



# Bio Advance

Biotechnology Greenhouse of Southeastern Pennsylvania

## **What's Hot with VC Investors** ***University of Pennsylvania*** ***Commercialization Series***

**September 18, 2019**  
**Barbara S. Schilberg, CEO**

[www.bioadvance.com](http://www.bioadvance.com)

# Topics today

- ◆ **BioAdvance update**
- ◆ **Where is VC money going today?**
- ◆ **Regional landscape**
- ◆ **How to improve your odds of raising money**

# What is venture capital?

- **Private money that takes greater risk in return for greater reward**
  - ◆ **Pension funds, endowments**
  - ◆ **Wealthy individuals & families**
- **Goal is to beat returns from public markets**
- **Organized into venture funds managed by investment professionals**
- **Model – invest capital in 3 years; make money in 5 – 7 years**

# **We're not a typical VC fund**

- **Evergreen / Not for profit**
  - ◆ **Started with \$20M**
  - ◆ **Goal was to help innovators, invest well and recycle returns**
- **Early-stage**
- **Human health focus**
  - ◆ **biopharm / therapeutics**
  - ◆ **medtech**
  - ◆ **digital health**
- **Mid-Atlantic focus**

# Where we are today

**\$46M**

invested in

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**92**

companies, developing

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**95+**

products, leveraging

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**\$2.8B**

in additional dollars (a 1:61  
leverage ratio) and

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**11**

products approved by the FDA (plus  
23 others marketed)

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# Examples of Recent Investments



**New formulation of rapamycin for pachyonychia congenita - \$3M Series A-1; \$5M Series B**



**Anti-endothelin B to use with checkpoint inhibitors to activate T-cells - \$6.5M Series A**



**Software to improve feeding management in the NICU - \$1.1M Seed; \$1.75M Series A**

MNI

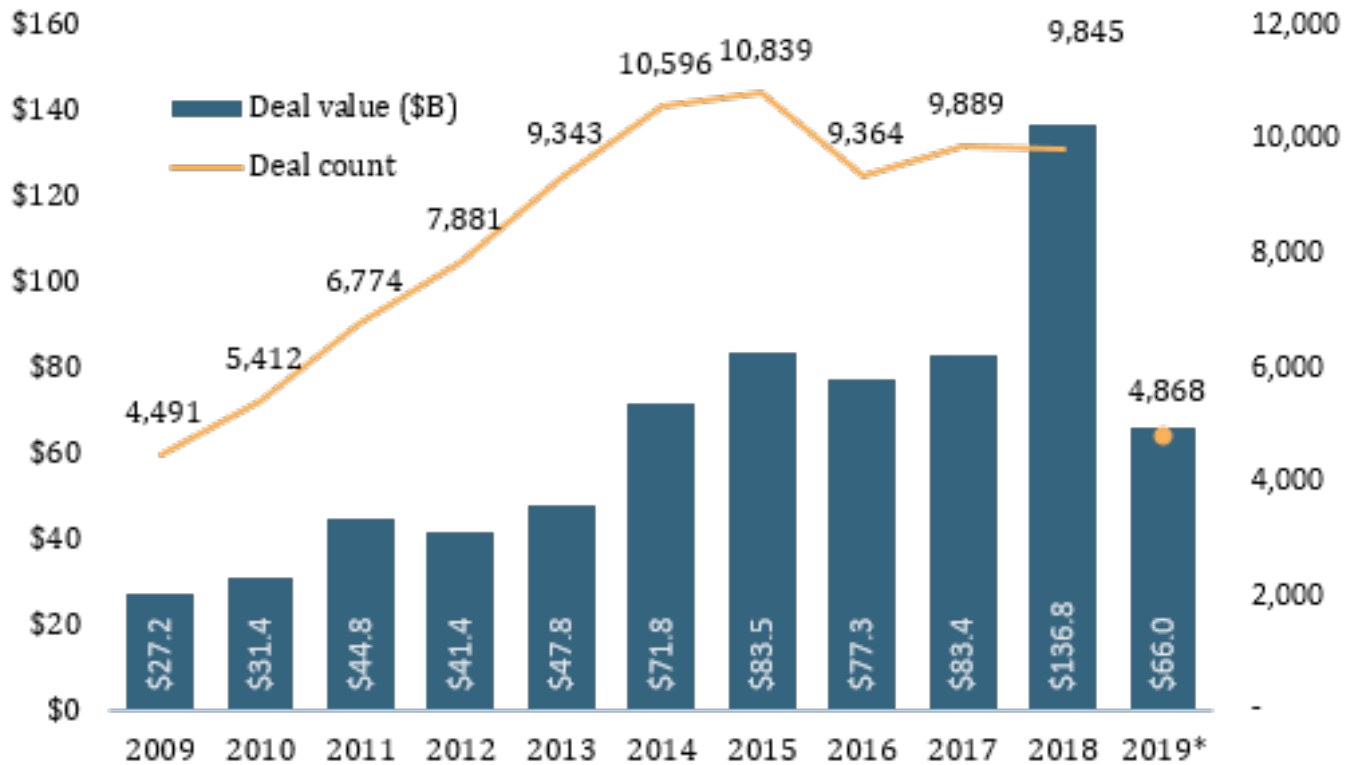
**Medical food for cystic fibrosis - \$4.5M Series A**

