

## Private Life Science M&A Analysis: More Structured deals and quicker exits in Biotech

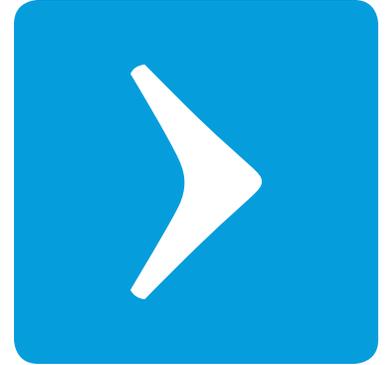
How many good exits are occurring in life science these days? Are early-stage investors rewarded? Are Device exits occurring faster than Biotech? Typical preconceptions about life science investing hold that Biotech exits take a long time, but yield big multiples on invested capital and that Device exits happen quicker but with smaller multiples. You may think that those statements remain true today, but we predict you will be surprised.

This study examines large, private M&A exits of U.S. venture-backed life science companies between 2005 and 2010 (“Big Exits”). Big Exits in the context of this report are defined as acquisitions where the upfront or all-in cash payment to the private company totals \$50 million or more for Device and \$100 million or more for Biotech. This is a true “bird in the hand” analysis that requires real returns to make the list. Big Exits are private exits that have created substantial value back to the VC in the form of significant realizations. The data set includes 60 Biotech and 58 Device deals\*.

This analysis does not include IPOs or public-to-public M&A. “All-in” refers to deals where the M&A had no contingent payments — everything was paid at close. “Upfront” refers to the amount paid upon close of a structured M&A transaction. “Upfront plus milestones” refers to the total amount of potential payout (upfront amount plus any milestones to be earned) in a structured M&A deal and is also referred to as total deal value.

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## Findings

### Device and Biotech private M&A results surprising

- Biotech: quicker exits, lower multiples
- Medical Device: longer exits, higher multiples
- Simple gross IRR calculation shows Biotech IRR on Big Exits at about 34 percent and Device at about 28 percent

### Early-stage investors rewarded in Biotech

- Early-stage biotech investing yields solid exits: Companies that receive Series A venture investments at the pre-clinical stage make up the majority of Biotech Big Exits over last six years
- Fifty-five percent of Biotech Big Exits were pre-clinical or Phase I assets at the time of exit

### Structured deals in Biotech increasing

- In 2009, there was a substantial increase in the amount of structured Biotech Big Exits
- Structured Biotech deals still provide substantial value: Trend toward structured deals in Biotech does not mean that overall returns are significantly hampered

### Device activity and deal size on the rise

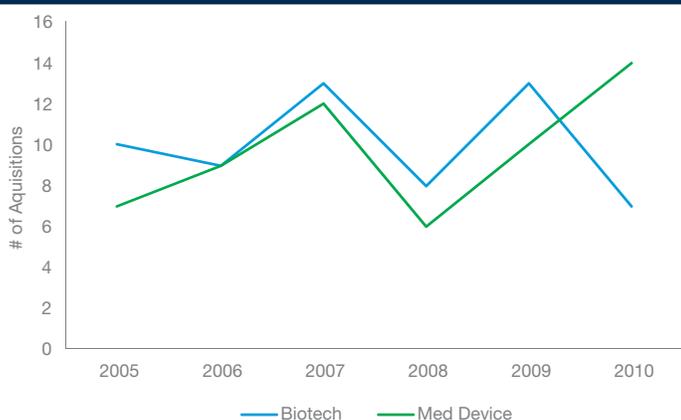
- M&A value increasing: Both total acquisition and all-in/upfront amounts are on the rise in Device
- Trend toward supersized Device Big Exits over \$300 million: the number of >\$300 million+ exits far outstrip smaller returners in Device in 2009 - 2010

\* U.S. VC-backed Service companies were included under the device category. Services represented less than 10 percent of all deals in this category. Rational for including Services was to try and capture as much U.S. LS Venture investment as possible - creating an additional category with a small data set did not make sense. Unless explained explicitly elsewhere in the article, multiples were calculated using upfront/all-in amounts and venture equity invested. Data for this article was collected from press releases, Venture Source and conversations with life science experts. Dates used for calculations are when deal was announced.

## Substantial Venture Exit Activity Though Small Compared to Recent Life Science VC Investment Pace

Over the last six years, the life science industry averaged about 20 Big Exits per year: 10 each in Device and Biotech, totaling 118 Big Exits. Results over the last six years have been fairly consistent, though in 2010 Device had a banner year with 14 Big Exits and Biotech was slightly lower than its average at seven. Overall, the number of Big Exits is constant year-over-year and quarter-to-quarter. However, it is intriguing to note that in 2009 and 2010 private Biotech Big Exits had a huge spike in fourth quarter activity. Seventy-seven percent of all Biotech Big Exits in 2009 and 71 percent of all Biotech Big Exits in 2010 were in the fourth quarter. Is this a result of recent acquirer “use it or lose it” budget philosophy or just an anomaly?

