



THE VALUATION EXPERTS

Financing Sources

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Venture Valuation

Mission

Independent assessment and valuation of technology driven companies / products in growth industries

Biotechgate: Company directory – licensing opportunities / Investors database / Licensing deal terms

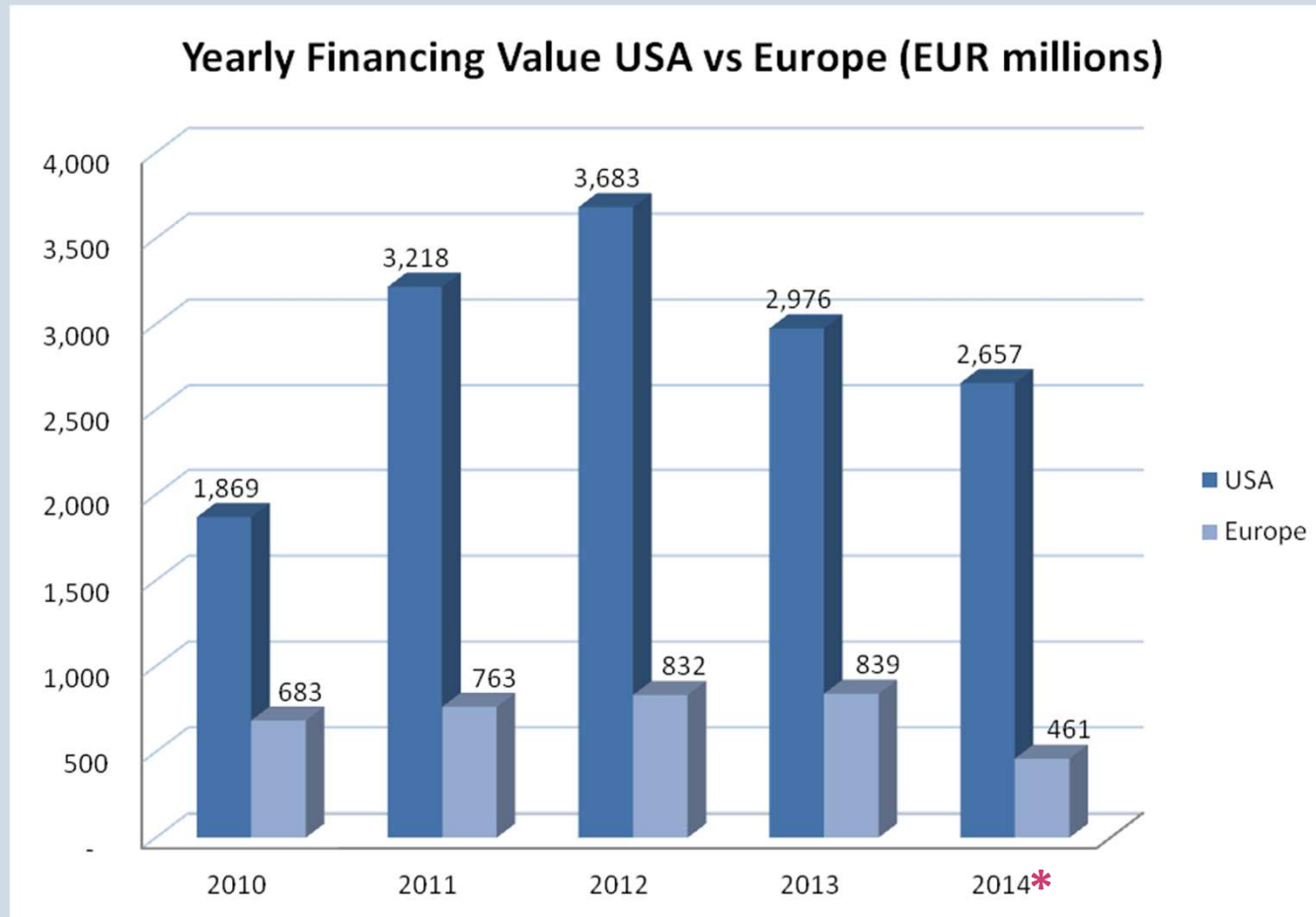
- Experts Finance / High-tech industries
- Not a venture capitalist
- International experience
- Track record of over 350 valued companies
- Clients such as NVF, Fraunhofer Gesellschaft, European Investment Bank; VCs; Arpida/Evolva

Agenda

- **Financing trends – Private financing**
- **Financing Sources**
- **Private financing - Value Drivers**
- **Dos and Don'ts in raising money**

Financing trends

Private financing Biotech and Medtech



*partial year, January to September

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Financing Sources - Overview

