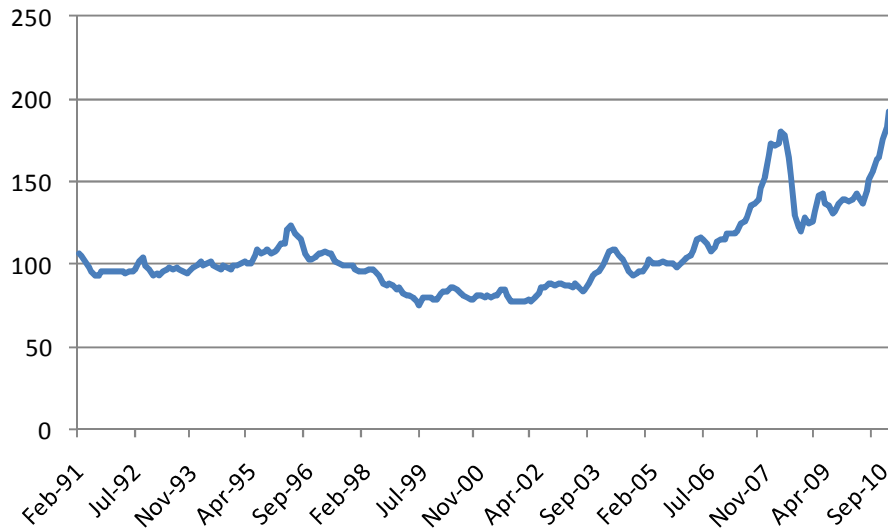

Riding the Funding Rollercoaster

Funding Agri-Innovation: New Ventures in Food Security & Biorenewables

SCI, 22 March 2011

Drivers for renaissance in agri-innovation

Commodity Food Price Index*



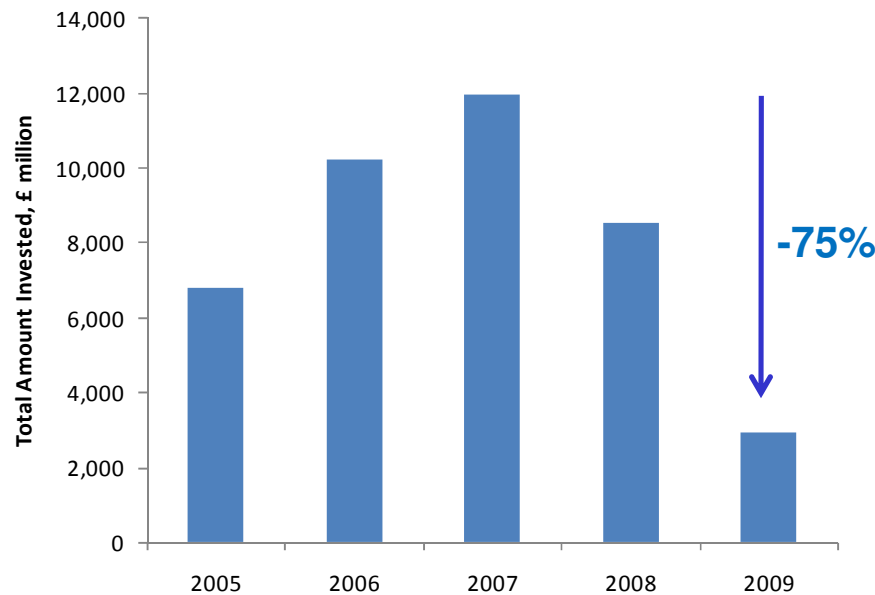
Oil Price, Brent Crude, \$/bbl



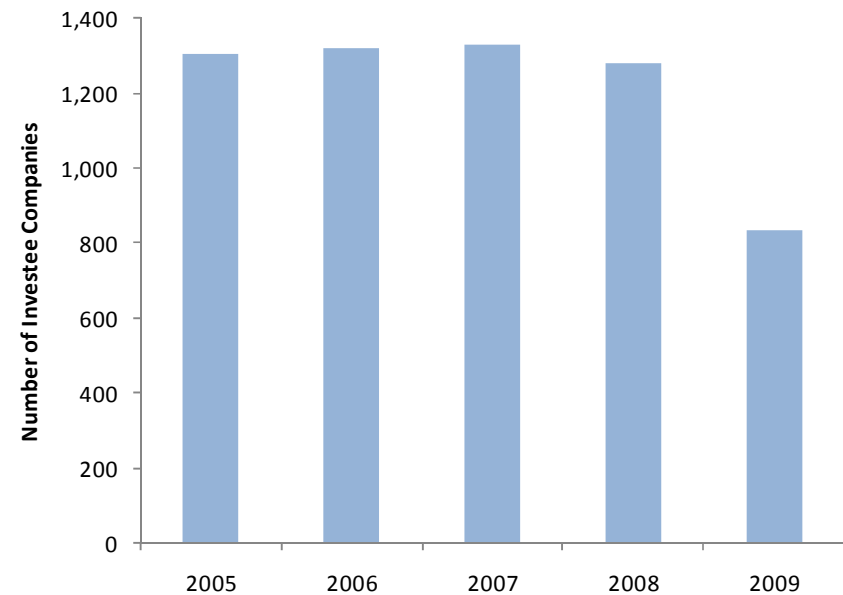
* Commodity Food Price Index, 2005 = 100, includes Cereal, Vegetable Oils, Meat, Seafood, Sugar, Bananas, and Oranges Price Indices