Exhibit 1: M&A Big Exits Per Year



Source: VentureSource, press releases, conversations with life science experts

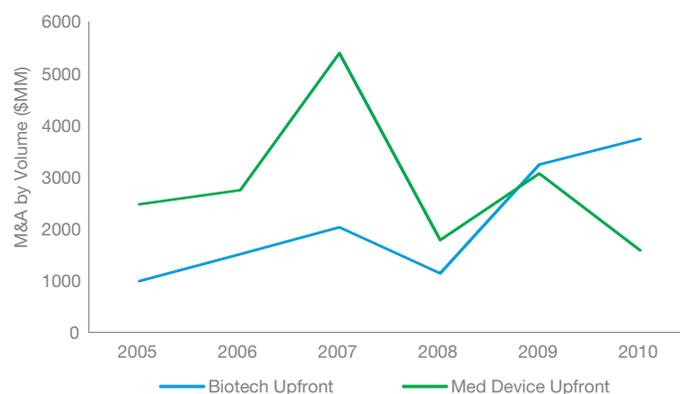
Although not explored deeply in this article, the total number of Big Exits is quite small compared to the total number of independent, active, venture-backed life science companies. In fact, if you set the number of life science companies that have closed a Series A since 2000 as the denominator and private Big Exits plus all life science VC-backed IPOs since 2005 as the numerator, you would find that for every Big Exit and IPO that occurred since 2005, 10 new companies received a Series A investment. That leaves quite a line of companies (and VC investment) waiting for liquidity.

### Device Upfront Value Exceeds Biotech, Even with Fewer Deals

Exhibit 2 measures acquisition value (all-in and upfront payments) from 2005-2010. Biotech achieved more overall

M&A value in private Big Exits than Device in the first four years of my analysis. However, Device exceeded Biotech in value in 2009, even though there were more Big Exits in Biotech than Device. The trend continued in 2010, although much easier to understand as Device Big Exits were double that of Biotech. In the next graph, you can see what is driving deal value.

Exhibit 2: Upfront M&A Value

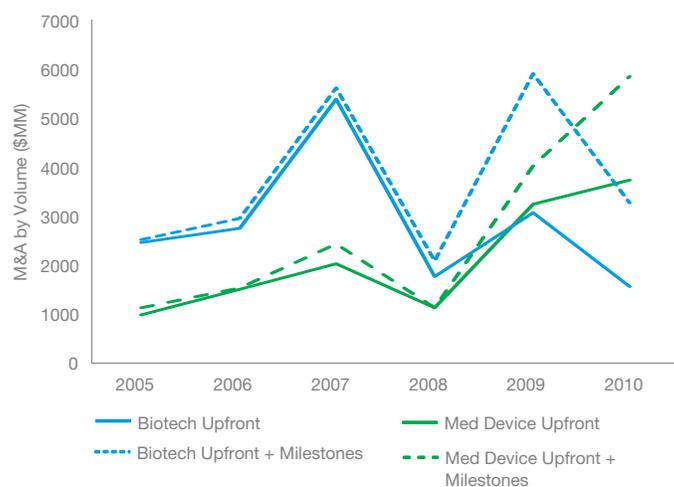


Source: VentureSource, press releases, conversations with life science experts

### Substantial Rise in Biotech Milestone Payments in 2009

Exhibit 3 incorporates a dotted line, representing any to-be-earned milestone payments in addition to the same data as the graph above. From 2005 -2008, with relatively few significant earn-out deals, the dotted line mimics the bold line closely for both indications. However, in 2009 there is a huge divergence between the two Biotech lines, pointing to substantial to-be-earned milestone payments. There is a similar trend, with a less marked separation, on the Device side as well. Does this translate into a few huge back-end deals or a complete reversal from all-in to structured deals?

Exhibit 3: Upfront M&A Value Plus Milestones



Source: VentureSource, press releases, conversations with life science experts

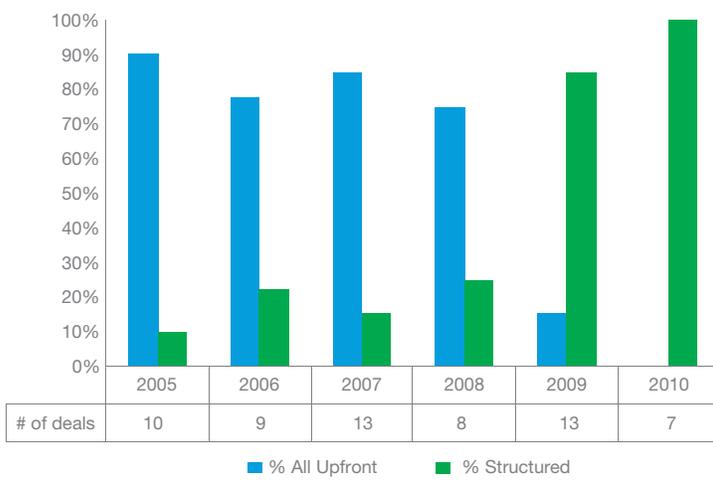
**Biotech Flips to Structured Deals in 2009**

Exhibit 4 shows all-in deals in blue and structured deals in green. There are very few structured deals in Biotech from 2005-2008, with a split of 80/20 between all-in and structured M&A. In 2009, there was a complete reversal of this trend. This continued in 2010 with every Biotech private Big Exit containing some earn-out structure. In the last two years, structured deals have more than quadrupled to 90 percent of all Biotech Big Exits.

What is the reason for increased structured deals in Biotech? It is a combination of three main reasons:

1) Many deals that were all-in exits failed in subsequent clinical trials or during FDA approval. This caused acquirers to build structure into deals. As a result, they were willing to pay some upfront value but waiting to pay out the majority of the transaction value until the asset completed milestones that advanced it deeper into the clinic. Acquirers are now refusing to take all the performance risk.

**Exhibit 4: Biotech Structured Deal Breakdown**



Source: VentureSource, press releases, conversations with life science experts

2) The perceived weakness in the VC's ability to support companies with enough capital to get through the next expensive and/or lengthy trial provides an advantageous bargaining position for the acquirer. Some venture firms are facing reserve issues and do not have enough investable capital left in the fund to continue to support their portfolio companies in subsequent financing rounds. They would rather take a smaller upfront exit with some

long term upside than suffer massive dilution when they cannot participate in the next equity round. This has certainly made for some interesting board conversations over the last few years.

