



CEEM Royalty Rate and Deal Terms Survey

September 27, 2010

Survey Highlights: Key Deal Statistics

- The majority of deals (approx. 70%) contained flat running royalties as opposed to tiered royalties or other structures
- Most deals were entered by the Licensor or Licensor's adviser
- Respondent Organization Composition: 34% Academic Institutions; 39% Operating Companies, 17% Law Firms, 10% Other
- Where reported, approximately 40% of the deals estimated peak annual global sales of less than \$50 million
- Most deals involved commercialized or soon to be commercialized products/technologies
- 80% of deals were in the Chemicals and Energy sectors



Survey Highlights: Key Deal Statistics, continued

- Most royalties were based on Net Sales
- The majority of the deals were for exclusive licenses
- Most deals were world-wide and not limited to a geographic territory
- Over 50% of the deals contained Other Financial Components, primarily Upfront and Milestone Payments
- Many licenses included audit (44%) or grant back provisions (32%)
- Profit margins on licensed products / technologies varied
- Most valuation methods were used; varied by industry, stage of development, organization
- Licensees appear to capture $\sim 2/3^{\text{rds}}$ of deal value

