



BioForward

The 'Roadmap for Growth' Life Sciences Event

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Workshop five: Top Tips and Insights to Fundraising, Listing and other Liquidity Events in the UK Markets



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TOP TIPS AND INSIGHTS TO FUNDRAISING, LISTING AND OTHER LIQUIDITY EVENTS IN THE UK MARKETS

BioForward 2023 Workshop

26th September 2023

Agenda

Sector Sentiment

- 1. Economic & political background**
- 2. Public capital markets**
- 3. Private capital markets**
- 4. Preparing for funding and liquidity – Three things that will make a difference**

Parting shot

Sector sentiment or “*Things I’ve been told over the past month*”

Perceptions (from the sublime to the ridiculous) more negative than positive

- **Negatives include**

- Lack of funding (“*hardest year for fundraising in my experience*”)
- Struggling stock exchanges (“*The City of London is dead*”)
- Rising costs
 - To companies
 - To employees (“*The cost of living crisis is why I’m looking for a new job – management doesn’t understand*”)
- Decreasing rebates (R&D credits cut)
- The markets don’t understand ‘deep value’ (“*It’s different in the US – they ‘get’ the industry*”)
- Distrust of government (and opposition!) and future political environment
- Flexible working (“*Slows down communication and operations*”)
- Brexit (“*Embarrassed to be British – we don’t really deserve to be successful – France and Germany has access to far better people and funding – when I say I’m for the UK I feel like a pariah*”)
- Lack of diversity / Critical Race Theory implications (“*The industry, most of it’s people, and everything it does, is intrinsically prejudiced – unlike the US, this is not being properly addressed in the UK*”)

- **Positives include**

- Re-entry into HORIZON
- Flexible working (“*empowers employees and improves diversity*”)
- Committed long-term VC/ PE investors (“*I have a very positive long-term relationship with my investors – we know we can rely on each other*”)

Last seen
2012



1. ECONOMIC & POLITICAL BACKGROUND



London Gold Price (per ounce)

We thought it was high back in 2012.....



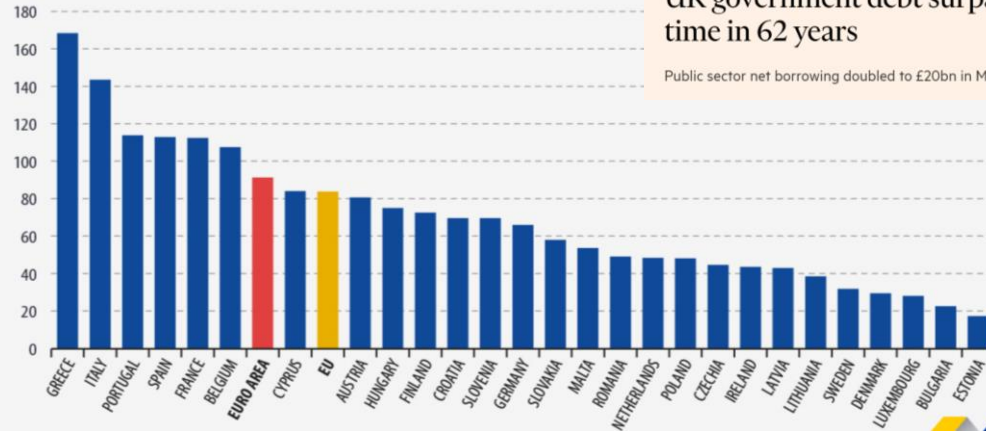
Source: The Royal Mint

Economic metrics poor

Rising sovereign debt; < single digit GDP growth;

Government debt to GDP ratio, 2023Q1

In percentage



UK public finances + Add to myFT

UK government debt surpasses GDP for first time in 62 years

Public sector net borrowing doubled to £20bn in May

Debt

France: \$3.3Tn

Italy: \$3.1Tn

Germany: \$2.8Tn

UK: \$2.5Tn (\$3.1Tn GDP; c.81%)

Spain: \$1.7Tn

US: \$33Tn (\$25.5Tn GDP; c.130%)

China: \$45Tn (\$18.1Tn GDP; c.250%)

Russia: \$0.3Tn (\$2.1Tn GDP; c.14%)

