

Investor Decision-making and Trends in Biostartup Formation and Financing

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Personal Background

Early stage operator



Genome Corp.

Investor



“Can you introduce me to VCs?”

What kind of business are you building?

1s-10s million per product

10s-100s million per product

1000s+ million per product

Tools/Services

Diagnostics/Med Device

Biotech/Pharma

Years to Revenue

0-2

3-5+

5-8+

Capital Required

\$

\$\$

\$\$\$\$

Family Office

Biotech VC

NIH and SBIR

Foundations

Angel/Angel Group

Corporate VC

Friends/Family/Fools

Corporate Partnerships

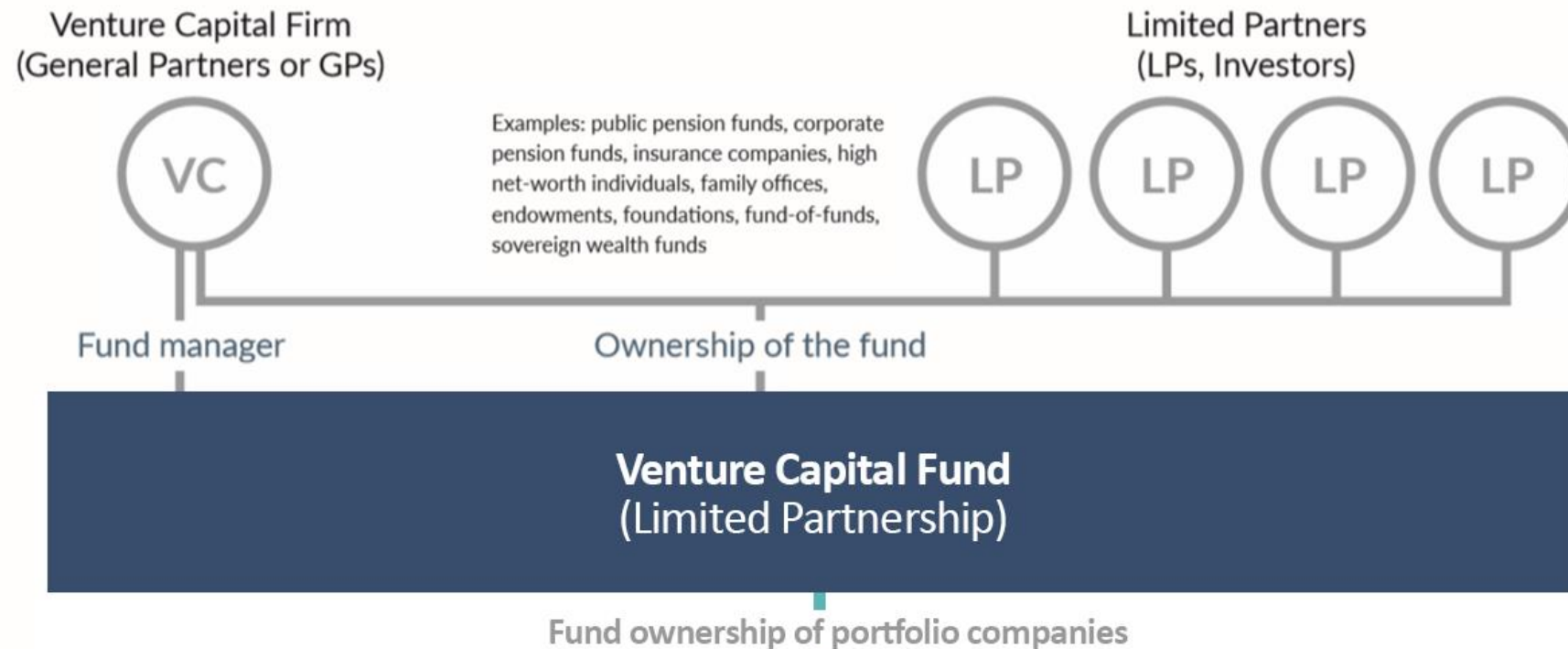
TechBio VC

