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EUROPEAN MERGER REPORT

Nov 6, 2020 – 4.30pm GMT

Deal Terms
1 KDS NA = EU5.45 in cash

Target: Kiadis Pharma NV	
Country	Netherlands
Bloomberg	KDS NA
Sector	Biotech
Share price (EUR)	5.13
Market cap (EUR m)	205.4
Free float %	~85
Acquirer:	
Country	France
Bloomberg	SAN FP
Sector	Large Pharma
Share price	84.24
Market cap	106,055.2
Free float %	~86

KDS NA Price Chart

Deal status: Offer memorandum expected in Dec/Jan.

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Kiadis Pharma NV (KDS NA) / Sanofi (SN FP)

Takeover offer

The deal spread appears to be somewhat wide. Antitrust risk appears to be limited and no significant product updates expected before deal-close.

Antitrust and timeline

- The acquisition of KDS is Sanofi's first move into cell therapy.
- Sanofi expects a 5-month timeline
- In July 2020, Sanofi licensed Kiadis' pre-clinical K-NK004 program for potential combination for multiple myeloma.
    - The license does not include rights to K-NK002 and K-NK003 or to any other current and future Kiadis programs.
- Other KDS pipeline assets are in an early stage (Phase 1 or 2)
- We expect the deal to get regulatory approval without an extended review:
    - Both companies have early stage AML assets (different technology)
    - We don't see overlap with regards to KDS' HSCT product:
    - Sanofi has 2 Covid-19 vaccines in development, KDS' Covid-19 asset is a as a post-exposure pre-emptive therapy for COVID-19

Minimum acceptance:

- 95%, could be reduced to 80% or 2/3.
- KDS has not received any interest from other potential partners and acquirers
    - Sanofi really represents the perfect strategic fit for Kiadis. They are the only Pharma that has products serving oncology, transplant and infectious disease and these are exactly our focus areas.
- Given the huge premium and pipeline development risks, the acceptance condition is likely to be met.
- Funds managed by Life Sciences Partners have committed to tender approximately 18.3% of the outstanding Shares under the Offer, if and when made, and to vote in favor of the Resolutions.

MAE carve outs

- At this stage it is unclear whether product related events/publications are carved out of MAE or not.
- However, the company noted that they don't expect significant updates on products before deal close:
    - M&A call: "In the coming months, we expect to start the different clinical trials, but we do not expect the data readout on any of the programs."
    - K-NK002 Pase 2 trial enrollment to start this year

Key terms of the offer

Transaction Details	
Deal announcement	November 2, 2020
Offer terms	1 KDS NA = EU5.45
Deal size	€308 mn
Offer structure	Takeover Offer
Target's Board Recommendation	Yes
Voting Agreement	Funds managed by Life Sciences Partners have committed to tender approximately **18.3%** of the outstanding Shares under the Offer, if and when made, and to vote in favor of the Resolutions. The irrevocable undertaking contains certain customary undertakings and conditions.
KDS NA incorp.	Netherlands
Deal announcement	Click here for the announcement
Synergies	N/A

Indicated Closing Date

- 1H2021
- Sanofi expects a 5-month timeline

Dividends

- KDS does not pay any dividends.

Timetable	
Deal Announcement	November 2, 2020
Offer memorandum to be published	December 2020 / January 2021
EGM to be held	By March 2021
End date	December 31, 2021

