



Shared-Risk Partnerships

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New Heights. Together.

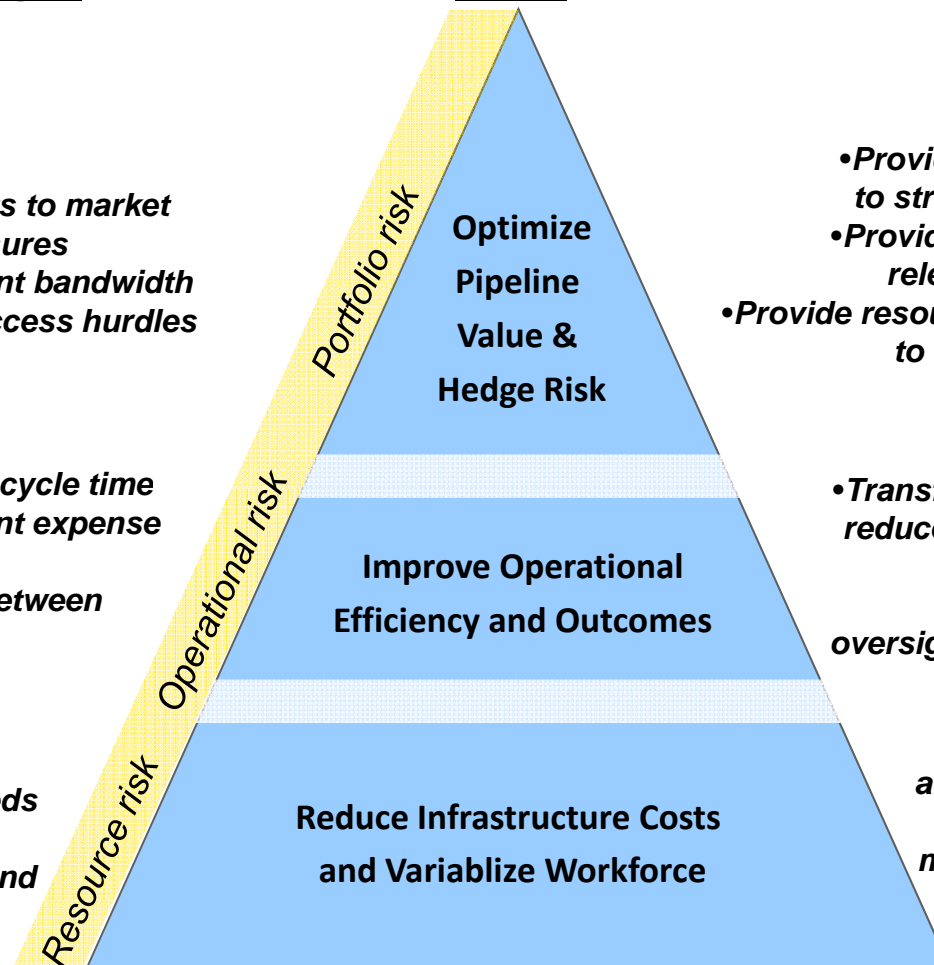


A Taxonomy of Pharma Risk

Key Challenges

- Effectiveness**
 - Bringing new products to market
 - Addressing P&L pressures
 - Increasing development bandwidth
 - Overcoming market access hurdles
- Efficiency**
 - Cutting development cycle time
 - Reducing development expense and oversight
 - Aligning incentives between sponsor and CRO
- Agility**
 - Providing flexibility to respond to staffing needs and market pressures
 - Efficiently managing and coordinating diverse functions

