Funding New Life Sciences Ventures
Presentation by Peter Parker
Background – Peter Parker

- AMAX Inc - Head of Research, mid-80’s
- Ampersand Ventures - Co-Founder, 1988
- Boston Heart Lab - Founder and CEO, 2006
- Cequent Pharmaceuticals - Co-Founder and CEO, 2007-10
- Cambridge BioLabs, LabCentral, Deltix
- BioInnovation Capital - Founder

A lifetime spent in the Start-up Arena on both sides of the financing war
Fifteen years ago, everyone wanted to be a Superhero
They didn’t how hard it was!
Ampersand Ventures (1988-2006)

• Early stage specialty chemicals ventures – 1988
• Pivoted to new ventures in life sciences arena – 1992
• Reviewed a few thousand business plans
• Visited 400
• Invested and Board member – 25
• Ampersand now a Growth Equity investor – no interest in early stage companies
Independent HC VC’s (Boston) – List used to be twice as long

- Atlas Venture
- MPM
- Longwood Founders Fund
- HLM
- Flagship
- Morningside

- 5AM
- Abingworth
- SV Life Sciences
- Third Rock
- Polaris
- Bain Capital Ventures
- CHL
Huge Growth - A direct result of Public Pension Fund involvement

Size of Average VC Firms

Source: US National Venture Capital Association, Thomson Financial
Healthcare VC returns lag IT

• 2001-2012
  – Returns were inversely correlated with size
  – Healthcare VC’s had to try to find a new model
  – Tech investors found that social, mobile, and consumer internet investments were much less expensive to fund and easier to exit

• Healthcare Investing takes more money and more time to build companies to be ready for Exit
No Healthcare VC Funds among the leaders today

Top 10 Overall VC Funds*

1. ANDREessen HOROWITZ
2. SEQUOIA CAPITAL
3. ACCEL
4. BENCHMARK CAPITAL
5. union square
6. General Catalyst Partners
7. NEA
8. KPCB
9. khosla ventures
10. greylock partners.

* Disclaimer: Funds are ranked by on a basis of “network centrality” or in essence on probability and not actual returns which can be heavily skewed by a small # of investments
A Bright Spot? Genomics expanding the Landscape of Healthcare VC

• Foundation Medicine – Uses Sequencing data to inform cancer product development
  – Google Ventures
  – Kleiner Perkins
  – Third Rock

• New overlap between traditional large tech investors and healthcare investors in BioInformatics and Services Companies
GROWTH OF ANGEL INVESTING IN HC
Seed Rounds; Angels become active Healthcare Investors

- Much more sophisticated about Healthcare Opportunities
- Angel group deals - prior 12 months: median pre-money* = $2.7M (Typically much higher than a VC would pay)
- Median size - 2012 Angel rounds = $550k.

*the implied value of the underlying opportunity at time of investment
Angel Groups who are actively looking at Healthcare Investments

- Angel Healthcare Investors
- Beacon Angels
- Boston Harbor Angels
- Cherrystone Angels
- Granite State Angels
- Hub Angels
- Keiretsu
- Launchpad

- MassMed Angels
- NY Angels
- North Bay Angels
- North Country Angels
- Northeast Angels
- Sand Hill Angels
- Savannah Angel Partners
- Tech Coast Angels
• Super Angels – Individuals, not particularly affiliated with one group, who are active healthcare investors – some will write a $5-10m check

• smaller groups who often invest with Angels Harbor Light Capital Partners, Sante Ventures, Long River Ventures, Redpoint, Pappas, Pt Judith Capital, Rockport, Beacon BioVentures
2 Good Examples of Angel deals

- SmartCells – Angel funding only, 7 years of development from start to sale
- Boston Heart Diagnostics – 7 years old. Combination of Angel and Venture financing. Just sold to Eurofins.
• MIT License
• SmartCells developed a glucose-sensitive Insulin
• Insulin is only released when serum glucose concentration in a certain range
• Funding came from Several Angel Groups in the Boston area
Merck Acquires SmartCells – Developed on Angel funds only

- $9.8 million total in 4 Angel Rounds
- $4.1 million Series D round from Boston Harbor Angels, Angel Healthcare Investors, Beacon Street Angels, Cherrystone Angels and members of Common Angels
- Merck Acquired the Company for Over $500 million in total payments in a structured deal
Case Study: Boston Heart Dx

- Technology from Tufts Medical School
- Novel diagnostic test for heart disease (HDL)
- Company started by Senior Professor and a post-doc from his lab
- Both are shareholders - professor now CMO and half-time, post-doc has a large operating role on the laboratory side

Currently >$100M Revenue, >300 FTE’s financing history of the Company is also an Angel success story
Boston Heart Diagnostics

- June 2007 – incorporated w/ $50,000 loan
- November 2007 – Series A equity financing at $900,000 pre-money value raising $640,000; $2.2M total valuation
- Series B ($1.50/sh) fundraising from Angels started in March 2009
- Rolling closes for 9 months – total $2M, raised from 80 Angel investors. $5.54M post
• Series C $10M with Bain Capital Ventures closed July 2010. Angels had bridged another $1.5M by then
• Company revenue history:
  – $0.1M 2008 Salesforce hired
  – $1.0M 2009
  – $5.0M 2010 Bain Investment
  – $17M 2011
  – $40M 2012
  – $80M 2013
  – Company sold in 2014 for $200M
NEW PRADIGM: LONGER BOOTSTRAP DEVELOPMENT BEFORE FUNDRAISING (GET MORE RESULTS BEFORE RAISING MONEY)
Incubators/Accelerators – Halfway House before funding

• 1980’s/90’s – University Phenomenon
  – Method for showcasing academic innovations
  – Often an extension of the TLO
• Post-Bubble incubators
  – Y-Combinator (2005)
  – LabCentral (2013)
  – Now many others