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IN THIS ISSUE

Competitive Intelligence: Key Component of Corporate Decision Making

Biotech Alliances Intelligence The Recap Portfolio

Life Science Consulting: An Intelligence Source for Biofinance

Competitive Analysis: A Juxtaposition

Competitive Intelligence & Counter-Intelligence

Competitive Intelligence: Key Component of Corporate Decision Making

By: Cammie Edwards, PhD, DNA Gateway International

Whether recognized as such or not, companies are always engaged in the process of competitive intelligence. Be it attending professional conferences, reading the competitor's literature, staying up-to-date on market reports or chatting with friends about trends in the industry, these activities are all part of gathering competitive intelligence. Competitive intelligence (CI) is the process of gathering, analyzing and interpreting external information to guide a company's strategy, planning, and tactical decision-making in commercial operations. For companies to realize the full value of its CI, the information must be complete, analyzed with respect to the company's needs and disseminated to the key decision-makers. Given the complexities, as well as the potentially long timelines, of developing products in the life science industry, it is particularly important to that life science businesses develop comprehensive competitive intelligence programs that support corporate strategic development and business decisions. Good competitive intelligence will provide full insight into what competitors are currently doing, as well as allowing for the determination of what competitors will do before they do it.

Below is a list of key competitive issues that must be diligently monitored as well as potential sources for obtaining the competitive intelligence¹:

1. IP around your competitor's product(s) and your freedom to operate

- Carry out a comprehensive patent literature search at least once a year.

2. Market

- Discuss with your Boards (SAB and corporate)
- Network at professional or industry conferences.
- Talk with KOLs

3. Pricing of your competitor's product(s)

- Allows for competitive valuation of your own deals
 - Talk to competitor sales forces and distributors
 - Determine standard medicare reimbursement rates for your particular product

4. Stage of development of your competitor's product(s)

- Network at professional or industry conferences.

5. Partnerships occurring in your particular area

- Professional journals, deal databases, professional conferences can provide this info.

6. Valuation of competitor's companies

- Understanding the competitors valuation allows accurate valuation of your own company which is important for funding raising

- Deal databases and networking with VCs can provide insight into value of companies via acquisitions and mergers

7. Emerging technologies and products that could impact your product

- Discuss with your Scientific Advisory Board
- Networking at professional or industry conferences

8. Understanding how your end-user (doctor, life science company, CRO, etc) feels about your competitor's product(s)

- This allows you to identify weakness you can exploit
 - Directly survey the "end-user"
 - Network at the industry conferences

9. Regulatory and reimbursement issues

- Determine the current regulatory requirements and identify new issues that might affect the approval, label or marketing of a product

10. Human capital

- Salary surveys and analyses of job ads can provide important insights into competitors' staffing strategies

As is clear from the list above, networking is a key component of effective CI. Your network contacts can be invaluable for learning about at the smaller deals (i.e. the information that doesn't make the headlines), emerging products, changes in treatment paradigms, etc. We routinely work with clients to obtain CI in this manner. However, in addition to networks, we use a number of powerful tools, databases and services that can help with the collection of competitive intelligence. In this issue of BioPharma Insight, we invited articles from a range of competitive intelligence service providers and experts to provide their insights into tactics and tools that can assist emerging life science companies with their competitive intelligence acquisition. Recombinant Capital is the premier company providing deal databases. Life Science Consulting, Inc. has built a suite of highly sophisticated tools that analyze complex market, finance and competitor data to facilitate strategic decision making. Taskforce Europe has well-known and proven expertise at assisting companies in CI implementation. Lastly, I.S.I.S. Inc is a recognized leader in providing global competitive intelligence and counterintelligence services to clients over the last 14 years. Obtaining and analyzing CI from a range of sources ensures more accurate and complete competitive information, which is invaluable in assisting with corporate strategy decision making.

1. www.nature.com/bioent/building/planning/032005/full/Bioent850.html

Biotech Alliances Intelligence

The Recap Portfolio

by Jennifer Doyle
Recombinant Capital

www.recap.com

Recombinant Capital ("Recap") is a San Francisco-based consulting firm, founded in 1988, specializing in biotechnology alliances, alliance revenues, and company capitalization. Recap has studied the biotechnology industry from its birth to the present and has built large and detailed biotechnology business intelligence databases, including our Alliances, Revenues, and Valuations databases, available at our two web sites, Recap.com and rDNA.com.

