



VENTURE VALUATION
GLOBAL VALUATION SERVICES

The Valuation Experts

Company valuation for fundraising –
Trends and Tools

June of 2021

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

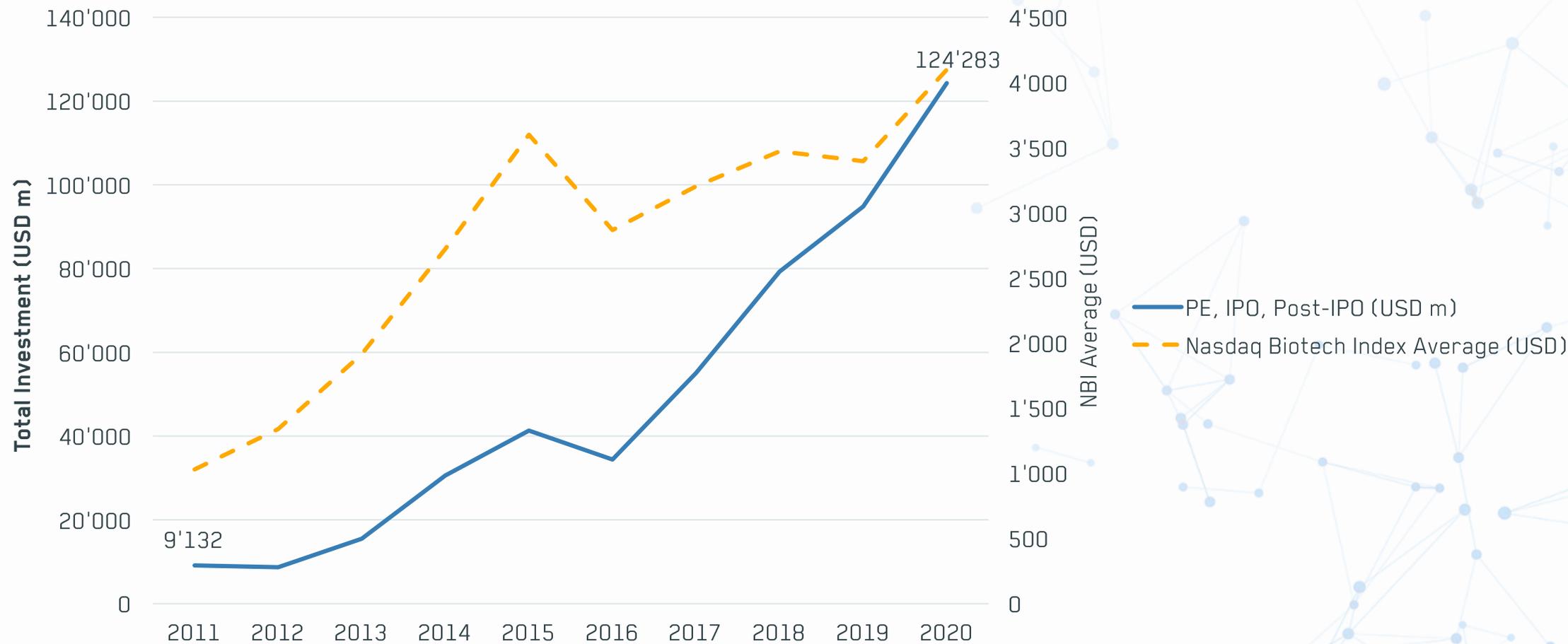
Fundraising companies as well as Investors such as Novartis Venture Fund, GSK, European Investment Bank, 4SC, Arpida / Evolva, Ferring.

Biotech Associations / Governments like Medicon Valley, Ausbiotech, Invivo Montreal, Maryland, Seoul BioHub, Medicien Paris Region, Bio Deutschland, HK Bio.

