

Fundraising – a general introduction to being investor ready

Life Sciences Scotland Masterclass

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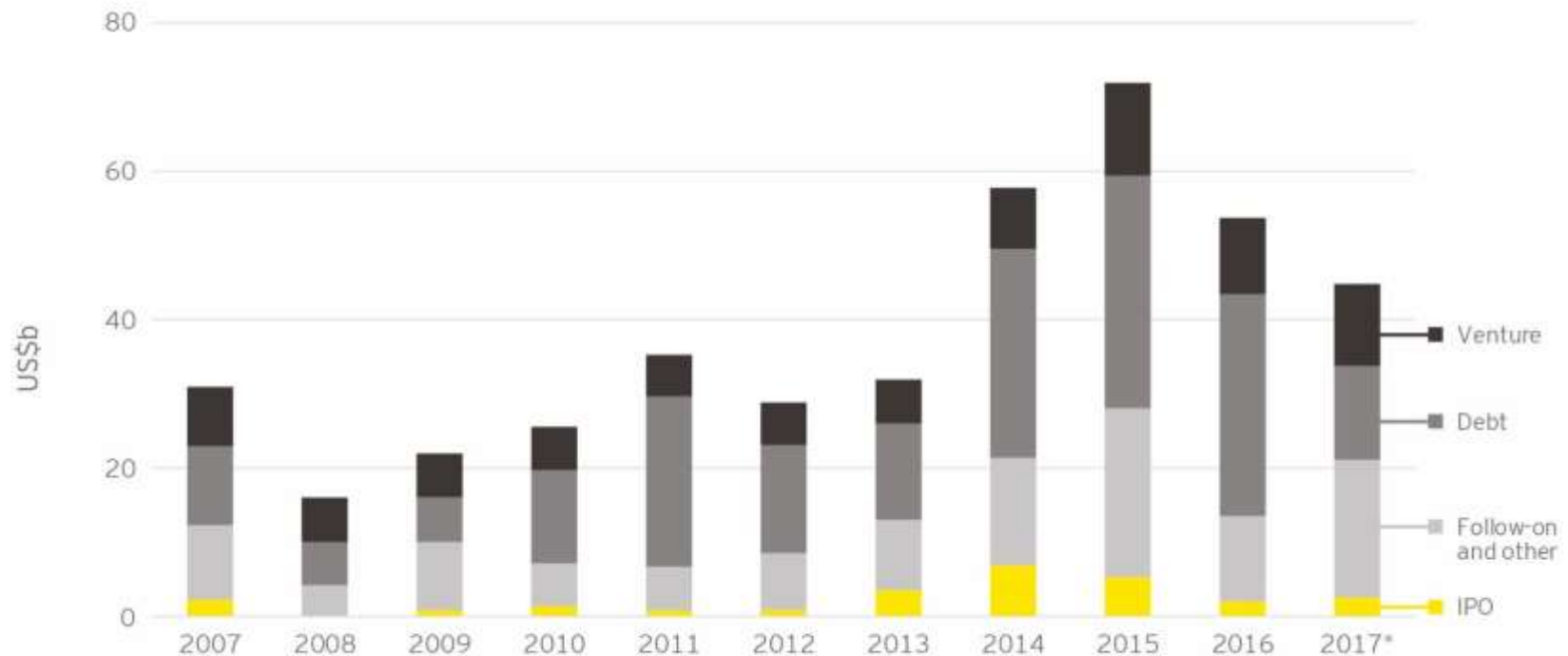


The better the question. The better the answer.
The better the world works.