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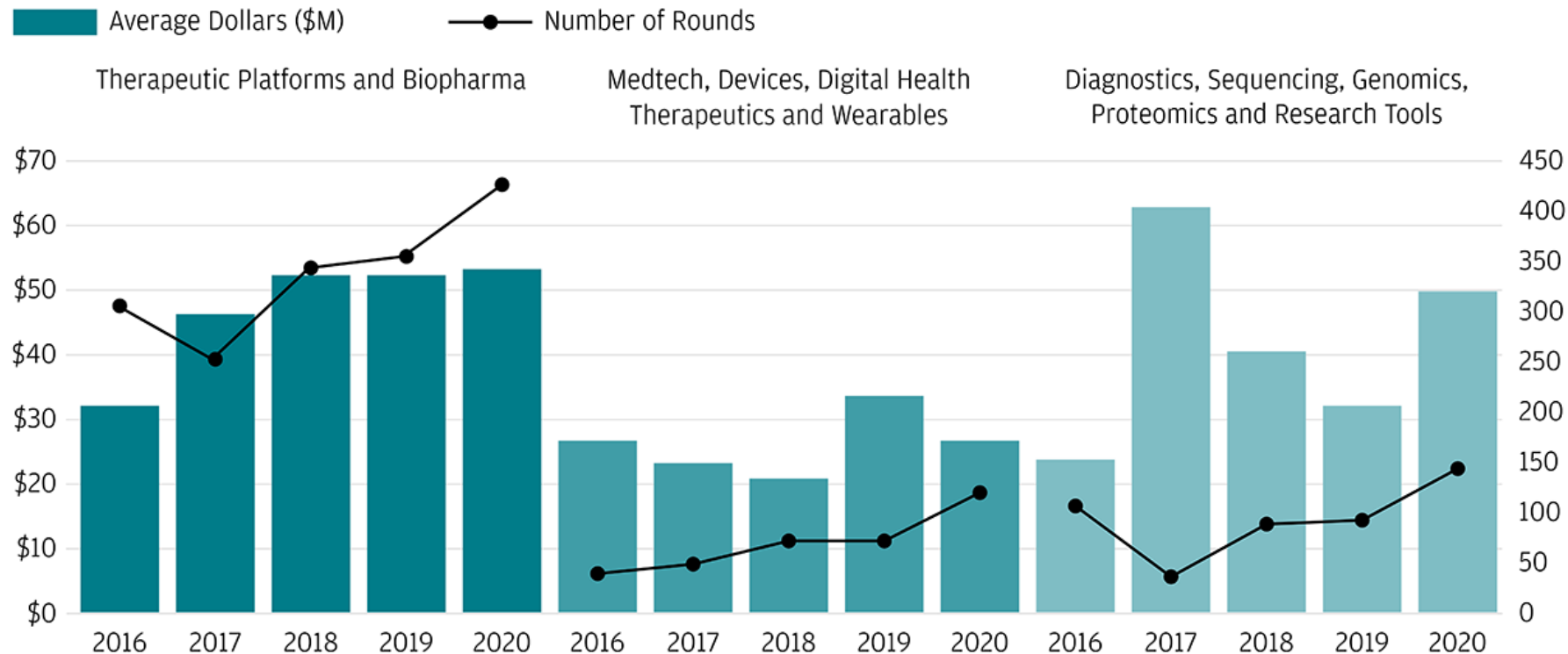
Venture Capital Fund Structure and Thesis

- Just like you, VCs have investors, partners, governance
- Just like you, they have pitched a specific story to their LPs
- Investments need to fit that story/investment thesis
- **Associates and Principals are not decision-makers**



What's Hot and What's Not

- Venture Capital groupthink is real
- Cell/gene therapy, RNA therapeutics, protein degraders are overrepresented
- Oncology, immunology, neuro are attracting most financing
- Infectious disease, cardiovascular is less investible
- Medtech, med device, digital health continues to be underinvested

