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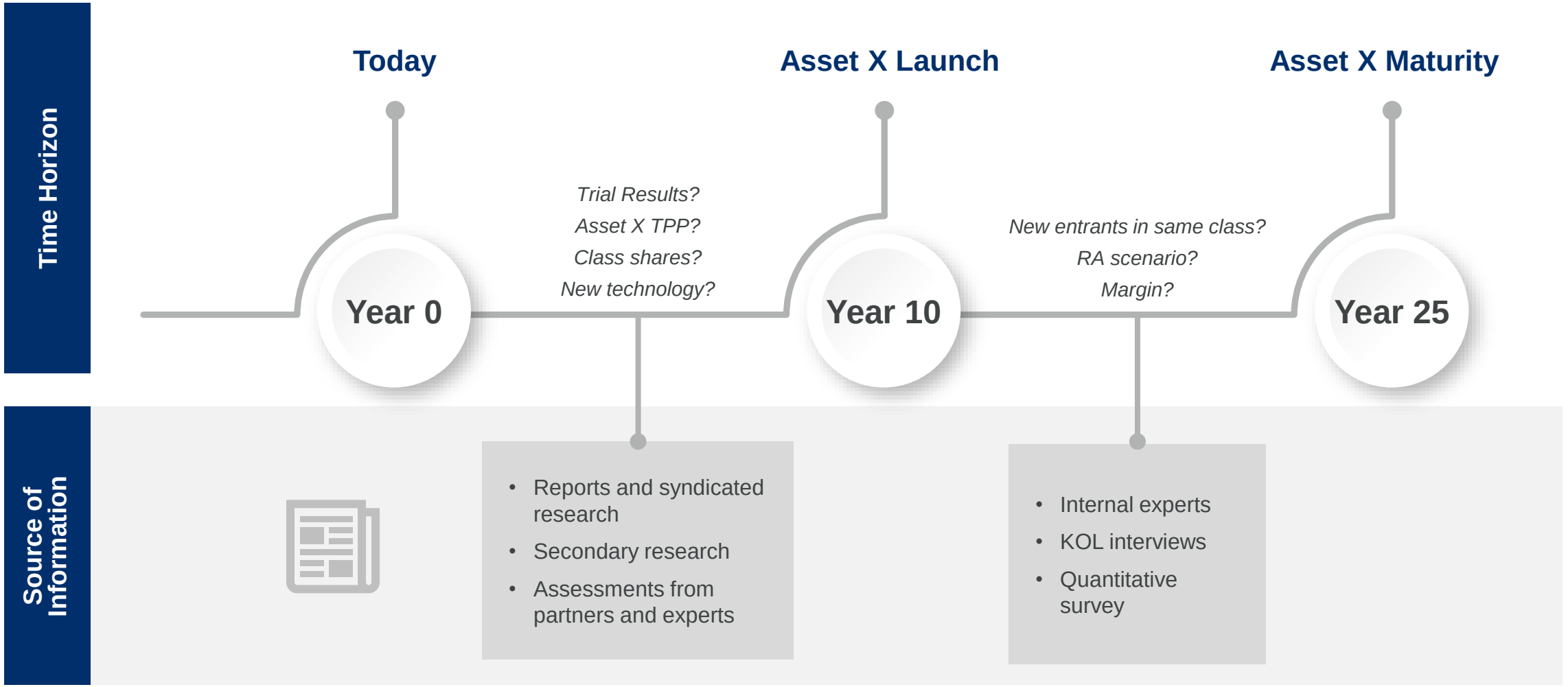
Case Study:
Early-Stage Asset Valuation

