

# VALUATIONLAB

## FINANCIAL ANALYSIS

“Unlocking the Value in Biotechnology”



Swiss Biotech Day 2014

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# Biotech is booming. What's the problem?

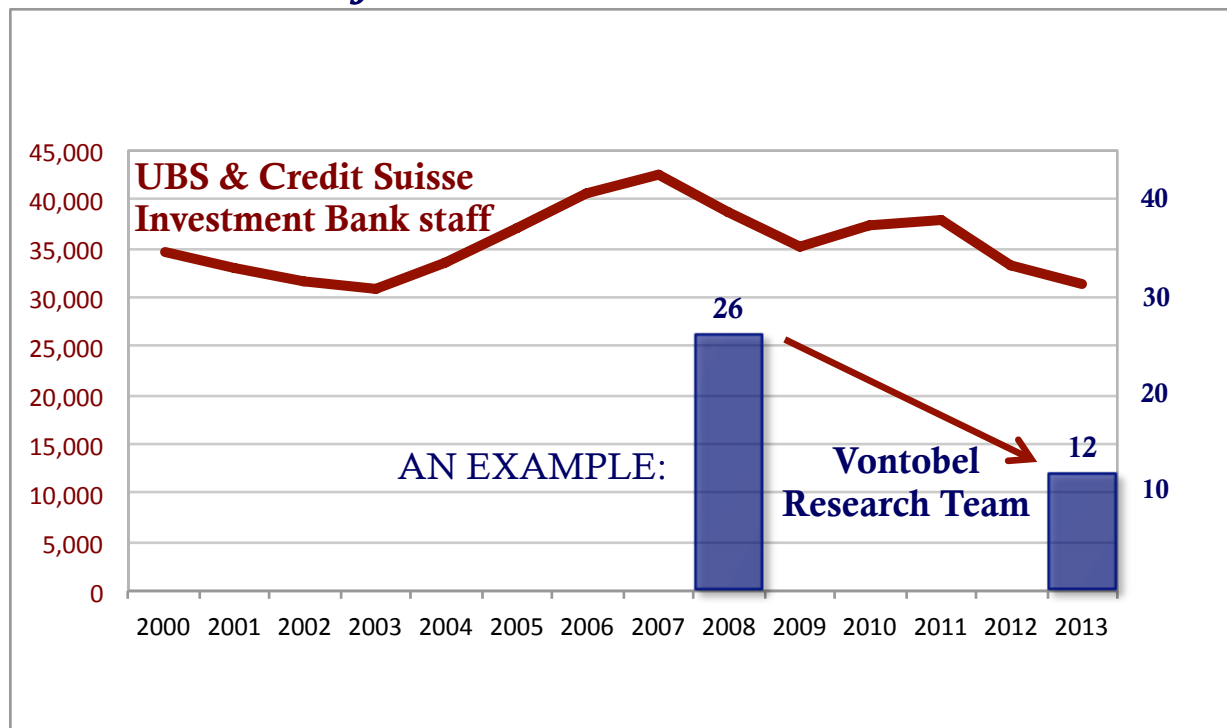
## Swiss Biotechnology since 2000



Source: Swiss Biotech Sector 2013, SWX ID HLTHCARE TR, valuationLAB

# Drop in Investment Banking research

## Head count major Swiss Investment Banks & Research



**Vontobel stock coverage**

2008: 140

2013: 125 ↓

**Coverage per analyst**

2008: 5.4

2013: 10.4 ↑

Source: Article "Handelszeitung" 21 November 2013, Annual Reports, valuationLAB estimates

