

Biotech IPOs: Springboard for Success

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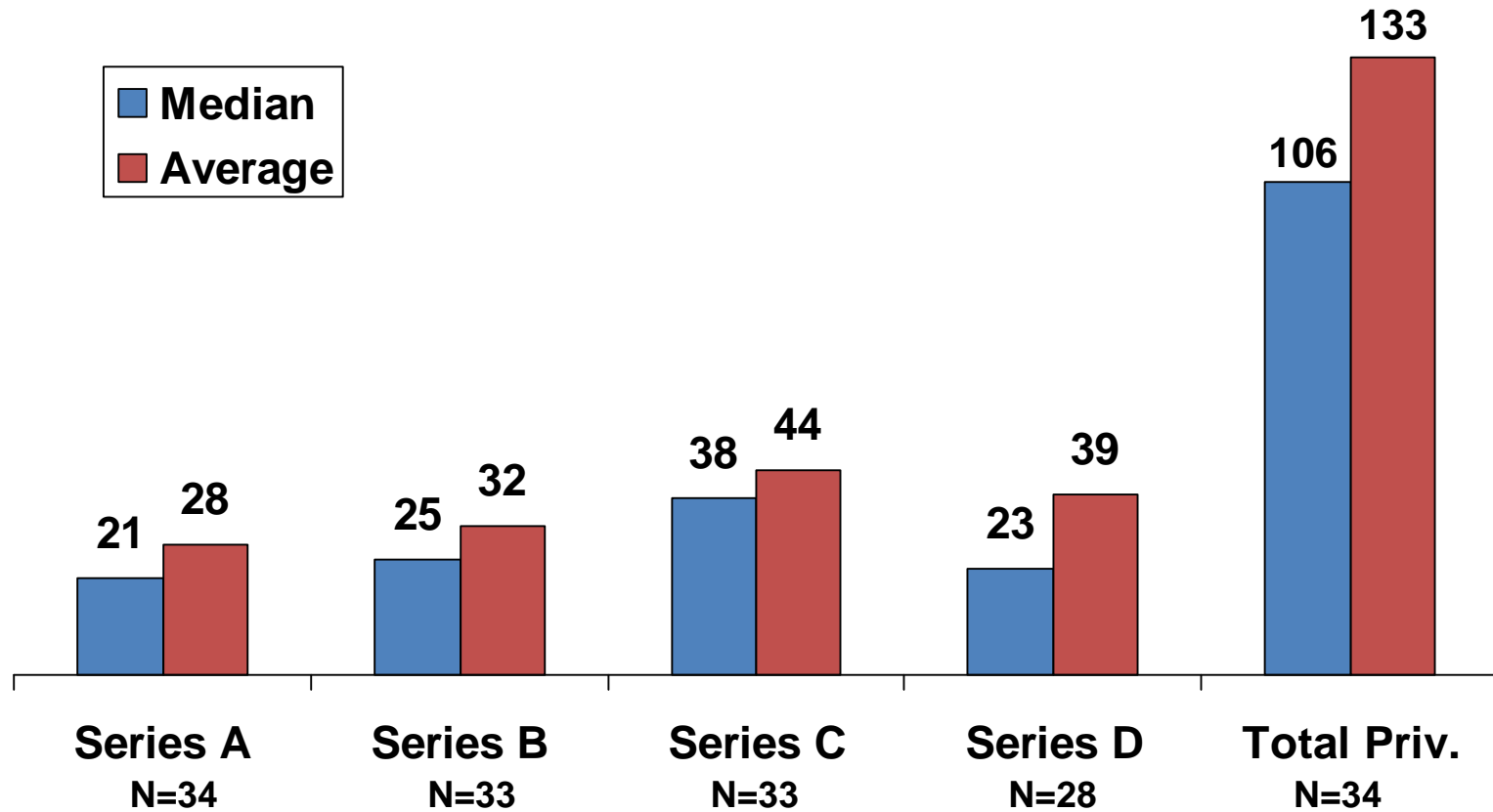


