

Pharmaceutical R&D and Biotech Development

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Performance at Every Stage

> Venture Capital Perspective

» Biopharma Sector Investments and Returns

» Overview of Venture Capital

Biopharma Companies are Time and Capital Intensive

» Venture-backed biopharma companies raised an average of \$110M pre-IPO and the average duration to IPO was 6.5 years

Biopharma Subsectors	Number	Average Amt Raised Prior to IPO	Average Years to Liquidity	Average IPO Pre-Money
Biopharma	38	\$ 110	6.5	\$ 209
Drug Delivery / Drug Dev Tech	10	\$ 83	5.5	\$ 142
Specialty Pharmaceuticals	5	\$ 82	3.8	\$ 259

» Venture-backed biopharma companies required less time and capital to a M&A event but, average valuations were lower (\$90M) compared to an IPO (\$209M), reflecting their earlier stage of development at M&A

Biopharma Subsectors	Number	Average Amt Raised Prior to Acq	Average Years to Liquidity	Average Acquisition Price
Biopharma	43	\$ 33	5.0	\$ 90
Drug Delivery / Drug Dev Tech	30	\$ 31	4.5	\$ 106
Specialty Pharmaceuticals	2	\$ 114	3.5	\$ 390

Source: VentureSource. For venture-backed companies that went public from 2004-2006.

> Venture-Backed Biopharma Sector Returns

» Biopharma returns for investors:

- Are higher if investments are made in earlier rounds
- Are higher at an IPO exit (vs. M&A exit)
- Have been highest for the specialty pharma subsector

» Biopharma returns at IPO

Biopharma Subsectors	First Round	Second Round	Later Stage
Biopharma	7.8x	4.7x	2.0x
Drug Delivery / Drug Dev Tech	3.6x	2.3x	1.3x
Specialty Pharmaceuticals	7.9x	6.4x	2.6x

» Biopharma returns at M&A

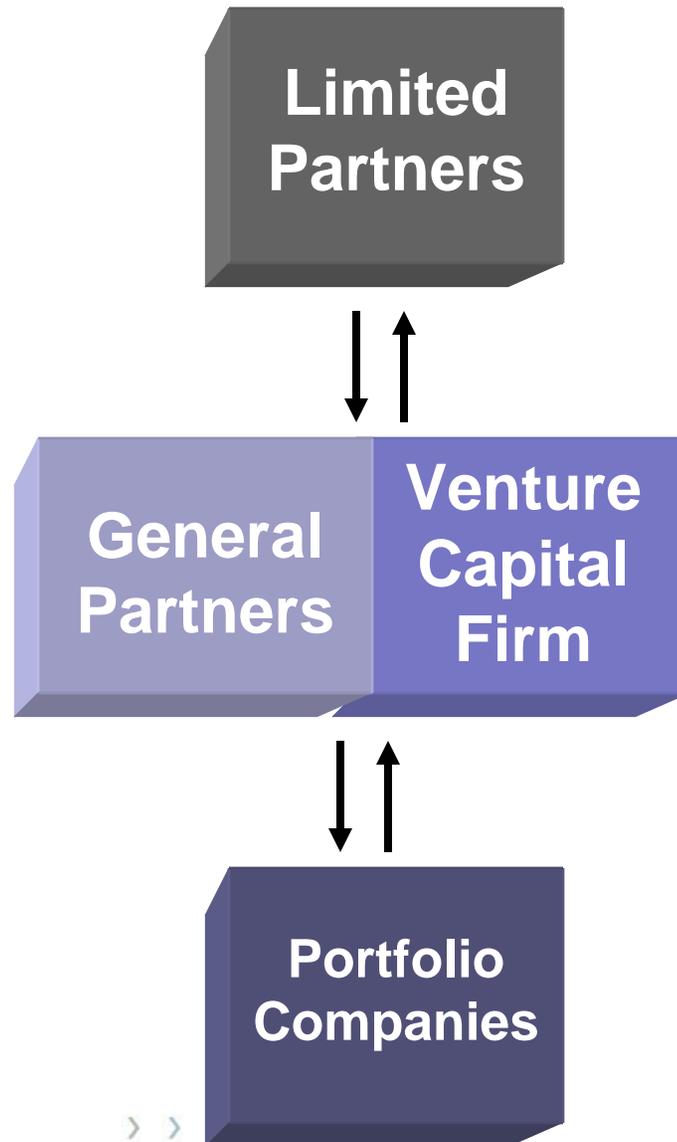
Biopharma Subsectors	First Round	Second Rnd	Later Stage
Biopharma	6.5x	3.1x	1.2x
Drug Delivery / Drug Dev Tech	3.4x	1.6x	0.8x
Specialty Pharmaceuticals	5.2x	3.6x	2.3x

