

# THE VALUATION EXPERTS

Determine Your Company Valuation  
With a Little More Confidence

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# Overview

- **Introduction**
- **Financing Sources**
- **Company Valuation**

# Company

## Mission

Valuation: Independent assessment and valuation

Biotechgate / Life Sciences Databases



HelloPartnering – Speed dating for business



## Offices

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

## Employees

35+ people in Switzerland (7) / UK & Ireland (9) /  
USA & Canada (3) / Singapore/China (2) / India (15)

## Clients

Fundraising companies as well as Investors such as  
Novartis Venture Fund, GSK, European Investment Bank,  
4SC, Arpida/Evolva

Biotech Associations / Governments like CLSA, Medicon  
Valley, Ausbiotech, SwedenBio, Goteborg, Maryland



**HELLO** PARTNERING

SPEED DATING FOR BUSINESS

# Biotechgate Digital Partnering

## Nov 23- 26, 2020

[www.digitalpartnering.com](http://www.digitalpartnering.com)

Produced and organized by  
Venture Valuation / Biotechgate, Switzerland

Supported by:



# Funding gap

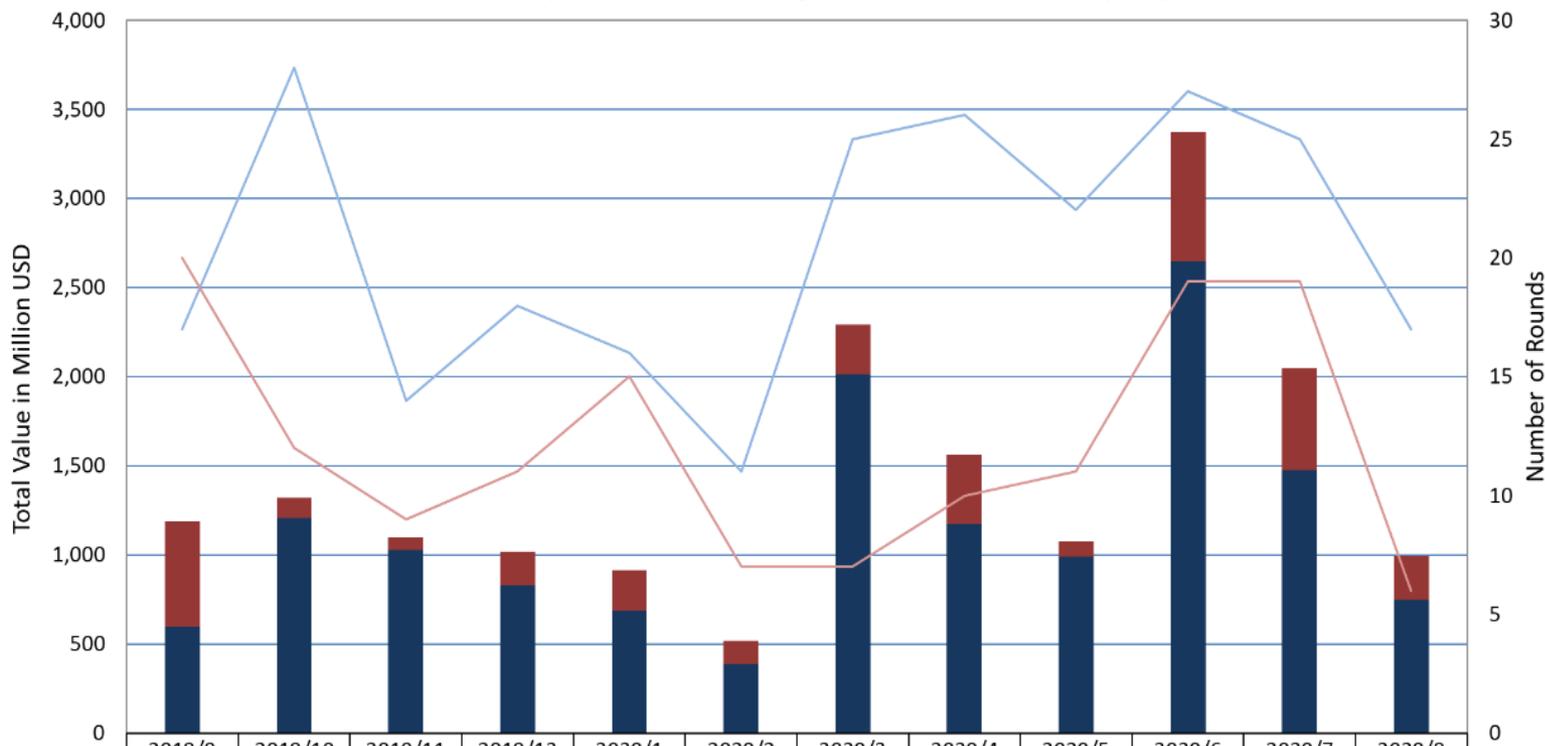
- Increasing cost of development
- Higher hurdles for registration
- Disappointment of investors
- General risk adversity of market



