



THE VALUATION EXPERTS

Private funding: Find right investor - do's
and dont's in fund raising.

Dr. Patrik Frei

November 2009 | Biotech Forum

Overview



- 1. Introduction**
- 2. Source of Funding**
- 3. Do's and Don'ts in fundraising**
- 4. Summary**

Venture Valuation



1. Information Services: Biotechgate Database

(www.biotechgate.com)

- Database for over 25 countries
- 15'000 company profiles
- Manage database for Canada, San Diego, Maryland, Medicon Valley, Switzerland, etc.



2. Independent, third party Valuations

- Not a venture capitalist
- Experts Finance & Biotech/Pharma Industry
- International experience
- Track record of over 160 valued companies
- Clients such as Novartis Venture Fund, Fraunhofer Gesellschaft, European Investment Bank; VCs

Introduction



- There are different financing sources
- Funding depends on the stage of the company
- The business model has an impact on funding
- For each project the financing has to be set individually

(VC) Investors have concrete interests when financing

=> make a profit

Types of Funding



1. Public Funding

2. Debt

- Fixed interest payment / sometimes yearly amortisation
- Often assets required to secure loan

3. Equity

- Sale of part of company
- Investor participates in risk and potential

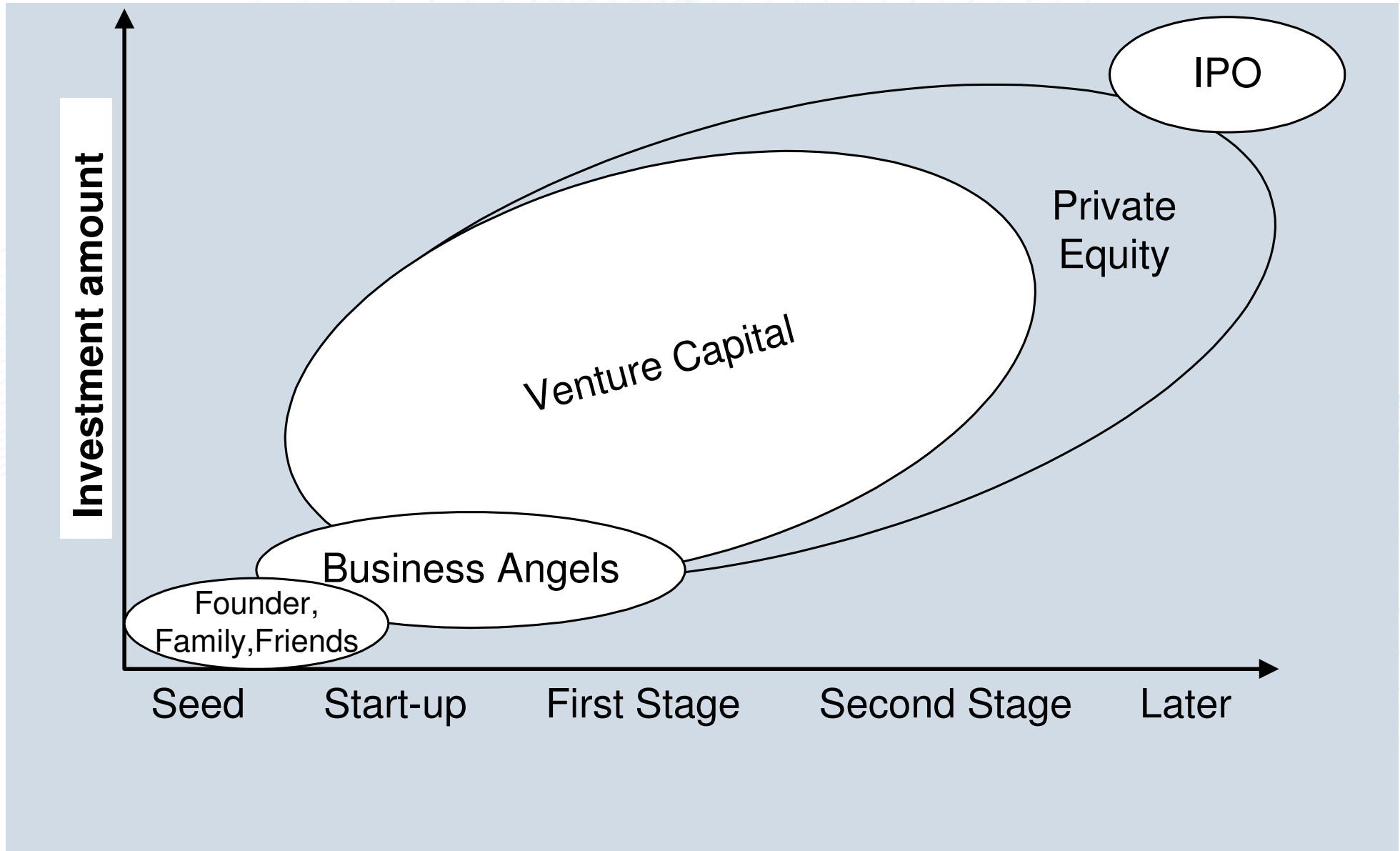
4. Out-Licensing

Overview



1. Introduction
- 2. Source of Funding**
3. Do's and Don'ts in fundraising
4. Summary

Financing Sources



Requirements Investors | VENTURE VALUATION

Own investment (FFF):



- + No dependency
- + Self-determination
- + Keep full potential



- Whole risk beared by founder/investor
- Growth limited
- Often not possible / insufficient financial power

Requirements Investors VENTURE VALUATION

Business Angel:



- + Finance small amounts
- + Can also provide operational support
- + Sometimes provide network



- Often demand high price / share
- Not professional investors = tensions
- Hard to find

Requirements Investors | VENTURE VALUATION

Venture Capital Investors:

S•E•C•A



- + Professional Investors
- + Able to finance large amounts
- + Network and additional support
- + Drive to success



- Very profit-oriented
- Will also exchange management / personnel
- Finance only high potential