3) Licensing deals have quickly morphed into M&A discussions as acquirers realize that many investors will accept smaller (and more importantly, quicker) realizations upfront with some performance upside.

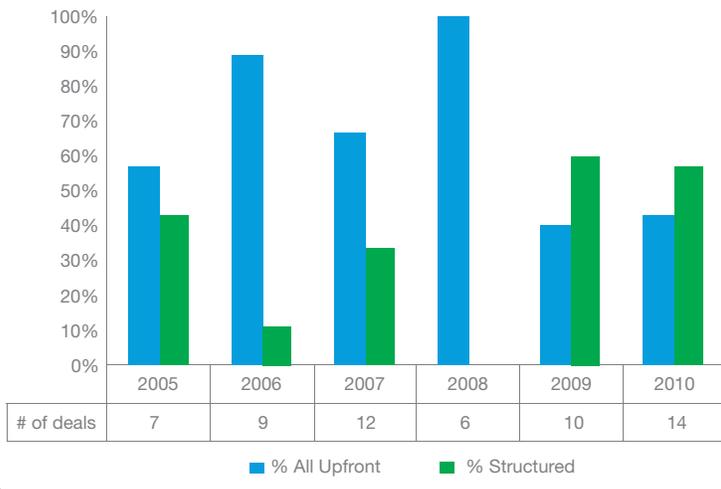
Many firms are in a position where they need to raise a new fund, but face pressure from existing limited partners to show substantial distributions before the next fund raise. Many are willing to embrace the trade-off of a smaller, immediate exit versus partnering or investing more capital and waiting for the next clinical milestone and potential bigger exit.

The "risk adjusted value" philosophy of acquirers continues to push payments to the back end of deals in Biotech. The amount of upfront payments have steadily declined from 80 percent paid upfront in 2005 to below 50 percent each of the last three years. However, countering this advantage is the weakness in acquirer's pipeline of products and the looming hit to revenues when many key drugs lose patent protection. Acquirers still need to buy early-stage, venture-backed companies!

**Device: More Mature Exits, More Structure**

Device structured versus all-in deals are more mixed over 2005-2008, with structured deals averaging 26 percent of all Big Exits. Similar to Biotech, 2009 - 2010 was dominated by structured deals, doubling to 58 percent of all Device Big Exits. I believe that structured deals in Device will continue to increase. With the smaller (albeit growing) number of Device acquirers and a very difficult IPO market, there is less pressure in the form of competition to provide all-in M&A deal structures, or, frankly, early exits. Many of these Device exits were later-stage with FDA approval or CE Mark clearance and revenue, so it is more likely that revenue performance metrics will be a part of deal structures. Device acquirers will seek to push these new additions into cash flow positive or ramped revenue as soon as possible to prevent any drag on the critical growth expected by the street.

### Exhibit 5: Device Structured Deal Breakdown



Source: VentureSource, press releases, conversations with life science experts

### Biotech Deal Value Increasing in Big Exits Despite More Structure

Over the past six years, Biotech Big Exits averaged \$284 million in all-in/upfront Big Exits and \$373 million in total deal value.

In the last two years structured deals have taken the place of unstructured deals, leading one to expect that the risk adjusted value for investors would have taken a substantial hit. It is easy to assume that the total value has declined as most of the transaction amount has migrated from upfront “bird-in-the-hand” to milestones. However, there is reason for optimism.

### Exhibit 6: Biotech M&A Value

Year	2005	2006	2007	2008	2009	2010
Avg Deal Size: All in/Upfront	\$247	\$307	\$313	\$223	\$236	\$226
Avg Deal Size: All in + Milestones	\$251	\$328	\$332	\$262	\$455	\$469

Source: VentureSource, press releases, conversations with life science experts

In 2009 and 2010, the all-in/upfront portion of structured deals averaged about \$230 million, down slightly from the average over the previous four years. With the recent increase in milestone payments, the total deal value over the last two years averaged \$460 million, \$87 million more than the four-year average.

In percentage terms, the last two years of Biotech Big Exits actually provided more potential value to investors

by achieving 85 percent of the previous four-year average all-in/upfront value, but an additional 58 percent in increased opportunity in milestone/earn-out payments. The likelihood of milestones to be achieved and the payments made will, of course, be different for every company, but it is exciting to see that there is some investor upside in the switch from all-in to structured deals.

### Device Sees Substantial Increase in Both Upfront and Total Deal Size

Device private Big Exits averaged \$218 million all-in/upfront over the last six years and \$265 million in total deal value, including milestones. In Device, there has been significant upward movement in Big Exit deal value over the last few years.

2009-10 shows significant increases in both all-in/upfront deal size and total deal size versus the previous four years. All-in/upfront deals averaged \$291 million (\$120 million more per deal) with total deal size averaging \$412 million (\$228 million more). This yields a 71 percent increase in upfront payments and 124 percent increase in total deal value versus the six-year average!

### Exhibit 7: Med Device M&A Value

Year	2005	2006	2007	2008	2009	2010
Avg Deal Size: All in/Upfront	\$141	\$169	\$169	\$191	\$326	\$266
Avg Deal Size: All in + Milestones	\$164	\$171	\$204	\$191	\$404	\$418

Source: VentureSource, press releases, conversations with life science experts

There has also been a significantly higher number of “super-sized” Device exits in the last two years. Overall, 2009-2010 showed a 2.5X increase in Big Exit deal activity in all-in/upfront deals >\$300 million versus the previous four years combined. Supplemental analysis comparing these larger deals with \$50-\$100 million Device Big Exits (Exhibit 8) shows that the average multiple for the >\$300 million deals was more than 2X times the \$50-\$100 million exits (9.6x versus 3.8x). It is no surprise that the average capital raised for >\$300 million deals was larger at about 2X (\$63 million versus \$30 million), but it is intriguing that the time to exit for each category was about the same.

