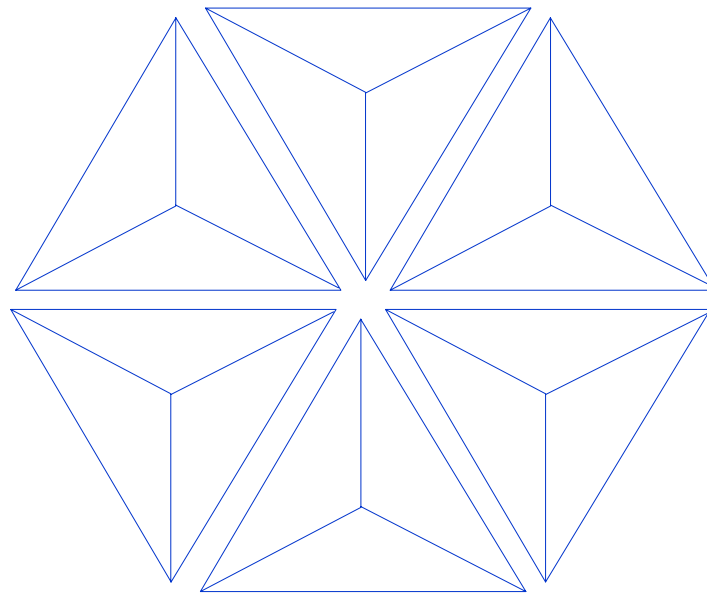
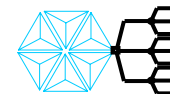

How to win friends & influence deal terms



Ajoy Chakrabarti
April 20, 2005



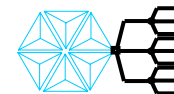
Some background information

The Drug:

- Canada (drug) had already been approved in the US
- Opinions from ex-US regulatory authorities were mixed for near-term approval
- Only ex-US geographies were available for in-licensing

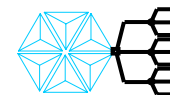
Other relevant facts:

- The key BMS oncology drug, Taxol, had recently gone off-patent
- BMS had yet to complete a deal in 2003
- BMS was interested in the ex-US regions, provided that near-term approval was likely
- The in-licensing team was not sure how to value Canada on a risk-adjusted basis
- This was my first Oncology deal.....

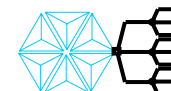
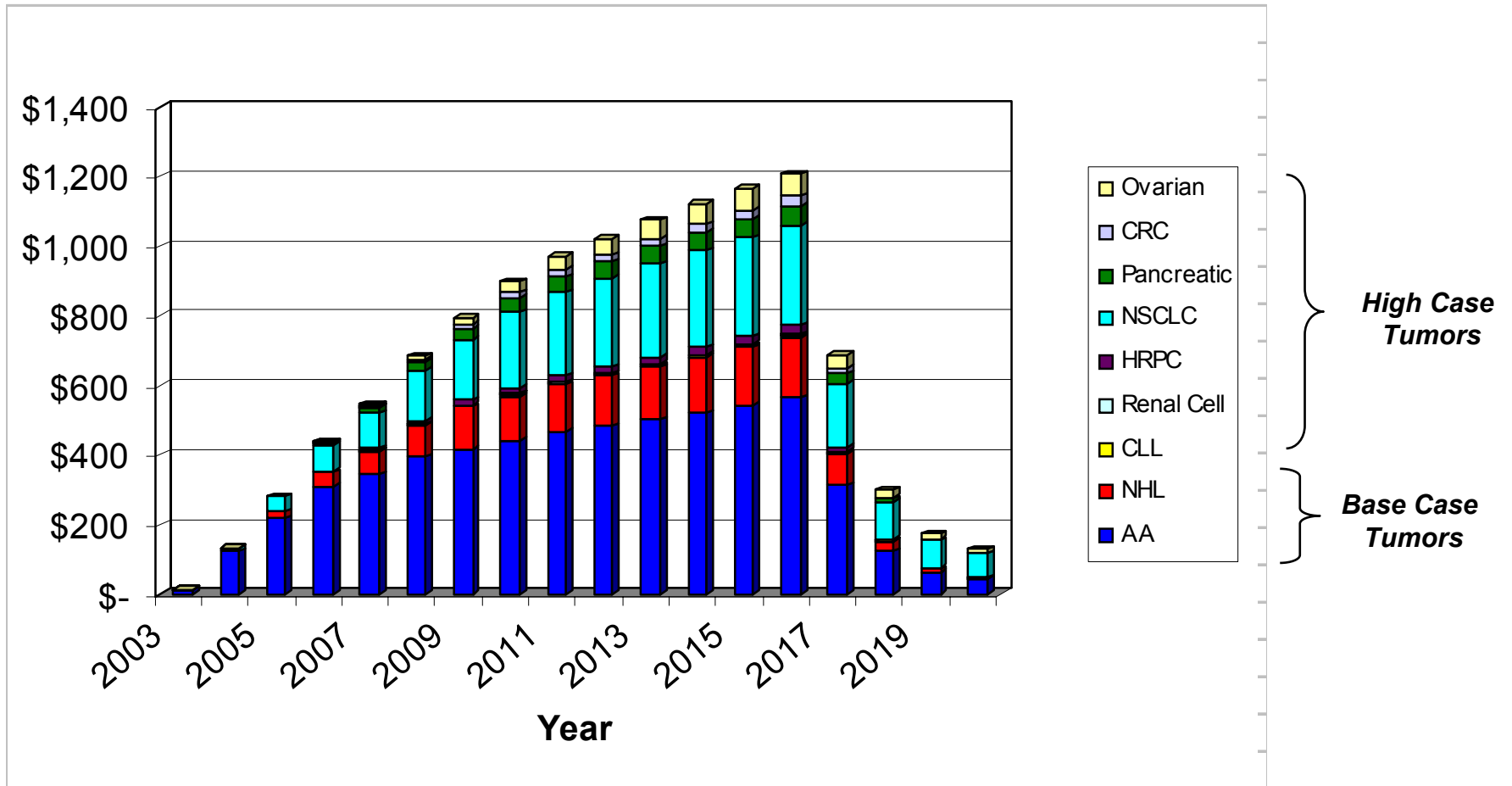