# Boom – bust – boom, bottleneck!

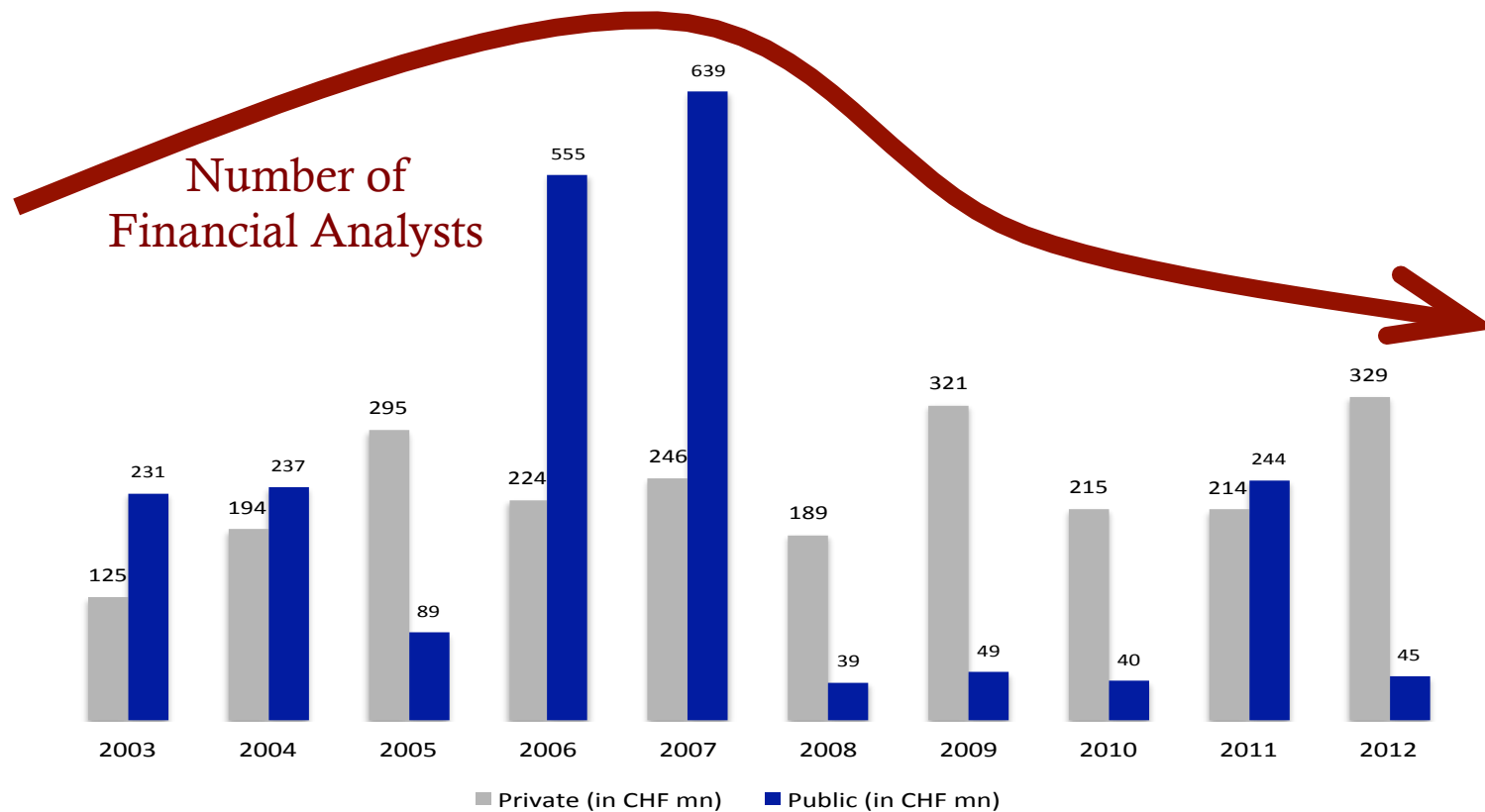
## Swiss Biotechnology since 2000



Source: Swiss Biotech Sector 2013, SWX ID HLTHCARE TR, valuationLAB estimates

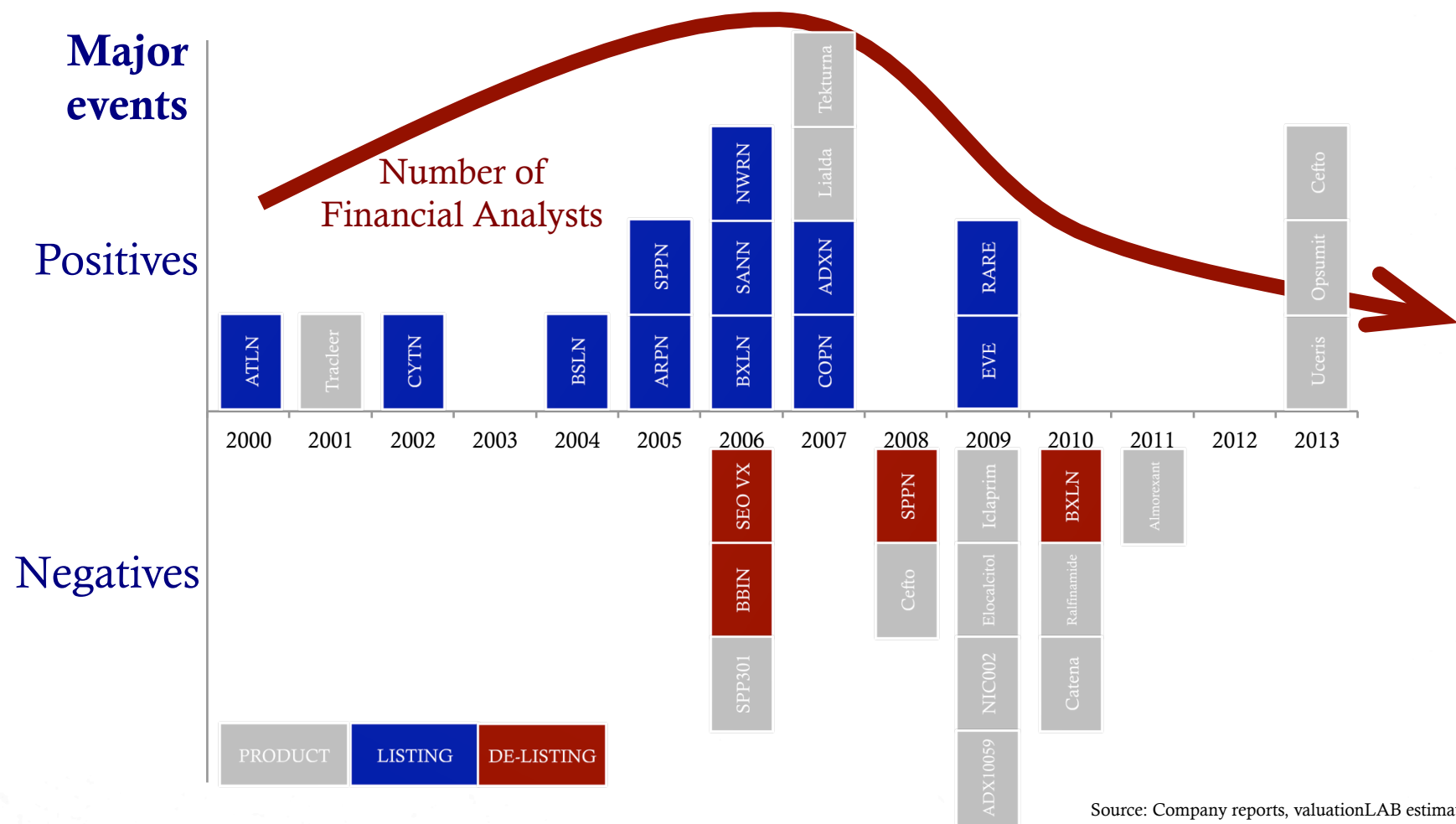
# Money talks, and money walks...

## Capital Investment in Swiss Biotech Companies



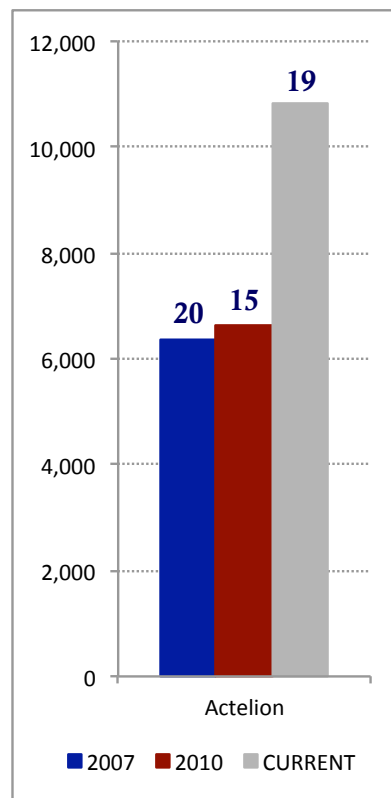
Source: Swiss Biotech Report 2013, Ernst & Young, valuationLAB estimates

