R&D Project

Financial Planning, Analysis and Budget Control

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Panelists

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Cytokinetics, Inc.

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Vice President, Controller
and Treasurer
MacroGenics, Inc.

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Topics

• R&D Project – Value
• R&D Project – Planning
• R&D Project – Monitoring
• R&D Project – Infrastructure
R&D Portfolio Strategic Value

Balance science with business

- Portfolio performance is key to financial sustainability
- Link Portfolio value to valuation step-ups
- Link Portfolio Spending to Financing Needs

Visibility to past and future performance enables the ability to act, interact and react to business and market changes

[Diagram showing stages of research and development: Research, Pre-clinical, Clinical Phase I, Clinical Phase II, Clinical Phase III, Manufacturing, Sales/Marketing, Distribution]
Link Portfolio Spending to Financing Needs

Funding of R&D

VC
IPO
Collaborations
Gov’t Grants/Contracts
% of product sales

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
<th>Phase 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2013</td>
<td>2014</td>
<td>2015</td>
<td></td>
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Product #3

<table>
<thead>
<tr>
<th>Phase 6</th>
<th>Phase 7</th>
<th>Phase 8</th>
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Existing cash coverage

Financing milestone
Nature of an R&D Project

3-D Model

departments/specialty areas

probability of success over time

portfolio/project/activity

Group of activities performed across the organization
Panel

- What are the complexities/challenges of your R&D portfolio?
- What is the Finance role in managing your R&D portfolio?
- What are some of your funding sources for R&D?
- What criteria do you use to define R&D projects?
Sharon A. Barbari
EVP, Finance and Chief Financial Officer

- Cytokine is a clinical-stage biopharmaceutical company focused on the discovery and development of novel small molecule therapeutics that modulate muscle function for the potential treatment of serious diseases and medical conditions
- Founded in 1997
- Initial Public Offering in 2004
- Established Strategic Alliances with Amgen and Astellas
- Phase II and III Clinical Trials Programs
- Number of employees ~110
- Based in South San Francisco, CA
MacroGenics is a clinical-stage biopharmaceutical company focused on discovering and developing innovative monoclonal antibody-based therapeutics for the treatment of cancer, as well as autoimmune disorders and infectious diseases.

- Established in 2000
- Initial Public Offering in 2014
- Key collaborative partners include: Janssen, Servier, Takeda, Boehringer Ingelheim, Pfizer and Gilead
- Number of employees ~215
- Based in Rockville, MD and South San Francisco, CA
Science is expensive!

The more efficiently you can budget and re-forecast, the quicker you can provide management with the information needed to manage priorities in the R&D pipeline.

Diverse & Evolving R&D Pipeline
R&D Project - Planning

Closed loop: strategic, mid-range, operational, actual, re-forecast

Scientific data must be combined with financial metrics

Scientific outcome ↔ Financial state

Portfolio P&L = Ultimate goal
# R&D Project – Planning Drivers

<table>
<thead>
<tr>
<th>Project</th>
<th>How Much?</th>
<th>How long?</th>
<th>Who?</th>
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Projects / Activities Over Time - “Science Speak”

Corporate Structure “Business Speak”

- Phase durations
- Probability of success to advance from one phase to another

- FTE requirements per phase
- Direct costs per phase: internal vs external
- Indirect costs and Burdened costs

Matching financing to key milestones
R&D Project – Planning Processes

Align corporate, portfolio and project plans

Create departments and projects budgets simultaneously

Enforce common methodology for budgeting and actuals

Provide visibility and emphasize ownership and responsibility

Matrix nature of R&D is challenging
Panel

- How do you build your strategic plans?
- What are your planning cycles?
- What are your main planning drivers?
R&D Project – Monitoring

- Tracking actual results
- Analyze variances and impact
- Internal reporting
- Collaborator reporting

Diagram:
- Define & prioritize portfolio
- Allocate resources and funds
- Evaluate results
R&D Project – Tracking Elements

- FTE utilization
- Direct Costs: internal and external
- Indirect Costs
- Overhead/infrastructure Costs
- Milestones and related funding
R&D Project – Reporting

Provide meaningful information to stakeholders

Challenges in collaborator reporting

Regulatory requirements for Government funding
Panel

- How do you categorize variances?
- How do you support portfolio prioritization?
- What are your main reporting challenges?
Capture project information across
Create meaningful data views
Consistent rules

R&D Intelligent Platform
Integrated
Flexible
Dynamic

Accounting Data
Projects
Product Line
Collaborator
R&D Phase
Market Segment
Customer
Grants
ABOUT R&D LOGIC

• Leading provider of software built for R&D Portfolio & Corporate Performance Management for more than 12 years

• Strong presence in R&D intensive industry. Reputation for quality of software and expert services

• Unique software includes best practices, R&D methodologies and process automation

• Complete services including implementation, support, training and hosting

• Efficient delivery model including cloud platform, custom configuration, flexible scenario based functionality
R&D Project

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Q & A

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