Renovacor

**Gene therapy for rare monogenic heart disease - \$11M Series A**

# ***Where is Venture Capital Going?***

# US venture capital at record levels





# More money, more investors

- **Increase in large mega-funds**
- **Increase in number of venture funds**
- **New kinds of investors**
  - ◆ **Disease foundations**
  - ◆ **Family offices**
  - ◆ **Angel groups**
  - ◆ **Accelerators**
  - ◆ **Health systems**
  - ◆ **Sovereign wealth funds**
  - ◆ **Out of left field: Ikea**
  - ◆ **Gov't translational funding (NIH, BARDA, etc)**

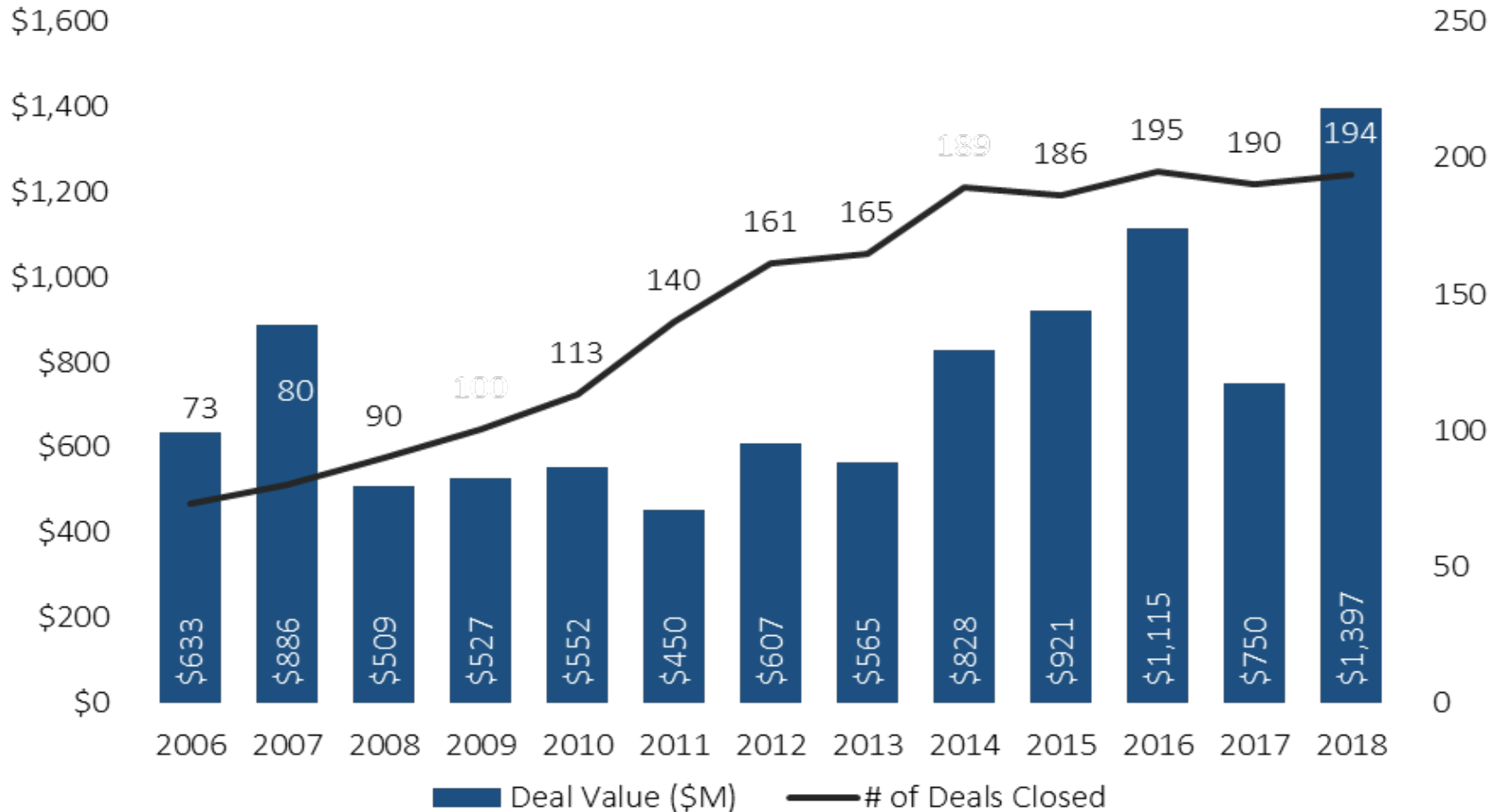
## But....