Source: VentureSource. For venture-backed companies that went public from 2004-2006.

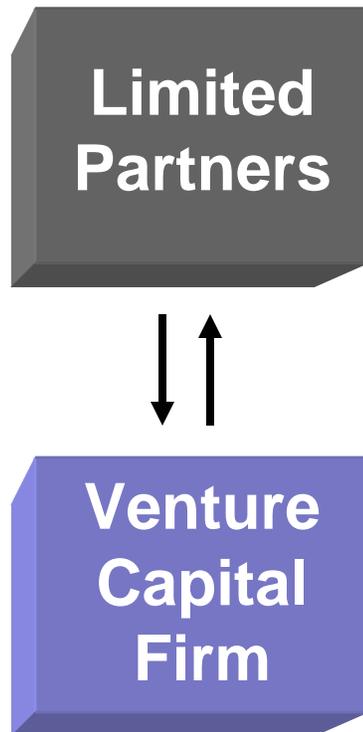
» Overview of Venture Capital

- » A Venture Capital (VC) firm is an entity that raises pools of capital from sources of funds that are prepared to take on greater risk to achieve higher rates of return
- » Venture capitalists, who manage a VC firm, invest the capital in early-stage and growing privately held companies
- » The VC industry is a major source of funding for the entrepreneurial community
- » Venture capitalists build companies through an Initial Public Offering (IPO), to a merger or acquisition (M&A), or to any other liquidation event through which returns on the investment are realized by investors

> VC Firm Structure



> VC Firm Structure



» Limited Partners (LPs) consist of:

- » Pension funds
- » Insurance companies
- » University endowments
- » Corporations
- » Wealthy individuals

» LPs provide the capital that is invested by the VC Firm

» In return, the VC Firm provides LPs with capital appreciation through investments

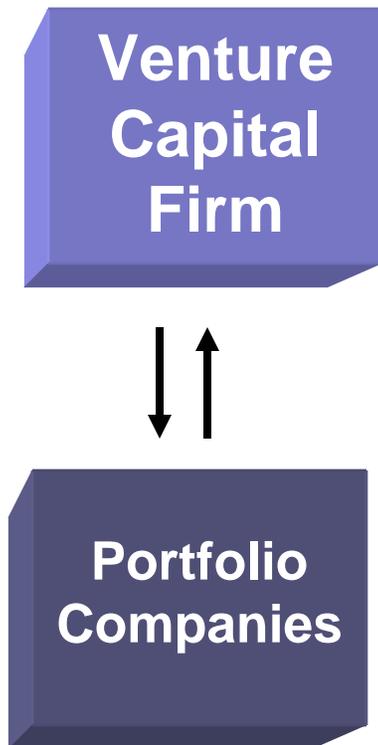
» A VC Firm raises money through a series of Funds

> VC Firm Structure



- » General Partners (GPs), the professionals who manage the funds, typically have significant experience: operating, technical & financial.
- » GPs and their investment staff: identify and screen potential investments; perform due diligence on companies; negotiate deals; and, make investment decisions.
- » GPs also proactively manage their Portfolio Companies: provide strategic advice (often as members of the Board of Directors); provide introductions (i.e. strategic partners, industry experts, customers); and, help recruit key members of the management team.

> VC Firm Structure



» Portfolio Companies (PCs) are the companies in which the VC Firm has invested funds

» The VC Firm provides PCs with funds (from the LPs) and strategic support and advice (from the GPs) to grow the company

» In return, the VC Firm has an ownership stake in the PC, which is expected to increase in value as the PC grows

> VC Economics