Bio-Pharmaceutical Alliances:

The Recap Alliances database currently contains 23,786 fully-searchable high-level summaries of biotech alliances commenced since 1973. Recap analysts mine several industry news sources each day, recording each biomedical alliance, together with the source document. A multitude of specific characteristics for each alliance are tracked, such as: the alliance date and dates of revision, alliance type (e.g., license, sublicense, acquisition, supply, etc.), product type/technology (e.g., synthetics, monoclonals, devices, etc.), stage of development, product disease categories, payment amounts and types (upfront, equity, R&D, milestone, and royalty amounts, where available), the types of parties involved (e.g., Biotech, Pharma, University).

We later go through the public documents of all companies that file reports with the U.S. Securities and Exchange Commission ("SEC") to acquire any contracts and other information pertinent to the alliance. The birth in the mid-1990's of the SEC's electronic "EDGAR" database of filed documents revolutionized this information flow to the public. Recap supplements EDGAR-derived contracts and reports with our extensive collection of "pre-EDGAR" documents and reports, scanned into pdf files and attached to the relevant alliance. In addition, Recap makes numerous requests to the SEC under the Freedom of Information Act ("FOIA") to obtain unredacted copies of contracts for which important details have been blanked out or "redacted" by the filing company. Redaction is a standard practice used by companies to protect the financial and other important details of an alliance. After a certain amount of time, however, these details become available to the public. Recap has obtained a significant number of fully unredacted contracts in this manner.

Recap creates detailed analyses for selected alliances, distilling the essential information from the contracts and amendments of an alliance into a standard, condensed format. One hundred pages of contract will typically yield a 10-12 page Analysis. The Analysis provides an overview of the scope and history of the alliance, an outline of payments (upfront, equity, R&D, milestones, royalties, transfer prices, etc.); R&D, manufacturing, and commercialization responsibilities; the license grant, field of use, and territory; royalty offsets and 3rd party royalty responsibilities; co-promotion and other options; alliance management; and equity provisions. Importantly, the content goes in defined locations. Thus, the royalty information and offsets will always be found in the same place in each Analysis document.

Biotech Company Valuations:

Our Valuations Histories Database stores financing rounds and step-wise valuations for 676 biotech companies in tabular and graphic form. These valuation histories are based on primary share issuance from the date of founding until the most recent equity financing or other share issuance. The graphic display also includes a real-time quote of the current market cap of the company, allowing the most up-to-date look at the step-ups (or step-downs) in a company's valuation from founding until the present.

Alliance Revenues:

Recap's Revenues database and Revenue Reports show a breakdown of alliance revenues received or paid by a particular company. This data is obtained from SEC-filed reports and is tracked on a quarterly basis. The Revenues database is available through the rdna.com subscription site and may be viewed by Biotech Company (recipient) or by the Payor company. Alliance revenue may also be displayed in aggregate by therapeutic sector (e.g., Cancer, Cardiovascular, CNS, etc.).

Recap Alliance Contracts (n = 6,933)



Analyst Notebook:

In addition to our subscription and consulting services, Recap provides a collection of material from our consultants in the Analysts' Notebook section of www.recap.com, including a list of recent deals, a collection of "Deal Snapshots", Alliance Trends slides (average and median deal terms for various types of alliances), a selection of key/flagship deals, articles from Signals Magazine (see below) grouped by topic, and a collection of recent slide presentations by our analysts.

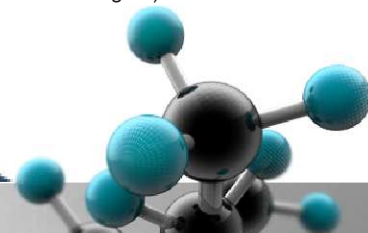
Signals Magazine:

Recap publishes the online magazine, Signals, providing analysis of current trends and new developments affecting the biopharmaceutical industry. Signals' main areas of emphasis are alliances, financial trends, technology developments, and profiles of interesting people and companies. See www.signalsmag.com for the most recent issue (featuring reverse mergers)

Recap has studied the biotechnology industry from its birth to present and has built large detailed biotechnology business intelligence databases...



RECOMBINANT CAPITAL



Life Science Consulting: An Intelligence Source for Biofinance

by Carmelo BioSognano

www.lifescience-consulting.com

LifeScience-Consulting, Inc. (LSC, www.lifescience-consulting.com) is a Swiss company based in Geneva and Paris focusing on the integration of financial and scientific data to provide sophisticated computer models and cutting edge industry knowledge. The Company markets the LifeScience-Portal™, a fully integrated information infrastructure platform improving the complex valuation of pharma/biotech companies and projects. Additionally, the LifeScience-Business Intelligence Services™ are shaped to match specifically customers' demands for market analysis, due diligence and projects' valuations. Through its joint venture with CBDMT® based in Paris (Custom Business Development Management & Technology), LifeScience-Consulting offers a broader range of business intelligence services to R&D departments, business development and sales & marketing departments, financial analysts and decision makers in the pharmaceutical, biotech (green, red, white, blue and gold), chemical industries and financial services.