- **Capital is concentrated geographically**
  - ♦ **80% of companies who raised money in 2018 were in MA, CA or NY**
- **Capital is concentrated in fewer companies**
  - ♦ **More capital invested but # companies flat**
  - ♦ **Mega rounds (>\$100M) accounted for almost 50% of venture capital invested in 2018**
  - ♦ **Unicorns (over \$1B in valuation) took 35% of invested capital**
- **Venture funds creating their own companies**

# VC healthcare interest

- **General rule: VC interest follows big pharma interest**
- **What's Hot**
  - ◆ Immuno/oncology (\$4.4B)
  - ◆ Rare diseases (\$2B)
  - ◆ Gene and cell therapies
  - ◆ Platform companies
- **What's Not**
  - ◆ Infectious disease
  - ◆ Diagnostics
- **Stage of Development**
  - ◆ Half of VC funding for therapeutics went to pre-clinical companies

# Greater Philadelphia VC Tracks US Growth

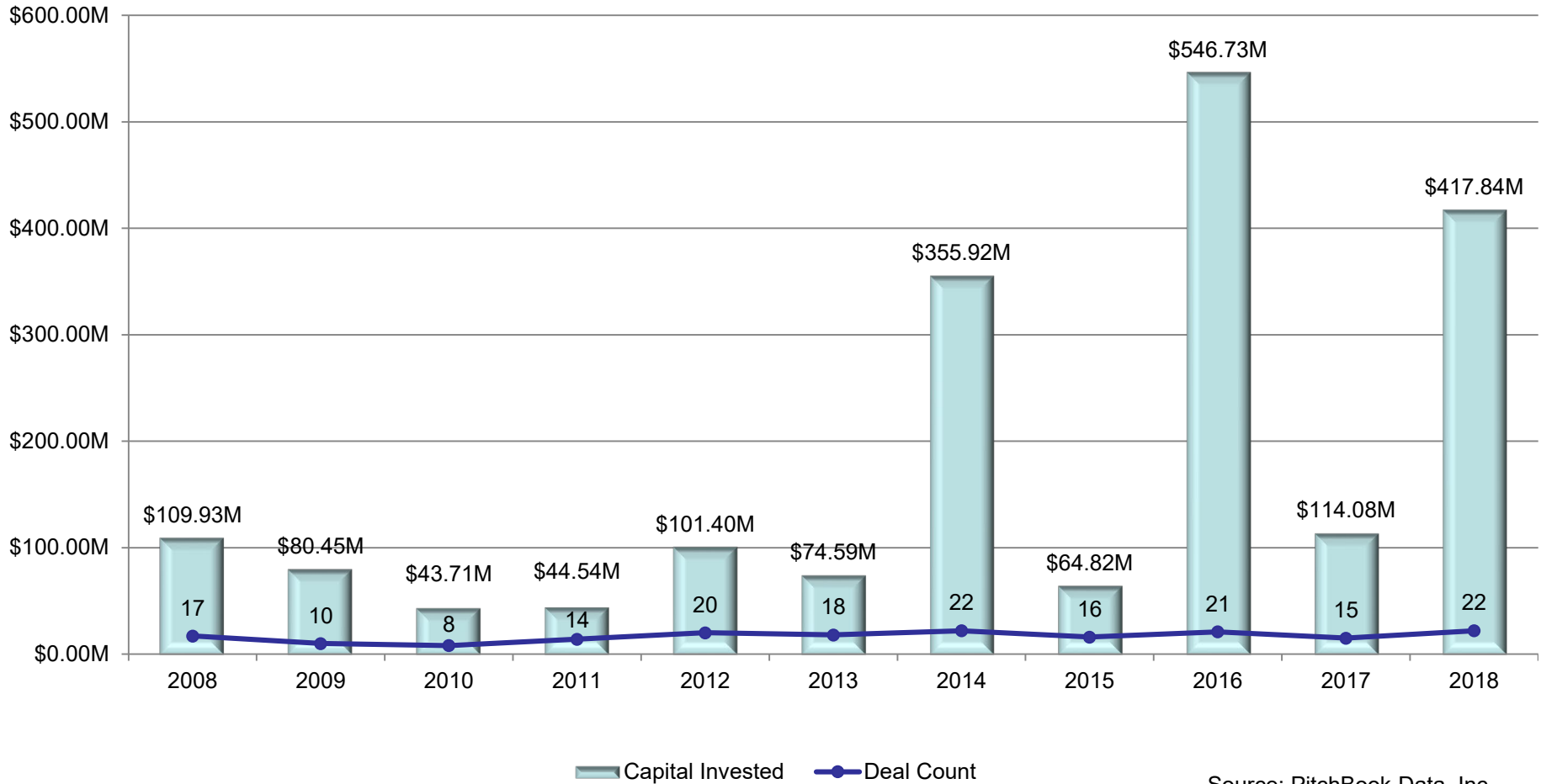


Source: Pitchbook

# Greater Phila Healthcare Series A Deals: 2008 - 2018

Value 1 (bar graph): Total Capital Invested

Value 2 (line graph): Deal



Source: PitchBook Data, Inc.

# Recent Greater Phila Series A deals



# Investor base in PA/NJ/DE is small

## Number of Active Investors by HQ State (All Sectors)

State	2017	2018
MA	183	137
NY	264	322
NJ	19	20
PA	44	34
DE	11	8
MD	19	29

# Regional Investors in Healthcare

Angels (See [www.angelcapitalassociation.org/](http://www.angelcapitalassociation.org/))



## Venture



## Late Stage



## Economic Development





# Practical Tips

- **Look outside the region for capital**
- **Raise enough money to get to a meaningful value creation / de-risking point**
- **Actively pursue non-traditional investors and sources of capital in parallel**
- **Network, research to find a fund that fits**

# Finding an investor that fits your opportunity

- **Understand different types of investors**
- **The timing is right –a newly-closed fund is best**
- **The investor has capacity (5 deals/partner)**
- **You found an internal champion**
- **Your financing is the right size**
- **Your valuation is in the investor's comfort zone**
- **You are at the right stage of development and in a space that is in scope**

# Where to look for investors

- **Present at conferences**
  - ◆ JPMorgan (SFO)
  - ◆ RESI (Boston and NYC)
  - ◆ BIO
  - ◆ Life Sciences Summit (NYC)
  - ◆ HIMSS and SXSW (digital health)
- **Read free newsletters to see who is active**
  - ◆ Pitchbook News
  - ◆ Big4Bio