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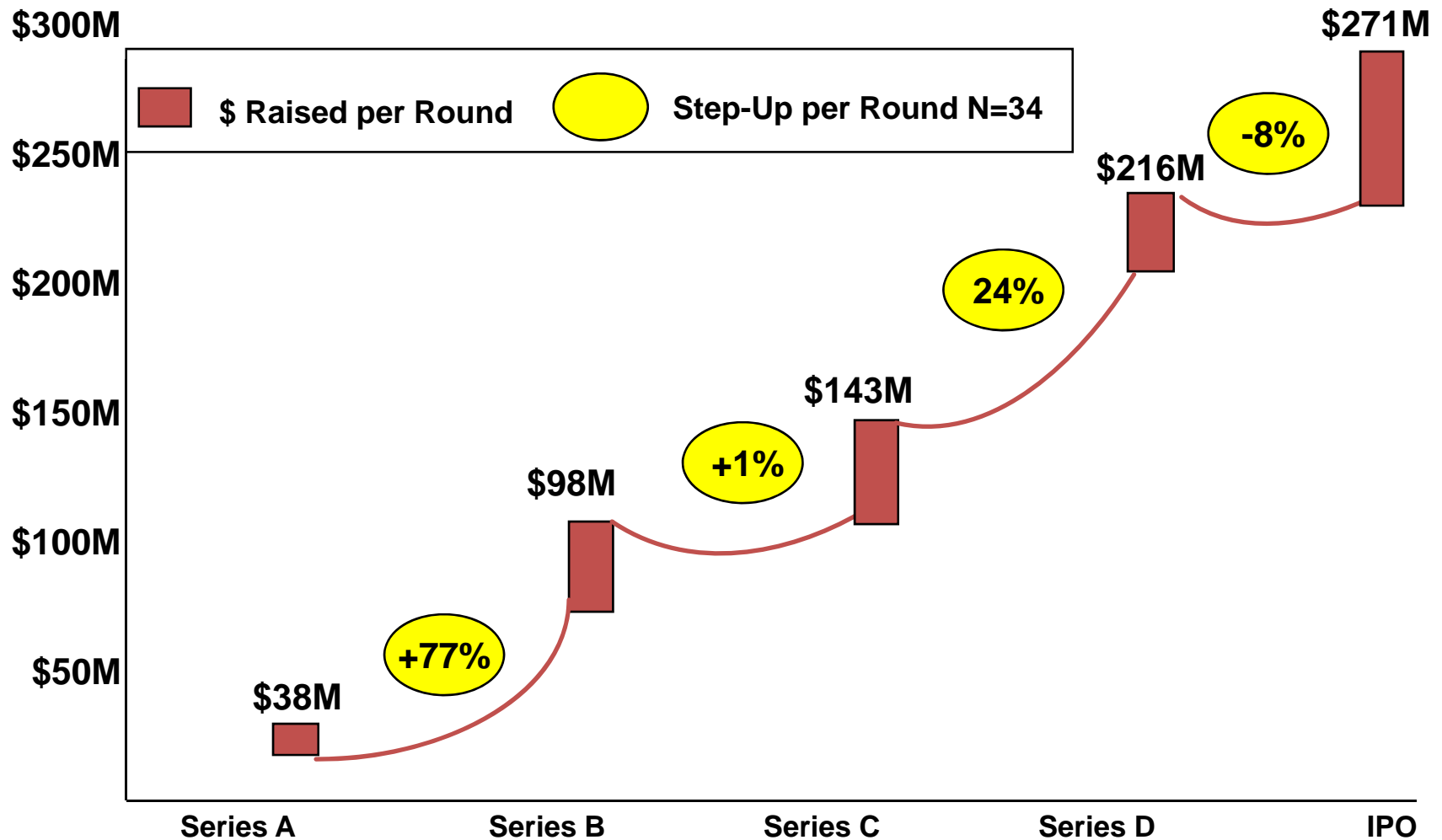
How Have Recently Public Biotechs Been Financed?

- 63 Biotech companies filed for US initial public offerings (IPOs) between January 2010 and December 2012
- 42 Biotech IPOs were completed as of December 31, 2012
- 34 of these Biotechs were venture backed
 - 14 in 2010
 - 9 in 2011
 - 11 in 2012

Total Private Capital of Recent Biotech IPOs (N=34)



2010-12 Biotech IPOs: Average Valuation Step-Ups



A Biotech Tale of Two Valuation Trajectories – Why?

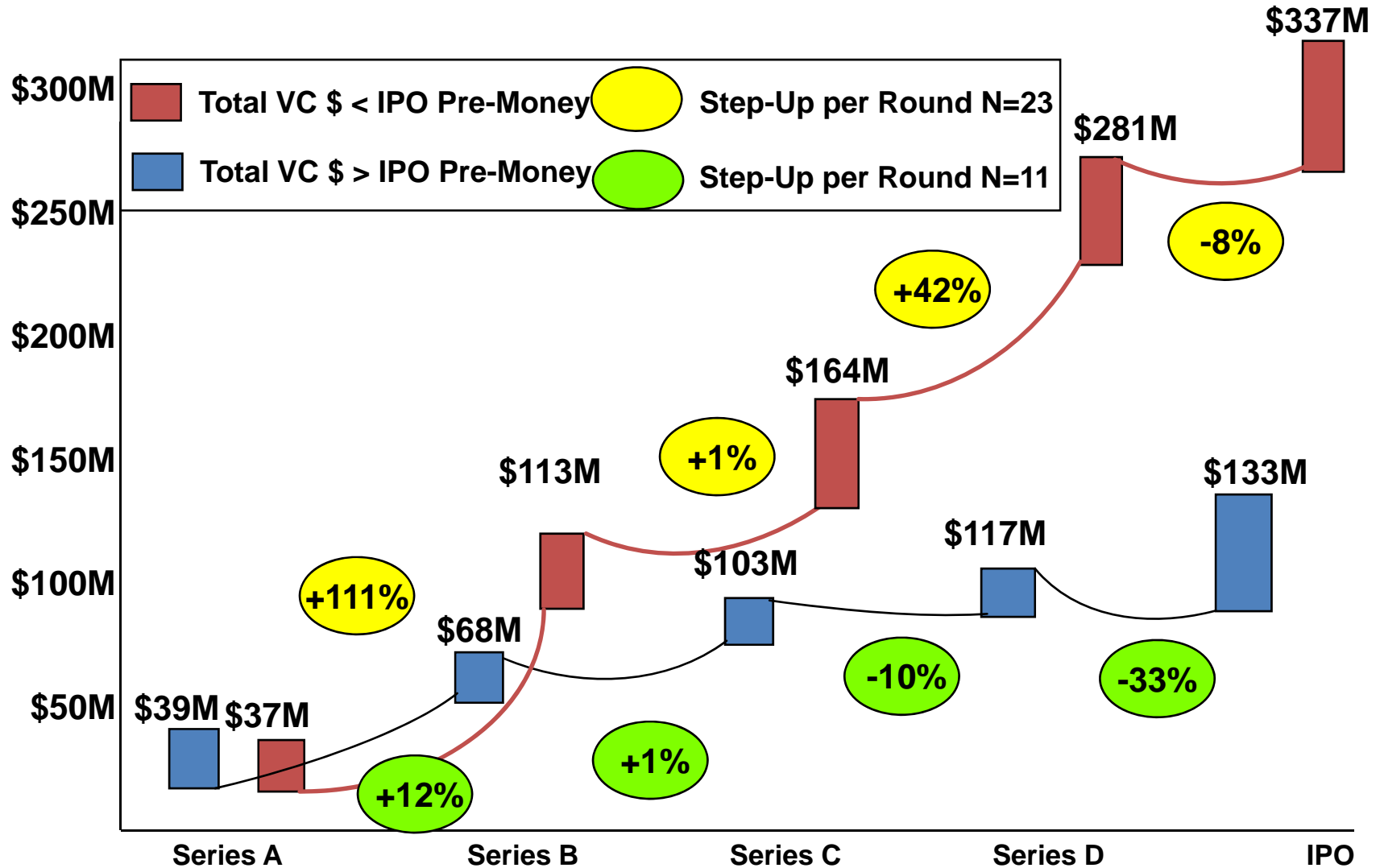
➤ 23 Biotech IPOs Had Pre-Money Valuations Above Total Invested Capital:

- Ironwood
- Anthera
- AVEO
- Alimera
- Codexis
- NuPathe
- Amyris
- Aegerion
- Pacific Bio
- Complete
- BG Med
- Sagent
- NewLink
- Clovis
- Verastem
- Merrimack
- Supernus
- Durata
- Tesaro
- Regulus
- Intercept
- Kythera
- ChemoCentryx

➤ 11 Biotech IPOs Had Pre-Money Valuations Below Total Invested Capital:

- Tengion
- Trius
- Zogenix
- Anacor
- Pacira
- Endocyte
- AcelRx
- Tranzyme
- Fluidigm
- Cempra
- Hyperion

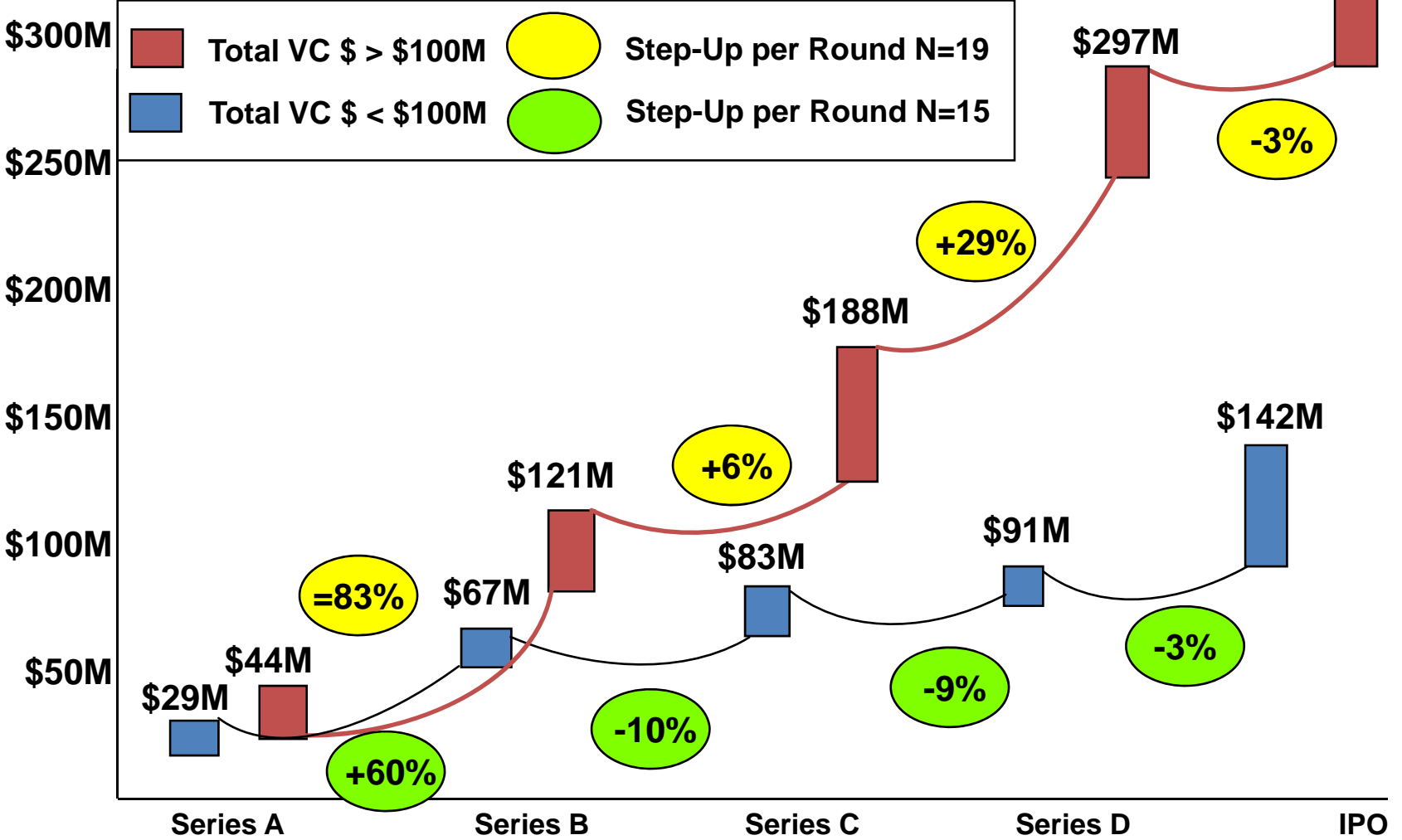
2010-12 Biotech IPOs: Total VC \$ Vs. Pre-Money



