PUGET SOUND
Business Journal
Business Leaders Get It.
JUNE 2010

Launching a life sciences company

Compared to the nascent days of the life sciences industry, today those launching a new business face considerable challenges. However, that didn't stop 15 early stage life science companies at a recent Seattle Zino Society conference who took a shot at pitching angel investors for chance to pocket up to a $50,000.00 investment. In the end, three finalists were selected, and the others will continue their search for funds. According to a panel of experts assembled by the Zino Society, odds are, all the firms will continue to get a lot of practice asking for money. Which raises the question—what does it really take to launch a life sciences company in 2010?

The life sciences trade includes a broad swath of businesses from biotech, device manufacturers and diagnostics, to research and global health. According to a recent Washington State Department of Employment Security report, the industry was No. 5 among the state's largest employers. Anchored by companies such as Microsoft, the Gates Foundation, Pacific Northwest National Laboratory (PNNL), and our world-class university-based research facilities, it's not surprising that from 2007 to early 2009, the sector saw job growth in our State upwards of 5%. These businesses and research facilities help to fuel a healthy outcropping of ambitious young life science start-ups, many with grand plans and innovative ideas that truly can change the business and delivery of healthcare. That's the good news.

More challenging is the difficult environment that exists for getting these highly complex ideas funded to support the needed research, testing and trials required before FDA clearance and production. For example, over the years the big Pharma market has changed considerably, now requiring a significantly more expensive human proof of concept. Likewise, the days of going public with just an idea have evaporated. Companies now need to find a way to traverse the funding chasm between acquiring significant clinical data before gaining access to capital markets. The game changer is simple dollars and cents: Can a company find a way to fund itself over the years it will take to reach the capital market?

Executive Insights

Cheryl Isen

As a scientist, inventor or entrepreneur considering launching a life sciences company, Zino's panel of experts, which included Chris Rivera, president of the Washington Biotechnology and Biomedical Association (WBBA), Michelle Burris, COO of Trubion Pharmaceuticals, Martin Simonetti, CEO of VLST, and David Schubert, president of Accelerator provided the following critical advice:

Beware of the challenging environment you are about to enter. Raising funds will be extremely challenging. There was general consensus that non-game changing business ideas rarely stand a chance of funding success because 'me too' ideas just aren't getting done in this environment. In addition, deals deemed too expensive or seen as "science projects" are rarely funded. What is worth pursuing today? The most promising companies are developing a novel technology idea based on a business plan that can show a reasonably fast track to achieving milestones, or partnering.

Be strategic and creative with the funding attained. Raising friends and family plus Angel rounds remain critical to early stage funding, however panel members cautioned entrepreneurs to set up convertible deals for those funds so that early supporters don't get squashed by later investors. Also, the days of bootstrapping have returned. Successful life science start-ups are making what funds they have last a lot longer and continually question every budget item in terms of whether it will move the business forward.

Avoid these deal-busting mistakes

- Keep expectations realistic. For example, don't position the business as the next Google. There is only one Google. Avoid wildly inflated valuations. Be realistic about what your innovation or technology is really worth, especially if it is very early and will require significant funding to realize its potential.
- Don't over promise. Assume that you can't fool anyone, because you won't. Over promising also sets up unrealistic expectations that are hard to live up to. The smart move is to undersell your idea and beat expectations.
- Understand the market and your competition. It's critical to know the market and competitive risks inside out and to have a plan for mitigating each one.
- Avoid getting emotionally involved in the deal. Companies are often put at risk by ego-

driven executives—one of the main reasons a deal will blow up. If ego and emotion are taken out of the process and replaced with realistic views about the company's value, the odds of negotiating a successful win-win deal is high.

These "Executive Insights" are based on monthly presentations provided by leading entrepreneurs at the Northwest Entrepreneur Network (NWEN.org), a non-profit organization dedicated to helping entrepreneurs succeed. The column is written by Cheryl Isen, founder of Isen & Company, a strategic marketing and public relations firm that helps emerging companies increase corporate visibility and brand awareness Contact Cheryl at (425) 222-0779, Cheryl@IsenandCo.com or on the web at www.IsenandCo.com.