=> Less capital available for earlier stage companies

# Biotech Financing

## Biotech Therapeutic Financing Rounds Private Equity



	2019/9	2019/10	2019/11	2019/12	2020/1	2020/2	2020/3	2020/4	2020/5	2020/6	2020/7	2020/8
Europe - Financing value (\$)	586	110	72	191	226	130	280	387	86	724	567	241
USA - Financing value (\$)	600	1,207	1,027	828	686	387	2,014	1,173	990	2,647	1,477	751
USA - Number of rounds	17	28	14	18	16	11	25	26	22	27	25	17
Europe - Number of rounds	20	12	9	11	15	7	7	10	11	19	19	6

Source: Biotechgate.com

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# Financing Trends



## How do companies cope with lack of VC money?

- Family Offices and Corporate Investors becoming more important
- Fee for Service as a way of financing innovation
- Product / Project financing by VCs
- Public money is very important

# Financing Sources

1. **Own development => resources needed**
  - Own financing (Services)
  - Public: Grants / Government Funding
    - a) Regional / State
    - b) National
    - c) International
  - Raise capital
    - a) Equity (VC, Corporate, Family Office, BA)
    - b) Venture Debt / Convertibles
  
2. **Customized development**
  - Develop product for client (lead customer)

# Equity Finance

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

# 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

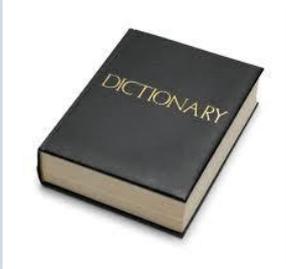
# Dos for Investor preparation

- 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 investor (previous investments)

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# Why Valuation?



- **Value:** implies the inherent worth of a specific thing
- **Price:** depending on the market (supply / demand); whatever somebody is prepared to pay

