



How to Raise Money from Biotech Investors

Finding investors for your company

- **Build relationships:** Local networking and pitch events provide opportunities for initial face-to-face introductions to potential investors.
- **Reach out to your network:**
 - Friends and colleagues may already know potential investors and can provide 'warm' introductions.
 - Current investors, board members, your corporate attorney, tech transfer offices, and disease foundations can also help broker relationships.
- **Be strategic in who you approach:**
 - Each investor is looking for a certain type of deal (e.g. some only provide funding for late-stage projects; others only invest in medical devices, etc.)
 - Carefully research an investor's portfolio and investing criteria before approaching.
- **Be prepared when opportunities arise:** Always be ready to give your elevator pitch (a 30-60 second, concise, jargon-free description of your product and the business opportunity) for these initial interactions.
- **Don't just focus on the money:**
 - If you get a meeting with an investor, consider whether this is someone you would want to work with (or for) for years.

What investors are looking for?

- **Strong science:**
 - Life science investors are looking for novel and innovative therapeutic approaches that address unmet medical needs with significant market potential and are supported by strong preclinical safety and efficacy data.
- **Strong management team:**
 - Investors "bet on the jockey, not the horse." They will look to you to build a qualified team with a track record of bringing drugs to market.
 - Fill any gaps in experience by adding people with strong drug development expertise to your core team.



- It is better to have an excellent team with a mediocre business plan than a mediocre team with an excellent plan. The implication is that the mediocre team won't be able to execute the plan, no matter how good it is.
- **Thoughtful business plan**
The business plan should condense the most essential points, but should cover at least the following:
 - **Competitive advantage:** Investors want to know what sets you apart from your major competitors.
 - **Intellectual property (IP) position:** Work with your technology transfer office or patent attorney to ensure you have a strong IP position and freedom to operate.
 - **Market opportunity:** Identify the size of your market and what percentage of that market your product will be able to take.
 - **Market adoption:** Know whether your drug will meet patients' and doctors' most pressing clinical needs.
 - **Reimbursement Strategy:** Who is paying for the product? Know whether and how your product will be reimbursed by insurance companies.
 - **Capital:** Investors want to know how much money you raised (both dilutive and non-dilutive funding), how much money will be required to reach an inflection point (or bring your drug to market), and where you see that money coming from.

How your company will be evaluated

Your pitch deck is often your first opportunity to grab the attention of potential investors. Investors' primary concern is how they will make money, so this is primarily a business presentation, and not the time to delve into the nitty gritty scientific details. If investors get the science and can see where the revenue will come from, they will begin a more detailed investigation of the company, commonly called due diligence. In effect, they will be testing your business "hypothesis". Investors may work with lawyers, other investors, and experts from pharma, biotech, academia, and disease foundations to provide a thorough evaluation of the business, the IP, the market opportunity, and the science.

What to highlight in the pitch deck

- **Your qualified team:**
 - Include executives with pharma or biotech management experience with a proven track record of bringing drugs to market, especially if scientists are first-time entrepreneurs.
 - Include your scientific advisory board, your board of directors, and anyone else that is helping to move the company forward.



- Present only the vital information – don't waste precious pitch time reading every line of a team member's résumé.
- **The underlying problem your product solves:**
 - Briefly introduce the disease indication(s) and burden to patients, caregivers, and cost to society.
 - Describe how your therapeutic or diagnostic will treat or detect the disease.
 - Back up your claims with evidence – Instead of diving deep into the data, present your 1-2 most compelling data points that summarize the safety and efficacy of your therapeutic or specificity and sensitivity of your diagnostic/biomarker.
- **Your IP position:**
 - Do you have an exclusive license for the patent? Do you own the patent?
- **The competitive landscape:**
 - Investors want to know who your competition is and why your drug is better. Include anything you have seen in the literature that might be under development.
- **How you will use investors' money:**
 - Show what concrete milestone(s) the investors' money will enable you to accomplish. Milestones should be specific outcomes that will cause your company to increase in value or return money to investors.
 - Also address what future funding your company might need.
- **Risk assessment:**
 - Address the most likely risks and how you plan to deal with them. Developing a drug can be like renovating an old house – unexpected developments cost time and money, so show that you have thought about such things and are prepared.
- **Realistic exit strategy:**
 - Provide a realistic exit strategy (licensing deal, sale of the company, etc.)
 - Identify who are the likeliest licensors/buyers.
 - If possible, identify recent deals of analogous technologies. Provide details on the stage of development of the technology at the time of license/sale and what sort of value the company received.

Preparing for due diligence

Most investors will request a checklist of materials when entering due diligence. Below is a list of the major types of documentation that should be on hand before



your company begins to fundraise. This material need not be released unless appropriate confidentiality agreements are signed. Necessary materials include, but are not limited to:

- **Financials:**
 - Capitalization table, balance sheets, income statements, cash flow statements, annual budget
 - Description of investors to date
- **Management structure summary:**
 - Description of management structure, including list of scientific advisory board members and board of directors
- **Business plan/corporate strategy:**
 - Provide a detailed company description and history, mission statement, market analysis, risk analysis, milestones, scientific and financial goals, and future plans.
- **IP package:**
 - Include pending and granted IP and stage of prosecution (e.g. use, composition of matter), freedom to operate, details on whether IP has already been licensed or if there are any option agreements in place.
- **Complete scientific data package:**
 - Refusing to share data will raise a red flag to experienced investors.