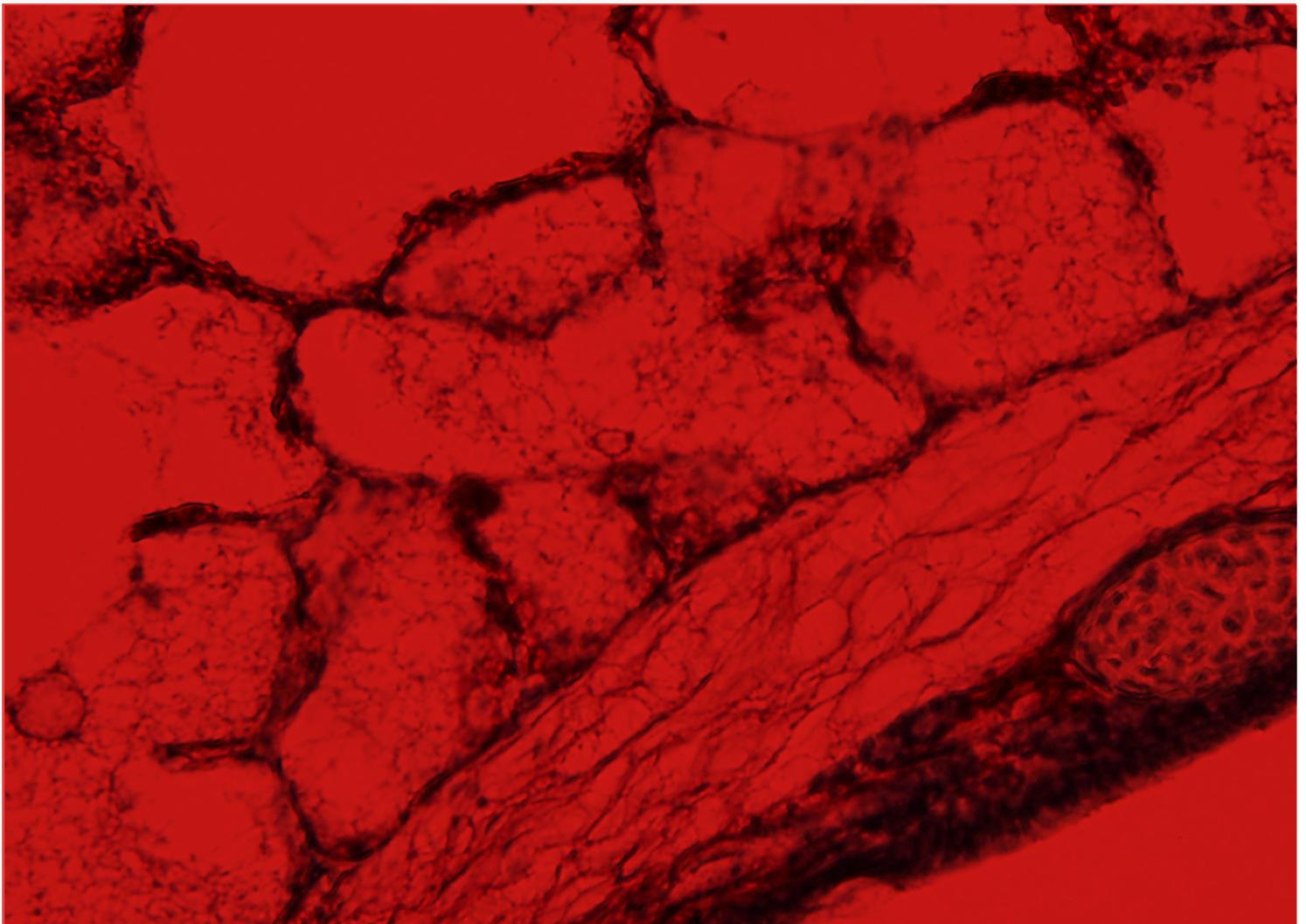


How attractive is the BioRegion of Catalonia for foreign investment?

