

Partnering and the Business Case

- Define the Problem
 - Who has the problem?
 - What kind of a problem (financial, environmental, social?)

- What's our solution?
 - How will it eventually be applied
 - Who are the influencers?

- What are the Projected Returns?
 - Financial
 - Environmental
 - Social
 - Governance

- What are the risks?
 - The business environment
 - Regulatory
 - Competitive

“War Stories”

- The researcher who develops a diagnostic that will fit the right drug for the right person and tries to launch a business with government as the payer
- The company that develops a less expensive and (arguably better) retractable syringe and runs into competition from the larger sellers of syringes
- When better is not necessarily best for the market

Fundamentals of attracting partners

- Begin with the premise that a partnering deal benefits both parties
 - Both partners need to have their needs satisfied
 - Investors and Commercial Partners have their own businesses to enhance and are not interested in research for its own sake
- Look for value-added partners to jointly move your ideas/inventions toward a common goal
- Use a targeted approach (the right solution of the right customer)
- Find champions within the organization with which you want to Partner

Form a company or license?

- Company Formation needs its own business case
- Companies need management
 - What role do you want to play?
 - What resources will you need (human and financial capital)
 - What are the risks?
 - Technology risks
 - Financial risks
 - Competitive risks
 - Regulatory risks
- Licensing keeps you as an academic and offers both financial returns for the institution and your self

Potential Early-stage Partners

- Foundations with an investment arm
 - JDRF; Cystic Fibrosis
 - These foundations apply their investment strategy broadly

- Early-stage Investment funds
 - <http://www.accel-rx.com> (\$500K-1M);partnered with Business Development Bank)
 - Industrial Accelerator Fund
 - The IAF invests up to \$500,000 in early-stage companies that have the potential to be global leaders in their field and provide sustainable economic benefits to Ontario.
 - The Youth IAF invests up to \$250,000 in innovative technology-based companies where the majority of founders are under the age of 30.
 - Ontario Genomics (PBDF; Spark)

- CQDM (Quebec-based with a broader mandate)
 - CQDM have a number of programs for which non-Quebec-based scientist can apply

- Ontario Centers of Excellence

- Big Pharma/Biotech within your area of interest

- Amorchem (focuses on licensing deals)

Once you have Proof of Concept!

- Angel Investors
 - High net-worth individuals who identify with your ideas
- Venture Investors
 - Understand their focus: early or late stage or both
 - Often specialized for particular sectors
- Corporate VC Funds
 - Johnson and Johnson Development Corp
 - SR One (affiliated with GSK)
 - Novartis Ventures
 - Others

Types of Investors

- Family, Friends and high net worth individuals- “Angels” (equity and debt)
 - Include yourself in this group
 - Seek angels who have been successful in your target market
 - Understand what they expect
- Venture Capital (equity and debt)
 - Primarily interested in high growth potential in large markets
 - Looking for returns of $> 3x$ invested capital
 - Bring knowledge of the industry (e.g, potential partners)
 - Will want to sell their shares at one point
- Banks and other lenders (debt)
 - Usually require collateral
 - Most often invest in businesses with revenue

Translating an Idea into a Business

What not to do

- ❑ Try to commercialize your idea to fund your research
- ❑ Try to build a business by yourself
- ❑ Avoid comparing your approach to what is out there
- ❑ Fail to treat your investors as partners

How to be successful!

- ❑ Identify a problem that can be solved by your idea
- ❑ Solicit advice
- ❑ Understand your capital needs and target investors

Life Sciences: Many Business Models

- Educational tools (business to consumer)
 - Text books; Method manuals; Novel Lab notebooks
 - Living Wills; Clinical assessment tools
- Services
 - Research services (CRO)
 - Manufacturing (CMO)
- Novel diagnostics or diagnostic platforms
- Medical Devices or Therapeutic devices
- Novel Therapies

Will you manufacture and sell to the final user or to other businesses?

The Business Model: how you make money

- Intellectual property allows you to protect your idea
 - Patents are critical for products that require a lot of capital
 - Copyright is often used to protect software solutions
 - Trademarks avoid look-alike competition
- Recurring revenue makes a business more attractive
 - Devices that come with consumables
 - Subscription models for software solutions
- Maximize profit for yourself and your investors
- **Ensure you have sufficient working capital!**

Challenges facing the entrepreneur

- Understanding the market
 - Is my solution filling a void or is it better, faster, cheaper?
 - Who are my competitors?
 - Who are my customers?; How do I reach them?
 - What is the sales cycle?
 - What are the barriers to adoption?
 - How will I get paid?
- Finding the right kind of capital
- Developing a Business Plan and Pitch-deck for Investors

The Business Plan and Pitch Deck

- There are many BP templates accessible on the internet
- Work with someone who has experience!
- Vision, Mission?
- Lay out clearly the problem and why your solution is unique
- Describe the technology simply and why it will work (do you have proof of concept - show the killer experiment(s))
- Provide financing requirements and use of proceeds
- Describe the management plan
- Do not write it like a grant application!

The Plan will Change

- Once you get a partner to show interest, the journey begins
- The plan will be honed prior to the first cheque
- Continually refine your plan especially wrt:
 - Your niche in the market
 - What tasks will create value along the way
 - Preparing for initial failure and how to respond