The VC funding climate has deteriorated markedly

Total Investment, £m



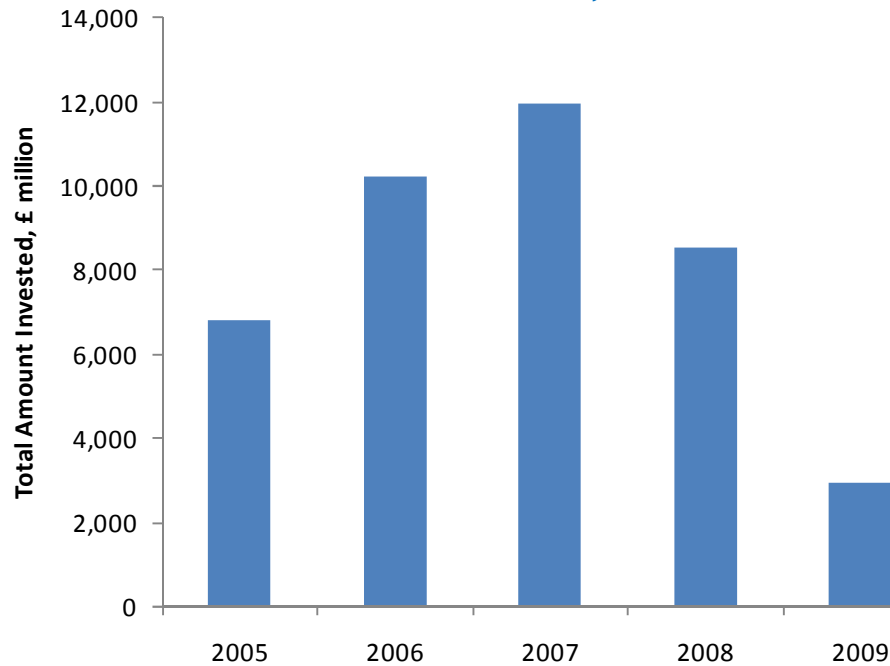
Number of Companies



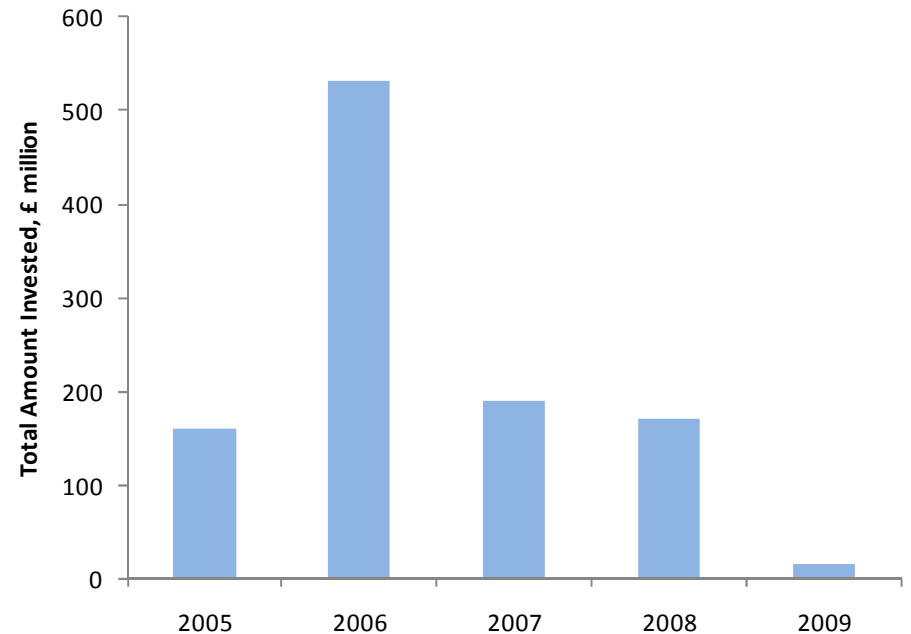
Source: BVCA

