catalyst advisors

June 2015

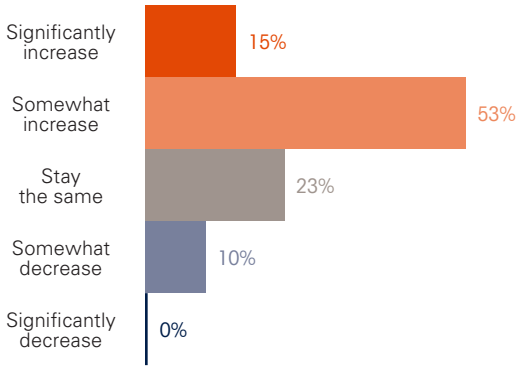
2015 Survey of European Biopharma CEOs and Board Members

The European biopharma industry has gained considerable momentum recently, fueled by a global investor pool providing both venture funding and support for initial public offerings. As a result, there is greater competition among European firms for truly transformative leaders who can create and maintain investor confidence.

In order to gauge the state of the senior talent market for European firms, Catalyst Advisors conducted an online survey in March 2015 of 40 chief executive officers and board members of European biopharma companies and managing directors of European healthcare investment firms prior to our annual industry dinner in London. From their responses, we identified the following key findings:

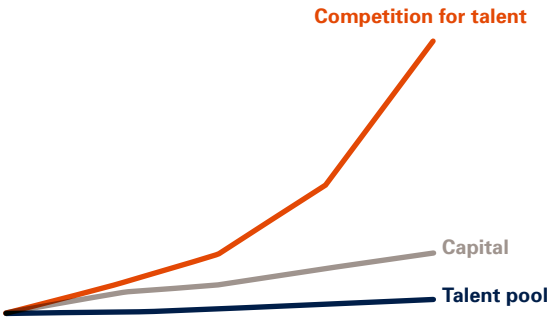
The current favorable financial conditions are expected to continue, putting heightened importance on talent strategy. More than two thirds of respondents foresee that the availability of investor capital will continue to expand during the next one to two years, while only 10 percent expect a contraction (see Figure 1). While this is good news for the industry, there are natural limits to how fast the talent pool can expand to meet the increased need for leadership. As a result, we expect competition for top executives will increase significantly (see Figure 2).

Figure 1: In the next 12 to 24 months, do you think availability of investor capital will:



Figures do not add up to 100 percent due to rounding.

Figure 2: Relationship between capital and competition for talent



European biopharma firms are fairly united in their view of the talent market, but they are divided in how successful they have been in accessing that market. Eighty percent of respondents named access to candidates with the right competencies as the top hiring challenge (see Figure 3). But when asked to name the greatest risk factors for a candidate's success—that is, the most likely cause of a candidate's failing to meet expectations once hired—46 percent ranked shortcomings in competencies and skills as the first or second largest risk, while nearly as many (41 percent) put it last or second to last (see Figure 4). In other words, while almost everyone considers access to qualified candidates to be a significant challenge, a sizable number are nonetheless able to identify and recruit those who meet their expectations, while even more struggle to do so.

Figure 3: Based on your experience, rank the following challenges to acquiring the right talent:

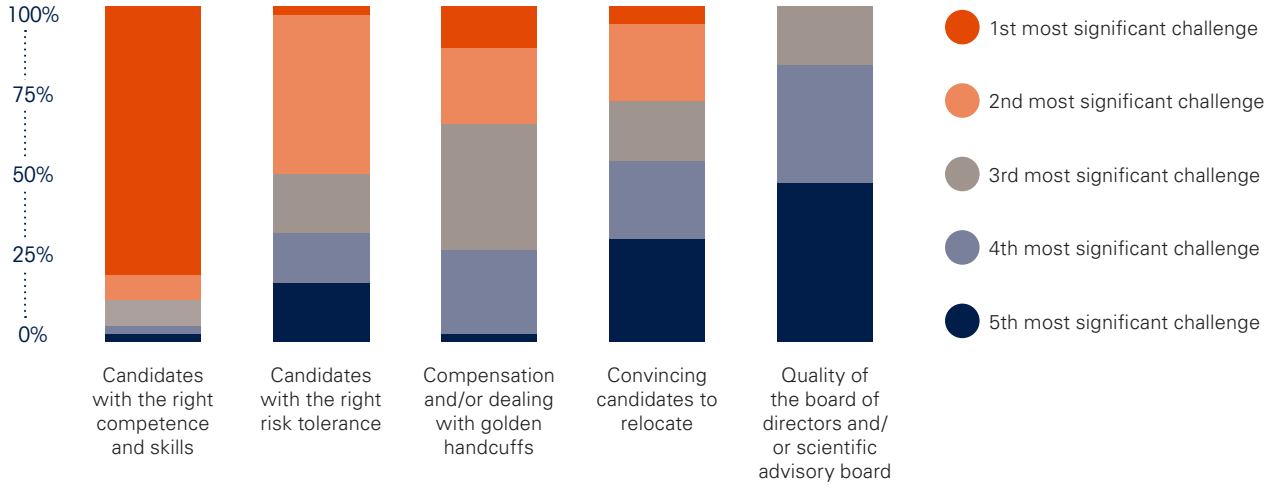
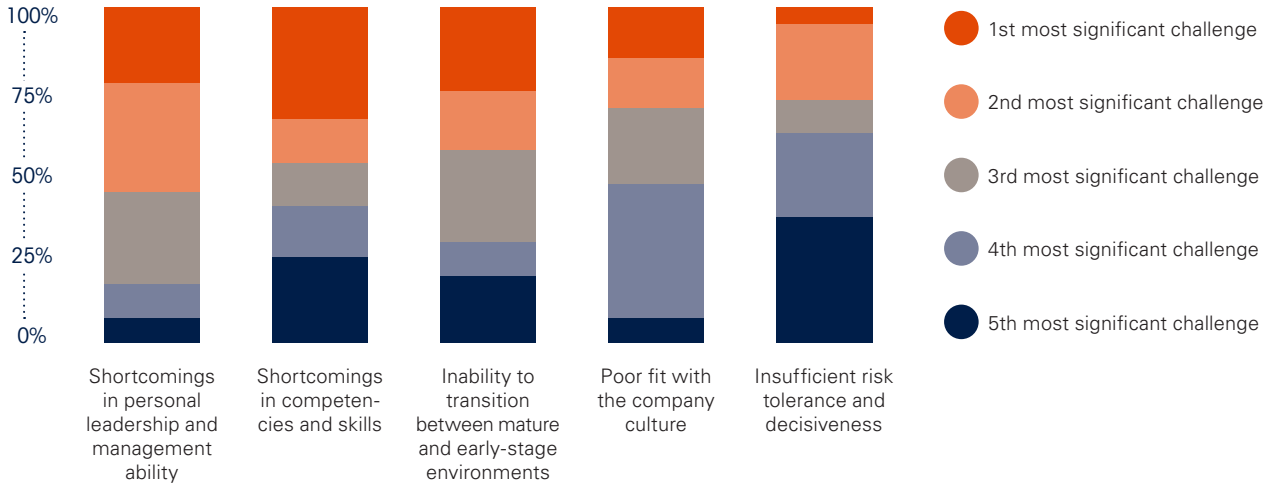


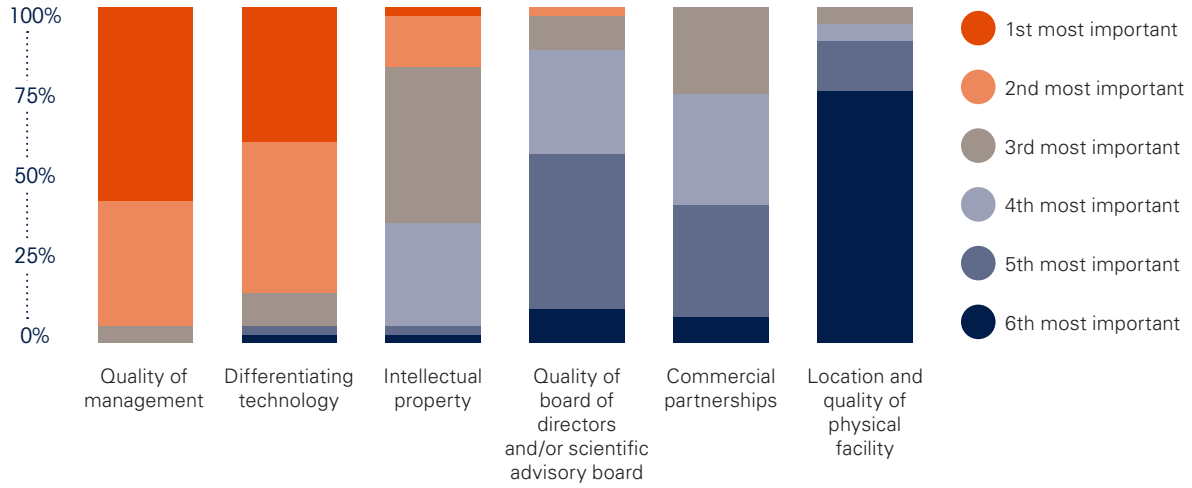
Figure 4: Based on your experience, rank the following risks to a candidate's success at your company:



This bimodal result is significant. Finding a pool of qualified candidates from which to recruit is the most fundamental hurdle in the recruiting process. The 41 percent who have this under control—presumably through access to superior networks and assessment strategies—enjoy a significant competitive advantage over those without these resources. Over time, this dynamic could lead to a stratification of firms into talent "haves" and "have nots," with obvious implications for the ability to execute and meet performance benchmarks.

There is a clear link between quality of management and access to capital. Not surprisingly, 95 percent of respondents ranked quality of management as the most important or second most important consideration with investors (see Figure 5). Firms therefore need to give a hard look at their assessment and hiring processes to ensure that they are not negatively affecting their ability to raise capital.

Figure 5: Based on your experience, rank the following factors in order of their importance for being able to access capital:

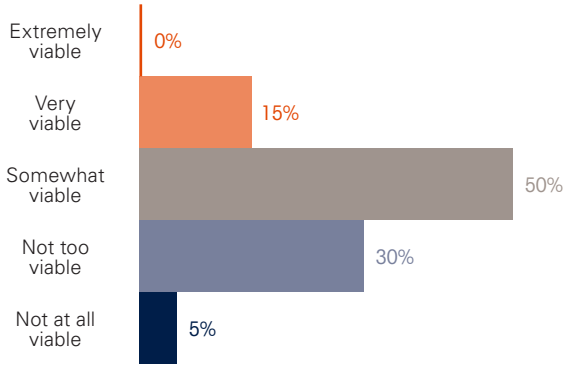


Greater focus needs to be placed on cultural fit. Half of the companies in our survey ranked cultural fit as the smallest or second-smallest risk to candidate success. Given that finding candidates with the right competencies is a concern, we suspect that many firms see focus on "cultural fit" as a luxury. But the fact is that poor cultural fit poses a huge risk for all firms, irrespective of how mature their recruiting function is. Firms that view cultural fit as something to be addressed later are likely to pay the price in higher turnover and lost momentum today.

European biopharma firms need to ensure they are focused on realizing a vision, not finding an exit. Only 15 percent of those surveyed said that it was very viable for biopharma firms to go it alone (see Figure 6). At some level, firms seem to be resisting the imperative to dig in for the long haul. In doing so, they overlook two important facts. First, it has always been the case that the best way to get acquired is not to need to be acquired. Second, as we outlined in our 2015 Review and Outlook, the growth of biopharma means that at any given time, there are many more acquisition

candidates than the pool of acquirers can absorb. Those that plan for exits may well find them, but at terms significantly below what they would have received had they followed a more independent strategy.

Figure 6: How viable is it for firms to plan to go it alone?



Acknowledgements

Catalyst Advisors gratefully acknowledges the chief executive officers, board members and managing directors of the following firms, who either participated in the survey or in the discussion of the results at our March dinner:

Abingworth
Ablynx
Abzena
Advent Ventures
Atlas Genetics
Autifony Therapeutics
Bionor Pharma
BTG
Calon Cardio-Technology
Cell Therapy Catapult
Chesyl Pharma
Consort Medical
Crescendo Biologics
Edmond de Rothschild Investment Partners
Enkam Pharmaceuticals
F2G
FairJourney Biologics
F-star
Genkyotex
GW Pharmaceuticals
Immunocore
Imperial Innovations
InterMune
MISSION Therapeutics
MVM Life Science Partners
Ossianix
Oxford Biomedica
PharmaCell
Phase4 Partners
PsiOxus Therapeutics
Redx Pharma
ReNeuron
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Rosetta Capital
Shire
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