

# Capitalizing Your Innovation

.....Company Perspective

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# Stages of Capital Needs



| Company Stage    | Capital Need  | Investor Type (*, **) | Nature of Capital | Sources               |
|------------------|---------------|-----------------------|-------------------|-----------------------|
| Idea / Formation | €0.5 – 5 mill | Seed / Angel          | Private           | Local                 |
| Early            | €5 – €25 mill | Venture               | Private           | Local / International |
| Expansion        | €5 - €50 mill | Venture / Cross Over  | Private & Public  | International         |
| Growth           | > €50 mill    | Growth                | Private & Public  | International         |

\*Grants, Partnering and other sources of non-dilutive capital

\*\*Debt financing – usually only in a transformative situation



# Funding Strategy Considerations

On average it takes 15-20 years and ~ €1 billion to reach profitability – which given the odds of failure often defines a stepwise approach to capital and growth

- **Sources of capital drives the agenda**
  - Retaining value versus creating early liquidity for investors
  - Asset focus versus platform approach
  - Building for sale versus building for sustainable business
- **Raising €1 billion in most cases requires access to public funding and significant non-dilute capital**
  - Define your strategy and create optionality's
  - Optimal funding mix (equity versus non-dilutive)
  - Europe versus US – access to capital and resources makes the fundamental difference

# Analysis of Funding to Break-Even



| Sources of Funding Until Break-Even (To Date <sup>1</sup> ) |                                      |  |  |                               |                           |                                  |                       | Uses of Funding Until Break-Even (To Date <sup>1</sup> ) |                     |          |          |
|---|--------------------------------------|--|--|-------------------------------|---------------------------|----------------------------------|-----------------------|--|---------------------|----------|----------|
| Company   | Consistent profit break-even reached | Product sales and third-party revenue <sup>2</sup> | % Third-party revenue of total revenue (latest filing) | Total gross debt <sup>3</sup> | Total non-dilutive \$ / % | Total equity raised <sup>4</sup> | Total funding sources | Investments/ (divestments) <sup>5</sup>                  | Capital expenditure | SG&A     | R&D      |
| CELLTRION   | ✓                                    | -\$2,088m  | 0%   | (\$676m)                      | (\$2,764m)                | (\$531m)                         | \$3,295m              | (\$525m)   | (\$391m)            | (\$229m) | (\$185m) |
| Genmab  | ✓                                    | \$939m   | 100%   | \$0m                          | \$939m                    | \$1,662m                         | \$2,601m              | \$193m   | \$49m               | \$209m   | \$1,302m |
| Seattle Genetics  | ✗                                    | \$1,450m   | 33%  | \$0m                          | \$1,450m                  | \$1,044m                         | \$2,494m              | \$0m   | \$110m              | \$606m   | \$1,697m |
| TESARO  | ✗                                    | <\$1m  | 100%   | \$121m                        | \$121m                    | \$770m                           | \$891m                | \$60m  | \$4m                | \$130m   | \$409m   |
| morphosys   | ✗                                    | \$998m   | 100%   | \$0m                          | \$998m                    | \$230m                           | \$1,228m              | \$105m   | \$35m               | \$299m   | \$584m   |
| MERRIMACK   | ✗                                    | \$346m   | 95%  | \$258m                        | \$604m                    | \$250m                           | \$854m                | \$0m   | \$47m               | \$172m   | \$830m   |
| innate pharma   | ✗                                    | \$147m   | 100%   | \$4m                          | \$151m                    | \$135m                           | \$286m                | \$(1)m   | \$20m               | \$90m    | \$169m   |
| IMMUNOGEN   | ✗                                    | \$462m   | 100%   | \$0m                          | \$462m                    | \$587m                           | \$1,049m              | \$0m   | \$87m               | \$242m   | \$644m   |
| MACROGENICS   | ✗                                    | \$334m   | 100%   | \$0m                          | \$334m                    | \$320m                           | \$654m                | \$0m   | \$17m               | \$71m    | \$302m   |
| <b>% of total sources to date / % Uses of total sources</b> |                                      | 51%  |  | 8%                            | 59%                       | 41%                              | 100%                  | 7%   | 6%                  | 15%      | 46%      |



# Funding Strategy Considerations

The true value potential (IRR versus ROI) is when you get a drug on the market – not necessarily by yourself....