1. Funding environment - biotech raising capital and advancing pipelines

Capital raised in the US and Europe biotech sector

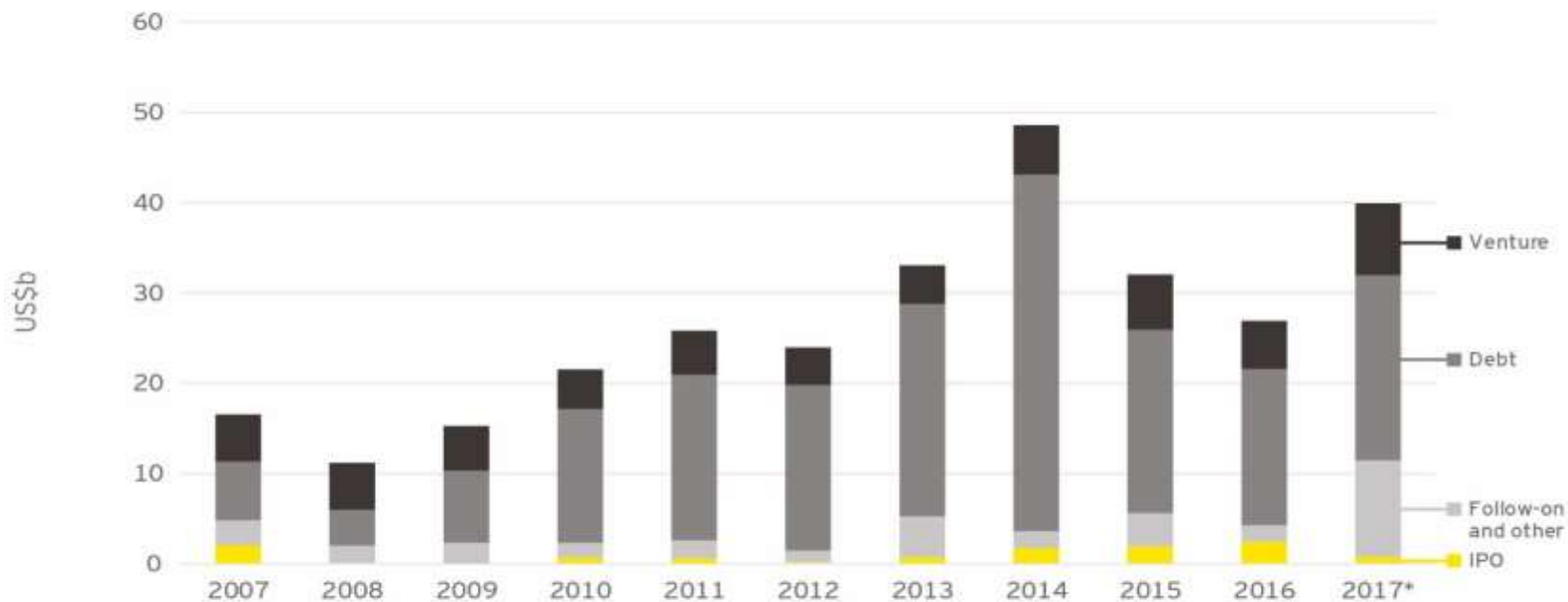


*Capital raised as of 31 October 2017.

Source: S&P Capital IQ, Dow Jones VentureSource, EY analysis.