Our approach to valuing Canada

- Our goal was to value the entire Canada opportunity, including all potential indications and outcomes.
- We therefore risk-adjusted all potential revenue streams associated with indications, as well as all expected R&D costs and milestone payments required to develop the indications

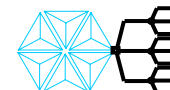


Total Forecast by Tumor Type



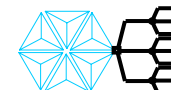
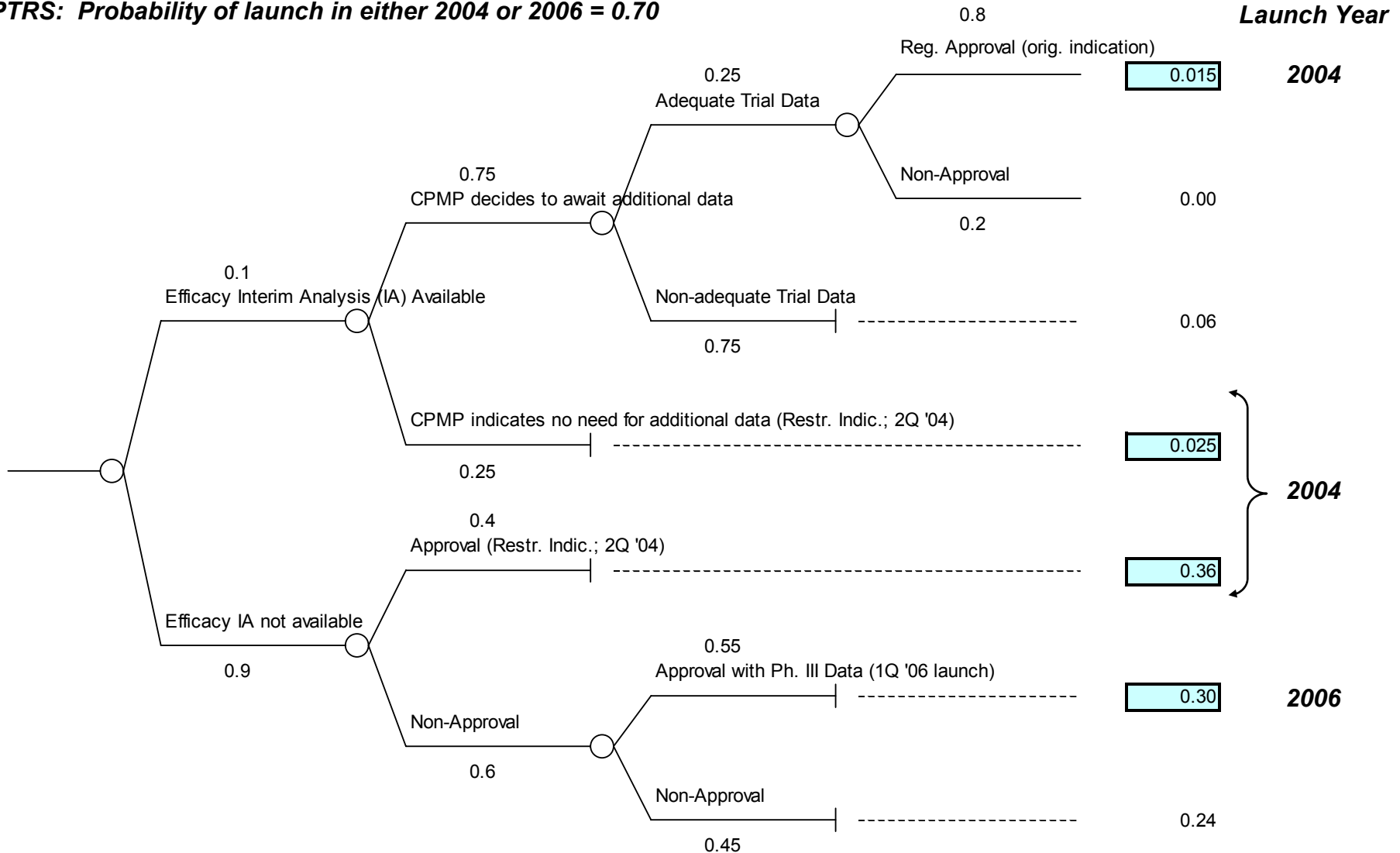
The “Base Case” vs. “High Case” issue

