

# Funding for life sciences

5th Annual Convergent Technologies  
Showcase & Conference - Stirling 19<sup>th</sup> May 2010

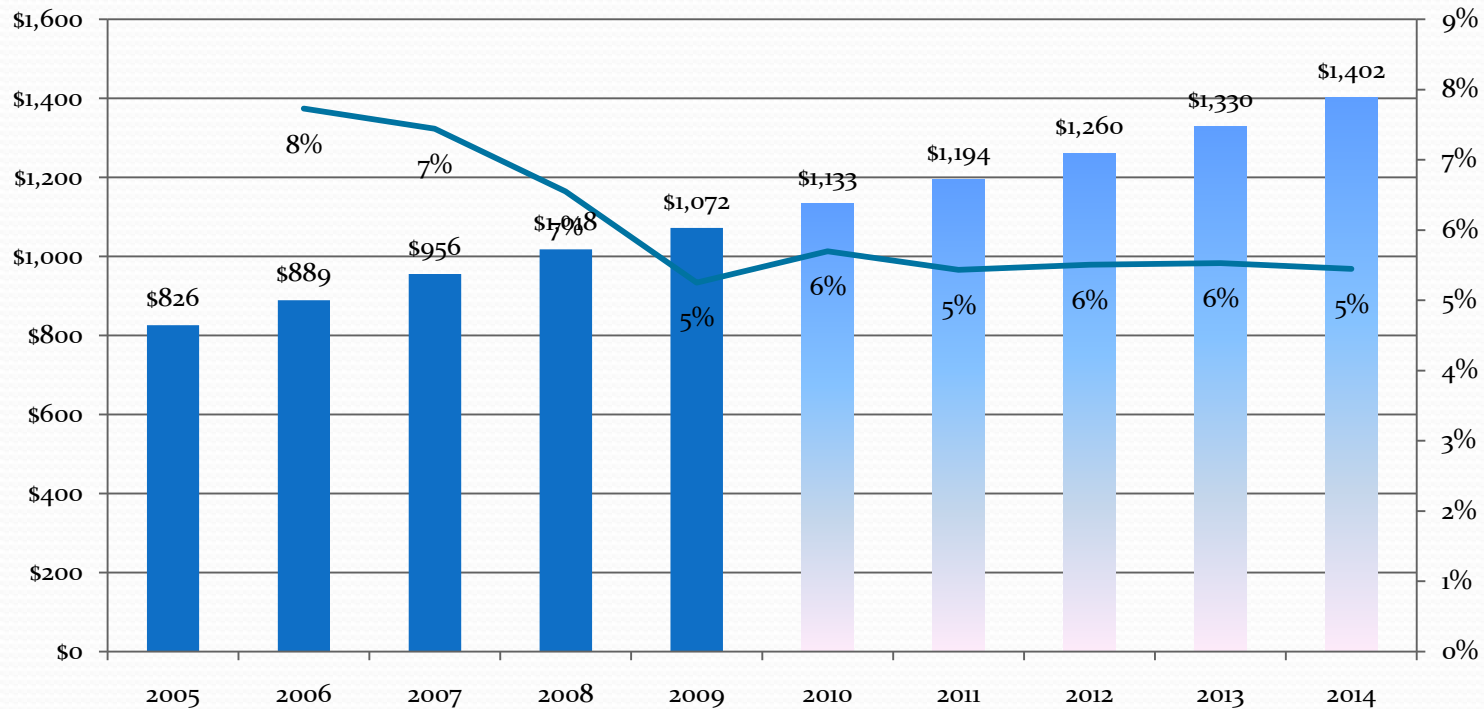
# About Young Company Finance

- Started October 1998 in Scotland
- Over 600 investment deal reports
- Over 1,000 companies tracked
- Started October 2006 in North of England
- SE Risk Capital Market Report
- Special publications on Life Sciences, Digital Entertainment, Renewable Energy

# Outline

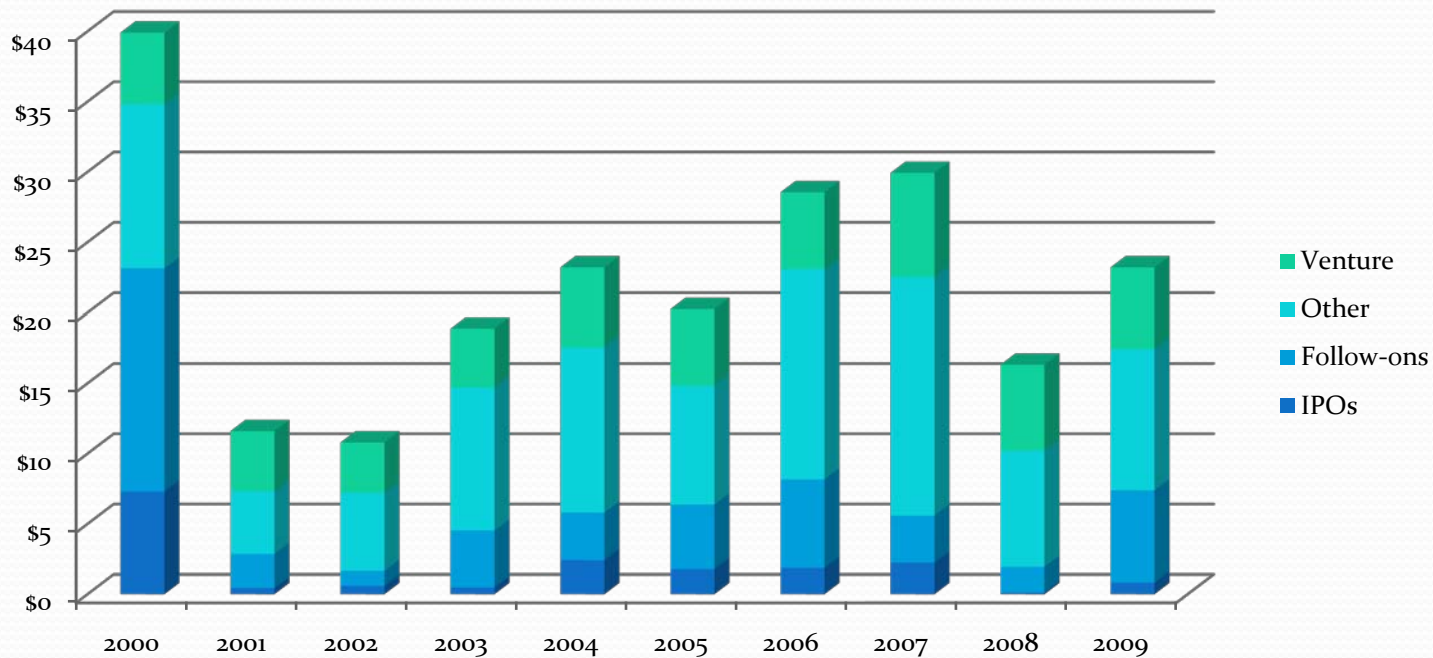
- Background – a few facts and figures
- Trends – the “new normal” (E&Y)
- Sources of funds – who is spending, and why
- What this means for young companies