Overview

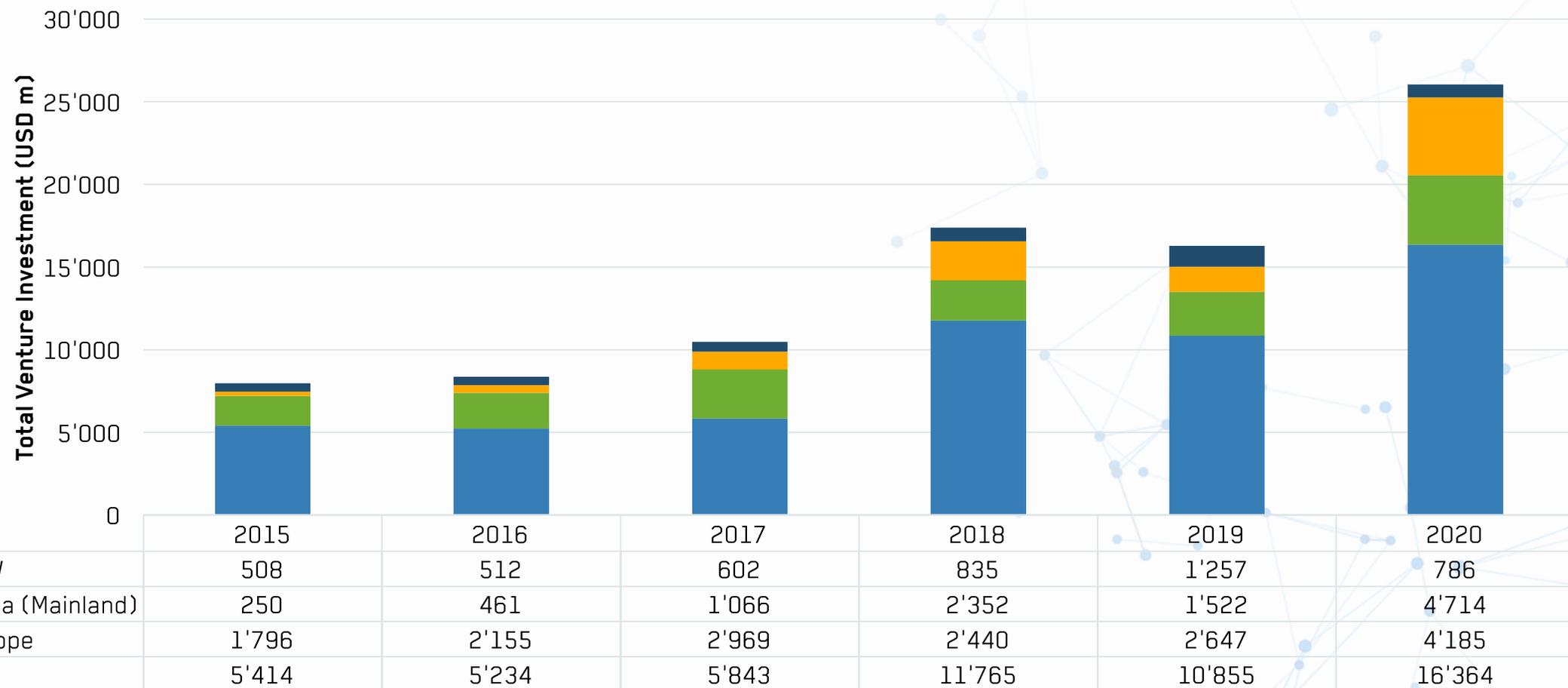
- **Overview of biotech financing trends**
- The right investor
- Dos and don'ts
- Company valuation approaches
- Conclusion