LifeScience-Consulting customers have the ability to access to intuitive and innovative projects' valuations tools through the LifeScience-Portal™ which also brings databases for R&D and competitive intelligence (see below). Moreover, thanks to CBDMT®'s strategic expertise, market survey, market scouting and interim business development services are available. Consequently, customers benefits from insights into competitors, products, trends, drivers, opportunities and market threats.

With offices in Paris and Geneva, LSC brings its professional network into play in order to evaluate and respond to markets critical needs (IP, Manufacturing/Production, Biotech, MedTech, Fine chemical, Cosmetics, and Financial services).

The LifeScience Portal™ is probably the most advanced and modifiable "biofinance" platform ever conceived. Its strength resides in the integration of multiple intelligence sources (fundamentals, scientific results), its interactivity, the collaborative work and the robust simulations (Decision Trees, Visual Ranking Tool™) aiming at facilitating strategic decisions using a sound balance between financial and scientific criteria. In particular, the Visual Ranking Tool™ has been specifically developed to overcome the weakness of traditional analytical methods which are not able to simultaneously take into account multiple and diversified parameters to make drugs forecasts and represent competition. In contrast, the Visual Ranking Tool™ was designed to consider numerous drugs parameters concomitantly (costs, probabilities, indications, action mechanisms, patent expiry, etc). The result is a 2-dimensional map illustrating a competitive environment for drugs where all their characteristics (scientific, financial, legal, etc.) are taken into account.

Today, business development officers, purchasing managers, venture capitalists, portfolio managers as well as financial analysts regularly use the LifeScience-Portal™ for their corporate intelligence projects. They rely on it to gain insights into company fundamentals and to respond with educated agility to market news.

LifeScience-Portal™:

- More than 12,000 products classified and tracked
- 15 therapeutic categories, with 1,200+ indications mechanisms
- 14 industry categories, with 60+ subcategories
- Competitors, Partners, Alliances
- 1000+ SEC filings of quoted companies
- 20+ daily news on financial and scientific topics
- Live feed of stocks with graphical support
- Strategic decision support tools (risk-adjusted NPV, Visual Ranking Tool)
- Single or multiple keyword searches for products,
- Project management tools (discussion forum, file repository)
- Customer area allowing to ask for more company/drug details
- Customizable exporting to PDF reports

Besides this solution, the LifeScience-Business Intelligence Services are proposed as a highly confidential business development service providing decisive advice for decision makers to make the right strategic choices. Typically, LifeScience-Consulting provides secondary analysis by using reliable sources of information, phone contacts, experts' opinions and primary analysis via its joint venture with CBDMT®.

Business intelligence services include:

- Innovation or technology identification to be applied in the field of interest (pharma, biotech, cosmetics, fine chemistry, formulation, MedTech)
- Companies' valuations (products, pipelines, facilities)
- Market valuations
- Market survey (product or service mapping)
- Market scouting (initially sounding out the market)
- Business mapping (players, drivers, prospects, customers, competitors, legal aspects)
- IP searches

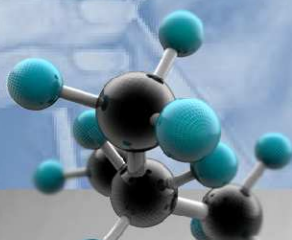
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LifeScience-Consulting focuses on the integration of financial and scientific data to provide sophisticated computer models and cutting edge industry knowledge.



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Competitive Analysis: A Juxtaposition

by Emmie van Halder
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www.taskforceeurope.com

Competitive analysis has always been considered invaluable in the biotech industry. Management, business developers and scientists spend hours scanning the stream of newsletters, industry magazines and articles. The Internet has made the gathering of information easier, but not necessarily of greater value. There is no structure to the information that is gathered and, as a result, the real gem in this information overload might easily be missed.

In this article, we will identify the need for competitive analysis and then present a structure that can help companies save costs in this area and yield higher and improved results.

Why competitive analysis? First of all, it is critical to know the research landscape of your particular field. This includes areas competitors are focusing on; how crowded is the field and in which stage is the research. Secondly, it is critical to know the intellectual (IP) landscape. This is a complete discipline on its own, where the large Life Sciences IP firms should play a role. So instead of working with a firm that just writes your patent, make sure that your patent lawyer understands the landscape, or patentscape™, as our patent law firm Needle & Rosenberg calls it (www.needlerosenberg.com). You need to know the relevant blocking patents, which patents have been filed but are not being used and could be licensed, and where that patent is that would just complement your patent suite.

