

# **The Life Science Executive's FUNDRAISING MANIFESTO**

**BEST PRACTICES FOR IDENTIFYING CAPITAL  
IN THE BIOTECH AND MEDTECH ARENAS**

**Dennis Ford**



**LIFE SCIENCE  
NATION**

Connecting Products, Services & Capital

PUBLISHED BY  
Life Science Nation  
9-B Hamilton Place, Boston, MA 02108  
[www.lifesciencenation.com](http://www.lifesciencenation.com)

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Printed in the United States of America.

ISBN: 978-0-9903251-0-9

First Edition: 10 9 8 7 6 5 4 3 2 1

For information about special discounts or bulk purchases, please contact Life Science Nation: 617-600-0668 or [sales@lifesciencenation.com](mailto:sales@lifesciencenation.com).

Cover Design: Red Door Media ([www.reddoormedia.com](http://www.reddoormedia.com)) and Nono Hu,  
Marketing Manager, Life Science Nation

Interior Design and Composition: Marian Hartsough ([mjhart53@gmail.com](mailto:mjhart53@gmail.com))

Editor: Wendy Herlich ([wendywendyh@gmail.com](mailto:wendywendyh@gmail.com))

Cartoonist: Ryan Hannus ([hannusjobbus@gmail.com](mailto:hannusjobbus@gmail.com))

Project Management: Neuhaus Publishing ([www.neuhauspublishing.com](http://www.neuhauspublishing.com))

## **Global Target List— Match Your Firm with Investors That Are a Fit**

Now that you have polished your branding and messaging, streamlined your website, and purchased your cloud infrastructure tools, you are almost ready to begin your fundraising campaign. You have a general sense of the current investor landscape and know who you are, what you do, and where you sit in the food chain of the life sciences. Now you must map out the people and firms to whom you should be reaching out in order to successfully meet your next-round fundraising goal. To do this, you must identify every qualified investor for your company (who could serve both your current and future needs). Live Science Nation (LSN) has mapped out the information you will require to successfully identify and qualify potential investors by generating a global target list (GTL).

Creating a GTL of investors may sound like a daunting task, but it is fundamental to an effective outbound fundraising campaign. Furthermore, though mapping the universe of investors you need to know over the life of your company is a no-brainer, rarely is this task ever executed effectively. In this chapter we will explain how to create a functional GTL of investors for your firm. LSN tracks and maintains an ongoing dialogue with more

than 5,000 life science investors across 10 unique categories. These investors' interests cover the full life cycle of a life science company's fundraising requirements, from discovery to distribution. LSN's goal is to uncover a subset of these investors that are a fit for your firm.

## The Importance of Fit

Before we go any further, it is vital that we cover the importance of fit. When all is said and done, outbound fundraising is the application of basic marketing principles to the task of raising capital. Marketing is a numbers game, and the metrics of a successful outbound campaign will hinge upon targeting investors that are a fit.

"Fit" means that there is an alignment between your firm and the investor on a number of common factors, be it interest in a certain subsector or technology, indication area, or other criteria. So how exactly do you find the right fit? First, you must ensure that you have a wealth of accurate data, not only regarding prospective investment entities but also other companies within your market. The more fresh, deep, and accurate your data is, the more sophisticated marketing techniques you can employ and the more effective you can be in your campaign. Taking the time to map out the entities that constitute good targets for you will allow you to selectively pursue potential targets that will give you the greatest rate of return. This will set you on the most efficient route to capital.

In the past, a marketer would procure a general list of targets, in this case investors, and take a shotgun approach to that list with various general marketing ploys that essentially amounted to spamming. This method is wasteful and creates a lot of needless noise and activity. Sending an investor that is interested in companies with a focus on shipping medical devices information about a preclinical therapeutic firm is not an efficient use of your marketing potential. It dilutes your message and can leave you dead in the water.

