

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

40+ people in Switzerland (8) / UK & Ireland (8) / USA & Canada (3) / Malaysia (5) / India (18)

CLIENTS

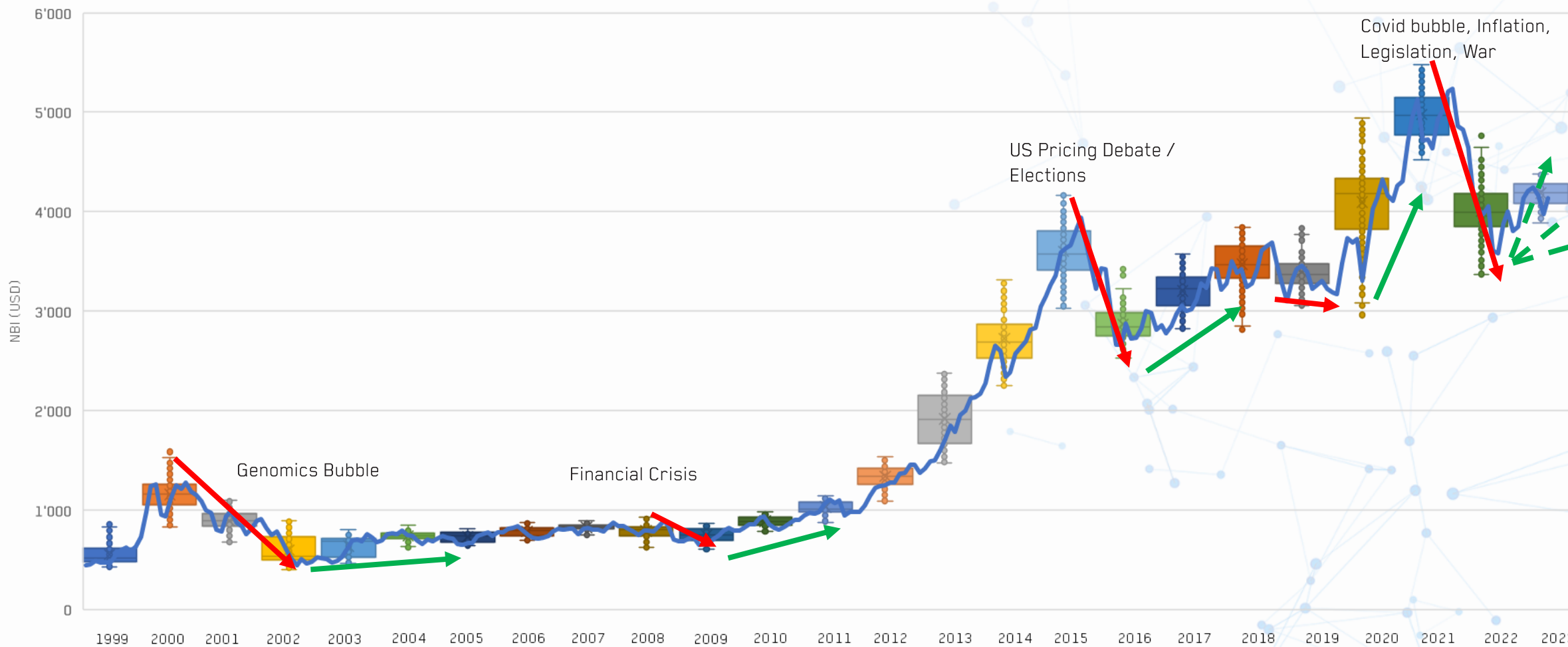
Fundraising companies as well as Investors such as Novartis Venture Fund, GSK, European Investment Bank, 4SC, Arpida / Evolva, Ferring.

Biotech Associations / Governments like Advamed, Medicon Valley, Ausbiotech, BIO Deutschland, BioTaiwan, Maryland, Montreal Invivo, etc.

Overview

- **Biotech financing trends**
- Company valuation approaches
- Conclusion

Market downturns and recoveries



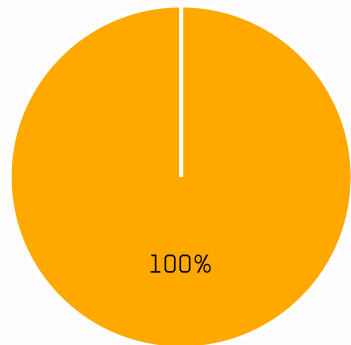
Data Set



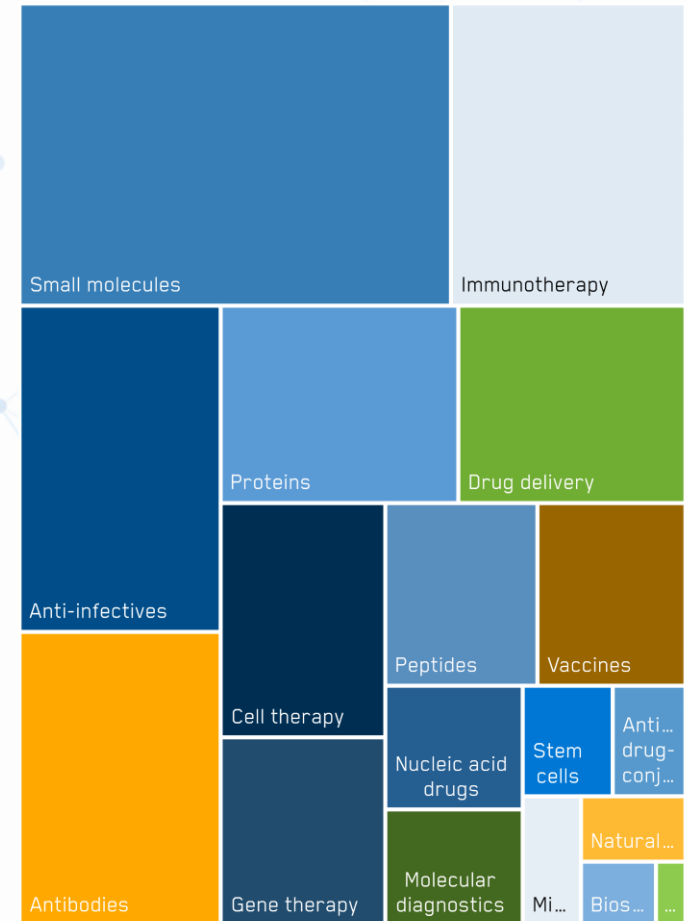
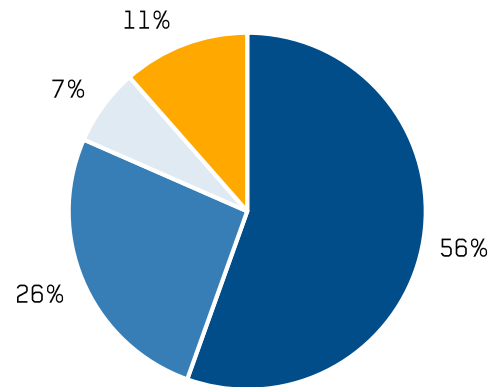
Public Private