This bifurcation between bigger and smaller exit values in Device over the last two years shows: 1) the lack of the IPO market and the potential shortage of venture equity needed to commercialize/ramp revenue has led to smaller exits in the \$50-\$100 million range, and 2) when a company can gather a private commercialization round and show significant EU or US uptake or revenue, companies are rewarded with substantial exits.

If you look at total deal value >\$300 million, these outsized returns represented almost 60 percent of all Device Big Exits during the last two years; and was 3.5X the number of super-sized deals over the previous four years.

Why the recent increase in super-sized deals? It is very difficult to provide a reason that everyone will accept as valid, though there are a few options worth considering: 1) cash-rich public companies that were scared off the acquisition track in 2008 and the first half of 2009 are now “catching-up”, 2) the very best companies did not have access to the public market, and combined with reason number one, quickly grew to significant scale in the U.S./Europe, leading to outsized returns, but longer time to get there, and 3) a simple anomaly over a short amount of time. It will be interesting to see if the pattern persists over the next few years.

**Exhibit 8: Med Device Big Exit Comparison**

Deal Type	>\$300MM	<\$100MM
<b>Upfront Multiple</b>		
Average	9.6	3.8
Median	9.7	3.0
<b>Time to Exit (years)</b>		
Average	7.81	6.41
Median	8.41	5.88
<b>Capital (\$MM)</b>		
Average	\$63.46	\$30.45
Median	\$53.27	\$20.50

Source: VentureSource, press releases, conversations with life science experts

### Biotech: Quick to Exit and Mostly Early-Stage

Despite preconceptions that it is a long-term bet to get exits in Biotech, Big Exits typically come quickly and with relatively few venture rounds. From 2005-2010, the average time-to-exit from the close of Series A for private, Biotech Big Exits was a shade under five years.

The trend is decreasing — in 2010 Biotech Big Exit time to exit dropped more than 18 months to less than four years!

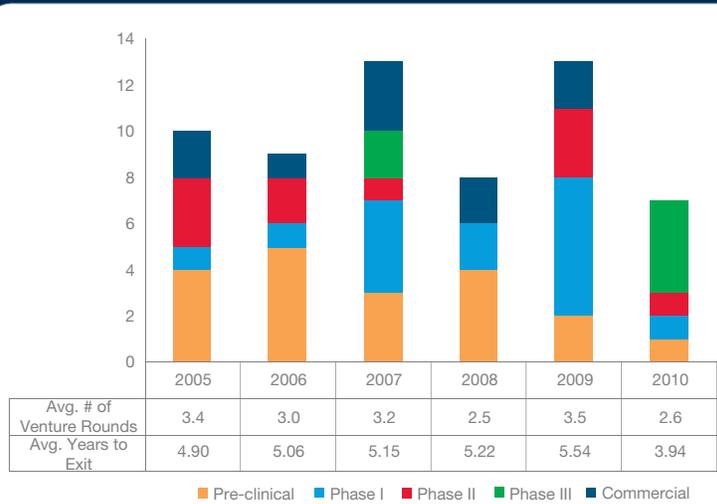
The average number of venture rounds a Big Exit Biotech company takes to exit is about three rounds. It would be fair to say that with the increase in larger, tranches Series A deals the number of venture rounds will continue to stay low, especially as the time to exit has stayed consistent at about five years.

Early-stage investors appear to be rewarded with a significant share of Big Exit M&A. In the last six years, 55 percent of all Biotech Big Exits had very early-stage M&A, with their most advanced product only completing pre-clinical or Phase I studies at the time of exit.

Are 2010 later-stage exits an anomaly? In 2010 only two of seven Big Exits were early-stage pre-clinical or Phase I assets. My opinion is that with the continued patent expiration issue faced by Big Pharma, early stage exits will continue to occur and will be a significant percentage of overall Big Exit volume. The barbell effect will persist with late-stage, Phase III and commercial assets capturing the rest of the Big Exits.

Biotech Exits in Oncology Lead the Way; Anti-Infectives Hot Exhibit 9 shows Big Exit Biotech companies by lead indication and exit stage. The multiple is based on all-in/upfront only.

**Exhibit 9: Biotech Breakdown by Stage and # of Venture Rounds**



Source: VentureSource, press releases, conversations with life science experts

Oncology had the most Big Exits over the last six years. These exits had a decidedly early flavor, with 13 of 14 Oncology exits pre-clinical or Phase I deals. This area continues to attract interest, as exits have been evenly distributed over the last six years. Multiples are robust as well.

