



**VENTURE VALUATION**  
GLOBAL VALUATION SERVICES

# The Valuation Experts

Company valuation for fundraising –  
Trends and Tools

March of 2021

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



# Company

## SERVICES



VENTURE VALUATION  
GLOBAL VALUATION SERVICES



HELLO PARTNERING  
SPEED DATING FOR BUSINESS

## OFFICES

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

## EMPLOYEES

36 people in Switzerland (6) / UK & Ireland (8) / USA & Canada (3) / Singapore (1) / India (18)

## CLIENTS

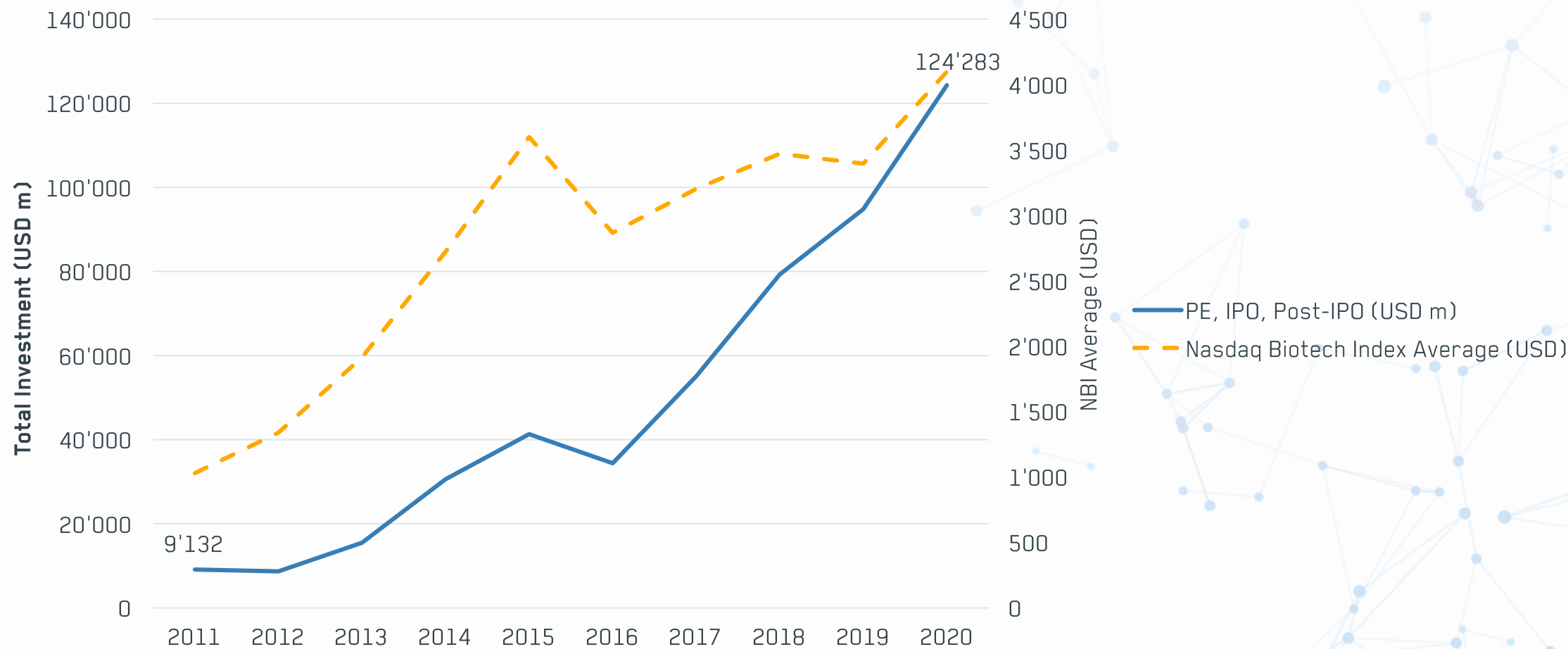
Fundraising companies as well as Investors such as Novartis Venture Fund, GSK, European Investment Bank, 4SC, Arpida / Evolva, Ferring.

