

A close-up photograph of a person's face, focusing on the eyes and nose. The person has light-colored eyes and is looking slightly to the right. The text is overlaid on the left side of the image.

THE VALUATION EXPERTS

Public versus private funding
opportunities for life sciences

Dr. Patrik Frei

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Agenda

- **Financing trends**
- **Financing sources**
- **Public Financing sources**
- **Equity Financing sources**
- **Conclusion / Q&A**

Venture Valuation



Mission

Independent assessment and valuation of technology driven companies / products in growth industries

**Information services / Life Sciences Databases
Biotechgate: www.biotechgate.com**

Offices

HQ: Zurich with representative offices in North America, Europe and Asia

Employees

6 people in Switzerland, 7 representatives, JV in India

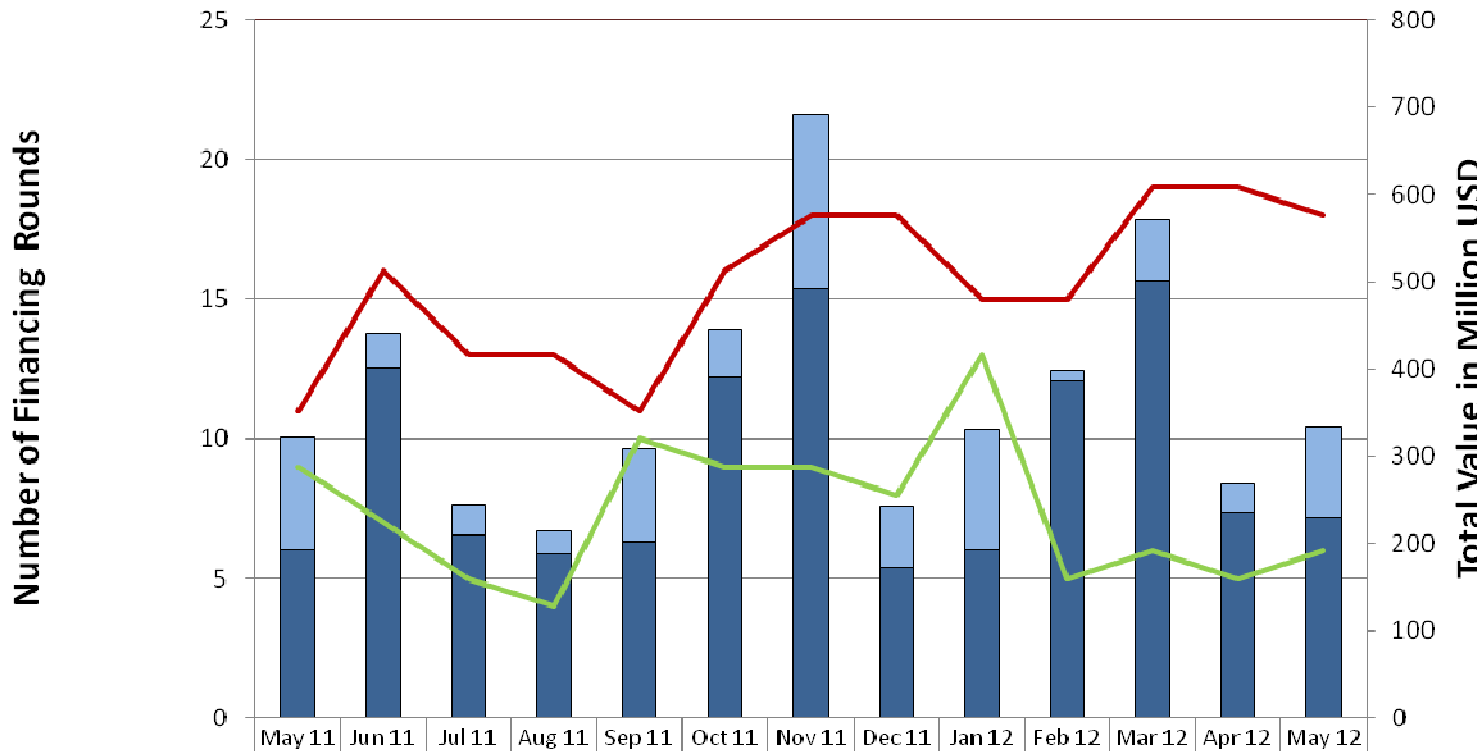
Clients

Pharma, Biotech and Investors such as Novartis Venture Fund, GSK, European Investment Bank, 4SC, Arpida/Evolva, Celtic Pharma