Requirements Investors | VENTURE VALUATION

Corporate / Strategic Investors:



- + Know market / product very well
- + Distribution ability and technical know-how
- + Not interested only in quick financial profit



- Often pursue majority holding / acquisition
- Reduced independency => competitors of investors less likely to be customers



Requirements Investors | VENTURE VALUATION

Bank:



- + **Non-dilutive capital / no issuing of shares**
- + **Relatively „cheap“ financing option**



- **Advance money against security (often lacking know-how for risk assessment)**
- **Additional burden through interest payments**
- **Difficult for start-ups**

Requirements Investors VENTURE VALUATION

	Own Equity	BA	VC	Corp. Inv.	Bank
Size EUR	Up to 0,2 m	Up to 0,5 m	2 m – 50 m	0.2 m - 50 m	open
Phase	Seed / Start-up	Seed / Start-up	from start-up	all	from start-up
Type	Equity/Debt	Equity	Equity	Equity/Debt	Debt
Suitable for	Service companies	Growing companies		Innovative Technology	Security

Overview



1. Introduction
2. Source of Funding
- 3. Do's and Don'ts in fundraising**
4. Summary

Do's Fundraising



Do's

- Provide exit possibility for investor
- Show potential of company
- Put yourself in investors shoes
- Know what you want, but be open to ideas
- Focus on doing fewer things, but do them right
- Have different options

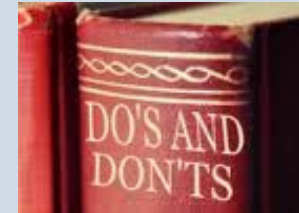


Don'ts Fundraising



Don'ts

- **Not telling the truth**
- **Arrogant or trying to know everything better**
- **Overestimate company's potential**
- **Be too greedy (salary, equity, expenses)**
- **Think a deal can be done in 1 month**
- **Impersonal approach to investors**



Overview



1. Introduction
2. Source of Funding
3. Do's and Don'ts in fundraising
4. **Summary**

Concluding Remarks



- **Be creative in financing**
- **Consider funding options carefully**
- **Pursue several lines or options**
- **Be flexible / have alternatives**
- **The more you need the money, the more power the investors have**
- **Plan sufficient time (VC: > 9 Months)**





THE VALUATION EXPERTS

Thank you for listening!

Questions?

Tel.: +41 43 321 86 60
Fax: +41 43 321 86 61
www.venturevaluation.com
www.biotechgate.com
p.frei@venturevaluation.com

Venture Valuation AG
Kasernenstrasse 11
8004 Zürich