Particularly badly affected is start-up investment

Total investment, All VC/PE

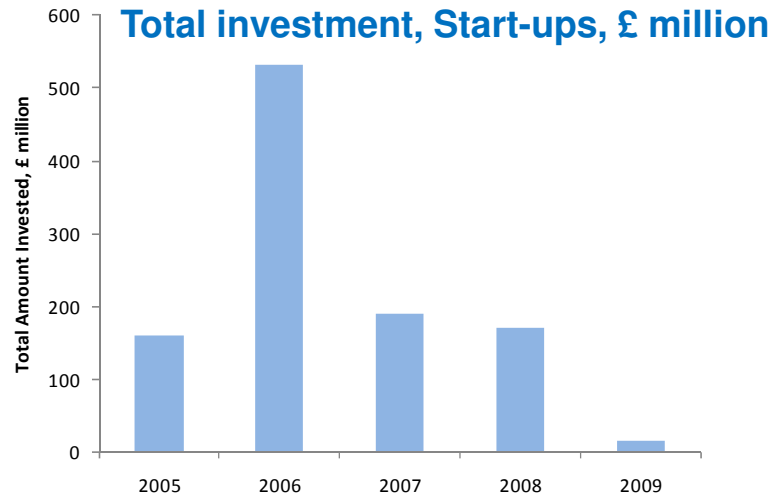


Total investment, Start-ups

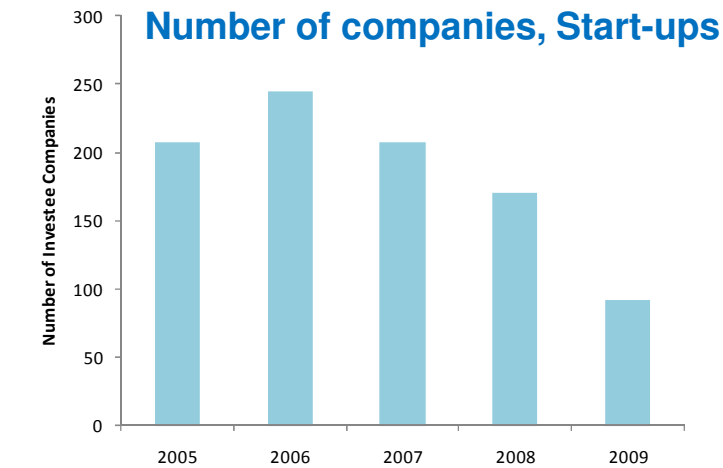
