



**Euro Bio Sep 09**

# **Seed Investors role in the current climate**

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## Is this downturn really that different ?

- **Economic cycles (and many economists) predicted the downturn**
- **Nature of this recession may be different based on the implosion/rescue of global financial institutions**
- **There has clearly been a flight to safety by investors**
- **There are portfolio problems for many of the LPs in Venture Funds in particular, reducing ability to take part in fundraisings .**

## Reduction in available VC based funding

- **If LPs are investing less into VCs (and seed funds), they only back those that have made the best returns....**
  - Q2 09 - \$1.7bn raised Vs \$9.3bn Q2 08
  - 25 Funds raised Vs 82
  - And generally those funds raised less.
  - But ....Essex Woodlands raised >\$600m in 2009 & Domain \$371m
- **Some others will have difficulty surviving (cf Biotech)**

# Implications for emerging companies

- **VCs are trending to make bigger bets on more “solid” plays**
- **There is still funding available but....**
  - Flat & Downrounds are the norm
  - Competition is greater than ever
  - Actually a very good investing time for VCs with money
  - Examples include:
    - Hyperion Pharma - \$60m
    - Alleron Therapeutics - \$40m

## **An emerging company must .....**

- **Get further than before to be able to raise Venture Money**
- **Work smarter , focus on cash conservation & the right mix of in/outsourcing models**
- **Look at extending seed funding models as far as they can go.....**
  - **This is different by country**
    - **France - strong regional funds & OSEO etc**
    - **UK - Angel Clubs, New Seed Funds mainly private, New govt matched fund**
    - **EU & National Grant funding**

## How far seed can go ?

- **As far as the entrepreneur can sell the value in his/her science/projects**
- **There is not necessarily a limit**
- **Prosonix in the UK raised €6m from 3 mini-funds**
  - **Now focussed on service side of business**
  - **Cashflow break-even achieved Q1 09**
  - **Challenge now to keep the service side going while starting own product development**

## On the plus side.....

- **Investors can see potential to realise a return....**
  - **2 Nasdaq IPOs filed in last 3 weeks**
  - **Of 7 Follow on placings in US (2009) 6 are an average of 25% above placing price**
  - **Proximagen Neuroscience raised £50m in UK in follow on**
  - **This suggests public markets will be coming back**
  - **They do underpin investment cases**
    - **Trade exits are not realistic for all**
    - **IPO gives an alternative route**

## Summary - Seed in Biotech

- **No one size fits all - seed investors vary in appetite, size & geography**
- **Relatively large financings can be done through seed investors**
- **We need to fight harder to protect their interests if VCs come in later**
- **We need to find creative & non-dilutive finance where possible & work smarter**
  - **Services**
  - **Grants**
  - **Early collaborations**