

# Global Value Creation Strategies for Medicon Valley Life Sciences Companies

*2016 Medicon Valley Alliance Annual Meeting*

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**November 07, 2016**

Dechert  
LLP



medicon valley alliance  
Creating Opportunities

# **Global Value Creation Strategies for Medicon Valley Life Sciences Companies:**

## **Aligning Science and Business Objectives**

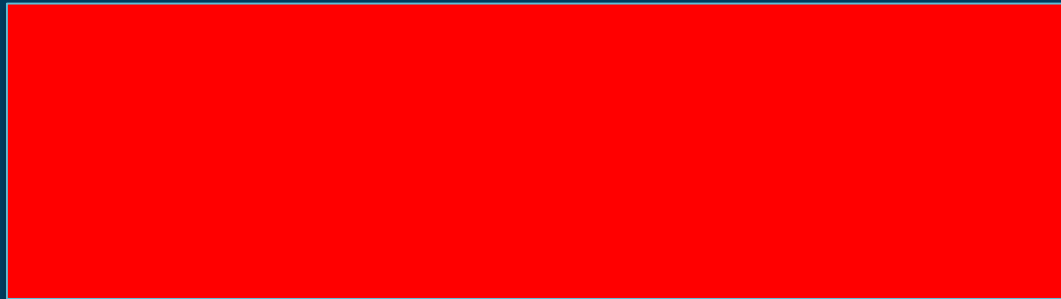
# Nordic Biotech Experience

**Z E A L &**

**sUND**  
CAPITAL



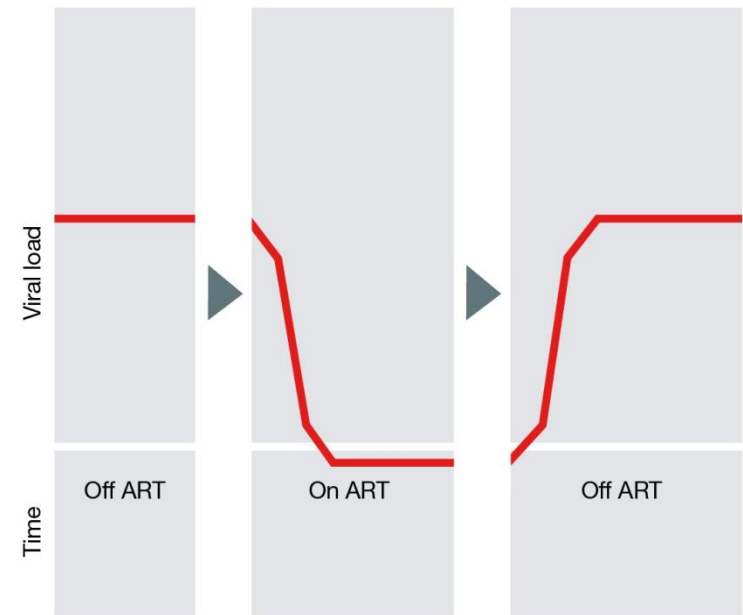
# BIONOR



# Bionor: The Solution Lies Inside the Problem

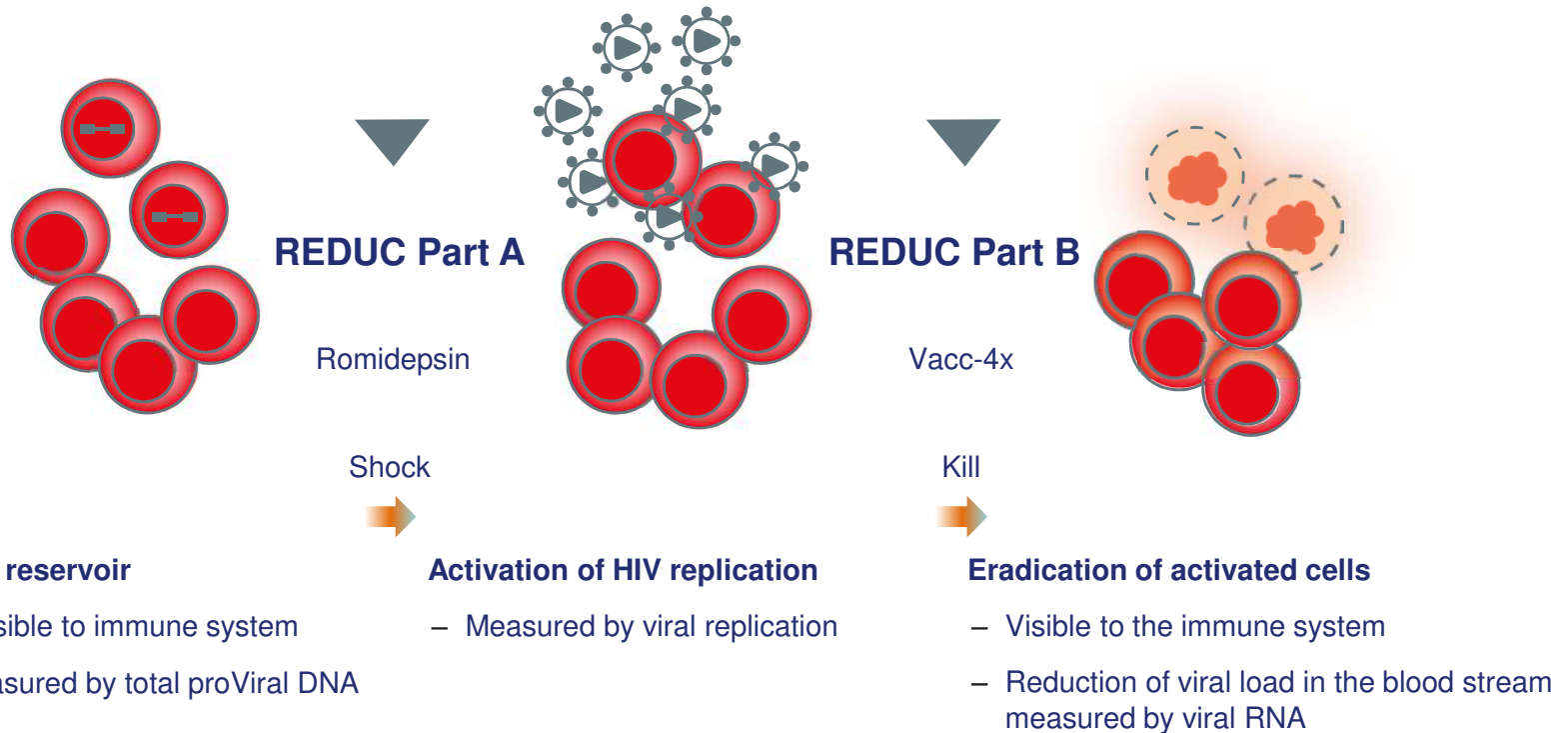
- Current standard of care of HIV infection consists of combination antiretroviral therapy (cART)
- cART effectively reduces viral load, but:
  - does not cure HIV, and must be taken daily for life
  - if cART is discontinued, viral load rebounds rapidly
  - does not destroy the latent viral reservoirs
- cART does not fully restore health - well treated individuals have higher than expected risk of several non-AIDS disorders
- Stigma and access to treatment remain global challenges

Combination antiretroviral therapy  
– the success and the problem



Graphics for illustration purposes only

# The “shock and Kill” Approach to Cure HIV – REDUC







UNDP GreenProcHealth @GreenProcIndex · 1 t.  
@BionorPharma says its technique reduced size of latent #HIV reservoir by average of 40% across 17 patients on.wsj.com/1Ojwdyd

Børsrakett etter testresultater: – Viktig fremskritt mot en HIV-kur



**Klinisk medvind til Bionors hiv-vaccine**  
MEDICINAL & BIOTEK: Det norske biotekselvskab Bionor, der ledes af den tidligere Zealand-topchef David Solomon, kan notere succes i fase 1/2-studiet med firmaets hiv-vaccine.