Thirdly, competitive analysis is a vital tool in attracting the cream of the crop for your research projects. Obviously, publications offer information, but often the most important research will not be published until it is patented, thus you need more up to date information to find the right people. There are specialized recruiting firms that work in these areas, but be certain when evaluating them that they are well established in your particular area. Attending and presenting at key scientific conferences is another tried and true of meeting the most important scientific figures in your field.

The fourth reason for complete competitive analysis is for mergers and acquisitions. Often an overall and global analysis will be the basis of an M & A strategy. Unless publicly traded, financial information is often difficult to come by. Again, there are specialty firms and services that can assist you in this area. This is also where your business network will be extremely valuable.

How to effectively implement competitive intelligence. First of all make one person responsible for the competitive analysis and not have other employees spending their valuable time scanning incoming newsletters taking time away from their other responsibilities. For a larger company, I suggest a full time intelligence officer.

For smaller companies this falls under business development. In addition to gathering intelligence, this dedicated person can also generate a company specific newsletter that can be directed to the relevant people.

To assist individuals in effectively sifting through and processing all the available competitive information, there are a number of extremely useful new tools. I will discuss three of them:

1. In order to gather as much company specific information as possible, one could use a self-learning system of artificial intelligence. This means that you install a service, which scans and tracks all the information the person has been looking at. This information is stored and becomes a self-learning machine. It offers a layer over search tools and creates a wealth of intelligence. So instead of too much information to deal with, you only receive what you need.
2. Another invaluable system is the software provided by a Dutch company, Collexis. (www.collexis.com) Collexis offers a hyper intelligent search engine, which contains all medical publications worldwide. Not only is the Collexis software intelligent enough to determine ambiguities, it also deals with the myriad of acronyms in this industry. The system will translate from practically any language into English allowing you access to much more information than only the West produces. The result is a three dimensional view of research, and saving valuable time, whilst coming up with better intelligence.
3. Last but not least I recommend the web clipping service from Allresearch. (www.webclipping.com) Allresearch offers the electronic version of the old-fashioned clipping service; if something is posted on the web, Allresearch will find it for you. The last time I checked on a press release we posted on 400 news wires, Allresearch showed over 10,000 postings of the article on newsletters we had never even heard of.

Notwithstanding the importance of these tools and the electronic information stream, the thing that really discerns the excellent from the good competitive intelligence officer, is his or her network. Being the first one to pick up industry gossip, determining the level of accuracy in a press release, and knowing what to look for, are all qualities of the mature and well-connected intelligence officer.



Competitive Intelligence & Counter-Intelligence

By Marc Limacher
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www.isisglobal.com

Being able to anticipate rather than react to competitors' next clinical or commercialization moves is particularly critical in the biotech industry, where the costs for drug development is estimated to exceed \$1 billion. Being number two in the marketplace is no longer good enough, and failing to notice competitive blindspots can be very costly or even destructive. Therefore, even smaller and start-up biotech and medical device firms do increasingly allocate resources towards a systematic competitive intelligence (CI) capability at the very early stages of the clinical development cycle.

Systematic Early Warning System

The inherent limitation of conducting a one-off competitive assessment of competitors' activities and intentions are obvious: the results are rapidly out of date. Therefore, a one-time baseline CI assessment is typically followed by a systematic monthly, bi-monthly or quarterly monitoring of specific KITs (Key Intelligence Topics). Monitoring systematically the regulatory timelines, ongoing clinical trials of current and future competitive products, competitors' sales and marketing strategy, KOLs' changing perceptions and preferences, and the changing reimbursement environment provides early warning signals on competitors' activities. Other benefits of systematic CI tracking are the fast implementation of urgent CI ad hoc inquiries and the rapid dissemination of "red alerts" in the case of suddenly detected, previously not considered competitor targets.

Ethics Policies Are Mandatory in CI Collection

How does one obtain CI data ethically and legally? Solely relying on databases and other secondary data channels provides only the foundation for a CI effort, and puts your firm at best at par with your competitors since this type of information is easily and readily available to all market players. The true competitive advantage can only be obtained through primary, human intelligence data by talking to KOLs, equity analysts, target company representatives, managed care pharmacy directors, specialty pharmacists, and other relevant sources as well as visiting conferences and symposia. Whether you are conducting such primary CI collection internally or through an agency, it is critical to ensure in writing that strict ethical guidelines are being adhered to. While larger companies do typically have their in-house code of ethical conduct for data collection, a good starting ground to develop such a code is the Code of Ethics defined by the Society of Competitive Intelligence Professionals (SCIP), which can be found at www.scip.org.