# News flow determines risk attitude

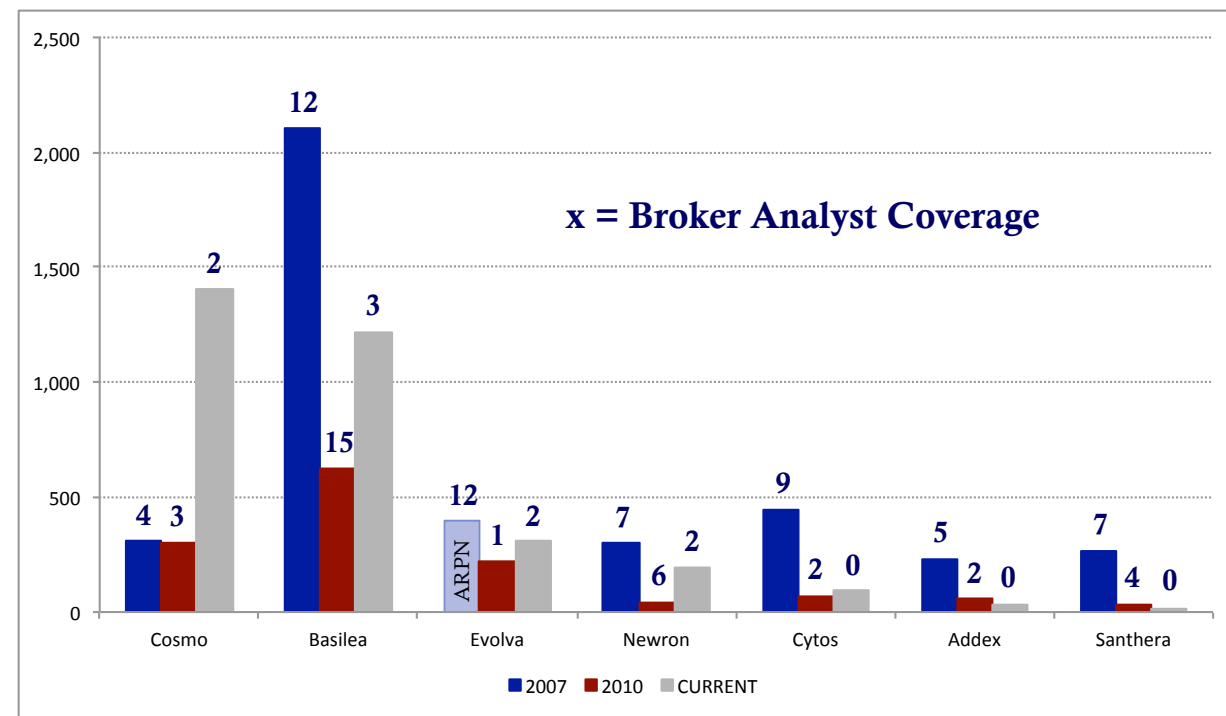


Source: Company reports, valuationLAB estimates

# Research coverage SIX listed biotechs



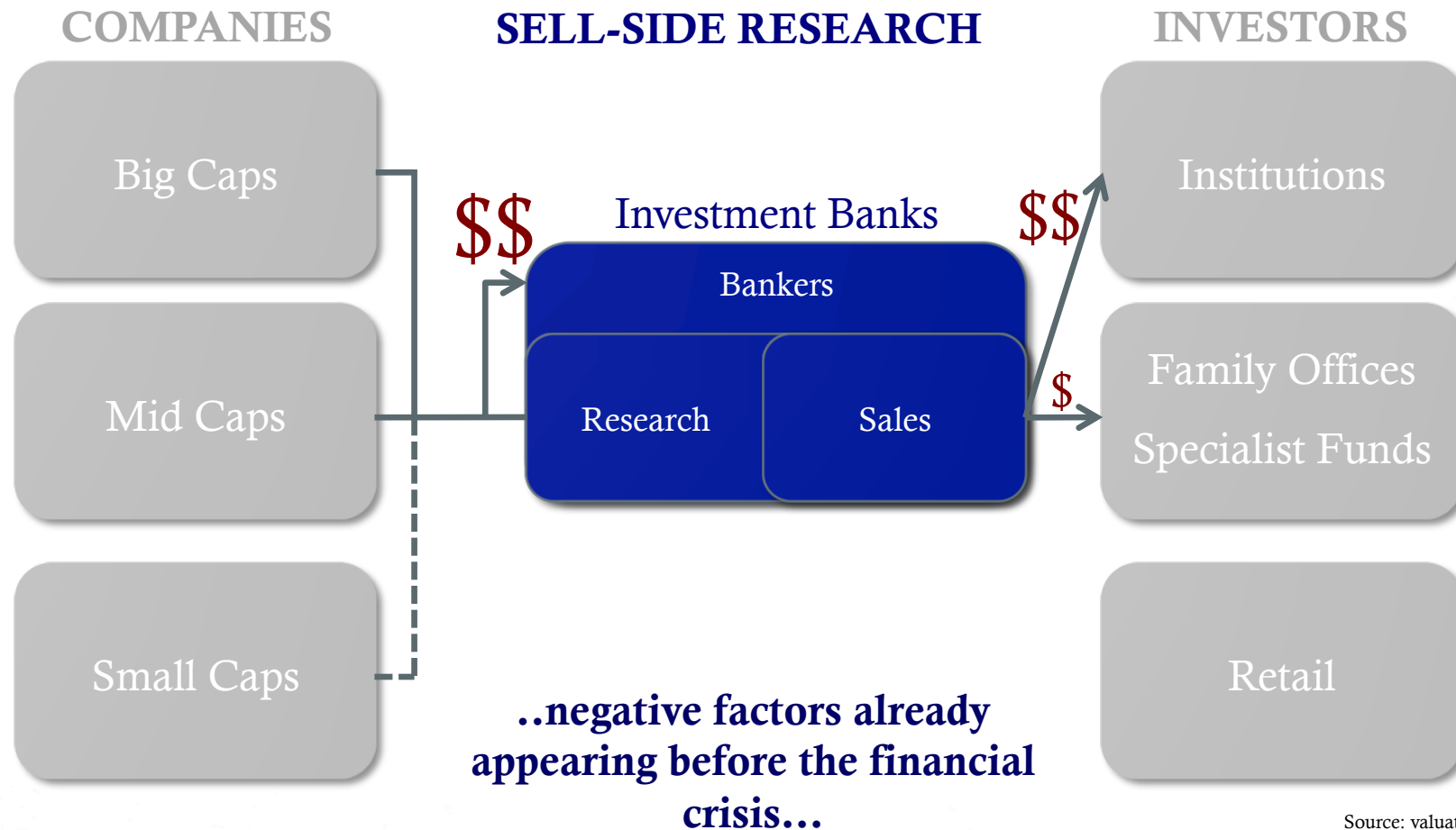
Market Capitalization (in CHF mn) and Broker Analyst Coverage