## Norwegian Biotech Company Flags Evidence for Efficacy of ‘Kick and Kill’ HIV Treatment

Bionor Pharma says its technique reduced size of latent HIV reservoir by average of 40% across 17 patients



**Bionor reports latent HIV reservoir reductions**  
Bionor Pharma ASA (NYSE:BIONOR) said its Vacc-4x in combination reduced latent HIV reservoirs among patients in Part B of the Dan... limit of detection throughout the study in 11 of 17 evaluable patients

**A Norwegian drug firm believes they have made significant ground in finding a cure for HIV**  
Although the trial was small, the drug firm believes it offers a significant step forward.  
By Alexa Haden · December 23, 2015

*David Margolis, professor of medicine at the University of North Carolina at Chapel Hill, said the results would mark the “next big step” toward a cure for HIV, provided they stood up to scrutiny by the scientific community.\**

## Resultados animadores no desenvolvimento de vacina contra o HIV

22 DIC 2015  
Uma empresa norueguesa de biotecnologia que trabalha em uma vacina contra o HIV anunciou os primeiros resultados animadores no...

*Steven Deeks, professor of medicine at the University of California, San Francisco, and a member of Bionor’s scientific-advisory board, called the findings “provocative” because they suggested the vaccine “improved immune response to the degree it actually killed the virus almost immediately.” He added that should the data stand up to peer review, it would be “the most compelling evidence that the concept of shock-and-kill can work.”\**

\*) Wall Street Journal, 22 December 2015

# **Sund Capital Focus and Strategy**

# Sund Capital at a Glance

- A closed-end, Nordic focused biotech investment fund
- Attractive fund duration (7 years)
  - Cross-over and IPO investments
  - Publicly listed companies
- Proactive identification of interesting and/or undervalued portfolio companies with significant growth potential
- Three partners with extensive and complementary industry experience who have worked together for 5+ years
- Based in Copenhagen, Denmark



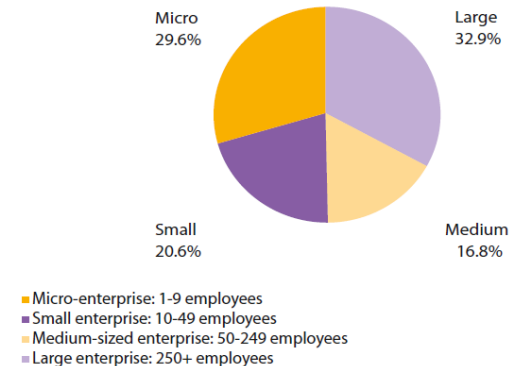
# Biotech Investments: attractive societal growth

- Small and medium-sized enterprises represent 99% of all businesses in the EU
- In the past five years, SMEs have created around 85% of new jobs and provided two-thirds of the total private sector employment in the EU
- New capital is crucial for creation and growth of innovative SMEs