- The money is not in the milestones but in the potential revenue (or royalties)
- It's very capital intensive and time is your enemy
- Managing the company through the stages – requires different skills
- Managing your capital demands becomes critical
- Do you need to become a fully integrated company?
- Private versus public status and listing route

# Valuation Considerations



**REGENERON**



Following a difficult period between 2010 and 2013 during which clinical trials stumbled, Genmab's success has been rewarded by investors with the market cap now over 10x where it was at IPO in 2000

Current market cap of €9.3bn following success of Darzalex Ph III

€9.2bn (current)



During 2014, prior to Darzalex Ph III results, average market cap was €1.8bn

€1.8bn (2014)

At IPO in 2000, raised €209m implying MC of €761m

€761m (2009)

Current market cap of €38.8bn following success of Elyea, which is now a blockbuster product with global sales in excess of \$4bn

€38.9bn (current)



During 2010, prior to the success of Elyea (afilibercept), average market cap was €1.6bn

€1.6bn (2010)

Subsequently, Onyx was acquired by Amgen for c.€6.8bn (c. 38% premium to undisturbed)

€6.8bn (acq.)

€4.9bn (2013, pre-spec)



Onyx's valuation was driven up by Jun 2013 (prior to approach by Amgen) to €4.9bn due to the additional success of Stivarga and Kyprolis, broadening its late stage appeal

During 2011 the average market cap was €1,650m with the key value based on single commercialised product, Nexavar (sales of \$1bn by partner Bayer)

€1.7bn (2011)

Following successful Phase III results for niraparib, Tesaro's valuation has reached a new peak of €4.5bn with potential peak sales of over \$1bn estimated

€4.5bn



During 2013, prior to rolapitant results and niraparib success, average market cap was €746m

€746m (2013)

At IPO in 2012, raised €81m implying MC of €360m

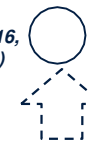
€290m (2012)

Medivation has just been acquired by Pfizer for €11.8bn (c. 118% premium to undisturbed)

€11.8bn (acq.)

Following the success of XTANDI and further development of talozaparib, Medivation's market cap increased to €7.6bn (as at May 2016, pre-speculation)

€5.2bn (2016, pre-spec)



During 2011 the average market cap was €580m, with XTANDI still in Phase III development

€580m

Genmab, Regeneron, Onyx, Tesaro and Medivation all experienced significant increases in valuations as their pipeline assets achieved positive results in late stage development, with Regeneron being a key example of the shift in valuation if blockbuster potential is realised



# Attributes of Successful Biotech Companies

- Vision to change existing situation.....**game changer perception**
- Uniqueness....**potentially disruptive**
- Potential value....**large commercial opportunity**
- Strong execution capabilities....**team to execute**
- Acceptance from established industry....**partner or industry validation**
- Multiple shots on goal....**platform approach rather than “one pony trick”**
- Exclusive / protected.....**IP protection to secure exclusive position**
- Risk and rewards....**well defined validation milestones**
- Exit opportunity.....**multiple routes for liquidity**
- Capital structure.....**strong investor base**

