

Understanding the Venture Capital Climate for Biotechs Today: What Are VC's Looking For?

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Our Business: Early-stage Biopharmaceutical Development

Small Portfolio of Highly Concentrated Positions

- ◆ **Rationale...** *our investors diversify elsewhere*
- ◆ **Result...** *5 active investments with ownership stakes ranging from 10% to 70% in single-program companies with binary outcomes but asymmetric risk profiles*

Obsess Over Capital Efficiency

- ◆ **Rationale...** *prevailing global biopharmaceutical economics punish inefficient development*
- ◆ **Result...** *just-in-time financing (e.g. special purpose financing partnerships) directed at value accretion events without infrastructure*

Monetize Investments Directly

- ◆ **Rationale...** *avoid traditional capital market intermediaries and high arbitrage penalties*
- ◆ **Result...** *create smaller organizations with flexible liquidity pathways following proof-of-concept*



What Constitutes An Attractive Opportunity Today

Novel Mechanisms for First-in-class Drugs

- ◆ Therapeutic area where we have experience (e.g. infectious disease)
- ◆ Ability to revolutionize a poorly served sector

Capital Efficient Development Pathway

- ◆ Straightforward clinical development progression
- ◆ Decipherable statistical objectives

Entrepreneurial Scientific Founder

- ◆ Demonstrated stomach for risk
- ◆ Past history of persistence

Small Syndicate Financing

- ◆ Facilitates focus and decision making
- ◆ “Councils of war breed timidity” Douglas MacArthur, 1950



Biopharma: A Tough Neighborhood

Long Product Gestation

- ◆ Even when efficient, highly capital intensive
- ◆ Stepwise value accretion with long intervals
- ◆ Regulatory approval comes after the fact

Complicated Compound Risks

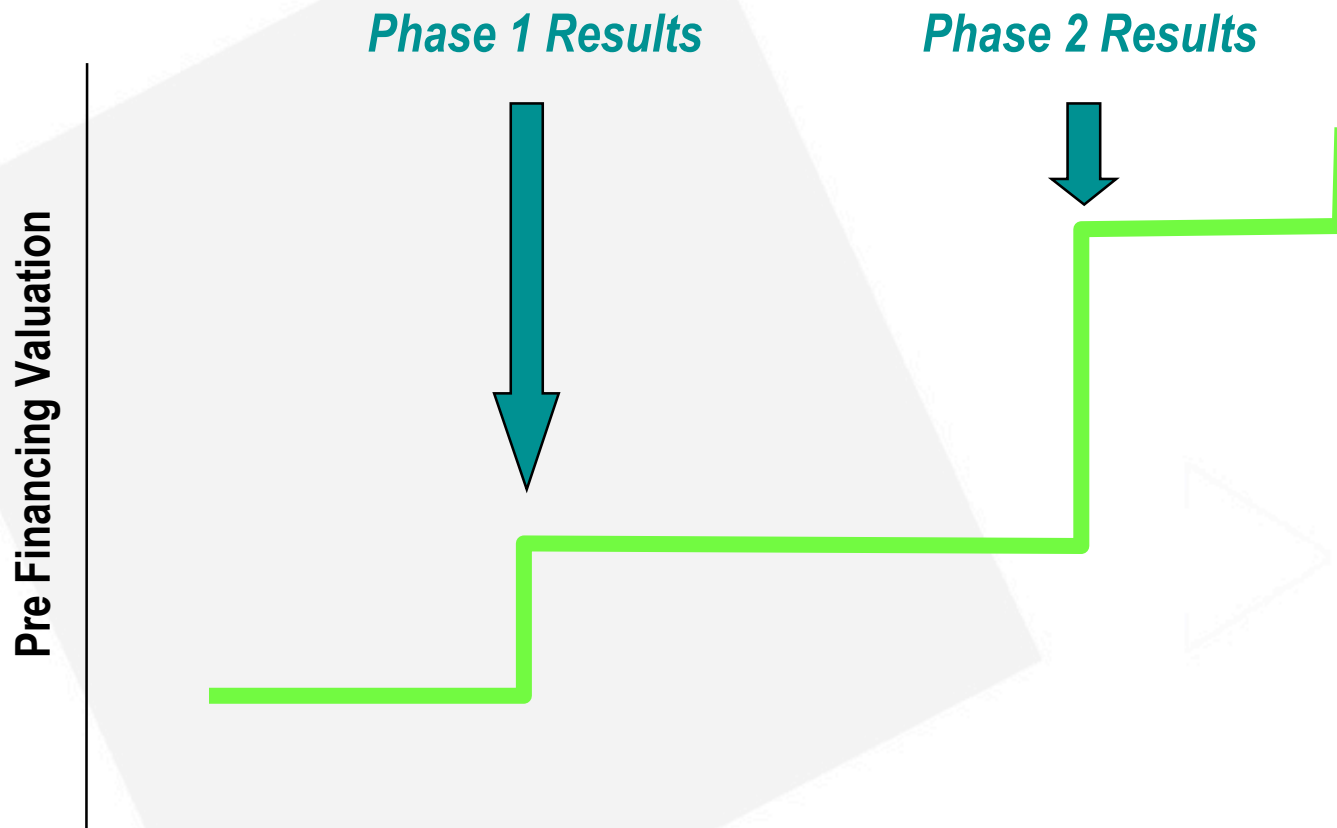
- ◆ Binary risks, asymmetric probabilities
- ◆ E.G. 5 independent events each with 80% success means failure 2/3rds of the time

