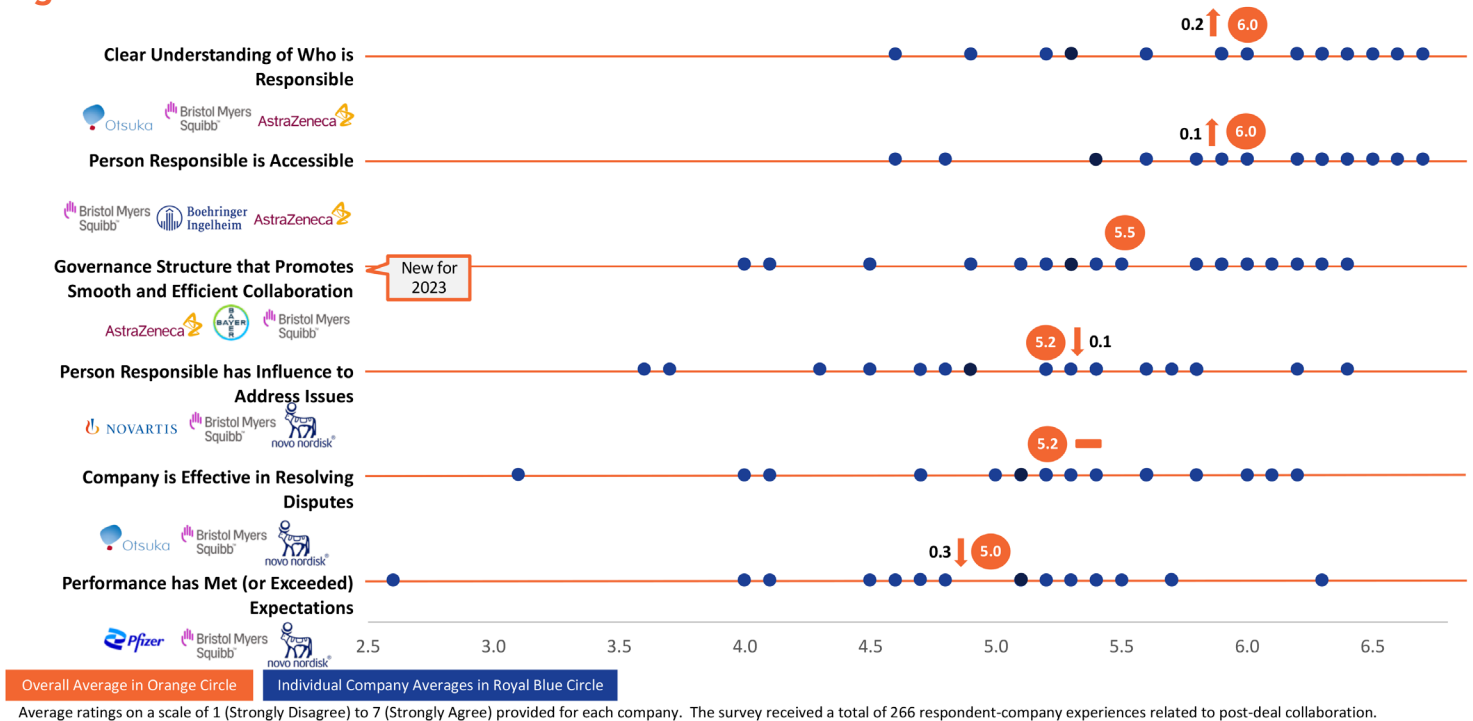


Figure 9. Post-Deal Collaboration. See Figure 6 description for additional information regarding the components in the graph.

Closing:

Given the dynamic nature of the pharmaceutical landscape, leading pharmaceutical companies must be able to freely adapt their partnering processes while also maintaining the factors that distinguish them from their many competitors. This challenge has become even more difficult after the height of the pandemic, which brought about changes in factors relating to the market but also difficulties associated with communication and diligence. Overall, the results of the 2023 PPRS point towards a success for the large pharmaceutical companies. All-company averages tended to remain near their 2020 levels despite increased deal volume. This suggests companies were able to maintain previous quality levels while also taking advantage of the favorable market conditions.

A major takeaway from the 2023 PPRS is the difference between company reputation and performance. The reputation-based results consistently pointed to a small group of companies as the best potential partners. While these companies have excellent reputations, many additional firms performed strongly when assessed by stakeholders with whom they interacted. This trend suggests that reputation is not a perfect indicator of actual performance, and many companies outperform their reputation as a partner. While this distinction is important because it helps to inform companies on the true state of their program, reputation should not be dismissed because it likely is a significant contributor to the initial decision to reach out to specific companies.

While the pandemic may have brought about rapid market changes, leading pharmaceutical companies are already familiar with the necessity of adaptation. Going forward, these companies must continue to improve their processes to win over potential partners in a highly competitive landscape. The decision by large pharma companies to continue their participation in this survey for its third iteration demonstrates how important it is to them to better align their partnering programs with the expectations and desires of the partners they are seeking out. While improving partnering relationships between large pharma companies and smaller biotechs has the obvious benefits for these two players, improving these relationships also helps to confer additional benefits to patients in the form of innovative and potentially lifesaving therapeutics.

Acknowledgements:

Triangle Insights Group would like to thank the representatives from each respective sponsor, including: Bayer (Kimberley Davidson and Benjamin Holinski), Boehringer Ingelheim (Andrew Whittle), Bristol-Myers Squibb (Daniel McNamara and Kristin Jemison), EMD Serono / Merck KGaA (Joost van Heuveln), Gilead (Bill Mendez), GSK (Paula Sterbenz and Amanda Finocchiaro), Janssen (Taylor Young and Michelle Larkin), Merck & Co./ MSD (Mitzi Conners and Lizabeth Leveille), Novartis (Arne Woern and Arun Bisht), Pfizer (Elizabeth Pellegrini), Regeneron (Allie Hyans), Sanofi (Catherine Baillis and Juliette Magd), and Takeda (Suzanne Collins).

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