Much better methods are available to a modern marketer with accurate data in hand. If you send a tailored message to a highly targeted audience, you'll get a much greater return on your efforts (see Figure 9.1). If you conduct email marketing using a shotgun approach, your message will typically get you a 1% to 2% hit rate (which measures the number of times the email

Approach	Typical Hit Rate
Untargeted	1%–2%
Targeted ( <i>based on historical activity</i> )	5%–10%
Highly Targeted ( <i>based on declared investment interest</i> )	20%–30%

FIGURE 9.1: *Typical hit rates using various outbound approaches*

was opened), while sending out to a targeted list can get you a 5% to 10% hit rate. With more data-driven specificity, these metrics can improve dramatically. As it turns out, in markets with sophisticated target pools, such as the life sciences, a targeted mailing based on fit and declared investment mandates can achieve a hit rate of 20% to 30%. Knowing your target audience and doing your homework beforehand saves time, makes you efficient, and garners superior results.

Now let's discuss the first issue that often clouds a fundraising executive's understanding of fit. There is a myth that the gold standard for fundraising is based on referral (when someone in your network knows someone and arranges an introduction) and that this is the best way to get your foot in the door of an investor. Both utilizing a contact as an access point and approaching investors you don't know but who are a fit for you can be successful strategies. However, it should be noted that referrals often result in what are colloquially referred to as "mercy meetings," where an investor meets largely out of social obligation to a friend, not out of genuine interest. Thus, a company who has taken the time to create an appropriate GTL has the power to trump even the most socially connected start-up.

This may come as a surprise to some, but approaching an investor based on an identified fit is a perfectly acceptable method of fundraising (it's called "selling"). In fact, there are several dangers in relying solely on referrals to engage investors. No matter how connected your team and your board may be, the changing landscape means that there are investors who have mandates to invest in companies they might not be aware of. Beyond that, why limit yourself to calling on a small group of investors that only your friends know? Many investors are looking to expand into

new geographical territories or access new technologies. Excluding a potential investor before you have identified their current mandate immediately limits your chance of successfully raising capital.

When you decide to raise money and go after allocations from investors, you have entered the world of selling. If you are raising capital, you are selling yourself and your technology. The sales universe is well established, and has its own proven methodologies. There is no set sales formula, but there are general procedures that work. Be sure as you enter this arena that you don't allow your own bias toward the sales process to deflect from your outbound success in finding investors.

## **The Importance of Ongoing Dialogue**

Before we jump into compiling your GTL, it is important for you to consider that your company is constantly evolving, changing, and moving further along the development cycle. Remember that as you source prospective investors to fulfill your fundraising needs you should be thinking not only about who can fund the next capital raise but also about who will invest in the subsequent rounds. Just because your asset is in the pre-clinical stage doesn't mean you shouldn't initiate conversations with investors that would be a perfect fit a little further down the line. Having that relationship in place when you need the capital for your phase II trial will be well worth starting the conversation early. This also avoids the guardrail-to-guardrail fundraising approach that causes so many entrepreneurs so much stress and afflicts companies with "fundraising fever" every 18 months. Now, on to identifying your prospects!

## **A Note to the Reader**

In the following sections, you are about to see how we use the LSN company and investor database to determine past, present, and future investment interest in a particular indication or technology. Life Science Nation's offerings are unique in that we have a one-of-a-kind life science investor database containing profiles of approximately 5,000 investors across 10 categories. We are in the business of emerging innovative technology and connecting life science

entrepreneurs with investment partners. In the pages that follow, you will see screen shots we have pulled from our database to illustrate our process of uncovering investor mandates that are a fit for our clients.

## Defining Past Investment Interest

Remember, investors invest in management teams and products. LSN specializes in tracking investor preferences at all three stages—past, present, and future. One obvious place to begin is to look at where investors have invested historically. This refers to the specific allocations they have made in your sector, stage, and indication area. Take a look at some companies that share similar characteristics to your company. You can find these look-alike companies by using several combinations of major criteria, including specific technologies, indications, phases of development, and geography. This is your comparative landscape.

Let's view an example: a company is developing an antibody-based therapy to treat solid tumors. Using the LSN company platform, we can quickly identify 289 global companies developing preclinical antibody-based therapeutics (see Figure 9.2).<sup>10</sup>

Results 1 – 20 out of 289 displayed.

1 2 3 4 5 6 7 8 ..... 13 – Next

### Search filter:

- Sector: Biotechnology – Therapeutics and Diagnostics
- Subsector: Antibodies
- Primary therapeutic area: Neoplasms / cancer / oncology

FIGURE 9.2: *A company search for antibody therapeutics for oncology around the world*

<sup>10</sup> Due to licensing issues, we cannot reveal company-specific data in this book. However, should you want to see an example of search content, contact us at [info@lifesciencenation.com](mailto:info@lifesciencenation.com) to arrange a web demo.