  - ◆ Fierce daily newsletters (Biotech; HealthIT, others)
  - ◆ Faster Cures
  - ◆ BIO Smart Brief

# ***How to Improve the Odds of Raising Capital***

# The Basics

- 1. You solve an important problem no one else does***
- 2. Investors can make money in a reasonable time frame***
- 3. You have the right team/skillsets***

# 1. You solve a problem

- **What value do you bring--does your product solve a problem or create a benefit that someone will pay for?**
  - ♦ **Do you have evidence, such as data or customers?**
- **Is your product novel and differentiated?**
- **Is there a significant market opportunity?**

## 2. Investors can make money

- **Will you and investors be able to achieve a return through**
  - ♦ **Product sales**
  - ♦ **Acquisition by another company (exit)**
  - ♦ **Initial public offering**
- **In a reasonable time frame (4-6 years)**
- **At a valuation that is 3X-10X the amount of money you need to develop the product?**
  - ♦ **Rule of thumb--\$1 of investor money should create \$3-\$10 of value**

## 3. You have the right team

- **The right kind of team has**
  - ♦ Skills that are relevant to the near-term plan
  - ♦ A history of successful execution (“been there, done that”)
  - ♦ The ability to operate in a small company environment
  - ♦ E.Q.
- **DON'T**
  - ♦ Hire your family
  - ♦ Think that because you are a successful academic you can be a CEO
  - ♦ Go it alone



# We're Here to Help

**We can give you input and feedback on multiple topics**

- **Where you fit in the capital landscape**
- **What kinds of technologies may be competitive**
- **What kind of investor might be appropriate**
- **At what stage BioAdvance would consider investing**
- **Suggestions for advisors (possibly team members) and other resources**

# How to Get Started

- **Check BioAdvance website**
  - ♦ FAQs
  - ♦ Team bios
  - ♦ Portfolio company list
- **Send non-confidential information or ask for opportunity to get feedback/advice**
  - Contact Marnie McCoy ([mmccoy@bioadvance.com](mailto:mmccoy@bioadvance.com)) or Barbara Schilberg ([bschilberg@bioadvance.com](mailto:bschilberg@bioadvance.com))

**[www.bioadvance.com](http://www.bioadvance.com)**

# Big4Bio Newsletter is Here!

## BIG4BIO:PHILLY

LAUNCHES JUNE 4, 2019

BIGBIO COMMUNICATIONS IS PROUD TO ANNOUNCE  
THE UPCOMING LAUNCH OF ITS NEXT "BIG" HUB OF LIFE SCIENCES COVERAGE:

### THE PHILADELPHIA REGION

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