# Venture-Backed Biopharmaceuticals Companies: Recent Exit Trends





### **Key Findings**

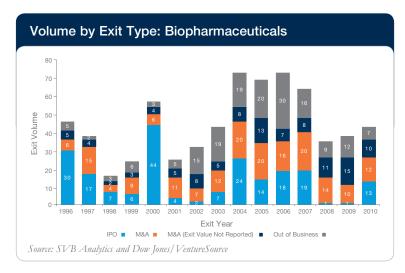
- The number of Biopharmaceuticals "exits" from venture capital funds increased year-over-year — with 13 IPOs in 2010, vs. one each in 2008 and 2009 — but has not yet returned to the levels seen in 2004-2007.
- Despite the number of IPOs, the median return on "successful" exits decreased slightly, as recent acquisition multiples have, on average, been more than double those for IPOs.

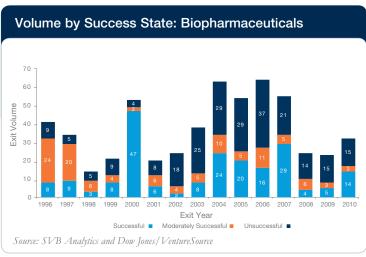
We examine these outcomes separately, defining "successful" as those exits where the multiple (return on invested capital) is greater than one and where the value-at-exit is greater than \$100 million, and "unsuccessful" as those exits where the multiple is less than one. This study utilizes data on outcomes for hundreds of venture-backed life science companies, compiled from sources which are deemed to be reliable.

# Research Objective

Venture investing is frequently compared to baseball, as "exits" from venture funds can generally be categorized as "home runs" or "strike-outs." Our analysis of recent history supports this view, as the net return multiples experienced tend to cluster in a bi-modal distribution. Therefore it is most likely that an exiting company generates either a substantial, or a very poor, return for the venture investors.

The graphs below depict, by exit year, volume by exit type (IPO, acquisition, or out-of-business) and by success state (successful, unsuccessful). On the following pages we graph — by exit year — the range of capital-to-exit, months-to-exit, value-at-exit, and exit multiples experienced by successful exits; and the range of capital-to-exit and months-to-exit for unsuccessful exits.





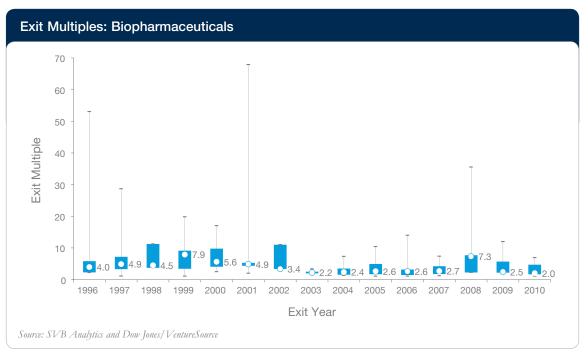
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# "Successful" Exits: Biopharmaceuticals

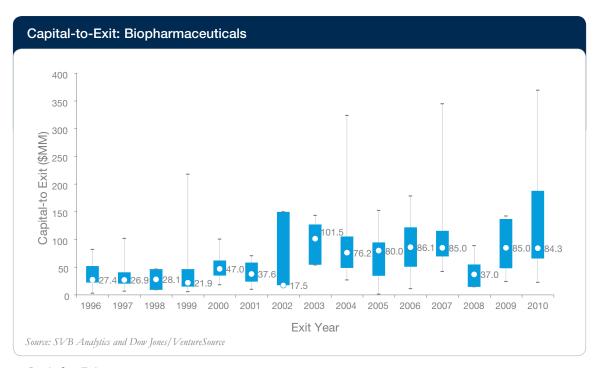
Biopharmaceuticals exits (IPO and M&A) by exit year where the exit multiple is greater than one, where the value-at-exit is greater than \$100 million and the exit value is known.

