

Biotechnology after the IPO

The high cost of mismanaging uncertainty

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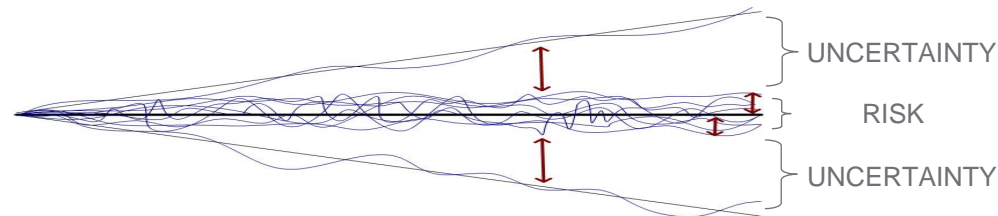
Biotech coming of age, not becoming less risky

Biotech is becoming a full partner within the life sciences value chain

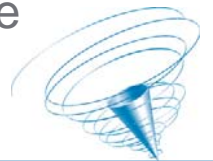
- ▲ Big pharma is moving away from high-risk development to focus more on late-stage projects and commercial execution
- ▲ Insourcing of part-developed biotech projects is key in business model

“Coming of age” does not imply less uncertainty or risk !

- ▲ Biotech is taking on more development uncertainty
- ▲ Pharma is taking on more commercialisation risk



Brokering of risk and uncertainty within an integrated life sciences value chain creates strategic value opportunities for management



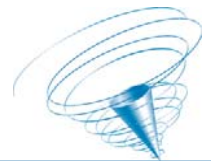
Valuation hinges on perception of uncertainty

Reliable value assessments of part-developed R&D portfolios enable

- ▲ Senior biotech management to prioritise value-maximising projects
- ▲ Prospective investors to assess value propositions in funding R&D
- ▲ Financial analysts to assess the impact on (post-)IPO equity prices

Huge valuation inconsistencies exist within the life sciences chain

- ▲ Risk-adjusted NPV is predominantly chosen over Real Options Analysis
 - Inconsistency in cash flow forecasting
 - Inconsistent discount rates
 - Lack of expertise cited as primary barrier to Real Options usage
- ▲ So generally risk is being taken into account, but uncertainty is not!



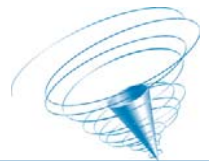
Uncertainty management drives post-IPO performance

Multi-layered uncertainty leads to significant post-IPO equity price swings

- ▲ Significant uncertainty surrounds embedded real options in R&D portfolio's of part-developed projects
- ▲ Full integration in life sciences value chain adds to uncertainty
- ▲ Valuation inconsistencies increase investor uncertainty as perception of true equity market value is blurred

Addressing uncertainty significantly enhances post-IPO shareholder value

- ▲ Assessing, measuring, managing and explaining uncertainty is key to Biotech shareholder value maximisation
- ▲ Use Real Options approach to manage uncertainty in part-developed R&D
- ▲ Higher investor risk-aversion and follow-up financing costs if unaddressed





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