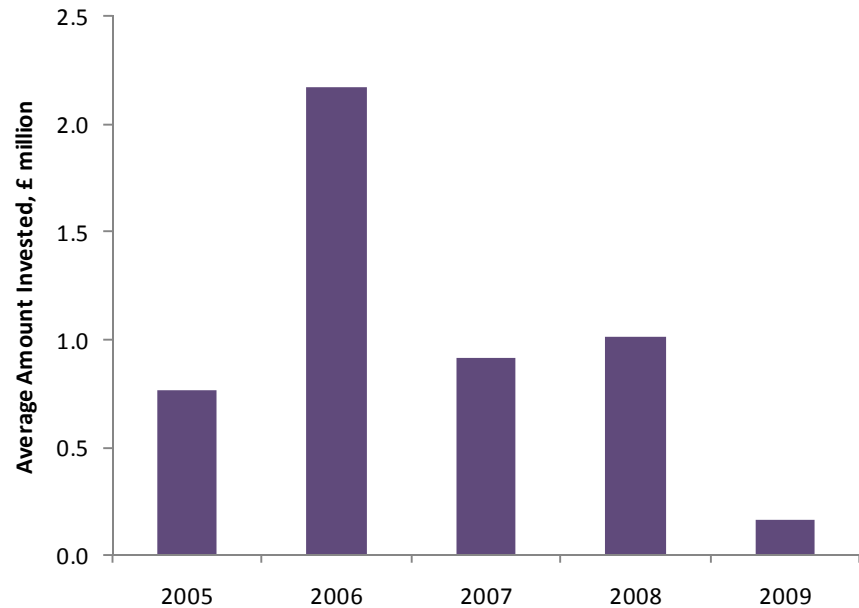


Source: BVCA

Average start-up deal sizes have collapsed



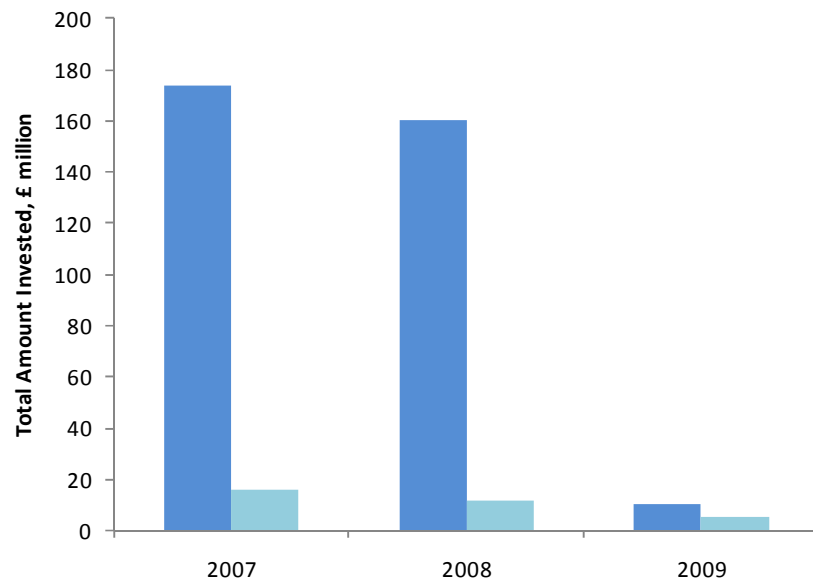
Average amount invested, Start-ups, £ million