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

# Overview

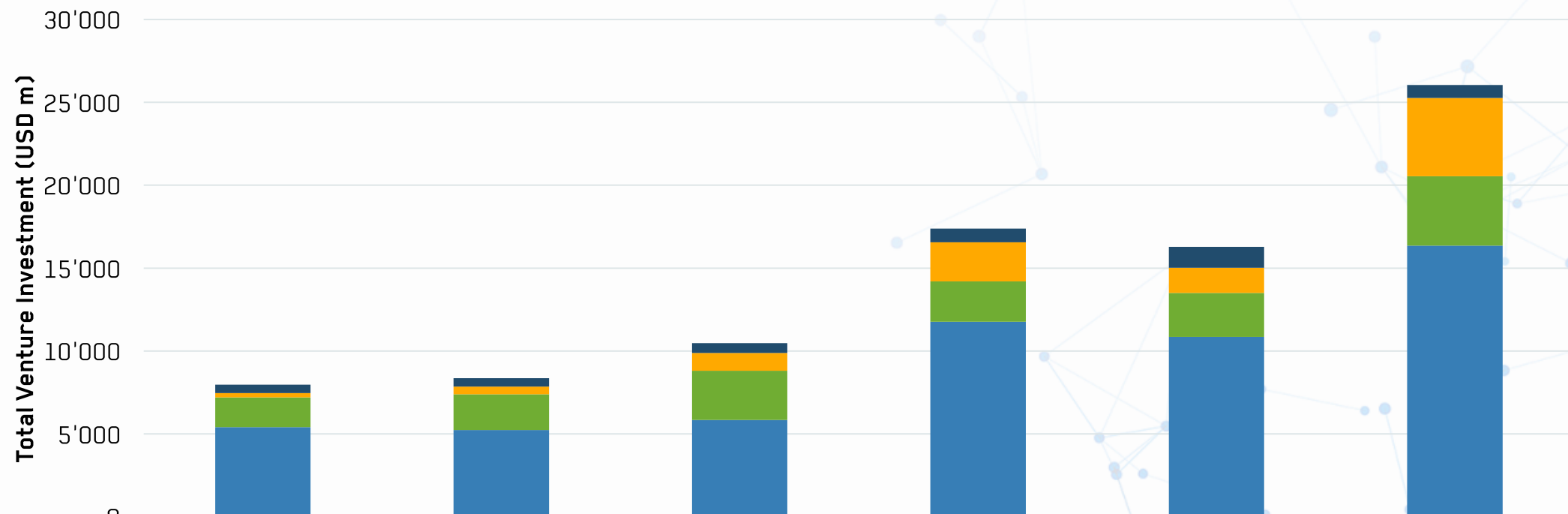
- **Overview of biotech financing trends**
- The right investor
- Dos and don'ts
- Company valuation approaches
- Conclusion

# Total Investment Worldwide



Source: Biotechgate.com

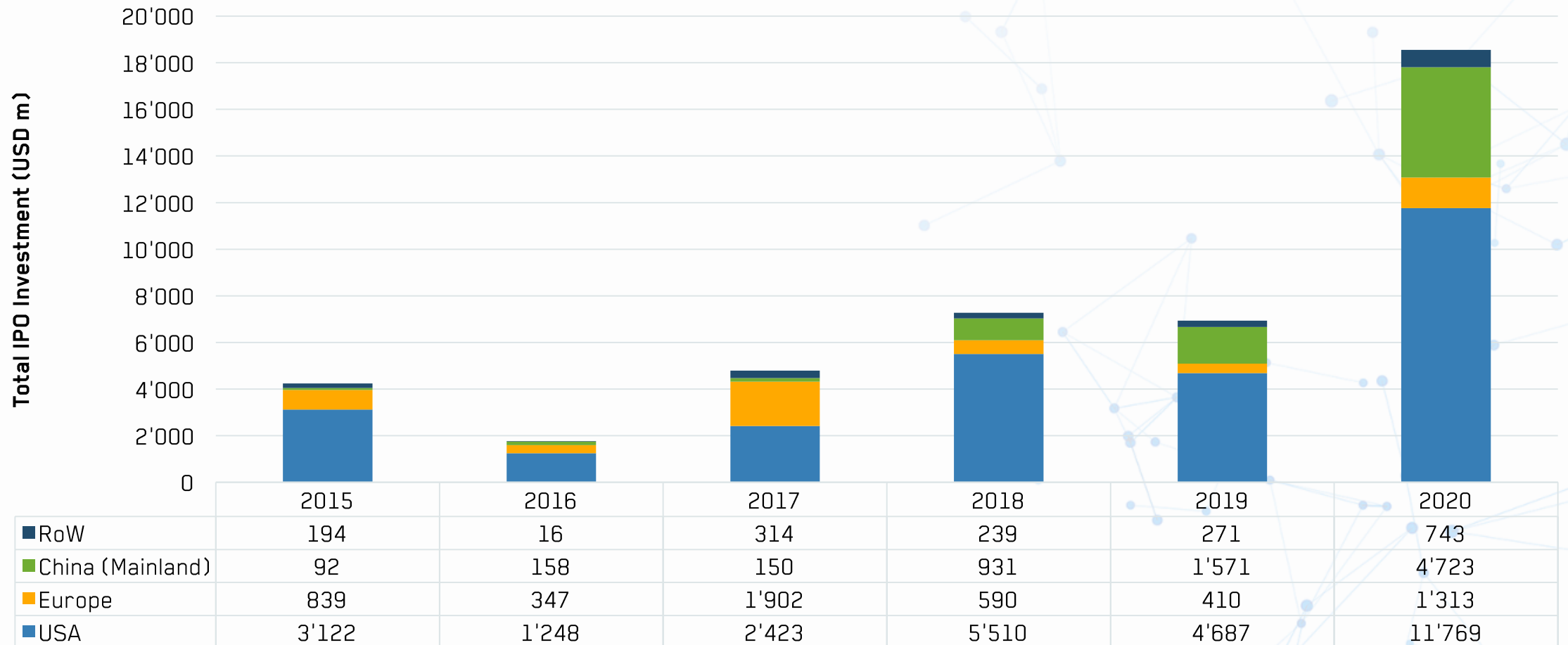
# Total Private Equity Investment Worldwide



