

Apr 27, 2016

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Alliance Summary

Acquisition of 56.3% majority stake in Foundation Medicine for \$1.03B in equity

Licensor/Seller: Foundation Medicine
Licensee/Buyer: Roche

Licensor/Seller Parent:
Licensee/Buyer Parent:

Date: 01/2015
Parties: Pharma / Biotech
Type: Acquisition

Stage (at signing): Not Applicable
Therapeutic Area: Cancer

Press Releases

04/07/2015 Roche announces preliminary results of tender offer
04/07/2015 Foundation Medicine and Roche Complete Strategic T
04/02/2015 Foundation Medicine Stockholders Approve Pending R
03/02/2015 Roche extends tender offer for FMI Roche (SIX:
02/02/2015 Roche commences tender offer for up to 15,604,288
01/12/2015 Foundation Medicine Enters a Broad, Strategic Coll

Indication: Leukemia, Solid Tumors, Other Cancer

Technology: Diagnostics

Smart Summary:

SMART SUMMARY

- Roche and Foundation Medicine entered a worldwide exclusive license agreement for K1247 and K1248 and a discovery collaboration for phosphatidylinositol 3-kinase (PI3K) alpha and beta inhibitors for cancer.
- All the compounds under the deal are PI3K kinase inhibitors.
- K1247 and K1248 are currently in phase I and phase I/II studies.
- Roche will have sole responsibility for all subsequent clinical, regulatory, commercial and manufacturing activities, though Foundation will participate in some clinical and manufacturing activities.
- The parties will jointly establish and conduct preclinical PKC programs.
- Roche will have sole responsibility for all subsequent clinical, regulatory, commercial and manufacturing activities of any resulting products, though Foundation will conduct certain clinical trials.
- Roche will pay \$1.03B in aggregate upfront cash payments, \$20M in guaranteed research funding over a three-year research term, up to \$25M in development, regulatory and sales milestones, and royalties on any product sales.
- On 12/15/2015 (December 2015), the parties terminated the research collaboration for PI3K kinase inhibitors, following Roche's decision to refocus on other efforts. Roche's license to K1247 (SAR409868) and K1248 (SAR409869) continues (Roche's license to K1248 expires on December 31, 2015).
- Roche received a \$15.3M termination payment.
- Any PI3K inhibitors developed under the agreement and provided by one of the parties shall be subject to royalties to the other party, and Roche will make a one-time milestone payment to Foundation on the first approval for the first PI3K kinase inhibitor.
- Separately, Roche granted Merck exclusive, worldwide rights to its preclinical PI3K kinase program, including K1248, on December 22, 2015 (see separate transaction).

Contracts:

Confidential Transaction
Revisions are noted

NON-EXCLUSIVE LICENSE AGREEMENT

THIS Non-Exclusive License Agreement (the "Agreement"), entered into by and between Roche, Inc. ("Roche"), an Irish company having offices located at Shamrock Square House, Shamrock Square, Dublin, Ireland, and Pfizer Inc. ("Pfizer"), a Delaware corporation having offices located at 235 East 42nd Street, New York, NY 10017, USA.

BACKGROUND

A. XOMA is the owner or exclusive licensee of certain Patent Rights (as defined below), and PFIZER wishes to acquire a non-exclusive license under the Patent Rights, and

B. XOMA is willing to grant PFIZER such a non-exclusive license, on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter recited, the parties agree as follows:

ARTICLE I — DEFINITIONS

In this Agreement, the following terms shall have the following meanings:

1.1 "Agreement" shall mean this Agreement.

FINANCIAL PAYMENTS

Payment Type	Amount	Notes
Deal Size	\$ 1030 M	\$1.03B in equity
Upfront Cash		
Upfront Equity	\$ 1030 M	\$1.03B in equity
R&D Support		
Contingent Equity		
Loan		
Total Milestones	CON	Undisclosed commercial milestones
Dev/Reg Milestones		
Sales Milestones	CON	Undisclosed commercial milestones
Royalty		
Profit Split		
Transfer Price		

POST-COMMERCIALIZATION

Payment Type: None

Profit Split:

Marketing Fee:

Effective Royalty Rates

Sales	Rate
\$ 200 M	%
\$ 500 M	%
\$ 1 B	%

Royalty:

Transfer Price:

LICENSE

Exclusivity: Not Applicable

Licensed Use:

Notes:

Licensed Territory:

Licensed Country:

SMART SUMMARY

- On 01/12/2015, Roche announced that it is acquiring 56.3% majority stake in Foundation Medicine for \$1.03B in equity.
- Foundation Medicine is a molecular information company develops clinical assays, FoundationOne for solid tumors and FoundationOne Heme for hematologic malignancies, sarcomas and pediatric cancers.
- Roche will tender for approximately 15.6M Foundation Medicine shares at \$50/share with an aggregate tender value of approximately \$780M.
- Roche will also invest \$250 million in Foundation Medicine by acquiring 5M newly issued shares at \$50/share.
- The completion of the agreement and the successful outcome of the tender offer, plus the execution of the collaboration agreements are all cross-conditional subject to Foundation Medicine shareholder approval, clearance under the Hart-Scott-Rodino Antitrust Improvements Act and other customary closing conditions.
- The transaction was expected to close in 2Q' 2015.
- The companies also entered into a collaboration agreement to advance Foundation Medicine's market-leading position in molecular information and genomic analysis. (See separate 01/2015 deal).
- The parties also signed a commercial collaboration agreement, whereby Roche will obtain rights ex-U.S. to existing Foundation Medicine products, including FoundationOne and FoundationOne Heme plus future co-developed products. (See separate 01/2015 deal).

(Source: Foundation Medicine: 8-K: 01/12/2015).

- UPDATE (02/2015): Roche commenced a cash tender offer for up to 15,604,288 outstanding shares of common stock of Foundation Medicine at a price of \$50.00 per share.
- The tender offer period will expire on 03/02/2015, unless the offer is extended.
- UPDATE (03/2015): Roche has extended the expiration of tender offer to purchase up to 15,604,288 of the outstanding common shares of FMI at a price of \$50.00/sh till 04/06/2015.
- Roche does not currently anticipate a further extension to the tender offer.
- UPDATE (04/2015): Roche preliminary results of the tender offer for up to 15,604,288 shares of common stock of Foundation Medicine at \$50/sh in cash.
- The tender offer expired on 04/06/2015 and was not extended.
- UPDATE (04/2015): Stockholders of Foundation Medicine have approved the pending transaction with Roche.
- The transaction remains subject to completion of tender offer, which was scheduled to expire on 04/06/2015.
- The transaction was expected to complete on 04/07/2015, subject to satisfaction or waiver of the remaining conditions.
- On 04/07/2015, the transaction was completed.
- Following completion of the transaction, Roche owned approximately 61.3% of the outstanding shares and approximately 57.6% of the outstanding shares on a fully diluted basis.
- Roche's ownership was approximately 61.2% of the outstanding shares and approximately 57.5% of the outstanding shares on a fully diluted basis.

as of June 30, 2015. (Source: Foundation Medicine 10-Q filed on 11/05/2015)

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