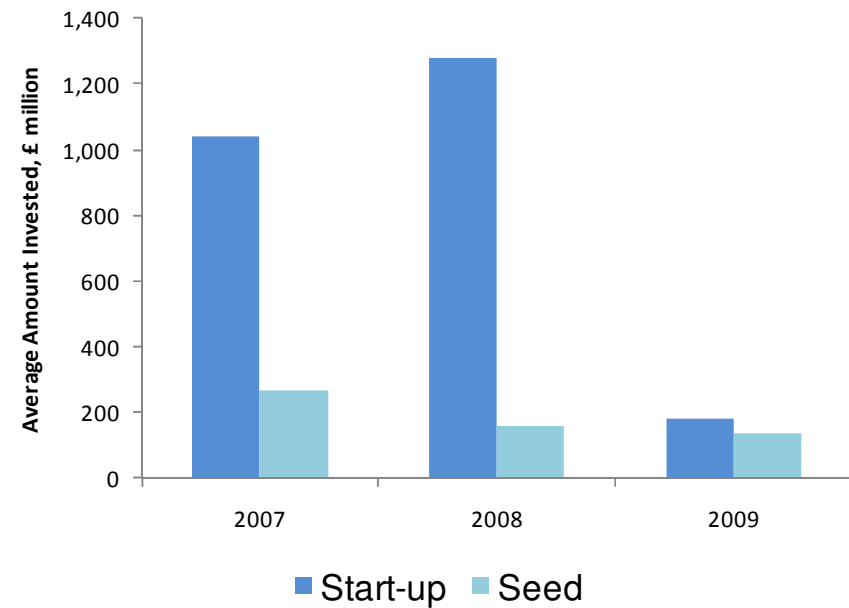
Source: BVCA

Start-up versus seed

Total amount invested, £ million

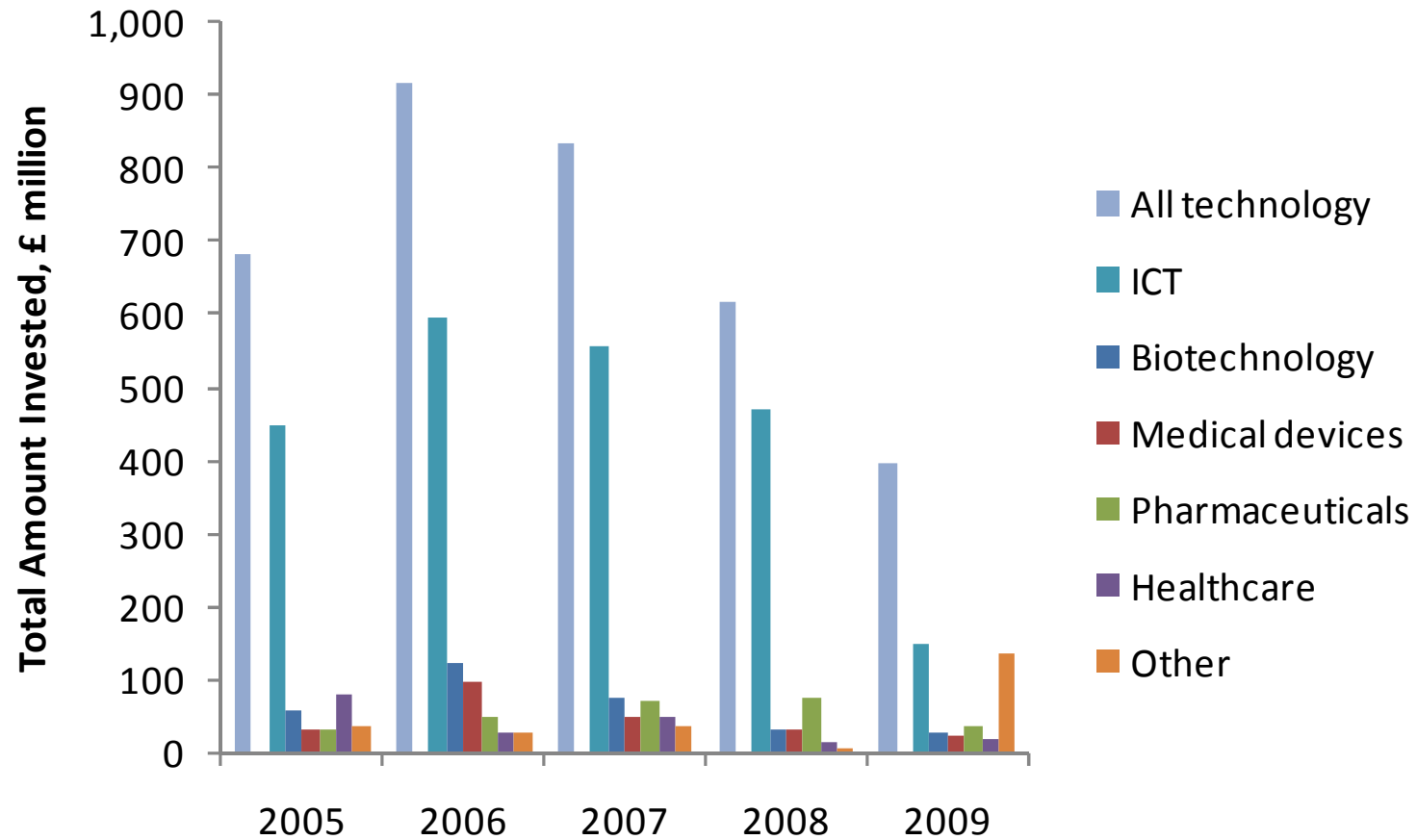


