



THE VALUATION EXPERTS

**Determine Your Company Valuation
With a Little More Confidence**

Dr. Patrik Frei

November 2020 | Norway Health Tech

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

Produced and organized by
Venture Valuation / Biotechgate, Switzerland

Supported by:



OSLO CANCER
CLUSTER



VENTURE VALUATION
GLOBAL VALUATION SERVICES

**BIOTECH
GATE**



BUSINESS DEVELOPMENT
DATABASE

Funding gap

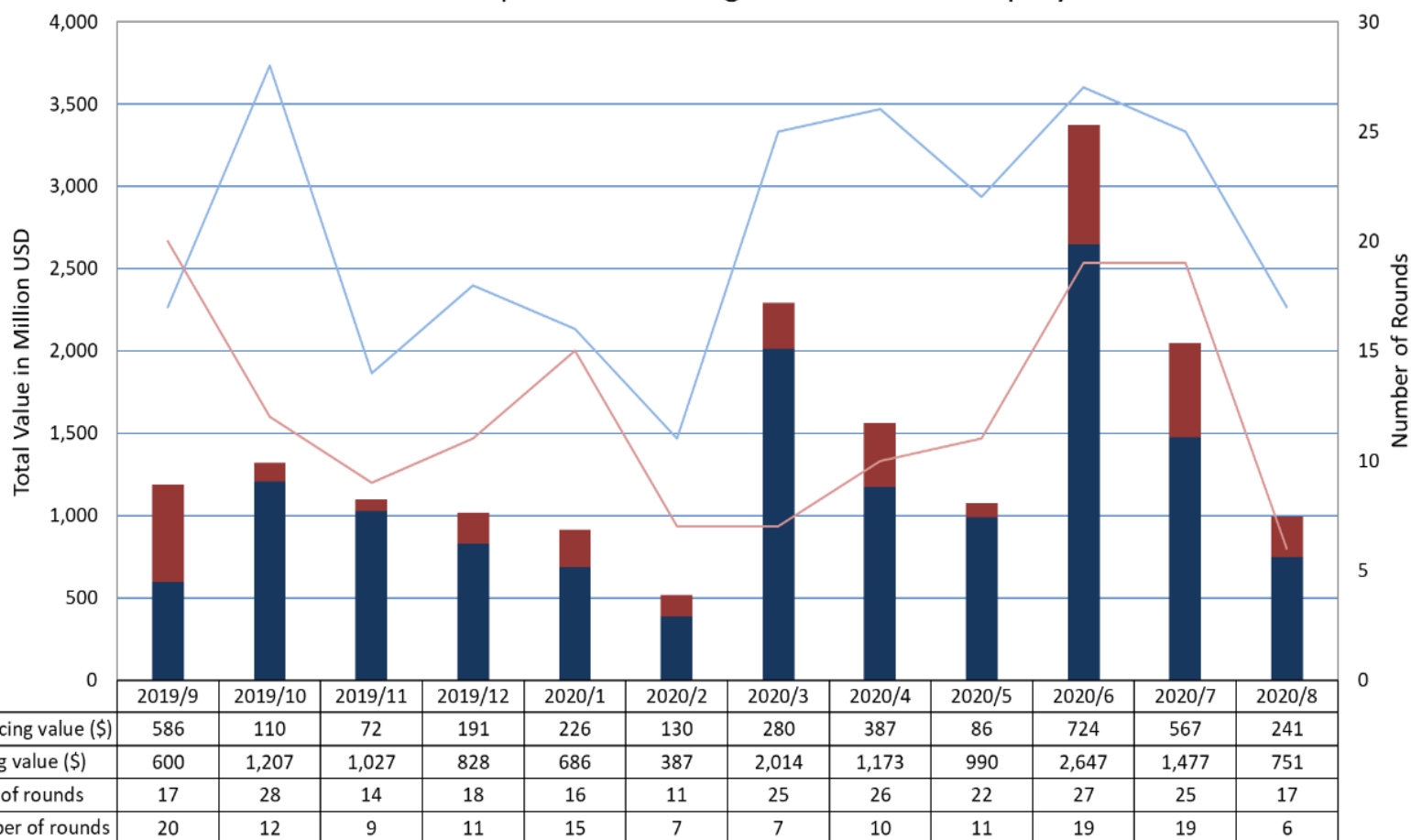
- Increasing cost of development
- Higher hurdles for registration
- Disappointment of investors
- General risk adversity of market



