Global Value Creation Strategies for Medicon Valley Life Sciences Companies

2016 Medicon Valley Alliance Annual Meeting

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Global Value Creation Strategies for Medicon Valley Life Sciences Companies:

Aligning Science and Business Objectives
Nordic Biotech Experience
Pipeline

Out-licensed products/ product candidates

- **Lyxumia® (lixisenatide / GLP-1 analog)** – outside the U.S., Type 2 diabetes
- **Adlyxin® (lixisenatide / GLP-1 analog)** – in the U.S., Type 2 diabetes
- **iGlarLixi** (fixed-ratio combination of lixisenatide and Lantus®), Type 2 diabetes

**SANOFI**

- **Glucagon/GLP-1 dual agonists**
  - Diabetes/obesity
- **Undisclosed biological target**
  - Obesity/diabetes

**Boehringer Ingelheim**

- **Elsiglutide (GLP-2 analog)**
  - Chemotherapy induced diarrhea

**Helsinn**

Proprietary pipeline of drug candidates

- **Glepaglutide**
  - (ZP1848 / GLP-2 analog)
  - Short bowel syndrome
- **Dasiglucagon**
  - (ZP4207 / glucagon analog) - single-dose
  - Rescue treatment for severe hypoglycemia
- **Dasiglucagon**
  - (ZP4207 / glucagon analog) - multiple-dose
  - Use in dual-hormone artificial pancreas for hypoglycemic control
- **ZP2929** (glucagon/GLP-1 dual agonist)
  - Diabetes/obesity

1. Helsinn is considering next possible development step after a Phase IIb trial failed to meet the primary endpoint.
2. Glepaglutide is a proposed International Non-proprietary Name (piNN).
3. Dasiglucagon is a proposed International Non-proprietary Name (piNN).
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
The “shock and Kill” Approach to Cure HIV – REDUC

**Latent reservoir**
- Invisible to immune system
- Measured by total proviral DNA

**REDUC Part A**
- Shock

**REDUC Part B**
- Kill

**Activation of HIV replication**
- Measured by viral replication

**Eradication of activated cells**
- Visible to the immune system
- Reduction of viral load in the blood stream measured by viral RNA
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.

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.

Gross Value Added per Employee, 2012, 000’s Euros

- Pharmaceuticals: $81,000
- Chemicals & Chemical Products: $66,000
- Motor Vehicles & (Semi)-Trailers: $62,000
- Computer, Electronic, & Optical Products: $57,000
- Machinery & Equipment: $55,000
- Paper & Paper Products: $51,000
- Electrical Equipment: $50,000
- Basic Metals: $48,000
- Repair & Installation of Machinery: $45,000
- Food Products: $45,000
- Textiles: $36,000
- Furniture: $32,000
- Wearing Apparel: $30,000

Pharmaceutical employees in Europe are generating 80% more value per employee than other industries.

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

Pie chart showing: Micro (29.6%), Small (20.6%), Medium (16.8%), Large (32.9%).

- Micro-enterprise: 1-9 employees
- Small enterprise: 10-49 employees
- Medium-sized enterprise: 50-249 employees
- Large enterprise: 250+ employees.
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

- 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

1. Do great commercializable science
2. Have a sustained strategy
3. 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
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 Depository 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

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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 and dechert.com.

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