	2015	2016	2017	2018	2019	2020
■ RoW	508	512	602	835	1'257	786
■ China (Mainland)	250	461	1'066	2'352	1'522	4'714
■ Europe	1'796	2'155	2'969	2'440	2'647	4'185
■ USA	5'414	5'234	5'843	11'765	10'855	16'364

Source: Biotechgate.com

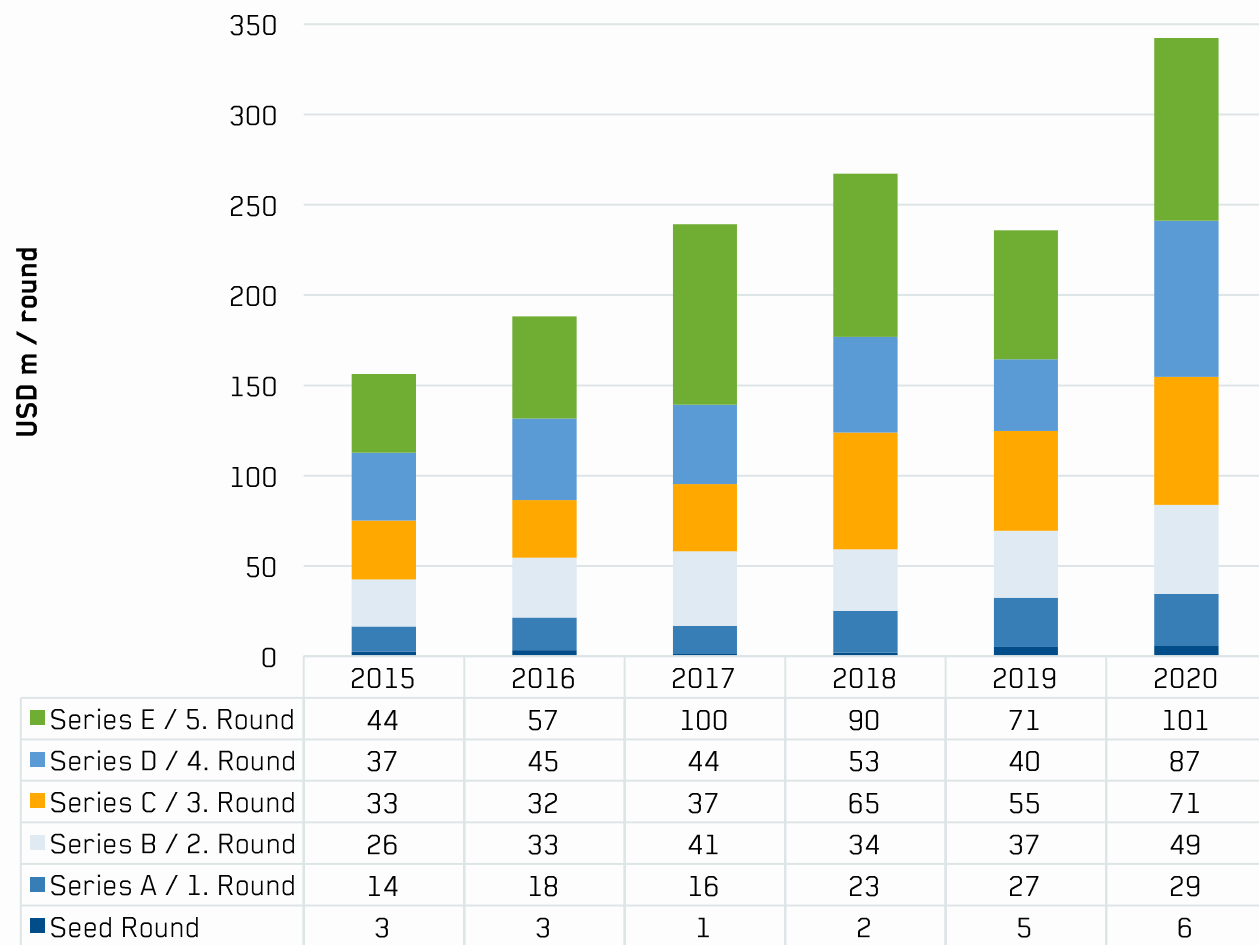
# Total IPO Investment Worldwide



Source: Biotechgate.com

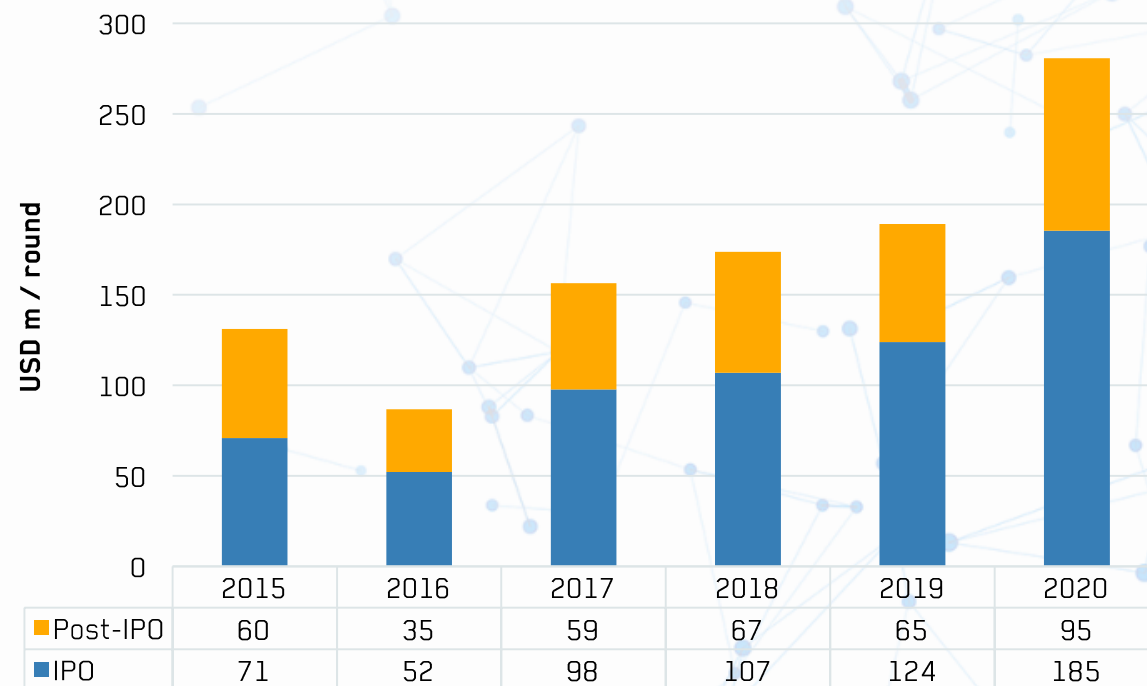
# Investment Received per Round Worldwide