2. Sources of funds - medtech funding rebounded in 2017 including higher venture capital, IPOs slowed

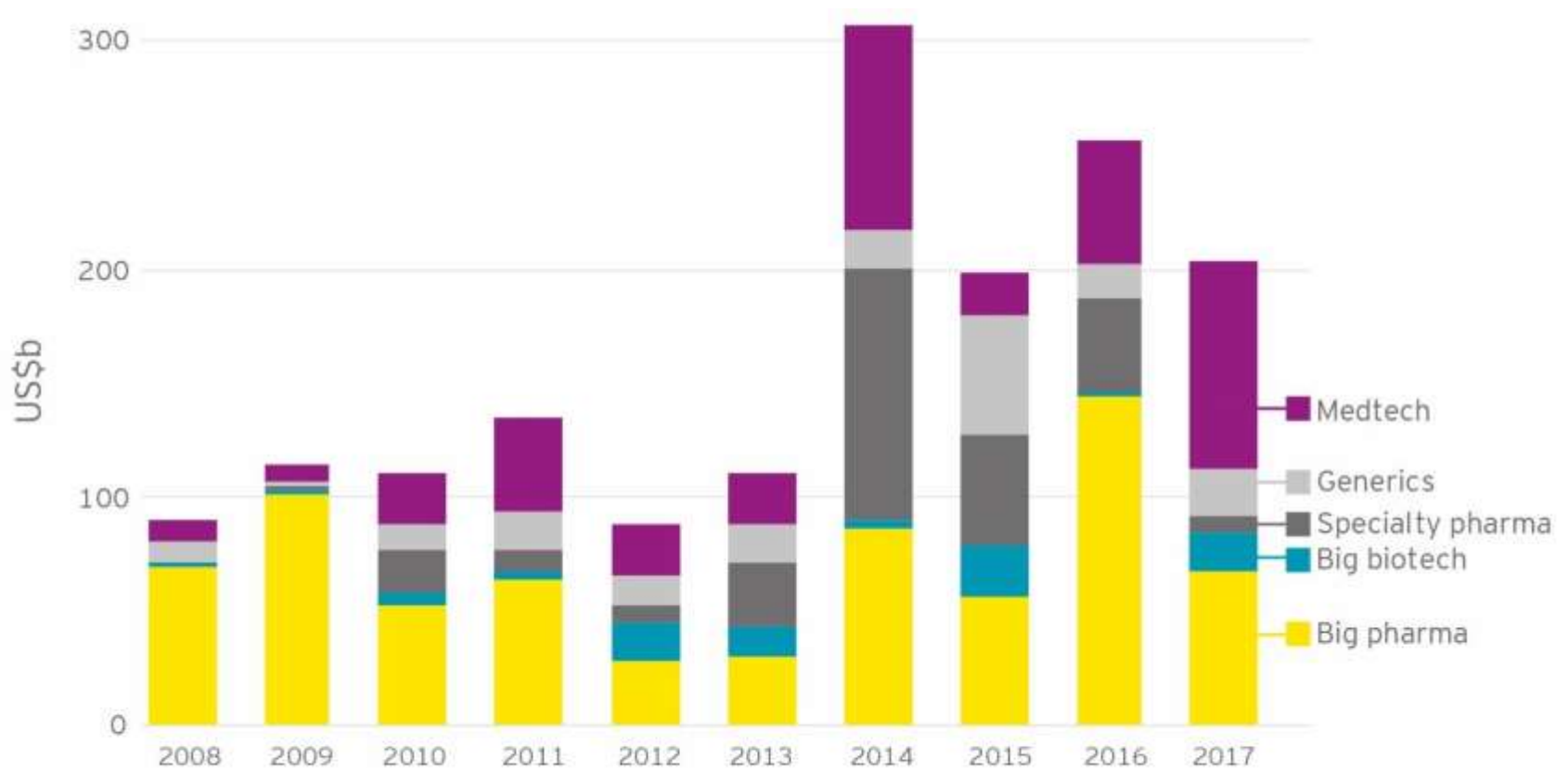
Capital raised in the US and Europe medical technology sector



*Capital raised as of 31 October 2017.