Source: Company survey, valuationLAB estimates



# Research before the crisis



Source: valuationLAB

# Negative factors affecting brokers

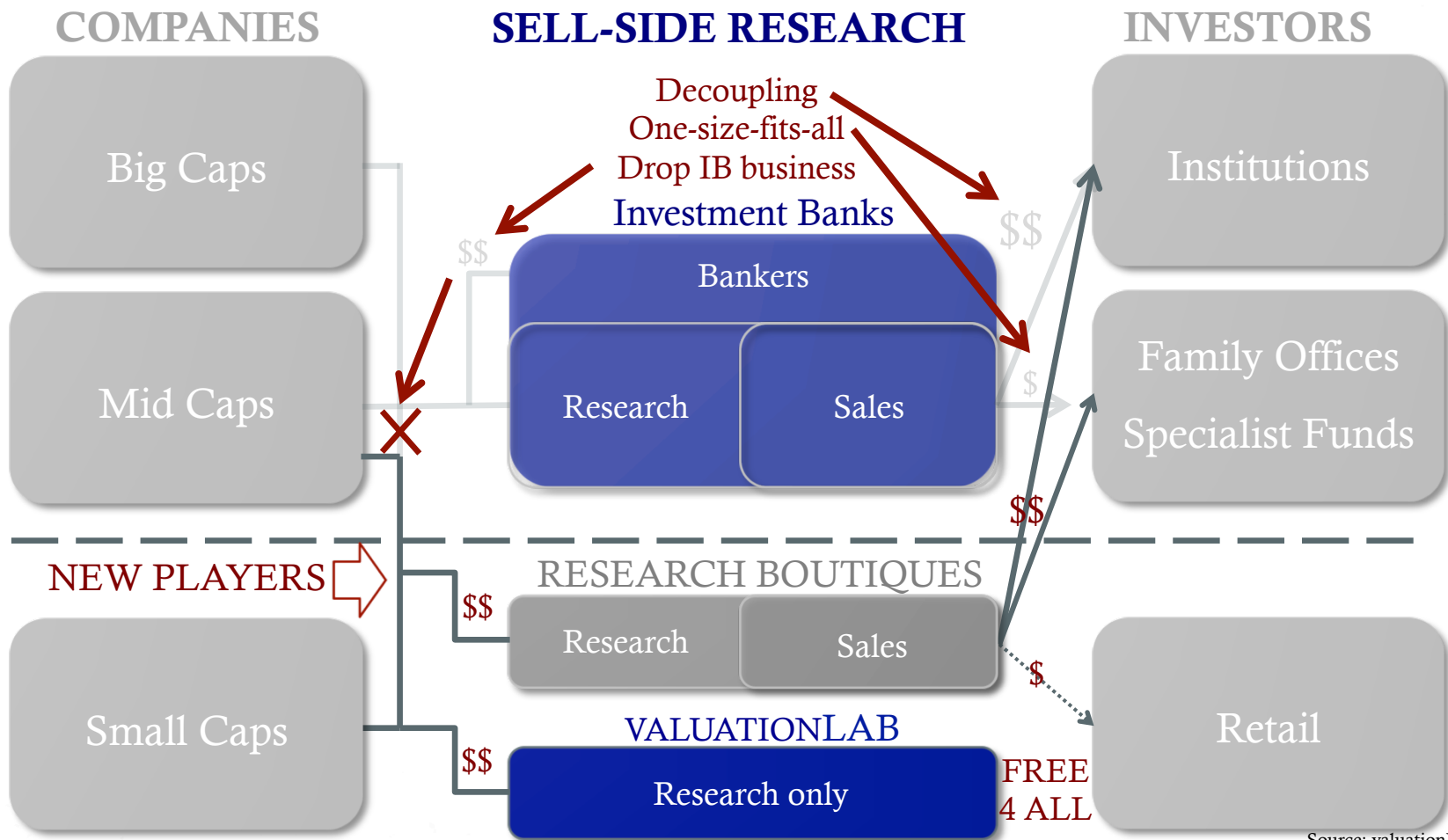
- **“Decoupling”** research and commission (best research is not necessarily best transaction fee)
- **“One-size-fits-all”** research approach large institutions not satisfactory

**Financial crisis** enhanced downward trends, and

- **“Drop in IB business”** experienced specialist staff reductions

**Financial institutions are dropping small cap Life Science coverage increasingly!!**

# Shift towards research “boutiques”



Source: valuationLAB

# Unlock value - Three key steps

?