Biotechnology - Therapeutics and Diagnostics

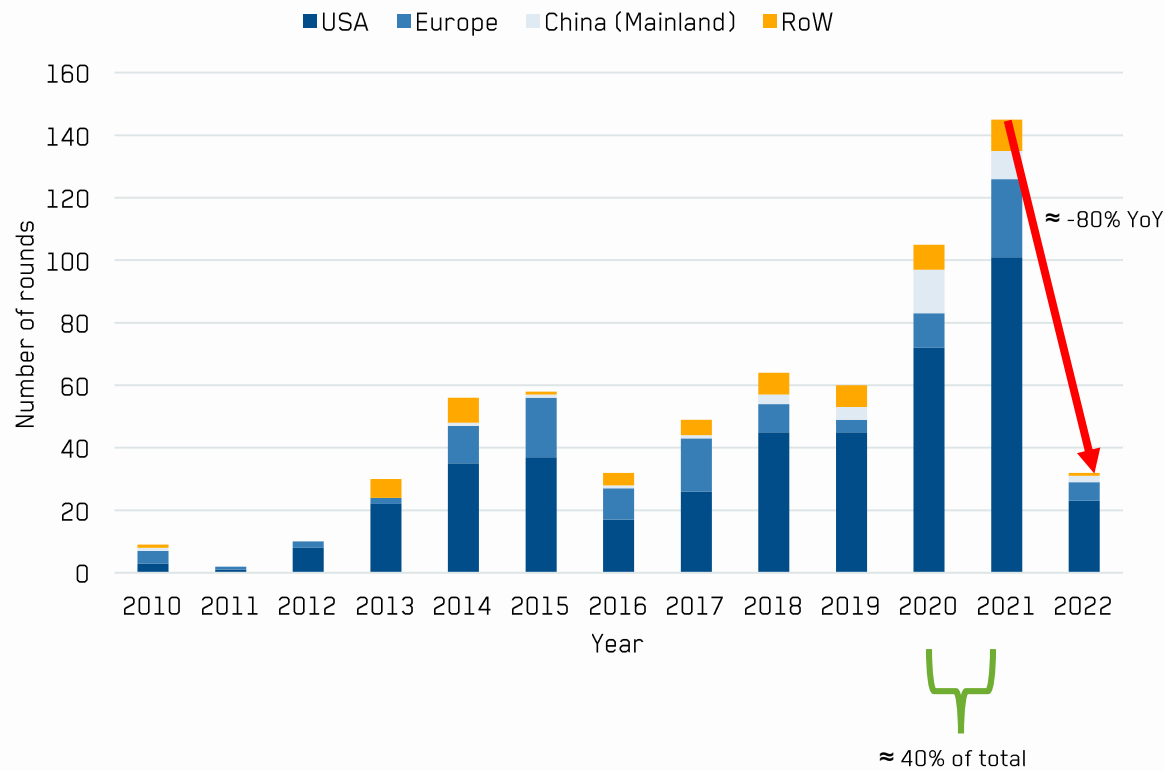


USA Europe China (Mainland) RoW

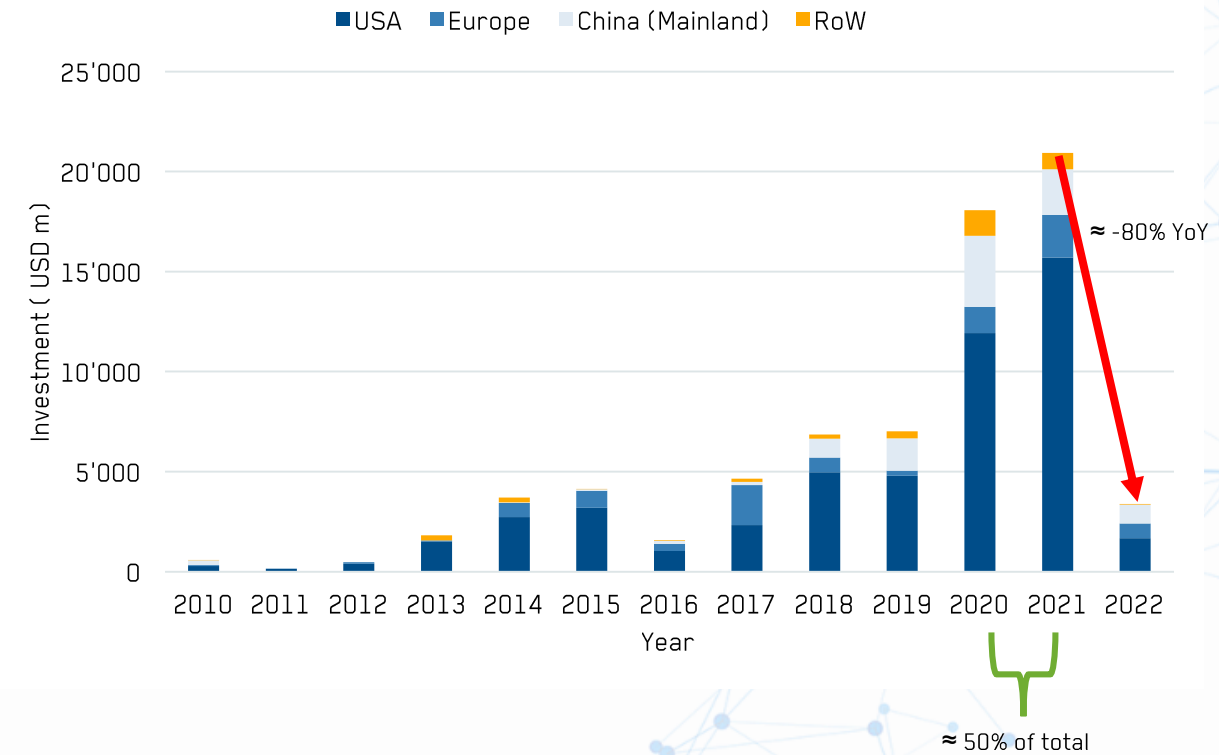


Going public / IPOs

NUMBER OF ROUNDS

