

**Funding
Canadian
Biotechnology
Companies**

Strategic Health Innovations
A leading global biotech consultancy



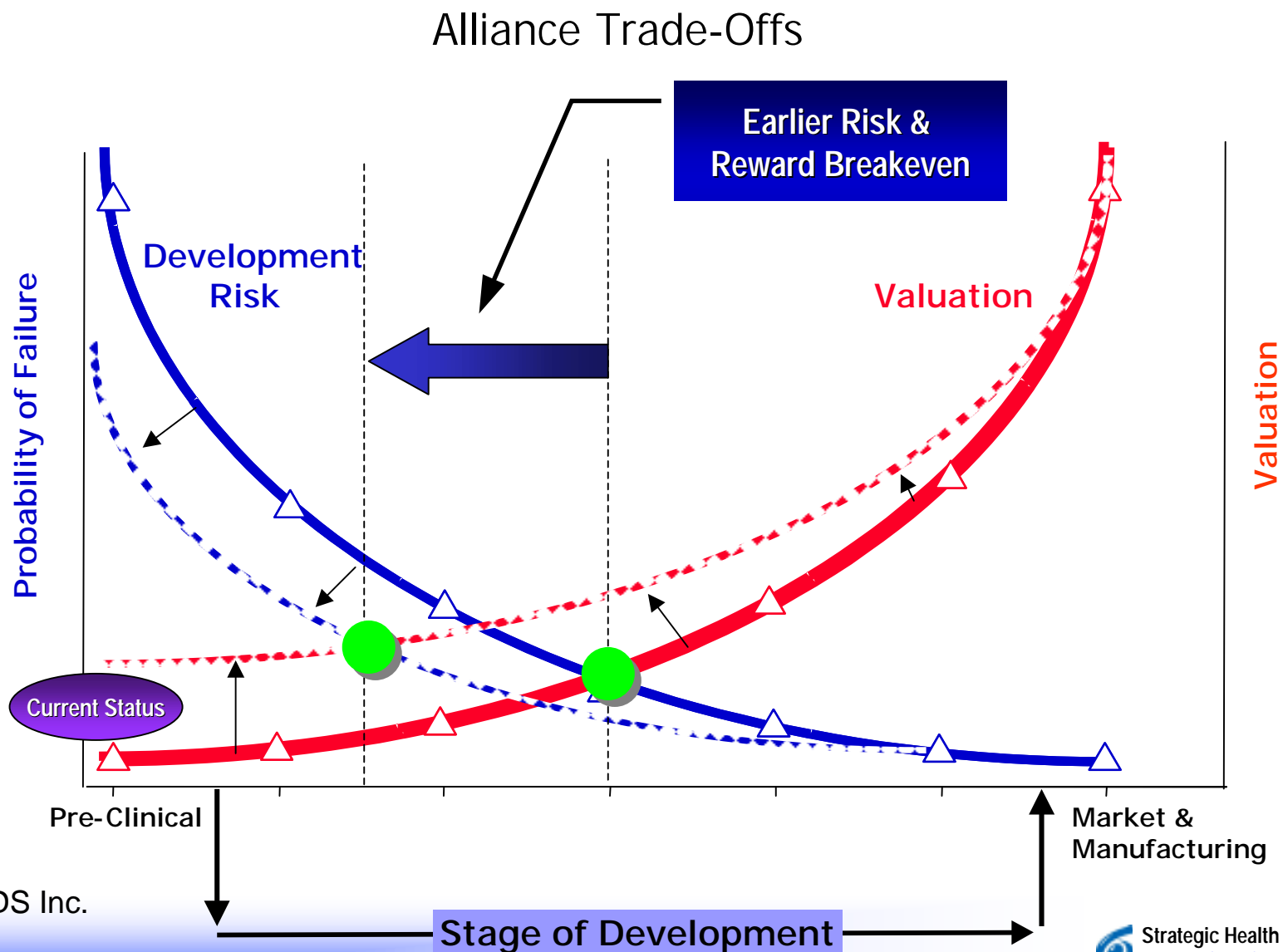
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Objectives

- Canadian investment goals
- Government funding programs
- Securing VC financing

Canadian VC & government programs are focused on generating an increased return on investment for Canada



Source: MDS Inc.