Key Conditions

- **Pre-conditions**
  - no material adverse effect having occurred and is continuing; no material breach of the Merger Agreement having occurred;
  - the AFM having approved the offer document;
  - the FSMA having recognized the offer document;
  - no revocation or amendment of the recommendations by the Boards; no Superior Offer (as defined below) having been agreed upon by the third-party offeror and Kiadis, or having been launched;
  - no third party being obliged and has announced to make, or has made a mandatory offer pursuant to Dutch law for consideration that is at least equal to the Offer Price;
  - no order, stay, injunction, judgment or decree having been issued prohibiting or materially delaying the making of the Offer and/or the Post-Offer Restructuring;
  - no notification having been received from the AFM stating that the preparations for the Offer are in breach of the Dutch offer rules or that one or more investment firms will not be allowed to cooperate with the Offer; and
  - trading in the Shares on Euronext Amsterdam or Euronext Brussels not having been suspended or ended as a result of a listing measure (noteringsmaatregel) by Euronext Amsterdam or Euronext Brussels.
- **Offer Conditions**
  - minimum acceptance level of at least 95% of Kiadis' issued share capital on a fully diluted basis which will be automatically adjusted to 80% of Kiadis' issued share capital on a fully diluted basis if the Resolutions in connection with the Post-Offer Restructuring are passed at the EGM provided, however, that Sanofi may waive, to the extent permitted by applicable laws and regulations, the minimum acceptance level conditions without the consent of Kiadis if the acceptance level is at least 66.67% of Kiadis' issued share capital on a fully diluted basis;
  - competition clearances having been obtained;
  - no material breach of the Merger Agreement having occurred;
  - no material adverse effect having occurred and is continuing; no revocation or amendment of the recommendations by the Boards;
  - no recommended Superior Offer (as defined below) having been agreed upon by the third-party offeror and Kiadis, or having been launched;
  - no third party being obliged and has announced to make, or has made a mandatory offer pursuant to Dutch law for consideration that is at least equal to the Offer Price; no governmental or court order having been issued prohibiting the consummation of the transaction or the Post-Offer Restructuring;
  - no notification having been received from the AFM stating that the preparations for the Offer are in breach of the Dutch offer rules or that one or more investment firms will not be allowed to cooperate with the Offer; and

- trading in the Shares on Euronext Amsterdam or Euronext Brussels not having been suspended or ended as a result of a listing measure (noteringsmaatregel) by Euronext Amsterdam or Euronext Brussels.

Break fees

- On termination of the Merger Agreement by Sanofi on account of a material breach of the Merger Agreement by Kiadis or in case the Merger Agreement is terminated by either Kiadis or Sanofi pursuant to a Superior Offer that is not matched by Sanofi (see below), Kiadis will forfeit a gross EUR 2,880,600 termination fee to Sanofi. On termination of the Merger Agreement by Kiadis, because of a material breach of the Merger Agreement by Sanofi, or because the competition clearance has not been obtained, Sanofi will forfeit a gross EUR 2,880,600 termination fee to Kiadis.

KDS NA shareholders

LSP Advisory BV 11.2%

Empery AM 4.9%

Oddo BHF 4.2%

Life Sciences Partners BV 4.1%

BNP Paribas 0.9%

Company Description

KIADIS DESCRIPTION

- Kiadis is committed to developing innovative cell-based medicines for patients with life-threatening diseases. With headquarters in Amsterdam, The Netherlands, and offices and activities across the United States, Kiadis is reimagining medicine by leveraging the natural strengths of humanity and our collective immune system to source the best cells for life
- After the discontinuation of their lead product candidate and subsequent reorganization in 2019, we restarted Kiadis early in 2020 as an entirely new company focused solely on the proprietary and differentiated NK-cell platform that we obtained through the acquisition of CytoSen Therapeutics

Deal rationale

- "Sanofi really represents the perfect strategic fit for Kiadis. They are the only Pharma that has products serving oncology, transplant and infectious disease and these are exactly our focus areas."
- Kiadis' proprietary platform is based on allogeneic or 'off-the-shelf' NK-cells from a healthy donor. NK-cells seek and identify malignant cancer cells and have broad application across various tumor types. The platform has the potential to make products rapidly and economically available for a broad patient population across a wide range of indications. Kiadis' NK cell-based medicines will be developed alone and in combination with Sanofi's existing platforms
- Sanofi's research, development, manufacturing and commercial expertise will be leveraged to advance Kiadis' pipeline, which includes NK-cell-based medicines for the treatment of patients undergoing hematopoietic stem cell transplant, liquid and solid tumors, as well as infectious disease.

Key risks

REGULATORY APPROVALS

- The acquisition of KDS is Sanofi's first move into cell therapy.
  - KDS pipeline assets are in an early stage (Phase 1 or 2)
  - K-NK-004 has already been licensed to Sanofi earlier this year.
- Sanofi expects a 5-month timeline
- **Kiadis pipeline:**

Pipeline in cancer and infectious disease

PROGRAM	INDICATION	SETTING	PRODUCT	PRE-CLINICAL	CLINICAL PoC	CLINICAL PH. 1	CLINICAL PH. 2	STATUS
K-NK002	HSCT in blood cancer	Adjunctive to SoC (PTCy)	Haplo		24 patients			*Phase 2 with US BMT-CTN; IND approved*
K-NK003	AML R/R	After induction chemo (FLAG)	OTS		21 patients			*Phase 1/2a with US OSU; enrolling patients*
K-NK004	Multiple myeloma	Combination with Sarclisa	OTS CD38KO					*Partnership Sanofi; value >€875 million*
K-NK-ID101	Influenza / COVID-19	Prophylaxis & treatment	OTS-ID					*Ph 1/2a IST IND approved; funded by US DoD*
K-NK00X	Other	Stand alone or combo's	OTS-X					*Studies to start in 2021, e.g., CML, CRC, HNC*