Total Investment Worldwide



Source: Biotechgate.com

Total Private Equity Investment Worldwide



Source: Biotechgate.com

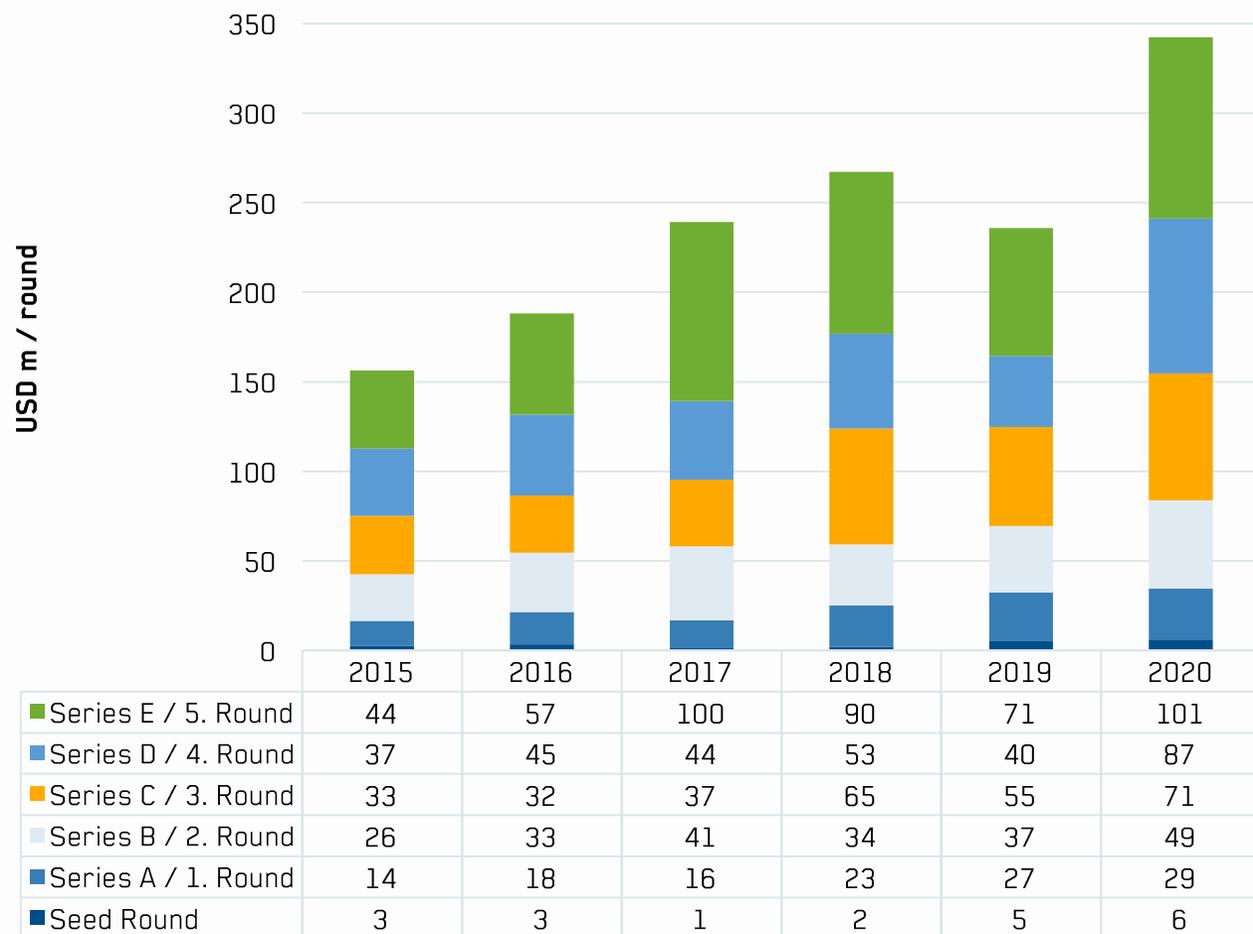
Total IPO Investment Worldwide



Source: Biotechgate.com

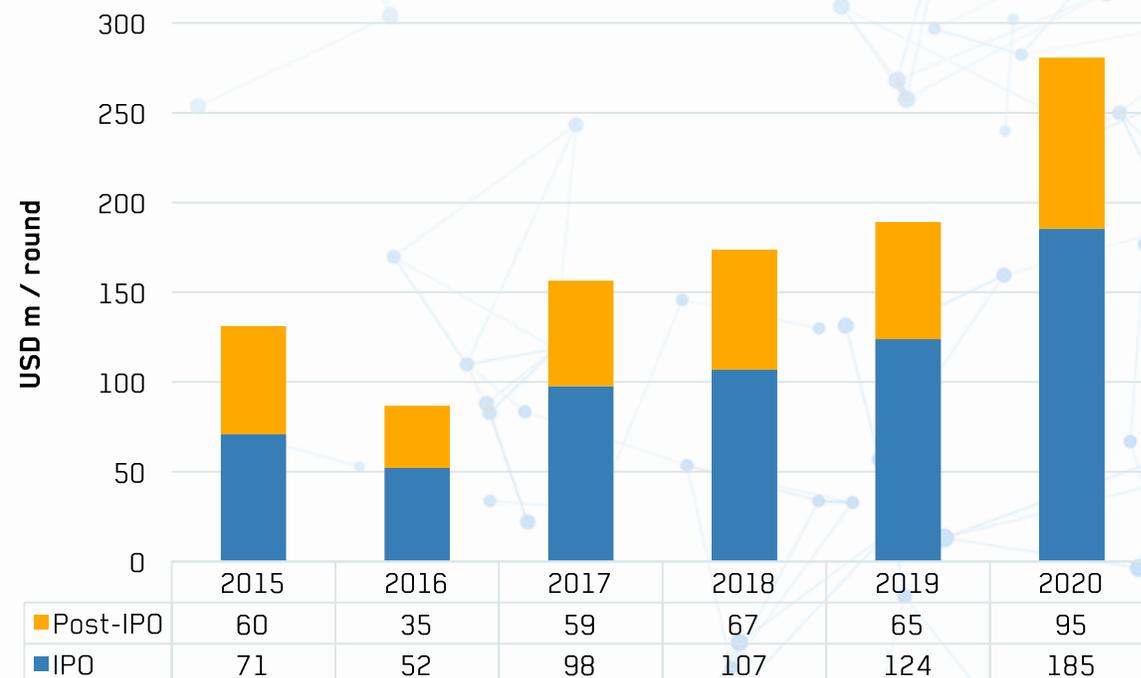
Investment Received per Round Worldwide

PRIVATE EQUITY FINANCING ROUNDS



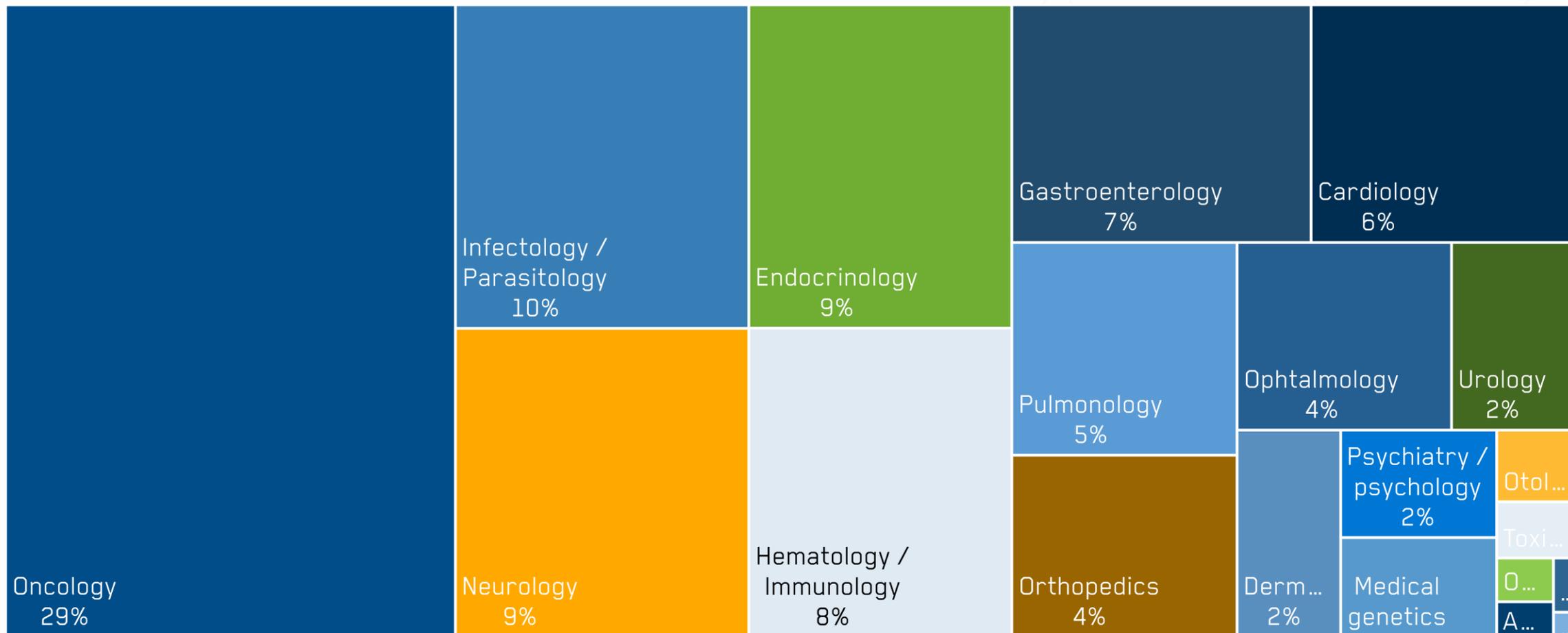
Source: Biotechgate.com

PUBLIC FINANCING ROUNDS



