Venture capital perspective for OSEM conference

Developing global strategies
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11\textsuperscript{th} September 2012
Overview

Health-check on the life sciences VC industry in US/EU

Advice for UK life sciences start-ups

SV performance
Perspective on European Market

Equity Investment in Venture-Backed Companies, US vs. Europe ($)

US Equity Investment

European Equity Investment

Amount Invested ($B)

2Q09 4Q09 2Q10 4Q10 2Q11 4Q11 2Q12
2012 EU VC fundraising off to strong start

Commitments to European funds ($B)
(based on multiple closings)

Source: Dow Jones VentureSource
Strong first half 2012 for US VC fundraising

Commitments to venture capital funds
(based on multiple closings)

Source: Dow Jones VentureSource
Fewer EU Healthcare deals funded

Equity into European healthcare companies

Source: Dow Jones VentureSource
US Healthcare investment steady in 2Q’12

Equity into venture-backed US healthcare companies

Source: Dow Jones VentureSource
BUT...
US Life sciences **start-up** funding declines dramatically

Source: PWC/NVCA MONEYTREE REPORT, THOMSON REUTERS
Life sciences VC industry under pressure to fund existing portfolio companies

![Chart showing investment and funding trends over years.]

Source: SVB, THOMSON FINANCIAL
VC industry underperforms over last 10 years

Source: Dow Jones VentureSource
# Main VCs in Europe

<table>
<thead>
<tr>
<th>Bulge bracket (&gt;$10m/deal)</th>
<th>Smaller (&lt;$10m or not lead)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abingworth, UK/US</td>
<td>Aescap, Netherlands</td>
</tr>
<tr>
<td>MVM, UK/US</td>
<td>LSP, Netherlands Dutch</td>
</tr>
<tr>
<td>Essex Woodlands, UK/US</td>
<td>TPG, UK/US</td>
</tr>
<tr>
<td>Advent Ventures, UK/US</td>
<td>TVM, UK/US</td>
</tr>
<tr>
<td>Apposite, UK</td>
<td>Wellington, Germany</td>
</tr>
<tr>
<td>Forbion: Netherlands</td>
<td>Rosetta Capital, UK/Ireland</td>
</tr>
<tr>
<td>GIMV, Belgium</td>
<td>HBM, Switzerland</td>
</tr>
<tr>
<td>Imperial Innovations; UK</td>
<td>and several others..</td>
</tr>
<tr>
<td>Index, UK/Switzerland</td>
<td></td>
</tr>
<tr>
<td>Sofinnova, France</td>
<td></td>
</tr>
<tr>
<td>Edmond de Rothschild, France</td>
<td></td>
</tr>
<tr>
<td>Phase 4 Ventures, UK</td>
<td></td>
</tr>
</tbody>
</table>

About half of all these VCs are currently fundraising so not actively investing – many falling short of targets
Advice for new life sciences companies

1. Limited funds currently available from traditional VCs, so be creative in your funding strategies
   • Corporate venturing funds (pharma)
   • University seed/start-up funds
   • Biocatalyst: MRC/TSB grants
   • Wellcome Trust translational investments
   • EU Framework grants

2. Build relationships with likely buyers early

3. Use your local UK relationships to get early demonstration of efficacy as springboard for larger global/US discussions
Corporate funds are filling the gaps left by VCs

Assumptions: 4 year investment period; Others include MerckSerono, Amgen, Astellas, Takeda, BI, Lundbeck, et al;
Source: Atlas & SV estimates
Advice for new life sciences companies

1. Limited funds currently available from traditional VCs, so be creative in your funding strategies

2. Build relationships with likely buyers early and build your company to sell
   - Figure out how to be the best
   - Then become the best globally not just in the UK or Europe
   - Seek support/endorsement from international KOLs
   - Forge global partnerships

3. Use your local UK relationships to get early demonstration of efficacy as springboard for larger global/US discussions
What does pharma want?