The biopharmaceutical sector adds the most value to the economy per employee

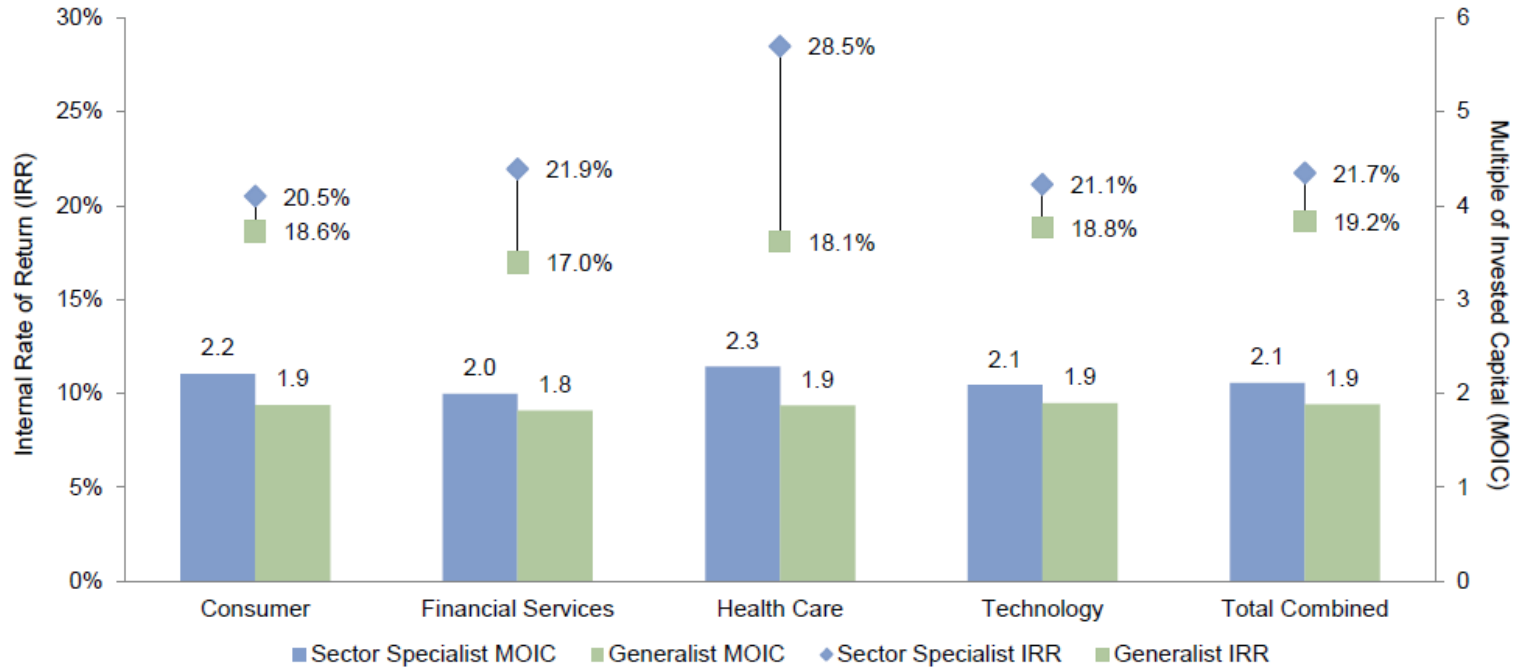


67% of Europe's private-sector jobs are in SMEs



# Specialist funds generate superior returns compared to generalist funds

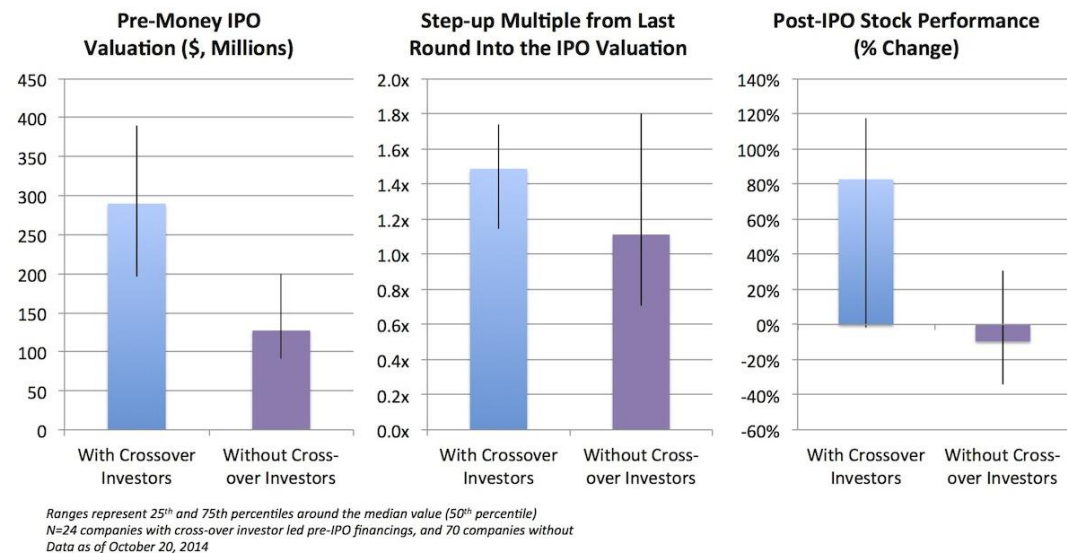
Healthcare in particular stands out as an attractive industry for a focused fund. However, such a fund with a focus on Nordic based companies doesn't exist