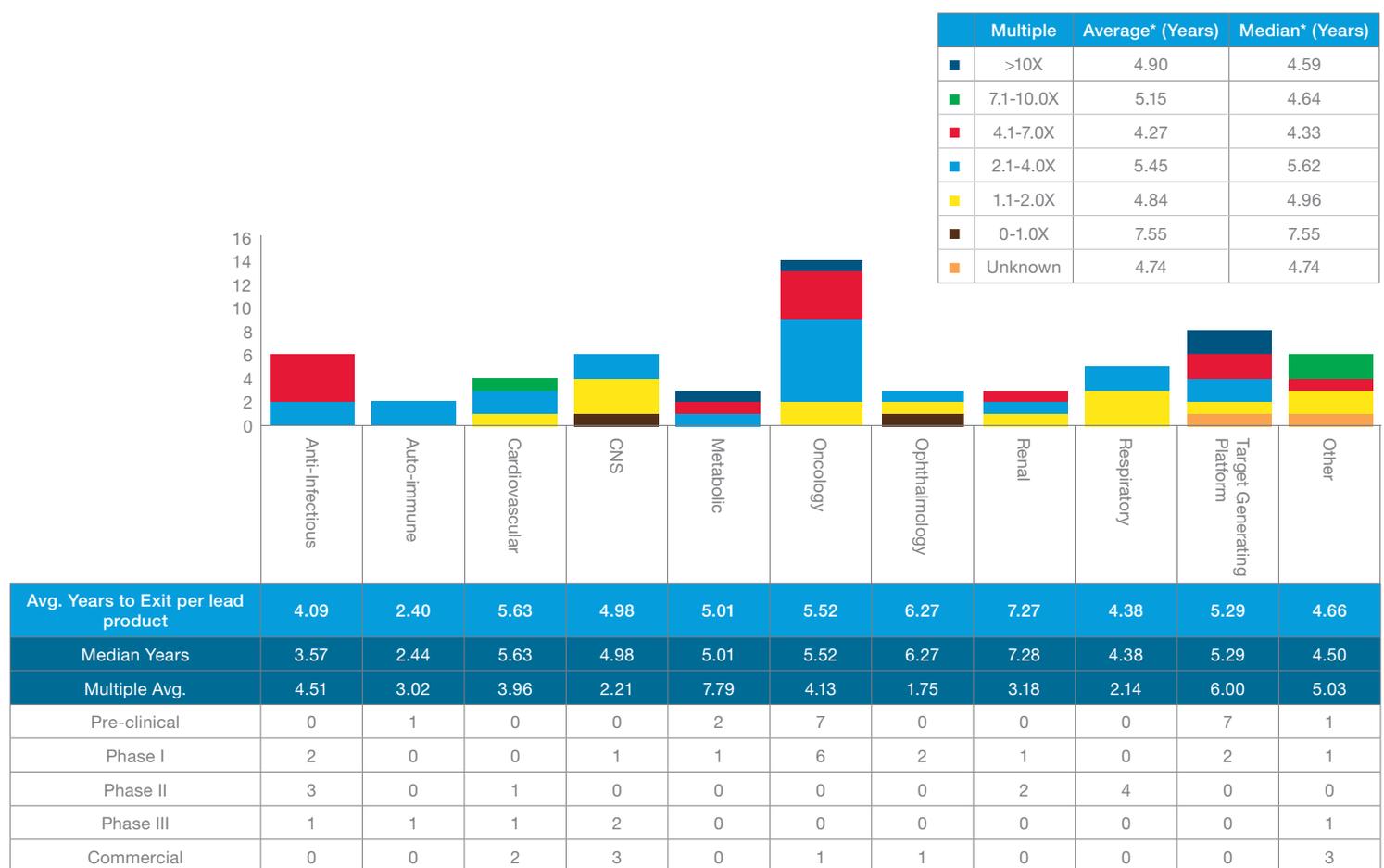
Auto-immune had the quickest time to exit from the close of the Series A, at about two and a half years, with a small sample set. Anti-Infectives, a bigger exit category, was also quick to exit at four years. These investors were rewarded as four of six Anti-Infective Big Exits returned multiples of 4X+ upfront. Anti-Infectives appear to be gaining exit traction, as many of these exits have occurred in the last three years. Additionally, acquirers strike Anti-Infectives relatively early, as five of the six exits in this area were Phase II and earlier. Respiratory deals were also quick to exit, averaging 4.38 years, though the average multiple was smaller at 2X upfront.

Indications with predominately later-stage exits included CNS (five of six exits were Phase III and later) and Cardiovascular (three of four were Phase III and later). Both indications, despite the lateness of the exits, averaged less than six years to an M&A event. Cardiovascular still garnered a significant multiple, averaging 3.9X upfront.

Overall, it appears that positive returns in Biotech Big Exits (>1X) take significantly less time, on average two and one-half years less (4.9 years) than companies that fail to return capital (7.55 years from close of Series A). However, it is significant to note that only two companies out of 60 Biotech Big Exits in the last six years failed to return capital.

Which indications garner acquisition interest early in development and which are later? Most of the timing is correlated to the ability to predict efficacy early on and/

Exhibit 10: Biotech Multiple and Time to Exit by Indication



Source: VentureSource, press releases, conversations with life science experts

or the cost (in both time and money) of later-stage clinical trials. This data meshes nicely with the work completed by SVB Analytics, which has done extensive analysis in the last two years on pre-money values on Biotech and Device companies by indication. They found that Pre-clinical, Cardiovascular companies had significantly lower pre-money valuations than similar stage companies in other indications. This rings true and vets with my data below as Cardiovascular exits come later in clinical development, thus allowing for valuations to increase as the asset progresses through the clinic. The indication with the highest Pre-clinical, pre-money valuation was Oncology, which had predominantly early exits.

### Biotech: Top Multiples Have Significant Correlation to Capital Invested

The highest average upfront multiple by specific indication in Biotech was Metabolic/Diabetes at 7.8X (albeit with limited data points). Other significant multiples include Target Generating Platform at 6X (mostly in the 2005 - 2006 timeframe), Anti-infectives at 4.5X, followed by Oncology at 4.1X and Cardiovascular at 3.9X.

Reviewing multiples are interesting, but only tell half the story. Dollars invested are critically important as it translates into the amount of capital returned. The perfect investment for most venture funds is piling in a substantial investment into a big multiple exit. These are the exits that can provide substantial distributions back to your LPs.

Over this six year period, the highest average VC dollars invested were in Respiratory and CNS at around \$90

million each. Each of those indications had low average multiples, at 2.1X and 2.2X respectively. The smallest average investments included Metabolic/Diabetes at \$34 million, Anti-Infectives at \$60 million, Auto-immune at \$66 million, and Cardiovascular at \$66 million (taking out one outlier company). These four were among the top overall multiples, reinforcing the idea that capital efficiency rewards the investor with higher multiples. However, there are many investors who take the trade-off of lower multiples for greater realization. Investment philosophy and fund size play a huge role in this investment decision-making process.