## PRIVATE EQUITY FINANCING ROUNDS



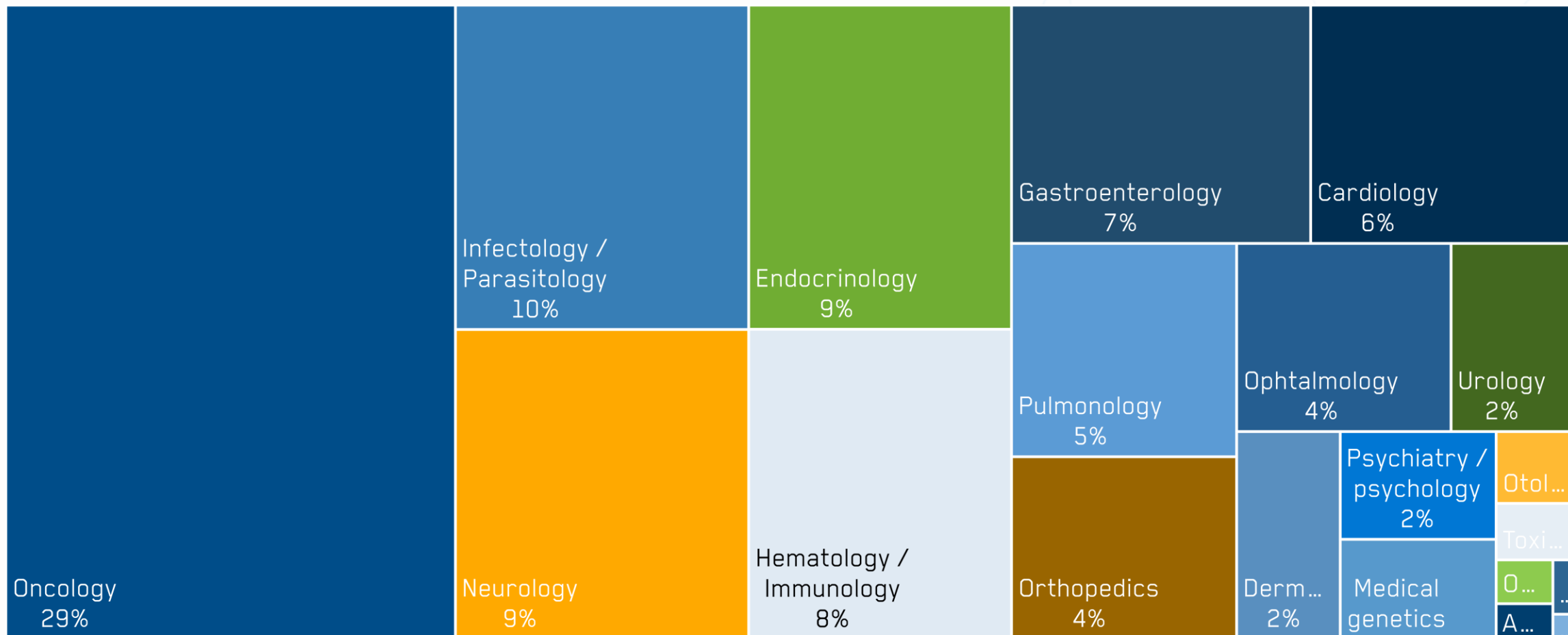
Source: Biotechgate.com

## PUBLIC FINANCING ROUNDS



Source: Biotechgate.com

# Most financed indication in 2020



Source: Biotechgate.com

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- Overview of financing trends
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# Fundraising challenges

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



**Raising money is a challenge for most companies**

**There are more projects than available funding**

# How do companies cope with the 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
- Offer, what investors are looking for

# 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

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# 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

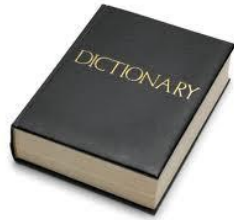
# Dos for Investor preparation

- 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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- Dos and don'ts
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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

