



**Global “Life Sciences” Royalty Rates
& Deal Terms Survey
- 2014 -**

LES USA/Canada

-In coordination with -

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

March 2015

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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 - 2014](#)". 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 Veris Consulting, a survey research firm in the Washington, DC area. Veris is specialized in confidential studies for industry and professional associations. The Veris 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.

Lesley Stolz, Chair 2014
Life Sciences Sector
LES USA / Canada

Jim McCarthy, CLP, Chair, 2015
Life Sciences Sector
LES USA / Canada

Ben Bonifant, Chair, 2016
Life Sciences Sector
LES USA/ Canada

Pam Cox ,Chair
Life Sciences Sector
LESI



Introduction

Core Committee & Key Contributors (**)

- Ben Bonifant, *Triangle Insights Group* (Co-Chairperson)
- Jim McCarthy, CLP, *CorpDev Ventures* (Co-Chairperson)

Survey Instrument Sub-Committee

- Deni M. Zodda, PhD., CLP, *Medignostica* **
- Mark Messenbaugh, *SomaLogic*
- Paul Tabor, *University of Colorado, Denver*

Promotion / Recruitment Sub-Committee

- Jim McCarthy, CLP, *CorpDev Ventures* **
- Angela Cechetto, *Paladin Labs* **
- Rob McInnes, *Dibbs Barker, Australia* **
- April Simora, *Regulus*
- Vasu Pestonjamas, *Bio-I.P. Management Company*

Analysis Sub-Committee

- Ben Bonifant, *Triangle Insights Group* **
- Jeff Snell, *Charles River Associates* **



Special LES Survey Team Member Recognition: Deni Zodda, CLP, PhD

This survey report is dedicated to our departed colleague:

Deni Zodda, CLP, PhD

- **Survey Team Volunteer Since 2007, member of 4 Survey Initiatives.** Deni was a founding member of the survey team and helped pioneer this initiative for LES and for our Life Sciences industry.
- Leader of Sub-Committee: Survey Questionnaire Designs and Enhancements
- Was instrumental and active in the survey leadership until the time of his passing, November, 2014.
- Deni Zodda: “A Class Professional, Class Person ” and longstanding LES member and contributor.



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, drug delivery, devices, etc.) 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 4th edition of the LES Life Sciences Royalty Rates and Deal Terms Survey, and has been completed on a global basis.

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 Veris Consulting, Inc. (Veris) employees, be granted access to respondents' submissions, and then only for data management.

We welcome you feedback! If you have any questions or comments on this report, please send them to info@les.org



Report Highlights

Profile and Composition of Responses

- 200 total responses were submitted. Of these responses, 128 surveys were considered complete for analysis and incorporated into this report. This represents a 6% increase in completed surveys from the 2011 Survey Report.
- Survey respondents represented 17 of the 31 LESI Societies globally.
- Respondents based on number of Deals used in the analysis: 34% Not-for-Profit Organizations, 7% Government, 49% Operating Companies, and 10% Other. Of the Operating Companies, 32% were Pharmaceutical and 22% were Biotech.
- Respondent by Organization Composition: 16% Pharmaceutical Companies (includes Diagnostic and Drug Delivery), 19% Biotech Companies (includes Device), 20% Academic Institutions, 7% Government , and 38% Other.

Deal Statistics

- 30% of the submitted deals were completed in 2012 , 48% were completed in 2013, and 22% were completed in 2014 Year to Date.
- 72% of reported deals were reported by the licensors.
- 27% of deals were related to Small Molecule.
- Anticancer (Oncology), CNS, and Infectious Disease were the most prevalent therapeutic area types submitted.



Report Highlights

Deal Statistics (continued)

- 61% of all deals submitted were still in the Preclinical stage of development (Discovery , IND Track/ Pre-IND, IND Filed, and Pre-IDE).
- 80% of deals were categorized as exclusive.
- 78% of deals included the U.S. and 64% of deals were considered “Global” in scope.
- **Peak Annual Sales:** 49% of deals x> \$US100 million, or 50% deals **less** than \$US 100million

Fixed and Tiered Royalties

- Of the 128 deals, 82 deals were of the fixed/flat royalty type, 22 were of the tiered royalty type, and 24 did not have any royalty components.
- The robust data set surveys supports expectations for increasing royalties as a product matures through development.
- The average fixed royalty rate for the earliest stage products was approximately 5%.
- Three tiers is the most common structure amongst tiered royalty deals.

Valuation

- While “upfront payment” was the most frequent financial component (61%), “sales milestones” displayed the greatest average and median \$\$ amounts.
- NPV / rNPV were the primary valuation method in 45% of the deals followed by comparables in 32%.

