



Turning options into decisions

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Valuation at Avance

Budapest, November 28, 2008



Agenda

- **Avance**
- Typical projects
- ri:val

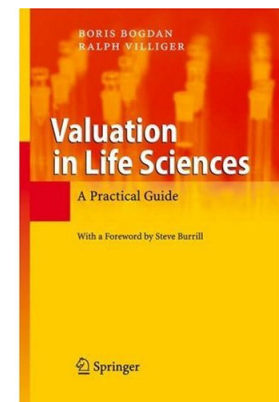


- Established in 2004 in Basel, Switzerland
- 5 employees
- Area of expertise:
 - Valuation in life science
 - Deal structure/design
 - Deal making (partner identification and negotiation)
- Clients (Europe and US):
 - Biotech companies
 - Pharma companies
 - Tech transfer offices
 - Entrepreneurs
 - Investors



At Avance we believe that valuation should become a commodity. The method should be clear, only the input parameters should be subject to discussion. This will improve decision taking and de-emotionalize negotiations.

- Educational workshops
- Think tank
 - Book
 - Articles
 - Newsletters





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Project 1: Sublicensing



Licensee licenses the product again (sublicense)

In US\$ Mio	preclinical	IND	POC	Launch
Original terms	0.3	0.5	1	2 and 3%
Sublicense in prec		40%		
Sublicense at IND	0.3		30%	
Sublicense at POC	0.3	0.5		20%
Sublicense at Launch	0.3	0.5	1	15%

If product exhibits better potential:

- Licensor wants to participate

Of products exhibits worse potential:

- Original terms should not prevent a deal

Project 1: Sublicensing



A leading European tech transfer office:

- They make >EUR 50 Mio in license revenues.
- Their deals are early stage.
- They most often license to companies that will sublicense the project later in development.
- The negotiation often focused on the participation rates, not even on the milestones and royalties.

They had a feeling what these sublicense terms should be, but they were lacking a justification. Therefore negotiations became very emotional.

Project 1: Sublicensing



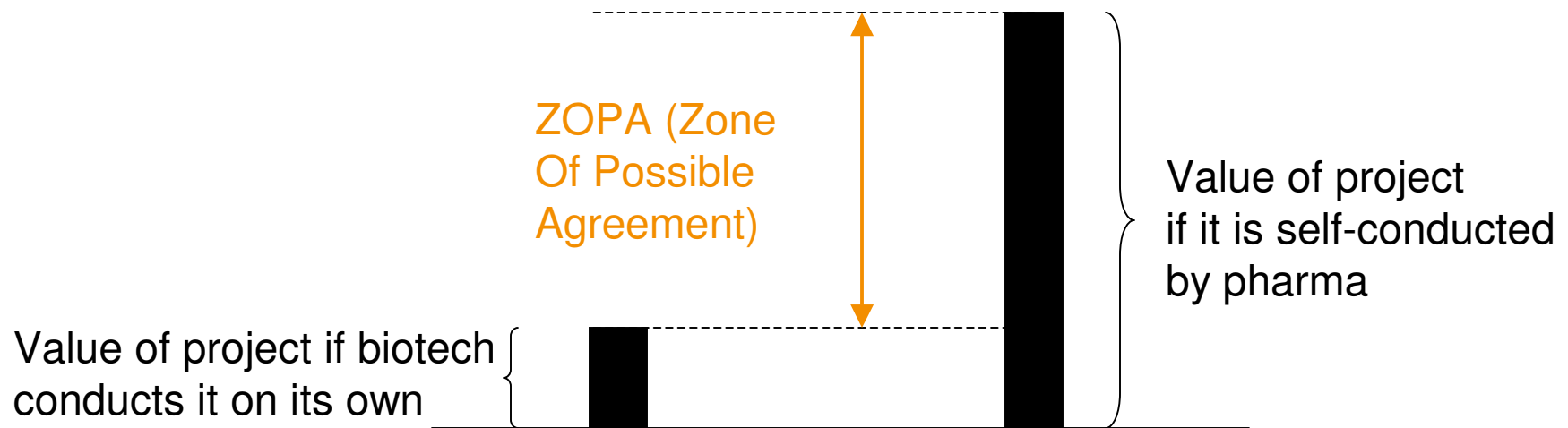
Avance developed a model (virtual company model*) that gave a clear economic rationale for the sublicense terms (participation rates).

- Once the model is explained it is accepted by both parties.
- Open and transparent negotiations.
- Each party knows why the deal terms have been chosen like that.
- Both parties happy.