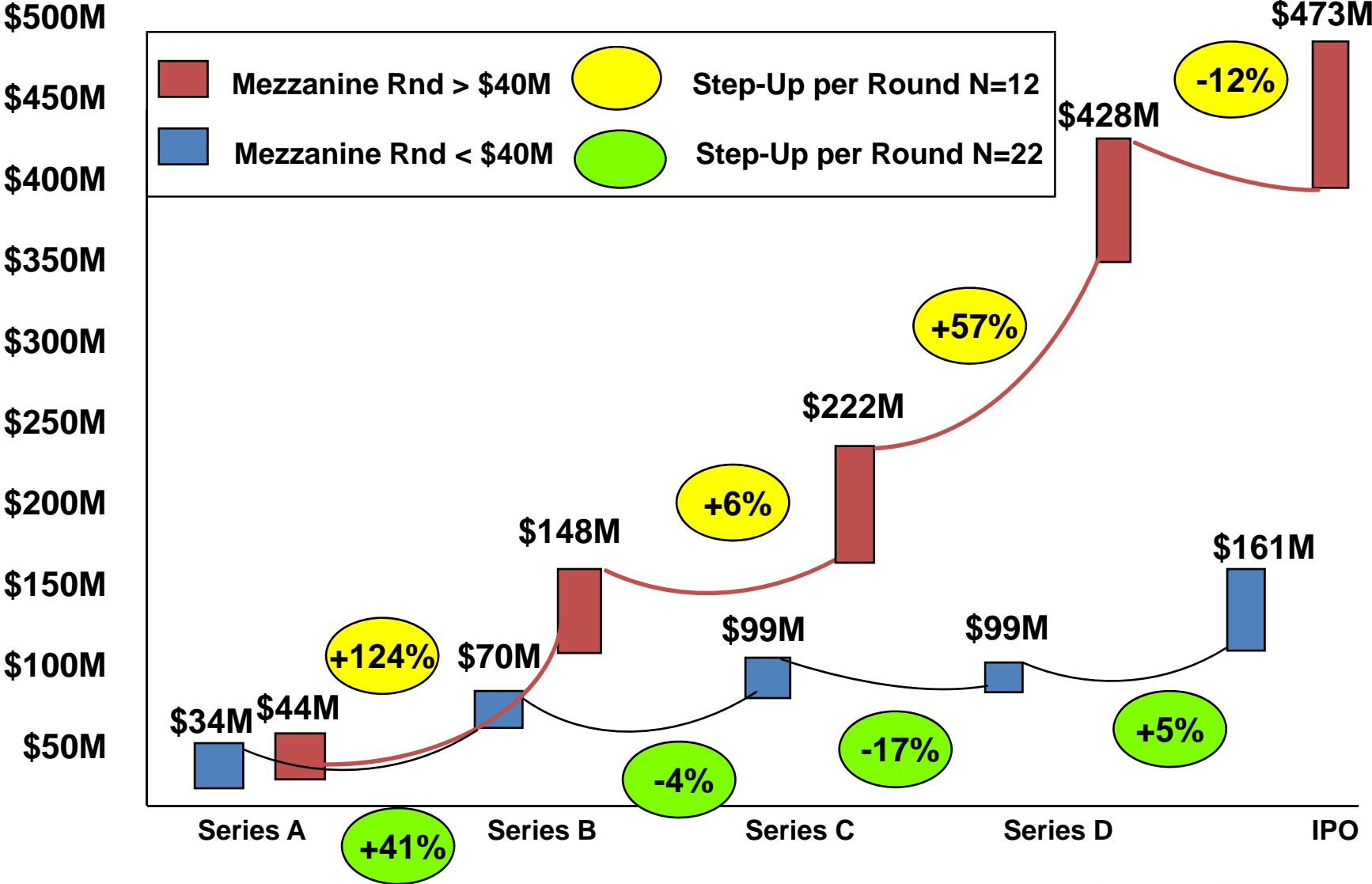
What Financing Strategies Have Been Most Successful?