## Analysis

### Understand

- USP
- 7P's
- Translate
- Visualize

K.I.S.S.

\$

## Valuation

### Quantify

- Cash (life)
- Key drivers
- Risk adjust
- Sensitivity
- Catalysts

S.M.T.M.

WWW

## Research

### Share

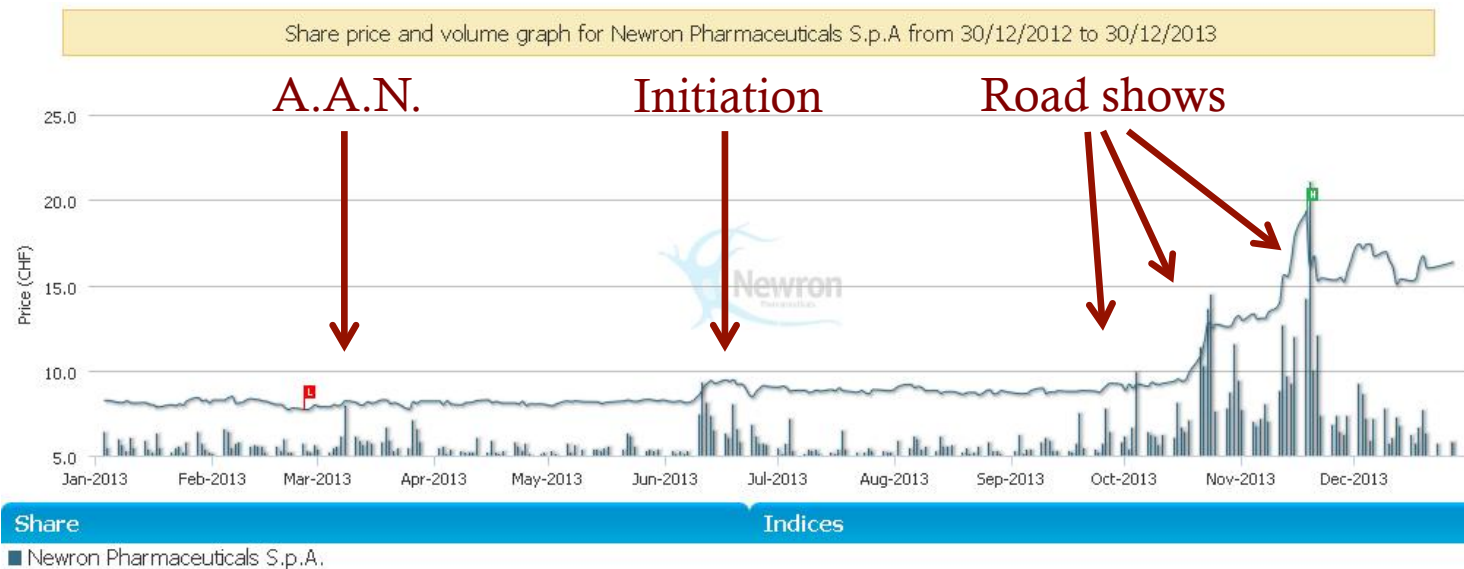
- Website
- Newswires
- Investors
- Conferences

USE IT!