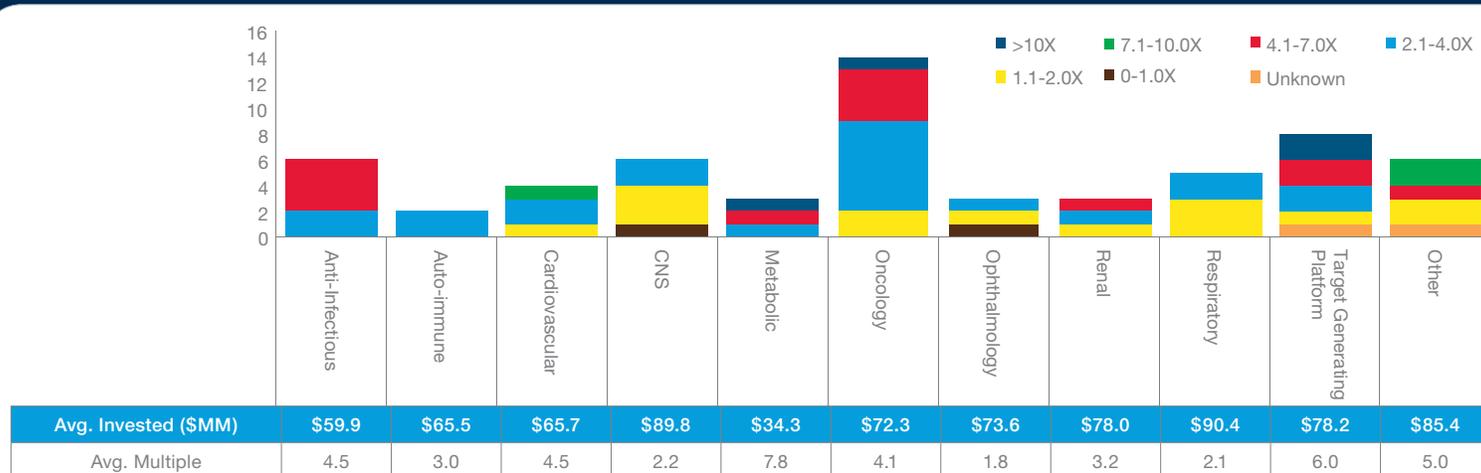
### Biotech: Later-Stage Spin-Outs Provide Quicker Exits but Early-Stage Investors Also Rewarded

The resulting analysis on the average years to exit (Exhibit 12) seems a little counterintuitive as the longest to exit were early-stage, Pre-clinical companies (5.5 years) and shortest to exit were Phase III (3.94 years) and commercial stage (4.65 years).

However, one explanation for this phenomenon is that many Phase III and commercial exits were later stage spin-outs from larger companies that had significant time and money invested prior to the first venture round. In many cases, there was substantial investment and time put into products prior to the Series A close (in my analysis the clock starts with the Series A close).

Early-stage companies, while taking longer to get to a Big Exit, did have a higher average multiple than later-stage companies. Pre-clinical stage Big Exits averaged 5.4X all-

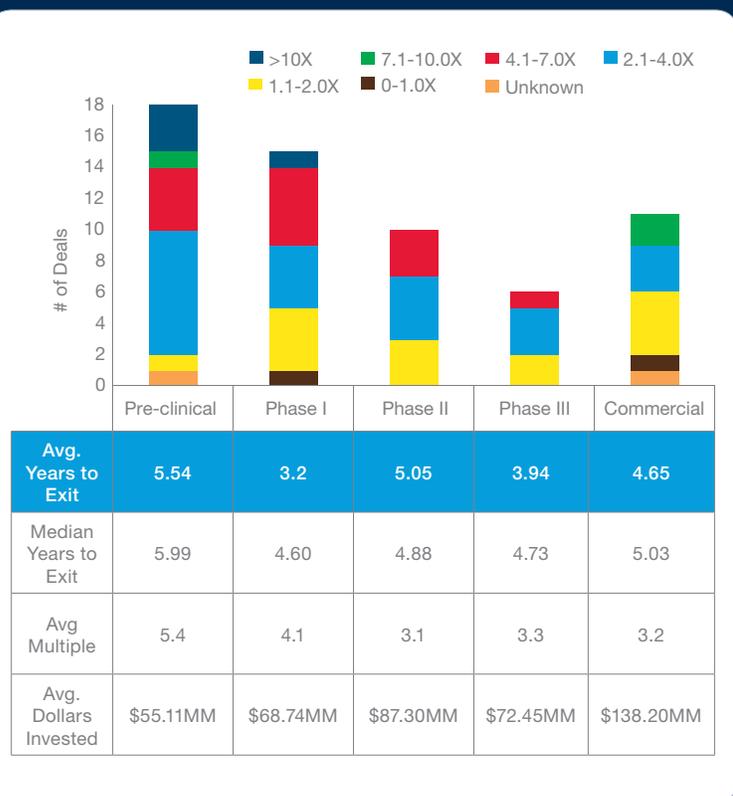
Exhibit 11: Biotech Multiple and Investment by Indication



Source: VentureSource, press releases, conversations with life science experts

in/upfront and Phase I was 4.1X, versus 3.3X for Phase III and 3.2X for commercial stage. Pre-clinical and Phase I exits garnered the preponderance of the top three exit categories (4X to 10X+).