- Raise \$100M+ in Aggregate Private Rounds?
- Raise a Large (\$40M+) Mezzanine Round?
- Raise a Large (\$25M+) First Round?
- Dive into The IPO Pool Early?

2010-12 Biotech IPOs: \$100M+ in Total VC \$



2010-12 Biotech IPOs: \$40M+ Mezzanine Round

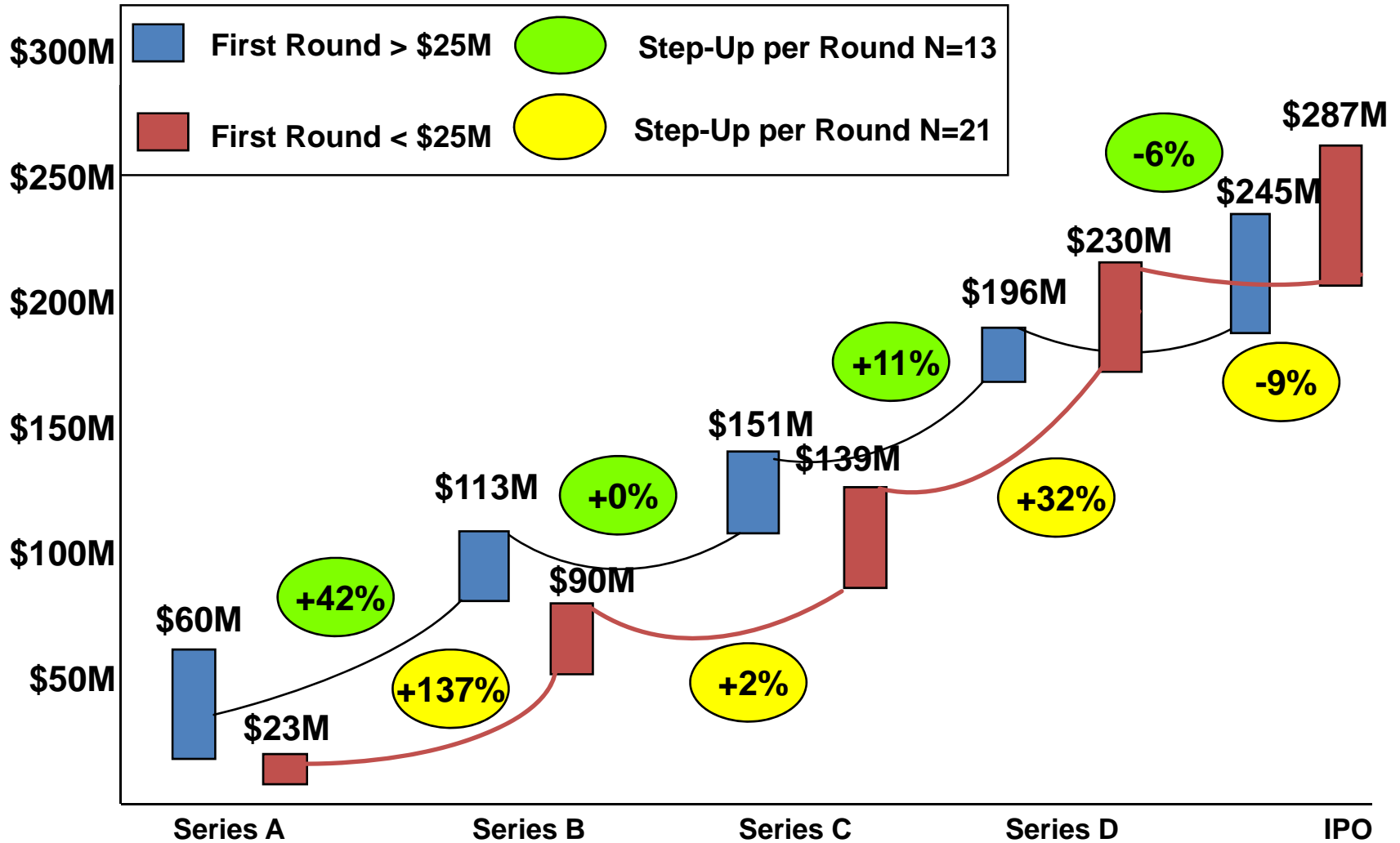


Blurring the Line Between Mezzanine Round & IPO

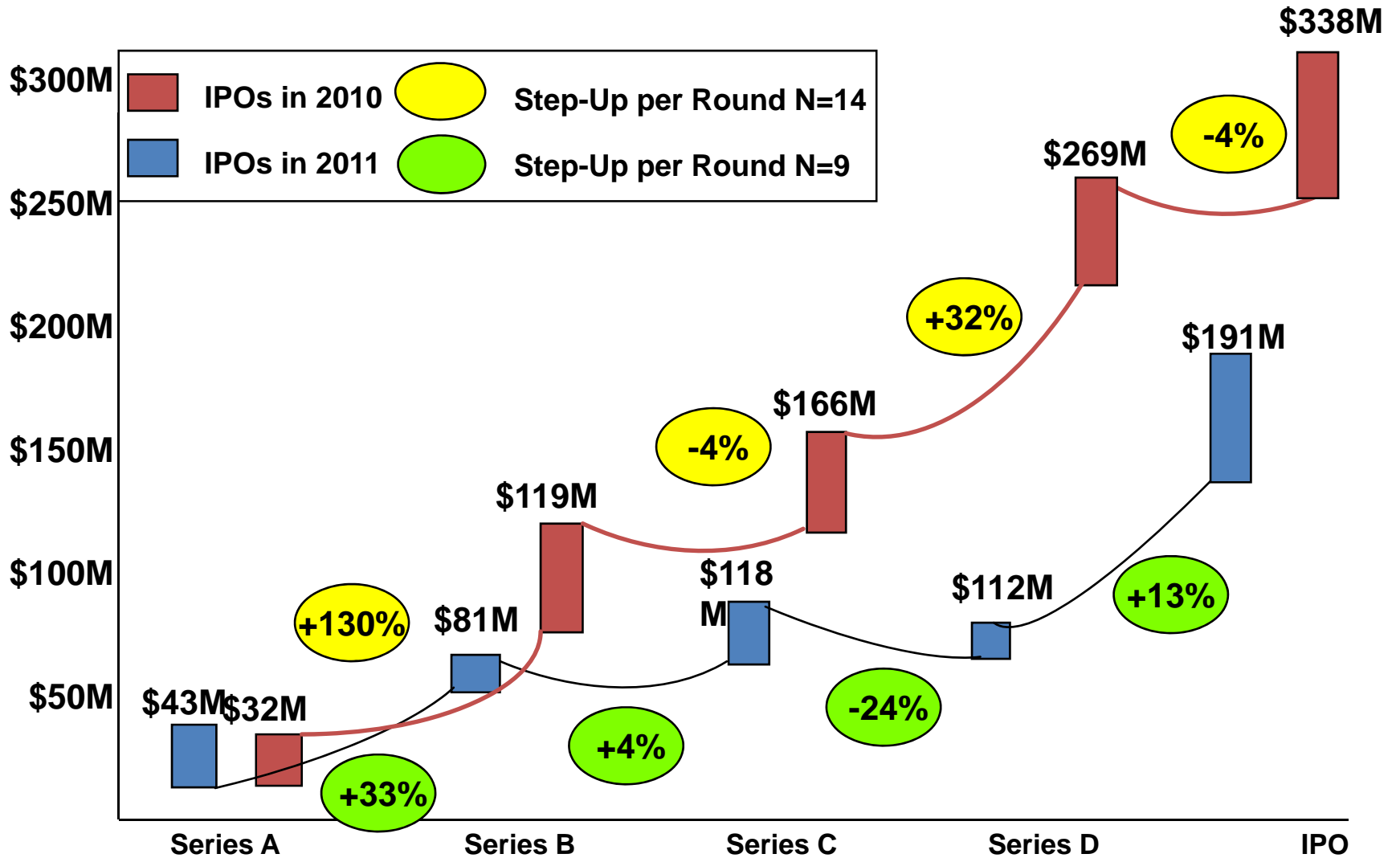
- 15 Biotech IPOs Had Notes that Converted to Common Shares at the IPO Closing:
 - 12 Convert at % of IPO price – (80-100%)
 - 1 Escrow for note funding until drawdown
 - 1 Convert at IPO price & penny warrants (= 67%)
 - 1 Fulfill Milestone obligations via IPO shares

- 26 Biotech IPOs Had Insiders Buying a Portion of the IPO:
 - 12 “Insiders MAY purchase” – 39% Av (18-72%)
 - 14 “Insiders WILL purchase” – 40% Av (10-60%)