GDP growth

% change in real GDP

updated 19 Sep

	% change on previous quarter				% change on a year ago			
	Q3 22	Q4 22	Q1 23	Q2 23	Q3 22	Q4 22	Q1 23	Q2 23
UK	-0.1	0.1	0.1	0.2	2.0	0.6	0.2	0.4
Eurozone	0.3	-0.1	0.1	0.1	2.3	1.7	1.1	0.5
USA	0.8	0.6	0.5	0.5	1.9	0.9	1.8	2.5
Japan	-0.3	0.1	0.8	1.2	1.5	0.5	1.8	1.7
Germany	0.4	-0.4	-0.1	0.0	1.2	0.8	-0.3	-0.1
France	0.3	0.1	0.0	0.5	1.2	0.7	0.8	1.0
G7	0.5	0.3	0.4	0.4	1.9	0.9	1.4	1.6
OECD	0.5	0.2	0.4	0.5	2.6	1.4	1.6	1.6

Source: OECDstat

- Consumer confidence

- Extremely poor in Europe (cost of living etc.)
- More buoyant in the US (equiv. to c 70% of GDP in the US)

- Government elections

- US (November 2024); UK (by January 2025); Germany (October, 2025); Japan (October, 2025); France (2027)

- Bleak corporate environment

- Companies continue to hoard cash (versus spend)
- Banks unsure regarding capital requirements so lending less

- Pervading uncertainty

Global uncertainty

Distraction and background noise to decision making

A time of unprecedented danger: It is 90 seconds to midnight



2023 Doomsday Clock Announcement
January 24, 2023

This year, the Science and Security Board of the Bulletin of the Atomic Scientists moved the Doomsday Clock forward, largely (though not exclusively) because of the move of the Clock now stands at 90 seconds to midnight—the closest to global catastrophe it has ever been.

China lab suspected of Covid leak stripped of US funding for violating biosafety rules

Wuhan Institute of Virology broke rules with experiments that increased viral activity more than tenfold, says health department



The long read
There is no such thing as western civilisation

The values of liberty, tolerance and rational inquiry are not the birthright of a single culture. In fact, the very notion of something called 'western culture' is a modern invention

REUTERS World Business Markets Sustainability Legal Breakingviews Technology Investig

Taiwan raises concerns about situation 'getting out of hand' with China drills

September 23, 2023 3:32 AM GMT+1 Updated 2 days ago



China launches Fujian, PLA Navy's 3rd aircraft carrier

- The Type 003 is China's first carrier to use an advanced electromagnetic catapult system to launch planes from its deck
- The warship left the Jiangnan shipyard in Shanghai on Friday to begin testing of its mooring and navigation systems

Clashes in Paris as thousands march against police violence

Europe migrant crisis: Italian state of emergency to tackle migrant boats



Iran protests: riot police use teargas on students at Sharif university



Indices indicate that defensive position is wavering

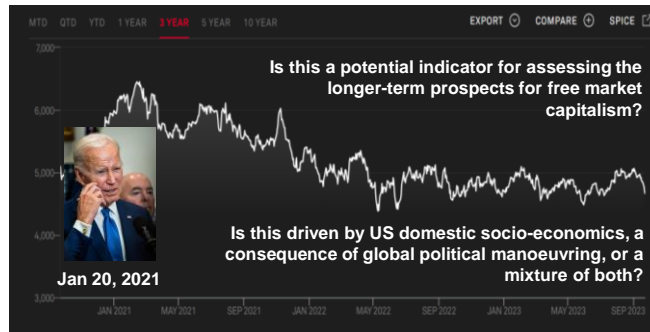
Defensive At least in the UK In the US perception is impacted by many negative reports

FTSE 350 Pharma & Biotech



Source: FT

S&P Pharma



Source: S&P



COMPANIES

FTSE 350 Review: Pharma's defensive qualities shine through

Demand for medicines is known to be resilient in difficult times

February 2, 2023
By Jennifer Johnson



In what was a bruising year for biopharma valuations, only the sector's largest-cap companies could say they closed 2022 on anything close to a high. With the shares up some 32 per cent in the 12 months to mid-January, investors in **AstraZeneca (AZN)** may not have known there was anything to worry about.