Financing Trends

Biotech Therapeutic Financing Rounds



	May 11	Jun 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12
Deal Value EU	127	39	35	26	106	55	200	70	138	13	69	32	105
Deal Value US	193	402	210	188	202	390	492	172	193	386	501	237	229
Total Deals US	11	16	13	13	11	16	18	18	15	15	19	19	18
Total Deals EU	9	7	5	4	10	9	9	8	13	5	6	5	6

=>
**Alternatives
to classical
VC finance**

Source:
Biotechgate.com by
Venture Valuation

Funding gap

- Increasing cost of development
- Higher hurdles for registration
- Disappointment of investors
- General risk adversity of market



=> Less capital available for earlier stage companies

Financing Trends



How do companies cope with lack of VC money?

- Corporate Investors becoming more important
- Licensing as key source of funding
- Fee for Service as a way of financing innovation
- Product / Project financing by VCs
- Public money is very important



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Financing Sources

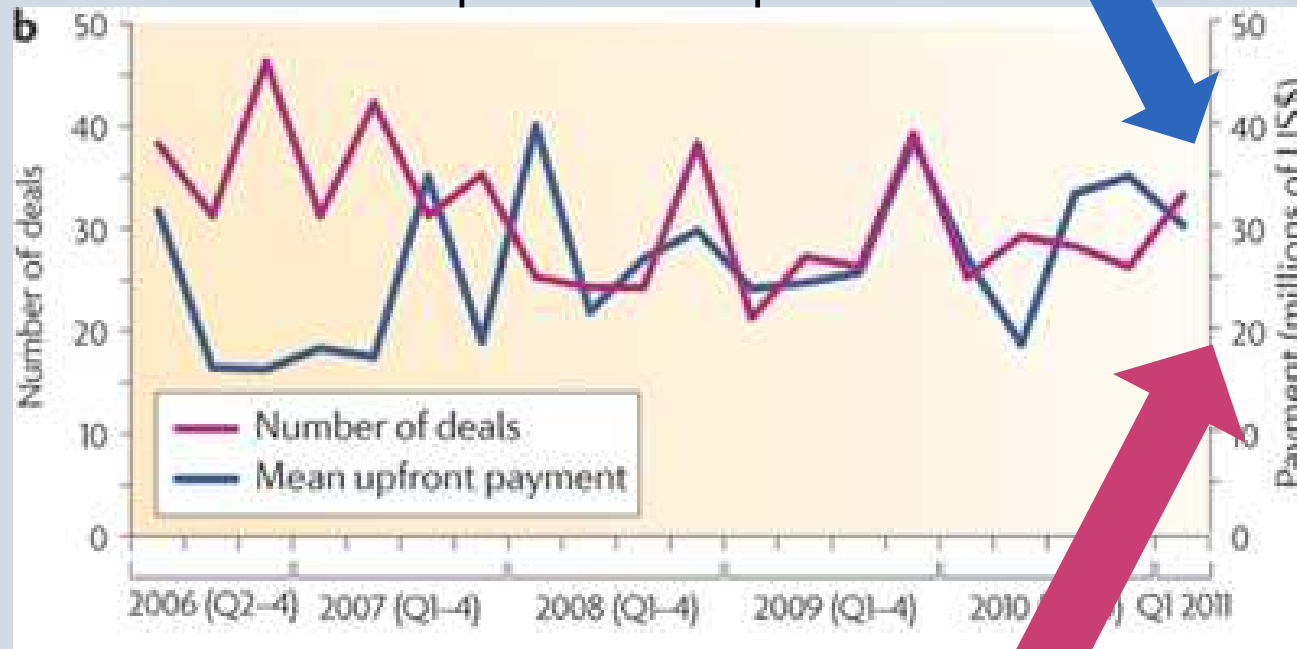


1. **Own development => resources needed**
 - Own financing (Services)
 - Public: Grants / Government Funding
 - a) Regional
 - b) National
 - c) European / international
 - Raise capital
 - a) Equity (VC, Corporate, Family Office, BA)
 - b) Venture Debt / Convertibles
 - c) Product Financing