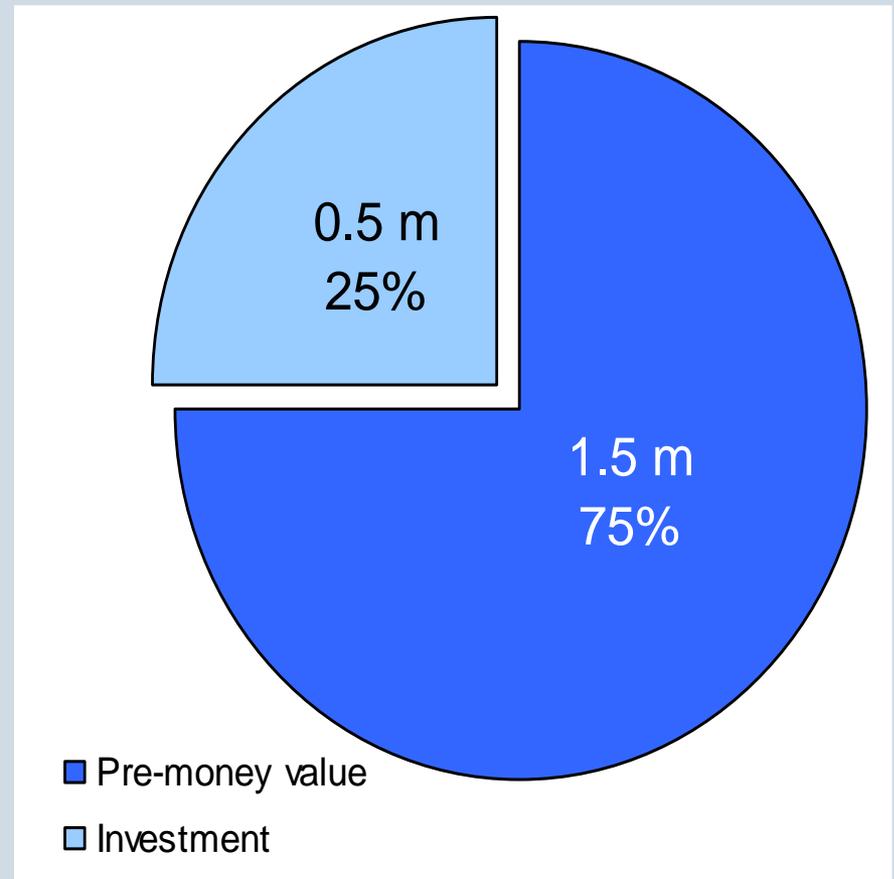
“Price is what you pay. Value is what you get.”

By Warren Buffett

=> Provide basis for negotiation, investment decision, fair share price

# Why Valuation

- Value before investment (pre - money value): EUR 1,5 m
- Investment: EUR 0,5 m
- Value after investment (post-money value): EUR 2,0 m
- Share Investor:  
 $0,5 \text{ m} / 2 \text{ m} = 25\%$



# Life Science Valuation



- Valuation is key issue in development
- Industry lacks transparency (private)
- Very difficult (high uncertainties)
- High potential for investors
- Long investment cycle
- Traditional valuation methods unsuited
- Complex technology and IP situations

# Mind-set of Investors



- Take high risk, but expect high returns
- Pressure from investors
- Compete in capital market

	Probability of failure	Return
Government Bond	0%	1%
Bonds	5%	5%
Blue Chip Company	10%	9%
Internet company (Nasdaq)	50%	20%
Biotechnology Company	80%	50%