Source: Biotechgate.com

Most financed indication in 2020



Source: Biotechgate.com

Overview

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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 |
|----------------------------------|-----------------------|---------------------------|----------------------------------|--------------------|
| 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 |

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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

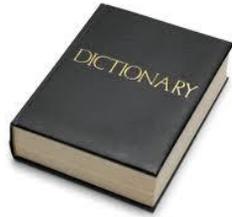
Dos for Investor preparation

- 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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Why valuation?



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

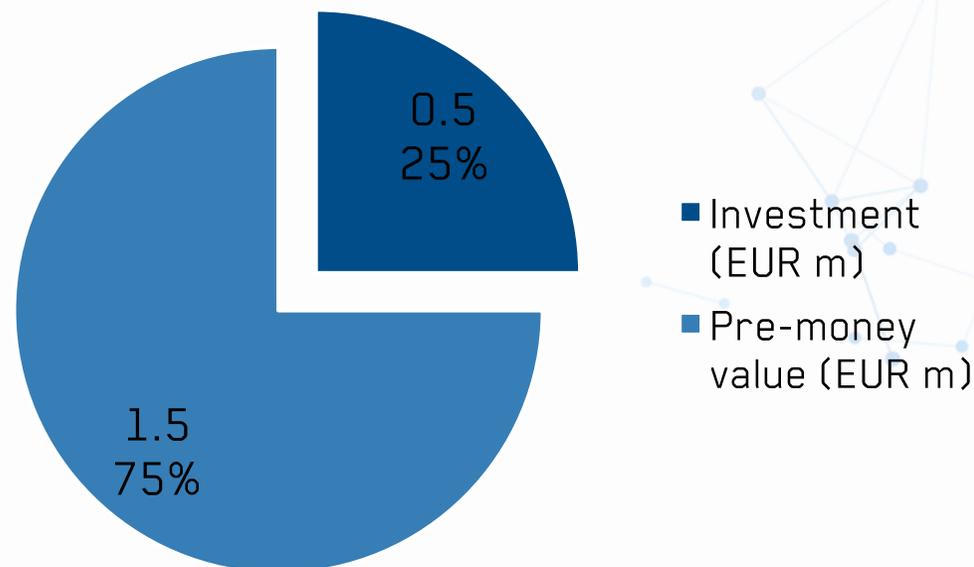
"Price is what you pay. Value is what you get."