- Base Case was defined as only AA & NHL.
- Only revenues from those two tumor types were included.
- However, the clinical costs for all tumor types were included as they were part of the clinical plan.
- This inconsistency created two issues:
 - 1) Potential revenues were underestimated.
 - 2) Value of the Base Case was reduced by burdening it with costs associated with the other tumors.
- Two possible responses:
 - 1) “Your base case valuation approach is **WRONG, WRONG, WRONG!**”
 - 2) “You may have left money on the table – a more ‘wholistic’ approach may show additional value from the high case tumors.”



Tree for AA indication with assessed probabilities

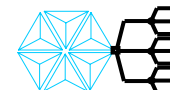
PTRS: Probability of launch in either 2004 or 2006 = 0.70



PTRS Summary

Solid Tumors

Phase	Indication/Compendia	NHL (EU)	CRC (EU)	NSCLC (EU)	Breast (EU)	Prostate (EU)	Ovarian (EU)	Gastric (JPN)
Phase I/II			0.10					0.90
Phase II		0.60		0.20	0.15	0.25		0.10
Phase III		0.50	0.35	0.40	0.35	0.40		0.50
Regulatory		0.80	0.80	0.80	0.80	0.80		0.80
Overall PTRS		0.24	0.03	0.06	0.04	0.08		0.04



Summary of Deal Terms/Options

Initial Deal Terms:

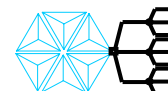
1. BMS assumes 50% of development costs for AA indication
2. BMS will commit to spend >\$100M on development of solid tumors
3. Upfront payment of \$60M



Our analysis suggested the following changes:

1. BMS commits to only 35% of development costs for AA
2. BMS will commit to spend approximately \$60M on solid tumors, additional spending will be contingent upon success in at least one solid tumor.
3. Upfront payment of \$40M

Cumulative effects as changes in terms are rolled back	ENPV	EIRR
BMS Base Valuation	59	14%
Returning to 50% share of AA Development	30	13%
Resuming high Ph II solid tumor spend	13	12%
Increased upfront payments (back to \$60M)	-5	11%



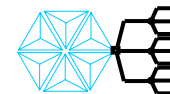
Conclusions (straight from Snr. Mgmt. presentation)

- ◆ **The PTRS for this opportunity is 0.70, based on assumption that commercial success requires only a launch in AA in either 2004 or 2006**

- ◆ **The proposed terms manage risk by:**
 - **Cutting the BMS share of development costs to 35%**
 - **Reduction of upfront and milestone payments**
 - **Reduction of clinical spend for solid tumors (committed spend of \$60M over 2003-6)**

- ◆ **Given these assumptions, the Canada opportunity adds value and provides a marginal return on investment after accounting for risks.**
 - **EIRR = 14%**
 - **ENPV = \$59M**

- ◆ **Any movement of deal terms back towards the original (May 16, 2003) values will significantly erode the value of the deal.**



Conclusions

- ◆ **Canada signed with another company**
- ◆ **BMS held a post-mortem analysis where we found:**
 - **Our terms were comparable**
 - **Reasons for signing deal with the other company were mostly related to strategic & philosophical issues**
- ◆ **End result: Things worked out for the best for all parties**