Average amount invested, £ million



Source: BVCA

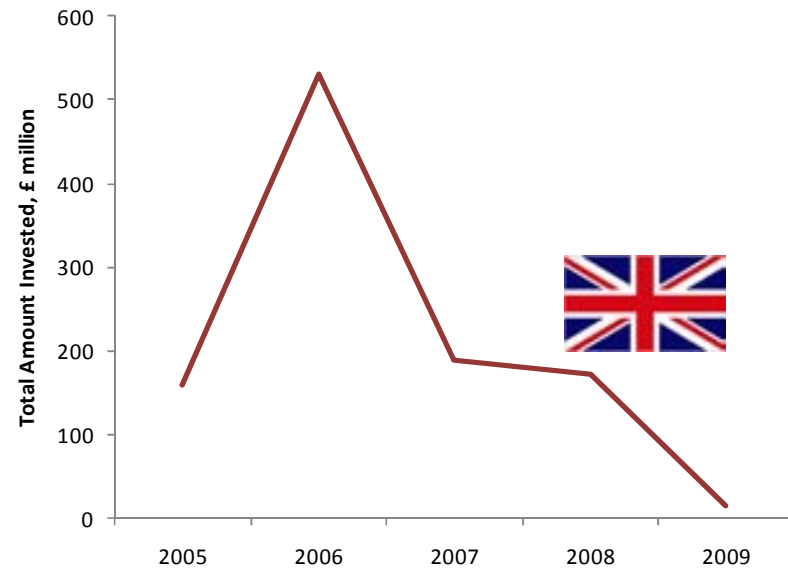
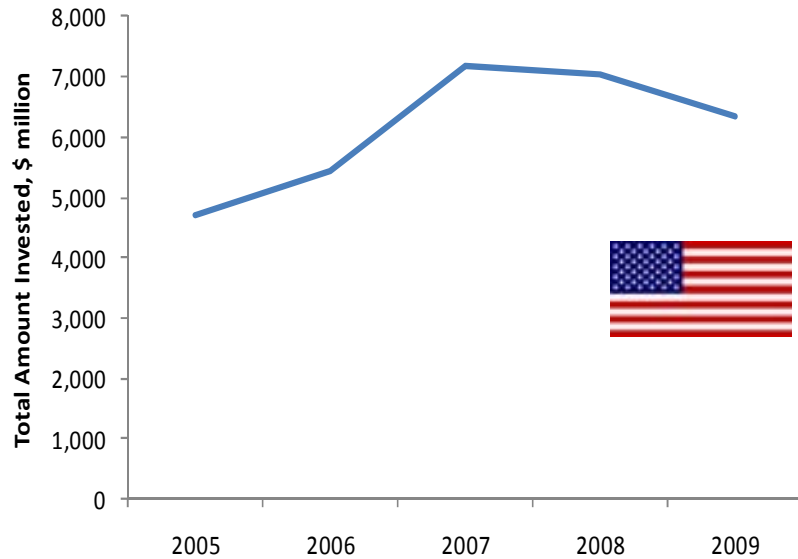
Life-sciences have especially struggled