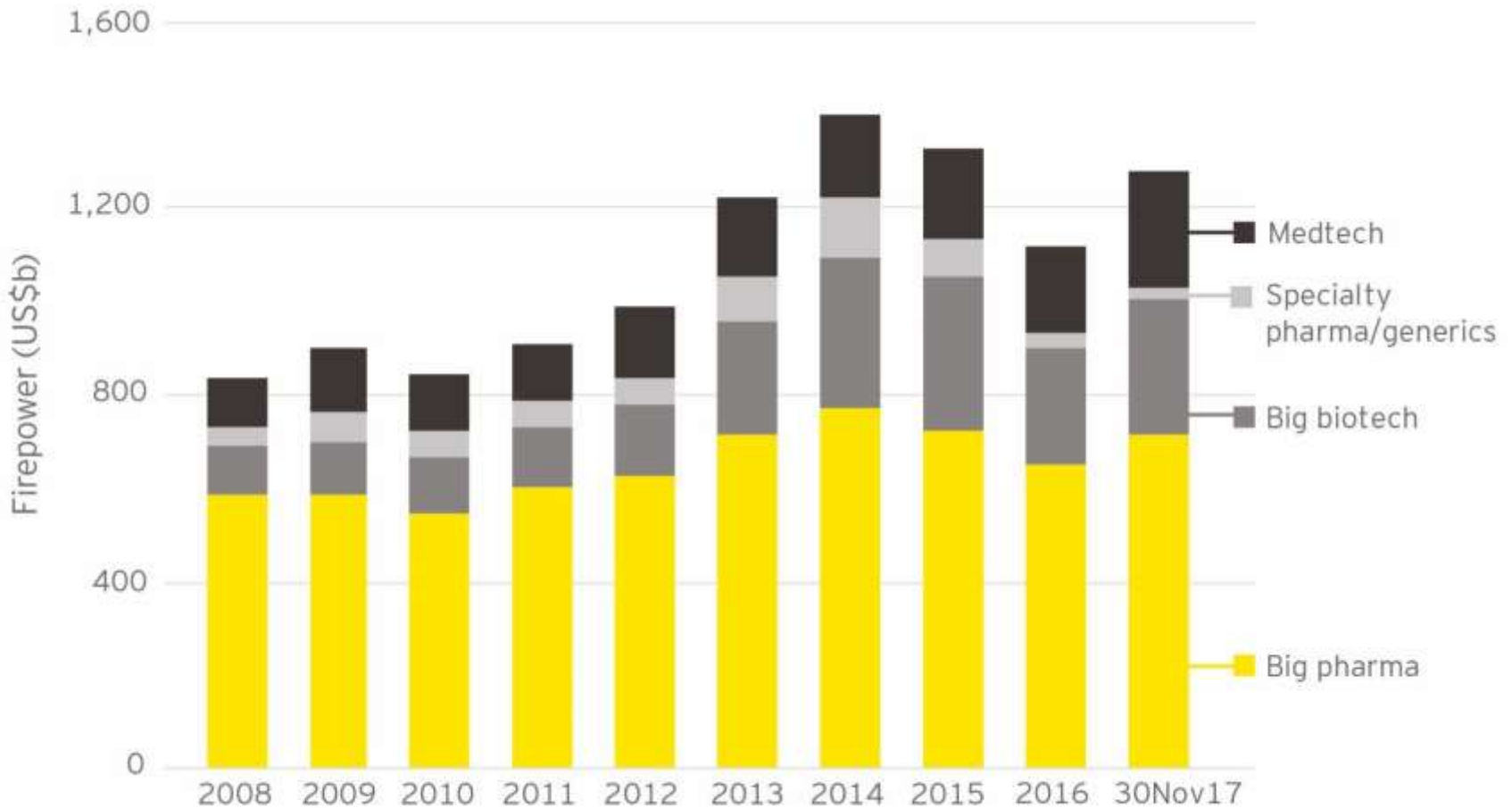
Source: BMO Capital Markets, S&P Capital IQ, Dow Jones VentureSource, EY analysis.

3. Exit opportunities - M&A activity strong in 2017, albeit below recent highs



Source: Thomson Reuters and EY analysis

4. M&A outlook - rising firepower bodes well for M&A, further compounded by the Trump tax effect



Source: S&P Capital IQ and EY analysis

5. Increased strategic alliances provide M&A optionality

US and European strategic alliances based on potential value or "biobucks," 2007-2017