January 2021

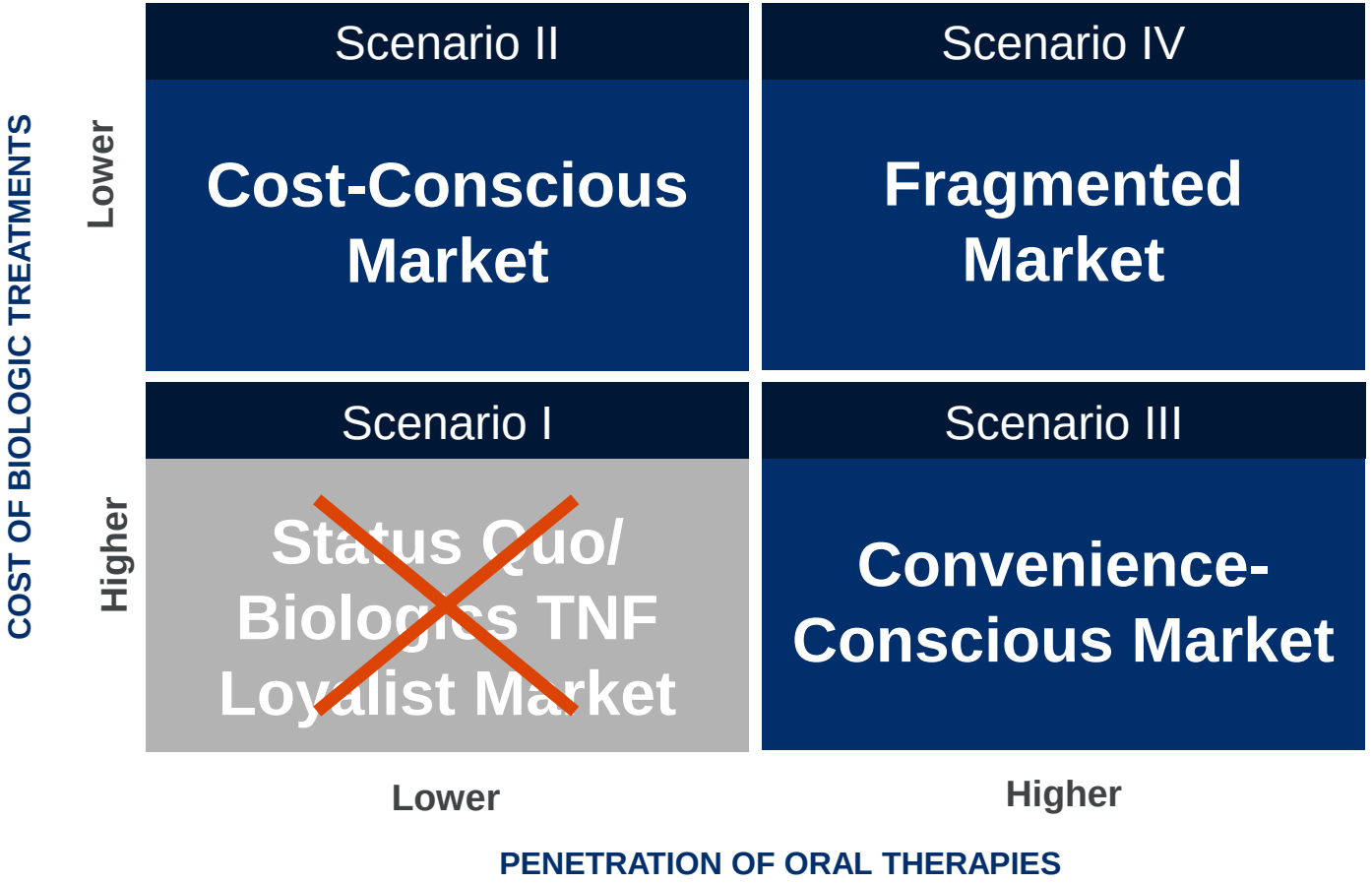
How Do You Assess the Value and Risk of an Early-Stage RA Asset?

- JapanCo was developing a promising early-stage asset, Asset X, for launch targeting rheumatoid arthritis (RA) in 10 years.
- The RA market is crowded, with fierce competition for price and share (especially with biosimilars) and a large development pipeline.
- JapanCo wished to understand Asset X's value and risk so they could make clinical and commercial decisions:
  - Whether to continue development
  - Whether to change the clinical strategy
  - When to license out the asset
- The decision-makers did not agree on the best strategy for Asset X – mostly believing it should be licensed out.
- They were also concerned that the time frame was so long that there would be no opportunity by the time the product was launched.

Ten Years Prior to Launch Is a Long Time in a Crowded and Complicated Market With Many Uncertainties to Be Addressed.



We Developed Three Scenarios for the Year 10 RA Market, Covering All Possible Directions.



We dropped Scenario I, as there was no chance of today's market situation remaining until Year 10.

We Developed Three Profiles (TPPs) to Cover the Asset's Potential Trial Results.