2. **Out-licensing**
 - Value retention; lead vs. follow-on products

Licensing Trends

Financial crisis, risk aversion of investors;
pressure on pharma



Demand from big pharma, patent cliff,
external R&D

Licensing vs VC Financing



VC Financing	Licensing Deal
<ul style="list-style-type: none">• Venture Capitalist/Investor• Dilution / valuation • Enough to get to next value creating milestone • Risk / reward remains with shareholders• Know-how for M&A deals• Portfolio	<ul style="list-style-type: none">• Pharma• Deal terms / value preservation• Collaboration model• Milestone payments must fund development • Risk / reward sharing• Up-side capped• Know-how for development• Single product

Equity Finance



	Venture Capital	Corporate Investors	Family Offices	Business Angels
Size	> USD 5 m	Open	Open	< USD 2m
Company type	High risk / potential	Strategic fit, innovative	Service component, opportunistic	Seed / early stage
Total capital requirement	High	High	Medium	Low
Exit	Set 5-10 years	M&A	Long-term partner	Medium term



Non-Equity Finance

	Public Grants / Government	Private Grants	Convertibles	Revenue, Royalty Product Financing
Size	< USD 2 m	< USD 5 m	open	> USD 10 m
Company type	Innovative, R&D, early stage	Innovative, R&D, niche markets,	High growth, later stage	Mature, later stage
Total capital requirement	All	All	All	High
Exit	None	None	Repay / convert	none



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Public funding sources

Basic research

National programs
e.g. National
Science Foundation
in Switzerland

EU programs e.g.
European Research
Council ERC

Applied R&D

National programs
(e.g. CTI in
Switzerland)

EU programs e.g.
Cooperation
projects in FP7

Tech. Transfer & Market application

National tech.
transfer and support
programs, e.g. CTI
Start-up in
Switzerland

European tech
transfer and support
programs, e.g.
Enterprise Europe
Network

Do's in public funding

- Strategy: apply only if project is in line with your strategy
- Rules: evaluate which program fits your needs, study the rules
- Partner: find the right partners completing your expertise
- Evaluation: public funded projects are evaluated, so you have to sell your project
- Support: there are different support organizations, so ask them (e.g. national contact points)



Don'ts in public funding

- Profit: Don't apply to make a profit, but to get knowledge and a network; funding is for pre-competitive support
- Topic: only apply if your research fits the theme
- Partners: make sure you have reliable partners
- Scope: Don't ask for EU funding for regional scope
- Not easy: Competition is high, don't expect easy funding



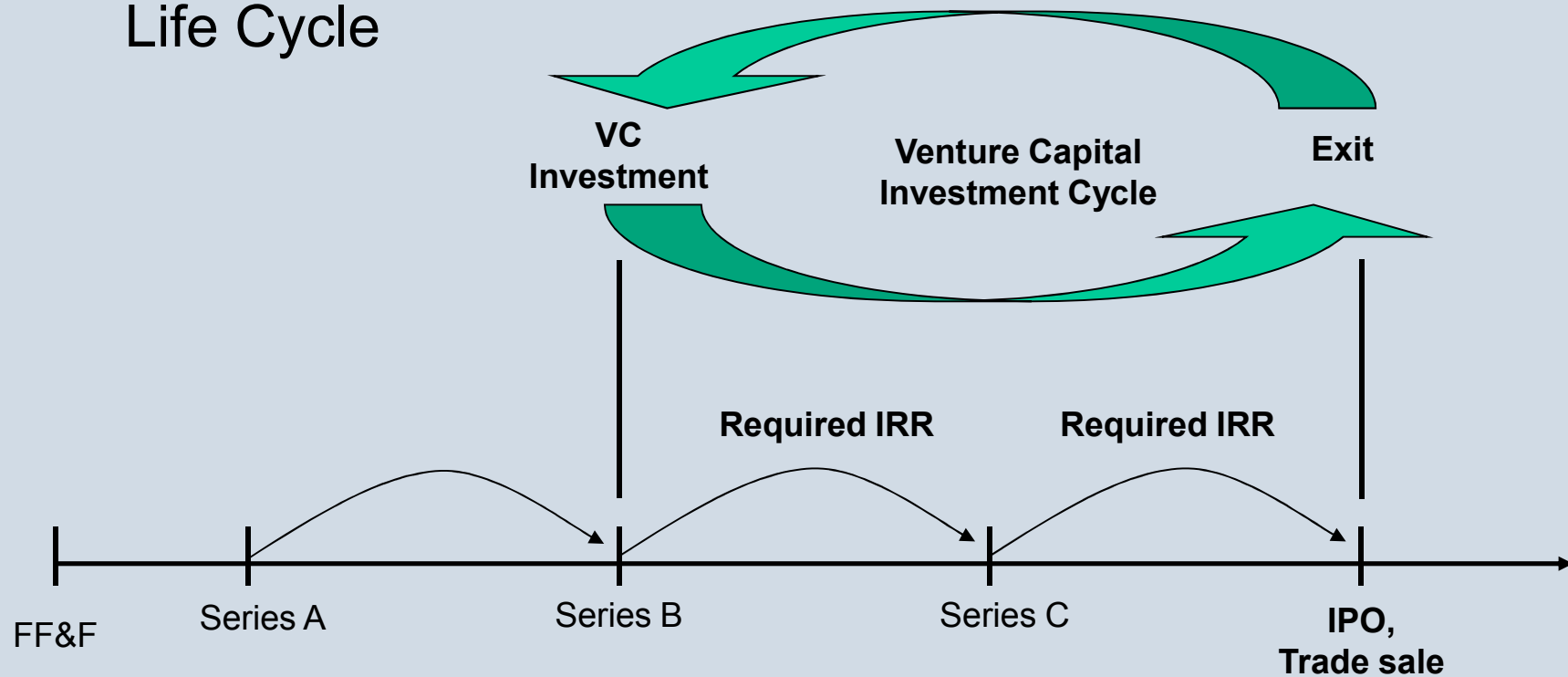
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Venture Capital Cycle