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



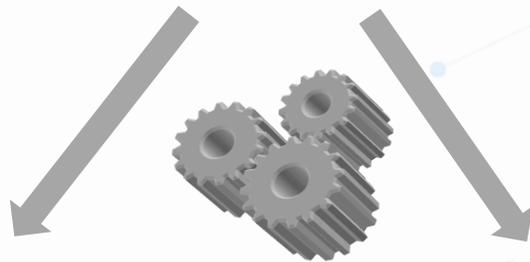
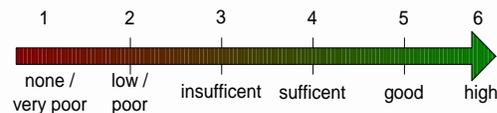
Product



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

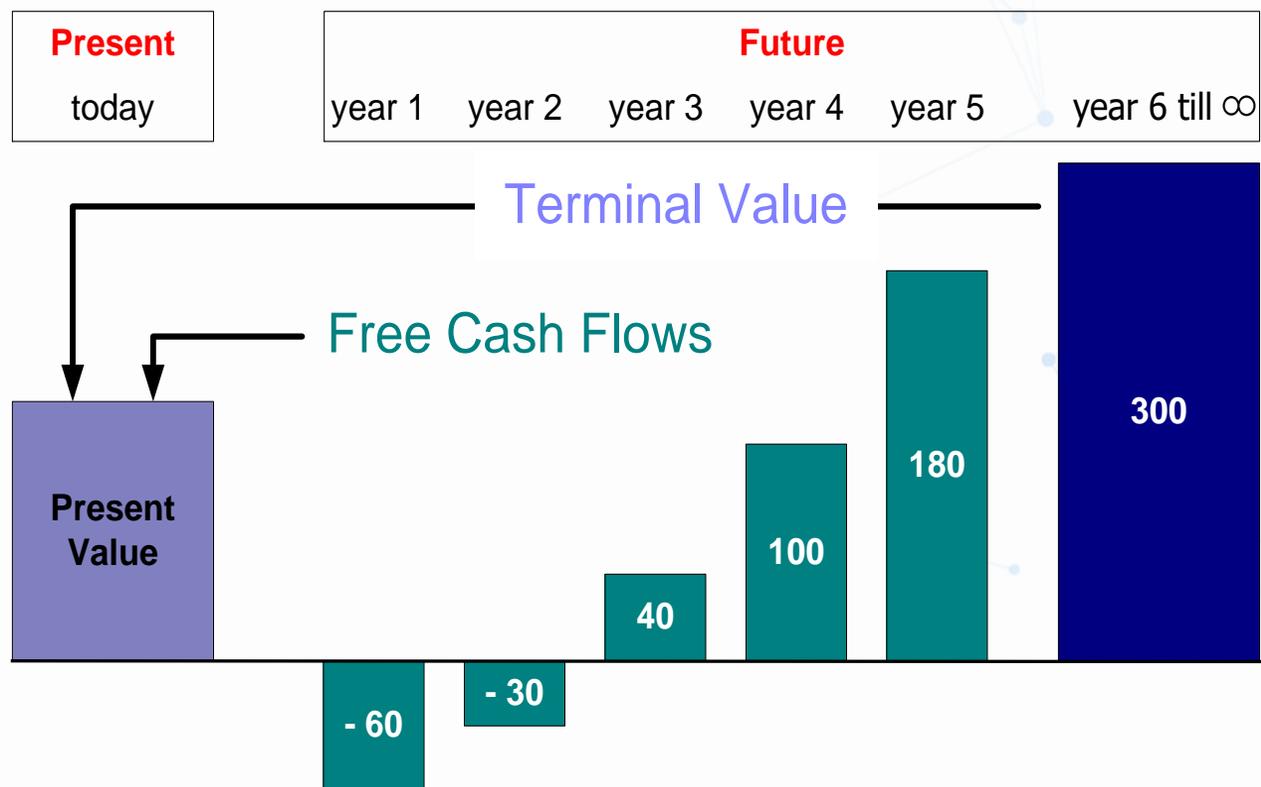


Market methods

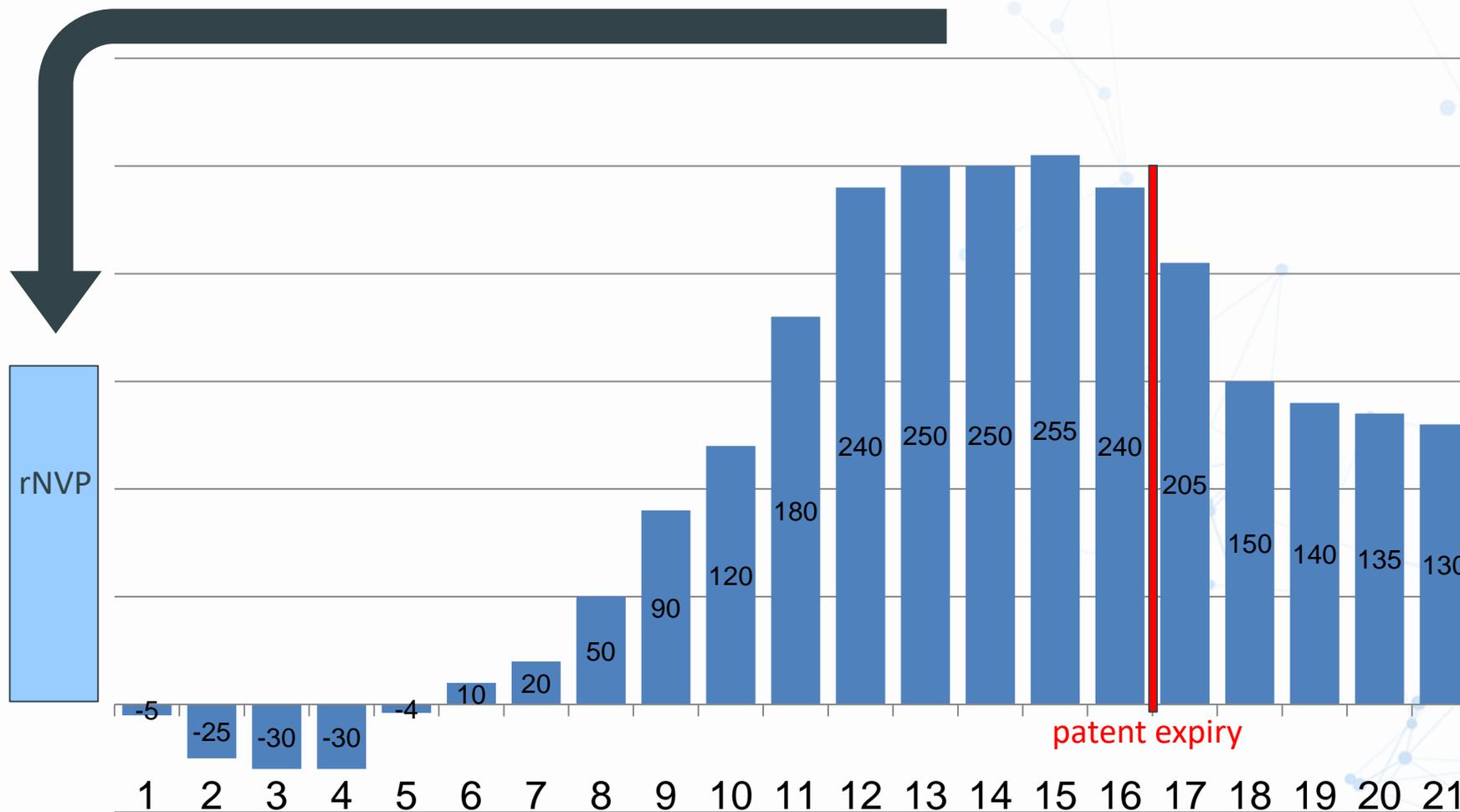
= there is no "the right method"

= 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)