# Symphogen Overview

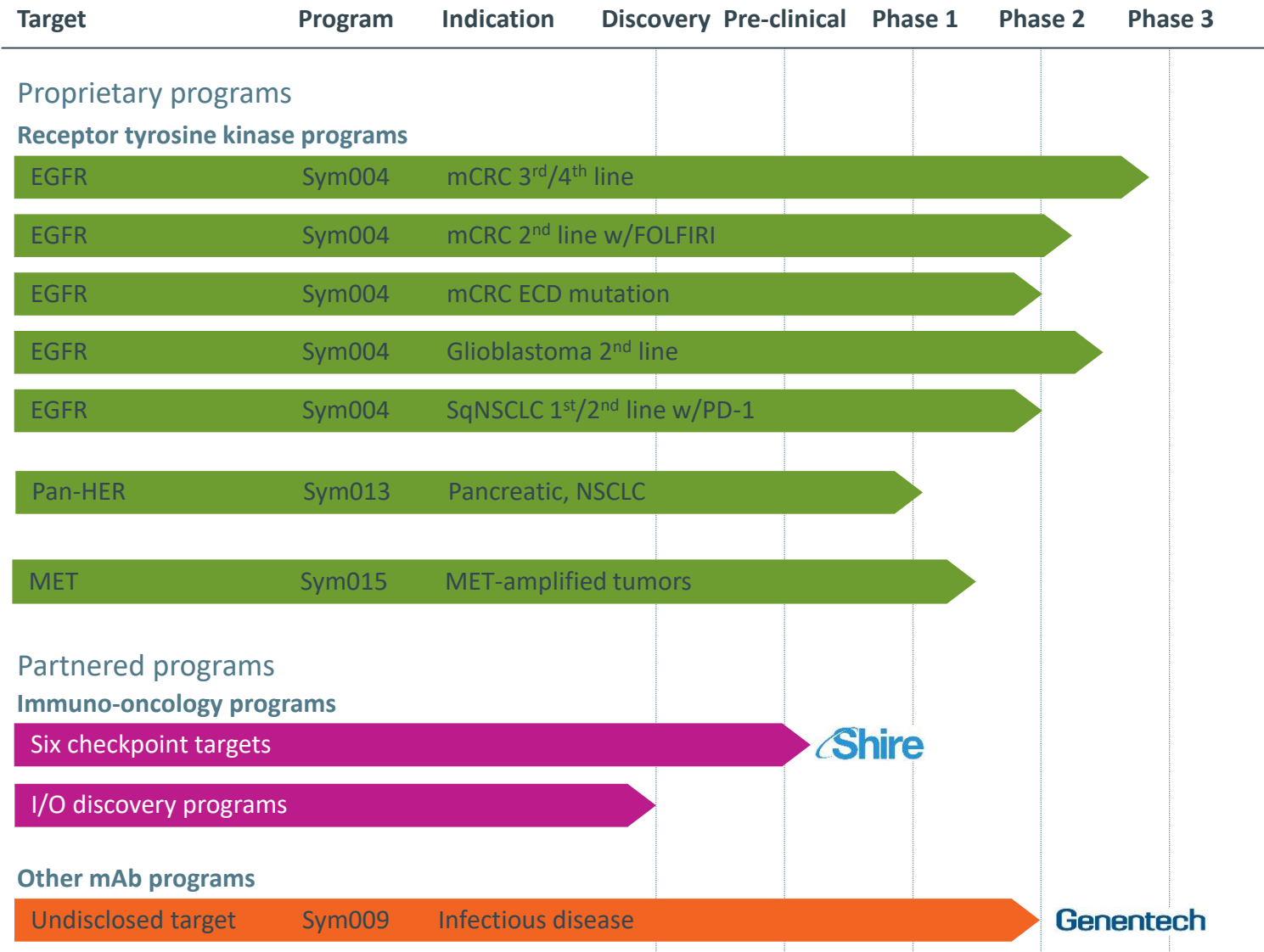


- **Privately held company - 125 employees**
  - Headquarters in Ballerup, DK
  - Clinical Development in NJ, US
- **Next-generation mAb therapeutics**
  - World's leading mixture experience
- **Differentiated pipeline with novel MoA's targeting significant market opportunities**
- **Strong technology platform with broad applications**
- **Value Creating Collaborations with significant non-dilutive financing**
  - Baxalta immuno-oncology collaboration
  - Genentech Phase 1 infectious disease program
- **Pro-forma cash position of approx. €200 million**
- **Premier investor base**
- **International management and board**





# Innovative Oncology Pipeline of mAbs & mAb Mixtures



# Validating Partnerships



## Shire / (Baxalta)

|                       |   |
|-----------------------|---|
| <b>Date Commenced</b> | <ul style="list-style-type: none"> <li>December 2015 (then Baxalta)</li> </ul>  |
| <b>Upfront</b>        | <ul style="list-style-type: none"> <li>\$175 million</li> </ul>   |
| <b>Milestones</b>     | <ul style="list-style-type: none"> <li>Total potential value up to \$1.6 billion in option fees and milestones; royalties on worldwide sales</li> </ul>   |
| <b>Category</b>       | <ul style="list-style-type: none"> <li>Oncology (six targets)</li> </ul>  |
| <b>Description</b>    | <ul style="list-style-type: none"> <li>Strategic immuno-oncology collaboration</li> <li>Expect to advance novel therapeutics against six checkpoint targets, with first program expected to enter clinical studies in 2017</li> <li>On a product-by-product basis, following successful completion of Phase 1 clinical trials, Baxalta will have exclusive option rights to complete late-stage development and worldwide commercialization</li> <li>Symphogen will be responsible for performing R&amp;D through Phase 1 clinical trials at its own expense</li> </ul> |