Thin Capital Markets

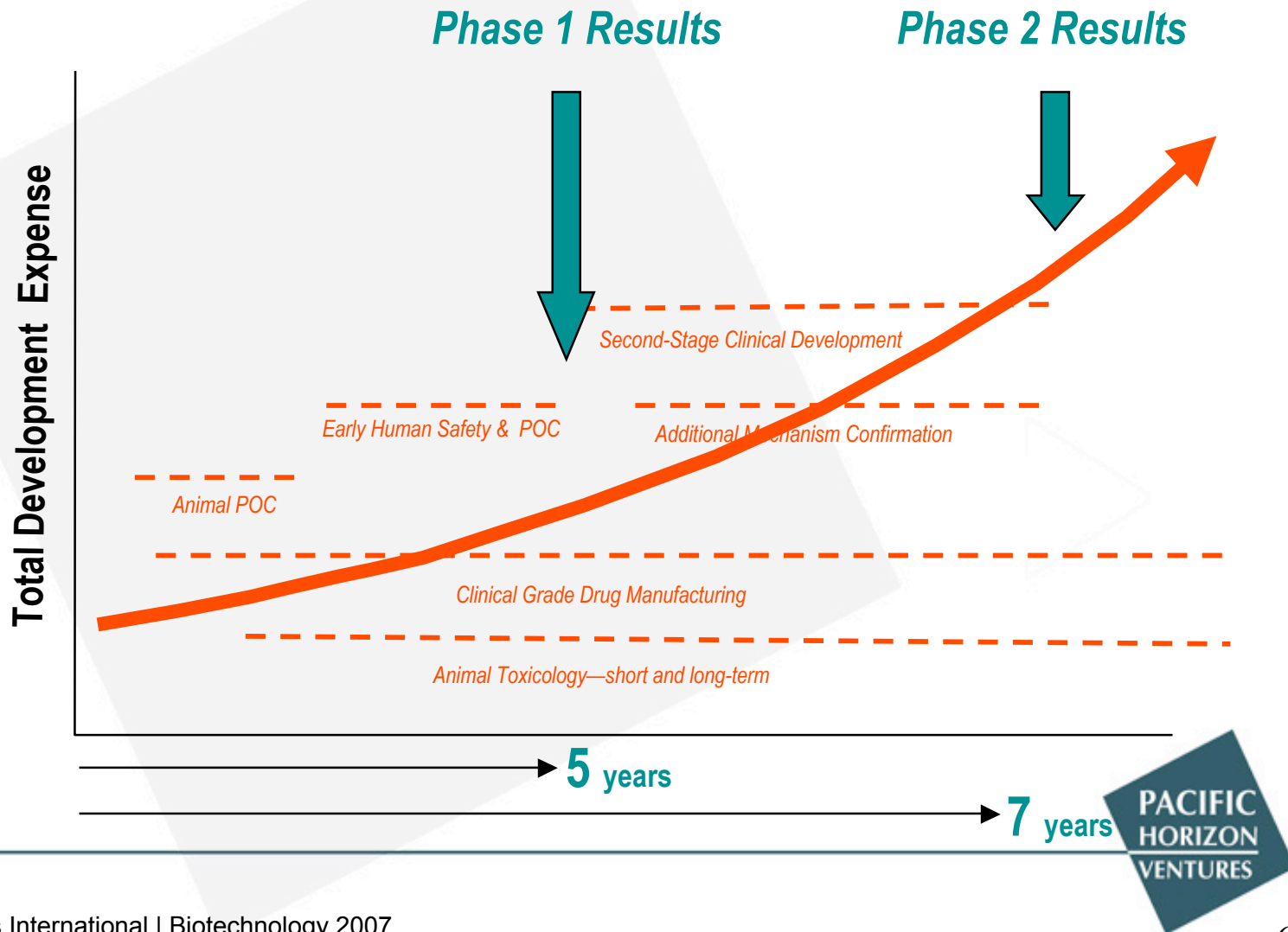
- ◆ Relatively few institutional players at either the VC or hedge fund level
- ◆ Risk acceptance drift has shifted to the late-stage—mimics pharmaceutical criteria
- ◆ Valuations are dictated by terminal pharmaceutical economics