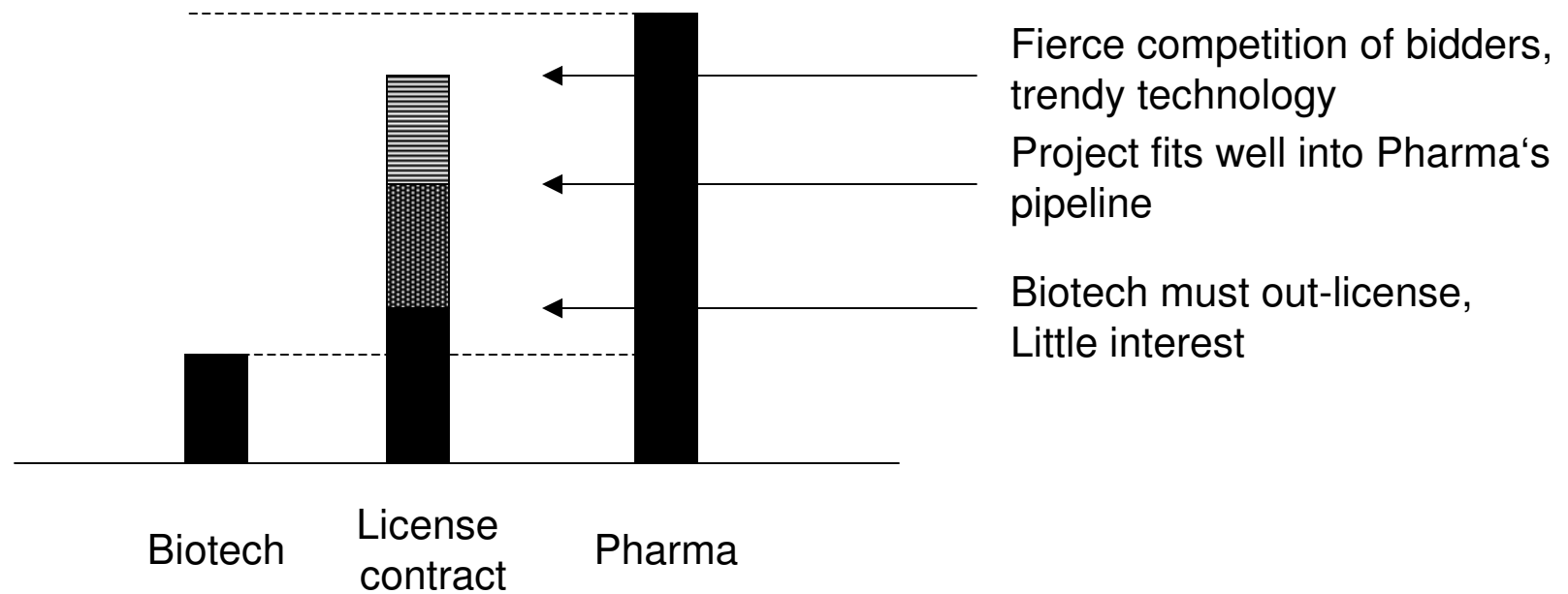
The client received a „navigation help“ in negotiations and feels much more comfortable about their deal terms since.

* The virtual company model is explained in detail in the book „Valuation in Life Sciences. A Practical Guide“, Boris Bogdan and Ralph Villiger, 2nd edition, Springer Verlag

