

E.L. & C. Baillieu – Est. 1889

## AusBiotech 2011 National Conference

### Accessing Capital Markets

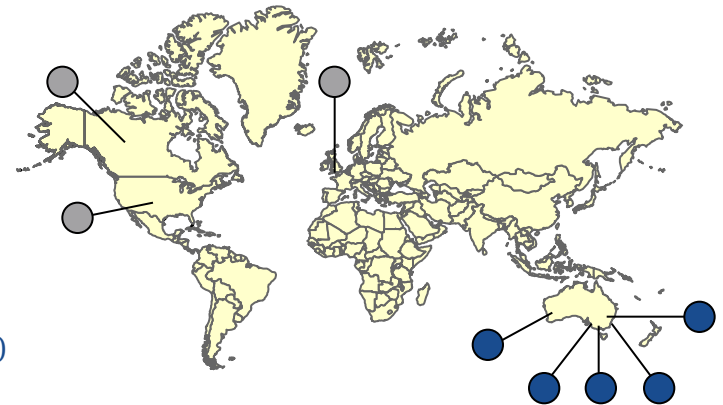
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# E.L. & C. Baillieu

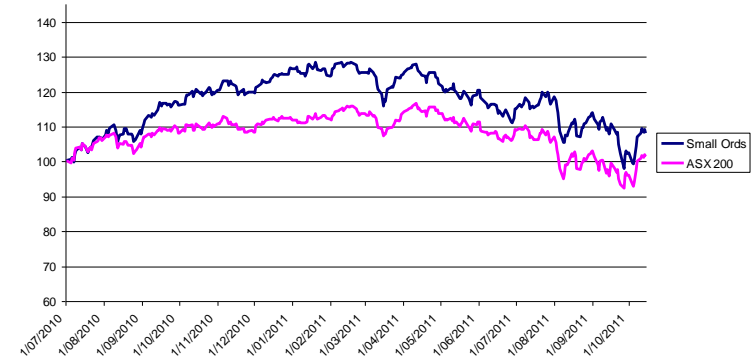
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  - Offices located in:
    - Melbourne
    - Sydney
    - Bendigo
    - Newcastle
    - Perth
  - Affiliations in Europe, Asia and North America
  - Powerful distribution with more than 70 advisors:
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    - Top 100 coverage through support from Credit Suisse, including global economic and strategy view
  - Experienced corporate department with an emerging companies focus:
    - Primary and secondary issues
    - Commitment to long term client relationships



# Current State of Equity Capital Markets

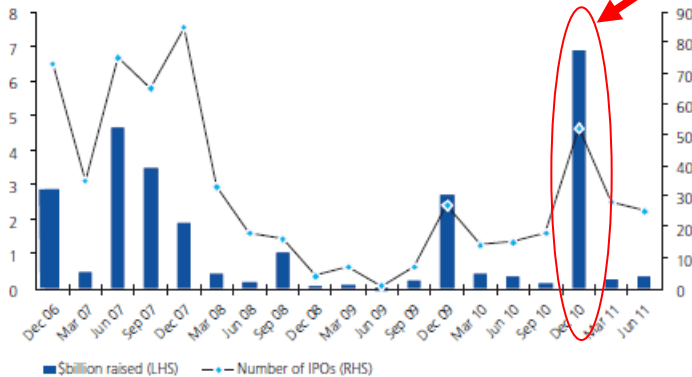
- ▶ Markets continue to range trade
- ▶ Primary issuance is anemic
- ▶ Secondary issuance market is subdued, mainly due to:
  - Lower M&A activity
  - Slower growth rates
  - Significant balance sheet rebuilding in 2008
- ▶ Cash holdings continue to build

## Market Performance



Source: Iress, Baillieu

## IPO Volumes

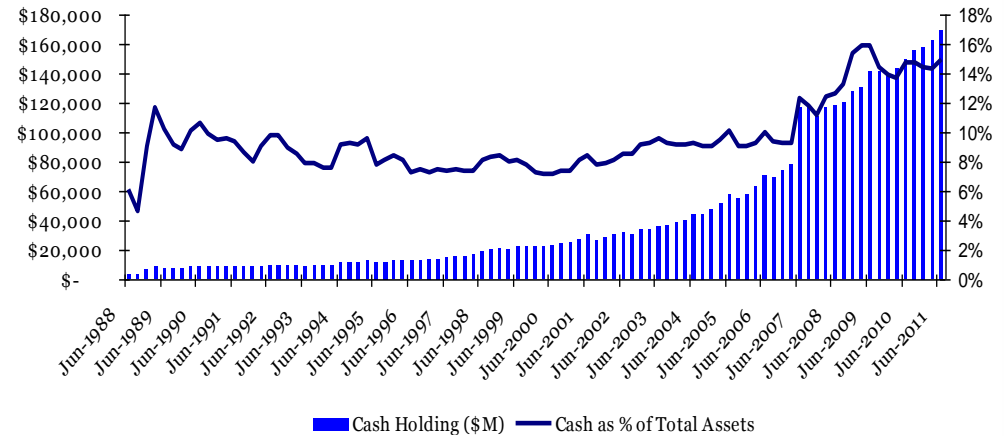


QR National & Westfield Trust

	Mar 09	Jun 09	Sep 09	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10	Mar 11	Jun 11
\$billion raised	0.082	0.009	0.196	2.691	0.400	0.315	0.108	6.895	0.238	0.313
Number of IPOs	7	1	7	27	14	15	18	52	28	25