Source: valuationLAB

# Valuation Report - Newron

## Newron Pharmaceuticals (SIX)



Source: Investis Ltd, valuationLAB

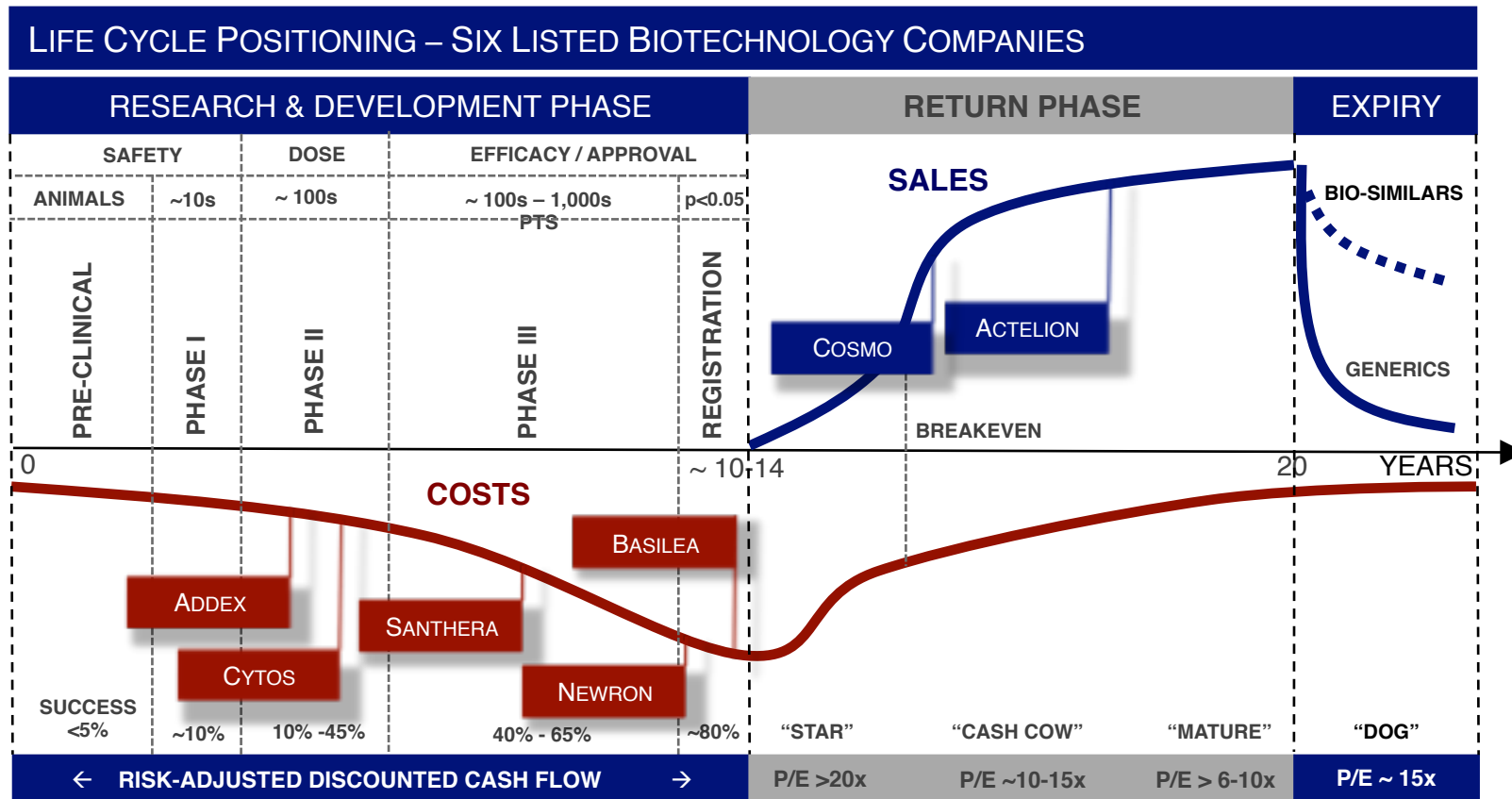
# Valuation Report - Gentium

## Gentium (NASDAQ)



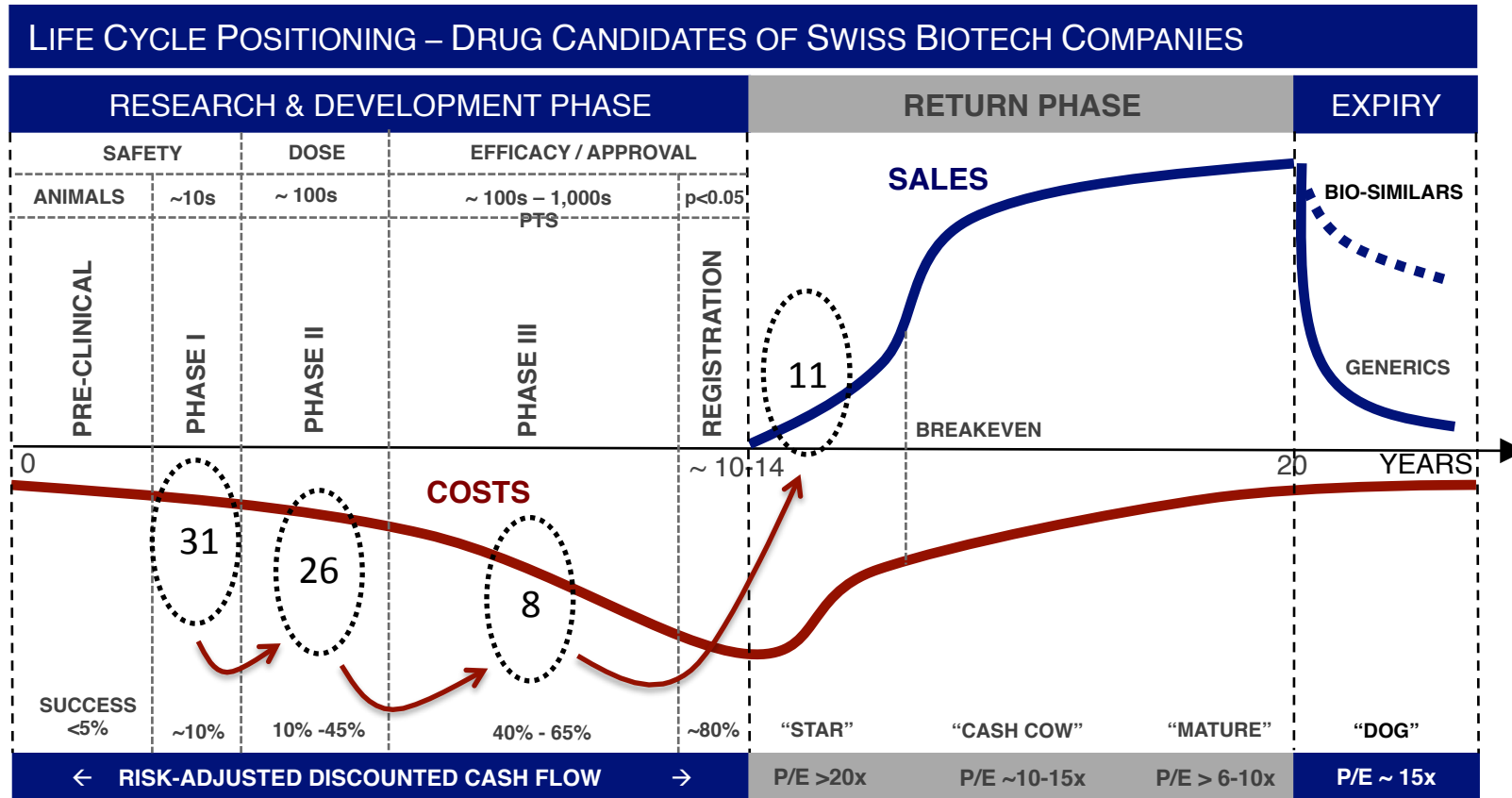
Source: Yahoo, valuationLAB

# Life cycle positioning - Public Biotechs



Source: valuationLAB estimates

# Life cycle positioning - Swiss NCE's



Source: "The Swiss Biotech Sector 2013" by SBA, valuationLAB estimates



# Product wave expected to continue

- New biotech product wave just starting
  - Margin boost for already profitable companies
  - New “success stories” - 1st product revenues and profits
- Maturing private biotech pipeline
  - Broad range of innovative therapies
  - Funding of early stage products still a concern
  - Public/corporate/private ventures needed
- Cash-rich Big Pharma and Big Biotech still shopping

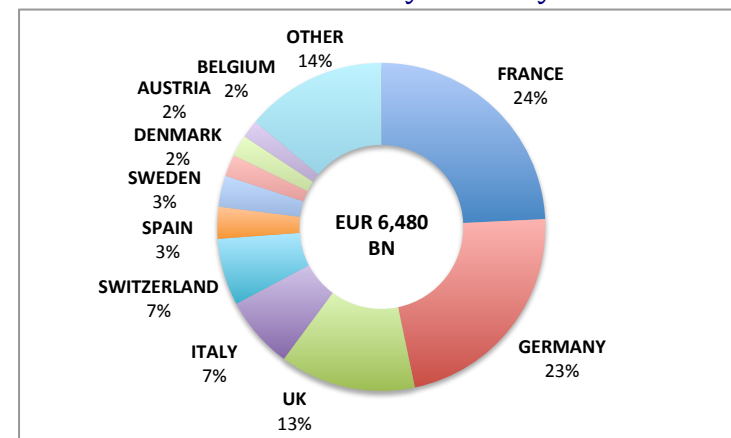
# European biotech will participate too

- US (44% of global AUM) easier to attract funding
  - Largest single market, one language, one currency, one ...
  - Dominant healthcare sector, seasoned financial specialists
  - Risk appetite, entrepreneurs
- Europe (31% of global AUM) has its strengths too
  - Lower valuations
  - Local markets, local players, local knowledge key
  - Changing risk appetite, emerging entrepreneurs

# “New” capital waiting to be found

- Attractive investment opportunities abundant (but largely unknown)
- Sufficient “new” capital sources waiting to invest
  - High Net Worth Individuals
  - Family offices
  - Pension Funds
  - New EU member states

Investment fund assets by country of sales



Source: European Fund and Asset Management Association (EFAMA) “Asset Management Report 2013”

# Unlocking the Value in Biotechnology

- Three key steps to unlock the value in biotechnology
  - 1) Understand (K.I.S.S.); 2) Quantify (S.M.T.M.); 3) Share (USE IT)
- Quality research coverage is key to:
  - Provide sufficient funding for innovative products
  - Help change perceived risk, find new sources of funding
- Investment Banks come and go – Boutiques filling the gap
- More co-operation desired between European governments, biotech associations, financial markets, and large biopharma companies to support innovative emerging biotechs

# VALUATIONLAB

## FINANCIAL ANALYSIS

“We value your business”

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