

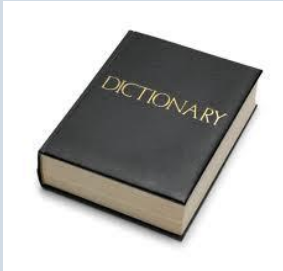


THE VALUATION EXPERTS

Industry Insight: Valuations

March 2018 | Amsterdam, BES
Patrik Frei

Value vs. Price



- **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.”

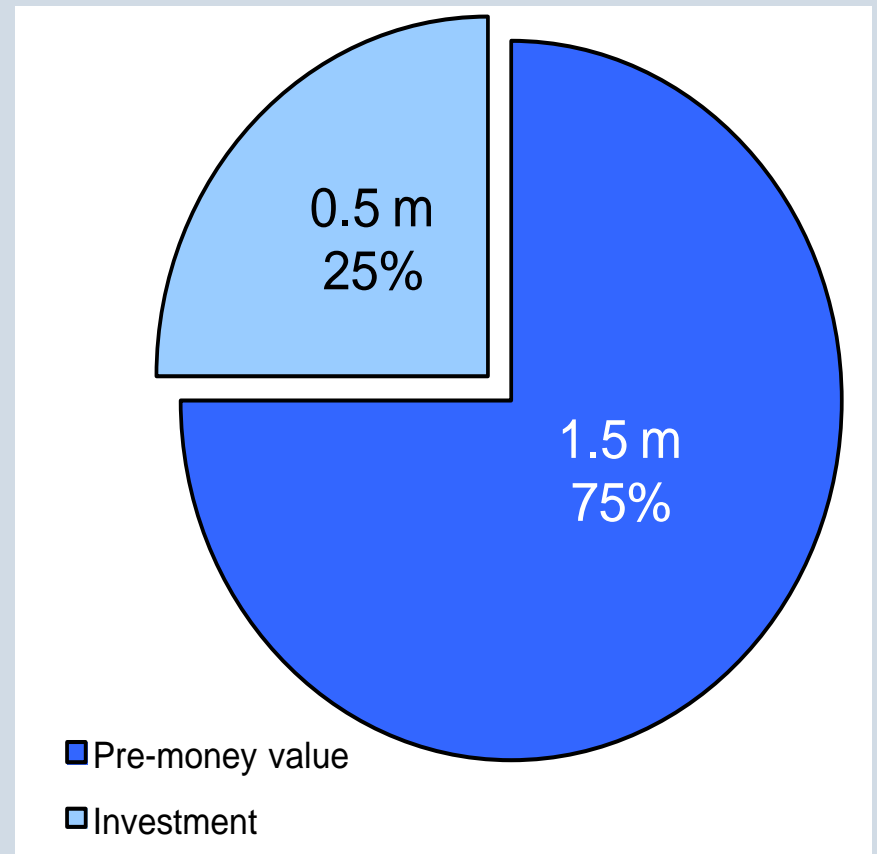
By Warren Buffett

=> Provide basis for negotiation, investment decision, licensing deal

Why Valuation



- Value before investment (pre - money value): EUR 1,5 m
- Investment: EUR 0,5 m
- Value after investment (post-money value): EUR 2,0 m
- Share Investor:
 $0,5 \text{ m} / 2 \text{ m} = 25\%$



Why Valuation



- Out-licensing of a phase II product
- Deal terms:

up-front	USD 50 m
milestones	USD 250 m
royalties	7%
- rNPV of product ?
- rNPV of deal ?

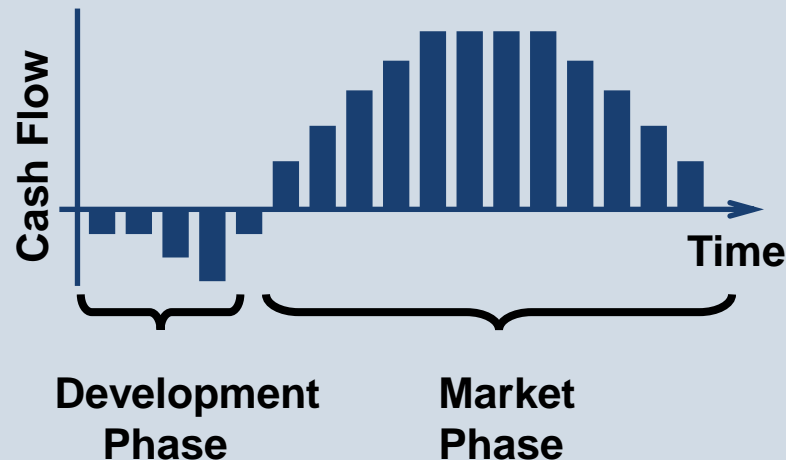
- ⇒ rNPV of product: USD 300 m
- ⇒ rNPV of deal: USD 100 m
- ⇒ Split Biotech / Pharma: 33% / 66%