Project 2: Negotiation of License Contract



Project 2: Negotiation of License Contract



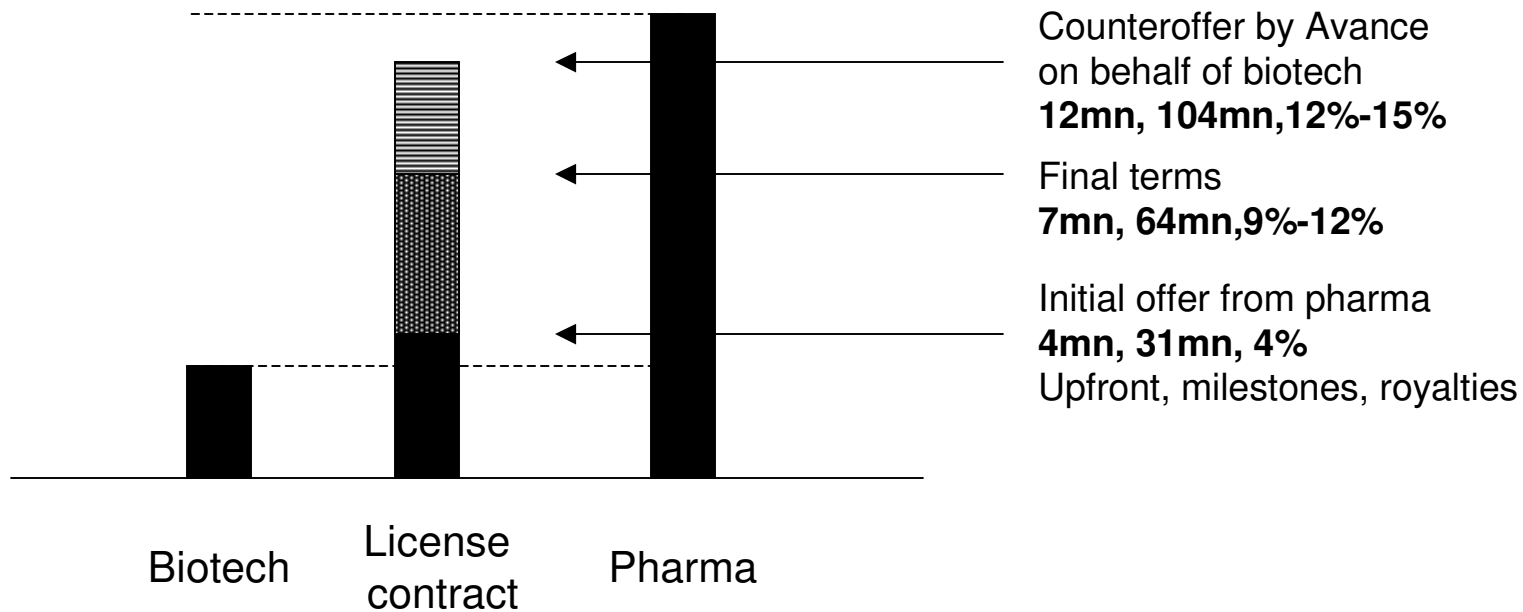
Project 2: Negotiation of License Contract



The value of the license contract depends on:

- Trendyness of project
- Pharma's need of project
- Biotech's need of cash
- Number of bidders

Project 2: Negotiation of License Contract



Project 3: Portfolio Management for TTO



- What's the net asset value (NAV) of their portfolio?
- What are the equity stakes worth?
- Cash flow profile to expect?
- More front-loaded deals, more back-loaded?
- Should they look into other deal structures? (anti-dilution)