# Risk as a major factor



1. How can we capture risk?  
=> Assessment of the company
  
2. How can risk be quantified?  
=> rating of factors

# Assessment



1. Understand the fundamentals
  2. Assumptions drive the valuation
- ⇒ Assessment/assumptions are key

## Assessment

## Company

## Product

1. Management



2. Market



3. Technology



# Assessment to Valuation



Assessment => Define risk



**DCF\*:**

Discount rate

- Non-therapeutic company
- Technology platform

**rNPV\*\*:**

- Discount rate
- Success rate

- Therapeutic product company

\* DCF: Discounted Cash Flow

\*\* rNPV: risk adjusted Net Present Value

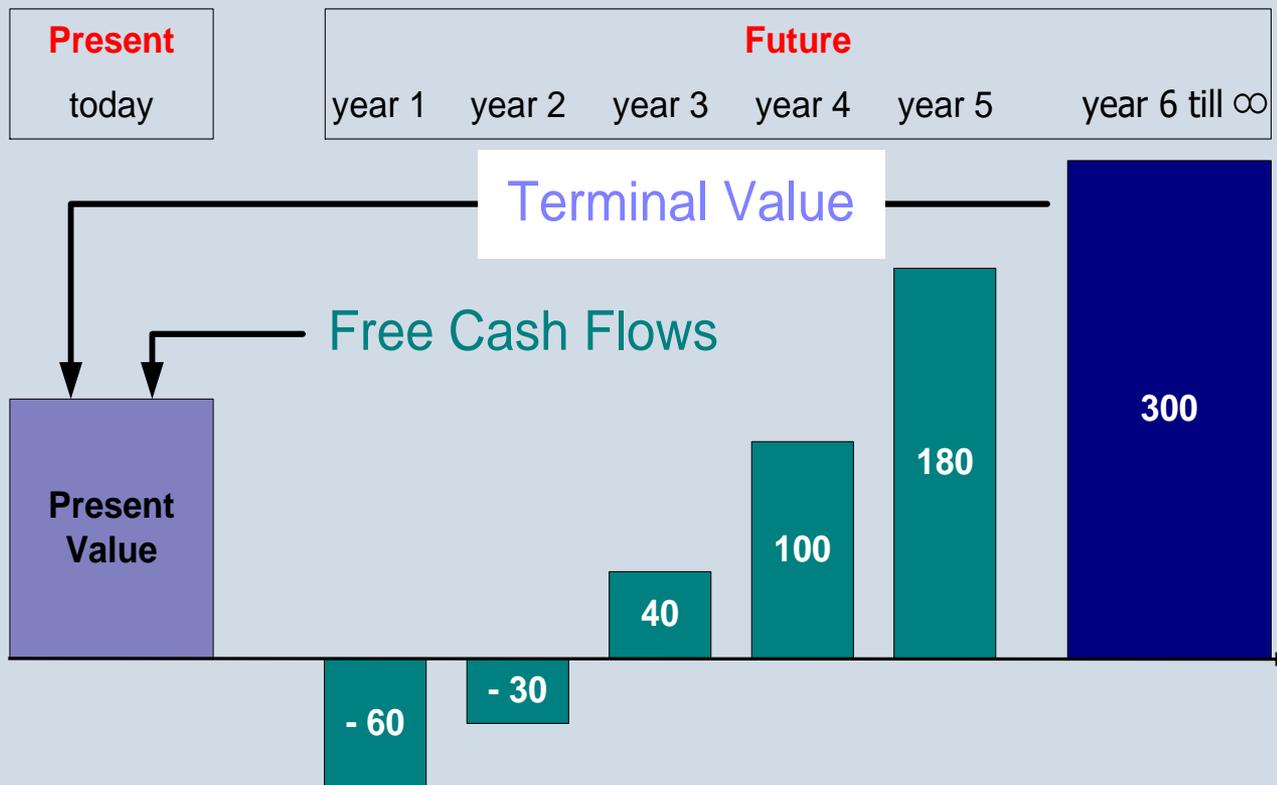
# Valuation Approaches

- Operations-based methods:
    - ⇒ *business plan, fundamentals*
  - Market-based methods:
    - ⇒ *price, trends, comparison difficulties*
- 
- Discounted Cash Flows (DCF)
  - rNPV
  - Real Options
  - Venture Capital method
  - Market Comparables
  - Comparable Transactions
- } Operations methods
- ⇒ Mixed method
- } Market methods

⇒ there is no “the right method”

