TRENDS IN LICENSING MILESTONES & ACQUISITION CONTINGENT VALUE RIGHTS

Kristine Dorward in Pullan's Pieces #220 November 2025

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- 2025 has been a mixed picture for biotech investor sentiment, as well as licensing and acquisition activity, yet favorable sector fundamentals underpin likelihood for upside and a strong finish to the year

- R&D partnerships and licensing activity stabilized in Q3 '25, bouncing back from a Q2 trough; Q4 '25 shows signs of continued licensing momentum and positive partnering sentiment

- M&A has picked up in H2 '25, as greater take-out activity indicates increased conviction in new technologies, with proportionately more capital flowing to biotech innovators

- Pharma has moved to adopt new modalities in 2025, securing assets and platforms with higher perceived technical and scientific risk

- Many of these licensees and acquirers are de-risking their bets and bridging perceived valuation gaps with increased milestones (intrinsic to co-development and licensing deals) and contingent value rights (CVRs) as part of acquisition deals

An October ‘25 report from Jeffries research outlines a distinct trend in CVR payments, with acquisition earn-outs comprising a greater proportion of overall total deal value for transactions executed in 2024 & 2025

In some contrast to M&A, milestones have routinely been an integral tool in licensing deal frameworks; these mechanisms have consistently been used for reducing and deferring licensee risk

Big Picture: Q3 ’25 Licensing Deal Activity Stable, Milestone Values Edge Higher

- R&D partnership and licensing deal count (# of deals tracked) was essentially flat from Q2 ’25 through Q3 ’25 while total value showed upward momentum, posting an increase of ~ 15% Q3 ’25 vs Q2 ‘25

- Milestone value as a percentage of total overall deal value edged higher in Q3 vs. Q2 ’25, rising to ~ 94.5% of total biobucks secured

- Generally, fluctuations in milestone value as a percentage of total licensing deal value have been modest over the past ~ 4

years (2022 – 2025 YTD), as milestones remain in a corridor range of ~ 90% - 96% of total deal value (excluding royalties)

Milestones continue to be a preferred tool as pharma licensees aim to de-risk asset investments via event-driven, achievement-focused payments

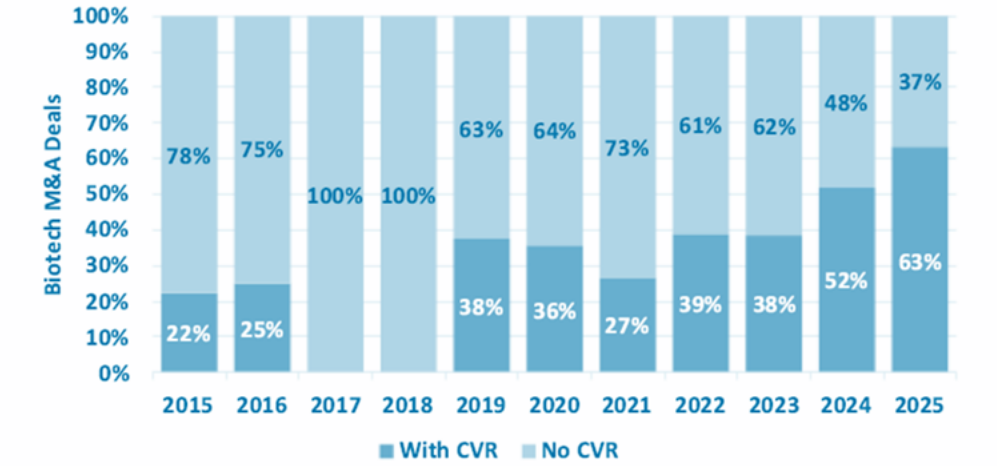
Big Picture – M&A: More Acquisitions incorporate CVRs & these earn-outs have comprised a substantially greater share of total biobucks announced

- Biotech M&A picked up in Q3 and has continued into Q4 '25; notably, the use of contingent value rights (CVRs) has grown substantially in these transactions, allowing acquirers to maintain capital deployment discipline and defer financial risk

- Among M&A deals valued ≥$500M, announced in Q1, Q2 & Q3 2025, **62%** comprised CVRs (Jeffries Equity Research, Oct 2025)

- By way of comparison, **~ 35%** of M&A deals in the 2019 – 2022 timeframe incorporated CVRs, and **~ 50%** of M&A deals in 2024 included earn-outs and CVRs

Biotech M&A – Percent (%) of Deals With or Without Contingent Value Rights - 10-Year View



Assessing deal value composition, CVRs contributed ≥ **35%+** of overall total acquisition deal value in 2024 and 2025; CVRs reached **37%** of total deal value, on average, in 2025

A 10-year view illustrates a substantial range for CVR total value composition, from **5% - 41%** of total potential dollars earned by target company shareholders

Contingent Value Rights as a Percent of Deal Value Over Time

Jeffries Equity Research, October 2025

Licensing Deals in 2025 – Magnitude & Placement of Milestone-Earning Events Vary By Modality & Stage