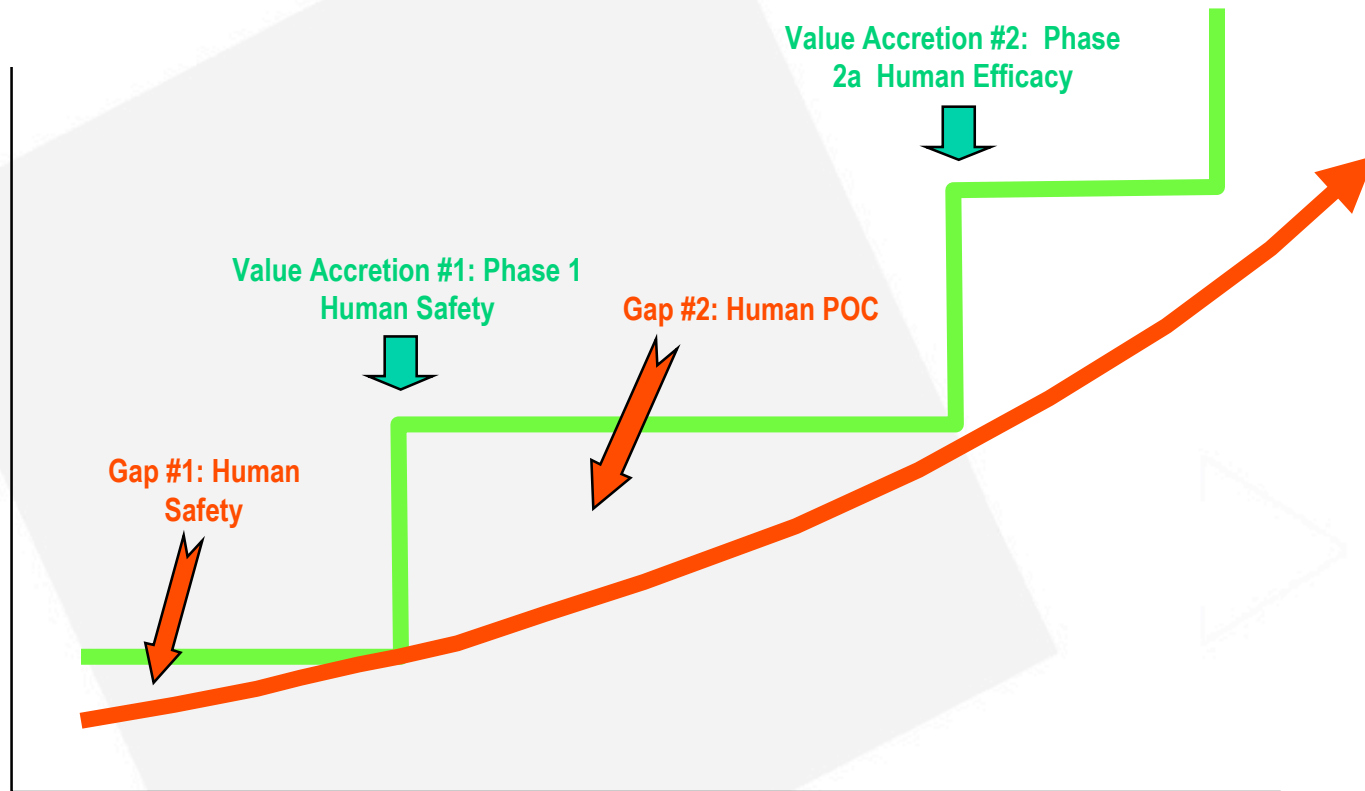
Financings Follow Objective Value Accretion Milestones