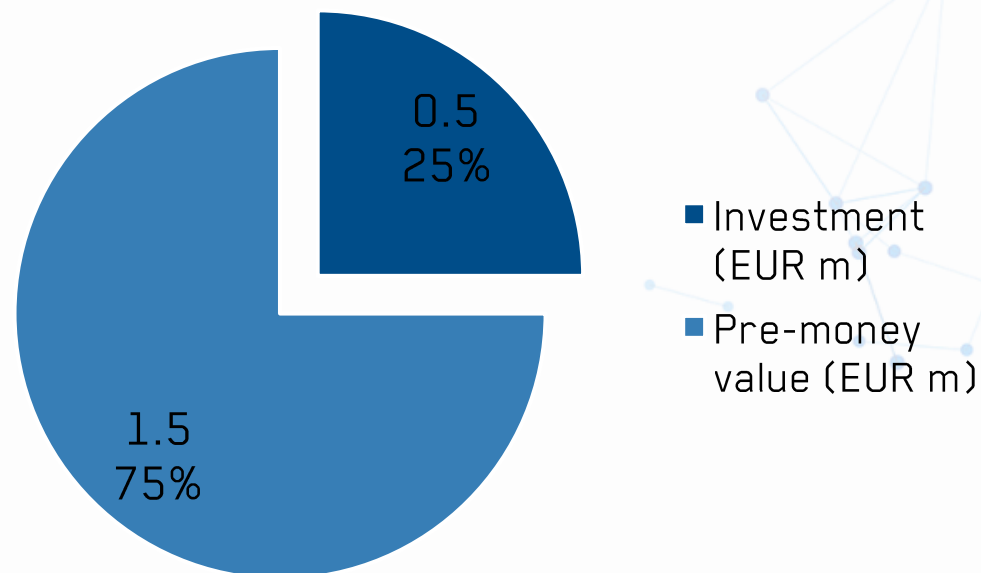
"Price is what you pay. Value is what you get."