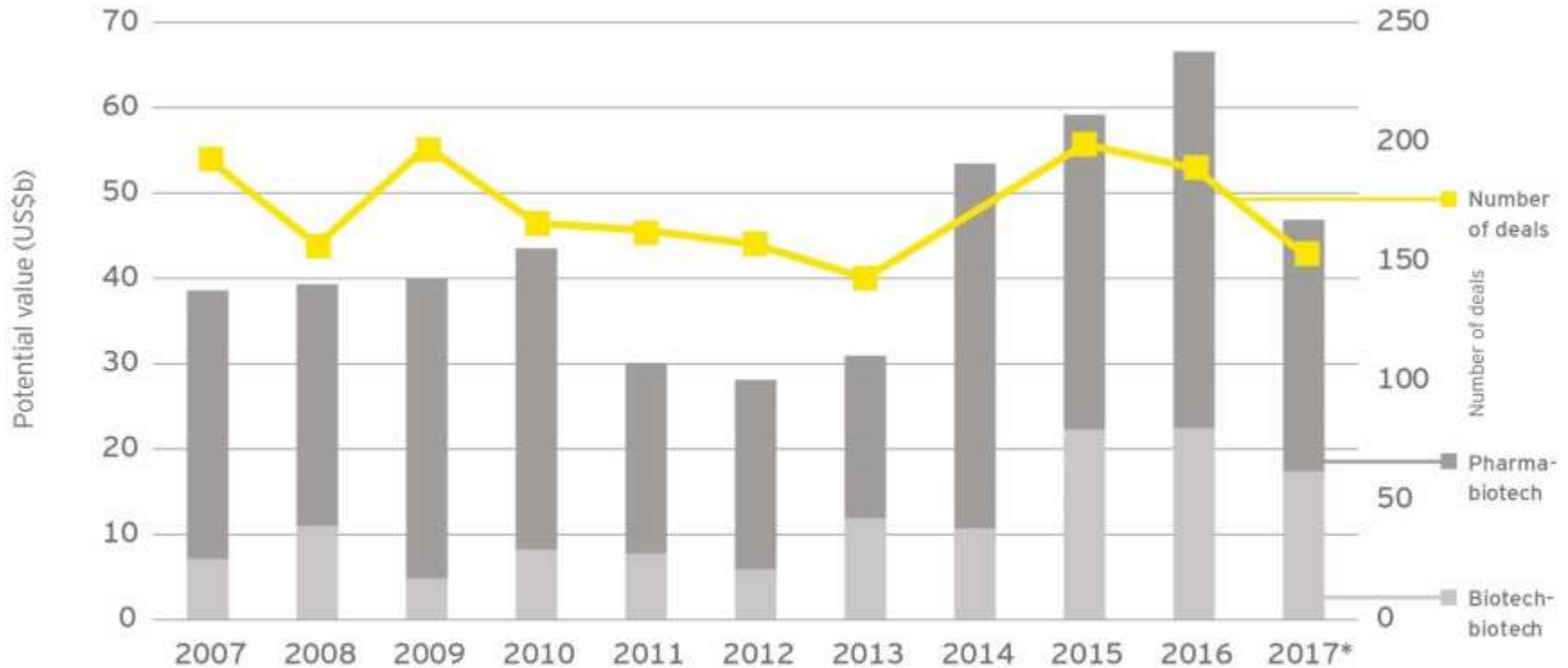