• Innovative early stage assets:
  – differentiated new therapeutics with strong IP
  – superior profile (efficacy and safety) to current treatments
  – persuasive preclinical efficacy
  – ... and depending on indication – robust human safety and preliminary signals of efficacy (Phase 2a)

• Clinical areas depend on each pharma’s strategy:
  – strategic and non-strategic ("white space")
  – speciality hospital products (vs primary care)

• Creative financial structures to access products
  – payment for success – earnout deal structures based on clinical progress
  – spin-outs with/without buyback rights: Topivert, Autifony, Convergence
Trade sales of VC backed pharma/biotech companies

Source: HBM
Advice for new life sciences companies

1. Limited funds currently available from traditional VCs, so be creative in your funding strategies

2. Build relationships with likely buyers early and build your company to sell

3. Use your local UK relationships to get early demonstration of clinical efficacy as springboard for larger global/US discussions
   - Phase 1/2a trials
   - CE mark
   - Develop a robust plan to enter the US market
   - Use UK KOLs to forge relationships elsewhere
## SV biotech exits

<table>
<thead>
<tr>
<th>Date completed</th>
<th>Acquiror</th>
<th>Target</th>
<th>Transaction value ($M)</th>
<th>Target’s lead product</th>
<th>Description / additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2012</td>
<td>Jazz Pharmaceuticals</td>
<td>EUSA Pharma</td>
<td>$650m upfront $50m earnout</td>
<td>Erwinase</td>
<td>Marketed</td>
</tr>
<tr>
<td>March 2012</td>
<td>AMGEN</td>
<td>micronet</td>
<td>~$1,210</td>
<td>blintnomab</td>
<td>II</td>
</tr>
<tr>
<td>June 2010</td>
<td>Centerior Ortho Biotech Inc.</td>
<td>Respivert</td>
<td>4x VC return</td>
<td>NA</td>
<td>Preclinical</td>
</tr>
<tr>
<td>Sep 2009</td>
<td>Alcon</td>
<td>ESBAtech</td>
<td>$589 ($150 upfront + $439 later)</td>
<td>ESBA105 ophtho only</td>
<td>II</td>
</tr>
<tr>
<td>Dec 2006</td>
<td>illumina</td>
<td>Solexa</td>
<td>$600 Total Genotyping</td>
<td>Mkt</td>
<td>DNA Sequencing</td>
</tr>
<tr>
<td>Jul 2007</td>
<td>AMGEN</td>
<td>ALANTOS Pharmaceuticals</td>
<td>$310</td>
<td>ALS 2-0426</td>
<td>II</td>
</tr>
<tr>
<td>Dec 2006</td>
<td>Pfizer</td>
<td>PowderMED</td>
<td>$325</td>
<td>PMED</td>
<td>I</td>
</tr>
<tr>
<td>Jun 2006</td>
<td>MERCK</td>
<td>GlycoFi</td>
<td>$400 Yeast-based protein optimization</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>May 2006</td>
<td>Pfizer</td>
<td>RINAT</td>
<td>$500 Anti-NGF Anti-beta amyloid</td>
<td>II</td>
<td>Pain Alzheimer’s</td>
</tr>
<tr>
<td>Feb 2006</td>
<td>AstraZeneca</td>
<td>Kudos Pharmaceuticals</td>
<td>$210</td>
<td>KU 59436</td>
<td>I</td>
</tr>
<tr>
<td>Aug 2005</td>
<td>OSI Pharmaceuticals</td>
<td>EyeTech</td>
<td>$935</td>
<td>Macugen</td>
<td>Mkt</td>
</tr>
</tbody>
</table>

The track record set forth above is for illustrative purposes only. The investments included above are past investments of SVLS indicative of the type of investments expected to be made by SVLS Fund V. There can be no assurance that investments will achieve comparable results and actual returns may differ significantly. The gross performance information does not reflect the deduction of model fees, expenses or carried interest and may reflect the reinvestment of certain dividends, gains and other earnings.
SV’s track record of returns

Since 2006, SVLS cash realizations have outpaced investment by ~185M

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