Clinical Parameters (vs SoC)	Low case	Base case	High case
Efficacy			
Efficacy endpoint #1	[illegible]	[illegible]	[illegible]
Efficacy endpoint #2	[illegible]	[illegible]	[illegible]
Efficacy endpoint #3	[illegible]	[illegible]	[illegible]
Efficacy endpoint #4	[illegible]	[illegible]	[illegible]
Safety			
Serious infections (% of patients)	[illegible]	[illegible]	[illegible]
Drug Administration			
Dosage Form	[illegible]	[illegible]	[illegible]
Dosing Frequency	[illegible]	[illegible]	[illegible]
Probability of achievement	**25%**	**50%**	**25%**

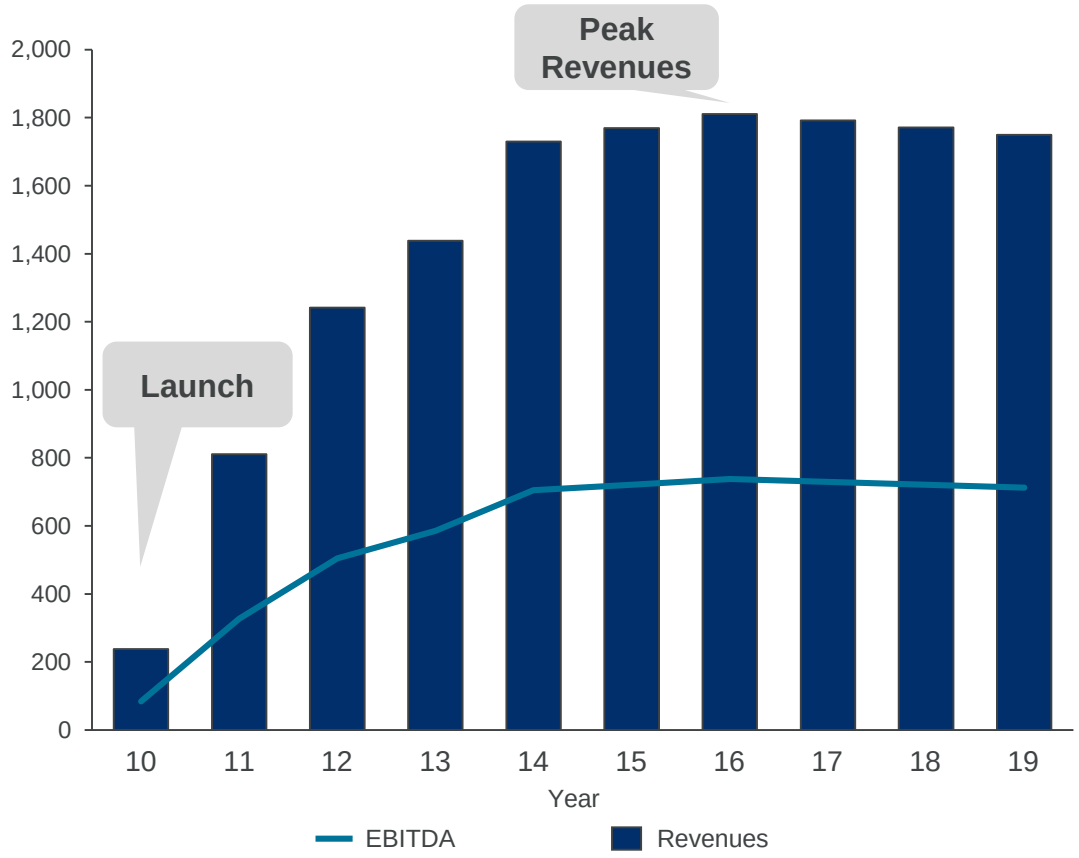
We Researched Asset X's Potential Market Value Under Each Possible TPP Outcome.

	Qualitative survey	Quantitative survey
	Physicians and Payers	Physicians
Current Practice	Preference for existing drugs and their reasons	Split of patient pool by segment
	Unmet needs in RA	
Future Scenario Assessment	Impact of new treatment options and loss of exclusivity of different classes on the treatment landscape	Physicians' views on Year 10 scenario
	Potential change in attitude and approach of authorities in pricing and reimbursement of new drugs	
TPP* Assessments	Share of Asset X by TPP*	Strengths and weaknesses of Asset X by TPP
	Use of Asset X in sub-indications/patient segments	Quantify the uptake of Product X by TPP
	Levers on Asset X's pricing by TPP* post-launch	