=> Less capital available for earlier stage companies

Biotech Financing

Biotech Therapeutic Financing Rounds Private Equity



Source: Biotechgate.com

Overview

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

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
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

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

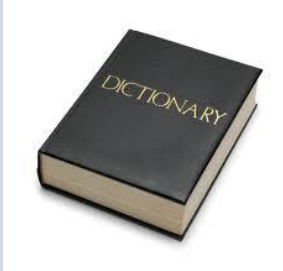
Dos for Investor preparation

- 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)

Overview

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

Why Valuation?



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

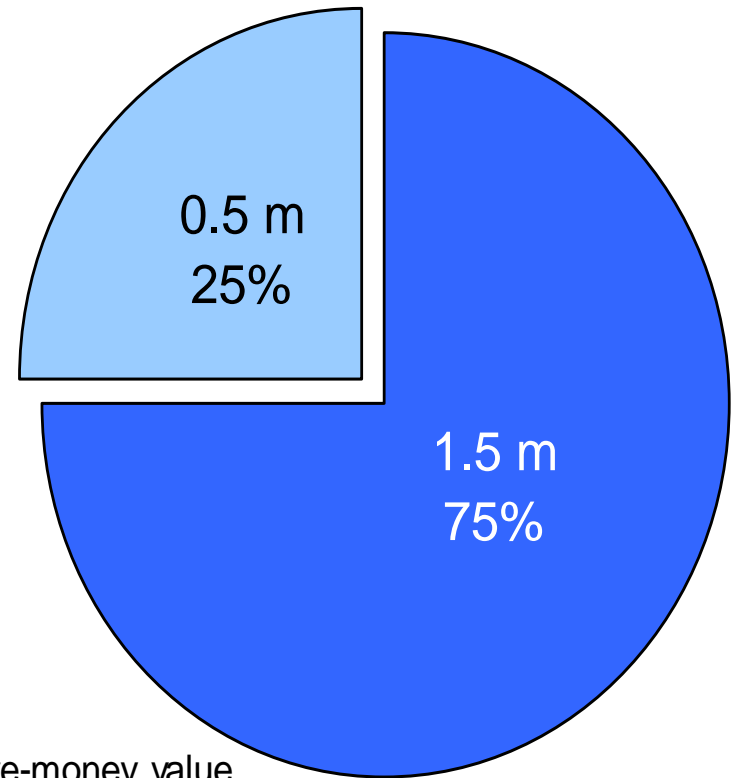
“Price is what you pay. Value is what you get.”

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:
 $0,5 \text{ m} / 2 \text{ m} = 25\%$



■ Pre-money value

■ Investment

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



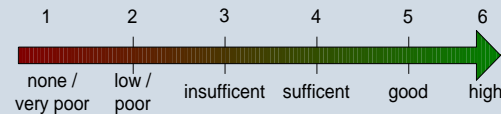
3. Technology



Assessment to Valuation



Assessment => Define risk



DCF*:

Discount rate

- Non-therapeutic company
- Technology platform

rNPV:**

- a. Discount rate
- b. Success rate

- Therapeutic product company

* DCF: Discounted Cash Flow

** rNPV: risk adjusted Net Present Value

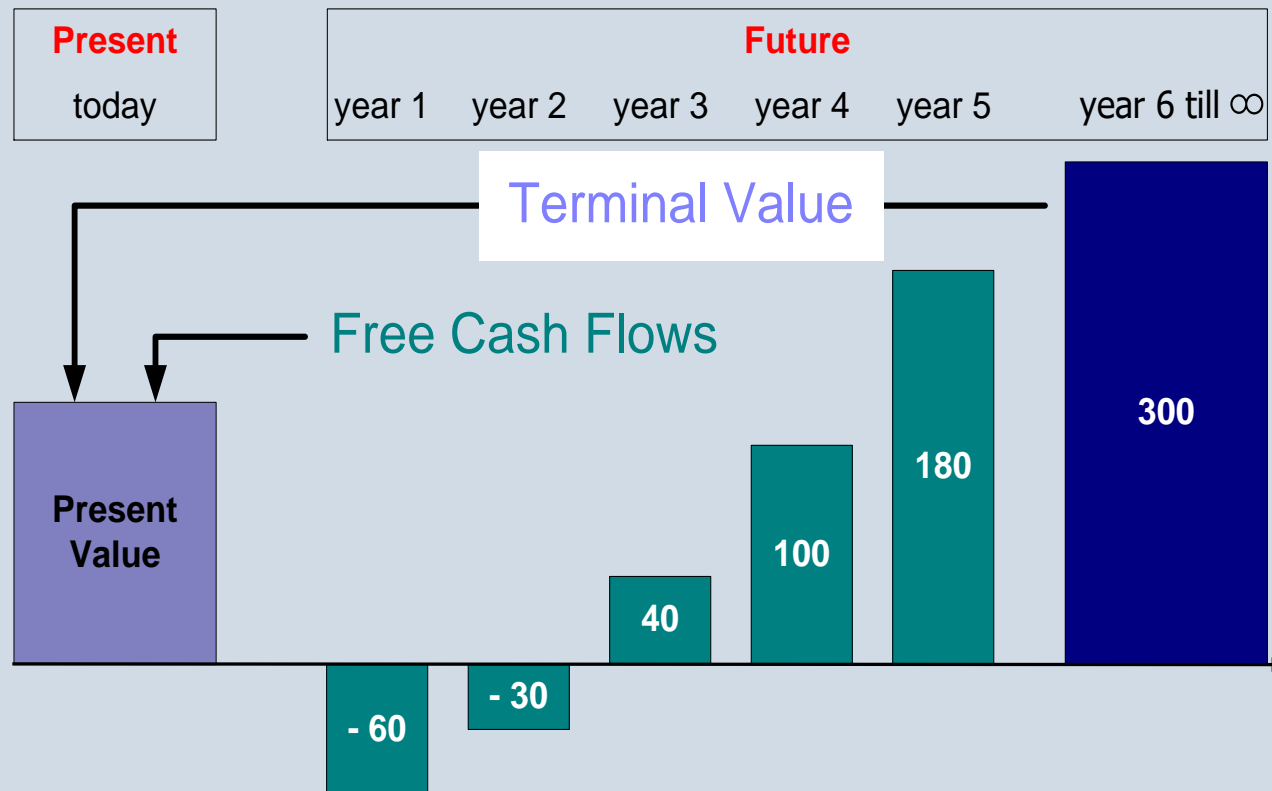
Valuation Approaches

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

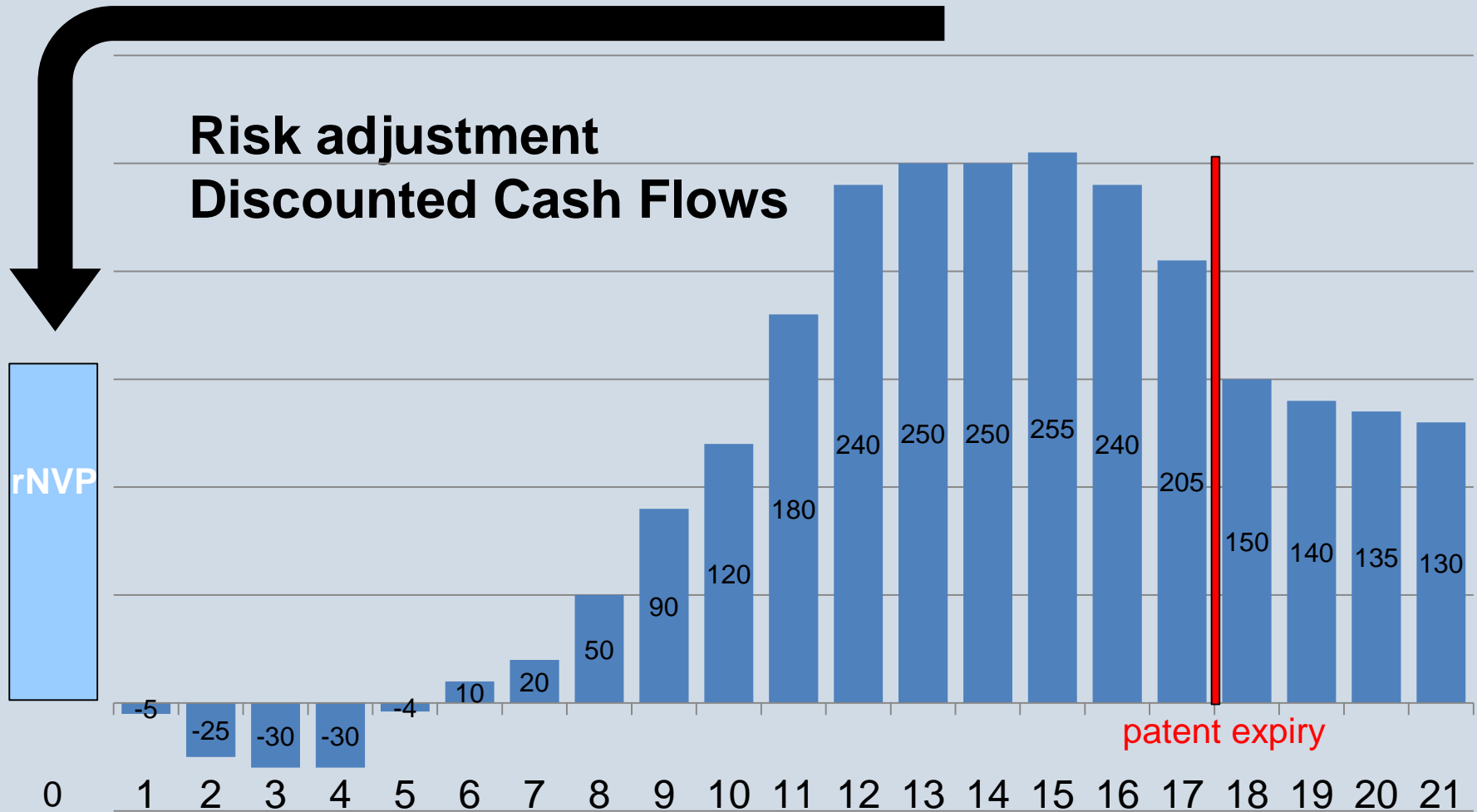
⇒ there is no “the right method”