This database enables LSN clients to search through a list of over 30,000 companies to find those that look just like theirs in only a few clicks. This capability is powerful because it gives you a global view of your competitive landscape. This helps you identify where your company fits within the marketplace and better understand what investors might see that differentiates your firm.

A glance at the financing history of your competitive landscape will let you know who has voted with their feet and provided capital to your sector, indication, and technology. LSN's platform can be used to identify the lead and co-investors for companies similar to yours. The LSN company database is fed through a network of 45 regional bio-clusters around the world, as well as a network of life science partnering conference providers. Since LSN has over 30,000 company profiles in its global database, a lot of self-declared information is derived from these two channels. Therefore LSN is able to conduct a search of company look-alikes and those who have invested in them.

Let's continue with the example. After filtering the list to include only those companies who have provided lead and co-investor information, we have narrowed our focus down to 134 companies (see Figure 9.3). Typically, LSN will garner 8 to 15 historical investors per company, resulting in a list of approximately 300 to 500 investors. Every investor in this

Results 1 – 20 out of 134 displayed.

**1** 2 3 4 5 6 7 – Next

**Search filter:**

- **Available information:** Financing rounds
- **Sector:** Biotechnology – Therapeutics and Diagnostics
- **Subsector:** Antibodies
- **Primary therapeutic area:** Neoplasms / cancer / oncology

FIGURE 9.3: A company search for antibody therapeutics for oncology that have declared financing information on lead and co-investors



list has committed capital and understands the technology and marketplace. (LSN calls this list the “über investor list.”) We can now parse that list and do some research on those investors to see how many are a good fit for this particular client. Whether or not these investors end up giving the company any money, they are a great group of people to talk with and be educated by.

This is a terrific way to begin to build your GTL. However, the life science investor space has changed a great deal in the past decade. Many investors have changed their mandates or withdrawn from the space, and new investors have surfaced to fill the void. These are the next entities to add to your GTL.

## **Determining Present Investment Interest**

Once all of the relevant past investors have been identified, you need to determine which investors are actively making allocations to new companies and which plan on doing so in the near term. Determining whether an investor is currently investing in your type of company is a labor intensive process, requiring time, energy, and a high degree of Internet search expertise. LSN has a staff of research analysts who specialize in determining whether an investor is currently investing in the life sciences and, if so, into which types of companies they are looking to allocate capital. These researchers are trained to scour dozens of information sources to determine an investor’s current investment appetite. While a fundraising executive like you could learn this process, undoubtedly your time could be put to better use.

LSN has metrics that show it takes 90 minutes of a researcher’s time per year to keep one investor profile current. LSN’s researchers are dedicated not only to the task of maintaining fresh and accurate profiles for the 5,000 investors in our database but also to finding new investors to add to it. Given the amount of hours this simple but vital task requires, you can see how conducting the initial research would be an inefficient use of an executive’s time. Utilizing an accurate life science investor database will save you hundreds of hours and, more importantly, will uncover those investors that you could not have identified using traditional methods.

The LSN Investor Platform is exclusively focused on identifying and profiling the 10 categories of investors that are currently investing in early stage life sciences. (Please refer back to Figure 4.1 in Chapter 4 for an overview of how the landscape has changed.) Taking our previous example of a therapeutic antibody oncology company, we can quickly identify those investors that have current investment interests in that space. From our database of 5,000 currently active investors, we identified 402 investors that have a declared interest for this specific type of company. Significant value is derived when we then exclude all of the VC-based investors—who have already been covered in our search to yield candidates who have demonstrated past investment interest—(see Figure 9.4) and are left with 250 non-VC early stage investors (see Figure 9.5).



-- select --	
<input checked="" type="checkbox"/>	Angel
<input checked="" type="checkbox"/>	Corporate Venture Capital
<input checked="" type="checkbox"/>	Endowments/Foundations
<input checked="" type="checkbox"/>	Family Office/Private Wealth
<input checked="" type="checkbox"/>	Government Organization
<input checked="" type="checkbox"/>	Hedge Fund
<input checked="" type="checkbox"/>	Institutional Alternative Investor
<input checked="" type="checkbox"/>	Large Pharma/Biotech
<input checked="" type="checkbox"/>	PE
<input type="checkbox"/>	Venture Capital

FIGURE 9.4: *Searching for early stage life science investors while excluding traditional VC firms*

Results 1 – 10 out of 250 displayed.