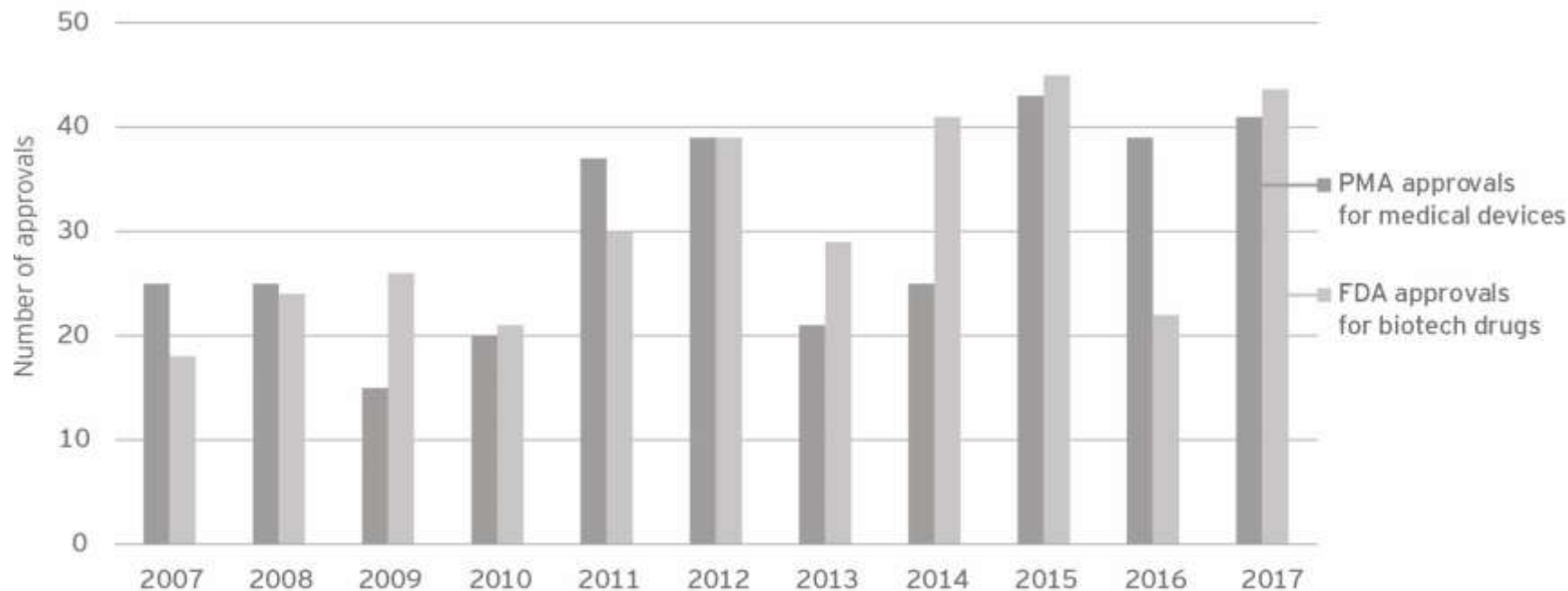


