Merck “Meet the Dealmakers” podcast transcript

Ian McConnell: Welcome everyone. Here we are today to speak with some of the Merck Business Development and Licensing team about how business development and licensing works at our company.

Ian McConnell: What do we offer that other companies don’t?

Lizabeth Leveille: Hi, Ian. I'm Liz Leveille. I lead the Boston and Europe business development teams. And I think the great thing is, well first our history and the known reputation of our company. And so when we look to partner with others externally, they know that we're a strong science driven organization and it makes for an easier connection. And they want to work with us, they want to partner with us. We understand as a company that while there's great science happening within the company, there's a lot of great science happening external to the company. And so we really value bringing together the external science with our science within our walls.

Ian McConnell: Can you me through how the process works?

Christopher Mortko: My name is Chris Mortko and I lead the headquarters Search and Evaluation team for business development, which focuses primarily on clinical stage assets globally across all therapeutic areas and enabling technology. I would say we take a fairly systematic approach to search and evaluation. We spend a lot of time attending major medical meetings and scientific conferences along with our scientific and clinical teams and really trying to find that needle in the haystack, that opportunity that could be a breakthrough in a given disease or disorder. Once we find something that's exciting, we bring it back to our scientific teams and we assess it rigorously initially on a non-confidential basis. and then if there's still interest beyond that, we can move to due diligence and really look at the primary data that the company's generated to help inform our decision making around business development.

Ian McConnell: You’re more on the earlier side of things. How does it work for you?

Grace Han McMahon: Hi. Grace Han McMahon based in South San Francisco, I lead our West Coast and Asia BD teams. In terms of our BD process, it's really about starting with the conversation and it's when a company's ready to talk about their science, to be clear about

the problem that they're trying to solve. And what I would say is really important is just be willing to engage with us. We are very rigorous in how we review your science when it comes to putting together a deal. It's important that we do it in a way that makes sense for the company, for patients, investors. And there's multiple ways to get there, and it's really by only having an open dialogue where we can really have those exchanges to figure out what kind of deal makes sense to really propel something forward through our pipeline.

Ian McConnell: Elizabeth, you're more on the commercial side

Elizabeth Naldi-Jacob: Hi, Elizabeth Naldi-Jacob. I lead Transactions and Corporate Development for headquarters. So I guess I rely on these three and their teams to find the good science and then my teams are the transactionalists. So we're charged with coming up with deal structures. How can we make a potential partner want to partner through deal terms? And then we try to execute the deal.

Ian McConnell: How do you work on tailoring a transaction to a deal?

Elizabeth Naldi-Jacob: It's really first understanding the partner and the company. So different partners and companies have different financial situations. They have different capabilities that they need us to bring to them. Sometimes companies are looking for exits. Sometimes companies are looking to build upon themselves and they want a flagship company like ours to show them the way. And so partnering is a much better way to get them to do a deal because they're leveraging our infrastructure and expertise to develop their people and their company for the next product. So it's really coming back to understanding who the partner's going to be, what it is they're trying to achieve, and then coming up with the right deal that meets both needs.

Ian McConnell: So it's not about the deal, it's about the relationship, it's about learning about the science, it's about the long term. That's what I'm hearing.

Grace Han McMahon: Yes. Relationship is key. During the pandemic, we all adapted. We did deals virtually. I would say now that we're coming out on the other side, it's really through those in-person interactions and it's frequent, it's as data becomes available. And once you have that foundation, that's how you can really build and explore and figure out, "Well, what can our two companies do together?"

Ian McConnell: With regard to areas of interest, are there any specific areas that you think are of interest at the moment? Or are we looking across the board?

Lizabeth Leveille: Well, to begin, and my colleagues can add to it, we have five main areas of internal focus. Oncology, immunology, neuroscience, infectious disease vaccines and cardio-metabolic disease. And so those are the main pillars of research that is going on internally and where we are really looking to supplement the pipeline and work externally to bring forward our pipeline quicker with external partners. It's not the only place we look for opportunities. We really look for that high unmet medical need in those areas, but also are open to seeing things outside. Obviously if something is within that focus, it's of quicker alignment and being able to move forward with opportunity.

Christopher Mortko: Just building upon what Liz mentioned, I would say that primarily we focus on the five therapeutic areas because we have the expertise and depth of experience to assess opportunities. But if there's compelling scientific or clinical data for a program in a new area, it's something we take pretty seriously and also evaluate.

Elizabeth Naldi-Jacob: Yeah, I would just echo that. I think all of our head of R&D both current and prior would say we could build a franchise around anything. So we follow the science and if we need to go outside of the five areas, we will.

Grace Han McMahon: And we are modality agnostic in how we look for opportunities. We have deep expertise obviously in chemistry and biologics, but we know that there's a lot of new approaches that are being developed and sometimes it's better for those technologies to percolate externally.

Ian McConnell: Okay. You've spoken about therapeutic areas, but what about technologies? I mean, is this an area where we are also looking at?

Christopher Mortko: So when we think about technology that's obviously pretty broad. We're looking for technology that fits a given need for a pipeline program and that technology can enable the pipeline program, whether that's to make it go faster or maybe solve a problem. And we're pretty active in that space and have done a number of deals this year and the prior years.

Ian McConnell: Okay. So why should people come to Merck? What is the value proposition that we as a company provide to these smaller biotech or even larger biotech companies? Liz, do you want to start with that one?