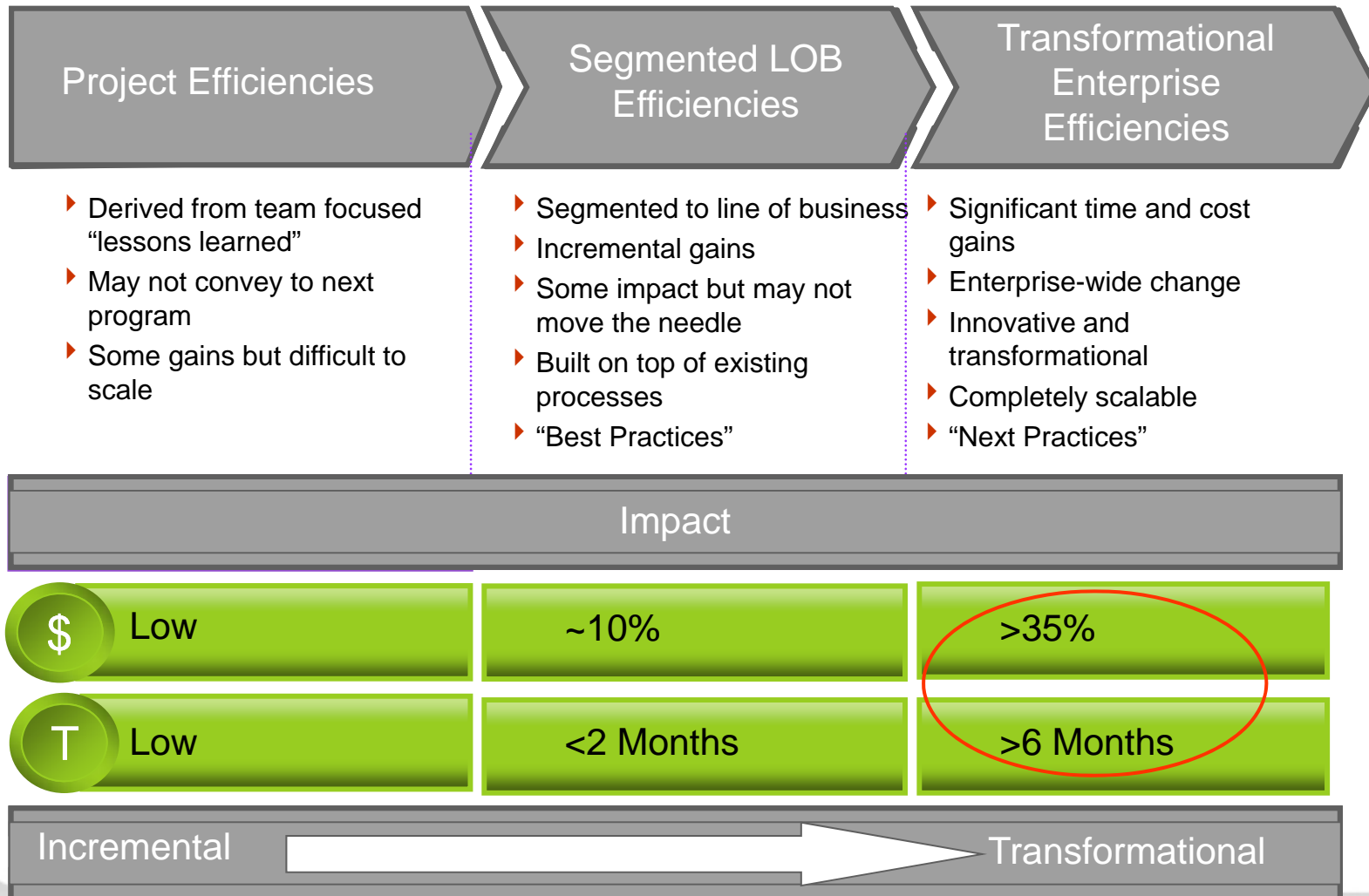
Value



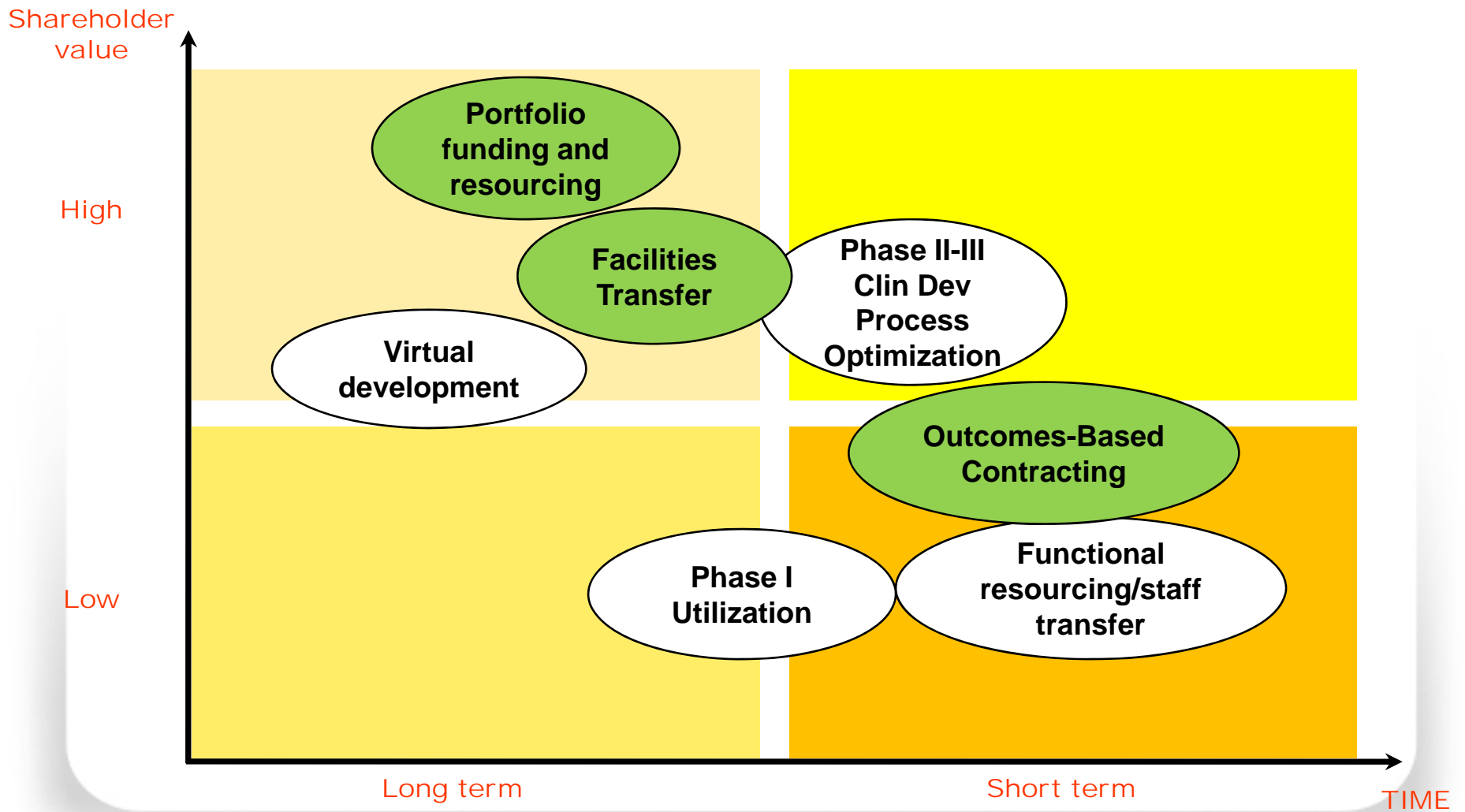
Solutions

- Provide at-risk capital/services to stretch development budget
- Provide more 'shots on goal' to release latent portfolio value
- Provide resource in peri-launch period to ensure launch excellence
- Transform models/processes to reduce variability/timelines/cost
 - Increased development collaboration to reduce oversight and improve efficiency
- Provide large scale absorption & integration of functions (monitors, data management, sales forces, etc.) to variablize costs and increase flexibility

Incremental improvements are no longer sufficient— transformational change is needed



Risk-based partnership solutions



R&D site transfer

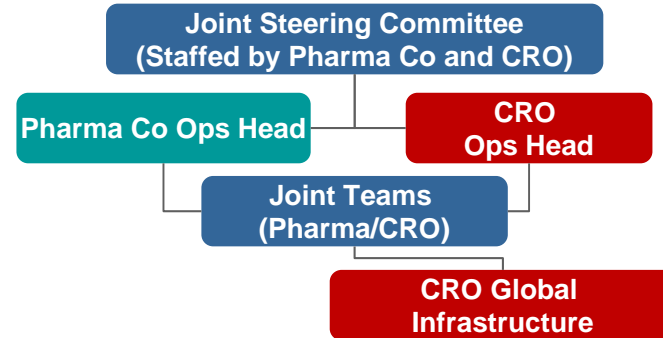
Situation

Challenge:

- ❖ Pharma Co determined that one of its facilities was surplus to requirements, but wanted to progress existing programs run out of the facility by key staff
- ❖ Facility had excess capacity, and Pharma Co wanted to drive more productive utilization of this capacity and reduce unit costs

Solution

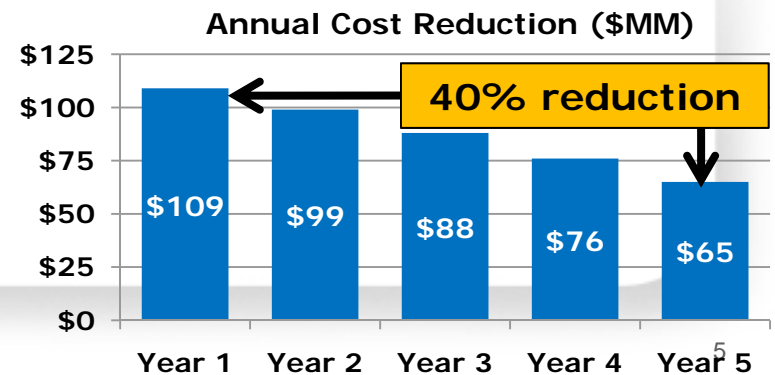
CRO purchased the facility, transferred the workforce and ongoing projects to CRO continues Pharma Co's ongoing projects with key staff



Impact: Reduce Pharma's fixed infrastructure, continue key programs and decrease unit costs on equivalent production by over 40%

- ❖ Reduce fixed infrastructure and provide Pharma Co with scalable access to services from experienced staff
- ❖ Realize productivity improvements of over 68% over five years through improved capacity utilization/integration
- ❖ Output-based agreement ensures cost transparency/predictability

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Outcomes-Based Contracting

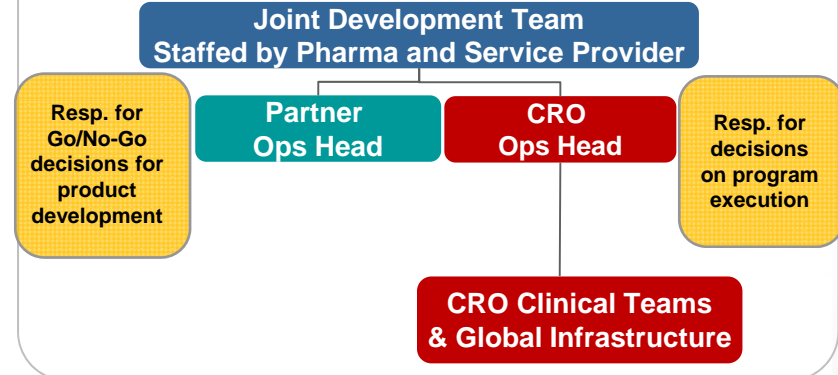
Situation

Challenge:

- ❖ How to outsource a program or project to a CRO and have minimal resource allocated to oversight
- ❖ Achieve above whilst maintaining required levels of assurance that program will meet timelines and quality standards
- ❖ Align incentives between sponsor and CRO so that execution risk and product risk are clearly dissociated.

Solution

Create a development model where the CRO is incented to provide an outcome, not a series of inputs



Impact: Reduce costs of oversight, align incentives

- ❖ Transfers execution risk to CRO who must assess and price such risk
- ❖ Rebalances risk/reward inequity in traditional outsourcing
- ❖ Ensures CRO sets and is fully committed to program execution strategy
- ❖ Enables Firm Fixed Price approach to be taken, eliminates Change Orders
- ❖ Reduces costs of Pharma oversight

Program Investment Partnering

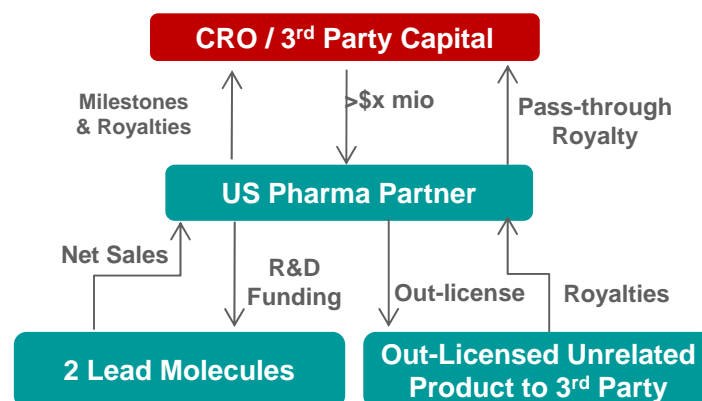
Situation

Situation:

- ❖ Pharma Co was seeking funding to support aggressive timelines and close budgetary gaps for two lead molecules ready to enter phase III
- ❖ Pharma Co wished to diversify risk associated with uncertain clinical outcomes while maintaining program ownership and strategic control

Solution

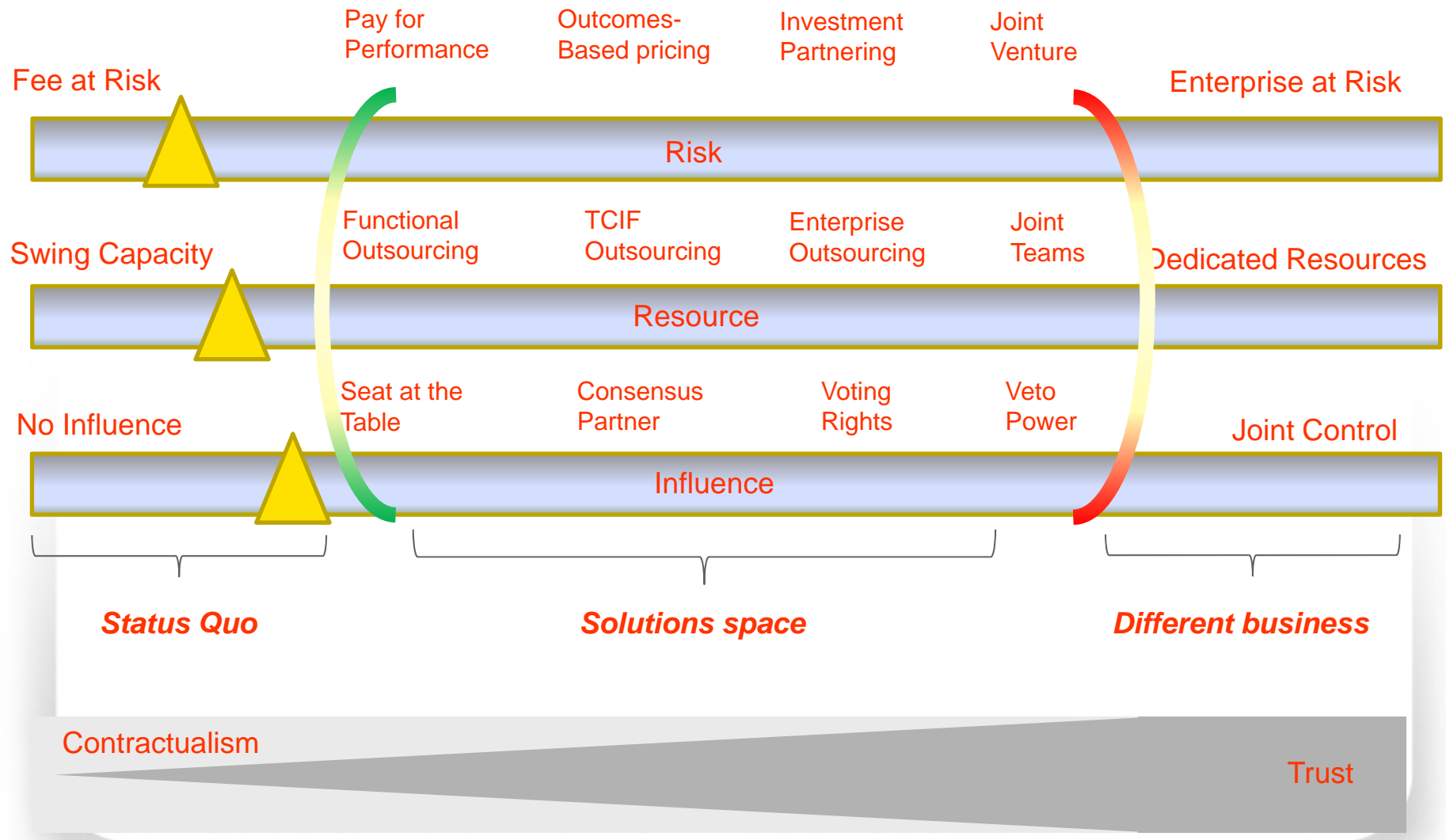
CRO and 3rd Party Capital provide at-risk funding/resources to support programs