Cambridge Associates, Research Note, Sep 2014

# Cross-over investments – proving to be a winning strategy

- The top 15 cross-over funds in the US had 44% exits within 2 years of initial investments (2013-14)\*
- Time lines from the cross-over investment to the IPO is decreasing – about 4 months\*\*
- Companies that have cross-over participation in a pre-IPO financing in general have a much better valuation and post-market stock performance\*\*\*



\*Silicon Valley Bank: Trends in Healthcare Investments and Exits 2015,  
 \*\*Baird analysis, July 2015,  
 \*\*\*Bruce Booth blog, Forbes, Nov '14

# Exit strategies

- Time frame and relevant milestone to next value inflection point will be carefully assessed before investment
- Exit strategies will be tailored to each individual company
- Exit strategies will cover transactions like block trades, trade sales and open market transactions
- Will limit ownership share to ease open market transactions

## ALGETA

Closing price (NOK)



NOK stands for Norwegian Krone

*Investeurope.eu*

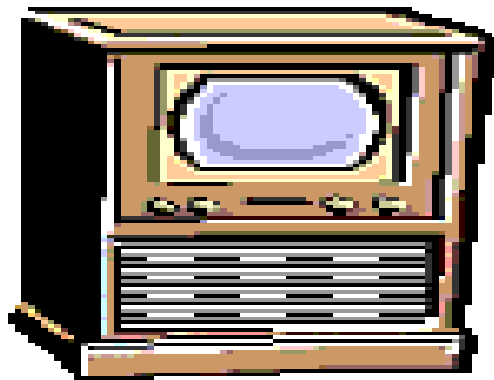
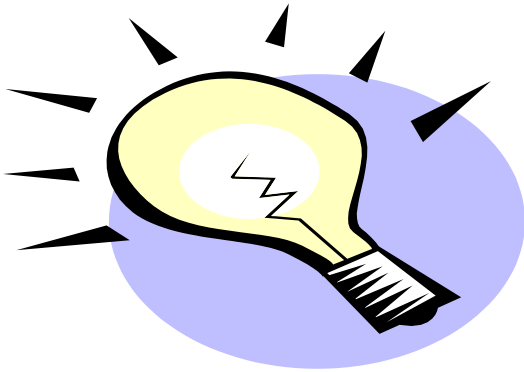
- Lead product is a radiotherapeutics anticancer drug
- Raised a Series A of USD 29M in 2005
- IPOed in 2007, raising USD 41M
- Completed a secondary in 2009 of USD 35M
- Entered into a co-development deal with Bayer in 2009
- The product was approved in US and EU in May 2013
- Algeta was acquired by Bayer in December 2013 for USD 2.9B

# Innovation



# REVOLUTION OR EVOLUTION?

## First Question: Is This Idea Revolutionary or Evolutionary?



# REVOLUTION OR EVOLUTION?

## ■ Revolution:

- Highly disruptive
- A 'paradigm shift'
- A 'brave new world'
- The light bulb or first automobile
- The creation of new markets
  - Television, Apple, the Web