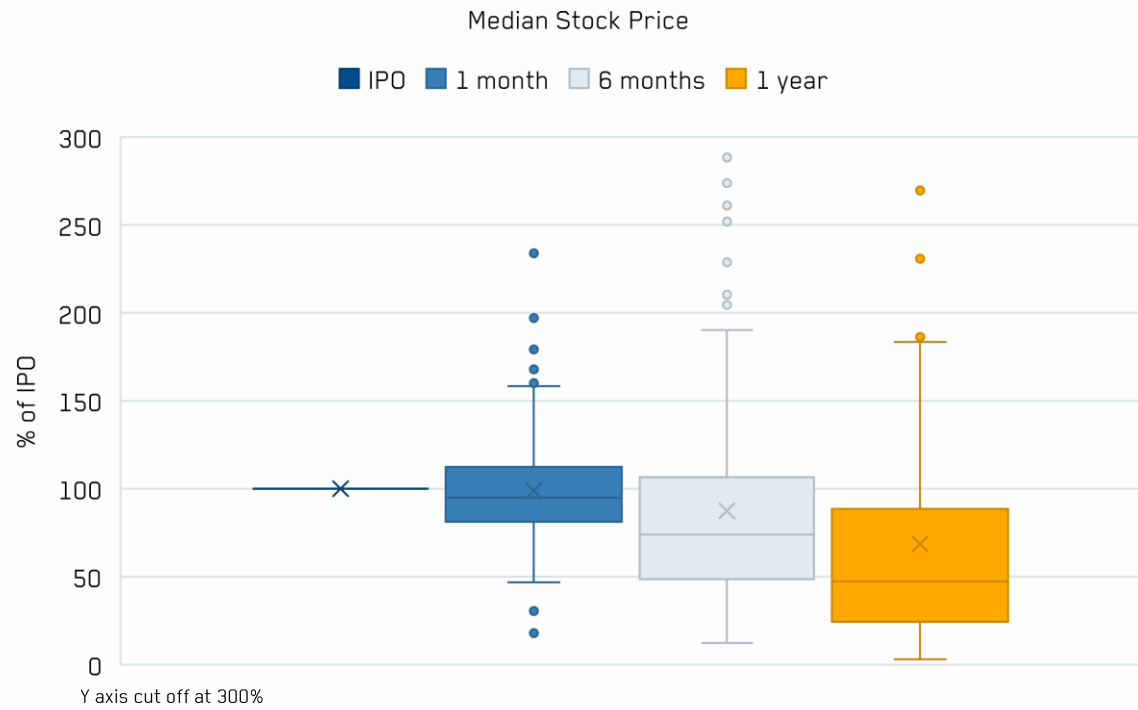


INVESTMENT

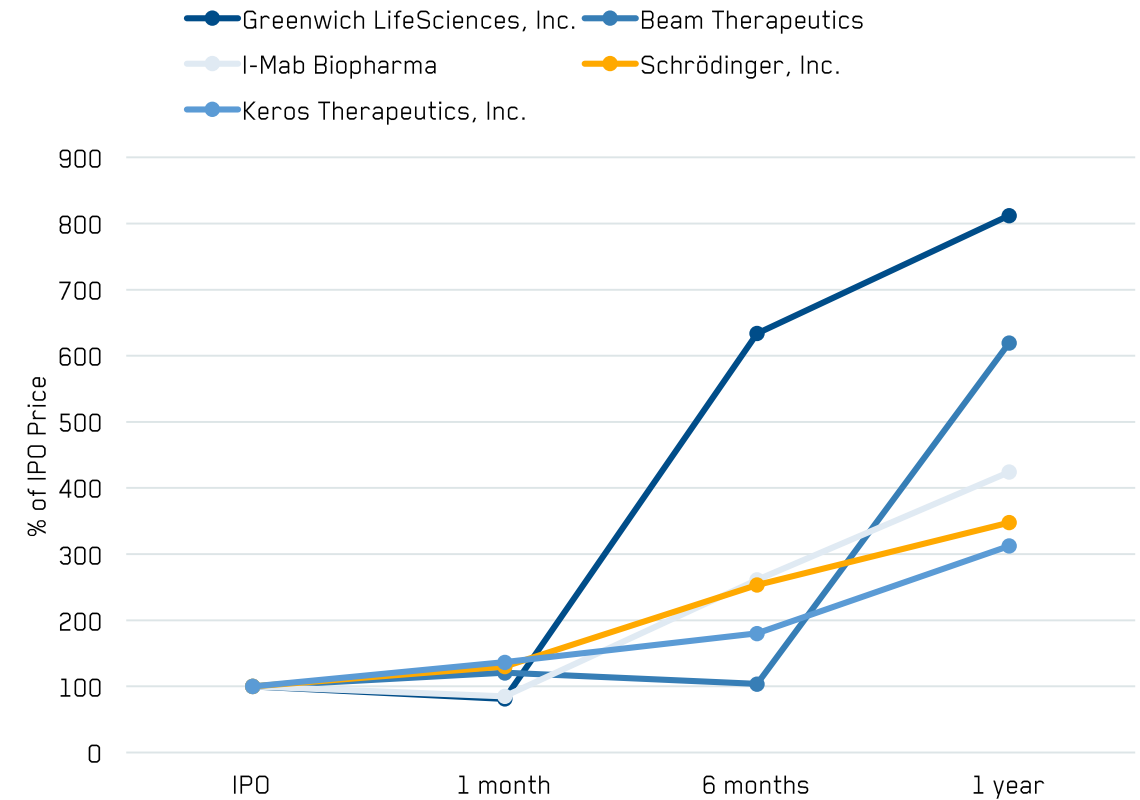


Going public / IPOs

MEDIAN STOCK PRICE

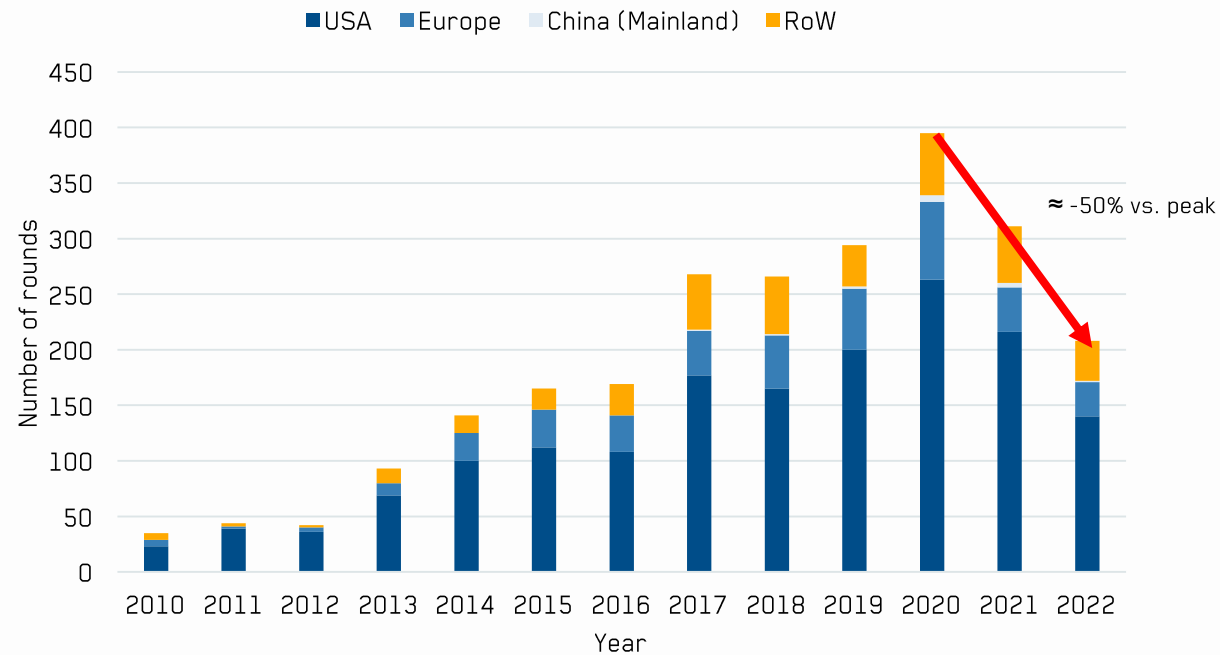


TOP 5 IPOs - PRICE DEVELOPMENT