- Licensing milestones may be valued at ≥ 10x upfront payments, but often represent far more biobuck deal value, rising above 50x upfront value for discovery and preclinical deals

Collaboration, Licensing and Acquisition Deals in 2025 (not exhaustive)

Licensor / Target	Licensee / Acquirer	Deal Type	Modality / Technology	Phase at Signing	Up-front (US$M)	Earn-Out (US$M)
Avidity Biosciences	Novartis	Acquisition	RNA oligonucleotide programs	Phase II/III	12,000	12,000
Adverum Bio	Eli Lilly	Acquisition	AAV gene therapy (Ixo-vec)	Phase III	100	250
Arbor Biotech	Chiesi	Collab. & Lic. Agmt.	Gene editing platform	Phase I/II	115	2,000
Shape Therapeutics	VectorY Therapeutics	Option-License	SHP-DB1 Capsid / Huntington's	Preclinical	358	841
Argo Therapeutics	Novartis	Collab. & Lic. Agmt.	siRNA for cardio targets BW-00112	Phase II	160	5,040
Rznomics	Eli Lilly	Collab. & Lic. Agmt.	RNA editing platform / Hearing Loss	Phase I/II	Not disclosed	Not disclosed
Regulus Tx	Novartis	Acquisition	miR-17 oligo (Farabursen)	Phase Ib	800	900
Sangamo	Eli Lilly	Collab. & Lic. Agmt.	AAV capsid (STAC-BBB)	Preclinical	18	1,382
Orna Tx	Vertex	Collab. & Lic. Agmt.	Circular RNA / LNP delivery	Preclinical	65	3,200
Biokin Pharma	BMS	Collab. & Lic. Agmt.	EGFR/HER3 bispecific ADC (BL-B01D1)	Phase III	800	7,600

- Per the table above, the Sangamo-Lilly preclinical, AAV capsid-focused pact includes potential milestones cumulatively worth ~77x upfront payment

- In October, Chiesi executed an agreement with Arbor Biotech for its Phase 1/2 candidate for Primary Hyperoxaluria Type 1, along with multi-target, opt-in rights to Arbor's gene editing technology for liver diseases. This deal netted Arbor $115M upfront and near-term, while potential milestones comprise ~ 94% of the total deal value

- The Biokin-BMS deal is notable because it represents one of the largest China out-licensing deals executed to date, and the $250M milestone payment Biokin received from BMS last month (Phase III positive trial results released), is the highest milestone payment to be successfully paid out to a China biotech in a multi-national licensing deal

Licensing milestones span early development events through commercial sales thresholds; CVRs are commonly tied to regulatory approval, late phase trial benchmarks and commercial goals

- With M&A, most CVRs are attached to regulatory milestones, followed by clinical milestones and commercial milestones

- 57% of all CVRs are contingent on successful regulatory outcomes, specifically drug approvals

- 22% of CVRs are contingent on clinical achievements such as study initiation timing and patients enrolled

- 21% of CVRs center around commercial benchmarks such as tiered sales thresholds, first commercial sales, reimbursement listings

Recent Acquisition Cases – 2025

- Lilly's acquisition of Adverum Bio (see table above) provides the pharma juggernaut with a phase III, AAV gene therapy candidate, designed as a one-time treatment for wAMD

- Adverum's regulatory earn-out is worth a modest ~ 14% of the deal total, while commercial earn-outs are 57%; the upfront comprised 28.5% - a clear demonstration of Lilly's preference to defer financial risk by shifting risk-burden back to the innovator, even for late-stage assets which involve preparing for launch in a highly competitive market such as wAMD

- With respect to the Novartis-Regulus acquisition, the deal's CVR is fully contingent (100%) on FDA approval of Farabursen for ADPKD, and this milestone must be achieved by December 31st, 2034. The CVR potential is estimated at up to US$900M

Implications – Take-Aways

- Licensees strive to pace assumed scientific, clinical and regulatory risk via large milestone ladders; back-end loaded licensing structures provide impressive headline values for

licensors, while enabling licensees to control near-term cash burn

- Capital-intensive modalities such as gene therapy, vector engineering, novel RNA technology and ADCs require significant investments; licensees/acquirers balance these investments via back-ended payments

- From 2022 through 2025, licensing milestones typically captured ~90% of total deal value (excluding royalties), particularly for ADC, gene editing and RNA platforms agreements

- Widely sought, first-in-class assets and novel platforms generate milestone-rich agreements, particularly when evidence is preclinical, or cutting-edge technology requires further validation

- CVRs have become an increasingly popular mechanism for bridging valuation gaps for acquisition targets, with a majority of agreements now featuring earn-outs that tally ~ 35% of total deal value

Finally, it should be noted, that of course, many of the back-end announced dollars are never paid, as deals are terminated or triggering events not achieved.