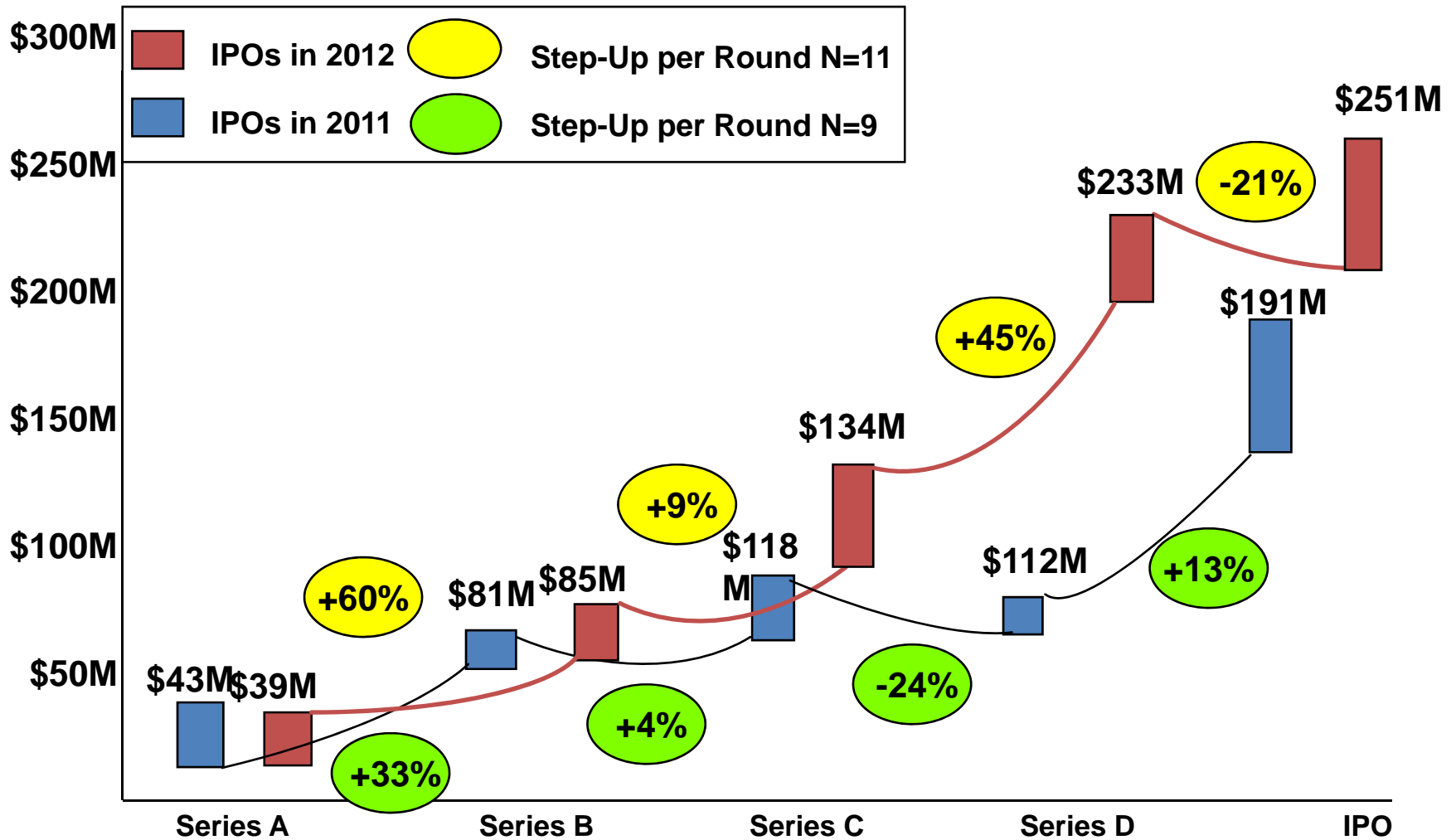
2010-12 Biotech IPOs: \$25M+ First Round



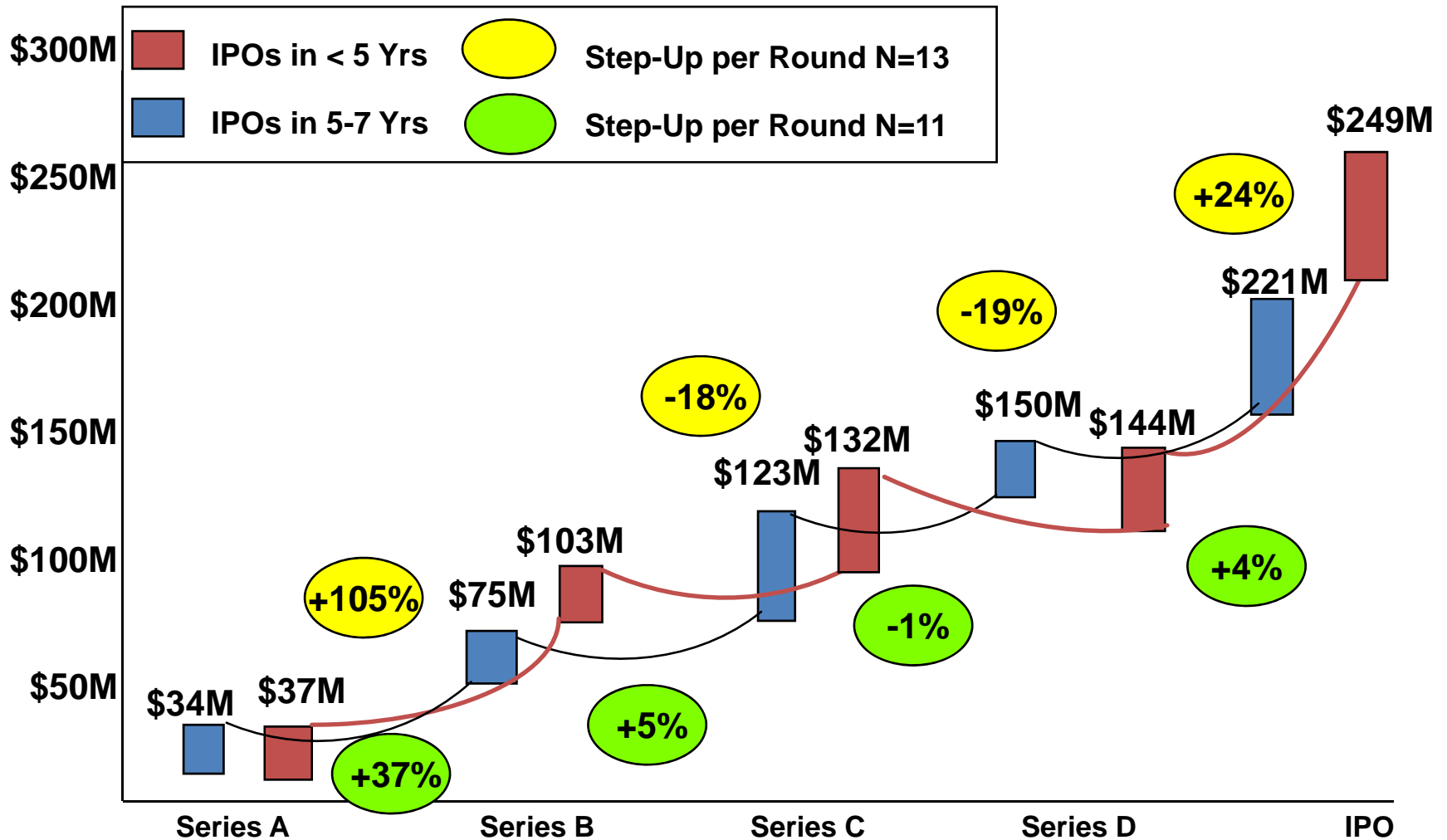
Biotech IPOs: Valuation Step-Ups by IPO Year



