

# Investments in life sciences

**Dr. Colin Lucas**

**xénos South & West Wales Regional Manager**

**MediWales members' showcase**

**4<sup>th</sup>. October 2016**



**xénos**

## Funding a business

Basically 5 types of funding to consider:

1. Money from the founders and the “3 F’s”
2. Free money (grants – get them wherever you can)
3. Soft loans (repayment holidays or low interest rates and WG Repayable Business Finance)
4. Debt (at normal commercial rates) – need revenues
5. Equity (the selling of a stake in the business) – common in start-up situations

## Who are business angels?

- ‘High net worth’ individuals, or ‘sophisticated investors’
- Positively consider seed-corn, pre-revenue and early stage opportunities
- Tend to take a five year view (3 - 7)
- Make small to moderate investments  
(= £20K to £250K)
- Average investment in Wales is £150k
- Take an equity stake – usually a minority %
- Looking for exceptional returns

## Are you investment ready? – what business angels look for

- **An experienced and credible management team**
- Proprietary or patented technology and strong USPs
- Niche market with serious growth potential
- A **realistic and deliverable** business plan
- **What you have actually achieved so far**
- A strong market position and an exceptional return
- Often an active role utilising their skills and contacts
- A clear exit route after 5 years (flotation, trade sale or buy back)
- **SEIS / EIS tax relief if available**

## “Investment ready?” – what you need

- Short 1-page “bullish” summary (for *xénos* Bulletin)
- Executive Summary – **this is the single most important document**
- Full 3 year Business Plan (with Yr. 1 in detail)
  - Industry sector and market opportunity
  - Details of product/service
  - USPs and IP
  - **The management team**
  - Market and **routes to market** (marketing and sales plans)
  - Financial projections; funding requirements and equity deal
- A 10 minute business pitch; a 1 minute speed pitch

## **xénos achievements**

- Operating since 1997:
  - ✓ 1,150 investee companies seeking investment
  - ✓ Over 700 angels recruited
  - ✓ Over £35 million direct investment facilitated in 270 deals since 2001
- 120+ angels currently registered
- Averaging circa £2.5M investment each year
- **xénos** partnership with London funds, giving access to overseas investors as well as SEIS & EIS funds
- **xénos** contract with Swansea University

## What can you expect?

|   |  |
|---|--|
| <p><b>Intelligent Worming</b> – start-up and expansion phases;<br/>equine health laboratory services</p>                                  | <p>£ 685,000 in 4 funding rounds from a single investor after an initial £25K investment</p>   |
| <p><b>Haemair</b> – University spin-in;<br/>medical equipment - artificial lung</p>   | <p>£ 763,000 in 14 funding rounds from one <i>xénos</i> investor group.<br/>Co-investment with <b>Finance Wales</b></p>                        |
| <p><b>Symconnect</b> – early stage;<br/>informatics system for the NHS</p>  | <p>£ 145,000 from a <i>xénos</i>-linked SEIS fund<br/>+ £ 200,000 from a Tier1 overseas investor<br/>+ £ 300,000 from a corporate investor</p> |
| <p><b>Veloscient</b> – start-up inward investment;<br/>medical transcription software</p>   | <p>£ 200,000 from a Tier1 investor through <i>xénos</i>-linked London fund managers</p>  |
| <p><b>Jellagen</b> – start-up;<br/>medical grade jellyfish collagen</p>   | <p>£ 150,000 initial SEIS investment from <i>xénos</i> and SWAIN.<br/>Co-investment with <b>Finance Wales</b></p>                              |
| <p><b>Cell Mogrify</b> – Bristol University spin-out and inward investment to Wales;<br/>reconfiguration factors for human cell types</p> | <p>£ 300,000 SEIS/EIS <i>xénos</i> 4-member syndicate</p>  |

## A recent *xénos* investment and the advantages of co-investment



- ✓ Medtech high-growth start-up company: initially funded by Welsh Govnt. £100K innovation grant
- ✓ SEIS qualifying *xénos* / SWAIN initial investment - £150K
- ✓ Co-investment with Finance Wales - £400K
- ✓ Valuation, DD, legals by FW
- ✓ Further round £1.533M through MedCity/London Business Angels, Finance Wales and *xénos* co-investment (April 2016)



“Investment ready?” – a final thought

“I think I am ready for investment.  
So how can it possibly go  
wrong?”

## THE DEAL BREAKERS !!

- The “people chemistry” (or lack of it!)
- The valuation being put on the business (or how much for what?)
- Not answering investor questions, and not listening

**Thank you**

**Dr. Colin Lucas**

*xénos* - The Wales Business Angel Network Ltd

[www.xenos.co.uk](http://www.xenos.co.uk)

[colin.lucas@xenos.co.uk](mailto:colin.lucas@xenos.co.uk)

07769 883257



*xénos*