Starting A Biotechnology Company

Santiago, Chile
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Conceiving a Biotech Start-up

- Technical Analysis: Needs to be Logically Possible
- Business Analysis: Needs to be Able to Provide a "Return on Investment" (ROI) to Investors
- "Personalysis": Understand Your Own Expectations and Also Those of Your Partners
Develop a Business Plan

Opportunity and a Dream

Very Simply
Provide a Real Problem and
What Your New Business Can Do
to Solve the Problem
Needs to Be Successful

- Advantage: What Can You Do That Others Can’t
- Competition: Who Might Beat You to Success and Why or Why Not Should the Investors Be Concerned
- Management: Do You Have Those Who Can Get The Company to be Successful
- Technology: Can It Work?
Technology Analysis

- Risks (technical problems to overcome)
- IP/FTO (state of IP; freedom to operate issues of IP)
- Is your technology scaleable? (i.e., can this be produced at commercial scale economically?)
- How/who will manufacture your product? This is often overlooked as being too far in the future but can be the most common cause of business failures.
- Design around by competitors—i.e., how unique is your technology? Can others develop viable alternative technologies? Do these already exist?
Technology Analysis (continued)

- Regulatory affairs—these can be extremely difficult for the company and need to get serious consideration in the business plan.
- How to effectively deal with regulatory agencies
- Timing of regulatory obligations/hurdles
- Planning for regulatory issues in advance
Financial Analysis

- Financial pro forma—should provide 3 to 5 year financial plan; include FTEs, costs, market sales, financial events, revenue, etc.
- Valuation
- Is it attractive to investors?
- Do you need investors?
Intellectual Property

- Describe all IP needed to perform business
- Include potential licenses needed and competitive IP
Market Analysis

- Market penetration
- Expected market growth
- Timeline to sales/milestones
- Competition
- Technical hurdles
Investment Requirements

- Timing and amounts of investment
- ROI—Return On Investment
Surveys?

- Sometimes, surveys in advance of actually starting a business can be valuable in order to ascertain whether there is a market for the business contemplated.
- This is not a requirement and may not be appropriate for many startups.
Selecting the Type of Company

- Review of business activities anticipated
- Tax considerations—which type of legal entity is appropriate?
- Management selection—you don’t need to fill all upper management positions up front; take time to get the right people; do critical self-analysis of founders to find appropriate positions (know their weaknesses)
- Board of directors—be very careful to select only directors who can actually help the company; don’t fill all board seats—keep some open for future directors and investors
- Board of advisors—this is an optional board; can be valuable if they are actually active in helping with the technology or the business
Legal Counsel Requirements

- General corporate law
- Intellectual property—pick a firm that specializes in IP prosecution; not IP litigation
Financing the Company

- Personal financing
- Loans
- Investors
  - Angel
  - VCs
  - Private investors
  - Friends and family
  - Personal investing—yes/no?
  - Special funds
  - Government assistance
Financing the Company (cont’d)

• Closing on the funding
  • How much do you need?
  • Anticipating burn rate
  • How much involvement by investors?
    • Dealing with investor expectations
      • Complete disclosure
      • Clear communication—no surprises
Saving Money in Your Company

• Saving money in your company

• Use of stock—use stock when possible in lieu of fees (e.g., legal representation); establish management/employee stock plans early; helps attract and retain high quality employees

• Equipment loans—get loans for equipment rather than use cash

• Negotiating supply arrangements—can save substantial cash by pre-negotiating supply agreements with vendors
Facilities needs assessment

- Review business plan—facilities requirements need to match business plan expectations
- Build or rent?
  - What types of lease should you have?
  - Should you own?
- How to design/build—need to build only what is needed but with flexibility for expansions
- How to plan for future expansion/success—get experienced builders who know your type of building needs
- How to equip facilities—office/lab—do not overspend; look for alternatives to expensive lab furniture; buy office furniture that is good quality (so it will last, provide a good impression to clients/customers but not too good—never better than your investors’ furniture)
Hiring of Staff

- The single most expensive thing that a company does is to hire people
- Cost/benefit—decide if you want a virtual/semi-virtual company
  - In-house vs outside staff
- Management—do you need everyone now?—you don’t need to have all positions filled at once (for example, a CFO is rarely needed early in a company)
- Scientific
  - Scientific collaboration outside your company—use of outside lab firms and university researchers can avoid hiring your own.
- Administration—keep administration staff to a bare minimum
Believing A DREAM and Making It Happen

• You need to believe in the possibilities of the dream
• You need to convince the investors of the dream
• You need to convince your staff of the dream
• You need to convince your customers of the dream
• BUT – Don’t be a fool
  • Continuously analyze and “fine tune” the dream

If you don’t believe your dream, no one else will