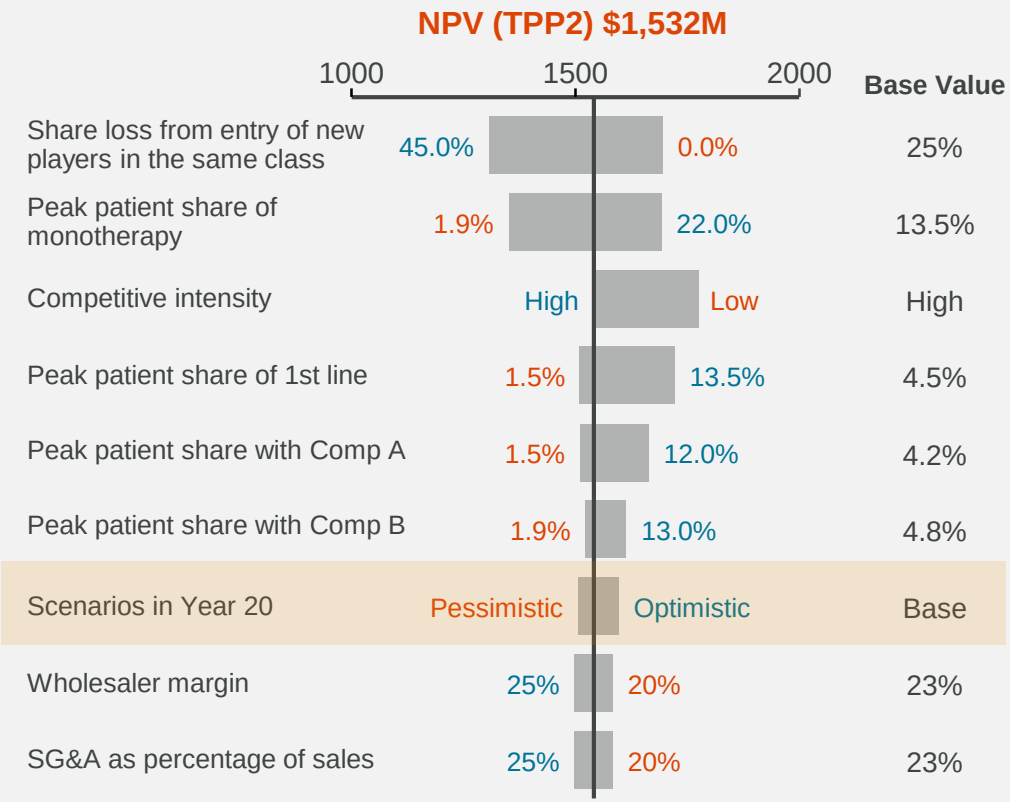
**TPP: target product profile*

We Valued Asset X at $1.5B in the Base Case and Given Technical Success, With Little Variation Depending on Market Scenario.

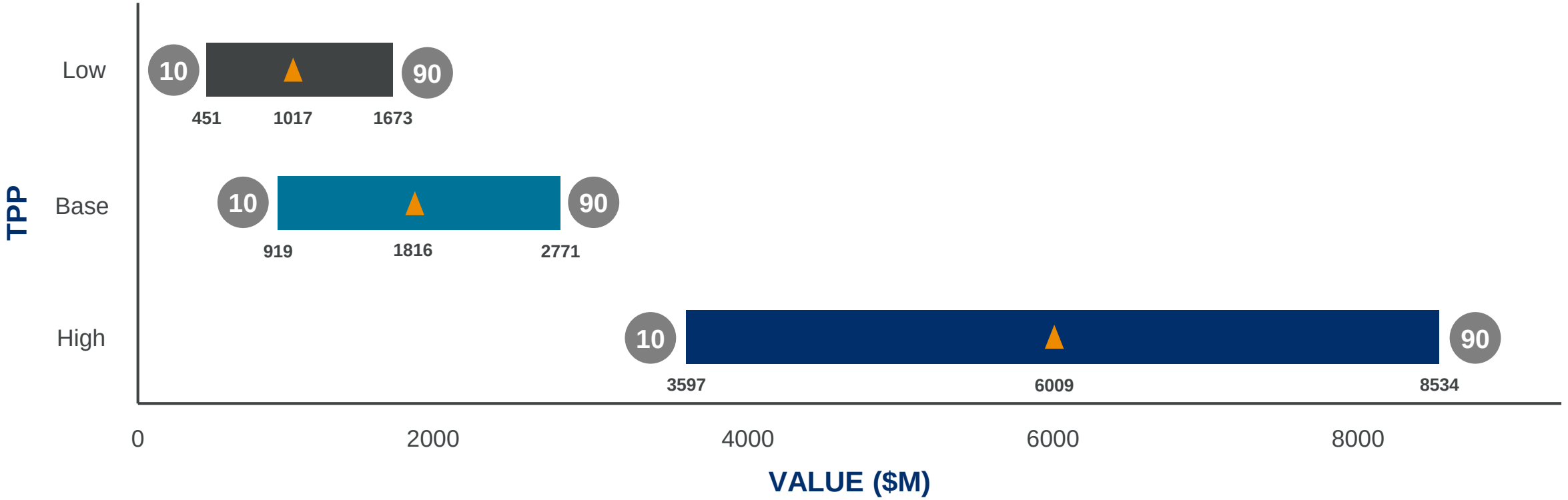
Revenue of Asset X given success of TPP base case