Exhibit 12: Biotech Multiple and Time to Exit by Stage (Lead Product)



Source: VentureSource, press releases, conversations with life science experts

Early-stage venture investors were rewarded with the majority of Biotech Big Exits over the last six years as 58 percent of Biotech Big Exits were Pre-clinical companies when they closed their first venture round. Many firms have recently shifted their investing strategy to later-stage investing in Biotech, which seems contrary to current trends.

Phase II products were at the midpoint in average years to exit, but the lowest multiple. This is a little puzzling as most Phase I companies have hopefully taken substantial clinical risk off the table with good human efficacy data at the end of Phase II. Part of the reason for lower multiples stems from the considerable financing risk required to move through a Phase III trial. It takes considerable equity just to get through Phase II. With less capital available to these companies because of venture fund dynamics and the lack of activity in mezzanine financing by hedge funds and other financial institutions,

many look at partnership offers to take the asset to the next level. As I mentioned earlier in the article, these partnership discussions are now morphing into M&A with increasing regularity. Additionally, the lack of a robust IPO market for these types of companies make structured exits with smaller upfronts more attractive — or the only alternative!

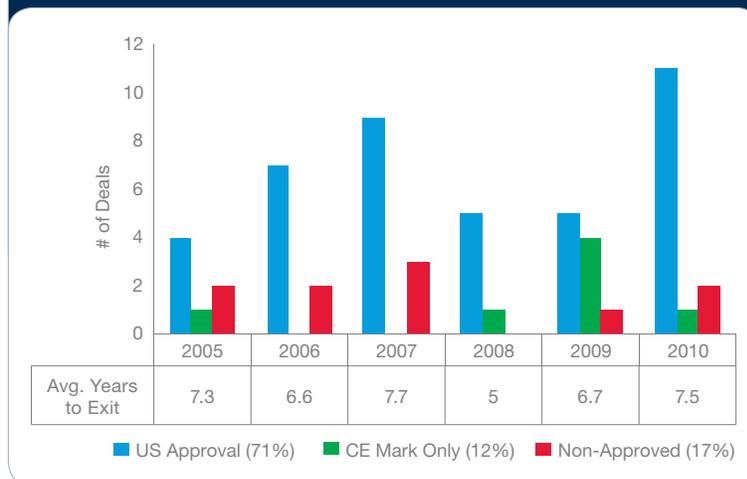
### Device: Later-Stage Deals Predominate; Overall Multiples Outstrip Biotech

2010 was the strongest Device Big Exit year in the last six years. Later-stage exits predominated, as 88 percent of the 2010 deals were for companies that had taken FDA or CE Mark approval risk off the table.

Overall, 71 percent of all Device Big Exits over the last six years were companies with FDA approval. Only 17 percent could be classified as development stage.

As you can see in Exhibit 14, non-approved Big Exits had the smallest upfront dollar exit value but the biggest multiple, due to the small average capital in. It is interesting to note that the CE Mark (without FDA approval) and FDA approved Big Exits had the same multiple, but CE Mark deals had substantially more dollars in and bigger exit values.

Exhibit 13: Med Device Stage of Development by Year



Source: VentureSource, press releases, conversations with life science experts

It is no surprise that CE Mark multiples are high as three of the four largest Device exits over the last six years were CE Mark deals. However, the high CE Mark venture investment seems contrary to current trends. Conventional thought is that most companies that pursue CE Mark first are doing so because they think they will

get to an acquisition cheaper and faster than pursuing an FDA approval path.

In 2010, 78 percent of Device Big Exits were companies with FDA approved products. These results are reflective of the investment strategy of early to mid-2000s and not the philosophy today. The majority of investors today are focused on CE Mark strategies with their early-stage companies or are bypassing all approval risk and investing in purely later-stage, revenue generating companies. The unpredictability of the FDA and the surprising decisions in terms of approvals and/or changing clinical requirements have played a large part in this pivot.

Dispelling another preconception, time-to-exit in Device is significantly longer than Biotech. This statistic, which appears to be trending up, may at first blush be a reason to avoid this sector. However, if you look at the average all-in/upfront Big Exit multiples over the last six years, Device multiples actually exceed Biotech multiples in every year since 2005 and overall (5.3X versus 4.1X). In fact, Device has more than triple the number of 7-10X multiple deals than Biotech and more than double the number of 10X+ multiple deals.

With the prevalence of structured deals in Biotech over the last few years, another metric to compare is the total deal value between Device and Biotech. The prevailing thought in conversations with investors and other life science experts was that adding in Biotech Big Exit milestone payments not-yet-earned to the equation would push overall multiples far north of where Device would be. Surprisingly, Device hangs onto its multiple dominance in this analysis, averaging 6.9X versus Biotech at 5.6X.

### Device: Tools, Ophthalmology Garner Shorter Time-to-Exit and More Recent Acquirer Interest

The shortest time-to-exit from close of Series A include Tools (3.69 years) and Ophthalmology (5.57 years). Quick success seems to be the order of the day for Tools, as four of the six Big Exits took less than three years to exit from close of Series A. Ophthalmology was evenly split, with half the companies taking less than three years to exit and the other half taking longer than eight years.

The longest time to exit included Services (10.33 years), Imaging/Diagnostics (7.94 years), Uro/Gyn (7.83 years), Orthopedics (7.86 years) and Vascular (8.88 years). Big multiples are rather evenly distributed among device indications.

Tools and Ophthalmology have been two of the hotter exit areas. More than 80 percent of the total Tool exits and 75 percent of Ophthalmology exits have occurred since 2008. Cardiovascular also remains active. Aesthetics and Uro/Gyn have seen less exit activity.

### Device: Longest Time-to-Exit In Both Lowest and Highest Multiple Companies

One interesting data point is that the longest time-to-exit (average) in both Biotech and Device is in the 0-1X multiple category. In Device, the 0-1X category averaged over 10 years, three and a half years more than the average of all the other categories. Biotech companies in that same category averaged seven and a half years, two and a half years more than the overall average.