# Market growth



Global pharmaceuticals, biotechnology & life sciences industry value in US\$ billion *Source: Datamonitor*

# Capital raised



Capital raised in the US, Europe, and Canada in US\$ billion

Source: Ernst & Young Beyond borders, Global biotechnology report 2010

# European biotechnology

	€ million	2008	2009	%
<b>PUBLIC COMPANY DATA</b>	Revenues	€11,010	€11,904	8%
	R&D expense	€3,454	€3,370	-2%
	Net income (loss)	-€913	-€288	-68%
	Market capitalisation	€33,426	€44,300	33%
	Number of employees	48,440	49,120	1%
<b>FINANCINGS</b>	Capital raised by public companies	€936	€2,091	123%
	Number of IPOs	3	3	0%
	Capital raised by private companies	€1,005	€836	-17%
<b>NUMBER OF COMPANIES</b>	Public companies	179	171	-4%
	Private companies	1,640	1,619	-1%
	TOTAL	1,819	1,790	-2%

Source: Ernst & Young Beyond borders 2010

# Sector characteristics

- Industry needs lots of capital and lots of time
- Industry is innovation hungry
- Needs to raise amount of output (innovation) per unit input (funding)

# Big pharma

- Blockbuster drugs coming out of patent (many in 2011/2012)
- Consolidation
- Release high quality human resource
- Release de-prioritised drug candidates

# Efficiencies

- Speed up process of drug development
- Enable cheaper, faster, more effective results
- Fail fast – the ‘will to kill’

# Market changes

- US insurance funds affected by unemployment
- Health care reforms
- Role of emerging economies (less US-centric)
- Comparative effectiveness (cf NICE)
- Prevention rather than cure (cf diagnostics, personalised health)

# New models

- Asset-centric funding
- Outcomes-based pricing
- Market approval no longer the terminus

# London Stock Exchange

Market	Month	IPO	Company	issue type	Subsector	Value (£m)	Raised (£m)
AIM	Feb-07	Not IPO	Genemedix	Placing transfer from Main Market	Biotechnology	£1.95	£1.46
AIM	Mar-07	IPO	Neuropharm Group plc	Placing	Pharmaceuticals	£24.07	£4.00
AIM	Apr-07	IPO	Epistem Hldgs plc	Placing	Biotechnology	£7.39	£1.75
AIM	May-07	Not IPO	Maelor	Placing Re-admission	Pharmaceuticals	£7.00	£3.57
AIM	Jul-07	IPO	Capregen plc	Placing	Biotechnology	£4.45	£3.20
AIM	Aug-07	Not IPO	Omega Diagnostics Group	Placing Re-admission	Medical Supplies	£2.91	£1.98
AIM	Nov-07	IPO	E-therapeutics plc	Placing	Biotechnology	£37.33	£1.33
UK Main Market	May-08	Not IPO	Shire Ltd	Introduction Re-admission	Pharmaceuticals	£4,819.23	
UK Main Market	Jul-08	Not IPO	Synergy Health plc	Introduction from AIM	Health Care Providers	£368.16	
AIM	Dec-08	Not IPO	Scientific Digital Imaging plc	Introduction	Medical Equipment	£2.08	
AIM	May-09	Not IPO	Nanoco Group plc	Introduction Re-admission	Biotechnology	£81.00	
AIM	Jan-10	Not IPO	Silence Therapeutics plc	Placing Re-admission	Biotechnology	£52.48	£15.00

# Sources of funding - equity

- VCs
  - IPO door closed
  - Trade sale (M&A) still possible
  - But generally longer time to exit, need to support current portfolio
- Angel syndicates
  - Also needing to fund further and longer
  - Little co-investing with VCs
- Corporate ventures

# Other sources

- Bank finance
- Grants
- EU FP7
- Technology Strategy Board
- Niche charities/research organisations
- Partnerships
- Licensing agreements
- Consultancy

# It's who you know

- Know your customer
- Know your investor
- Who does your investor know?
- Who does your non-executive director know?
- Who do your professional advisers know?

# Guiding principles for the “new normal”

- Seize funding opportunities
- Capital efficiency matters
- If you build it, will they pay?
- Collaborate creatively
- Differentiate your asset

*Taken from Beyond borders, Global biotechnology report 2010  
With acknowledgment to Ernst & Young*