MOST READ Today

Reader Profiles: **To £2.2m enough for us and travel?**

Biden Makes Lower Drug Prices a Centerpiece of His 2024 Campaign

President Biden's Inflation Reduction Act allows Medicare to negotiate some drug prices, a change that the pharmaceutical industry and Republicans have opposed for decades.

InsightMetrics | April 20, 2023

The US is relying more on China for pharmaceuticals — and vice versa

By Helen Gustafson

The drivers of US-China trade are shifting in some areas, like aircraft and their component in other areas trade between them is reaching largest winners. Over the past five years, two percent of the trading relationship to nearly 3 cheap, Chinese imports. The trade is broadly and is driven by advanced medicines such as

The emergence of this important, new supply interdependence and national security. However, despite the increase and the tone of **socialist** around the US-China pharmaceutical trade, China does not have a stranglehold on the US medicine supply chain. Still, the US ought to prioritize a regular supply-chain mapping exercise in order to provide policymakers ample breathing room to act well before dependence on China becomes a material risk to the US healthcare system.

The Big Read Drug prices + Add to myFT

The Biden administration takes on the US drugs industry

Racial Health Disparities Are Fueled by Big Pharma's Patent Monopolies [Op-Ed]

New rules are designed to make medicines cheaper for American seniors. But companies warn innovation will suffer

How Big Pharma Reaps Profits While Hurting Everyday Americans

The pharmaceutical industry's strategy of using its volume of acceptance to increase prices while eroding innovation will have long-term implications.

Do Black Lives Matter to Big Pharma? -It's Time for Companies to Confront Racial Bias in R&D and Health Care



First shots fired in US price negotiation war

“Inflation Reduction Act” and “Medicare Drug Price Negotiation Program”

- **Inflation Reduction Act (IRA)**

- Democrat-backed act, introduced in September 2021; passed congress and signed by President in August 2022
- Gave Medicare initial negotiation powers
- Includes drug pricing provisions, which cap out-of-pocket costs on insulin for Medicare
- PhRMA + 6 companies have launched a legal suit
- “The IRA uses severe penalties to requisition medicines while refusing to pay their fair value—and then coerces manufacturers to smile, play along, and pretend it is all part of a ‘fair’ and voluntary exchange” (Merck)

- **First drug list published 29th August (see opposite)**

- List used by > 8m patients, representing sales of > \$50bn, equiv. to 20% of Part D Medicare spend
- Medicare will select more drugs for negotiation each year, eventually including Part B medicines and expanding to 20 per year from 2029 onward
- The minimum discount required under the IRA varies based on a drug’s years on market, but must be at least 25%
- Interestingly, many Medicare Part D drugs are already deeply discounted.....

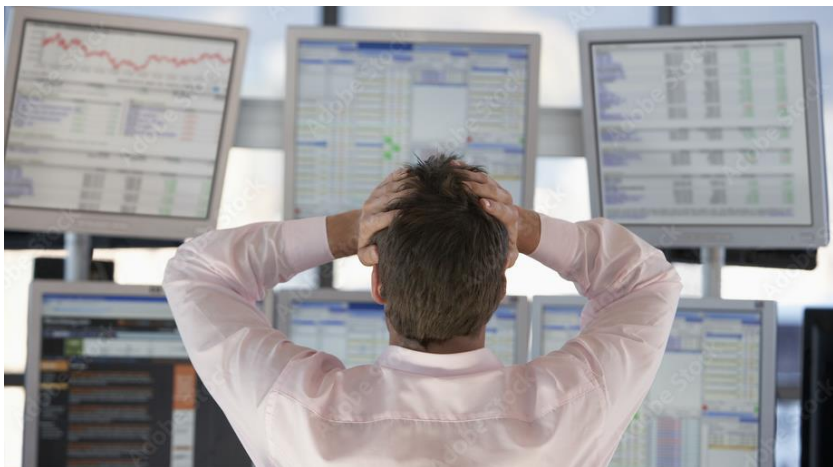
Drug Name	Commonly Treated Conditions	Total Part D Gross Covered Prescription Drug Costs from June 2022-May 2023	Number of Medicare Part D Enrollees Who Used the Drug from June 2022-May 2023
Eliquis	Prevention and treatment of blood clots	\$16,482,621,000	3,706,000
Jardiance	Diabetes; Heart failure	\$7,057,707,000	1,573,000
Xarelto	Prevention and treatment of blood clots; Reduction of risk for patients with coronary or peripheral artery disease	\$6,031,393,000	1,337,000
Januvia	Diabetes	\$4,087,081,000	869,000
Farxiga	Diabetes; Heart failure; Chronic kidney disease	\$3,268,329,000	799,000
Entresto	Heart failure	\$2,884,877,000	587,000
Enbrel	Rheumatoid arthritis; Psoriasis; Psoriatic arthritis	\$2,791,105,000	48,000
Imbruvica	Blood cancers	\$2,663,560,000	20,000
Stelara	Psoriasis; Psoriatic arthritis; Crohn's disease; Ulcerative colitis	\$2,638,929,000	22,000
Fiasp; Fiasp FlexTouch; Fiasp PenFill; NovoLog; NovoLog FlexPen; NovoLog PenFill	Diabetes	\$2,576,586,000	777,000