**1** **2** **3** **4** **5** **6** **7** **8** ..... **25** – Next

**Search filter:**

- **Sector:** Biotech Therapeutics & Diagnostics
- **Sector Preference:** Antibodies
- **Indication preference:** Neoplasms/Cancer/Oncology
- **Investor type:** Angel, Corporate Venture Capital, Endowments/Foundations, Family Office/Private Wealth, Government Organization, Hedge Fund, Institutional Alternative Investor, Large Pharma/Biotech, PE

FIGURE 9.5: *In one search, LSN was able to identify 250 non-VC early stage investors interested in companies focused on antibody therapeutics for oncology*

## Identifying Future Investment Interest

The final step in identifying potential investors is understanding how they will be investing in the future. LSN's research team has a systematic method of interviewing life science investors to determine their future investment mandates. This information is extremely valuable when building a GTL because it provides actionable information regarding an investor's intended activity in the life sciences.

Investors are inundated with solicitations in the form of emails, phone calls, and business plan submissions. It is up to them to find the best method for sorting through the crush of solicitations to find the opportunities that fit their predetermined mandate; many of those we work with have expressed their gratitude to LSN for our assistance in cutting through the noise of untargeted solicitations.

Building a GTL necessitates understanding the components of an investment mandate (see Figure 9.6). By finding those investors with a mandate that matches your story, you will be able to further refine your target list and dramatically improve your hit rate when reaching out.

Mandate Summary

Allocation Information:

[REDACTED] is a Family Office fund that was established in 1999 and based in [REDACTED]. The firm controls up to \$1.5 billion in assets under management and makes equity investments ranging from \$100,000 to academic spinouts to \$80 million dollar in later stage deals. The firm operates in a perpetual structure and looks to make investments around the globe with a focus on companies located within the US and Europe.

Sectors & Subsectors of Interest:

[REDACTED] is currently looking for companies in both the Therapeutics and Medical Device spaces. For therapeutics the firm is most interested in companies developing novel biologics however companies developing small molecules are also considered for investment. The firm is willing to invest in companies with a product anywhere from pre-clinical to phase III of development although they do require a substantial equity position into selected companies. For companies with an asset that is preclinical the firm tends to not get involved if the round is series C or later. For medical devices the firm is open to all subsectors and indications however they generally prefer to invest in later stage and are not as involved in the foundation of companies in the medical device space. The firm is not interested in later stage companies working with primary care technologies.

Company & Management Team Requirements:

Apple Tree considers both private and PIPE investments and strongly prefers if not requires to take a board seat into portfolio companies. The firm also prefers to lead or co-lead any investment syndicates or pipes and looks to optimize, not over haul the management team in place. The firm also requires that the company's management be able to clearly articulate the mechanisms and functionality of their technology.

Message From Investor:

[REDACTED] is unlike most traditional early stage investors in that they look to act as a partner, taking the company through to commercialization only selling in an M&A transaction if the price is right or access the public markets, but only if it is advantageous to do so. Interested companies that meet the aforementioned criteria should reach out to [REDACTED] (Associate) via email at [REDACTED] and mention LSN in the initial conversation.

Capital Structure		Investment Interest	
AUM:	USD 1500.0 m	Investment Stage Preference:	<ul style="list-style-type: none"><li>• Biotech Therapeutics &amp; Diagnostics</li><li>• Medical Technology</li></ul>
Investment Stage Preference:	<ul style="list-style-type: none"><li>• Seed</li><li>• Venture</li><li>• Growth</li></ul>	Subsector:	Opportunistic
Capital Structure Preference:	Equity	Indications:	Opportunistic
Actively In Licensing:	No	Geographical Exposure:	Global
Ownership Preference:	<ul style="list-style-type: none"><li>• Public Company</li><li>• Private Company</li><li>• Subsidiary</li></ul>	Orphan Interest:	Yes
		Preferred Product Development Phase:	<ul style="list-style-type: none"><li>• Preclinical</li><li>• Phase I</li><li>• Phase II</li><li>• Phase III</li></ul>

FIGURE 9.6: An example mandate from an investor using the LSN Investor Platform

## **Components of an Investor Mandate**

An investor mandate includes the following important information: allocation information; geographical exposure; sector, subsector, and indication interest; phase of development; management requirements; and a message from the investor.