rNPV: risk adjusted net present value

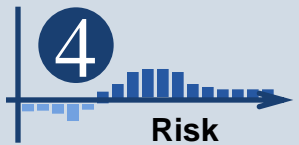
rNPV Valuation



1. Development phase => investment
Product Risk (r) => success rate or attrition rate
2. Market phase => revenues
Patent expiry => end of revenues
3. Discount => Present Value

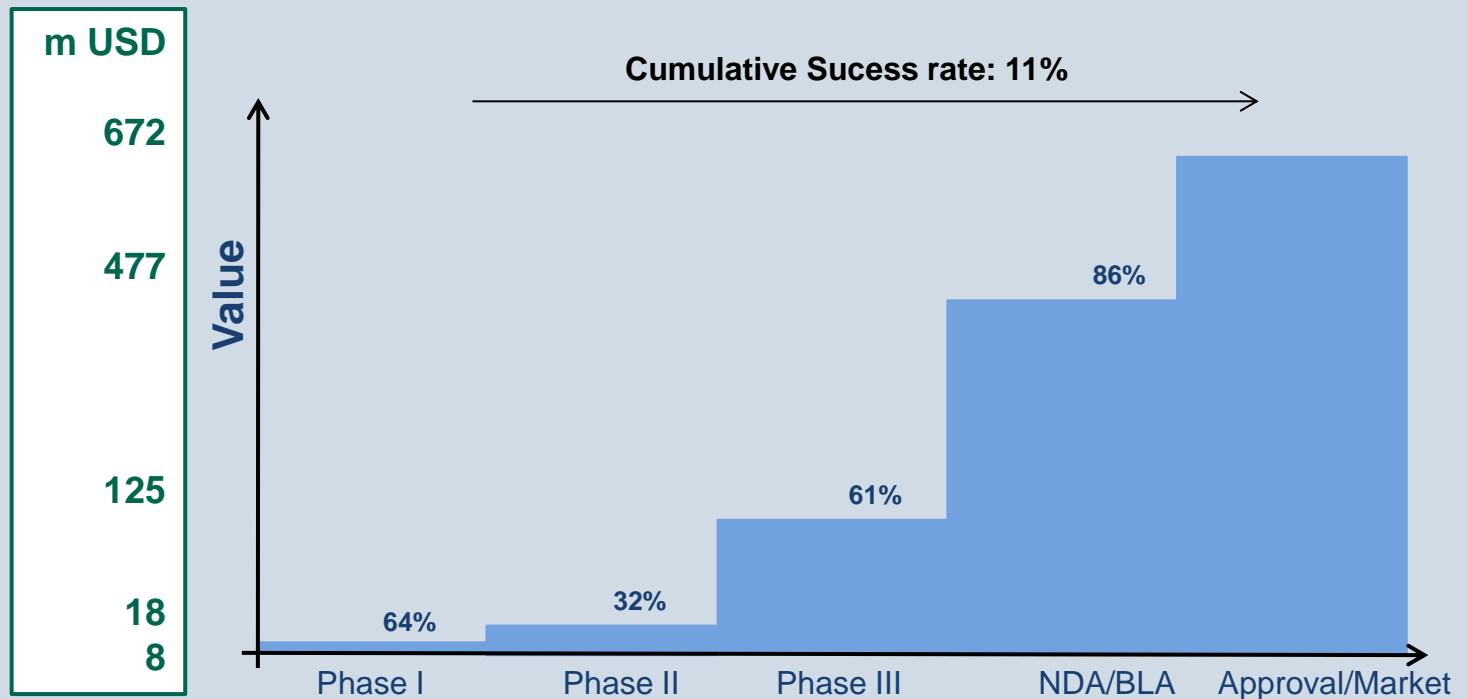


rNPV – Value Jump



The relation between Risk and Value

- Completion of a phase → Direct value increase



Deal Terms

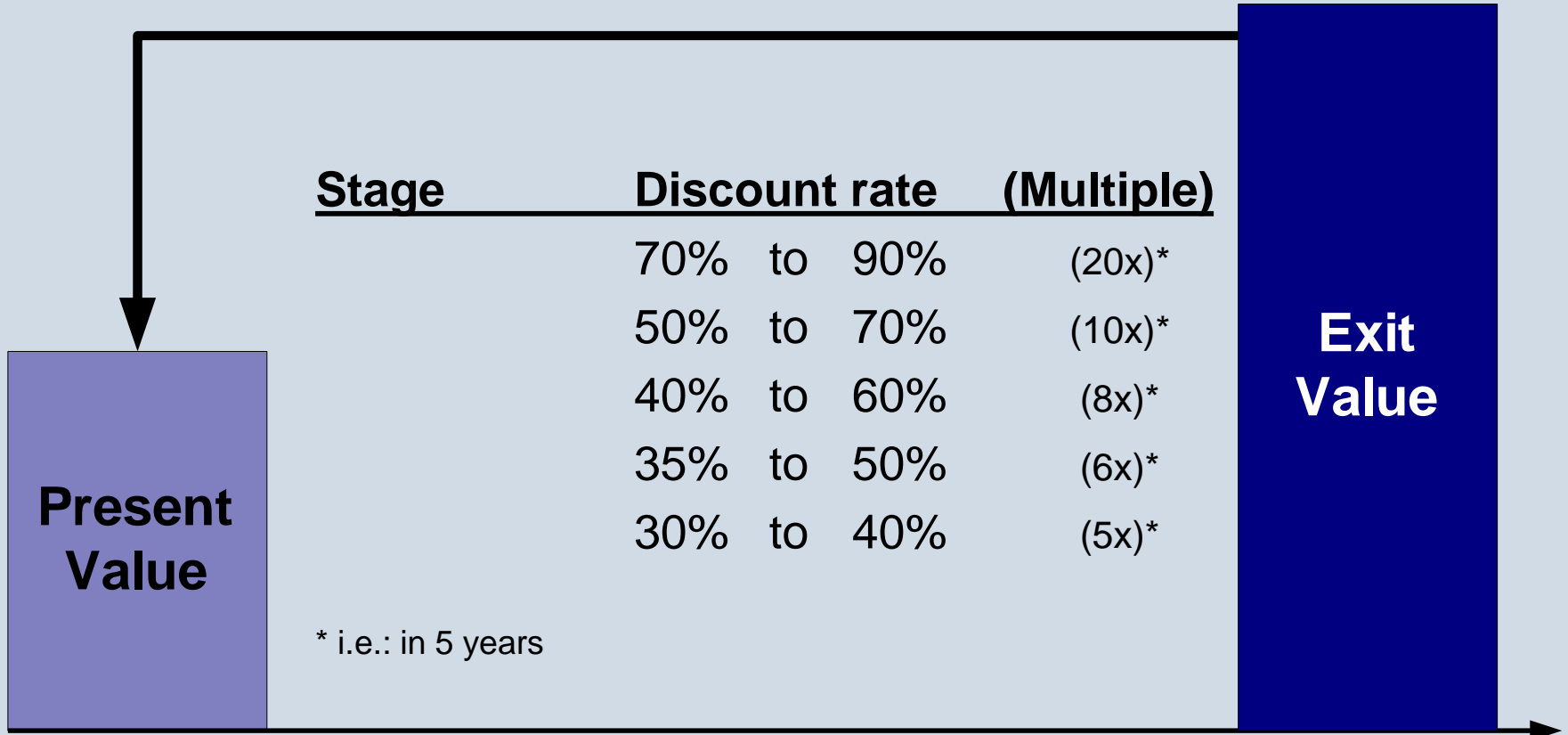


- Front/ back-loading a deal can heavily influence deal structure
- Deal terms dependent on needs of both parties

In USD m	Payment of	rNPV* (or up-front)
Up-front	1 m	1 m
Finish Pre-clinical	1 m	0.44 m
Finish Phase I	1 m	70'000
Finish Phase II	1 m	17'000
Finish Phase III	1 m	8'000
Approval / Enter market	1 m	5'000
Royalties	1%	0.70 m

* Time value of money and Risk adjusted

Venture Capital Method



Present
today

Future
year 1 —————> Exit year

Conclusion



- Valuation is key in development of biotechs / LS
- Price \neq Value
- Value = future risk & potential
- Valuation is not an exact science
- Its all about the assumptions



THE VALUATION EXPERTS

Thank you for listening!

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Company



Mission

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

Biotechgate / Life Sciences Database



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50'000 company profiles in over 70 countries,
70'000 products, 20'000 licensing opportunities



1) Company Directory



2) Deals Database with financial information



3) Investors database



Partial information can be found free on:



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