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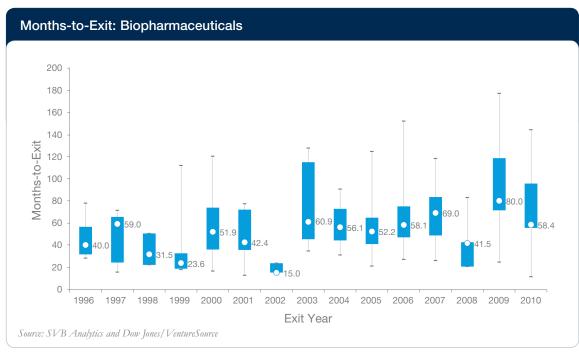


Exit Multiples: "Exit multiple" is the (Value of the Company @ Exit) / (Total Equity Capital Invested in the Company)

 The median amount of capital required for a successful exit has stayed fairly constant since 2005 (with the exception of 2008).

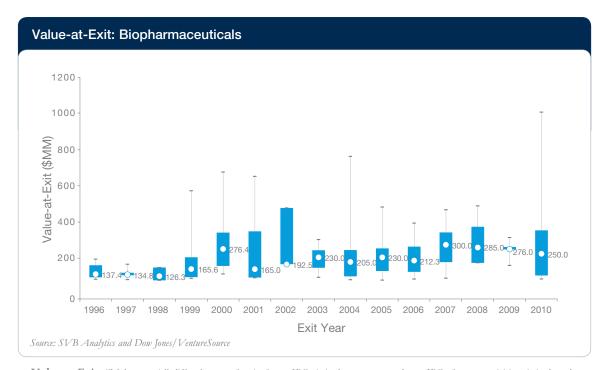


Capital-to-Exit: "Capital-to-exit" is the total equity capital invested in the company prior to exit (Series A+, Series B+...)



 The median number of months required for a successful exit decreased significantly in 2010 from 2009 (which was the highest in a decade), but the distribution of outcomes stayed fairly dispersed.

Months-to-Exit: "Months-to-exit" is the number of months between the close of the Series A and the exit event.

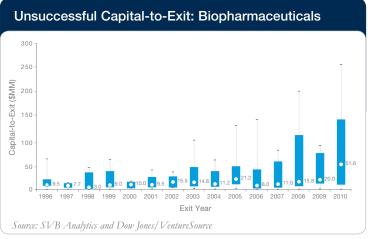


Value-at-Exit: "Value-at-exit" differs by type of exit: for an IPO, it is the pre-money value at IPO; for an acquisition, it is the value for which the company was acquired; for out-of-business exits, it is zero.

 The median value-at-exit continued to decline, although the distribution of outcomes expanded significantly.

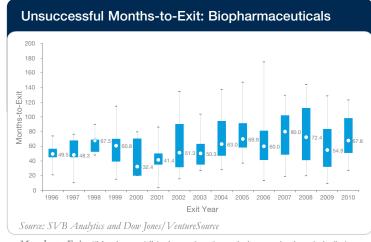
# "Unsuccessful" Exits: Biopharmaceuticals

Biopharmaceuticals exits (IPO, M&A, and out-of-business) by exit year where the exit multiple is less than one and the exit value is known.



Capital-to-Exit: "Capital-to-exit" is the total equity invested capital in the company prior to exit (Series A +, Series B +...)

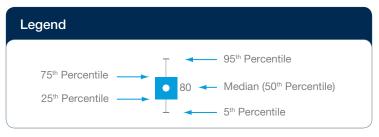
 The median amount of invested capital absorbed by unsuccessful exits increased substantially in 2010.



**Months-to-Exit:** "Months-to-exit" is the number of months between the close of the Series A and the exit event.

 The median unsuccessful company was closed 68 months after receiving its first institutional round; over a year longer than the 2009 cohort, but still more quickly than in 2007 or 2008.

# How to Read Boxplot Charts



In this example the distribution of data varying from the median (50th Percentile) value, represented numerically as 80, is illustrated where the middle 50% of the distribution is depicted by the colored box (ranging from the 25th to 75th percentile) while the span of the whiskers portrays the middle 90% of the distribution (ranging from the 5th to the 95th percentile).

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