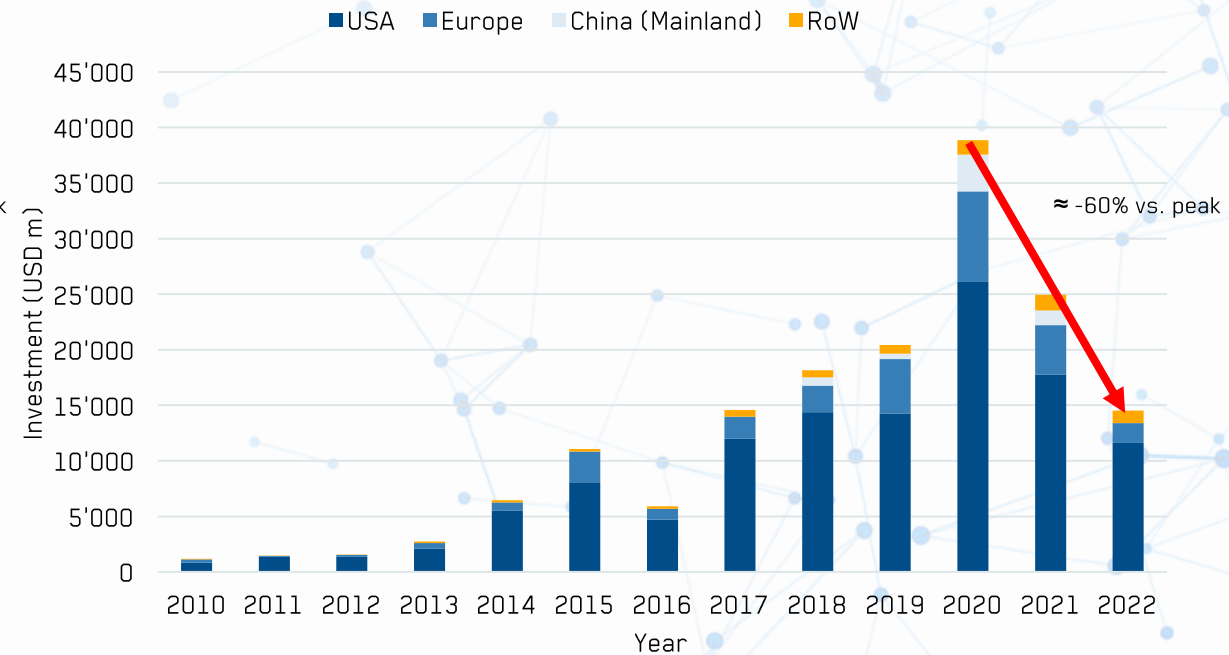


Secondary Offerings

NUMBER OF ROUNDS

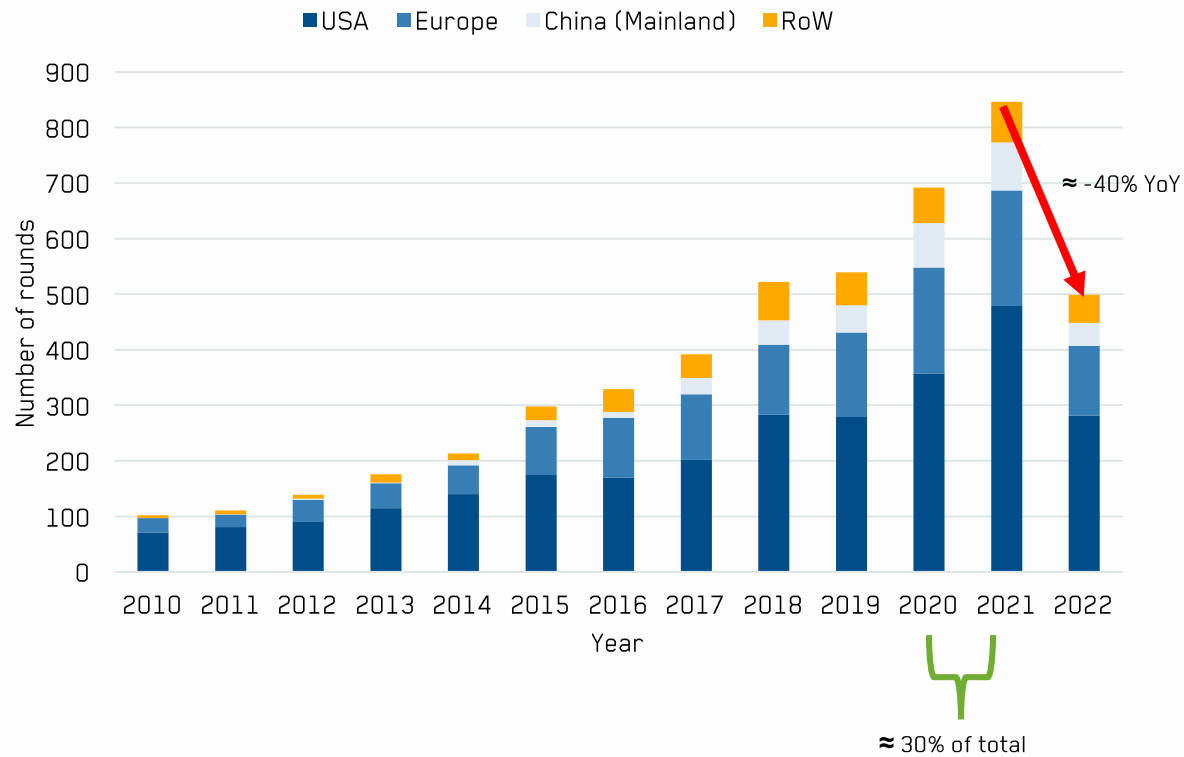


INVESTMENT

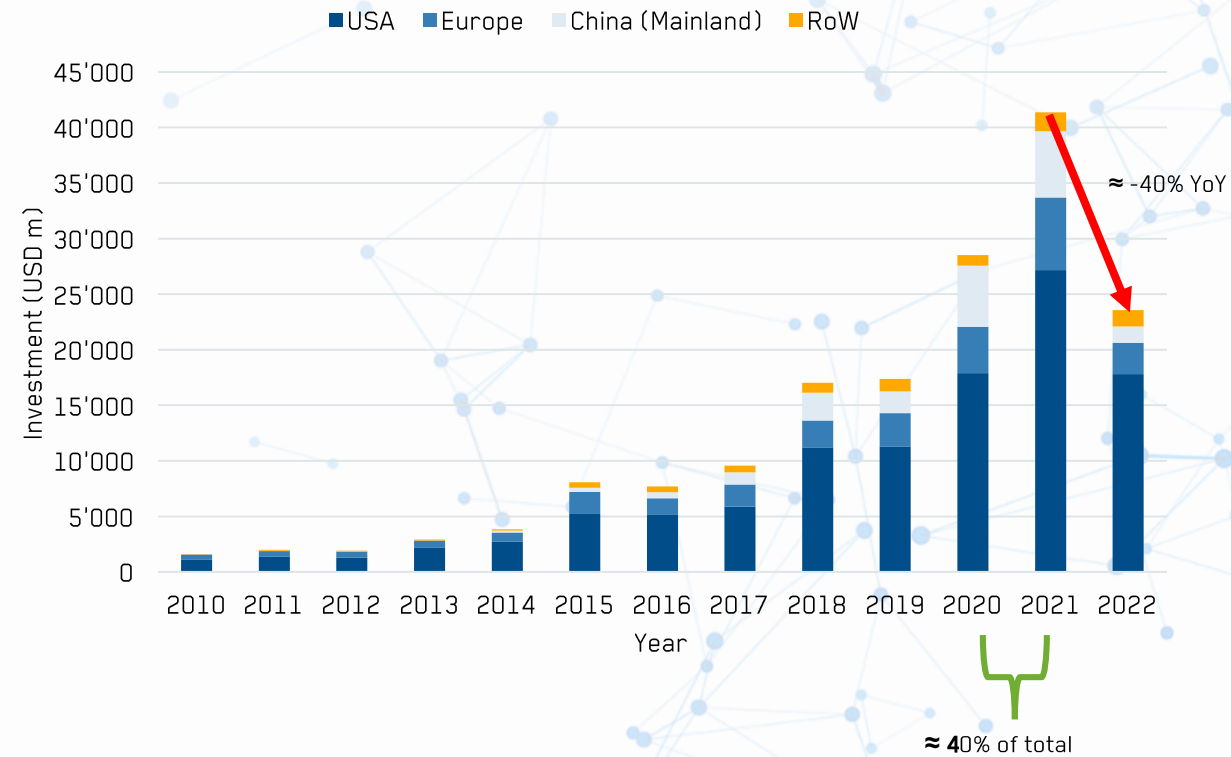


Private Equity

NUMBER OF ROUNDS

