



THE VALUATION EXPERTS

Valuation of biotech companies,
assets and products for financing
or licensing

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Company

Mission

Valuation: Independent assessment and valuation

**Intelligence information:
Biotechgate**



Offices

HQ: Zurich with offices in Europe, North America and Asia

Clients

Emerging / high-growth companies as well as Investors such as Novartis Venture Fund, GSK, European Investment Bank, 4SC, Arpida/Evolva, Ferring

Biotech Associations / Governments like AusBiotech, CLSA, BIOTECCanada, BioDeutschland

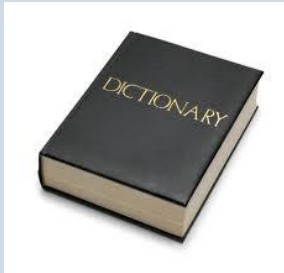
Financing Trends



How do companies cope with raising money?

- Corporate Investors / family offices becoming more important
- Licensing as key source of funding
- Product / Project financing by VCs
- Non-dilutive money is important

Why Valuation?



- **Value:** implies the inherent worth of a specific thing
- **Price:** depending on the market (supply / demand); whatever somebody is prepared to pay

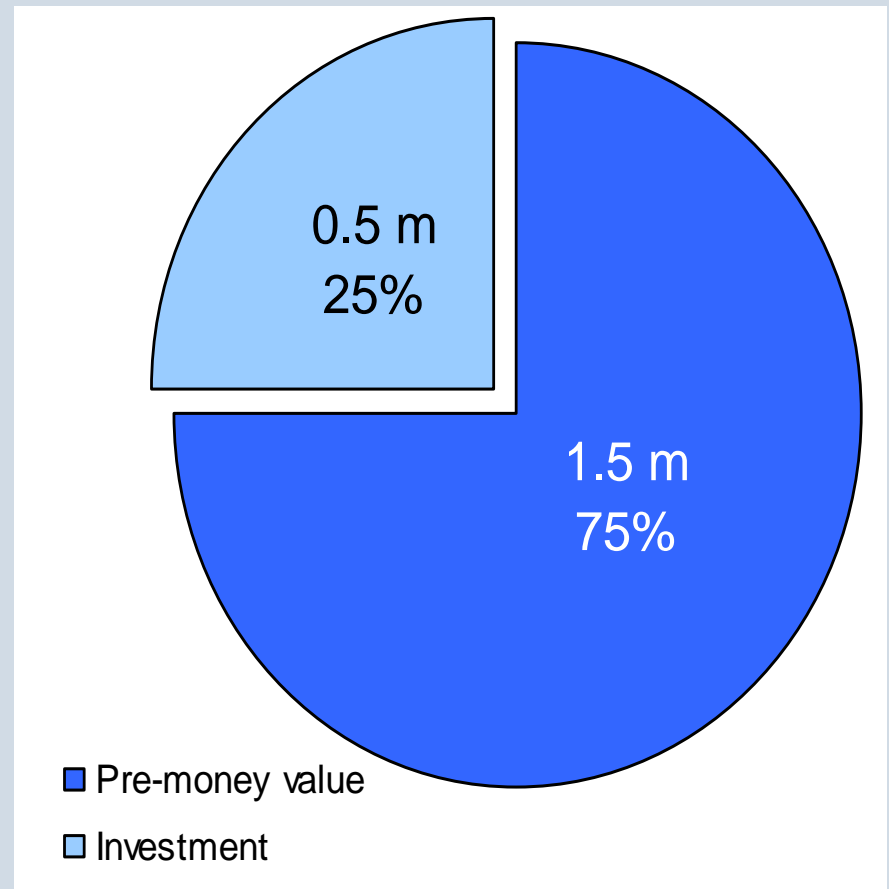
“Price is what you pay. Value is what you get.”

By Warren Buffett

=> Provide basis for negotiation, investment decision, fair share price

Why Company 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 Product Valuation

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

up-front	CHF	1 m
milestones	CHF	20 m
royalties		7%
- rNPV of product ?
- rNPV of deal ?