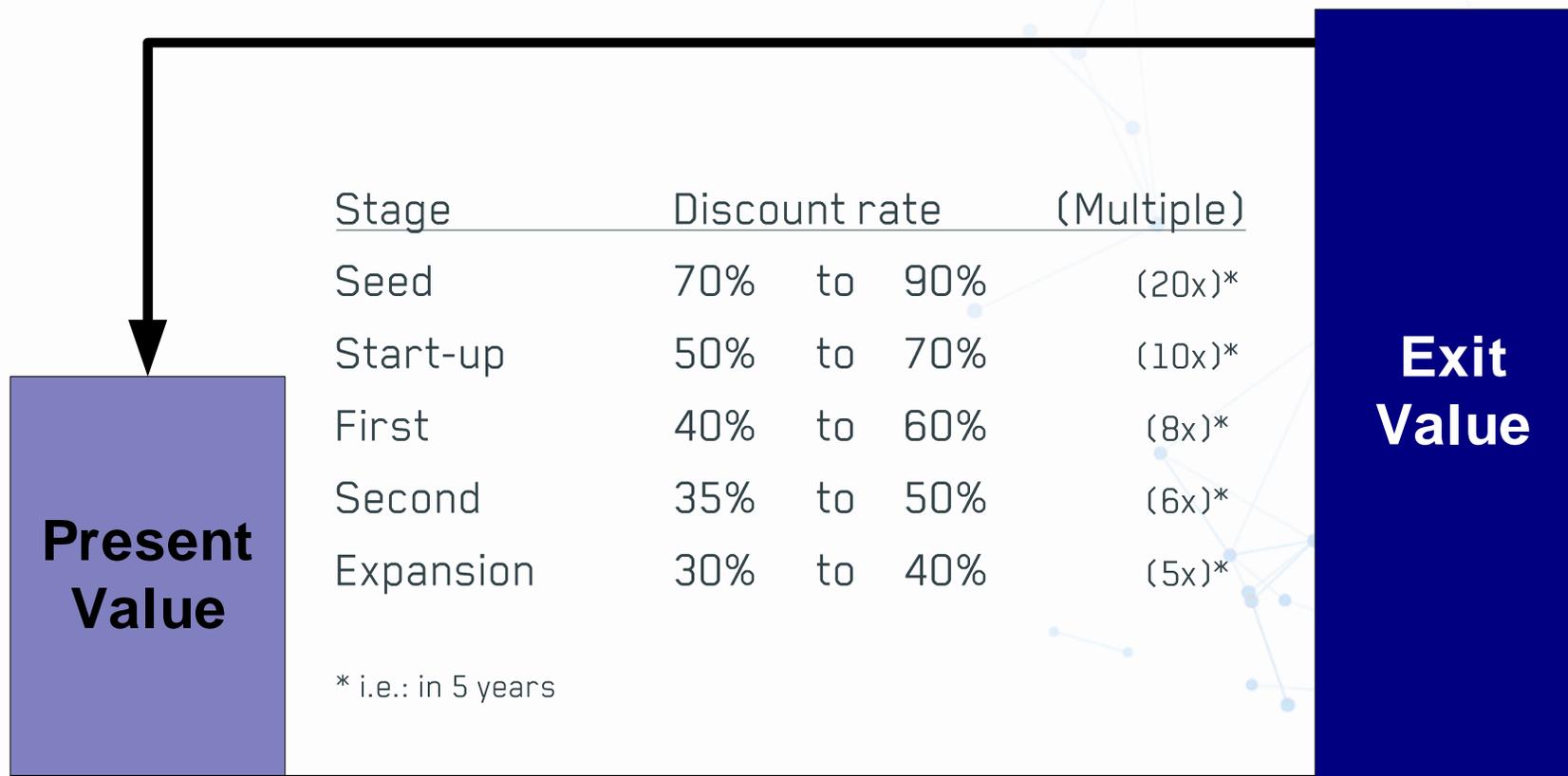
10 employees

⇒ 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

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