



Valuation of Biopharmaceutical companies

How can value be measured?

Agenda



- Valuation Issues
- Valuation Framework
- Soft factors / Value drivers
- Valuation Methods
- Venture Valuation

Price # Value



- **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

Biotech Valuation Issues



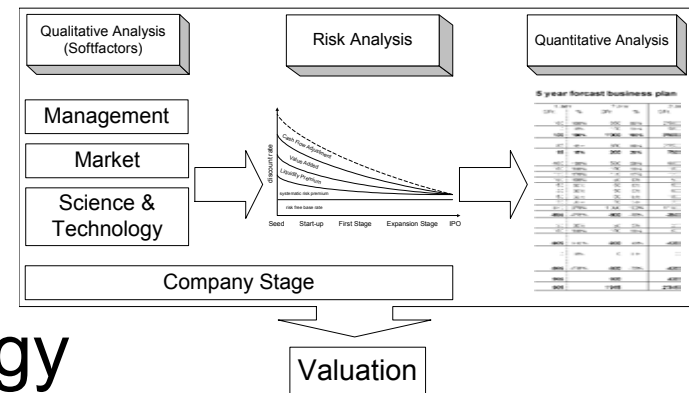
- Volatility of quoted companies
- Long investment cycle
- Traditional valuation methods unsuited
- Understanding the drug value chain
- Industry lacks transparency (number of companies and therapeutic approaches)
- Multiple forms of competition (capital supply, IP, partnerships, market share)
- Complex technology and IP situations

Factors to influence value



Soft factors are essential ...

- Management
 - Market
 - Science & Technology
- ... and the company stage



to define the **risk profile** of company

Management



- Composition / Complementary skills
- Track record / Experience
- Ability to reach set goals
- Motivation / Incentive structure
- Composition and involvement of Board of Directors and Advisory Board
- Organization / Capacity to run a structure
- Emotional intelligence / social competence

Market



- Substitutes
- Rivalry among existing competitors
- Barriers of entry
- Bargaining power of suppliers / buyers
- Future market potential
- Political / legal dependency
- Cost estimations of clinical phases

Science & Technology



- Intellectual Property (IP) protection possibilities
- Applied or issued patents
- Time to market
- Alliances / partnerships
- Management of future discoveries / pipeline

Stage of the Company



- Risk profile is influenced by company stage

Risk	Drug discovery stages	Company stages
An inverted triangle with a thin black outline, pointing downwards, indicating that risk decreases as the company progresses through the stages.	Generating Leads	Seed stage
	Optimizing Leads / Pre-clinical	Start-up stage
	Clinical Trials: Phase I	First growth stage
	Clinical Trials: Phase II	Second growth stage Later stage
	Clinical Trials: Phase III	IPO
	Submission and regulatory Approval	

Valuation approaches



- Operations-based methods:
 ⇒ *business plan, fundamentals*
- Market-based methods:
 ⇒ *price, trends, comparison*
- 5 methods:
 - Discounted Cash Flows (DCF) } Operations meth.
 - Real Options } Operations meth.
 - Venture Capital method ⇒ Mixed meth.
 - Market Comparables } Market meth.
 - Comparable Transactions } Market meth.

⇒ *use several methods*

Conclusion



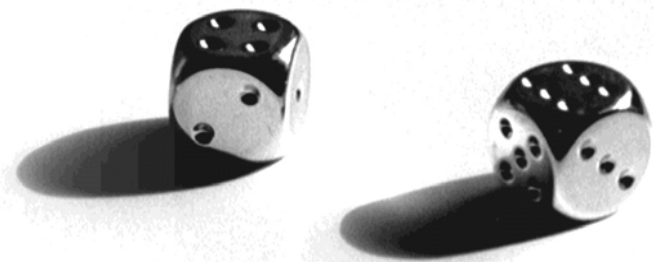
- Valuation as a process
- Value \neq price
- Use several methods
- Risk and potential as main components
- Value spectrum as a result

Venture Valuation



- Independent, third party Valuations
- Experts Finance / Biopharma
- Not a venture capitalist
- International experience (North America, Europe and Israel)
- Systematic / Validated Approach
- Track record of over 80 valued companies

your valuation expert



Thank you

Presentation available on:
www.venturevaluation.com

**...and how do you
value your company?**