- ⇒ rNPV of product: CHF 30 m
- ⇒ **rNPV of deal:** **CHF 10 m**
- ⇒ Split Biotech / Pharma: 33% / 66%

rNPV: risk adjusted net present value

Biotech Valuation



- Valuation is key issue in development
- Industry lacks transparency (private)
- Very difficult (high uncertainties)
- High potential for investors
- Long investment cycle
- Traditional valuation methods unsuited
- Complex technology and IP situations

Risk Assessment



1. Understand the fundamentals
 2. Assumptions drive the valuation
- ⇒ Assessment/assumptions are key

Assessment

Company

Product

1. Management



2. Market



3. Technology



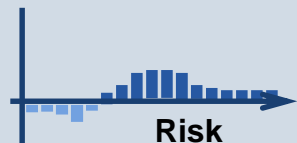
Valuation Approaches

- Discounted Cash Flows (DCF) } Operations methods
- rNPV / Sum of parts } Operations methods
- Venture Capital method => Mixed method
- Market Comparables } Market methods
- Comparable Transactions } Market methods

=> there is no “the right method”

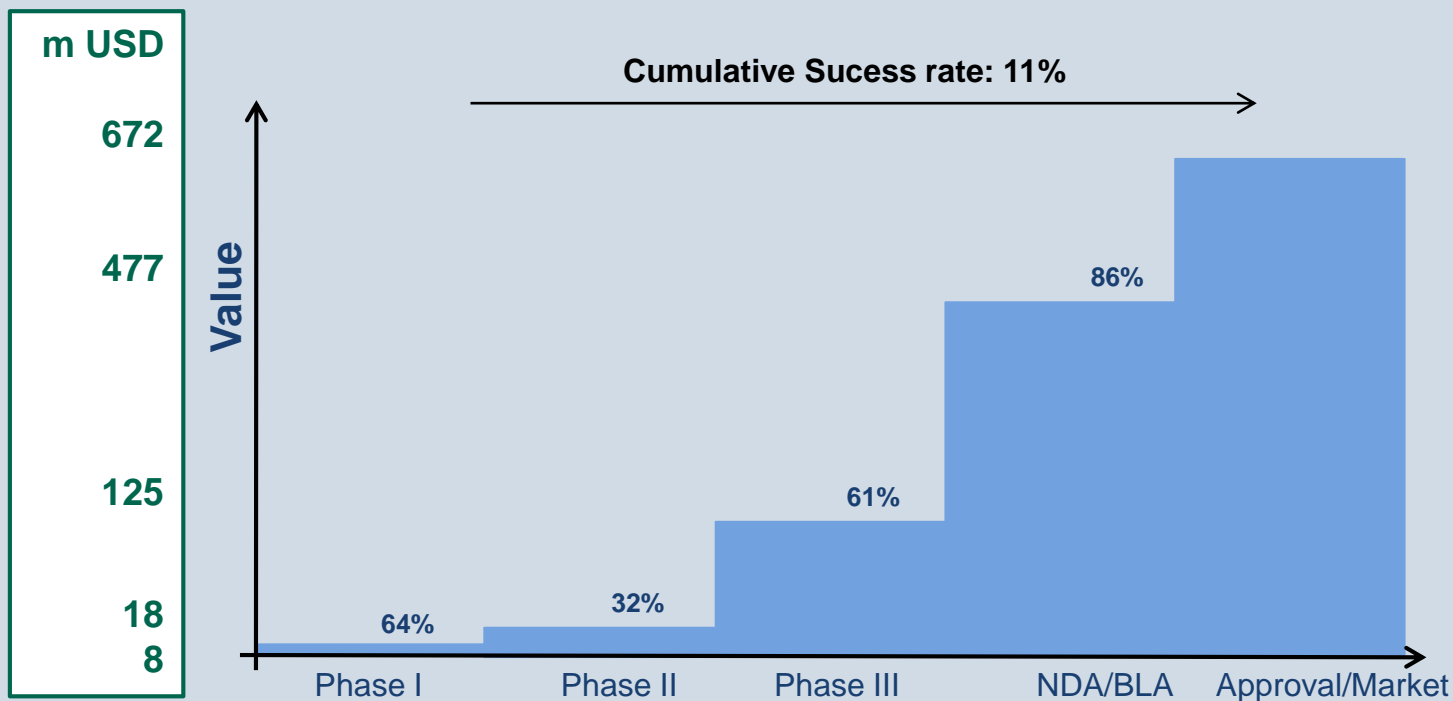