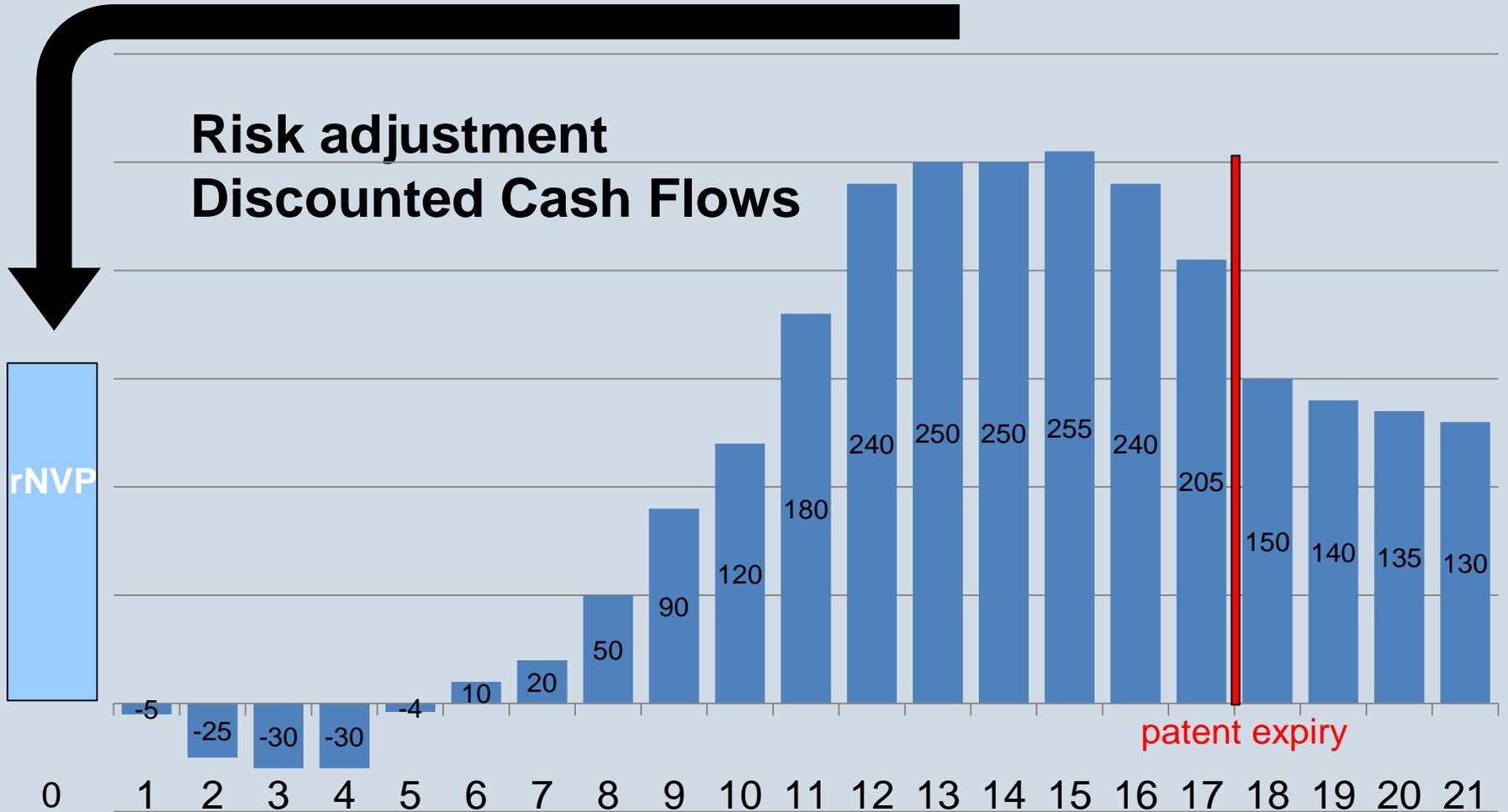
⇒ combination of different methods

# DCF



# rNPV

## Risk adjustment Discounted Cash Flows



# Comparable Methods

For most Biotechs you cannot use:  