Note: Numbers are rounded to the nearest thousands.

- BMS has stated “There is no specific guarantee within the law that any of the savings the government derives from the so-called negotiations will be passed on to patients”
- Novartis, Lilly and BMS have all discontinued or reprioritized studies as a consequence of IRA

Uncertainty and “background instability” prevails

The most effective markets consist of tradeable uncertainties against a background of stability



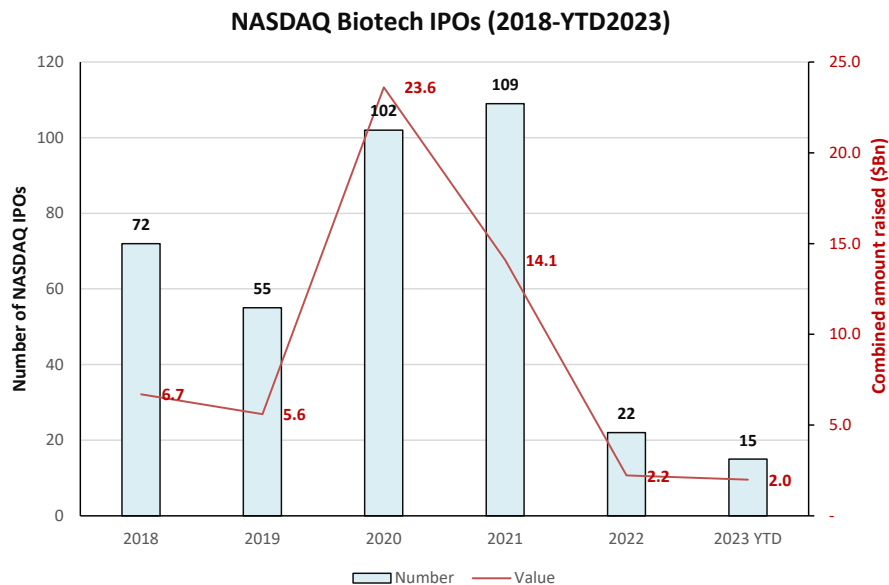


2. PUBLIC CAPITAL MARKETS



Still a US-led industry

NASDAQ remains the “GO TO” barometer for the health of the sector in terms of IPOs



- **We WERE optimistic with regards to a window re-opening**

- Follow-on equity investments (post-IPO) historically taken 3-4 years to recover (2000/2021 and 2015/2016)
- Stronger supporting US equity market was expected by 2024/2025, coinciding with a return to a larger IPO window
- We were therefore expecting a window by 2025
- This was more conservative than many banks (i.e. IPO brokers), who were expecting a pick-up as early as 2024, or even 2023