  - **Innovative K-NK cell platform**
    - Kiadis' proprietary platform is based on allogeneic or 'off-the-shelf' NK cells from a healthy donor. NK cells seek and identify malignant cancer cells and have broad application across various tumor types. The platform has the potential to make products rapidly and economically available for a broad patient population across a wide range of indications.
    - Kiadis' proprietary next generation NK-cell technology platform and pipeline complements Sanofi's existing therapeutic expertise
    - Kiadis' pipeline of NK-cell therapies has the potential to deliver adjunctive therapy for patients undergoing hematopoietic stem cell transplantation or who have acute myeloid leukemia (AML).
      - K-NK002 is in a **Phase 2 study** evaluating NK-cells to **prevent post-transplant relapse in patients with AML and myelodysplastic syndromes.** The trial will be conducted in collaboration with premier U.S. transplant centers.
      - K-NK003 is in a **Phase 1 study** evaluating NK-cells for patients with **relapsed or refractory AML**.
      - KNK-ID-101 is a program evaluating the properties of K-NK cells and their suitability to fight SARS-CoV-2 and the option to develop K-NK cells as a **post-exposure pre-emptive therapy for COVID-19** in high risk patients.
        - Kiadis plans to initiate a **Phase 1/2a clinical trial** evaluating the use of K-NK cells to treat COVID-19 patients with government grant funding.
          - KDS announced in the collaboration with the US Department of Defense and Army to fund the COVID program

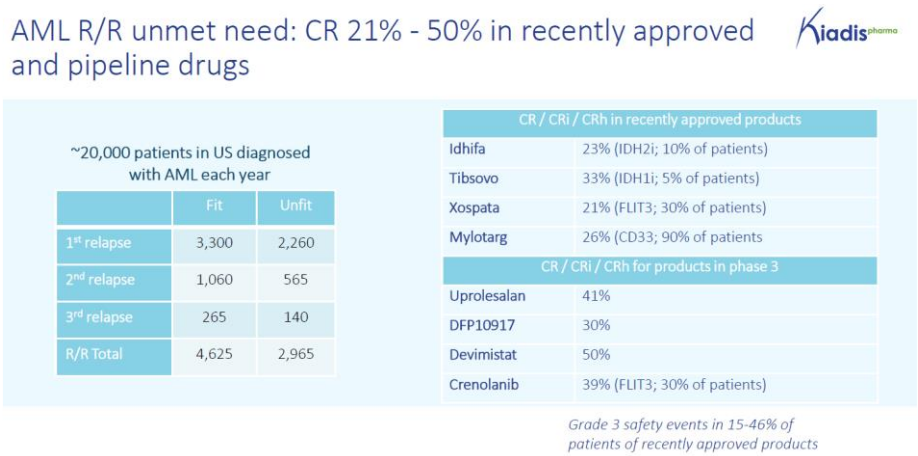
  - **Natural killer (NK) cells** are the human body's first line of defense against cancer and infections. Antibodies work synergistically with NK cells to kill tumor cells in a process called antibody-dependent cell-mediated cytotoxicity (ADCC).
    - Treatment of multiple myeloma with anti-CD38 antibodies, such as Sarclisa®, deplete the patients' own NK cells, as natural NK cells also express CD38. Kiadis' CD38KO K-NK cells are NK cells that have been modified to prevent expression of CD38, and are thus resistant to this effect. Therefore, adjunctive infusion of CD38KO K-NK cells will reinvigorate the natural synergy between NK cells and antibodies to kill tumor cells, optimizing efficacy.
  - **Natural killer cell therapies** could improve on some of the drawbacks of the only currently approved cancer therapies, which are based on immune T cells. One of the major advantages is that they could be easily made from donor cells rather than having to be produced individually for each patient using their own cells.
    - Many current cancer immunotherapies are specifically engineered to attack cancer in a way that would never occur in the human body naturally. For example, the two approved chimeric antigen receptor (CAR) T cell therapies on the market today, Kymriah and Yescarta. These are developed by engineering the patient's own T cells to attack their B cells, which are the ones affected by their cancer.