- Understand the Venture Capital Cycle
- Look at the whole Company Life Cycle



Exit possibilities



- Investor look for exit possibilities to realize return
- Sale of shares => very difficult
- Exit via different channels possible:
 - Merger & Acquisition (M&A)
 - Management Buy-out (MBO)
 - Initial Public Offering (IPO)



Dos for VC preparation

- You need a Business plan
- Be specific. Substantiate statements with market data
- Summarize and properly structure financial information;
- Show how much money you need; how do you spend it
- Network like crazy
- Do reference checks on the VC (previous investments)



Don'ts in VC preparation

- Don't use highly technical descriptions of products
- Don't make vague or unsubstantiated statements
- Don't ignore or underplay your competition
- Don't ignore key risks
- Don't take the funding process lightly
- Don't try to raise between significant milestones
- Don't be afraid to ask for adequate funding



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Financing Conclusion



- Think outside the box / options
- Use local government and global research grants (non-dilutive)
- ... but keep focus
- Find best match for own development
- Consider out-licensing
- Understand the value of each product
- Get the money when you can
- Network, network, network....



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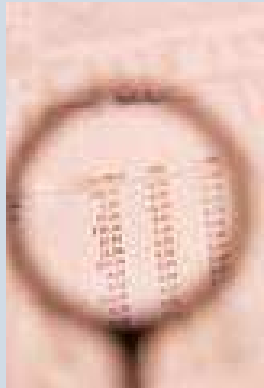
Thank you for listening!

Slides available on www.venturevaluation.com

Tel : +41 (43) 321 86 60
Fax: +41 (43) 321 86 61
www.venturevaluation.com
p.frei@venturevaluation.com

Venture Valuation AG
Kasernenstrasse 11
8004 Zürich
Switzerland

Licensing Conclusions



- Prioritize projects and have clear licensing strategy
- Combine different global regions / Cross-boarder licensing
- Focus own development on more developed products
- Out-license earlier products

Financing Questions



- **How much money do I need?**
- **Where should I get the money from?**
- **Dilutive / non-dilutive financing?**
- **Valuation as a key issue!**
- **Raising money takes a lot of time!**



Dos in Sales pitch

- Show a clear and logical exit strategy
- Save up good news for the middle of the process
- Wait until you have significant traction
- Be direct and have a plan – VCs like to see your confidence
- Be open and honest
- Be brief – provide executive summary



Don'ts in the sales pitch

- Don't pitch ideal VCs first – practice
- Don't just pitch - listen to the VC
- Don't be defensive
- Don't plan on closing any rounds in August / December or within a short time
- Don't engage in a bidding war.
- Don't travel too much – stay local
- Don't press people beyond the “Thank You” email after a meeting.