NPV Sensitivity Analysis



Asset X's High TPP Was Much More Valuable Than Its Base TPP, Causing Us to Ideate Ways to Increase Its Probability.



10 There is a 10% chance of NPV falling below this value

Expected Values (Mean value US$M)

90 There is a 10% chance of NPV exceeding this value

TPP: target product profile

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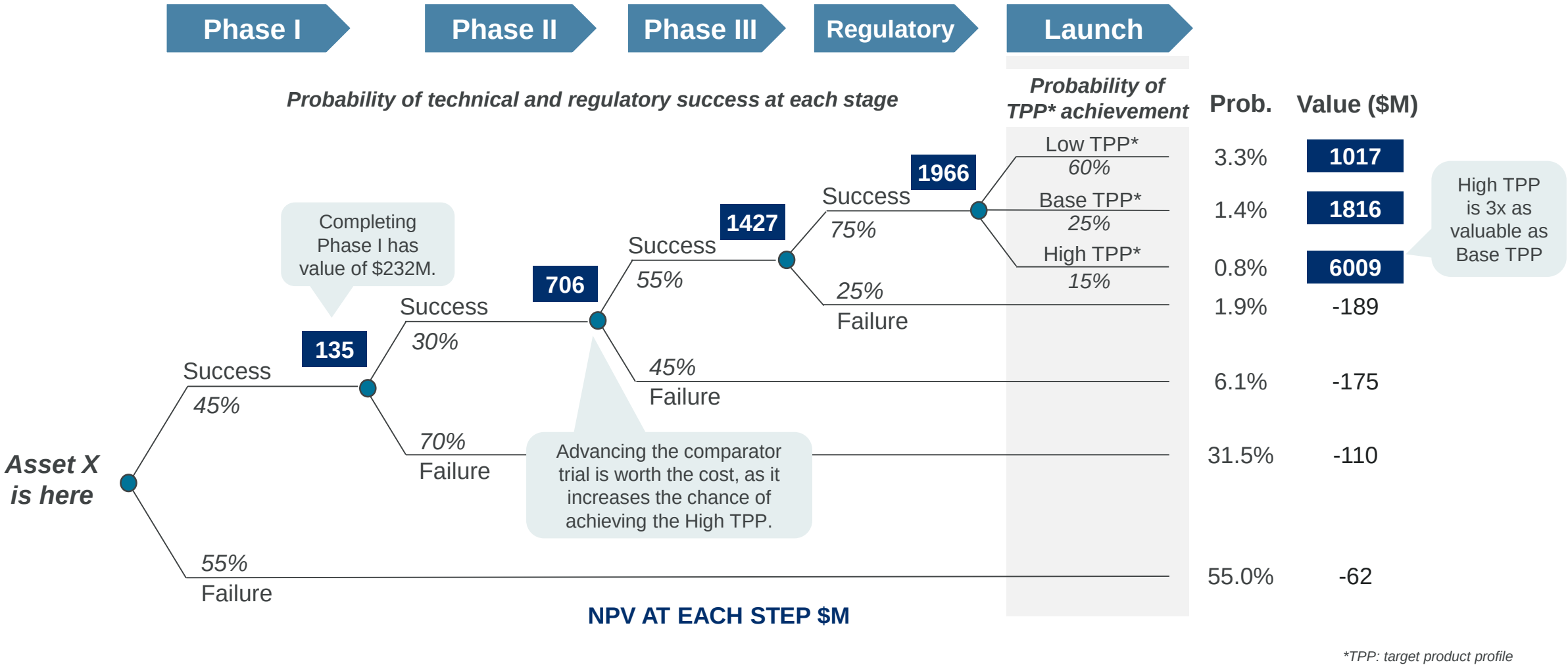
Illustrative

We Suggested Moving the Comparator Trial Forward, as the Increased Probability of Achieving the High TPP Outweighed the Cost.