1. Own development → resources needed

- Own financing (Services)
- Public: Grants / Government Funding
 - a) Regional
 - b) National
 - c) European / international
- Raise capital
 - a) Equity (VC, Corporate, Family Office, BA)
 - b) Venture Debt / Convertibles
 - c) Product Financing

2. Out-licensing

- Value retention; lead vs. follow-on products

Financing Sources – Equity vs Licensing

	Own development Equity Financing	Out-licensing Licensing Deal
Follow-on products (earlier stage products 3, 4, 5)	(-) Fund raised on later stage products Price: low/ none within portfolio	(++) Interesting for pharma Limited value to VC/ analyst
Lead Products (products 1&2)	(++) Preserve potential within company Creates main value for investors	(+) Reduces burn-rate Provides Cash Depending on deal terms/ value

Licensing Conclusions



- Prioritize projects and have clear licensing strategy
- Combine different global regions / Cross-border licensing
- Focus own development on more developed products
- Out-license earlier products

Financing Sources – Equity Finance

	Venture Capital	Corporate Investors	Family Offices	Business Angels
Size	> EUR 3.5m	Open	Open	< USD 1.5m
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

Financing Sources – Non-Equity Finance

	Debt Financing	Grant / Government	Convertibles	Revenue, Royalty Product Financing
Size	open	< EUR 3.5m	open	> EUR 7m
Company type	Mature companies	Innovative, R&D, early stage	High growth, later stage	Mature, later stage
Total capital requirement	High	All	All	High
Exit	Repayment	None	Repay / convert	none

Financing Questions



- How much money do I need?
- Where should I get the money from?
- Dilutive / non-dilutive financing?
- Valuation as a key issue!
- Raising money takes a lot of time!

Financing Conclusion

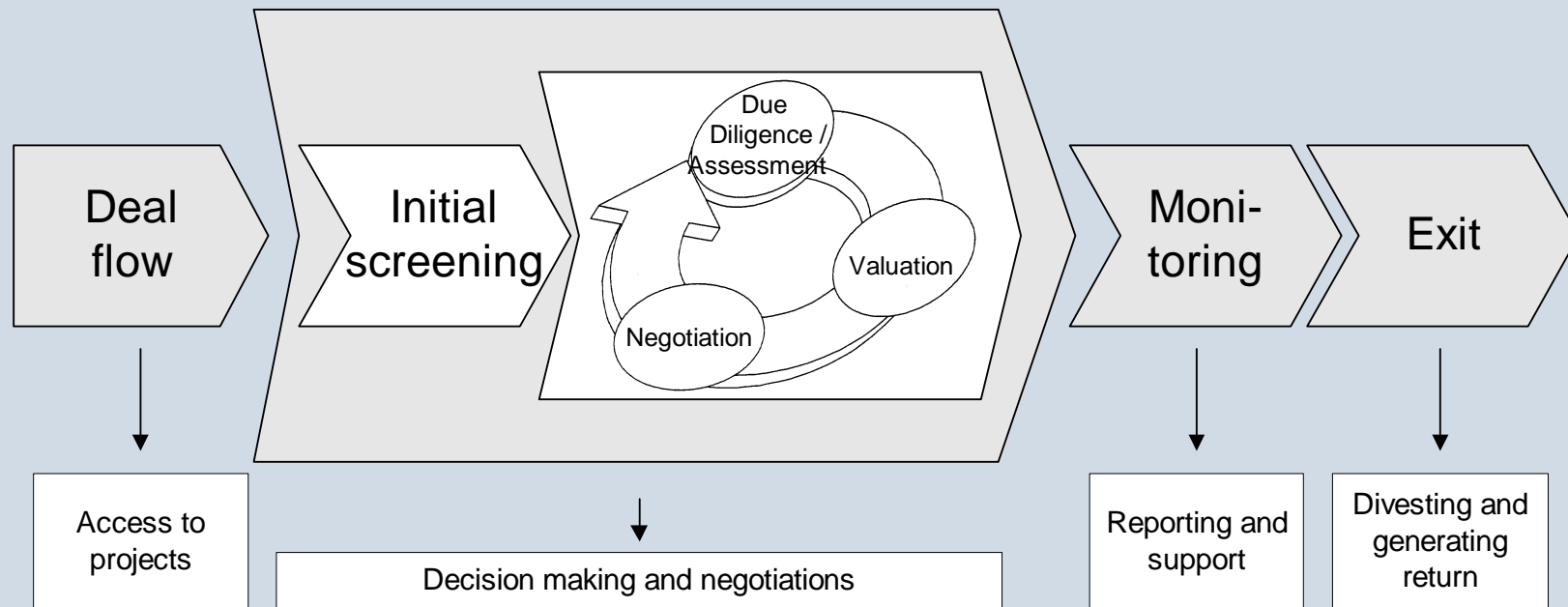


- Think outside the box / options
- Use local government and global research grants (non-dilutive) ...
- ... but keep focus
- Find best match for own development
- Consider out-licensing
- Understand the value of each product
- Get the money when you can
- Network, network, network....