Impact: Relieve financial constraints and enable aggressive program timelines

- ❖ Provides greater flexibility to direct internal resources to advance additional pipeline molecules, enabling more “shots on goal” for Pharma Co
- ❖ Allows Pharma Co to retain control and ownership of 2 important molecules
- ❖ Shares development risk by matching risk of development to returns on products
- ❖ Provides Pharma Co with access to additional drug development expertise and enables accelerated program execution on partnered studies
- ❖ Inclusion of the pass-through royalty enables Pharma Co to realize a cheaper cost-of-capital

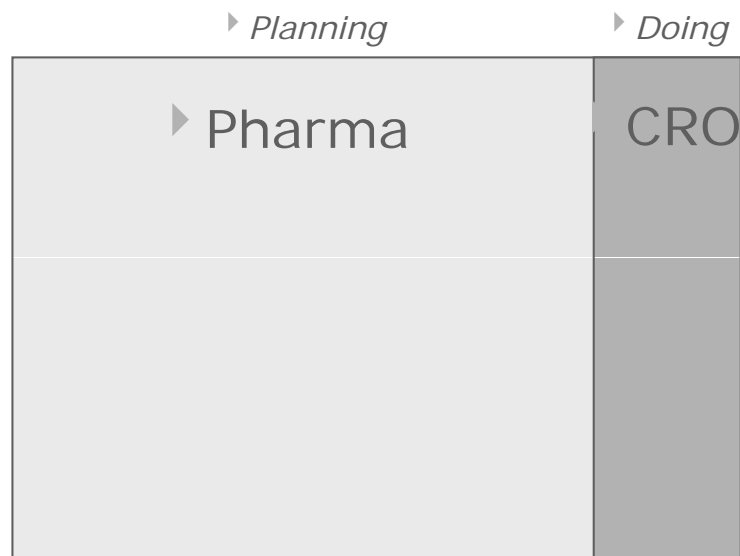
Trust Mechanisms





Attitudes and Behaviors

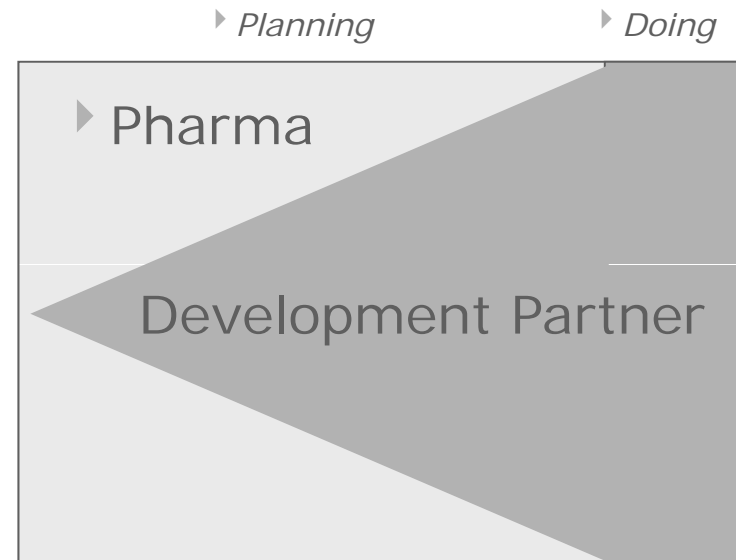
Traditional State



Taking orders

- Transactional RFPs →
- Tactical execution →
- Managing inputs →
- Accommodating issues →
- Many interfaces →
- Diffuse accountability →

Partnered State



Partnering

- Partnership trust & relationship
- Strategic plan & execution
- Managing outcomes
- Proposing solutions
- Single peer to peer point of contact
- Empowered authority & aligned incentives



Thank You!

Q & A

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