Development Costs Accrue in Advance of Value Accretion Milestones



Stepwise Event Timing Means Early-stage Financing Gaps



2006 Biotech IPO Medians: \$45m raise on \$132m pre following \$77m GPI

Recent Biotech IPO Performance (as of 1/16/2007)

Company	Pricing Date	Gross Private Investment (in millions)	IPO Pre-Money Valuation (in millions)	Gross IPO Proceeds (in millions)	IPO Post - Money Valuation ⁽¹⁾ (in millions)	Market Cap. At 1/16/07 (in millions)	IPO Filing Range	Offering Price	Current Price	After - Market Perf.
Affymax, Inc. ⁽²⁾	12/14/06	\$ 110.0	\$ 265.3	\$ 106.4	\$ 371.6	\$ 470.8	\$22.00 - 24.00	\$ 25.00	\$ 32.90	32%
Emergent BioSolutions Inc.	11/14/06	-	280.3	62.5	342.8	351.3	14.00 - 16.00	12.50	12.81	2%
Catalyst Pharmaceutical Partners, Inc.	11/7/06	0.7	55.0	20.1	75.1	49.8	11.00 - 13.00	6.00	3.98	-34%
Achillion Pharmaceuticals, Inc. ⁽²⁾	10/25/06	101.4	119.0	59.5	178.5	263.9	14.00 - 16.00	11.50	17.00	48%
Cadence Pharmaceuticals, Inc. ⁽²⁾	10/24/06	85.8	190.3	62.1	252.4	375.7	11.00 - 13.00	9.00	12.95	44%
Trubion Pharmaceuticals, Inc.	10/17/06	62.9	167.8	52.0	219.8	346.1	13.00 - 15.00	13.00	19.75	52%
Osiris Therapeutics, Inc.	8/3/06	69.0	260.0	38.5	298.5	821.9	11.00 - 13.00	11.00	28.56	160%
Cleveland BioLabs, Inc.	7/20/06	5.9	60.7	10.2	70.9	90.8	6.00 - 8.00	6.00	7.68	28%
Replidyne, Inc.	6/28/06	115.5	219.3	45.0	264.3	138.5	14.00 - 16.00	10.00	5.14	-49%
Novacea, Inc. ⁽²⁾	5/9/06	108.0	104.5	44.9	149.4	133.0	11.00 - 13.00	6.50	5.74	-12%
Omxix Biopharmaceuticals, Inc. ⁽²⁾	4/20/06	20.1	108.8	39.5	148.3	548.1	15.00 - 17.00	10.00	33.45	235%
Vanda Pharmaceuticals Inc. ⁽²⁾	4/12/06	18.5	158.9	59.6	218.6	569.1	12.00 - 14.00	10.00	25.98	160%
Targacept, Inc.	4/11/06	123.4	126.9	45.0	171.9	171.7	11.00 - 13.00	9.00	8.98	0%
Alexza Pharmaceuticals, Inc. ⁽²⁾	3/8/06	-	137.2	50.6	187.8	258.8	10.00 - 12.00	8.00	10.88	36%
Acorda Therapeutics, Inc. ⁽²⁾	2/9/06	131.7	81.3	36.5	117.7	387.3	11.00 - 13.00	6.00	16.94	182%
Iomai Corporation	2/1/06	58.0	83.3	35.0	118.3	99.2	11.00 - 13.00	7.00	5.17	-26%
SGX Pharmaceuticals, Inc. ⁽²⁾	1/31/06	84.5	61.2	24.9	86.1	52.9	11.00 - 13.00	10.00	3.49	-65%
Altus Pharmaceuticals Inc.	1/26/06	101.0	210.0	105.0	315.0	448.4	14.00 - 16.00	15.00	19.54	30%
Maximum:		\$ 131.7	\$ 280.3	\$ 106.4	\$ 371.6	\$ 821.9		\$ 25.0	\$ 33.5	235%
Median:		76.8	132.1	45.0	183.1	305.0		10.0	12.9	31%
Mean:		66.5	149.4	49.9	199.3	309.8		10.3	15.1	46%
Minimum:		-	55.0	10.2	70.9	49.8		6.0	3.5	-65%
Median Last 10 Deals:		77.4	179.0	48.5	236.1	305.0		10.5	12.9	30%

