

Life Sciences

An Opportunity to Invest in Europe

While the United States is the undisputable industry leader in the international biotechnology arena, there are reasons to be optimistic about Europe's potential. Despite Europe having had a slow start, many of the ingredients are in place today for it to develop into a key player of the global biotechnology industry. This offers investors an unprecedented investment opportunity.



Dr. Peter Reinisch, Partner, Global Life Science Ventures

Consolidation in Europe

Since the widespread period of hype in 2000 which also surrounded the life sciences and coincided with the human genome sequencing efforts, the biotechnology industry in Europe has been undergoing a period of healthy consolidation. The negative side of this process – insolvencies of companies – is very evident. However, consolidation has been accompanied by positive developments that often go unrecognized. There is now a more mature industry with companies being increasingly conscious of development times and costs and with more advanced R&D pipelines, and we have seen the emergence of recognized industry leaders such as Actelion, established technology transfer offices at academic institutions, as well as the services and expertise of seasoned venture capital funds.

Where is the private equity?

Funding remains the major issue on the European landscape. In the re-

gion, a funding gap exists for early-stage companies that may have viable technologies or drug candidates under development but which have no products in the clinic. In recent times, investment in companies in Europe has fallen below 1990s levels. In 2004 and in 2005, the number of European initial public offerings in the biotechnology sector did rebound to some extent. However, some of these companies are still trading below their issue price. It is not clear if this rebound is sustainable or indeed whether it indicates an upturn. What is clear is that European companies have, for the time being, fewer exit opportunities despite the sound fundamentals of the life science sector.

An unprecedented opportunity for investors

Although financing is one of the clear-cut limiting factors for Europe's biotechnology industry, it also represents a significant opportunity for selective and knowledgeable investors. Investing at the low end of a cycle provides considerable return when higher valuations return to the market. Exciting investment opportunities exist for forward-thinking investors to support well developed biotechnologies at attractive valuations.

A roadmap already in place

The European Commission has been active in putting in place progressive recommendations to help Europe's industry address the challenges it faces. In April 2005, for example, the European Commission put forward a proposal by which life science and other businesses stand to gain a larger

portion of the proposed EUR 73 billion EC research budget. Although not yet approved, measures like this have the potential to stimulate economic growth in Europe and are likely to have large implications for the biotechnology industry as a whole.

The relevance to Europe

In analogy to the history of professional venture capital in the United States, two visions are relevant today for Europe: First, it is necessary to free fiduciary funds from the fear of investing in early-stage biotechnology companies. Second, it must be appreciated that much technology development has taken place since the mid-1990s, both in the years of hype and the following consolidation. As we progress further into the 21st century, it is worth pursuing these unprecedented opportunities for commercialization, as they will lead to the creation of high value companies and jobs. It should be fueled by fresh venture capital. The potential of this innovation is inextricably linked to the most fundamental of all human needs, namely health. The current shortage of short- to mid-term investment opportunities should be a "wake-up call" for financial investors who must seriously consider early stage opportunities in the interests of the long-term development of Europe's biotechnology industry. This has been the route to success in the United States.

There are reasons to be optimistic about Europe's potential. Europe's biotechnology industry started late but the factors for success are in place. We just have to reach out and grasp the challenges and not be afraid of failure. ○

Global Life Science Ventures AG
Postplatz 1
P.O. Box 626
CH-6301 Zug
Phone +41 41 727 19 40
p.reinisch@glsv-vc.com
www.glsv-vc.com

Global Life Science Ventures GmbH
Von-der-Tann-Str. 3
D-80539 Munich
Phone +49 89 288 15 10