Guy Nohra

Co-Founder and Managing Director of Alta Partners



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ost US investors don't know that Catalonia has a thriving life sciences cluster. With no "signature" deals in the news, investors who are already deluged with local deal flow are not aware of the possibilities in Barcelona. European investors are better informed but have not dedicated much time or energy to sourcing deals in Catalonia because of the small number of visible companies.

How could this situation change? In order to attract the attention of a foreign investor, Catalan biosciences companies basically need two attributes: world-class science and an excellent well-rounded entrepreneurial management team.

The BioRegion needs tangible "wins" at all stages. We need to see successful early stage funding of startups. Then, most importantly, there should be substantive mezzanine rounds raised for later-stage companies so that entrepreneurs can stay home. Finally, investors are attracted by exits, whether by Initial Public Offering (IPO) or Mergers and acquisitions (M&A). So we need multi-stage success at all points of the spectrum. Money attracts money. That is why I believe that the BioRegion of Catalonia is ripe for larger venture capital funds that can invest across all stages. In recent months, some of these

necessary tangible "wins" have already hit the headlines.

In October 2015, Minoryx Therapeutics, a Catalan drug development company specialized in the discovery of new drugs for orphan diseases, announced it had completed a Series-A round of funding for €19.4 millions led by Ysios Capital, a Catalan investment fund, with the support of new foreign investors such as Kurma Partners, Roche Venture Fund, Idinvest Partners and Chiesi Ventures.

Local life sciences investment funds -such as Ysios Capital in this case- are a crucial component in attracting foreign investors. They are the feet on the ground and they have the best knowledge of the ecosystem. They know the entrepreneurs best; they are most qualified to vet investments; and they will be the most important board members in the companies due to their geographic proximity.

Catalonia counts on 26 investors in the life sciences, including 8 venture capital organizations, 7 networks of business angels and 5 corporate funds and investment banks. There are 6 specialized investors (Ysios, Caixa Capital Risc, Goodgrower, Healthequity, Inverready, and IUCT), all them created in the last 10 years. The biggest ones

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are Caixa Capital Risc –which currently manages €160M for life sciences and other emerging sectors- and Ysios Capital, which currently has over €125M in assets under management and provides private equity financing to early and mid-stage human healthcare and life science companies with a special focus on pharmaceuticals, diagnostics and medical devices (more information of both investors at the end of the chapter).

Also in October 2015, Palobiofarma, another Catalan biotech company (currently based in Navarra), hit the headlines again to announce they have entered into a \$15 millions licensing agreement with Novartis. This deal illustrates that the biotech company Oryzon Genomics was not an isolated case when it signed the most important deal so far involving a Catalan company, receiving \$21 millions from Roche to develop epigenetics drugs (2014).

At the time of writing this article, Oryzon Genomics, valued at €95 millions, was preparing to be listed on the Spanish Continuous Market as a first step towards the Nasdaq, becoming the first biotechnology firm to be traded on the Spanish Continuous Market, although there are some Catalan biotech firms traded on the Alternative Stock Market. Undertaking a successful IPO is considered an important step in achieving credibility for small companies. Fully developed capital markets are the key to successful IPOs. When preparing an IPO strategy, European biotech companies have an important decision to make: whether to pursue a US listing or one in Europe, closer to home. Until the EU has a Nasdaq type of exchange, I would recommend a serial approach: first undertake a successful IPO in your home country or in the EU, then follow that up with a Nasdaq listing. If a dual listing is possible, that would also be advisable.

I believe that being listed on the Spanish Continuous Market is a very positive development for companies like

Oryzon, but it will also be very important for the company to successfully achieve its operational goals. This will ensure its stock performs well, which will make a dual listing easier and encourage other firms to follow suit. French companies have been very successful in doing home-turf IPOs and my hope would be for Catalan companies to follow suit.

If the life sciences ecosystem continues to develop, and the players in the market keep hitting positive milestones, then venture capital will move into the BioRegion. When foreign investors see success they will be more attracted to Catalan biosciences companies. Catalan companies need to continue succeeding scientifically, clinically, and commercially, when applicable, securing large strategic investment from big

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pharma and in fundraising.