(1) Based on IPO offering price.

(2) Includes exercise of over-allotment option.

Class Results

~2.5x Gross Cash



2005 Biotech IPO Medians: \$44m raise on \$143m pre following \$73m GPI

Recent Biotech IPO Performance (as of 1/16/2007)

Company	Pricing Date	Gross Private Investment (in millions)	IPO Pre-Money Valuation (in millions)	Gross IPO Proceeds (in millions)	IPO Post-Money Valuation ⁽¹⁾ (in millions)	Market Cap. At 1/16/07 (in millions)	IPO Filing Range	Offering Price	Current Price	After - Market Perf.
NUCRYST Pharmaceuticals Corp.	12/22/05	-	135.8	45.0	180.8	97.7	12.00 - 14.00	10.00	5.34	-47%
CombinatoRx, Incorporated. ⁽²⁾	11/9/05	102.6	114.2	48.3	162.5	273.5	10.00 - 12.00	7.00	9.49	36%
Accentia Biopharmaceuticals, Inc.	10/27/05	25.0	211.8	19.2	231.0	133.6	11.00 - 13.00	8.00	4.21	-47%
Genomic Health, Inc.	9/29/05	44.0	232.2	60.2	292.4	596.8	12.00 - 14.00	12.00	24.33	103%
Avalon Pharmaceuticals, Inc.	9/29/05	70.0	59.4	28.9	88.3	34.4	10.00 - 12.00	10.50	3.40	-68%
Sunesis Pharmaceuticals, Inc.	9/27/05	93.8	108.2	42.0	150.2	146.8	9.00 - 11.00	7.00	5.00	-29%
Coley Pharmaceutical Group, Inc. ⁽²⁾	8/9/05	146.0	300.8	110.4	411.2	255.6	14.00 - 16.00	16.00	9.71	-39%
Advanced Life Sciences, Inc.	8/5/05	-	57.1	32.0	89.1	83.7	11.00 - 13.00	5.00	2.96	-41%
XenoPort, Inc.	6/2/05	152.3	149.4	52.5	201.9	596.6	14.00 - 16.00	10.50	24.21	131%
Aspreva Pharmaceuticals Corp.	3/3/05	57.0	283.2	79.2	362.4	705.5	13.00 - 15.00	11.00	20.13	83%
Icagen, Inc. ⁽²⁾	2/3/05	76.5	131.5	40.8	172.3	30.3	10.00 - 12.00	8.00	1.36	-83%
Threshold Pharmaceuticals, Inc.	2/3/05	50.0	167.5	37.3	204.8	133.7	14.00 - 16.00	7.00	3.58	-49%
Favrille, Inc.	2/2/05	77.8	98.1	42.0	140.1	77.3	12.00 - 14.00	7.00	2.66	-62%
ViaCell, Inc. ⁽²⁾	1/20/05	124.4	200.0	60.4	260.4	217.9	7.00 - 9.00	7.00	5.67	-19%
Maximum:		\$ 152.3	\$ 300.8	\$ 110.4	\$ 411.2	\$ 705.5		\$ 16.0	\$ 24.3	131%
Median:		73.2	142.6	43.5	191.3	140.3		8.0	5.2	-40%
Mean:		72.8	160.7	49.9	210.5	241.7		9.0	8.7	-9%
Minimum:		-	57.1	19.2	88.3	30.3		5.0	1.4	-83%
Median Last 10 Deals:		63.5	142.6	46.7	191.3	201.2		10.3	7.4	-34%