Source: Deloitte, Baillieu

## Superannuation Fund Cash Holdings



Source: RBA

# Accessing Public Equity Markets – A Few Home Truths

- ▶ There are a few basic principles that hold true in dealing with public equity markets and these are equally true for raising capital and general market interaction:
  - It takes a long time to build the markets trust and it can be lost very quickly
  - Clarity is key to attracting investors and building trust
    - Clarity in business plan
    - Clarity in disclosure
  - Simplicity will win out every time
  - Raise capital when you can not when you have to

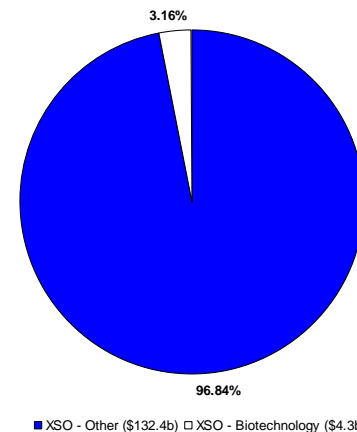
# Accessing Public Equity Markets – Know Your Audience

- ▶ Biotech is an exiting area of the economy, however it is not a significant part of most fund managers portfolios
- ▶ Most fund managers (ex. REIT investors) come from a background working on industrial or resource companies, thus biotech is generally foreign to them
- ▶ Biotech does not make up significant index weight thus there is often no “need” to invest
- ▶ Fund managers investing in biotech, generally do so with a small portion of their portfolio looking for out-performance to an index
- ▶ Retail investors have traditionally been the big supporters of biotech in Australia, however the recent market volatility has altered this

## Small Ords Biotech Universe

Company name	Ticker	Market Cap (\$b)
Mesoblast Limited	MSB.ASX	2.7
Acrux Limited	ACR.ASX	0.6
Starpharma Holdings Limited	SPL.ASX	0.3
Prima Biomed Ltd	PRR.ASX	0.2
Unilife Corporation	UNS.ASX	0.2
Pharmaxis Ltd	PXS.ASX	0.2
Biota Holdings Limited	BTA.ASX	0.1
<b>Total</b>		<b>4.3</b>

Source: Baillieu



## Biotech Capital Raisings

Ticker	Biotech IPOs FY11	Capital Raised, \$M
RVA.ASX	Reva Medical, Inc	\$ 335.3
<b>Total IPOs FY11</b>		<b>\$ 335.3</b>
<b>Total ASX IPOs FY11</b>		<b>\$ 29,400.0</b>
<b>Biotech %</b>		<b>1.1%</b>

Source: ASX, Baillieu

Ticker	Top Biotech Subsequent Issuers FY11	Capital Raised, \$M
MSB.ASX	Mesoblast	\$ 123.3
RMD.ASX	Resmed Inc	\$ 54.1
UNS.ASX	Unilife Corporation	\$ 37.4
PRR.ASX	Prima Biomed	\$ 33.4
QRX.ASX	QRX Pharma	\$ 19.8
CBZ.ASX	CBIO	\$ 15.5
TIS.ASX	Tissue Therapies	\$ 15.2
<b>Total</b>		<b>\$ 298.7</b>
<b>Total ASX Secondary Raisings FY11</b>		<b>\$33,700.0</b>
<b>Biotech %</b>		<b>0.9%</b>

# Accessing Public Equity Markets – Know Your Markets

- ▶ Technology is just part of the investment picture; providing a concise picture of your addressable market is often as important. Ensure you are clear on:
  - What markets you are targeting and why
  - The potential end users
    - How many
    - Geographies
  - Competition
    - Existing
    - In development
  - Distribution model
  - Consumer funding assistance in each market

# Accessing Public Equity Markets – Know Your Commercialisation Path

- ▶ Investors are presented with a lot of good ideas/ technologies that address a market need, the differentiating factor is how you go to market:
  - Link your commercialisation program to your targeted markets
  - Set clear (achievable) milestones that you can report back on
  - Put the right team in place to execute, often with a professional CEO or someone that has done it before
  - Be clear on the regulatory approvals and your approach to achieving them
  - Outline your revenue model and the drivers to distribution
  - Clearly define your uses of capital and link them to your commercialisation objectives
  - Often speed to market is more important to early stage investors than technical brilliance



# Conclusion

- ▶ Markets are expected to remain choppy while:
  - European debt issues are resolved
  - The current consumer deleveraging cycle plays out
- ▶ Fund managers continue to have appetite for new opportunities. However;
  - Appetite for early stage opportunities remains low
  - Scrutiny levels remain high
  - Bias to offshore investors in more speculative opportunities
- ▶ Equity capital markets checklist:
  - Know your market
  - Know your commercialisation path
  - Maintain simplicity and clarity
  - Be prepared to wear out shoe leather

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