- **All bets are now probably off as the macro picture moves centre stage**

Life science growth equity is risky

Interest rates now offer a relatively low risk return

US T-Bonds



Source: FT

UK 10-year GILTS



Source: FT

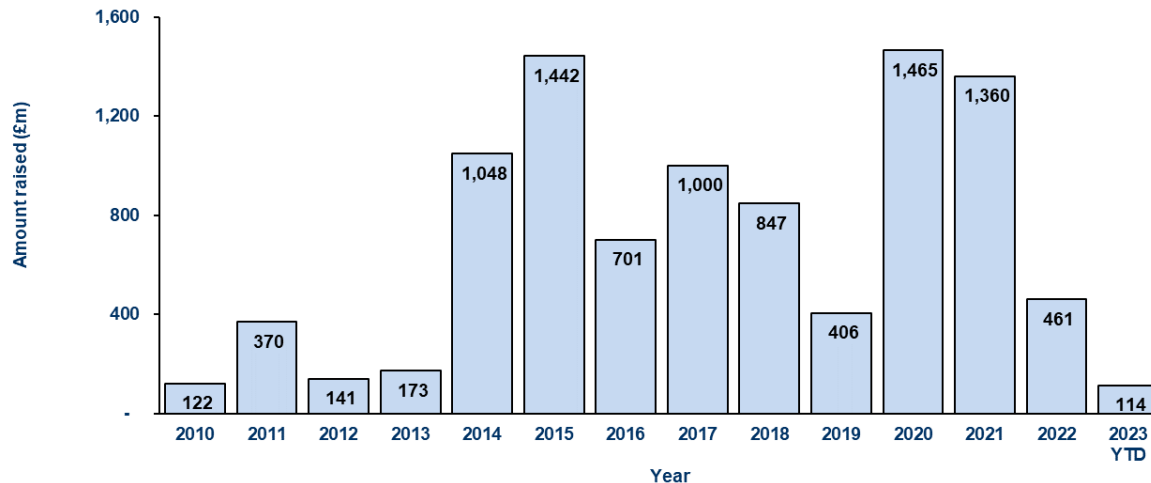
- **Optimism countered by caution**

- Higher interest rates tempers interest in higher-risk growth equity adventures
 - US Federal reserve interest rate is at a 22-year high of 5.5% - it is expected to increase
 - UK BoE interest rate is 5.25% - it is expected to increase to 5.5%, or even 5.75% (last seen in 2007) over 2024
- Treasury yields have topped 4% (see above)
- Reduction in interest rates likely to benefit market appetite for equities

- **A fall in interest rates will likely signal the return to investment in higher risk growth equity**

UK publicly listed fundraising for life science companies

YTD performance is concerning



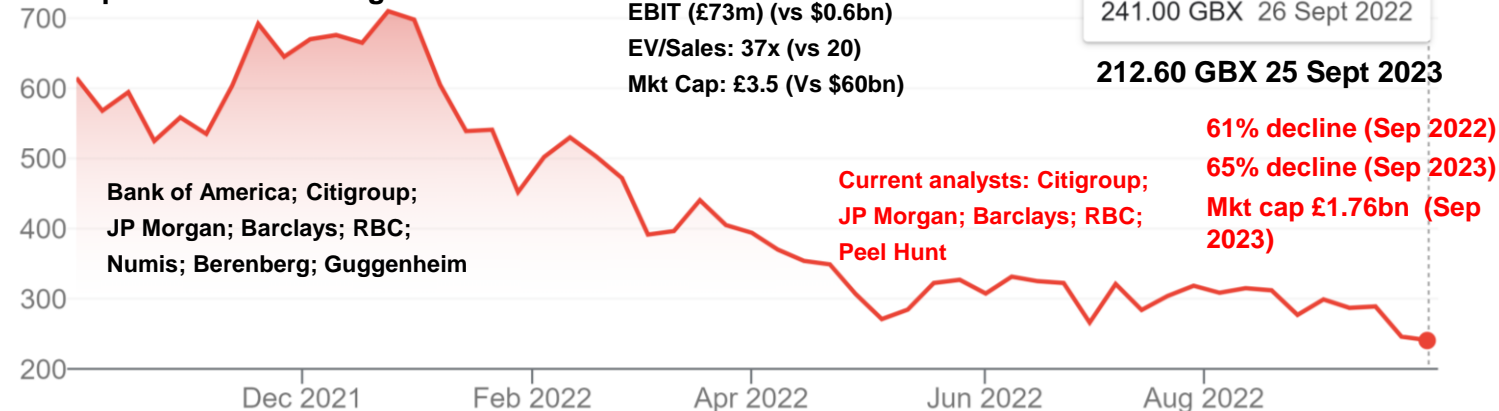
- Structural issues (lack of effective, trustworthy and experienced specialists)
- Lack of market investment (in all of the above)
- Lack of good candidates, with understanding of what is required
- Poor/ inexperienced/ out of date corporate governance
- Poor market regulation

“Battlefield debris” fails to instil confidence in UK capital markets

Concerns regarding reliable broking and/or duty of care to public market shareholders....