- NK cells and T cells have very similar killing mechanisms, but they differ widely in how they detect danger.
- For instance, T cells scan cells for signs of cancer or infection using a protein called a T cell receptor, whereas NK cells are equipped to pick up signs of stress in the form of specific membrane proteins, which often occur in infected or cancerous cells. So while T cells rely on the T cell receptor to identify cancerous cells or pathogens, NK cells can detect a much wider range of markers.
- Moreover, NK cells do not cause cytokine release syndrome or graft versus host disease, which are common side effects of T cell therapy.

- Natural killer cells have shown great potential for treating blood cancer, but their applications might not stop there. One of the biggest challenges moving forward is how to build on the developments in the field and harness natural killer cell therapies for the treatment of solid cancers.

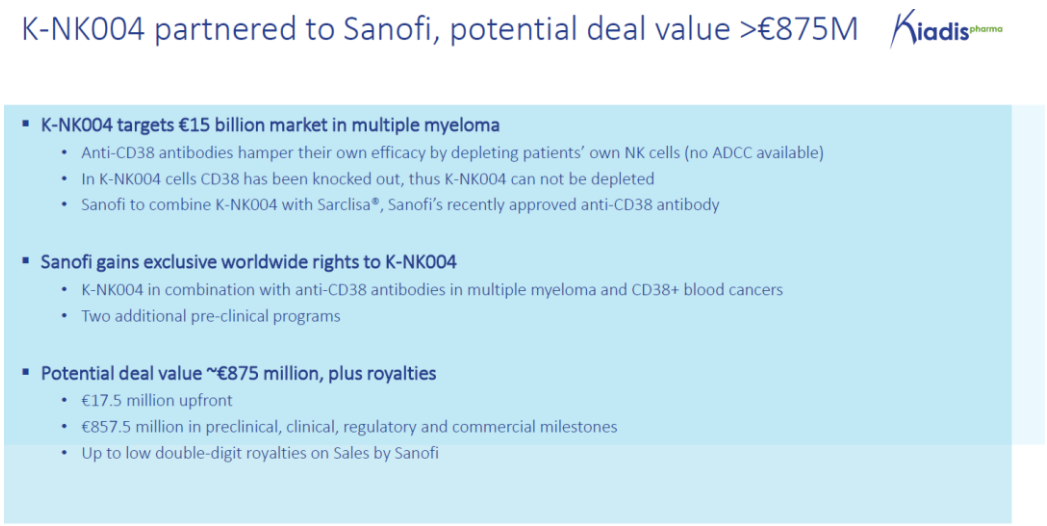
- **Other companies developing NK cells:**
  - French biotech Innate Pharma, for example, is developing an NK cell engager, which can bind to the surface of tumor cells and recruit and activate NK cells to cause tumor cell death.
  - German biotech Affimed and California-based biotech NKMax America announced a collaboration to study Affimed's innate cell engager in combination with NKMax America's NK cell therapy in solid tumors.
  - Irish biotech ONK Therapeutics, an off-the-shelf NK cell therapy company, recently raised €6.8M ($8M) from US-based investor Acorn Bioventures and its current shareholders. This brings the total raised by the company in the last six months to €12.4M ($14.6M).

- **Key overlaps**:
  - **HSCT in blood cancer**
    - We don't see overlap with regards to KDS' HSCT product:
    - Sanofi:
      - Hematopoietic stem-cell transplantation (HSCT) is the transplantation of multipotent hematopoietic stem cells, usually derived from bone marrow, peripheral blood, or umbilical cord blood. It may be **autologous** (the patient's own stem cells are used), allogeneic (the stem cells come from a donor) or syngeneic (from an identical twin)
      - Sanofi's Mozobil® (plerixafor injection) is a hematopoietic stem cell mobilizer indicated in combination with granulocyte-colony stimulating factor (G-CSF) to mobilize hematopoietic stem cells to the peripheral blood for collection and subsequent **autologous** transplantation in patients with **non-Hodgkin's lymphoma (NHL**) and **multiple myeloma (MM).** Mozobil® is marketed in over 50 countries.
      - SAR440234 is a novel bispecific T-cell engager (TCE) that has been engineered incorporating the proprietary Cross-Over-Dual-Variable-Domain (CODV) format, a fully humanized Fc-silenced IgG1 backbone, and variable domains from two antibodies, targeting CD3 (T-cell co-receptor) and CD123, respectively with the goal of developing a therapeutic molecule active against leukemic stem cells and blasts. The First in Human study testing dose-escalation of SAR440234 in patients with **acute myeloid leukemia**, acute lymphoid leukemia and **myelodysplastic syndrome** is ongoing. (**Phase 1**)
    - KDS:
      - K-NK002 is in a Phase 2 study evaluating NK-cells to **prevent post-transplant relapse** in patients with **AML** and **myelodysplastic syndromes.**
  - **AML R/R**
    - Both companies have early stage AML assets (different technology)
    - K-NK003 is in a **Phase 1 study** evaluating NK-cells for patients with **relapsed or refractory AML**
    - Sanofi:
      - **SAR438859 is in Phase 2**
        - **Isatuximab:** 1-2L Acute Myeloid Leukemia (AML) and Acute Lymphoblastic Leukemia (ALL)
      - **SAR440234 Phase 1**



