

Identify Target Indications for an R&D Development Agreement

Assignment

- Client possessed assets with potential application across a broad array of dermatology disorders. The assignment was to identify those dermatology conditions which represented the most attractive targets for a deal with a strategic partner

Key Tasks

- Define the current and future range of traditional and emerging conditions that comprise the dermatology care delivered by PCPs and dermatologists (and other specialists as relevant) in the US and three key EU markets
- Characterize key patient demographics, physician practice patterns, evolving standards of care, innovative emerging products, reimbursement challenges and other issues likely to shape the future value of the client's technology
- Identify the size of the patient opportunity, nature of unmet need, and potential value proposition, i.e., perceived value of improvements and the willingness of physicians to prescribe and payers/patients to pay

Methodology

- Extensive secondary research; interviews with KOLs, dermatologists, PCPs, payers in US, Germany and France



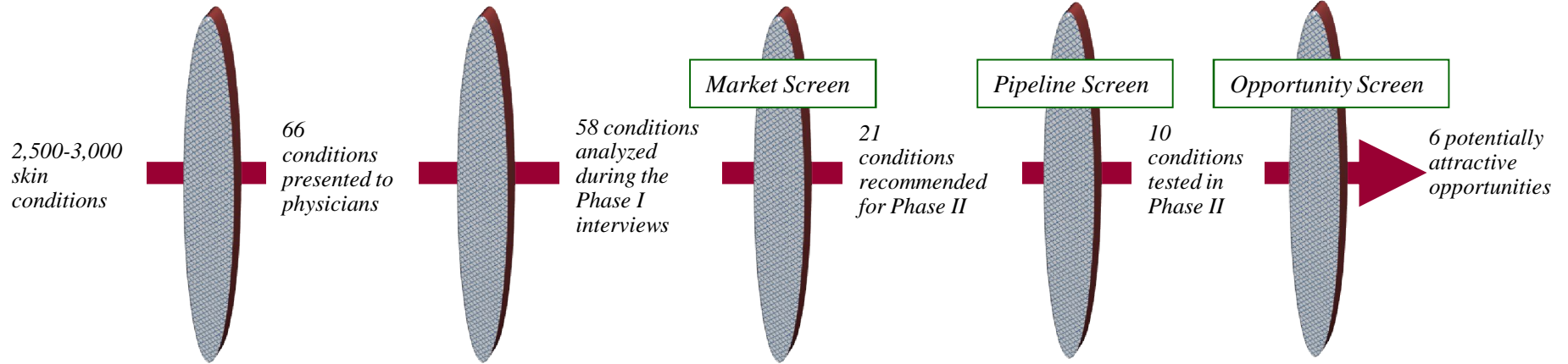
Deliverables

- ▶ Narrowed 2,500-3,000 potential skin conditions to 66 conditions explored in Phase I interviews with physicians
- ▶ Developed an opportunity algorithm which, combined with additional Phase II interviews, narrowed the list of conditions to six target opportunities, and created target product profiles reflecting incremental and step-change scenarios
- ▶ Output formed the basis for a major licensing deal with a strategic partner

Screening Process

2,500-3,000 different skin conditions were narrowed down to a list of 66 conditions tested in Phase I. Ten conditions were evaluated in more depth in Phase II, resulting in six potentially attractive opportunities

Screening Process for Dermatology Conditions



- ◆ Most common conditions cited in secondary literature, published surveys
- ◆ Less common conditions but with a significant disease burden
- ◆ Closely related conditions grouped into a more general descriptive hierarchy

- ◆ List of conditions refined based on interviews
- ◆ Physicians were prompted for eight conditions submitted by the client

- ◆ Frequency of diagnostic occurrence and physician opinion of unmet need
- ◆ Selection further refined based on duration and burden of disease

- ◆ 10 conditions were chosen based on client evaluation of pipeline products

- ◆ Opportunities evaluated based on:
 - Patient opportunity
 - Unmet need
 - Product opportunity
 - Payment proposition

Assessment Criteria

The relative attractiveness of each of the conditions in Phase II were assessed according to four criteria

	Considerations
Patient Opportunity	<ul style="list-style-type: none">◆ What's the incidence and/or prevalence?◆ How many patients are treated on a regular basis? How does it compare with other conditions?
Unmet Need	<ul style="list-style-type: none">◆ What percent of patients are inadequately treated? Which have the highest burden of illness?◆ What is the nature and depth of the unmet needs which characterize the condition?◆ How do the unmet needs vary by patient segment? Which segments are most poorly served?
Product Opportunity	<ul style="list-style-type: none">◆ How active and innovative is the product pipeline? What are the late-stage prospects?◆ Do the opportunities generally serve a broad patient population or niche markets?
Payment Proposition	<ul style="list-style-type: none">◆ How do patients and payers view the value proposition?◆ Is the condition likely to be paid for by insurers or likely to be self-pay? Is the burden of illness/unmet need significant enough to drive a premium price?



▲ = Favorable ● = Neutral, uncertain ▼ = Unfavorable

Collective Ratings

Six conditions were recommended for further review and three to be dropped

	Patent Opport.	Unmet Need	Product Opport.	Payer Prop.	Summary Rationale
Pursue Further					
Indication #1	▲	▲	●	▲	– Large, albeit competitive, market; high need and patients/payers likely to pay
Indication #2	▲	▲	▲	▲	– Very large market and unmet need. Payers won't pay but patients likely will
Indication #3	▲	▲	●	▲	– Opportunities with broad patient application; precedent for payer payment
Indication #4	▼	▲	▼	▲	– Niche market but very high unmet need; patients/payers likely to pay
Indication #5	▲	▲	●	▲	– Large competitive market; high unmet need and patients/payers likely to pay
Indication #6	▲	▲	▲	●	– Clear unmet need. Attractiveness will depend on patient's likelihood to pay
Drop					
Indication #7	▲	●	▼	▼	– Opportunity just in topical therapy; unlikely patient/payers will pay
Indication #8	●	▲	●	▲	– Large need but difficult product development since underlying causes unknown
Indication #9	▲	▲	▲	▼	– Unlikely payers/patients will pay for an improved product

▲ favorable ● neutral ▼ unfavorable