Counter-Intelligence: Protect Your Intellectual Assets & Prevent Data Leakage

Because the U.S. is the leader in world economies and creative life sciences R&D, it remains a prime target for competitive information collection operations and industrial and economic espionage. However, according to a survey among large U.S. corporation by ASIS [American Society for Industrial Security] in 2002, fully 93% of corporations had no formal counter-intelligence program in place, while 56% of the Fortune 1000 admitted to having been victimized by some form of exploitation (\$100B+ in lost sales and added R&D costs every year.) However, since

then, an increasing number of companies have placed greater efforts and resources towards safeguarding proprietary information and training their employees on being alert to unsolicited requests for information and vigilant at medical conferences and symposia when approached for sharing information. Smaller firms due to their limited resources and other priorities are at greatest risk for "attack," and it is precisely in those firms that management should cultivate a counter-intelligence mindset as part of the corporate culture. Building on Andy Grove's (former Intel CEO) renowned and often cited theme that "only the paranoid survive," an effective, proactive counter-intelligence plan to neutralize unethical and illegal gathering of data has three components:

Security

1. Physical measures that can be installed to hinder access to trade secrets
2. First line of defense (dedicated internal counter-CI team)
3. Tradeshaw security measures at medical conferences & symposia

Detection

1. Vulnerability scan of company's weaknesses ("Red Tag" operation - a staged intelligence attack designed to expose areas of data leakage)
2. Scanning of competitors' CI capabilities
3. Identification of patterns and activities targeted against a company, company personnel, and assets

Operational

1. Processes that limits exposure of capabilities, strategic plans, trial status, etc...
2. Social re-engineering of workforce sensitized counter-intelligence mindset

Conclusion

Clearly, life sciences companies that cultivate CI as a core capability systematically collect, analyze, and use future-oriented competitive insights more effectively, more efficiently, and indeed more intelligently, than competitors to shape strategy at all levels. At the same time, safeguarding sensitive information and preventing data leakage is equally - if not more - important. CI represents the flip-side of the strategy coin. Strategy without intelligence is not strategy, it is guessing. CI is not market research, nor is it industrial espionage. It is a legal, ethical, and creative process that generates a decision-related, future-oriented product managers can use to eliminate corporate blindspots, facilitate change, and improve competitiveness.

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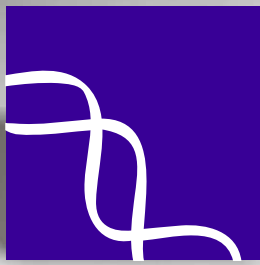


differentiate



capitalize





DNA
Gateway
International

DNA Gateway International, Inc. is a specialized provider of business services to biotechnology and pharmaceutical companies. DNA Gateway assists non-US companies with their international efforts entering into the U.S. marketplace.

With over fifty years of industry experience, our DNA represents the top talent in the industry. Our clients and partners include biotechnology, pharmaceutical, academic and government organizations.

DNA Gateway applies sound research, strategic planning and intelligent solutions to help its clients gain maximum U.S. exposure. Additionally, we use innovative thinking to accelerate the delivery of safe and effective therapeutics to the U.S. market.

DNA Gateway is strategically located:

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Washington D.C.- THE U.S. Center for Drug Approval

Geneva, Switzerland- Easy Access to the EU

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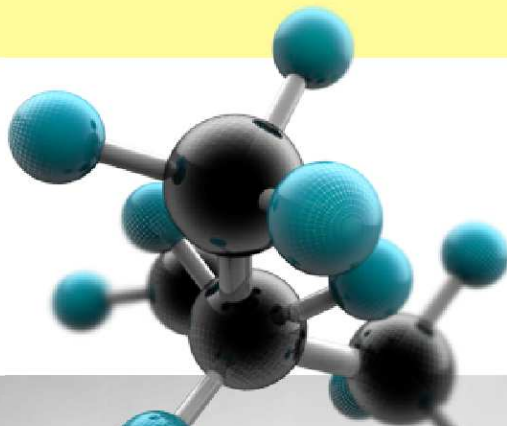
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To learn more about DNA Gateway International, please visit us on the Web at www.DNAGateway.com

Meet us at JPMorgan

If you are going to be in San Francisco for the JPMorgan 25th Annual Healthcare Conference, we would like to see you. Please email Cammie Edwards (cammie@dnagateway.com) with your schedule.



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