- **Covid-19**
  - Sanofi is pursuing two vaccine candidates
    - Sanofi recently announced the continuation of its work in COVID-19 vaccine development with the start of a phase 1/2 clinical trial, in partnership with GSK. The trial will enroll 440 healthy adults in the US to evaluate the vaccine's safety, tolerability and immune response.
      - "We aim to deliver the first results in December. Positive data would enable a prompt start of a pivotal phase 3 trial by the end of this year," said Thomas Triomphe, Executive Vice President and Global Head of Sanofi Pasteur.
      - A positive outcome from phase 3 trials could mean a request for regulatory approval in the first half of 2021.
  - Sanofi is also exploring a second COVID-19 vaccine candidate, in partnership with Translate Bio, a clinical-stage messenger RNA (mRNA) biotechnology company. The project is on track to start clinical trials by December.
  - KDS' Covid-19 asset is a as a post-exposure pre-emptive therapy for COVID-19

- **Sanofi / Kiadis partnership**
  - In July 2020, Sanofi licensed Kiadis' pre-clinical K-NK004 program for potential combination for multiple myeloma.
  - The license does not include rights to K-NK002 and K-NK003 or to any other current and future Kiadis programs.
  - Kiadis Pharma says as part of agreement it will receive a EU17.5 million up front payment and will also be entitled to get up toEU857.5 million upon Sanofi's achievement of preclinical, clinical, regulatory and commercial milestones, according to a statement on Wednesday.
    - Kiadis says it will also receive up to "low double-digit royalties" based on commercial sales of approved products resulting from agreement
  - Sanofi has received exclusive worldwide rights to research, develop and commercialize K-NK004 based on Kiadis' CD38KO K-NK cells in combination with CD38-targeting molecules for the treatment of multiple myeloma and other CD38 positive blood cancers. Recently, Sanofi received U.S. Food and Drug Administration (FDA) approval for Sarclisa, a monoclonal antibody that targets CD38, for the treatment of multiple myeloma. Additionally, Sanofi has obtained exclusive rights to use Kiadis' K-NK platform for two other previously undisclosed pre-clinical programs. The license does not include rights to K-NK002 and K-NK003 or to any other current and future Kiadis programs.