### ***Allocation Information***

All investors have a preferred allocation strategy. A firm will have pinpointed the ideal size, frequency, and deal structure for their investments. In a broad sense, the size of an investment can be linked to the type of investor. Angel groups and government organizations typically invest in small rounds, while private equity firms and large corporations generally participate in large rounds and buyouts. The investment size often corresponds loosely to the assets under management of a company, but as with any mandate, the exact preference of the group must be investigated, as there are exceptions to every rule.

The frequency with which a firm is planning to participate in deals will give you a good indication of how active the investor is looking to be within the next six to nine months. If the firm is not currently active, don't spend valuable time trying to engage them.

### ***Geographical Exposure***

In the past, fundraising was limited to the geographical region in which the investor had a presence. Improvements in communication and the globalization of markets have led to many investors taking a more global approach. LSN has seen an emergence of global investors at even the early stages of life science investing. The exception to this trend can be found with regionally based angel groups and government organizations with mandates to fund and attract companies to a particular state or region. Often, investors will make their geographic exposure known; otherwise this information can be determined via a simple phone call to any individual at the firm.

### ***Sector, Subsector, and Indication Preference***

This part of the mandate specifies the types of products and technologies in which a prospect is seeking to invest and for what applications. This includes preference for devices versus therapeutics (sector), biologics versus small molecules (subsector), or a preference for certain disease areas (indication).

These preferences can be market, regulatory, or expertise based, and the amount of emphasis on each can vary from investor to investor. For example, indication preferences become central to the investment mission when foundations invest directly in cures for diseases and in organizations with a specific venture philanthropic mission. These investors are looking for the best opportunities to make a lasting impact on the health and well-being of people while still realizing an attractive return. Identifying and reaching out to institutional-type investors with the right combination of preferences relative to your offering is what fit is all about.

### ***Phase of Development***

While many investors are willing to entertain a diverse range of technologies and indications for potential investment, it is more common for a firm to invest only in companies and products that have met certain development milestones. These preferences are grouped most often by specific criteria for preclinical, phase I, phase II, and phase III stages for therapeutics, or in the case of medical devices, prototype and clinical stage phases, as well as on the market. Preferences in the phases of development will also roughly correlate with the typical allocation per investment.

### ***Management Requirements***

Management team requirements can vary from the generic “experience and proven management team required” to the more specific, such as “only works with teams from the top 10 academic institutions.” Conversely, some investors will not have management team requirements, as they may be open to the idea of supplying their own management and technical expertise in the development of a technology.

### ***Message from the Investor***

As part of LSN's investor interview, researchers ask investors if they have a particular message to share with the life science executive who will discover and read their profile. This can include further information to assist in determining fit, instructions to reference LSN when initiating a dialogue, and requests to submit solicitations in a specific format. This allows a fundraising executive to get a sense for the investor beyond basic criteria. The end result is an improvement in communication between investors and executives, creating a win-win situation for both parties.

### **A Word About “Opportunistic Investors”**

Though this chapter has focused primarily on mandate-driven investors, as they provide the clearest example of how “fit” works relative to your company, it is important to mention what LSN calls “opportunistic investors.” This refers to investors who have an interest in any compelling opportunity and are not interested in restricting where they can allocate. This is another prospect pool that can be approached very effectively with an outbound campaign. Opportunistic investors tend to be savvy and comfortable investing as generalists and have declared an interest in seeing anything that fits just a few criteria points, if any. A mandate for this type of investor might read “opportunistic across subsectors and indications, as long as the company is an early stage asset [preclinical/phase I] with strong management team.”

### **The Best Fit Wins**

A savvy fundraising executive recognizes that identifying and engaging potential partners based on a qualified fit is not only the fastest but also the most effective way to engage potential investors. By building your GTL efficiently and basing it on fit, you have the capacity to effectively build a pipeline of potential investors that are aligned with your company's future commercial goals.