615.00 GBX 01 Oct 2021

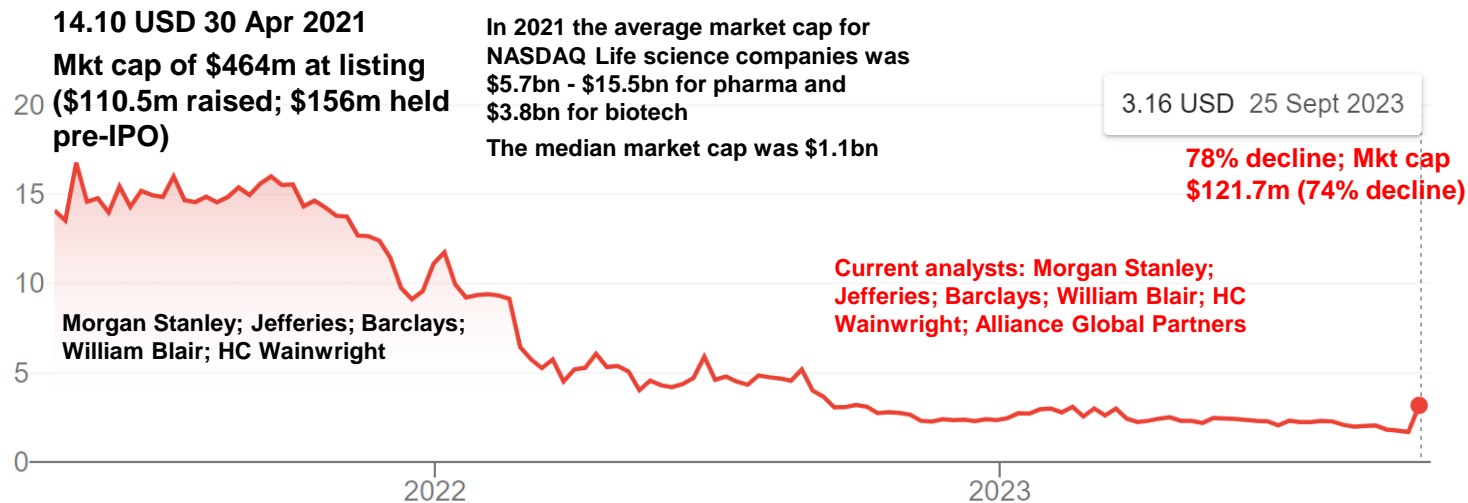
Mkt cap of £3.5bn at listing



- “It’s an urban myth that London can’t compete with Nasdaq on a capital raising like this .. there’s no reason why we can’t build these companies here” (October 2021)
- “There have been a lot of naysayers out there but now we are seeing good year-on-year progress in scientific papers, applications and orders and a growing community of users” (October 2021)
- “We are only in the foothills of a long and exciting journey” (October 2021)

Change in sector sentiment may have a similar impact

Previously well rated stocks may fall by the wayside as priorities shift....



- Credible management team
- Solid pipeline:
 - Marketed COVID vaccine; 4 x Phase-II programmes; 1 x Phase-I/II; 1 x Phase I; 2 x preclinical
 - 8 indications
- For period ending 30th June 2023 (US 10-Q) the company had cash and equivalents of \$173m
- It currently trades, therefore, at a 30% discount to cash