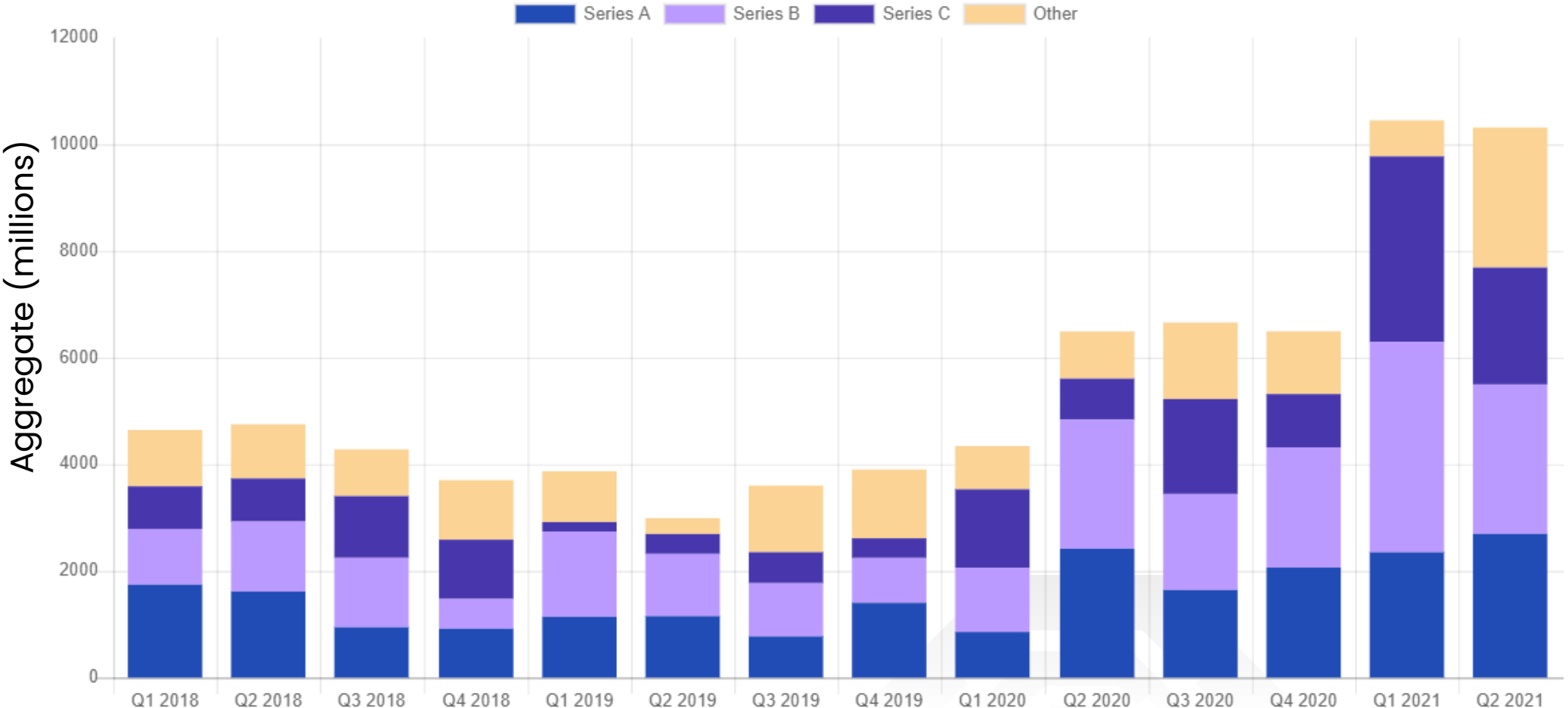


Fundraising Shift Towards Series A

- Aggregate investment is rising, especially Series A (\$40-\$60M total proceeds)
- Expectation has been IPO within 2.5 years of Series A until recently