MINIMUM ACCEPTANCE / COUNTER-BID

- 95%, could be reduced to 80% or 2/3.
- KDS has not received any interest from other potential partners and acquirers
  - "Sanofi really represents the perfect strategic fit for Kiadis. They are the only Pharma that has products serving oncology, transplant and infectious disease and these are exactly our focus areas."
- Given the huge premium and pipeline development risks, the acceptance condition is likely to be met.
- Funds managed by Life Sciences Partners have committed to tender approximately 18.3% of the outstanding Shares under the Offer, if and when made, and to vote in favor of the Resolutions.
- Sanofi and Kiadis may terminate the Merger Agreement in the event of a bona fide third-party offeror making an offer that the Boards determine in good faith to be substantially more beneficial than Sanofi's offer, also taking into account, amongst other things, all legal, financial and regulatory aspects, timing, certainty, conditionality and non-financial covenants, provided that (i) the offer exceeds the Offer Price by at least 8% and (ii) the third-party offeror has conditionally committed itself to Kiadis in the event of an offer, under customary conditions to the Company to launch such offer within the applicable time periods prescribed by applicable laws following announcement of such offer (a "Superior Offer"). In the event of a Superior Offer, Sanofi will be given the opportunity to match such offer. If Sanofi matches the Superior Offer, the third party offer may not be accepted and the Merger Agreement may not be terminated by Kiadis. Any additional subsequent competing offer will have a 4% offer threshold and matching right for Sanofi. As part of the agreement, Kiadis has entered into customary undertakings not to solicit third party offers
- Back end transaction
  - Sanofi's willingness to pay the Offer Price and pursue the Offer is predicated on the acquisition of 100% of the Shares or the entirety of Kiadis' assets and operations, the ability to delist Kiadis, and the ability to fully integrate the respective businesses of Kiadis and Sanofi and realize the operational, commercial, organizational, financial and tax benefits of the combination of the parties. Such benefits could not, or would only partially, be achieved if Kiadis were to continue as a standalone entity with a minority shareholder base. As soon as possible following the settlement of the Offer, Kiadis and Sanofi shall seek to procure delisting of the Shares on Euronext Amsterdam and Euronext Brussels.
  - If Sanofi acquires at least 95% of the Shares, Sanofi shall commence statutory squeeze-out proceedings, unless Sanofi and Kiadis after reasonable consultation, taking into account the interests of the remaining stakeholders and other relevant circumstances, agree that Sanofi can pursue the Post-Offer Restructuring (as defined below). If the Shares held by Sanofi after expiry of the post acceptance period of the Offer will represent at least 80% and less than 95% of Kiadis' aggregate issued and outstanding ordinary share capital on a fully diluted basis or such lower percentage as may be agreed between Sanofi and Kiadis prior to settlement and the Offer being declared unconditional, Sanofi will have the right to pursue an asset sale and liquidation (the "Asset Sale") whereby Kiadis will sell and transfer all of its assets and liabilities to Sanofi against payment of a purchase price equal to the offer consideration (the "Sale Price"). Following the completion of the Asset Sale, Kiadis will effectuate the dissolution and liquidation of Kiadis (the " Company Dissolution" and, together with the Asset Sale, the "Post-Offer Restructuring") and make an advance liquidation distribution per Share that is intended to take place on or about the date the Asset Sale is completed and in an amount that is to the fullest extent possible equal to the Offer Price, without any interest and less any applicable withholding taxes and other taxes.
  - The Post-Offer Restructuring is subject to Kiadis' shareholders' approval at the EGM to be held prior to closing of the offer period. Sanofi and Kiadis may explore and agree on potential alternative Post-Offer Restructurings, such as a combination of a statutory legal (triangular) merger and a sale of the shares in the surviving successor of Kiadis to Sanofi.
  - Sanofi may utilize all other available legal measures in order to acquire full ownership of Kiadis' outstanding Shares and/or its business in accordance with the terms of the Merger Agreement.

MAE CARVE-OUTS

- At this stage it is unclear whether product related events/publications are carved out of MAE or not.
- However, the company noted that they don't expect significant updates on products before deal close:
  - M&A call: "In the coming months, we expect to start the different clinical trials, but we do not expect the data readout on any of the programs."

Significant progress in 2020 sets the stage for a promising 2021

	2020	2021
K-NK002 HSCT	✓ IND filing and approval for NK-REALM study ✓ Updates existing clinical proof-of-concept trials • Start NK-REALM Phase 2 trial enrolment	• Completion safety lead-in and start open enrolment NK-REALM Phase 2 trial • Interim efficacy and persistence data NK-REALM Phase 2 trial
K-NK003 AML R/R	✓ IND approval for Phase 1 trial ✓ Start Phase 1 trial enrolment ✓ Updates existing clinical proof-of-concept trials	• Interim efficacy/safety data Phase 1 trial
K-NK-ID101 Influenza / COVID-19	✓ Establish and execute R&D collaborations ✓ Government grants ✓ IND approval Phase 1/2 trial	• Start Phase 1/2 enrolment • Interim read out Phase 1/2 trial • Additional government grants
Other	✓ Preclinical data ✓ Pharma/biotech BD partnership • Start clinical proof-of-concept (signal) trials in solid/blood tumors	• Interim clinical data proof of concept • Pharma/biotech BD partnership • Start new clinical studies

Valuation

DEAL PREMIUM

- The Offer Price represents a premium of 272% over the closing price on 30 October 2020, a premium of approximately 247% over the 30 trading days VWAP and a premium of approximately 200% over the 90 trading days VWAP

Disclosures:

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