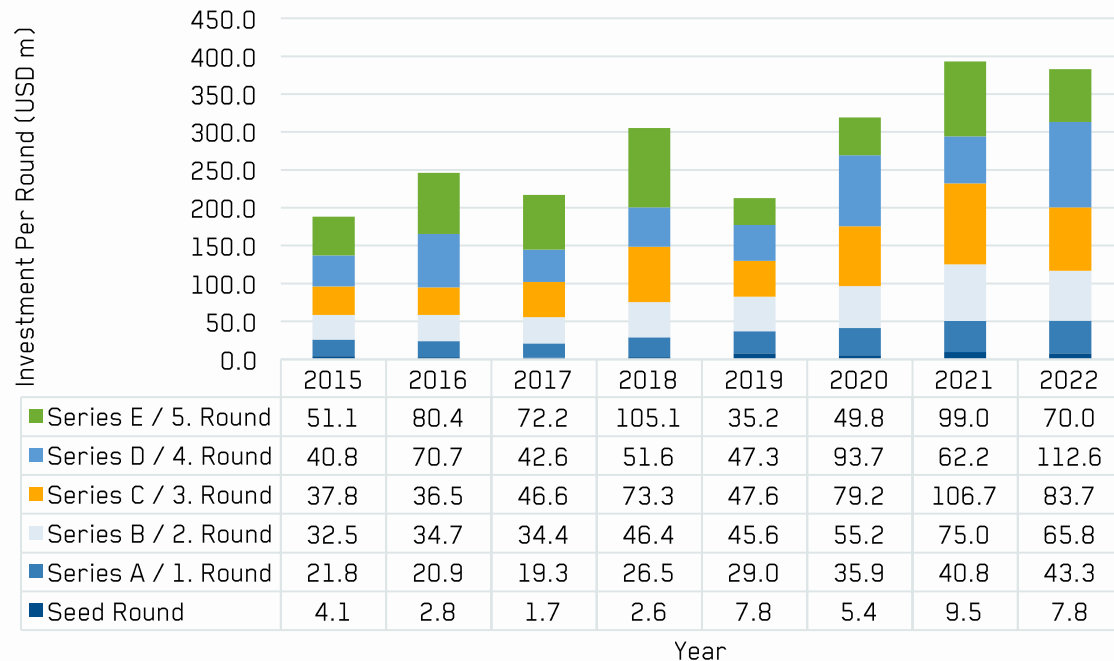


INVESTMENT

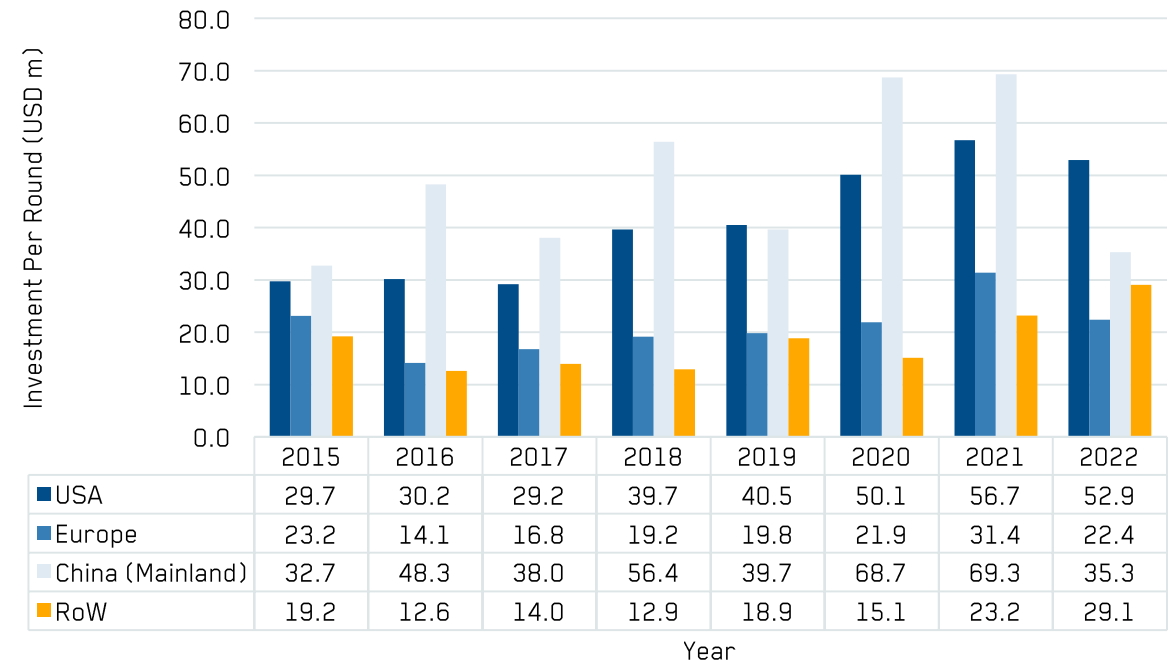


PE - Investment Per Round

INVESTMENT PER ROUND (SERIES)

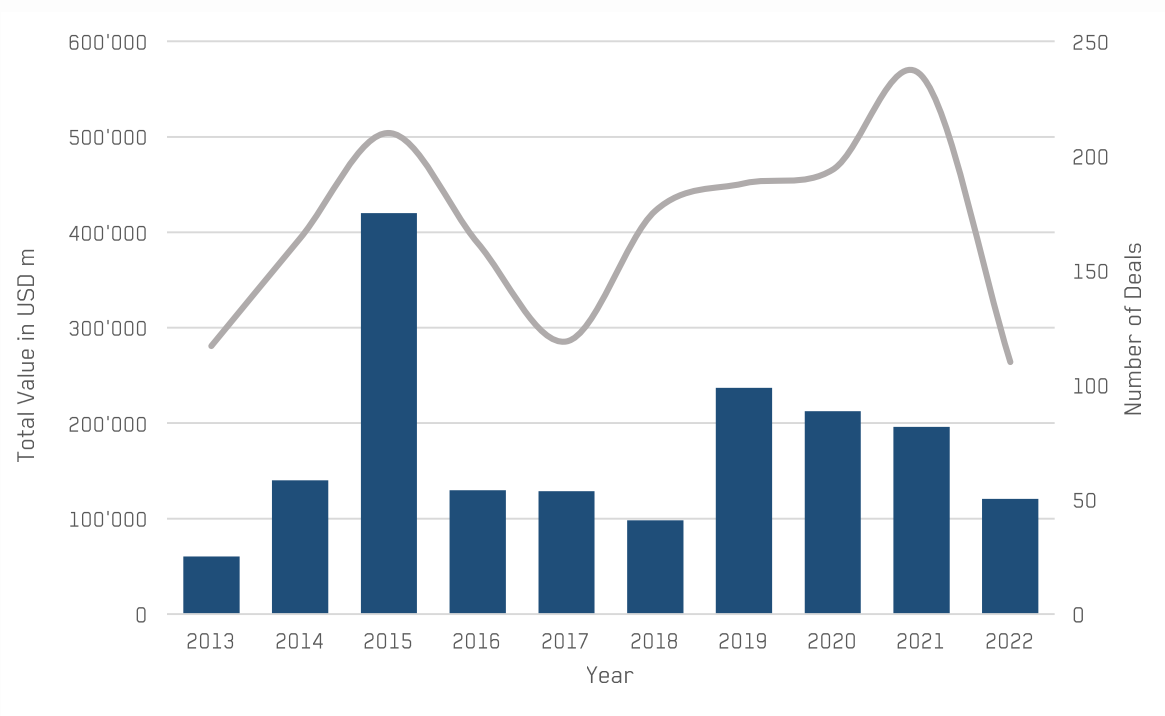


INVESTMENT PER ROUND (GEO)