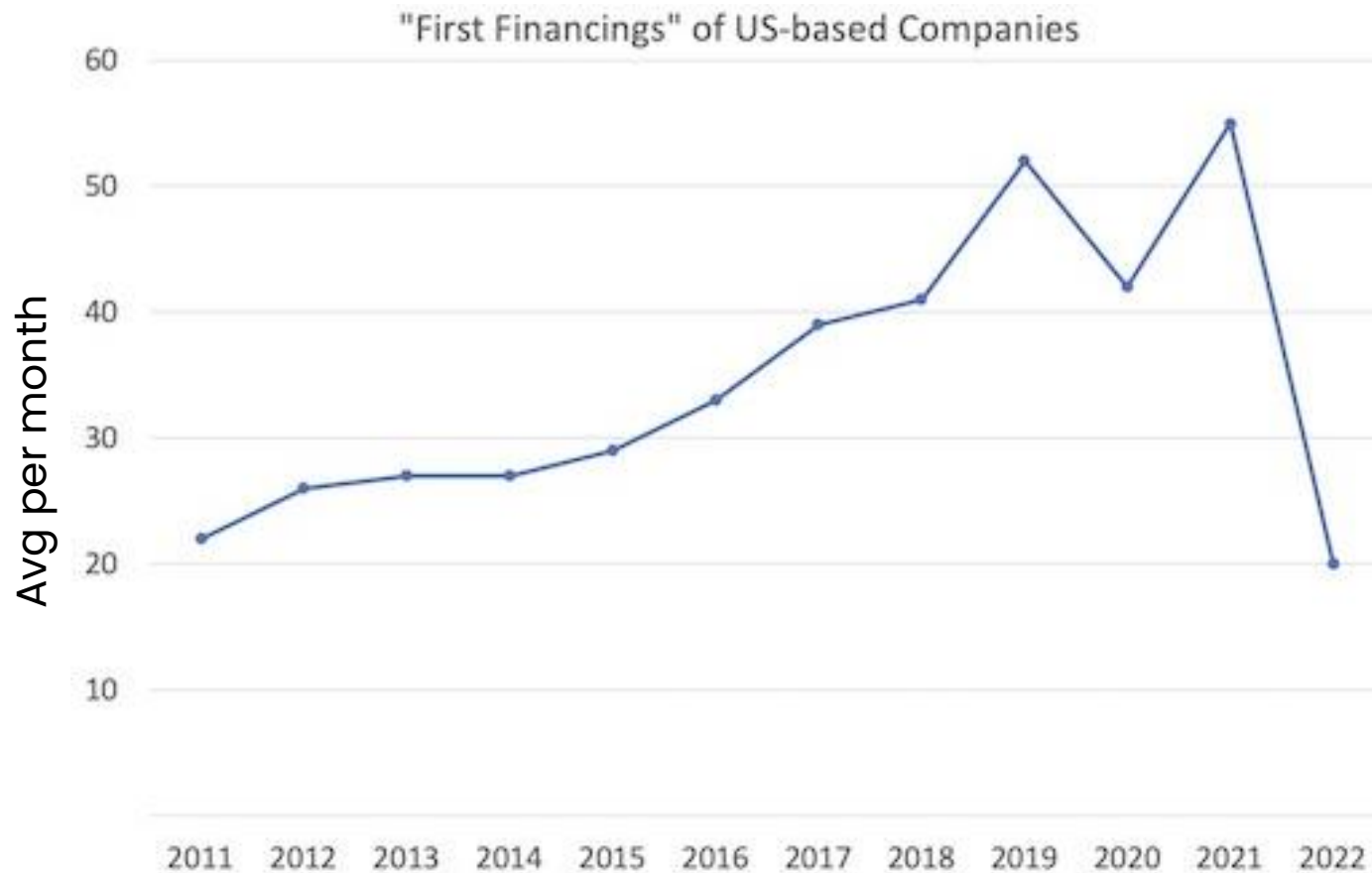


Quarterly venture investment by Series



More Dollars Going Into Fewer Companies

- Funds are doubling down on winners
- Series A fundraising amounts are continuing to rise (but not valuations)
- If you don't fit the pattern, look elsewhere for your early funding rounds!



Source: Pitchbook; data as of April 4, 2022
First round financings of US-HQ'd companies with primary industry of pharma & biotech

The Venture Creation Model

Traditional startup

- Inventors are typically founders and full-time operators
- Technology licensed to the operating company or invented in-house
- Founding team may have limited industry experience
- Small first financings, slow to scale
- Messy and cash-strapped in the beginning
- Founders retain control for longer

Venture creation startup

- Technology licensed from top-tier lab
- Inventors take advisory role
- Operational team typically has significant pharma pedigree and drug development experience
- First publicized venture round \$50M-\$100M
- Centralized operational capabilities provided by the fund (accounting, HR, lab space, etc)
- Goal is to scale rapidly from day 1
- VCs have control at the outset



Reflections and Free Advice

On Venture Capital Financing

- VC is not the right answer for every company...and that's ok!
- Find the right investors to fit your business model, stage, and strategy
- If you are going the venture capital route, be prepared for aggressive terms

On the Macro-Environment

- There is a lot of liquidity in the system
- Biotech has been getting punished since early-2021 but bottomed at the end of June
- Funds have been playing the waiting game but have a mandate to deploy capital!

For Early Stage founders

- Capital efficiency is a virtue again (first time since 2017)
- Lean into corporate partnerships and research alliances, get creative
- If your technology and science is sound, *failure is a choice.*

Thank you!

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