P/E, EV/EBITDA, EV/EBIT, EV/Sales



Company Value:  
USD 50 m  
50 employees

Ratio



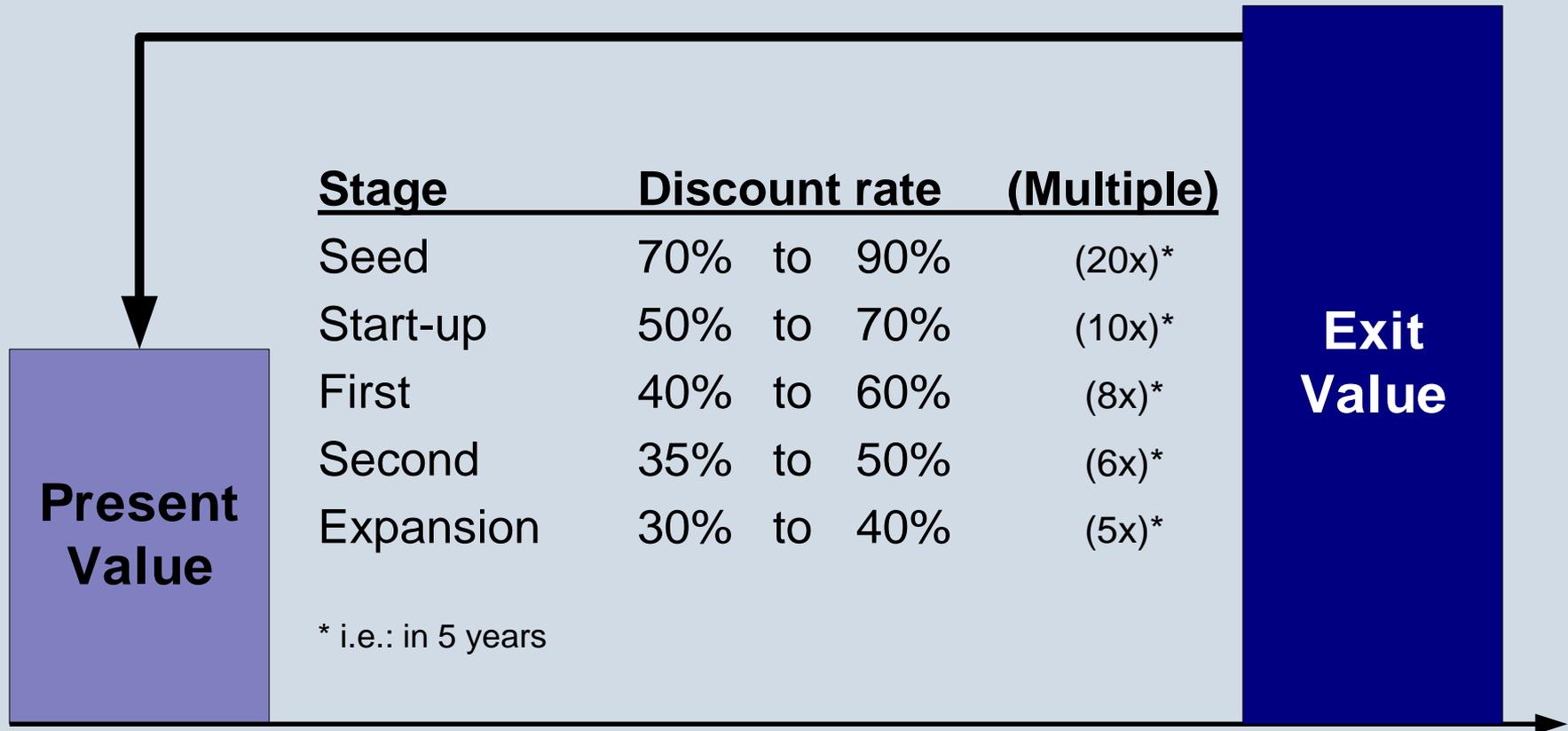
- R&D expenditure
- Employees
- Money raised
- Product in development (p I, p II, p III)