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Industrial Research Assistance Program



Mission statement	<i>Helping SMEs create & adopt innovative technologies that yield new products, create high quality jobs, and make industry more competitive</i>
Eligible applicants	Technology focussed SMEs (<500 employees)
Eligible costs	Feasibility studies, technical assistance, technology transfer
Funding formula	Cost share up to 50% of costs, (reimbursement) to a maximum of \$350,000
Yearly budget	\$180 million/year

TECHNOLOGY PARTNERSHIPS CANADA

Mission statement	<i>Investing strategically in research, development and innovation in order to encourage private sector investment, and so maintain and grow the technology base and technological capabilities of Canadian industry</i>
Eligible applicants	Companies pursuing R&D innovation in an eligible sector
Eligible costs	Direct, indirect, equipment, pre-competitive development studies
Funding formula	Repayable loan, terms determined on a case-by-case basis (generally over \$1.5 M, no stated limit)
Yearly budget	\$300 million/year



GenomeCanada

Mission statement	<i>Developing and implementing a national strategy in genomics and proteomics research for the benefit of Canadians</i>
Eligible applicants	Genomics research (public or private)
Eligible costs	Direct, indirect, equipment, pre-competitive development studies
Funding formula	50% of costs
Yearly budget	\$300 M already invested; \$75 M more allocated in latest federal budget



Canadian Institutes
of Health Research

Instituts de recherche
en santé du Canada



Mission statement	<i>To excel in the creation of new knowledge and its translation into improved health for Canadians</i>
Eligible applicants	Canadian health researchers (public or private)
Eligible costs	Operating costs
Funding formula	Funding formula and amount of investment varies depending on program <i>(e.g.: Industrial Partnerships Program matches \$1 for every \$2 from industry)</i>
Yearly budget	\$562 million/year <i>(2003-2004)</i>

Innovative funding programs at the provincial level match funds secured from federal granting agencies



British Columbia Knowledge Development Fund



Case Study: A company invests \$8M for collaborative research with an institute

Step 1: Seek funding for infrastructure at Institute

CFI	\$10M
OIT	\$10M
Institute	\$ 5M

Maximum of **\$25 million** available for **infrastructure costs**

Step 2: Seek operating funds from the province

ORDCF	\$ 5M
Co.	\$ 8M
Institute	\$10M

Minimum **33% from Co.**, Institute contribution includes salaries, overhead, lab space, etc.

Step 3: Seek matching funds from Genome Canada

Provincial match	\$ 23M
Genome Canada	\$ 23M

e.g. Co. pays 0% of additional cost

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Venture Capital Funding in Canada

Direct Venture Capital Funds (Biotechnology Focused)

Fund	\$ CAD	Focus
BioCapital	\$55 M	Human & environment
CPD Sofinov	\$47 M	Multiple
Foragen	\$43 M	Agriculture
GeneChem	\$100 M	Human
MDS Health Ventures	\$30 M	Human
MSBI	\$26 M	Multiple

Source: NRC/IRAP, 2002

Venture Capital Funding in Canada

Labour-Sponsored Venture Capital Corporation Funds (Biotechnology Focused)

Fund	\$ CAD	Focus
VenGrowth Investment Fund	\$889 M	Human & environment
Working Opportunity	\$526 M	Multiple
Working Ventures Canadian	\$335 M	Agriculture
Canadian Medical Discoveries Fund	\$351 M	Human
University Medical Discoveries Fund	\$335 M	Human

Source: NRC/IRAP, 2002

“Must Haves to Attract Financing”

- Strong management
- Unique value proposition
- Market adoption strategy
- Product pipeline & strong technology platform
- Clear milestones
- Understanding of risk and factors
- An exit strategy for investors
- Good Board of Directors and Advisory Board

Source: MDS Capital

What Canadian VC's Look For

- 10X return
- Business model
- Market adoption
- Intellectual capital
 - Management (Boards)
 - I.P.
 - Proprietary technology
- Risk mitigation
- Burn rate
- Valuation and terms
- Co-investors
- Can we partner this company?

