Value Capture in Abgenix

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Value Capture: What should Abgenix do?

How will we Create value?

How will we Deliver value?

How will we Capture value?
What Happened?

• JV on ABX-EGF with Biopharm=Immunex Corp. announced in July 2000

• Phase II clinical studies have been started in multiple cancer indications

• Abgenix’s stock price affected by failure of AstraZeneca’s small molecule in Phase II

• Ray Withy became CEO in April 2002; Wants to implement shift from an “ideas-market strategy” to a “product-market strategy”

• Acquired by Amgen in 2005
Value Creation
“Just another drug”?
Value Creation
“A whole new way of doing things”?

Performance

Time
Ubiquitous Partnering

Sources of R&D funding at biotechnology companies

- Alliances
- Private equity
- Public equity

$ Millions

Alliance as % of total financing: 13 25 35 53 56 -- 56 77 41

Image by MIT OpenCourseWare.
Value Capture: Where is the money?

- Target Discovery
- Target Validation
- Antibody Creation
- Preclinical Dev.
- Clinical Dev.
- Process Dev.
- Mfg.
- Mktg.
Value capture: Where is the money?

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<thead>
<tr>
<th></th>
<th>Freely available</th>
<th>Tightly held</th>
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<tbody>
<tr>
<td>Easy to maintain</td>
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<tr>
<td>Hard to maintain</td>
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Uniqueness is:

Complementary assets are:
Selling to big pharma

• Pros:
  – Maximizes “entrepreneurial energy”
  – Minimizes extraneous investment

• Cons:
  – Leaves value on the table?
  – Problems in the market for IP?
  – Does not maximize value: coordination important
    • Problem of paying for P and hoping for Q?
  – Different views of the future make pricing difficult?
  – Integration changes the future
    • P vs. Q revisited?
Joint Ventures

• Pros
  – Allows access to unique capability
  – Reduces risk, capital investment

• Cons
  – Leaves value on the table?
  – Reduces entrepreneurial energy by increasing coordination burdens?
  – Potential coordination difficulties
    • Problem of paying for P and hoping for Q?
Looking Forward:

• Introduction to Value Capture in Technology Strategy:
  – Uniqueness
  – Complementary Assets

• Bring your reflections to class.