Figures 9.7 and 9.8 show how the results of an LSN Investor Database search can be visualized via a heat map. These heat maps show the distri-

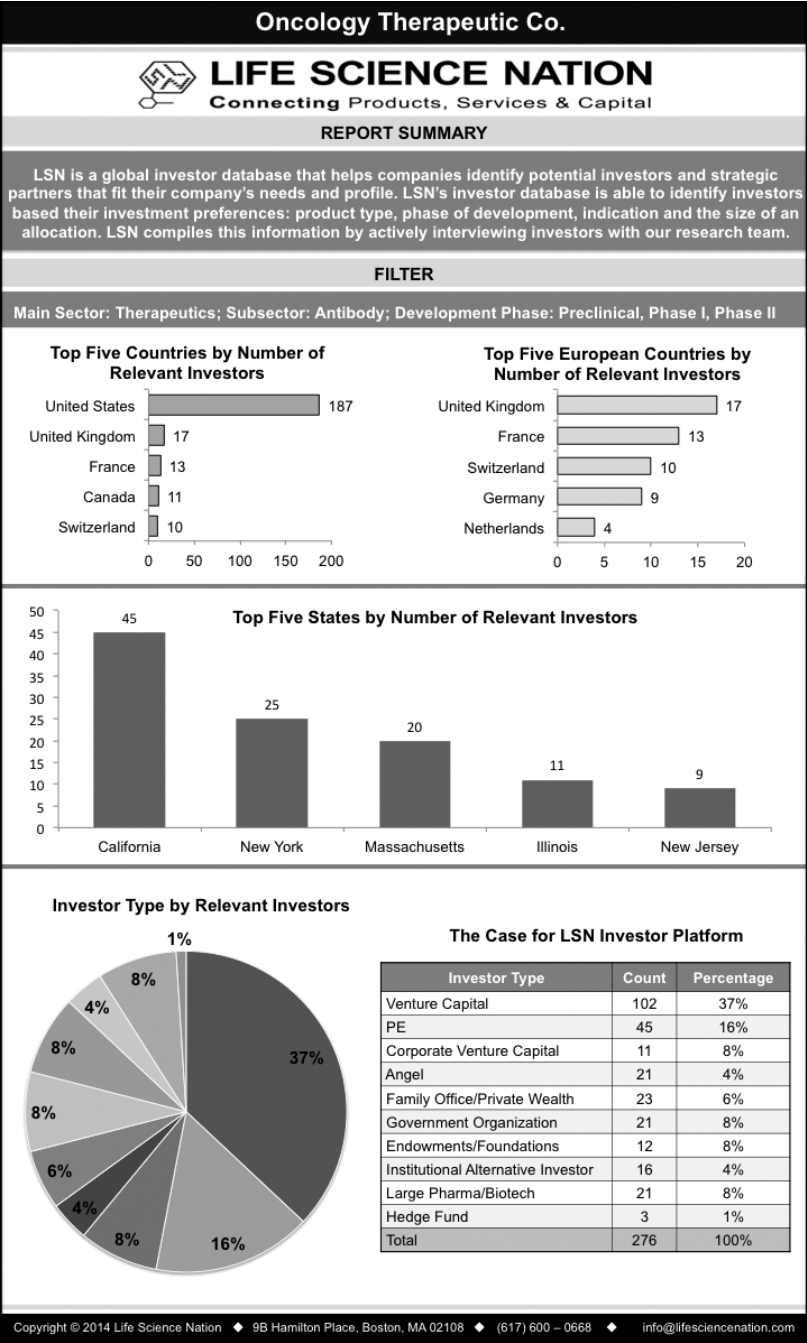


FIGURE 9.7: An LSN Investor Heat Map showing global investor distribution for early stage oncology therapeutics