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Investment Process



VC Process

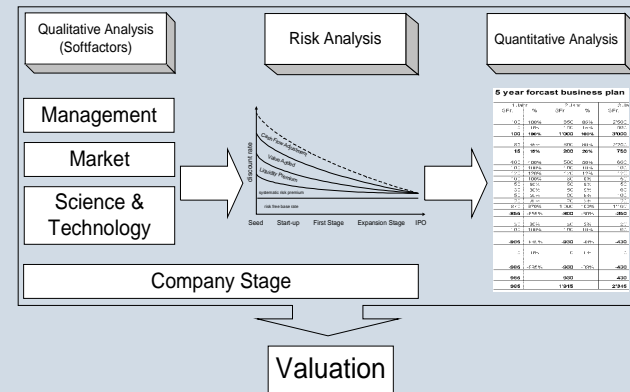
EXIT

- Investors look for exit possibilities to realize return
- Sales of shares → very difficult
- An exit via different channels is possible
 - Merger & Acquisition (M&A)
 - Management Buy-out (MBO)
 - Initial Public Offering (IPO)

Value Drivers

Risk as key factors for Investors

- Management / execution
- Market
- Science & Technology
- Define the risk profile of company



Investor is looking for low risk, high potential

Management



1. Completeness / complementary skills
2. Track record / experience
3. Motivation / Incentive structure
4. Organization
5. Emotional intelligence / social competence
6. Composition and involvement of boards

Market Environment

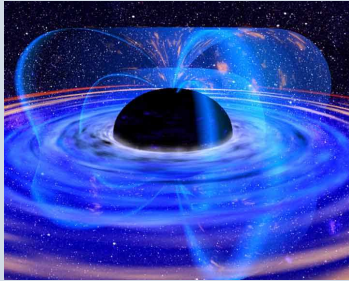


1 -5. Industry Structure: (Five forces by Michael Porter)

1. Threat of new Entry
2. Rivalry among existing competitors
3. Pressure from substitute products
4. Dependencies on customers
5. Dependencies on suppliers
6. Current and future market potential
7. Customers
8. Political / legal dependencies

➤ **Cost and Sales estimations**

Science & Technology



1. Intellectual Property (IP)
 2. Unique selling proposition
 3. Alliances/partnerships
 4. Management of future discoveries
 5. Time to market
- **Cost and Sales estimations**

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Do's in public funding

- Strategy: apply only if project is in line with your strategy
- Rules: evaluate which program fits your needs, study the rules
- Partner: find the right partners completing your expertise
- Evaluation: public funded projects are evaluated, so you have to sell your project
- Support: there are different support organizations, so ask them (e.g. national contact points)

Don'ts in public funding

- Profit: Don't apply to make a profit, but to get knowledge and a network; funding is for pre-competitive support
- Topic: only apply if your research fits the theme
- Partners: make sure you have reliable partners
- Scope: Don't ask for EU funding for regional scope
- Not easy: Competition is high, don't expect easy funding

Dos for the preparation in private funding

- Be specific. Substantiate statements with market data
- Summarize and properly structure financial information; review by outside parties
- Show how much money you need; how do you spend it
- Attractive business plan (design), but not overdone
- Network like crazy
- Choosing your VC is as choosing a co-founder
- Do reference checks on the VC (previous investments)
- Having multiple term sheets makes a difference

Don'ts for the preparation in private funding

- 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 in the Sales pitch in private funding

- Show a clear and logical exit strategy
- Save up good news for the middle of the process
- Wait until you have significant traction
- Be direct and have a plan – VCs like to see your confidence
- Be open and honest
- Be brief – provide executive summary
- Cite clearly how much money the company will need
- Be realistic in making estimates and assessing market

Don'ts in the Sales pitch in private funding

- Don't pitch ideal VCs first – practice
- Don't just pitch - listen to the VC
- Don't be defensive
- Don't pick your investor solely on brand/name.
- Don't plan on closing any rounds in August / December or within a short time
- Don't engage in a bidding war.
- Don't travel too much – stay local
- Don't press people beyond the Thank You email after a meeting.



Thank you!

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slides available at:
www.venturevaluation.com