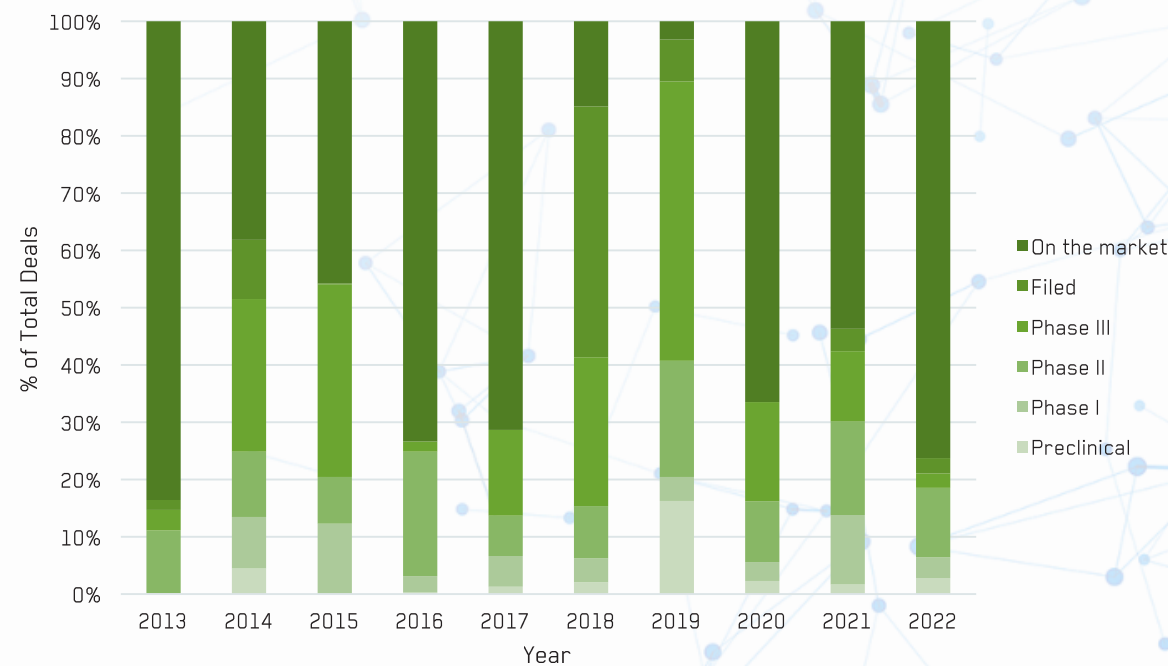


M&A Deals

VALUE & NUMBER OF M&A DEALS

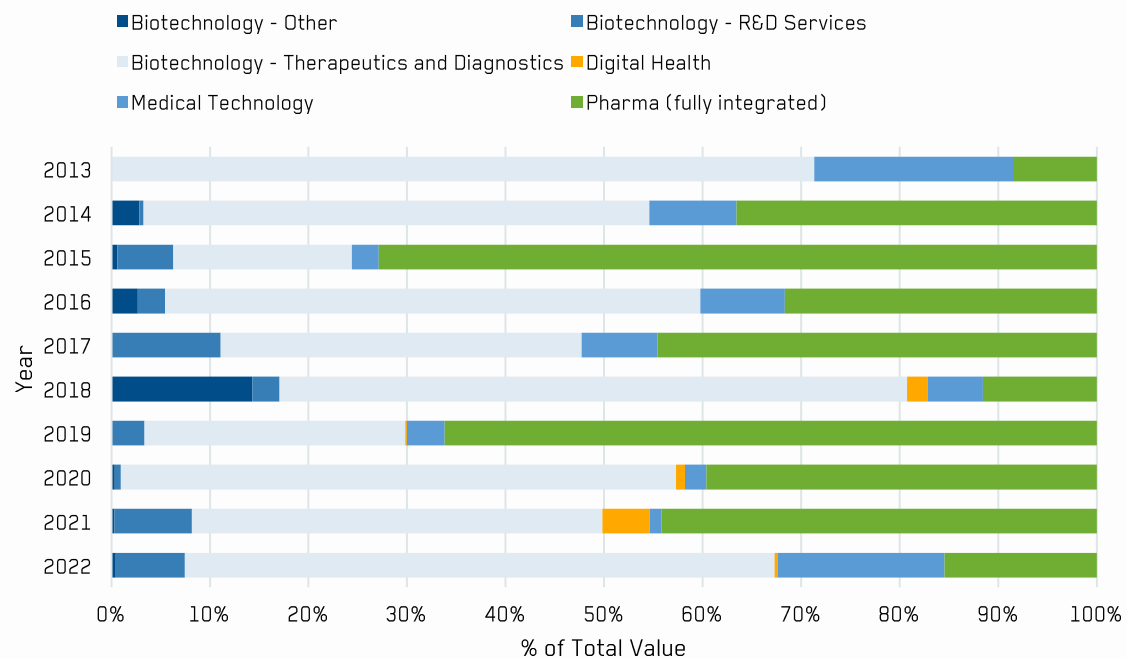


BIOPHARMA M&A BY LEAD ASSET STAGE

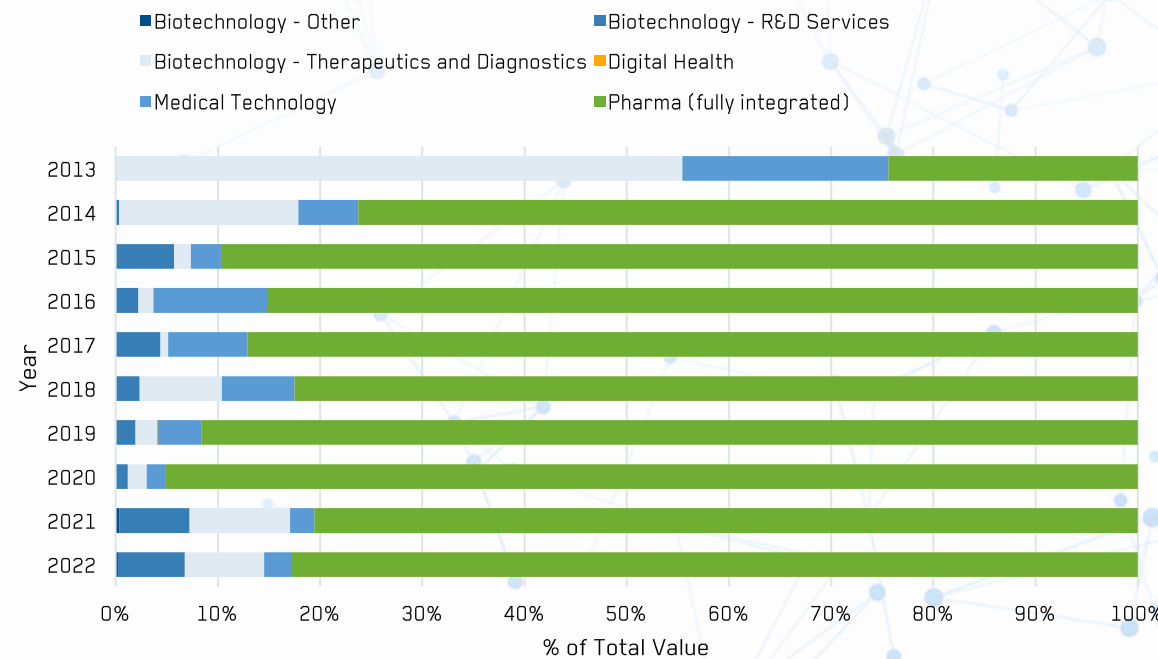


M&A Deals

WHO ARE THE SELLERS?



WHO ARE THE BUYERS?



Summary

- Private, and public market financing have been declining since the peak of the covid pandemic
- Don't forget: 2020 & 2021 set new records and not a new baseline (at least for now)
- Early signs of public market recovery
- Numerous companies trading at negative EV
- Big pharma: significant amount of deployable cash, key revenue generating products reaching patent cliff
- Should be the perfect environment for M&As but → Uncertainties → Wait and see.

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Fundraising challenges

- Depressed public market
- Pricing under pressure (inflation reduction act)
- Increased interest rates
- Investors focus on existing portfolio
- General risk adversity of market

Raising money is a challenge for most companies

There are more projects than available funding



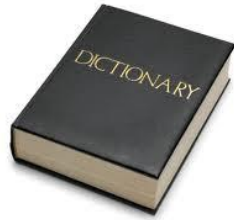
How do companies cope with fundraising challenges?

- Corporate Investors and Family Offices becoming more important
 - Product / Project financing by VCs
 - Early out-licensing
 - Public money is very important
 - Fee for Service as a way of financing innovation
 - Offer, what investors are looking for
- Go to appropriate investor / own due diligence**

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

Why valuation?



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

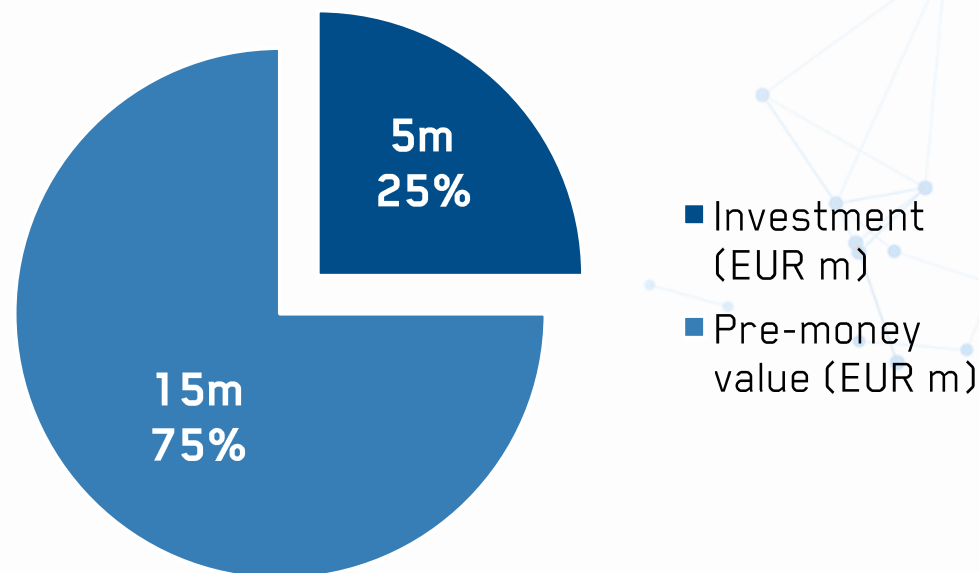
"Price is what you pay. Value is what you get."

