Cancer	NCE	Phase I	USD 407 Mio

General

Project:	RDEA119	Licensor:	Licensee:
Year of Licensing:	2009		
Licensing Phase:	Phase I		
Current Phase:	Phase I		
Upfront:	35		
Total Milestones:	372		
Royalties:	Low double digit	Ardea Biosciences www.ardeabio.com 4939 Directors Place San Diego, CA, USA	Bayer Schering Pharma AG www.bayerscheringpharma.de Müllerstr. 178 13342 Berlin, Germany

Scientific Details

Disease Area:	Cancer	Indication 1:	Solid tumours
Type:	NCE	Indication 2:	Cancer Indic. 2
Class:	Small molecule	Indication 3:	Inflammatory Indic. 3
Mechanism of Action:	MEK inhibitor		

Deal Type

	Worldwide	North America	Europe	Japan	Rest of world
Straight License	•				
Profit Share					
Co-Development					
Co-Marketing					
Co-Promotion					

Reported Deal Terms (in USD Mio)

Upfront	Equity	R&D Funding	Preclinical	Phase 1	Phase 2	Phase 3	Filing	Approval	Sales Milestones	Total Milestones	Profit Share	Royalties
35										372		dd

Deal Summary

Ardea will be responsible for the completion of the Phase I and Phase I/II studies currently being conducted for RDEA119. Thereafter, Bayer will be responsible for the further development and commercialization of RDEA119 and any of Ardea's other MEK inhibitors. The agreement announced today is subject to all necessary authorizations, consents or clearances of governmental authorities.Under the terms of the agreement, Ardea will grant Bayer a worldwide, exclusive license to develop and commercialize Ardea's MEK inhibitors for all indications. Potential payments to Ardea under the agreement could total up to $407 million, not including royalties. This amount includes an upfront cash payment to Ardea of $35 million, as well as additional cash payments upon achievement of certain development, regulatory and sales-based milestones. In addition, Ardea is also eligible to receive low double-digit royalties on sales of products under the agreement.

Sources

Press Release	http://finance.yahoo.com/news/Ardea-Biosciences-Reports-bw-62395581.html?x=0&.v=2
Press Release	http://www.bayerscheringpharma.de/scripts/pages/en/partnering/news/bayer_and_ardea_biosciences_enter_global_agreement_focused_on_the_development_of_mek_inhibitors_for_the_treatment_of_cancer.php

Deal Metrics (in USD Mio)

Peak Sales	Upfront	Preclinical	Phase 1	Phase 2	Phase 3	Filing	Approval	Sales Milestones	Total Milestones	Royalties	Total Value (at 12%)	Value Share Licensor	IRR Licensee	Royalties/Deal Value
500	**35**	-	-	10	20	32	80/40/40	150	**372**	**10%**	91	88%	12,8%	23%
1,000	**35**	-	-	10	20	32	80/40/40	150	**372**	**10%**	243	41%	18,4%	37%
2,000	**35**	-	-	10	20	32	80/40/40	150	**372**	**10%**	546	26%	25,3%	54%

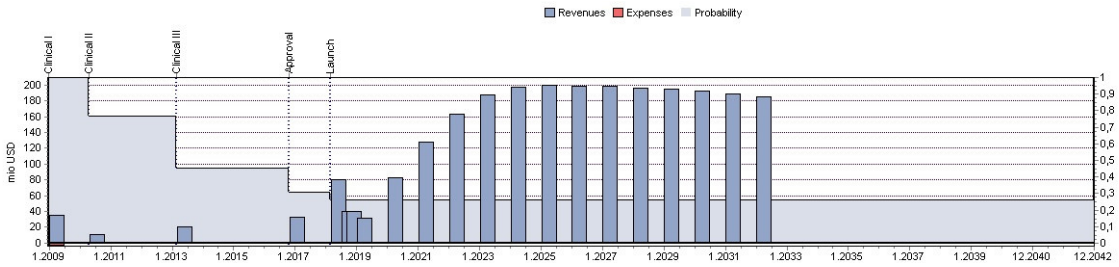

Figure 1: Cash flow Ardea with USD 2,000 Mio sales.

Figure 2: Composition Royalties/Milestone payments with USD 2,000 Mio sales.

Interpretation

With USD 2,000 Mio sales Ardea reaches the most reasonable value share of 26% for this deal. With a royalty and milestone composition of 54% and an IRR or 25% for Bayer-Schering it results in what we would expect from a phase 1 license deal. Interestingly, Ardea pays for the completion of phase 1 for the first compound (we estimated USD 5.2 Mio). The costs for phase 2 and phase 3 of the first indication, as well as all the costs of following indications are paid by Bayer-Schering. But given the size of eth upfront payment we cannot assume that it is an option deal for Bayer to step in only in phase 2.