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

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



# 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%

→ **Its all about risk / return**

# Risk as 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

1. Management
2. Market
3. Technology

## Company



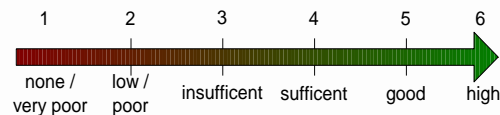
## Product



# 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

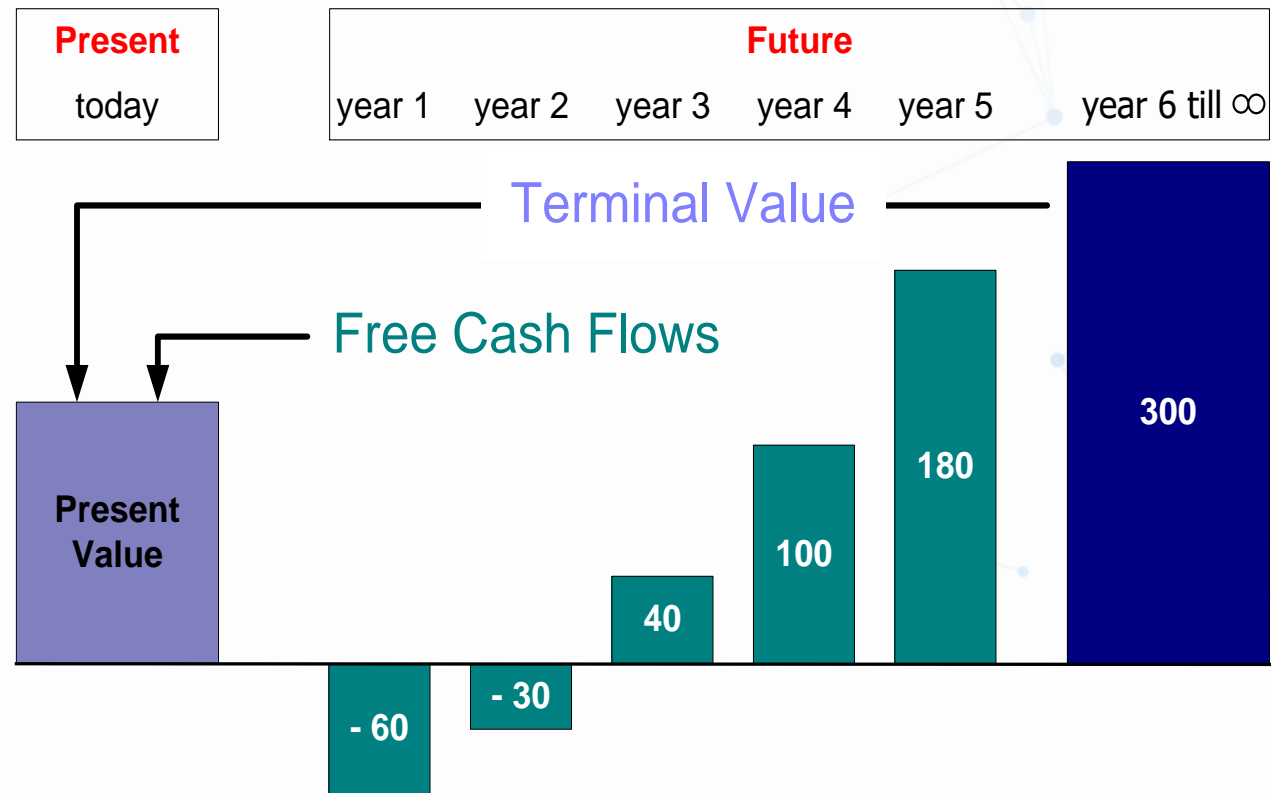


Market methods

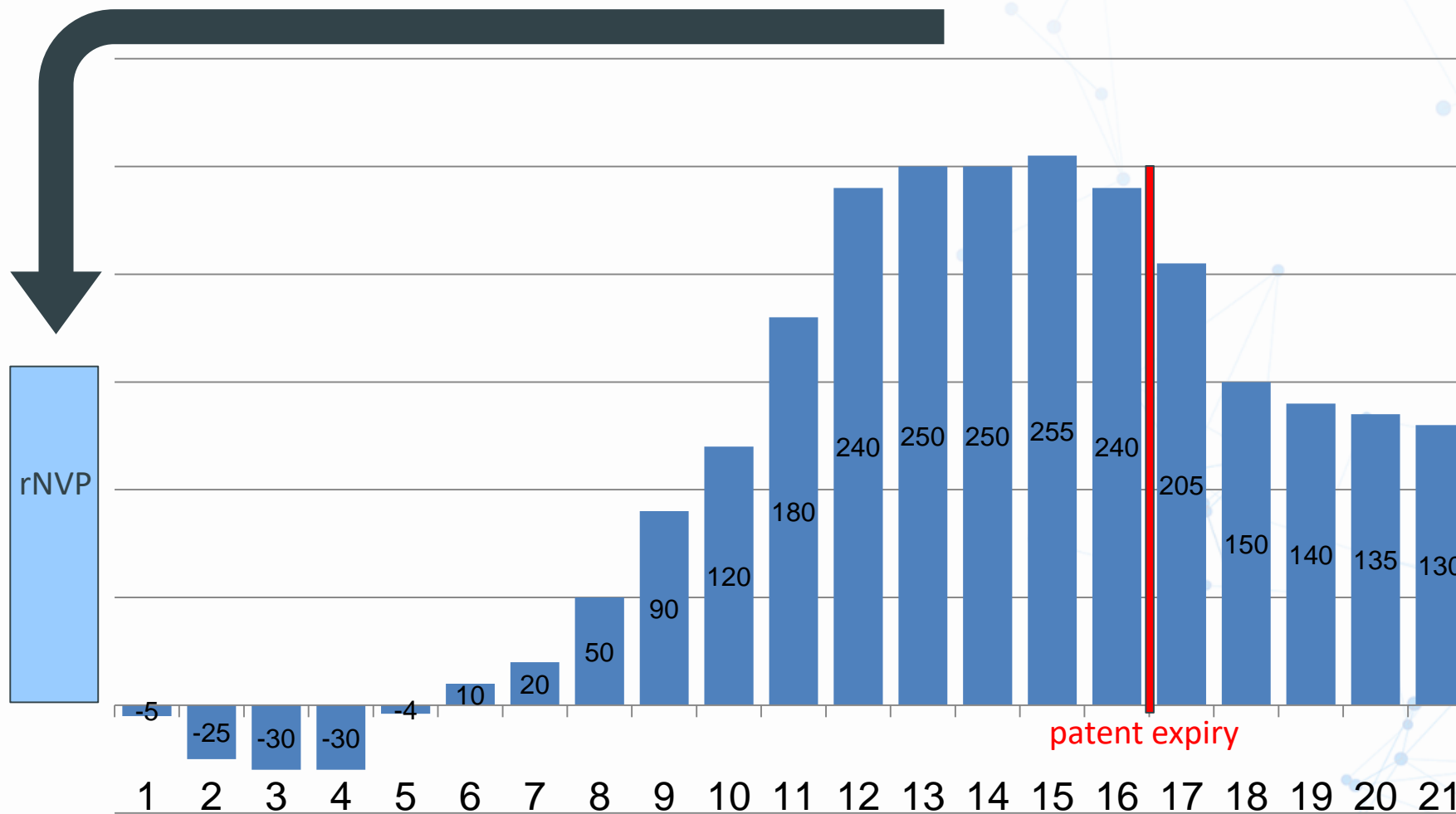
**= there is no "the right method"**

**= combination of different methods**

# Discounted Cash Flow (DCF)



# Risk adjusted Net Present Value (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)