By Warren Buffett

→ **Provide basis for negotiation, investment decision, fair share price**

Why Valuation

- Value before investment (pre -money value): EUR 15 m
- Investment: EUR 5 m
- Value after investment (post-money value): EUR 20 m
- Share Investor:
 $5\text{ m} / 20\text{ m} = 25\%$



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%	4%
Bonds	5%	6%
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



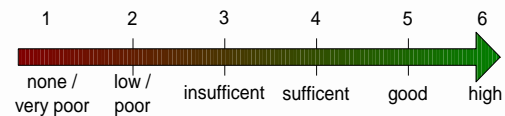
Product



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

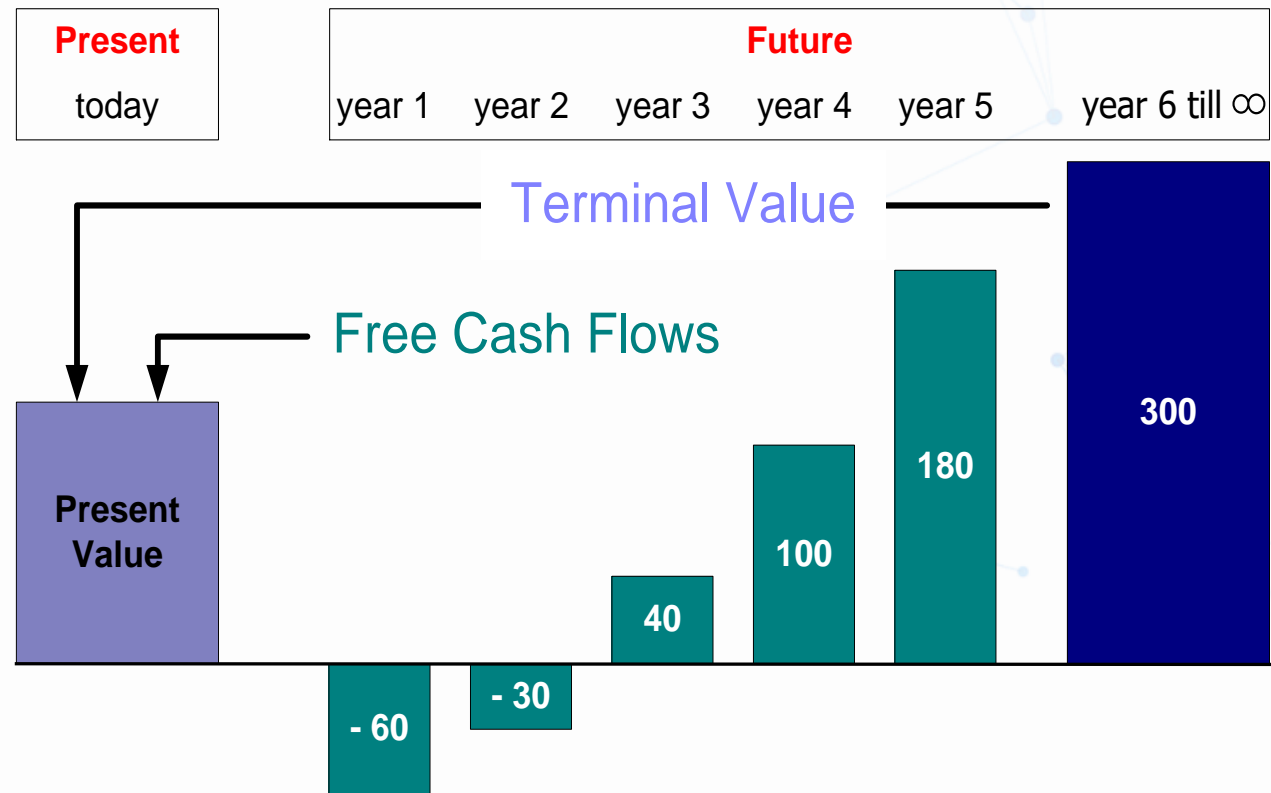


Market methods

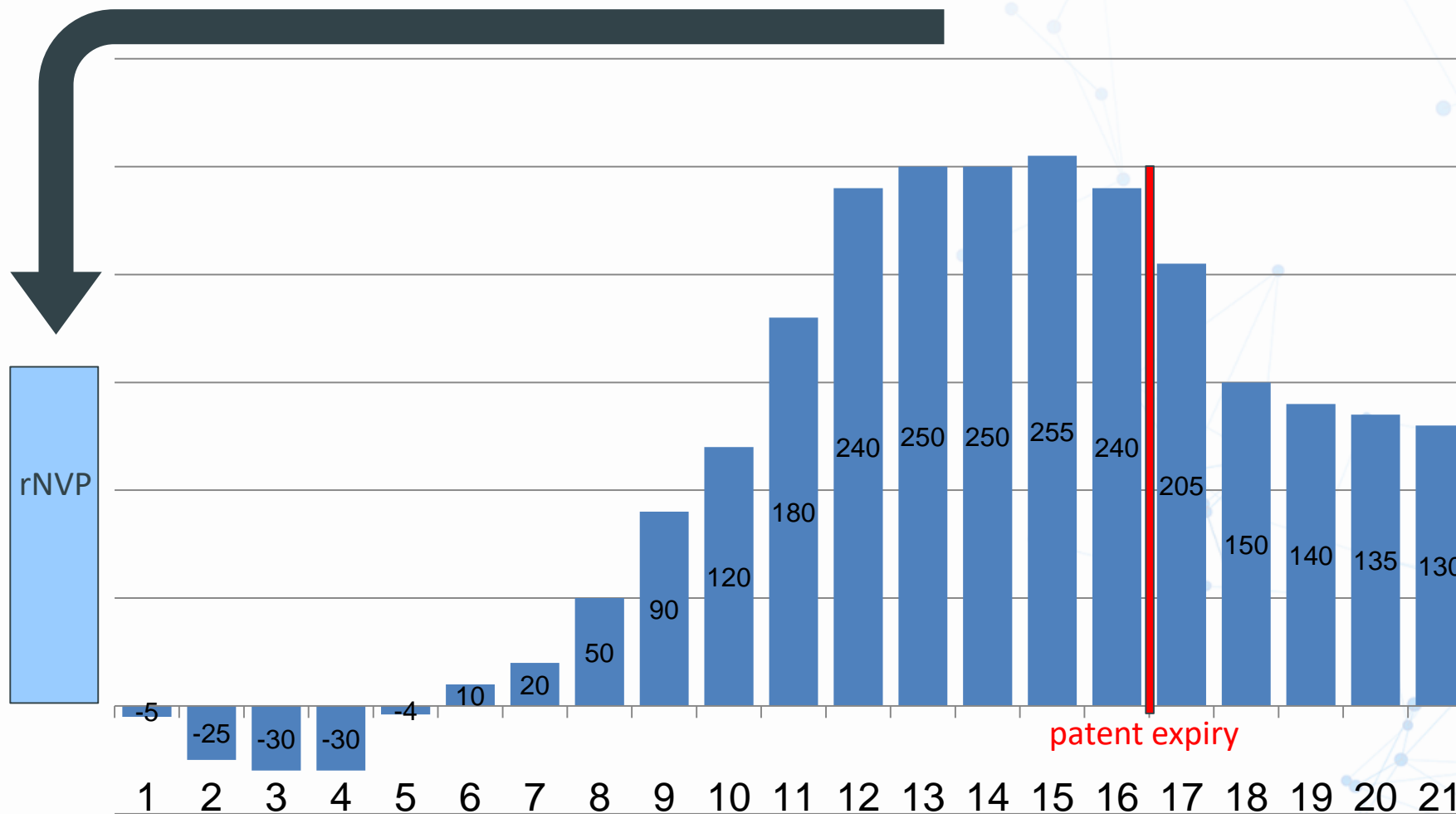
= there is no "the right method"

= combination of different methods

Discounted Cash Flow (DCF)