=> combination of different methods

rNPV



The relation between Risk and Value

- Completion of a phase → Direct value increase



Licenisng deals

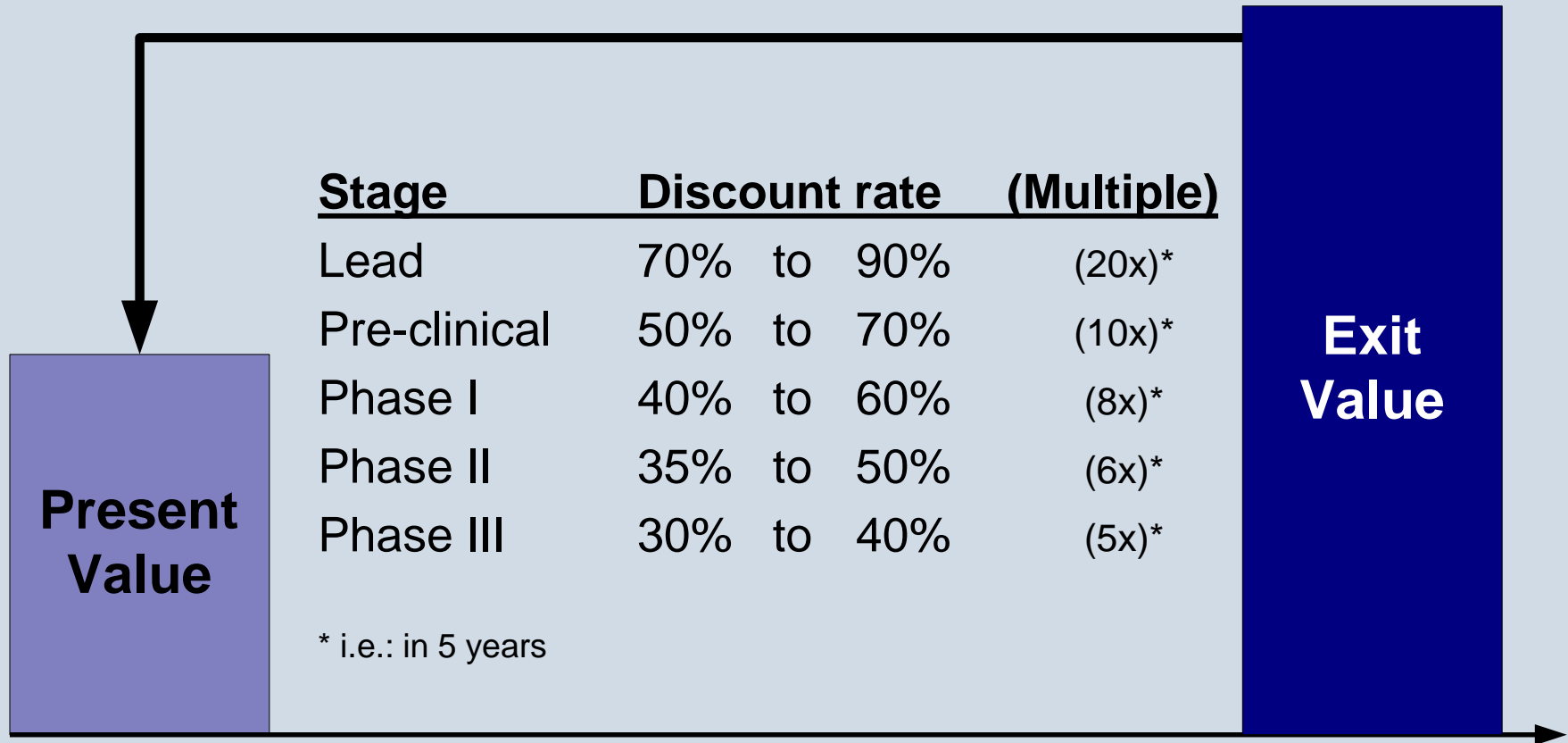


- Front/ back-loading a deal can heavily influence deal structure
- Deal terms dependent on needs of both parties

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
- Companies need to have an idea about value before speaking to investors / pharma
- Value = future risk & potential
- Valuation is not an exact science
- Its all about the assumptions

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Thank you for listening!

Slides available on www.venturevaluation.com

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Business development database:

80'000 products, 20'000 licensing opportunities
50'000 company profiles, 4'000 licensing deals
and deal terms

1) Business development database

2) Investors database

Partnership with AusBiotech.