## Genentech

*A Member of the Roche Group*

|   |
|---|
| <ul style="list-style-type: none"> <li>June 2008</li> </ul>   |
| <ul style="list-style-type: none"> <li>Undisclosed upfront payment; equity investment from Genentech</li> </ul>   |
| <ul style="list-style-type: none"> <li>Total potential value of over \$330 million; royalties on any products from collaboration</li> </ul>   |
| <ul style="list-style-type: none"> <li>MRSA</li> </ul>  |
| <ul style="list-style-type: none"> <li>Collaboration focuses on the development of antibody therapeutics against up to three undisclosed infectious disease targets</li> <li>Symphogen will apply its proprietary Symplex antibody discovery technology platform to identify novel infectious disease drug candidates</li> <li>Genentech also gains access to Symphogen's Sympress technology to produce recombinant polyclonal antibodies</li> <li>Genentech will obtain an exclusive worldwide license to candidates developed through this agreement and will fund associated R&amp;D costs</li> </ul> |

# Experienced, International Board of Directors



## Göran Ando (Chairman)

- Chairman, Novo Nordisk; former CEO, Celltech; former CSO, Pharmacia

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## Jeppe Christiansen (Non-executive director)

- CEO, MajInvest; Vice Chairman, Novo Nordisk

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## Ron Eastman (Investor)

- Former CEO, Rinat Inc.; several board positions in biotech/lifescience

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## Jeffrey H Buchalter (Non-executive director)

- Former CEO of Enzon Inc. and Archimedes Pharma Ltd.; commercial oncology

## John Landis (Non-executive director)

- Former SVP Schering-Plough

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## Christoffer Søderberg (Investor)

- Director, Novo, Large Investments; previous at Boston Consulting Group and Falck A/S

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## Anthony Tolcher (Non-executive director)

- President, START; translational oncology; medical oncologist

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## Kirsten Drejer (Symphogen founder; CEO 2000-2016)

- Former Novo Nordisk. Non-executive director of Fund for Industrial Growth



NOVO





# Symphogen – Financing Strategy

**Initially it was a stepwise approach to establish / validate the vision of developing mixtures of mAb's towards complex targets**

- Early validation points
- Partnerships
- Identify areas of differentiation within diseases and indications

**In 2011 the current strategy of focusing on oncology by early on going after validated targets and developing innovative approaches towards complex targets and combinations**

- Raised €210 million in equity financing (66% of total)
- Raised €200 million in partner funding (82% of total)
- Status today: €200 million on balance sheet (36% of funds raised)
- New management...and strategic changes to board composition



# Symphogen – Financing History

## Total funds raised since inception - € 558 million

- Equity funding - € 317 million
  - Partner funding (non-dilutive) - € 241 million
- .....and approx. € 200 million in pro-forma cash (as of Sep 2016)

## Symphogen after 16 years.....

- Unique differentiated technology with disruptive potential
- Broad and deep pipeline with unencumbered oncology assets in clinical development stage and near term market opportunity
- Multiple shoots at goal and platform applicable to many targets
- Validating strategic partnerships with Shire and Genentech
- Premier investor base
- Strong balance sheet and operational freedom
- Strong international team
- World-class scientific advisory board



# Funding Your Innovation – Lessons Learned

- What is your vision – think ahead of your next capital needs...
- Consider your investor base from the beginning
- Mixture of non-dilutive and dilutive capital
- Don't be trapped by the dilution dilemma
- Get the right team on board
- Keep your options open



**Thank You!**

**Martin Olin, CEO**

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**A Symphony of Natural Antibodies**