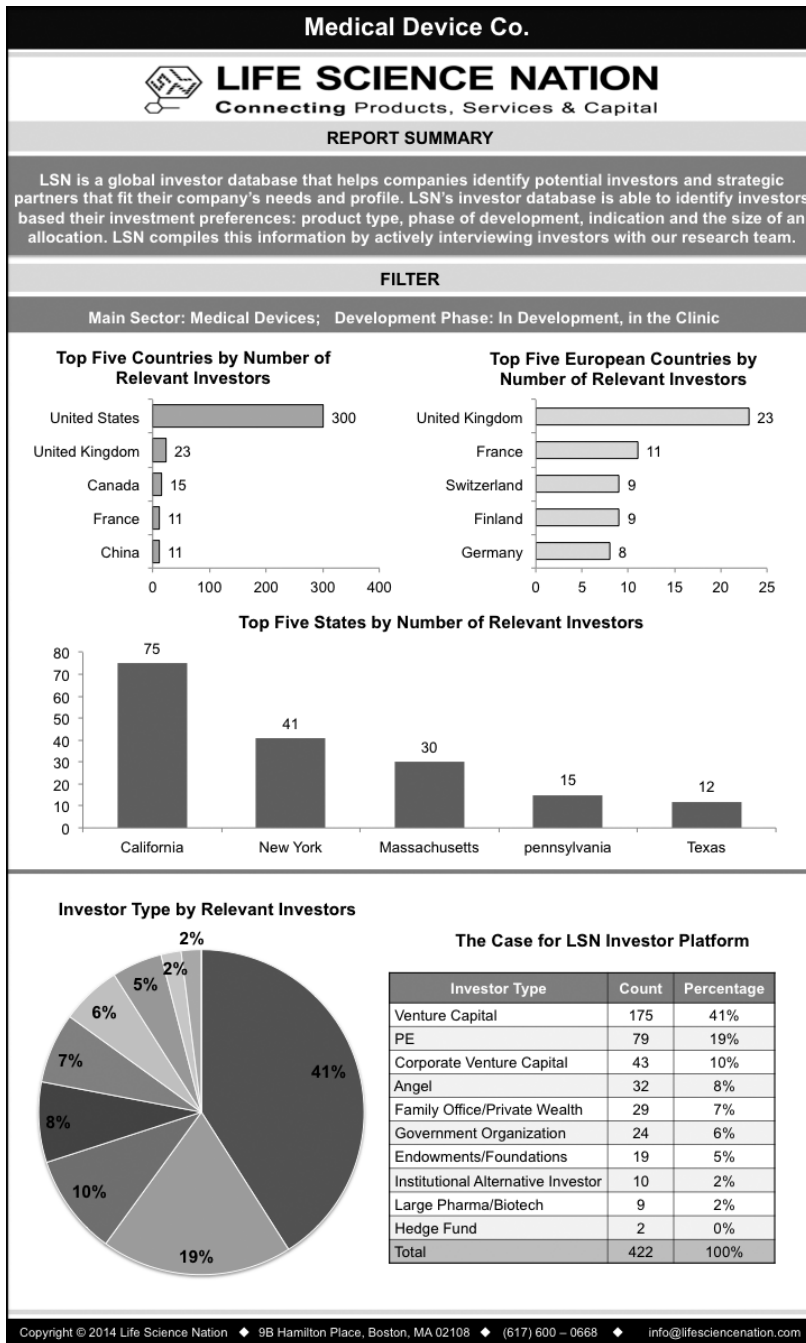


FIGURE 9.8: Another LSN Investor Heat Map showing global investor distribution for early stage medical devices

bution of relevant investors for an oncology company and an early stage medical device company, respectively. The heat maps detail geographical distribution and investor type, which can be very helpful in the initial stages of crafting an outbound campaign around a GTL.

Investor database providers such as LSN are a great resource for making your fundraising process more effective and efficient. However, you need to be careful when buying lists and databases off the Web. Data often comes in two states: out-of-date and very out-of-date! So, take the time to understand how the vendors you are working with find, vet, and update their data. Buying a cheap family office list online may seem like a good idea, but if you cannot talk to and get a live demo from a real-life person, it may prove to be a useless resource. Keeping data fresh, current, and accurate is a monumental task that takes lots of able-bodied personnel who know and understand the market. Remember, if it sounds too good to be true, it probably is; you always get what you pay for.

Information is the key to creating your GTL of qualified investors. The public domain holds a plethora of information on life science investors, although some tend to be secretive in nature and will work to keep the individuals and mandates of the firm behind closed doors (LSN researchers are experts at finding them). Identifying historic, present, and future investment criteria is the most effective way to generate potential leads. Sourcing this information for every potential investor is a daunting task that, while valuable, can take up more of an individual's time than is practical. A judicious use of resources should be allocated to build the technical infrastructure needed to source information and manage the qualified leads that will yield your most useful GTL of investors, one that will help you get on your way to receiving an allocation.