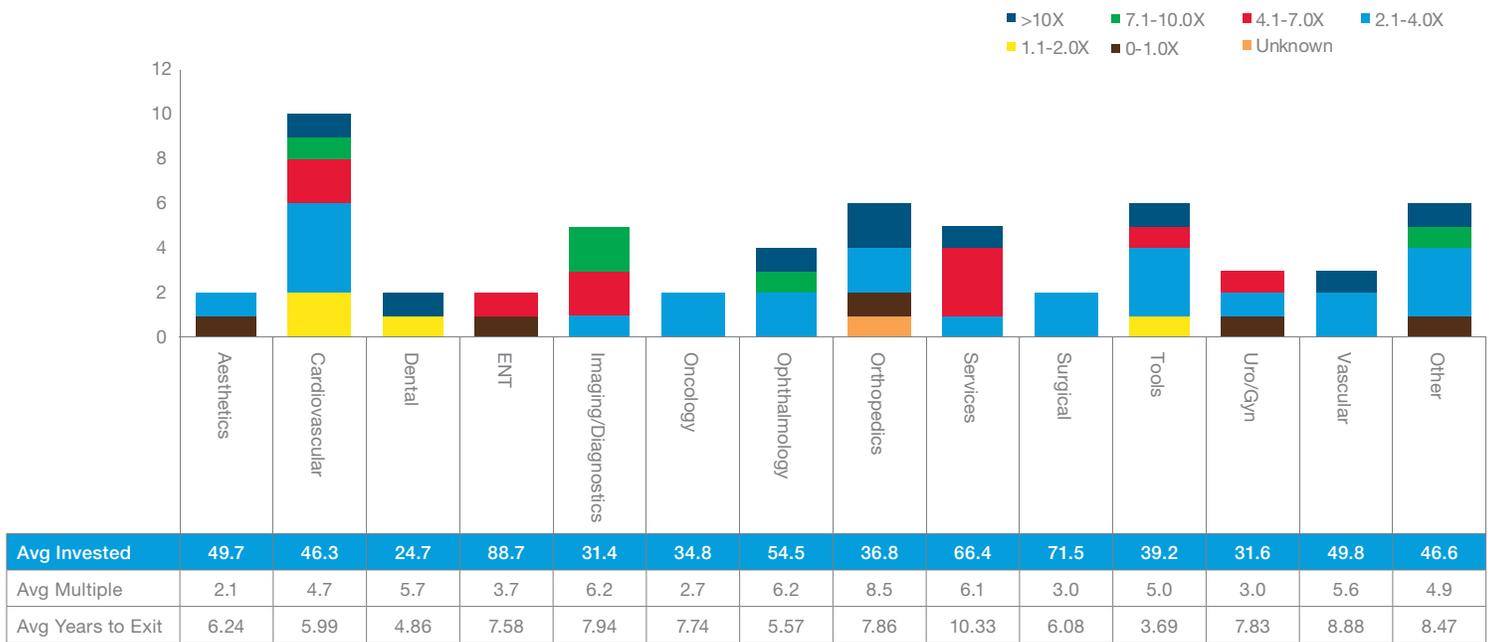
However, there is some divergent data between the two industries when cultivating big multiple wins:

Exhibit 14: Med Device Stage Breakdown

Stage	Dollar Value at Exit (\$MM)		VC Investment (\$MM)		Multiple		Time to Exit	
	Average	Median	Average	Median	Average	Median	Average	Median
US Approved	\$205.73	\$125.00	\$46.79	\$41.93	5.0	3.4	7.39	7.23
CE Mark Only	\$381.29	\$320.00	\$66.41	\$64.24	5.0	3.5	6.78	7.07
Non-Approved	\$177.80	\$132.50	\$28.09	\$21.75	6.6	4.2	5.68	5.86

Source: VentureSource, press releases, conversations with life science experts

## Exhibit 15: Device Multiple, Investment and Years to Exit by Indication



Source: VentureSource, press releases, conversations with life science experts

Biotech Big Exits over 10X closely followed the overall Biotech years to exit average (a shade under five years), with no 10X+ company taking longer than six and a half years. However, in Device, four of the nine large 10X+ exits took more than eight years, with two taking more than 10 years! The take-away here is that in Device, patience is needed to cultivate value from the companies that barely return capital as well as the big hits that can potentially make a fund. An older device company still has the ability to be one of the top returners in this category.

## Summary

Private Big Exits continue to happen with good frequency in both Device and Biotech, although these exits have not caught up to the life science investment pace over the last decade. The number of private life science companies continues to pile up and represent a huge amount of invested equity over the last ten years. Based on the ability to exit (including M&A, IPO and out of business), the back log will take some time to run through.

Private Big Exits that do occur typically represent significant returns to the investors and very healthy multiples. Recent data over the last six years turns common myths about life science returns on its head. Counter to many experts, Biotech continues to see quick Big Exits from the close of Series A (5.05 years on average) with a solid 4.1X return. Device has taken longer over the last six years (7.01 years on average), but has a bigger average exit at 5.2X. Rudimentary gross IRR calculations show Big Exits in both areas are solid returners, with Biotech at about 34 percent IRR and Device at about 28 percent. Biotech has shown the ability to exit early and reward early-stage investors, while Device continues to see most of the exit activity in later-stage companies. With trends pointing to structured deals as the new norm, both Biotech and Device show increased overall deal value over the last two years, setting life science up for continued good M&A activity.

New disclaimer paragraph should say: For purposes of this article, the author referred to ventureSource reports, press releases and publicly available information. A small percentage of the exits were approximated using anecdotal conversations with life science industry experts.

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