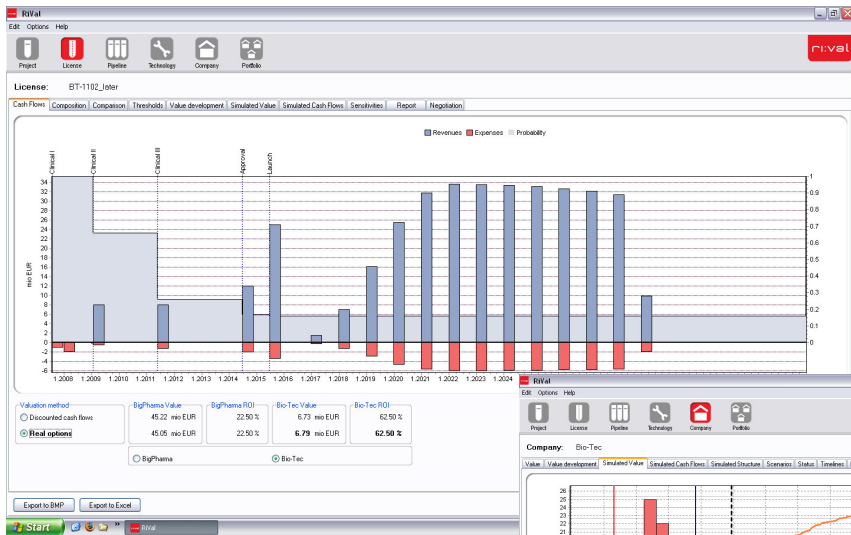


Agenda

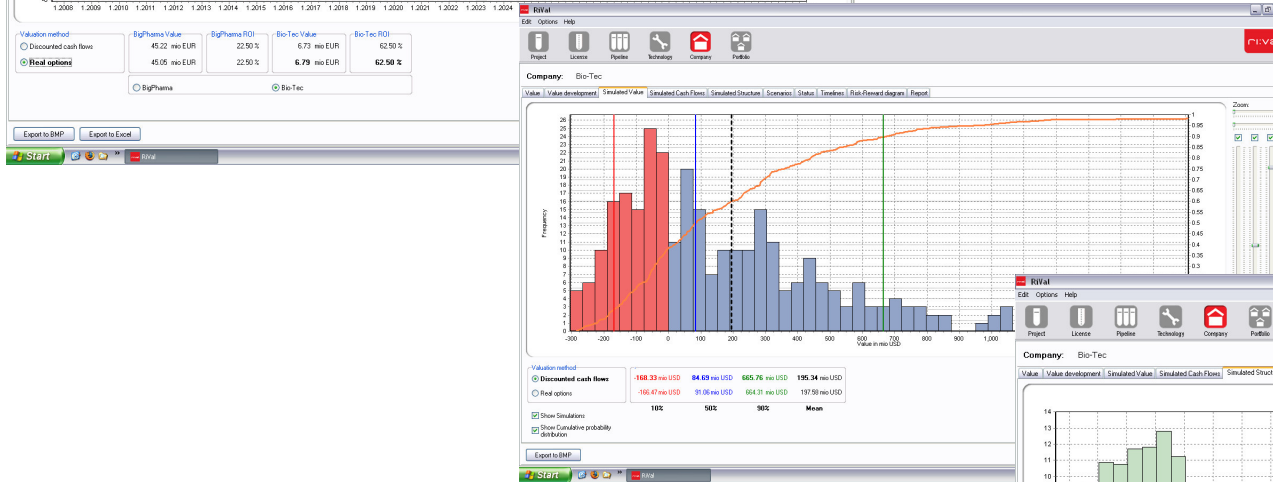
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The leading life science valuation software for

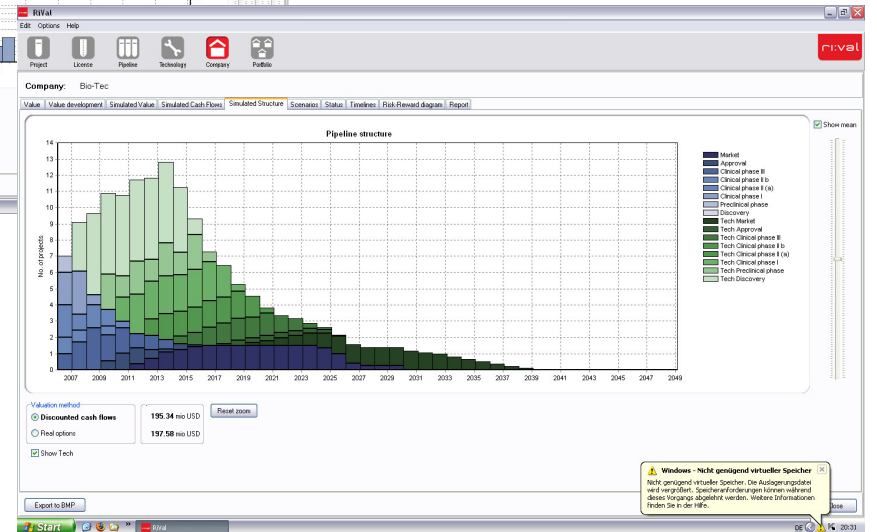
- Project valuation
- License contract design and negotiation
- Portfolio monitoring and management
- Company valuation
- Including industry data



1. Design and analyse term sheets.



2. Define strategy using Monte Carlo simulations



3. Monitor and manage portfolio

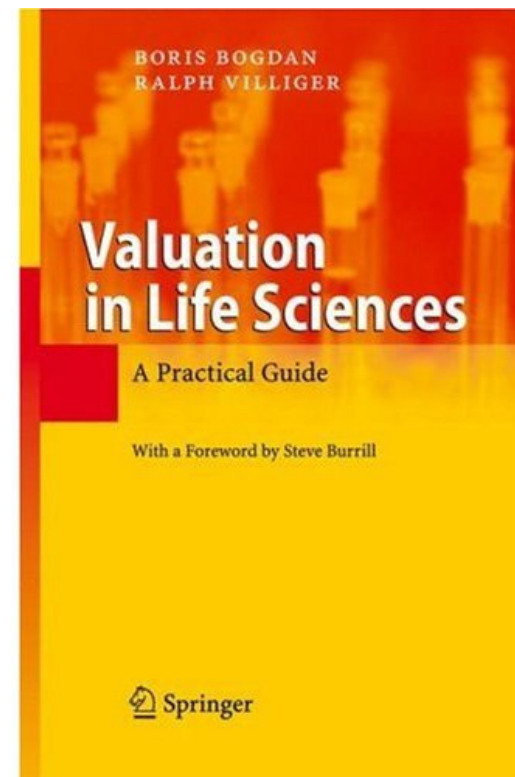
Book



Valuation in Life Sciences

Springer Verlag, 2007

2nd edition





 **avance**

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