

The Financial Challenges of a Serial Biotech. Entrepreneur

Bruce Savage

CMP Therapeutics Ltd



Why are biotech's obsessed with raising finance?

Essentially R & D companies

- Technology
- Patents in application – key asset
- Need £X millions to develop technology to proof of principle.
- Typically revenue generation long way off.
- Cash flow chart typical 'hockey stick'.
- Often need an IPO to continue to fund late stage development.

What are the problems

- Investors have discovered R & D is risky!!
- Investors wary of promise of riches tomorrow in all tech. sectors.
- Hot air syndrome!
- Biotech companies require investors with patience and deep pockets.
- Sentiment changes towards sector over time but still require finance to fund R&D.
- IPO possible, but must be at late stage with pharma deals.

What are the opportunities

- Universities more commercial
- Pharma. has thin pipeline, problems with marketed drugs
- Pharma. turning to biopharma for novel compounds/technologies
- Increase in pharma acquisitions of biotec's
- 58% increase in partnering finance in US
- 22% increase in market cap in '05

Sources: Burrill & Co.

Some case studies

- Cytocell – molecular diagnostics
- Bio-Ex – Alzheimer's therapy & diagnostic
- BioAnaLab – specialised CRO.
- CMP Therapeutics Ltd – novel immune modulator for allergies and infectious diseases

Cytocell

- Founded company in 1991.

Early revenue generation through sale of DNA probes for detection of chromosome disorders such as Down's Syndrome, with potential upside through novel proprietary technology for gene detection.

CytoCELL funding story

1991- '94

- Founders, & friends £65k
- DTI Smart awards £105k
- Sales £49k

CytoCELL Funding story

'94- '96

- OION & VCR business angel finance £616k
- Apax & 3i - VC's £300k
- Sales £230k in '96

CytoCELL funding story

'97 – '99

- 3i & Apax invest £3.5m
in two rounds
- Business Angels £154k
- DTI Smart award £130k
- TCS award £75k
- Sales £712k in '99

Lessons learnt

- Business angels very patient
- VC's have short time scales and have changing sentiments to sector.
- Diagnostics industry don't in-license technology only finished products.
- IP problems in US can be hidden problems.
- Over ambitious development programme
- Under financed

Bio-Ex

- Spin-out from clinical neurology, University Oxford
- Revolutionary approach to diagnosis and treatment of Alzheimer's disease.
- Heavy R & D spend, early stage, too revolutionary.

BioAnalab

- Spin out from Therapeutic Antibody Centre, University Oxford
- Service/R & D model
- Focussed on service, opportunity supported by market research
- Minimised R & D
- Raised £520k Nov 2002
 - VCT, Seed fund, Business angels
- Cash sufficient to break-even.

BioAnalab

- Specialised CRO focussing on analysis of therapeutic monoclonal antibodies in clinical trials.
- First invoice raised within 5 months
- Revenue in second year £560k
- Company at breakeven.
- Full time CEO took over in 2004
- Raised further £500k in '05
 - 2 VCT's at increase in valuation

CMP Therapeutics Ltd

- MRC Immunochemistry unit, University Oxford
- Novel immune modulator for respiratory allergies, viral infections
- Based upon micro-particulate chitin
- Efficacy demonstrated in animals
- Pilot clinical study demonstrated efficacy in man in Taiwan.
- Co-founder with Peter Strong in 2004
- Patent assigned from MRC in 2005

CMP Therapeutics Ltd - finance

- Presented to business angel networks
- Presented to few VC's – too early
- Presented to Inventages VC- Switzerland
March '05
- Raised €4.5m in December '05
- Pre-clinical development nearly completed
- Phase I/II starting in Sept '06

Strategies for funding

- Revenue important
- Keep going in University
- Concerned about spin-out fever and lack of second round finance
- Must have very strong business plan
 - Granted patents - preferably
 - Management key
 - Revolutionary technology with some proof demonstrated.
 - Large unmet need in growing market

GOOD LUCK!

Bruce Savage

CEO

CMP Therapeutics Ltd

Banbury, Oxfordshire, UK

Tel: +44-1295-258771

Email: brucesavage@tiscali.co.uk