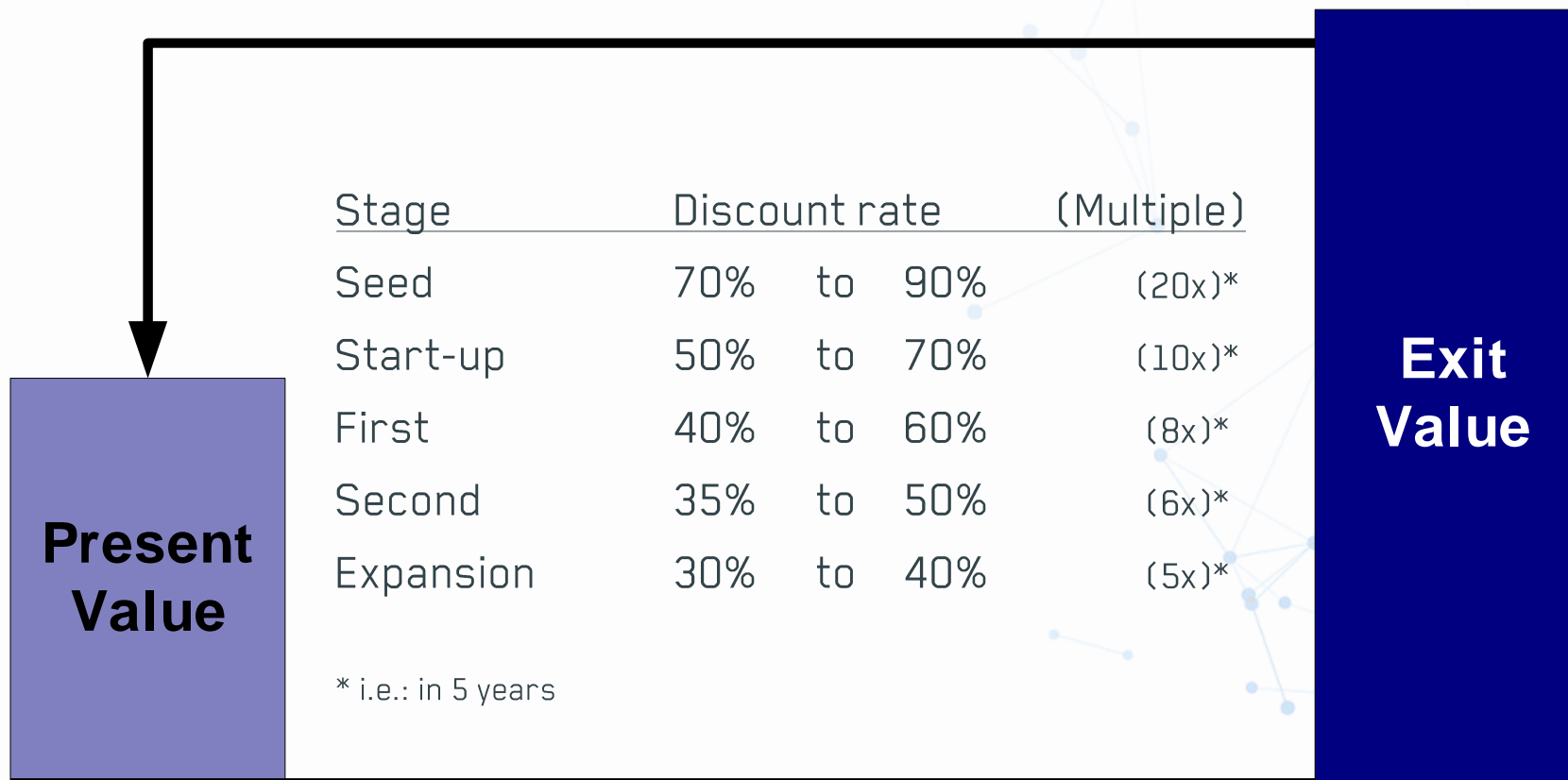
10 employees

⇒ Company Value:

USD 10 m\*

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

# Venture Capital Method



**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



# THE VALUATION EXPERTS

Thank you for listening!

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