



**Global “Life Sciences” Royalty Rates  
& Deal Terms Survey  
- 2016 -**

***LES USA/Canada***

-In coordination with -

***Licensing Executives Society  
International (LESI)***

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# Introduction

## *Royalty Rates and Deal Terms Survey*

The LES (USA & Canada) Life Sciences Sector, in coordination with the Licensing Executive Society International (LESI) Life Sciences Sector, is pleased to present the "[LES Global Life Sciences](#)" [Royalty Rates and Deal Terms Survey - 2016](#)". This landmark report is one of the many benefits of LES membership and reflects the organization's objective to provide its members with relevant, cutting edge, licensing education and industry information generally not available from other sources.

We believe you will find this report contains many keen insights on some of the most important areas of deal making in our industry.

**We would like to specifically acknowledge and express our appreciation to each LES survey contributor.** Because of the confidential manner in which the survey is executed, LES does not know who participated. **However, we applaud their efforts and willingness to share their deal-related information. It is because of these members that we have this survey report to issue. Thank you, and your companies, for your participation.**

The Survey Committee was assisted in this effort by Vault Consulting, a survey research firm in the Washington, DC area. Vault is specialized in confidential studies for industry and professional associations. The Vault survey instruments and data processes ensure the confidentiality of all company and deal information reported. Individual company and individual deal data is NEVER reported in any individual manner, only in aggregate analyses as part of a larger sample. We appreciate their fine work in assisting with the survey and this report.

Finally, we want to acknowledge the contributions of the Survey Committee Members (listed on the following page). It was their aggregate efforts that made the survey a reality for the professional benefit of our LES (USA & Canada) and LESI Life Sciences Sector members. If you have any questions or suggestions on the survey, please contact any of us at [info@les.org](mailto:info@les.org).

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# Introduction

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# Introduction

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# Introduction

## *By LES Members → For LES Members*

The Licensing Executives Society (U.S.A. and Canada), Inc. (LES) and the Licensing Executive Society International (LESI) are professional societies representing over 10,000 members engaged in the transfer, use, development, manufacture and marketing of intellectual property. With the growing economic importance of licensing and partnerships, LES members are at the leading edge of business, technical and legal aspects of deal making.

This report summarizes the results of a targeted survey to LES Life Sciences Sector members in Life Sciences industries ( i.e. biotechnology, pharmaceuticals, diagnostics, and drug delivery) in an attempt to benchmark important areas of deal-making for Life Sciences licensing professionals.

In particular, this report illustrates detailed analysis on fixed royalties, tiered royalties, deal terms, valuation methods, and therapeutic areas. It provides a more current perspective on licensing royalty rates and deal terms than the Freedom of Information (FOI) approach allows, and provides information not routinely found in other licensing royalty rate sources or publications. Actual survey results are summarized in aggregate form, presented in Appendix A.

This survey is the 5<sup>th</sup> edition of the LES Life Sciences Royalty Rates and Deal Terms Survey, and has been executed on a global scale.

We trust that this report is a useful tool for our LES Life Sciences members and colleagues who are interested in the dynamic and expanding field of licensing partnerships and intellectual asset management.

All responses to this survey have been kept strictly confidential. At no point will anyone, other than select Vault Consulting, Inc. (Vault) employees, be granted access to respondents' submissions, and then only for data management and quality control.

We welcome your feedback! If you have any questions or comments on this report, please send them to [info@les.org](mailto:info@les.org)

# Report Highlights

## Profile and Composition of Responses

- 165 total responses were submitted. Of these responses, 117 surveys were considered complete for analysis and incorporated into this report.
- Survey respondents represented 8 of the 33 Licensing Executives Society International (LESI) Societies.
- Respondents based on number of Deals used in the analysis: 44% Operating Companies, 27% academics , 8% Not-for-Profit Organizations, 7% Government, and 14% Other. Of the Operating Companies, 22% were Pharmaceutical and 12% were Biotech.
- Respondent by Organization Composition: 19% Pharmaceutical Companies (includes Diagnostic and Drug Delivery), 12% Biotech Companies (includes Device), 22% Academic Institutions, 11% Government , and 36% Other.

## Deal Statistics

- 18% of the submitted deals were completed in 2014 , 37% were completed in 2015, and 45% were completed in 2016 through August.
- 71% of reported deals were reported by the licensors.
- 51% of deals were related to Injectable products, and 24% small molecules .
- Anticancer (Oncology), CNS, and Infectious Disease were the most prevalent therapeutic area types submitted.

# Report Highlights

## Deal Statistics (continued)

- 70% of all deals submitted were still in the Preclinical stage of development (Discovery , IND Track/ Pre-IND, IND Filed, and Pre-IDE).
- 84% of deals were categorized as exclusive.
- 87% of deals included the U.S. and almost 80% of deals were considered “Global” in scope.
- Peak Annual Sales: 61% of deals x> \$US100 million, or 39% deals **less** than \$US 100million

## Fixed and Tiered Royalties

- Of the 1117 deals, 73 deals were of the fixed/flat royalty type, 34 were tiered royalty type, and 10 did not have any royalty components.
- In the majority of deals royalties are paid on Net Sales (89%) followed by Gross Sales (10%) and Units (1%) .
- The median fixed royalty rate for the earliest stage products was approximately 4%, increasing to 12.5 % post Proof of Concept (POC).

## Valuation

- While “upfront payment” was the most frequent financial component (61%), “sales milestones” displayed the greatest average and median \$\$ amounts.
- rNPV (31%) and NPV (29%) were the primary valuation methods followed by comparables at 22%.
- While NPV (62%) and Comparables (62\$) are the most frequent valuation methods used, Effective Royalty Rates (EFR) (22%) is emerging as a common methodology.