10 employees  
⇒ Company Value:  
USD 10 m\*

\*  $(50/50) \times 10 \text{ m} = 10 \text{ m}$

# Venture Capital Method



**Present**

today

**Future**

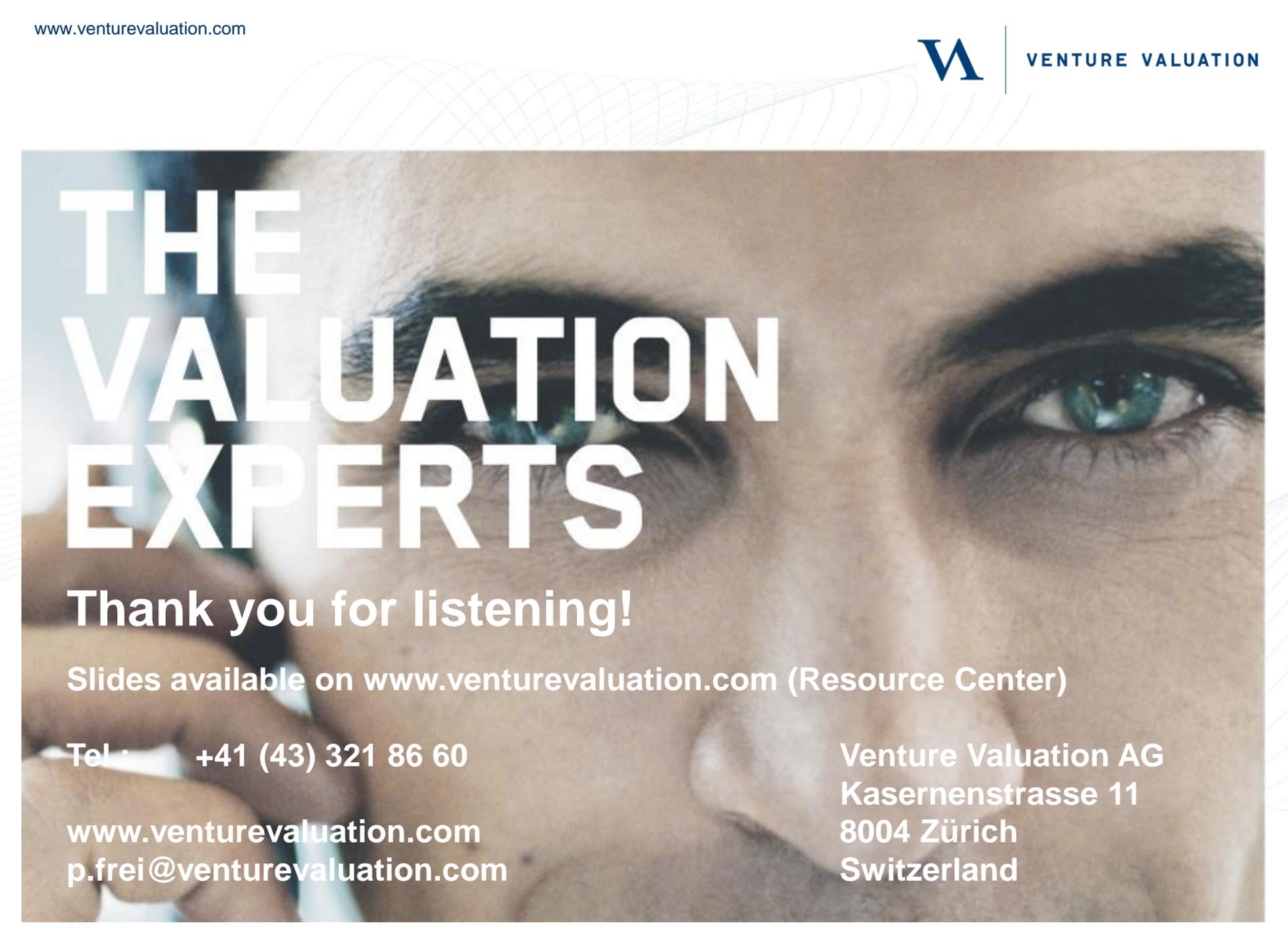
year 1

→ Exit year

# Conclusion



- Think outside the box / be creative
- Finding investor is a numbers game
- Use grants and non-dilutive funding  
... but keep focus
- Valuation is all about the assumptions
- Price vs. Value
- Reduce the risk to increase value



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Thank you for listening!

Slides available on [www.venturevaluation.com](http://www.venturevaluation.com) (Resource Center)

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