Chart shows potential value, including up-front and milestone payments, for alliances where deal terms are publicly disclosed.
 *Data through 31 October 2017

Source: Medtrack, company news and EY analysis.

6. FDA/ PMA product approvals increasing, but generic/ biosimilar approvals also increasing



US FDA product approvals are based only on approvals by FDA's Center for Drug Evaluation and Research (CDER).
*PMA approvals as of 30 November 2017 ; NME and BLA approvals as of 31 December 2017

Source: FDA

7. Investor/Exit/IPO readiness – prepare well in advance of any transaction to maximize value

1. Strategy

- IP strategy
- Fund raising purpose/ milestones
- Equity story / valuation inflection points

2. Structures

- Equity/ debt instruments
- Group structure
- Maintenance of influence

3. Taxes

- Company level - structure
- Shareholder level
- Transaction level

8. Timeline

- Transaction timing
- Exit/ IPO windows
- 'Plan B' options
- Internal resources

Transaction readiness
assessment

4. Financials

- External reporting
- Forecasting/ business plan
- Management reporting
- Due diligence readiness

7. Management

- C-suite and board of directors
- Remuneration – equity incentivisation
- Corporate governance

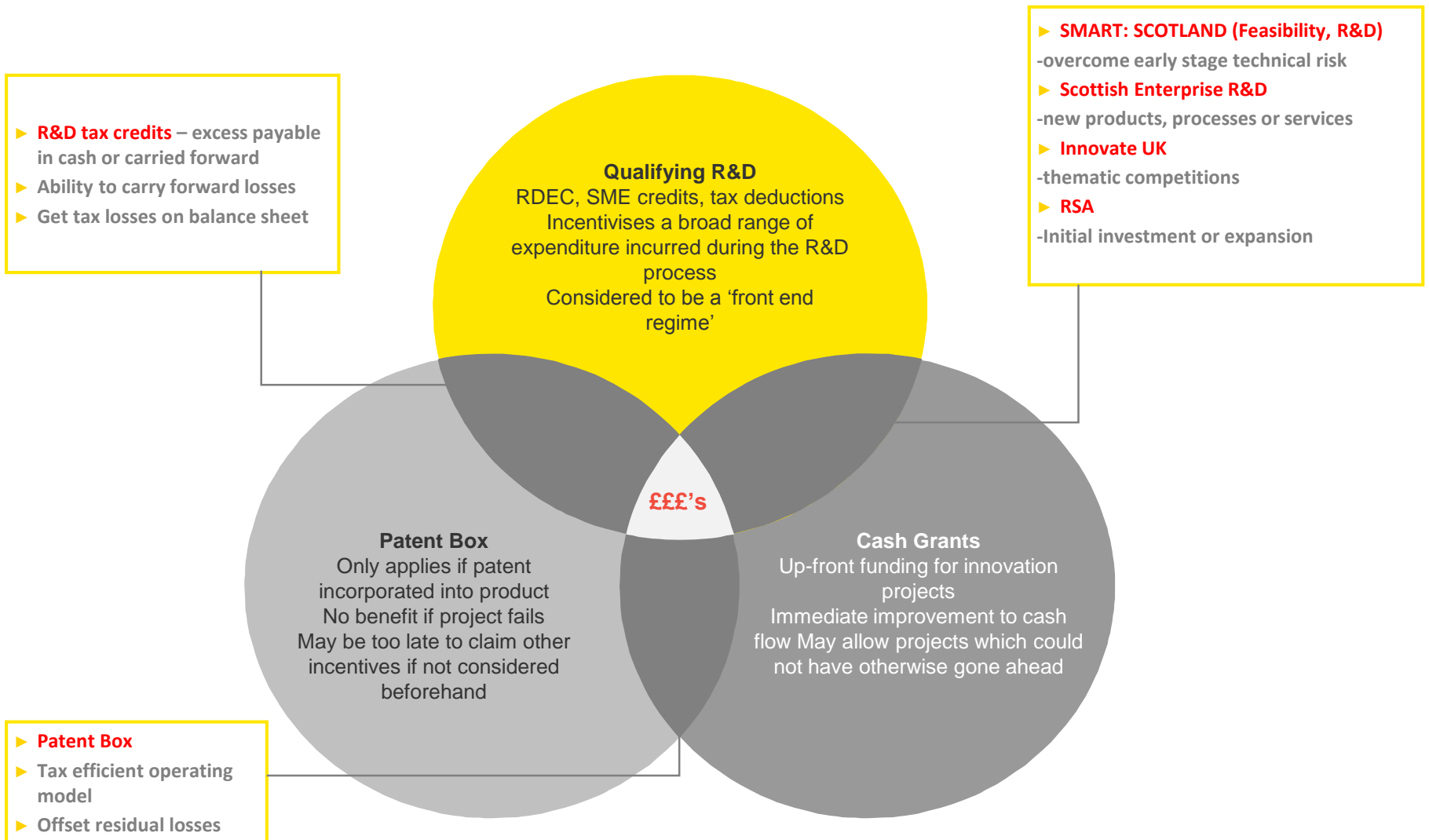
6. Functions

- Scientific advisory board
- HR organisation
- Investor relations
- Committees

5. Systems

- IT systems and internal controls
- Enterprise risk
- Regulatory and compliance management

8. Plan B: making the funds last longer through innovation incentives



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How EY's Global Life Sciences Sector can help your business As populations age and chronic diseases become commonplace, health care will take an ever larger share of GDP. Scientific progress, augmented intelligence and a more empowered patient are driving changes in the delivery of health care to a personalized experience that demands health outcomes as the core metric. This is causing a power shift among traditional stakeholder groups, with new entrants (often not driven by profit) disrupting incumbents. Innovation, productivity and access to patients remain the industry's biggest challenges. These trends challenge the capital strategy of every link in the life sciences value chain, from R&D and product supply to product launch and patient-centric operating models.

Our Global Life Sciences Sector brings together a worldwide network of 15,000 sector-focused professionals to anticipate trends, identify their implications and help our clients create competitive advantage. We can help you navigate your way forward and achieve sustainable success in the new health-outcomes-driven ecosystem.

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