## ■ Evolution

- Not highly disruptive
- Better, faster cheaper
- Changes or enhancements in existing technology
- More narrow and un-addressed market segments of existing markets
  - Cisco systems, a next gen cell phone

# Assumptions for success

**Great Science**

**Patent Protection**

**Scientific Champions**

**Strong Market Pull**

# Assumptions for success – before an investment

***Do great commercializable science***

***Have a sustained strategy***

***Get strong, aligned, qualified investors  
that can work with the right management team***

# Raising Funding in the United States

- Early Stages of Funding-Angel through Series B
  - Business Plan
  - Presentation
  - Local Endorsement, Local Investment
  - Venture Capital Network

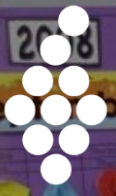
# Raising Funding in the United States

- Mid-Stages of Funding—Series B to D
  - US recognized partner as endorsement
  - Build network in the US
  - Bankers
  - Legal advisors
  - Conferences

# Raising Funding in the United States

- Public Companies

- Local investors vs global investors—the chicken or egg problem
- Role of partnerships
- US presence
- Roadshows
- Finding the right investors—anchors, cornerstone investors
- The wall-crossed private placement



# *Pitch*

Days of the Week  
Sunday  
Monday  
Tuesday  
Wednesday  
Thursday

Shapes



Months of the Year  
January  
February  
March  
April  
May  
June  
July  
August  
September  
October  
November  
December

Calendar  
2008  
September



# About Dechert LLP

## Dechert is a global specialist law firm

Focused on sectors with the greatest complexities, legal intricacies and highest regulatory demands, Dechert excels at delivering practical commercial judgment and deep legal expertise for high-stakes matters.

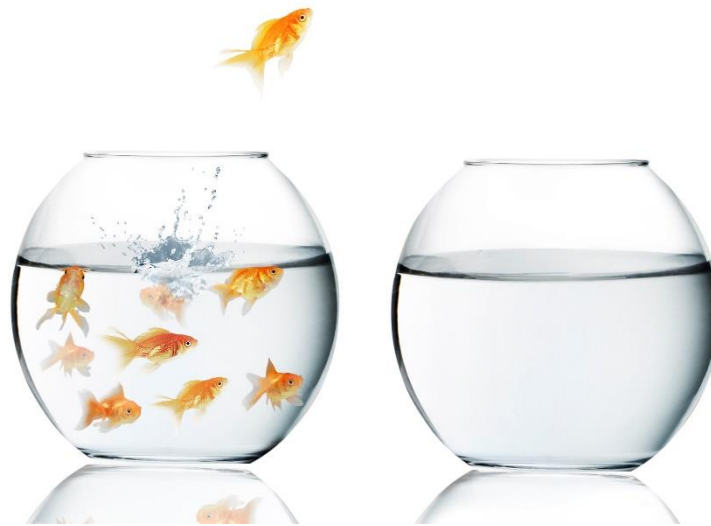
In an increasingly challenging environment, clients look to Dechert to serve them in ways that are faster, sharper and leaner without compromising excellence.

We are relentless in serving our clients – delivering the best of the firm to them with entrepreneurial energy and seamless collaboration in a way that is *distinctively Dechert*.