Lizabeth Leveille: Sure. I think the value is where we can complement an external party's needs. Many cases we meet small biotech that may have great expertise in a particular technology or a pathway of biology and are missing certain expertise elsewhere, whether in chemistry or in clinical development, whatever the example is. And when we meet, it becomes clear the synergy that together we can bring to a particular program. And so I think it's having those conversations to understand where we can come together and make the product stronger as well as get it faster to patients is the key for collaboration.

Ian McConnell: So at what stage should a company consider approaching Merck? Should it be at the earlier stage or once they feel they've got proof of concept? I mean, what would you suggest?

Grace Han McMahon: It's never too early to have that conversation. I would say when companies come to our company, please be ready to talk about your science and engage with us. There are multiple ways that we can interact. I always like to say that business development — development is the D part, right? There's a series of conversations, your science has to advance. And there's many ways you can engage with us. It doesn't necessarily have to be a full-on partnership. It could be an evaluation where we figure out a certain set of experiments to conduct. We may have certain proprietary assays or other tools that could be of interest. We know it's your therapeutic candidate. The partner would continue to own that IP and data, but it's a great way to engage.

Ian McConnell: Large pharmaceutical companies have a reputation for being rather bureaucratic. Is it true? Do we work hard to avoid that? How should biotechs come and work with us?

Elizabeth Naldi-Jacob: We have to be honest with ourselves to say we have a board of directors and we have an executive committee that has to approve any deal that we do. So by default, there are processes in terms of approvals we'll have to gain. But what will I say about our company that I think is unique and special is we have a direct line of reporting to our executive committee.

And so when we meet with companies, we try to show to them that we'll move with speed and determination if it's the right deal for us. And I think that's a special quality at our company.

Ian McConnell: Now I'm gonna change the tempo a little bit. Maybe you can give us some idea of how you got to work in business development and licensing and how you use your background or your education every day.

Grace Han McMahon: Happy to start. I have a legal degree and an MBA, and I came to join the legal department where I supported our operations in Asia Pacific and then had the opportunity to move over to our transactions group. And it's really through that work where I learned about licensing, all the different flavors that it can take in terms of exclusive licenses, options, M&A — and it's really through that lens that I came to business development. And my curiosity allowed me to really learn about how our company goes about discovering and developing and commercializing important medicines and vaccines. And what I really enjoy about BD at our organization is we all come with different perspectives and that really makes for a really robust view and hopefully helps to produce the best outcome in terms of how we ultimately put opportunities together.

Elizabeth Naldi-Jacob: So undergraduate, I had a more scientific hat, and then in graduate school kind of transitioned from more scientific to business, then became a management consultant covering biotechnology companies, which then led me to Wall Street where I covered SMID cap — so small-cap and middle-sized biotechnology companies. And in that role, you have to figure out how to analyze companies, what's a company worth, how do investors see companies. It's an amazing job and I recommend it to anyone who wants to kind of learn many tools, it's a very tiring job. So at some point I realized I also want to have a family. And so people said, "You should go inside to one of these companies." And so business development was a very natural progression. And so my job now is very similar to the job I had on Wall Street. It's just I'm doing it for our company.

Ian McConnell: Chris.

Christopher Mortko: In terms of my background, I have a science PhD and I started my career in drug discovery at a large biotech company, then moved actually to MRL as a scientist in drug discovery. And that was the first part of my career where I got exposure to business development as a scientist taking part in due diligence and really liked the

combination of business and science, wound up working on Wall Street as a biotech equity analyst for a number of years, and then came back to do business development.

And what I really like about this job is the level of depth that you can get into when you assess a company. When you're an investment analyst, you're looking at very limited information, and here we can analyze companies with the benefit of a large scientific and clinical team, and that really allows for a deeper understanding of a company's program and helps with decision making at a much deeper level.

Lizabeth Leveille: And my background is, I started as an undergrad, as a biotechnology major and actually as an undergrad was working in small biotech companies already as internships in the Boston area. And when I graduated with my Master's of Biotechnology, I went right to a startup company. So I learned what it was like to be raising money and trying to do your science, but not having enough resources to do it — so I know what it's like to be in those companies — and worked in the lab for multiple biotech companies before deciding to get my MBA and switched to business development, and started my business development career in pharmaceutical BD, so I was at another pharmaceutical company for about 10 years doing business development there before coming to our company and doing business development now. And I think the lens I come with is I know what it's like to not get a series B round of financing, to not get that next partnership. And so sitting on the pharma side and across the table, I think brings a good perspective to the job.

Ian McConnell: So what excites you about the future of business development here at Merck?

Lizabeth Leveille: I mean, we've seen over the past five, 10 years really an explosion of innovation in our industry. And really seeing that translate into clinic and beyond is really the exciting part.

Ian McConnell: How does our company go about prioritizing external versus internal innovation? What is the process here? What is the mentality?

Christopher Mortko: Right. We view our internal pipeline and our business development pipeline as one pipeline at our company. And the same level of rigor, resources are applied whether it comes from inside our company or outside our company.

Ian McConnell: Merck is recognized as a deep scientific company. How much input do the scientists have in what you do?

Grace Han McMahon: We can't do our work without operating hand in hand with our scientists in terms of reviewing the opportunity, thinking about where that science can go. And what I would say is when companies engage with our company, it's really two ways. It's not simply our company learning about a particular asset or opportunity, it's an opportunity for the company to hear how our scientists think about a particular problem, additional experiments they might consider. And that's one thing that I think our organization brings, it's really a two-way dialogue. And I think it really benefits both sides.

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