The Current Situation

Convergence

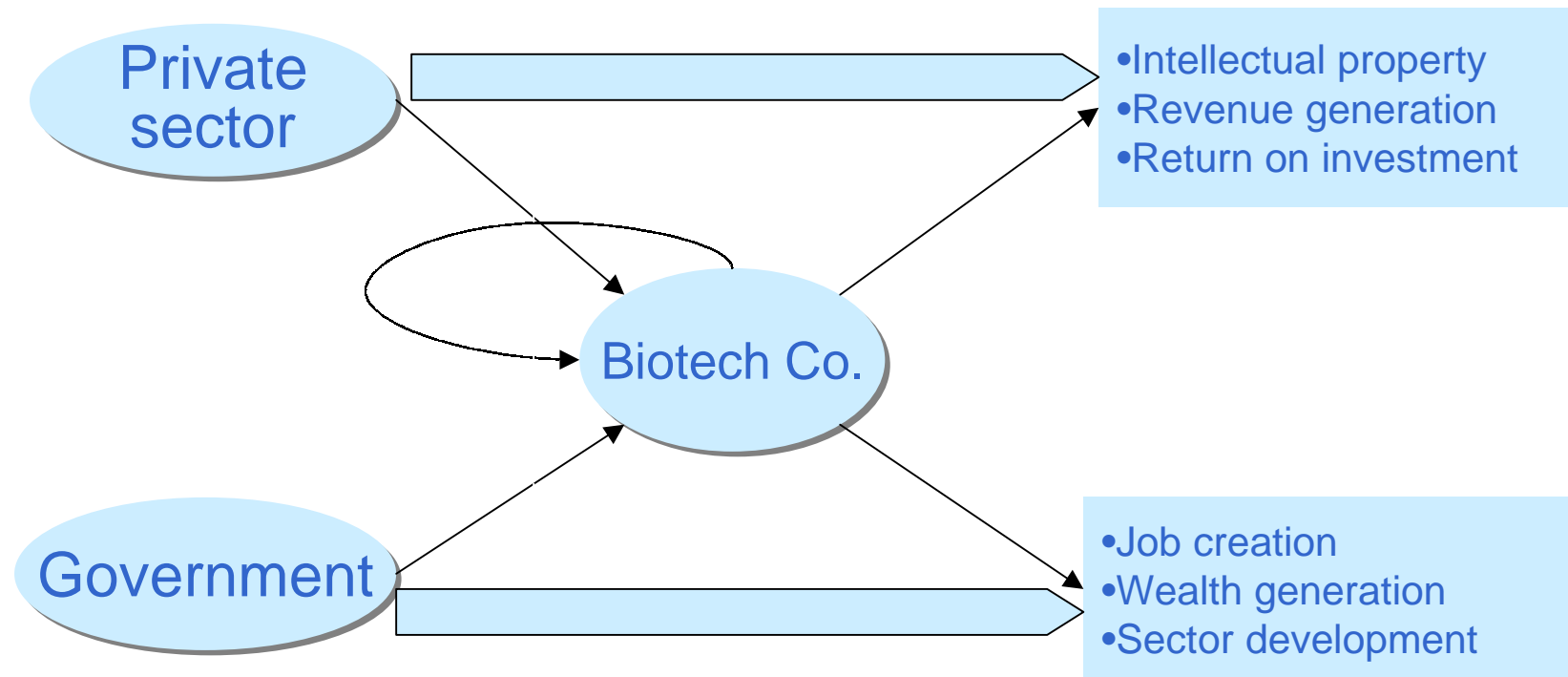
Strategic partnering

M & A

Licensing

Source: MDS Capital

Public-private sector syndication is increasingly popular



Concluding Remarks

- Government funding is critical to ensure sustainable growth of the sector – but the capital should be focused on specific high return opportunities
- VCs must provide knowledge as well as significant funding to build strong biotech companies

Thank you

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