# Forward Phama A/S Nasdaq IPO in the US

## *Crossing the Pond*

- Turned away by Nordic investors yet oversubscribed by US investors
- US\$235 million raised for Phase 2 product in one of the largest life sciences IPOs of all time
- Opened small office in US to handle investor relations and oversee accounting and public reporting issues



# Zealand Pharma A/S Royalty Monetization

## *Money for Nothing*

- Non-dilutive financing
- Means to cover medium term costs
- First-time structures employed to shield from credit risk



# AM Pharma Staged Sale to Pfizer

## *David and Goliath*

- You don't get unless you ask
- Intermediate funding
- Enhanced value creation



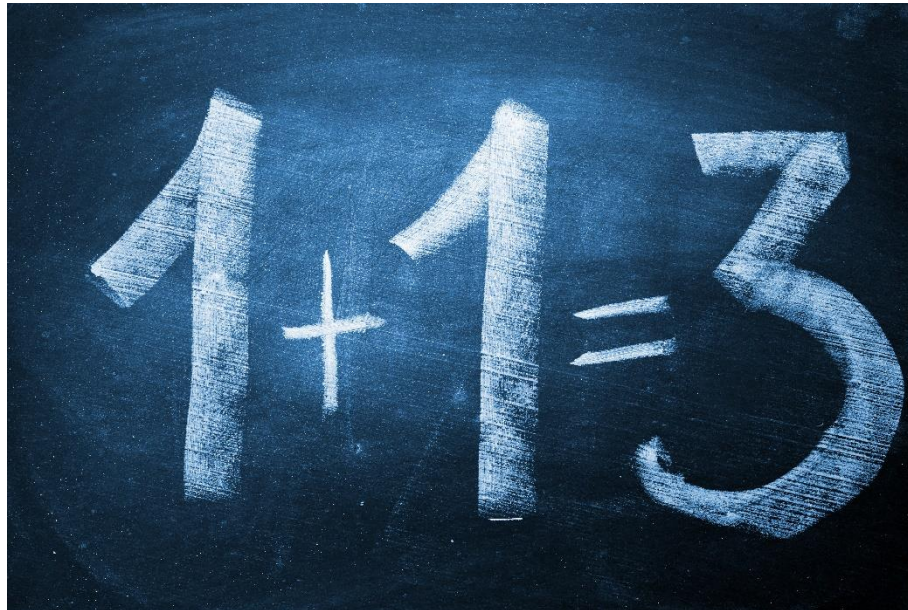
# Janssen Pharmaceutica NV's Sale of Its Global Anesthesia Business *Moving On*

- Competitive auction
- Encouraged unique financing structures
- 70 countries, 30 month transition



# Johnson & Johnson / GlaxcoSmithKline Sponsorship of Medicxi Ventures *One + One = Three*

- Move R&D expenses off balance sheet
- Mimic the tech world
- Start small and think big



# Confidential Cross Border Merger of European Public and US Public Company

- Use of American Depositary Receipts
- Compelling story
- Customary reverse merger M&A structure



# Janssen Pharmaceutica NV's Spin Off of TopiVert Business

- Interim funding
- Pre set ROI for investors
- Fully negotiated option to reacquire





# Speakers



**David Horn Solomon**

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David Horn Solomon has extensive experience as a CEO in listed biotech companies (Zealand Pharma A/S and Bionor Pharma ASA), healthcare investing and pharmacology research. Previously David headed healthcare investing at Carrot Capital Healthcare Ventures in New York City, and before that served as a faculty member at Columbia University's College of Physicians and Surgeons. David is currently on the boards of Onxeo in Paris (NYSE and NASDAQ), TxCell, Paris (NYSE), and Promosome in La Jolla, CA. David received his PhD from Cornell Medical College and the Sloan Kettering Cancer Center.



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Kristopher D. Brown negotiates and structures private equity and venture capital financing transactions. Kris structures a broad range of financings, including venture, private equity and capital markets transactions, for financial and corporate strategic investors as well as emerging growth companies in the life sciences and healthcare sectors. In the Medicon Valley, Kris has advised Zealand Pharma A/S since its 2010 IPO on OMX Copenhagen, and more recently headed the legal team that won M&A Advisor's "Healthcare/Life Sciences Sector Deal of the Year" award for their work on behalf of Forward Pharma A/S's IPO on Nasdaq in the US.

For further information, visit our websites at [sundcapital.com](http://sundcapital.com) and [dechert.com](http://dechert.com).

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