At the end of the day, success breeds success. Money follows success, and new money will follow existing money.

*Guy Nohra is a co-founder of Alta Partners, and was also a partner at Burr, Egan, Deleage & Co., which he joined in 1989. He has been involved in the funding and development of notable medical technology and life science companies including AcelRx, ATS Medical, Cutera, Innerdyne, R2 Technology, deCODE genetics, and Vesica. Previously, Guy was Product Manager of Medical Products with Security Pacific Trading Corporation. Currently, he serves on the board of directors of several companies including Bioventus, Carbylan Biosurgery, USGI Medical, Vertiflex, and ZS Pharma, and is the Chairman of the Board of USGI Medical and ZS Pharma. He has been named to the Forbes "Midas List" of dealmakers in high-tech and life sciences.

Venture Capital

Caixa Capital Risc

José Antonio Mesa
Head of Investment

 **2004**
Year founded

 **30**
Employees

 **34M€**
Turnover

Number of operations

44

www.caixacapitalrisc.com

What type of investments do you look for? What characteristics does a project have to have for you to consider it has potential and decide to invest?

The companies in our portfolio are all led by entrepreneurs that are highly committed to the project and have the technical and managerial skills necessary to see it through. They operate in large or growing markets and are global, with technology that has been validated by the market and an innovative, profitable value proposition.

Science-based companies are known for their long development processes and need for important injections of capital. Caixa Capital Risc is aware of these characteristics of the sector and can offer start-ups long-term guidance, investing throughout the process, from the early stages through Caixa Invierte Start, to series A and B funding through other specialized vehicles.

Which projects or type of investments have been the most profitable?

The growth and development stages of life sciences companies are long, which means that results and return on investment takes time. Business projects focusing on drug development, if all goes well, have the best return for investors. However they are also the riskiest.

Life sciences operations are up compared to previous years, but what does the ecosystem of the BioRegion need to continue attracting new venture capital funds and investment?

We have good universities and a very high level of research. We need success stories and researchers with a track record in business, serial entrepreneurs that give both national and international investors confidence.

Venture Capital

Ysios Capital

Josep Ll. Sanfeliu
Soci i cofundador

 **2008**
Year founded

 **11**
Employees

 **48.5M€**
Turnover

Number of operations

16 **5**
Investments Divestments

www.ysioscapital.com

What type of investments do you look for? What characteristics does a project have to have for you to consider it has potential and decide to invest?

We invest in early and mid-stage biotechnology companies that focus on therapeutic and diagnostic products or medical devices. Above all, we focus on companies developing innovative, disruptive products, mainly geared towards unmet medical needs, that have a clear benefit for patients and potential savings for healthcare systems.

We also value industry interest in forging partnerships or agreements to bring the innovations we invest in to market.

Which projects or type of investments have been the most profitable?

We have seen significant return through our divestment of Biovex, Endosense and Am-Pharma, which was the result of financial and human efforts in the form of investment and direct participation in day-to-day supervision of the companies through their administrative boards. Amgen acquired Biovex for €1 billion, seeing more than fourfold return on investment. Endosense, in the medical technology sector, yielded IRR over 40% and Am-Pharma has validated its potential by signing a structured acquisition agreement with Pfizer that could mean up to sevenfold return.

The key is a combination of innovation, an unmet medical need, potential market and interest from potential partners. However we must also take into account that these are risky innovations that always depend on the clinical results. The risk is often what determines return, which is why the return on medical device companies tends to be lower than for therapeutic devices.

In our case, we try to maintain a balanced portfolio of very early stage companies and more developed ones, as well as a proportional distribution of sectors, to compensate risk and return.

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compared to previous years, but what does the ecosystem of the Bi-oRegion need to continue attracting new venture capital funds and investment?

We believe more private investment is needed, above all in the early stages, and we must facilitate the arrival of foreign capital. Global efforts and transparent entrepreneurs are also key in achieving this support.