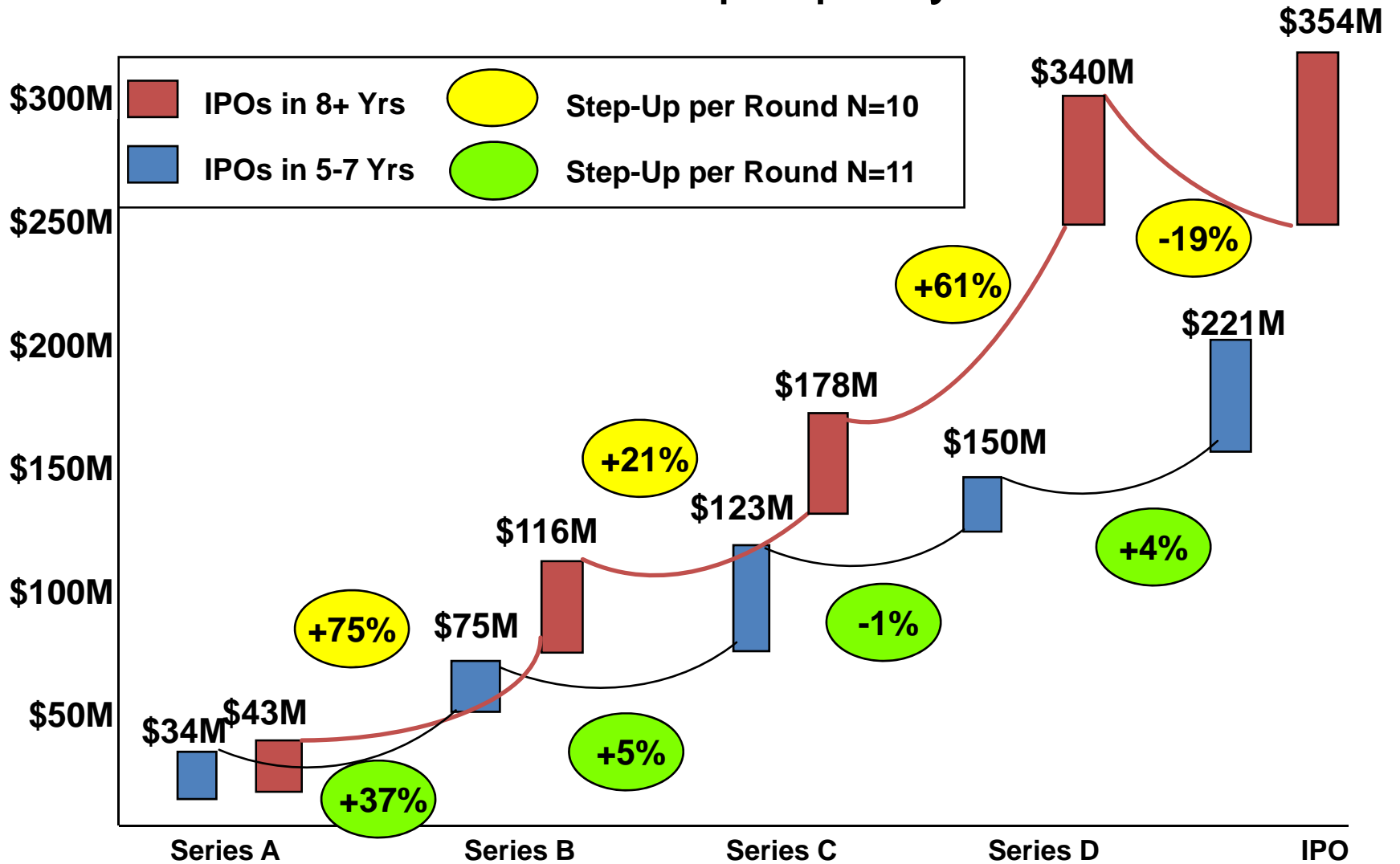
Biotech IPOs: Valuation Step-Ups by IPO Year



Biotech IPOs: Valuation Step-Ups by Yrs from 1st VC





Biotech IPOs: Valuation Step-Ups by Yrs from 1st VC



What Financing Strategies Have Been Most Successful?

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 ➤ Dive into The IPO Pool Early?