*TPP: target product profile

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JapanCo Now Has Specific, Decision-Focused Information to Support Its Development Decisions.

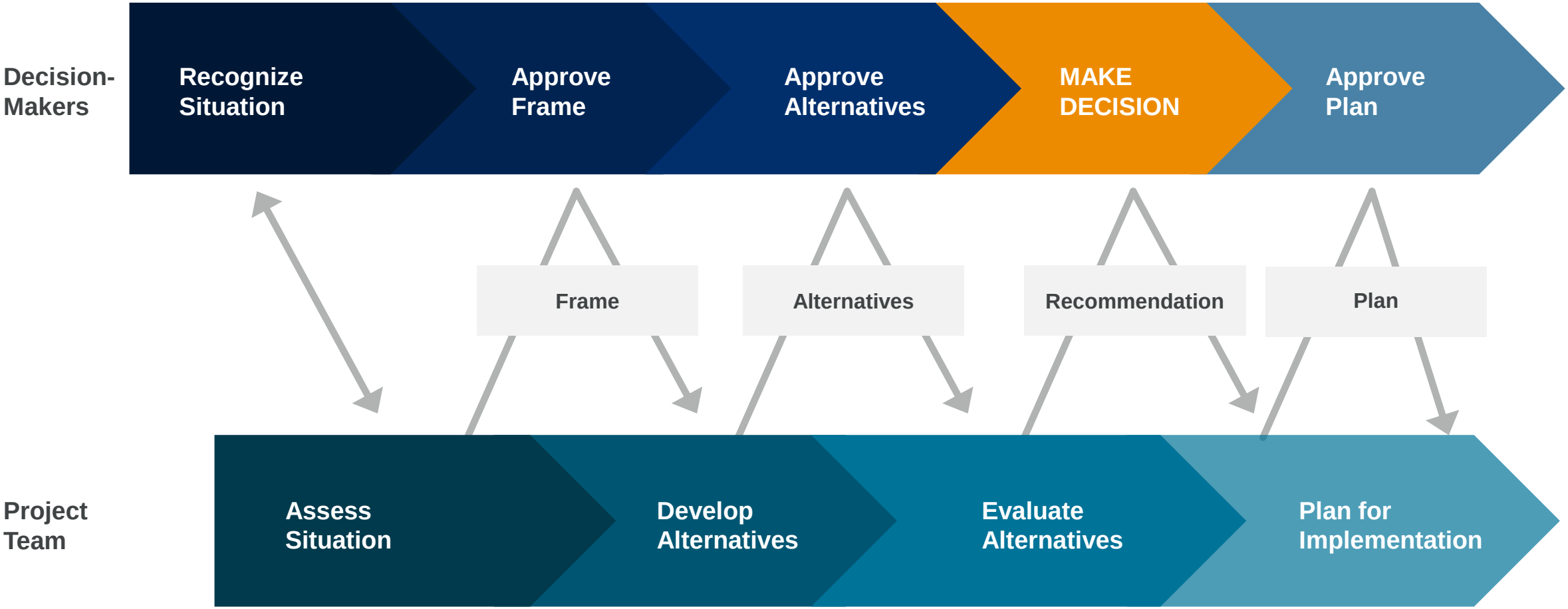
- Difference between perceived clinical performance by TPP for Asset X and the standard of care/other comparators
- Understanding of Asset X's value drivers
- Quantified effect of uncertainties on Asset X's revenues and value
- Upside and downside risks affecting sales and value in each development stage
- Critical information to support the "Go/No-Go" decision
- Confidence to change the clinical strategy
- Rigorous analysis and evidence to communicate Asset X's value to partners

- Management originally believed Asset X was a late entrant into a crowded market and would be out-licensed for a small sum.
- They had therefore planned to conduct trials in the way that would most limit their cost and risk.
- We showed them that by bringing forward the comparator study and slightly increasing risk, they could greatly increase Asset X's value.
- As a result, they chose to change the study program and keep Asset X in-house, adding almost $1 billion to shareholder value.

Management Completely Changed Their Perspective and Added $1B to Shareholder Value.

Our Dialogue Process Ensured the Decision Was Made Correctly.

The process ensured that there was complete alignment in the decision among the decision-makers.



THANK YOU