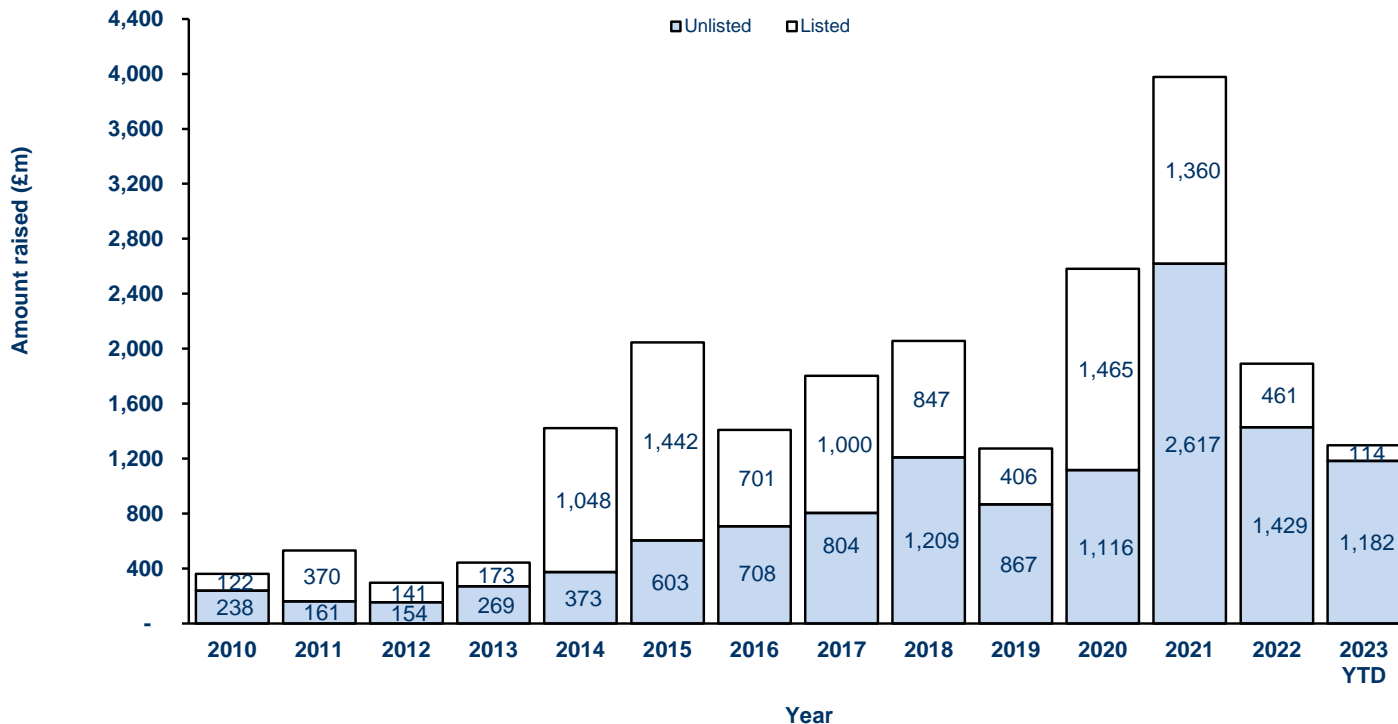


3. PRIVATE CAPITAL MARKETS



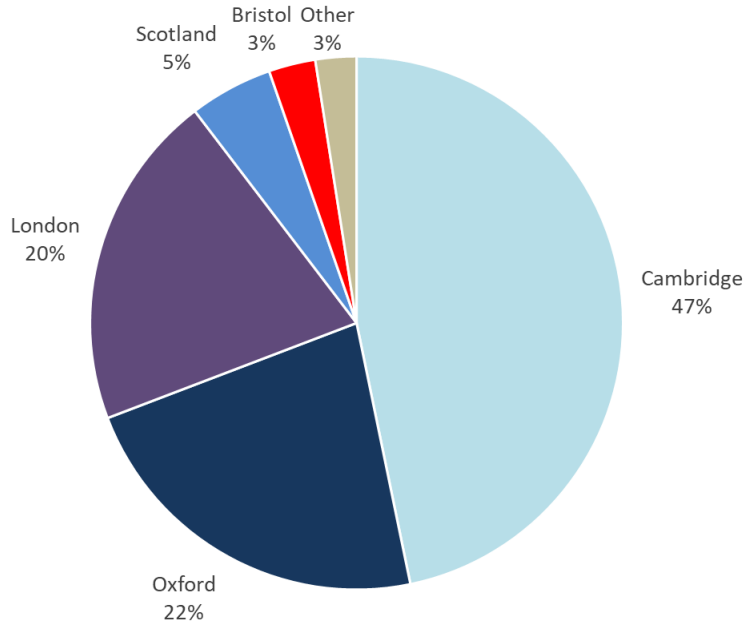
UK Underlying Sector Patterns Remain Refreshingly Unchanged

