



## Summary

# German Biotech Report 2016

Title: **“In the Shadow of Lighthouses –  
how to better leverage existing innovation potential”**

Content:

### 1. Perspective (Cover Story)

- Last year’s report („Building on the Momentum“) was based on the global positive momentum for Biotech, driven by the wide open IPO window and its impact on the overall capital ecosystem as well as biotech’s new negotiation power in deal making.
- This year’s perspective first of all answers the question whether this momentum has indeed been exploited also in the German biotech sector.
  - German IPOs (only 1 in 2015) highly under-represented with respect to number of biotech companies (0,8%) and even number of therapeutic developers (2,3%) when compared to rest of Europe (3,3% ; 6,6%) or USA (4,7%; 7,2%)
  - Capital ecosystem (VC, Follow-on) without any “IPO-Trigger” effect as seen in EU and USA with their enormous growth in equity capital.
  - Even though there is plenty of VC capital (> 2 bn €) spent in the Digital space in Germany (Berlin as a European hotbed), Biotech does not benefit from this.
  - Political discussions around incentives for investors and R&D-focused companies not really progressing
  - Thus: Missed Momentum / Missed Opportunities?
- Status of Biotech in Germany is rather characterized by a few outstanding companies (“lighthouses”) that are visible internationally and “shadow” the remaining sector
  - Visibility achieved through external recognition (attractive deals) or external validation (IPOs, Market Cap)
  - Key success factors with a few common denominators:
    - Product-focused technology platforms
    - Highly attractive therapeutic areas (e.g. immunotherapy)
    - Better access to capital via special financing arrangements (mainly through German Family Offices, foreign investor-driven consortia, long time capital market presence)
  - How could those factors be leveraged more broadly in Germany?
    - At least not with respect to financing – no role model
- Despite this, survey amongst German Biotech companies reveals very positive overall spirit
  - Economic status, political situation, expected sales, R&D investments,
  - Obvious contradiction to above critical assessment (based on financial metrics and assessment of capital ecosystem) asks for clarification:

- Different sector structure (more service providers – 44% - vs. therapeutics developers – 36%; compared to US: 20% vs. 69%)
- Service providers prosper in well-performing LS sector overall
- “satisfaction” with existing provider role? – less risk; less VC and capital market dependence
- However, what happens then to the huge scientific innovation potential in Germany which has been and still is being boosted by enormous government funding programs into basic research?
  - Value creation elsewhere
  - Value lost

## 2. Key Financial Metrics

- Private company data collected in collaboration with Bio Deutschland association
  - Number of companies and employees flat
  - Significant revenue increase (12%; mainly by public companies including Qiagen, Evotec, MorphoSys)
  - Motivating increase in R&D invest (11%; mainly driven by publics – 32%) – first time surpassing 1 bn €
  - New company founding further decreasing – lacking entrepreneurial spirit / risk aversion?

## 3. Financing

- Overall picture with promising increase: 490 mio € (+45%)
  - VC: 236 mio € (+49%); FO: 214 mio € (+84%); only 1 IPO: 40 mio € (-38%)
- However: 71% of VC (167 mio) for one company (CureVac, incl. investment by Bill Gates)
  - correction for single event: decrease in VC by 44% - no “IPO-trigger” effect.
  - Only few (14) VC rounds with figures reported; 80% single digit volumes
  - Few investors remaining (German and international)
- Interesting shift towards Follow-on capital increases for publics (compared to predominance of PIPES in previous years)

## 4. Transactions

- Aligning with global trends
  - increase in alliances and upfront payments
  - outstanding alliances by “lighthouse” companies ; e.g. BioNTech with 4 alliances (Sanofi, Lilly, Genmab, Siemens); aggregated deal value: 1.744 mio €
  - Interesting M&A deals: take-over of Suppremol by Baxter; Stage Cell Therapeutics by Juno Therapeutics