(1) Based on IPO offering price.

(2) Includes exercise of over-allotment option.

Class Results

~1.2x Gross Cash



2004 Biotech IPO Medians: \$39m raise on \$112m pre following \$71m GPI

Class Results

~3.6x Gross Cash

Recent Biotech IPO Performance (as of 1/16/2007)

Company	Pricing Date	Gross Private Investment (in millions)	IPO Pre-Money Valuation (in millions)	Gross IPO Proceeds (in millions)	IPO Post-Money Valuation ⁽¹⁾ (in millions)	Market Cap. At 1/16/07 (in millions)	IPO Filing Range	Offering Price	Current Price	After - Market Perf.
CoTherix, Inc.	10/15/04	66.8	87.5	30.0	117.5	387.2	12.00 - 14.00	6.00	13.49	125%
Theravance, Inc. ⁽³⁾	10/4/04	468.3	732.9	98.4	831.3	1,701.4	13.00 - 15.00	16.00	33.60	110%
New River Pharmaceuticals Inc.	8/5/04	16.9	108.5	33.6	142.1	2,060.7	10.00 - 14.00	8.00	55.76	597%
MannKind Corporation	7/28/04	50.0	366.0	87.5	453.5	1,144.2	13.00 - 15.00	14.00	16.37	17%
Idenix Pharmaceuticals, Inc.	7/21/04	323.9	587.7	81.2	668.9	503.0	14.00 - 16.00	14.00	8.97	-36%
Momenta Pharmaceuticals, Inc. ⁽²⁾	6/21/04	45.7	124.9	40.0	164.9	615.9	13.00 - 15.00	6.50	17.09	163%
Senomyx, Inc.	6/21/04	70.5	112.1	36.0	148.1	397.2	13.00 - 15.00	6.00	13.20	120%
Metabasis Therapeutics, Inc.	6/15/04	67.9	90.1	35.0	125.1	229.7	11.00 - 13.00	7.00	7.56	8%
Inhibitex, Inc. ⁽²⁾	6/4/04	84.4	87.5	38.7	126.2	51.5	10.00 - 12.00	7.00	1.70	-76%
Alnylam Pharmaceuticals, Inc. ⁽²⁾	5/27/04	51.9	85.7	34.5	120.2	812.1	10.00 - 12.00	6.00	21.95	266%
Acadia Pharmaceuticals Inc.	5/26/04	75.7	82.9	35.0	117.9	221.7	12.00 - 14.00	7.00	7.44	6%
Critical Therapeutics, Inc.	5/26/04	76.2	125.3	42.0	167.3	93.3	11.00 - 13.00	7.00	2.22	-68%
Cytokinetics, Inc. ⁽²⁾	4/28/04	134.3	259.3	103.2	362.4	390.4	11.00 - 13.00	13.00	8.35	-36%
Maximum:		\$ 468.3	\$ 732.9	\$ 103.2	\$ 831.3	\$ 2,060.7		\$ 16.0	\$ 55.8	597%
Median:		70.5	112.1	38.7	148.1	397.2		7.0	13.2	17%
Mean:		117.9	219.3	53.5	272.7	662.2		9.0	16.0	92%
Minimum:		16.9	82.9	30.0	117.5	51.5		6.0	1.7	-76%
Median Last 10 Deals:		67.3	110.3	37.3	145.1	559.5		7.0	14.9	115%

(1) Based on IPO offering price.

(2) Includes exercise of over-allotment option.

(3) Market cap. includes 9,344,921 shares of Class A common stock.