⇒ combination of different methods

DCF



rNPV



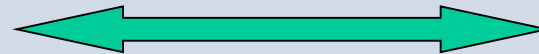
Comparable Methods

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



Company Value:
USD 50 m
50 employees

Ratio



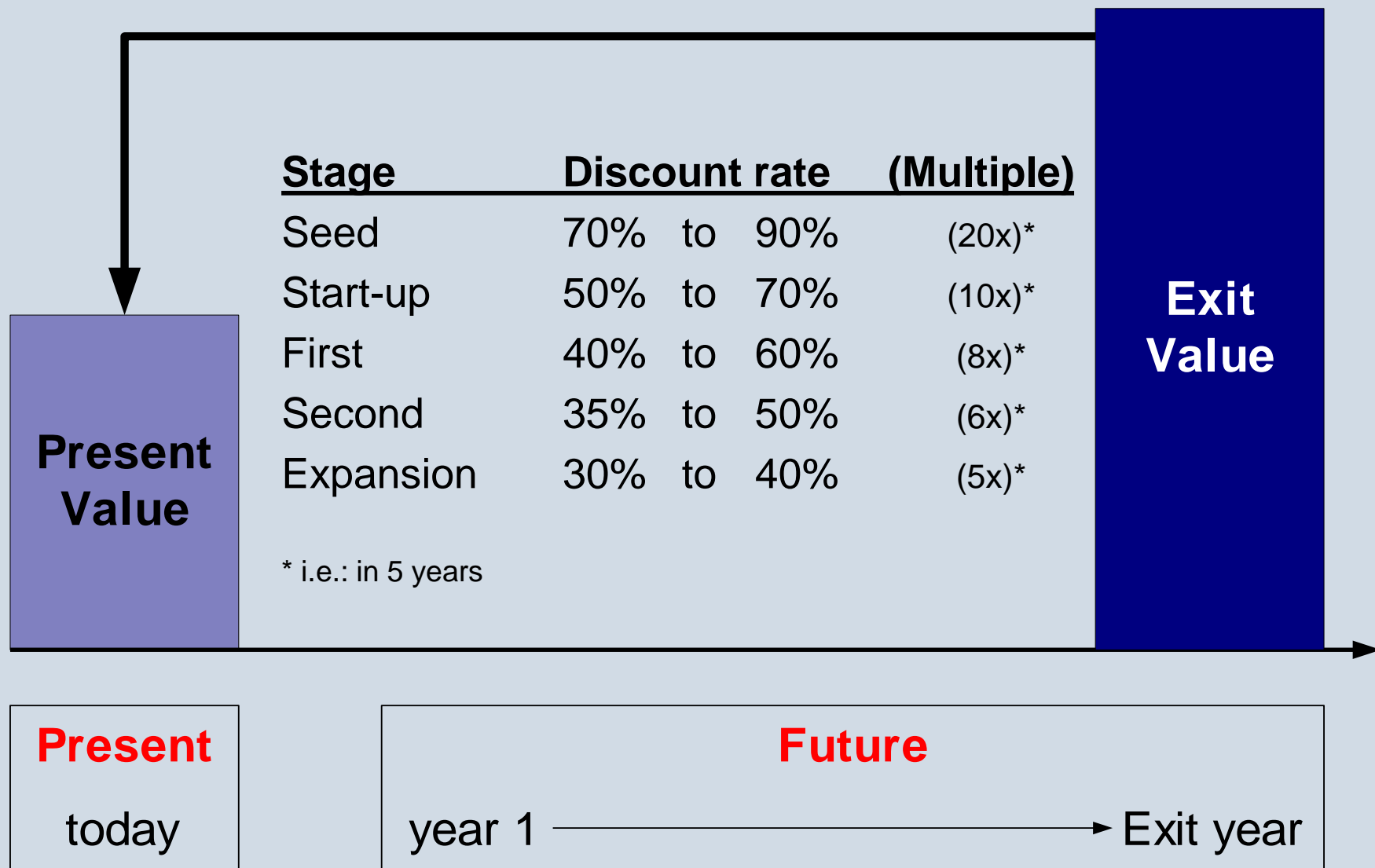
- R&D expenditure
- Employees
- Money raised
- Product in development (p I, p II, p III)



10 employees
⇒ Company Value:
USD 10 m*

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

Venture Capital Method



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



THE VALUATION EXPERTS

Thank you for listening!

Slides available on www.venturevaluation.com (Resource Center)

Tel : +41 (43) 321 86 60

www.venturevaluation.com
p.frei@venturevaluation.com

Venture Valuation AG
Kasernenstrasse 11
8004 Zürich
Switzerland