With investment targeting private companies continuing to reach a respectable level



Proportion of private funding received by UK companies, YTD 2023, by location

As expected, Cambridge represents nearly 50% of total funding (£1.2bn)



Cambridge:

Relative advantages:

- Cohesive*
- Non-political*
- Collaborative*
- Communicative
- Centralised sites*
- Connected
- Integrated
- Equitable*
- Mutually supportive*
- Home grown business students*

* = key advantages versus closest rivals



4. PREPARING FOR FUNDING & LIQUIDITY THREE THINGS THAT WILL MAKE A DIFFERENCE



1. Operational discipline

Hardwiring the soft stuff to aid preparedness (and prevent wasting time) for fundraising/ liquidity

- **Diligent maintenance of records via an accessible centralised system**

- External communications
- Shareholder records/ materials
- IP
- Insurance
- Finance
- R&D

Make these records the basis of your 'data room'

- **Regularly review expected requirements, independent of Board reporting**

- Stocking of materials and resources
- Financial/ cost requirements with overarching fiscal prudence

- **Manage the team**

- Sensible division of labour, combined with cross functional communication
- Assign responsibility based on known strengths and weaknesses
- Plan for absence

- **Maintain communications**

- Maintain up-to-date relationships with key external parties, particularly collaborators and R&D contractors
- Time critical requests must always be stewarded

2. Planning

Plans are useless, but planning is indispensable (Dwight D. Eisenhower)

- **Make a plan**
 - Use an adaptable format (i.e. appropriate software such as Excel, PowerPoint, Word etc.)
 - Set value-based objectives
 - Understand how you will get there, what you will need, what it will cost, and how long it will take
 - Ensure that each step in the plan creates value, rather than just adds cost
 - Build optionality into the plan
 - Consider alternative pathways to achieving the same, or similar, value-based objectives
- **View the plan as a ‘navigational tool’ for achieving the value-based objectives**
 - Review and update the plan as and when additional information becomes available, to reflect changes in timelines, operating landscape, team, resources (including investment), and if necessary, objectives
 - Involve the whole team in the planning process, and share planning as appropriate
 - Use the plan for scenario modelling, including potential problems that may arise
 - Never assume that the plan can be executed without potentially significant changes
- **Use the plan to communicate as appropriate**
 - To the internal team, the Board, shareholders, the Board, collaborators, potential new investors and potential acquirers

The person who has anticipated the coming of troubles takes away their power when they arrive (Lucius Annaeus Seneca; 4BC-65AD)

3. Good governance

Not just a 'fail safe' – but a framework for long-term success and value creation

- **Ensure the Articles of Association are appropriate**
 - Supporting transparency for shareholders
 - Facilitating good operation governance (Board 'logistics')
 - Aligned with potential future objectives
 - Simple
- **Convene a Board as soon as is practical**
 - If necessary, establish an Advisory Board as an intermediate measure
 - Hire proactive, contributing Board members, versus those that are merely present
 - Appoint a responsible credible Chairman, that has, or can gain, the respect of fellow Board members. The Chairman must be proactive, particularly with respect to shareholder interests
 - Board composition should reflect current, and likely short-term future, requirements
 - Use the Board to collectively take decisions, after due deliberation, that need to be justified to shareholders
 - Ensure that Board responsibilities are shared appropriately
 - Support the fostering of mutual respect and trust amongst Board members
 - A good Board is a team. A poor Board is not
 - Encourage appropriate independent communication between Board members that are working together
 - When necessary, discourage inappropriate grandstanding by individual Board members
 - Do not hesitate to change the Board if it is not working
 - Be prepared to welcome investors as Board members and respect their input



God is not on the side of the big battalions, but on the side of those who shoot best

Voltaire; Notebooks 1735-50



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