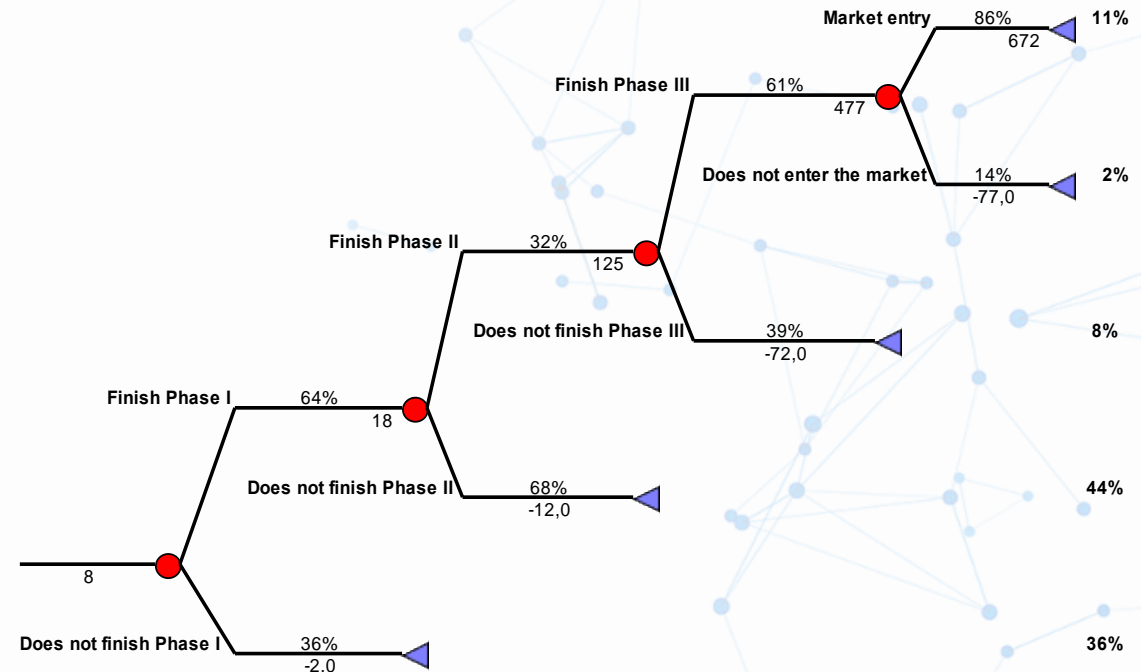
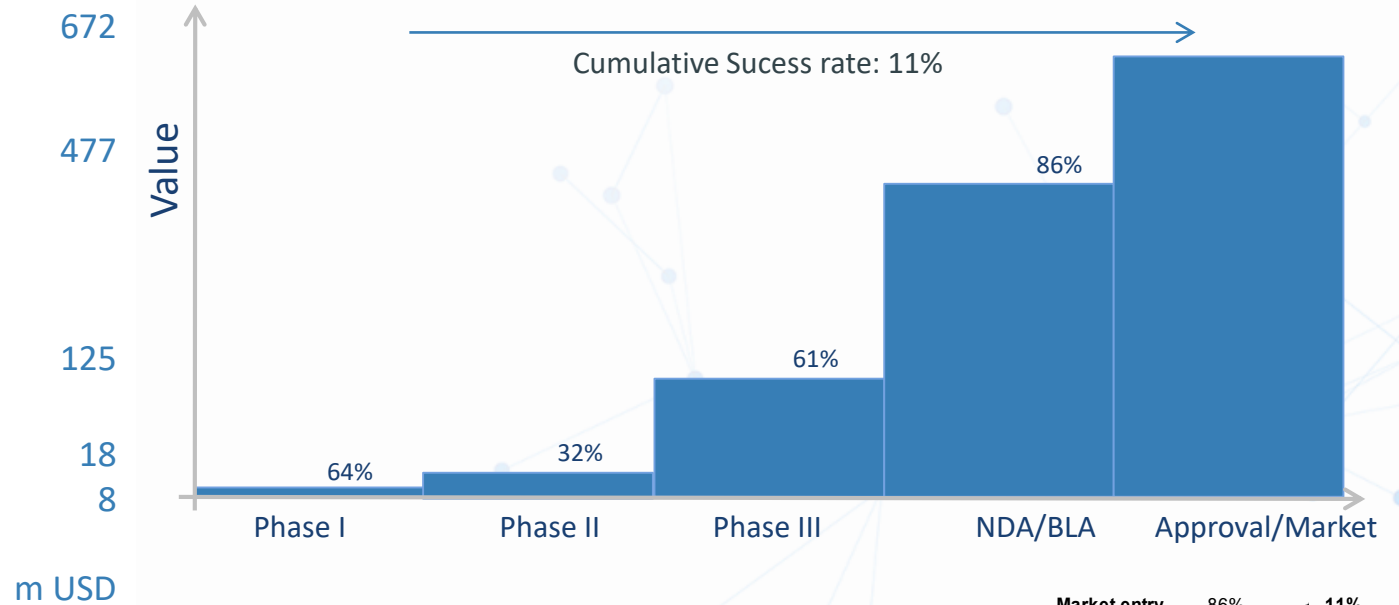


Risk adjusted Net Present Value (rNPV)



Adjustment for risk

- rNPV → risk adjustment
- Probability to reach next clinical stage
- Value today / future
- Licensing deal terms



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)



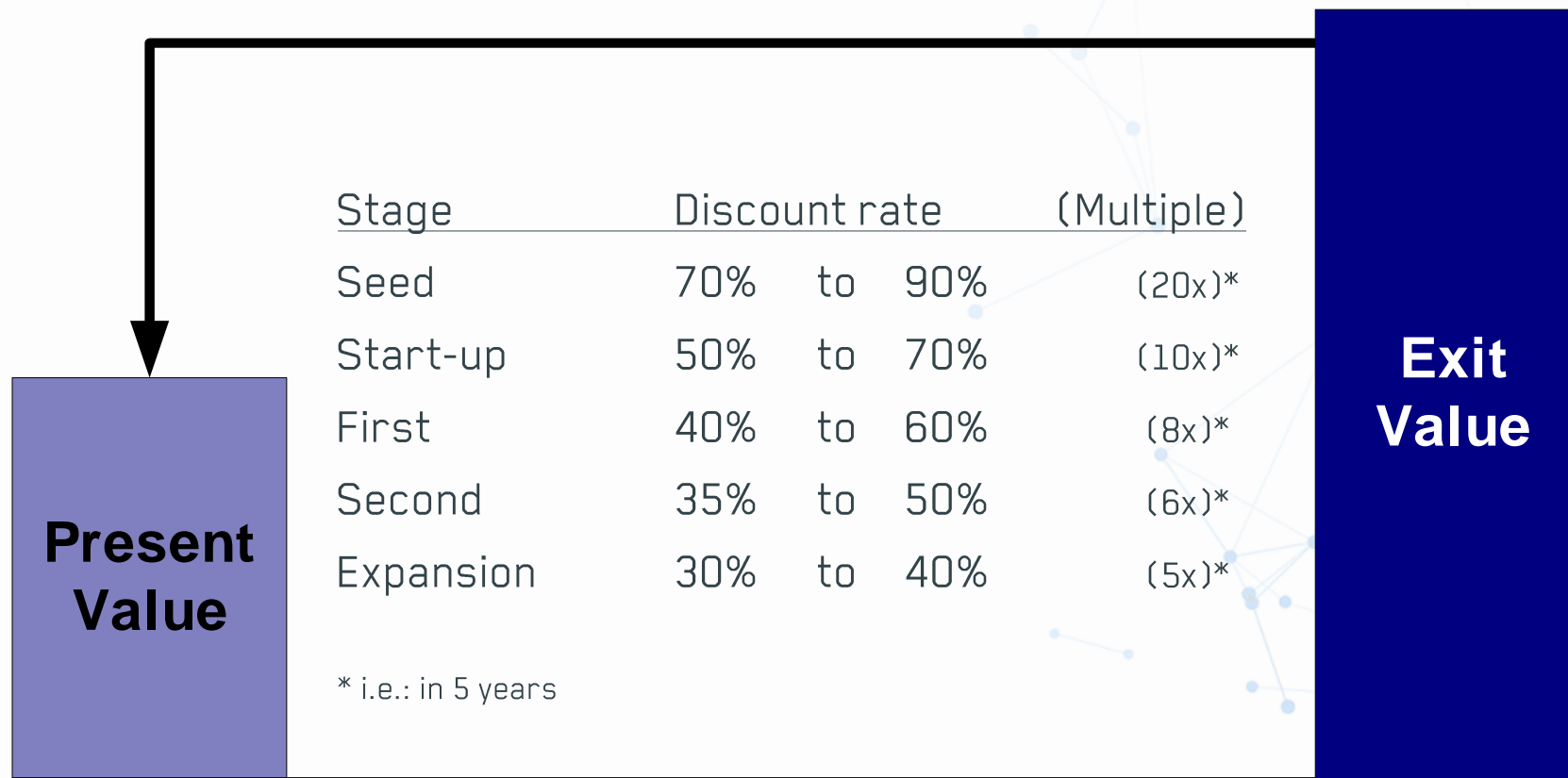
10 employees

⇒ Company Value:

USD 10 m*

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

Venture Capital Method



Present
today

Future
year 1 —————> Exit year

Overview

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- **Conclusion**

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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