Source: BVCA

Start-up investment: UK vs US

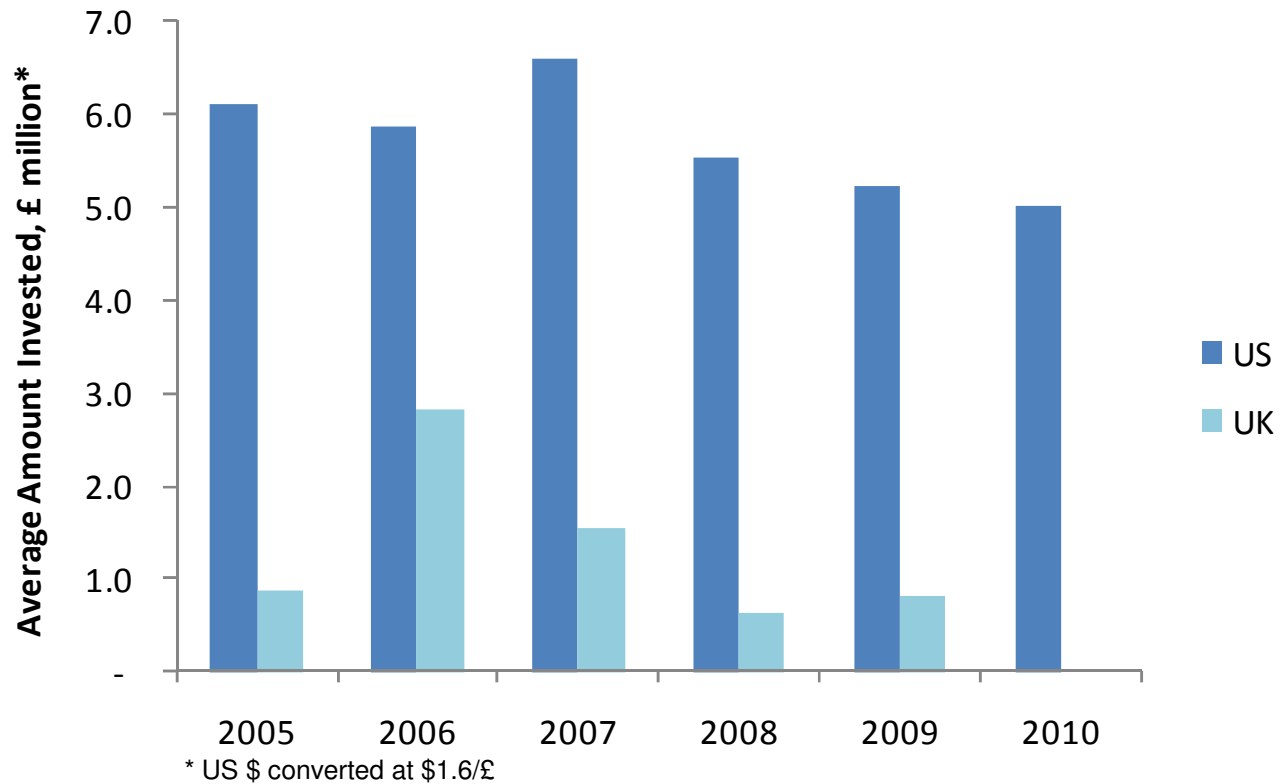
Total investment, Start-ups



Source: BVCA, US NVCA

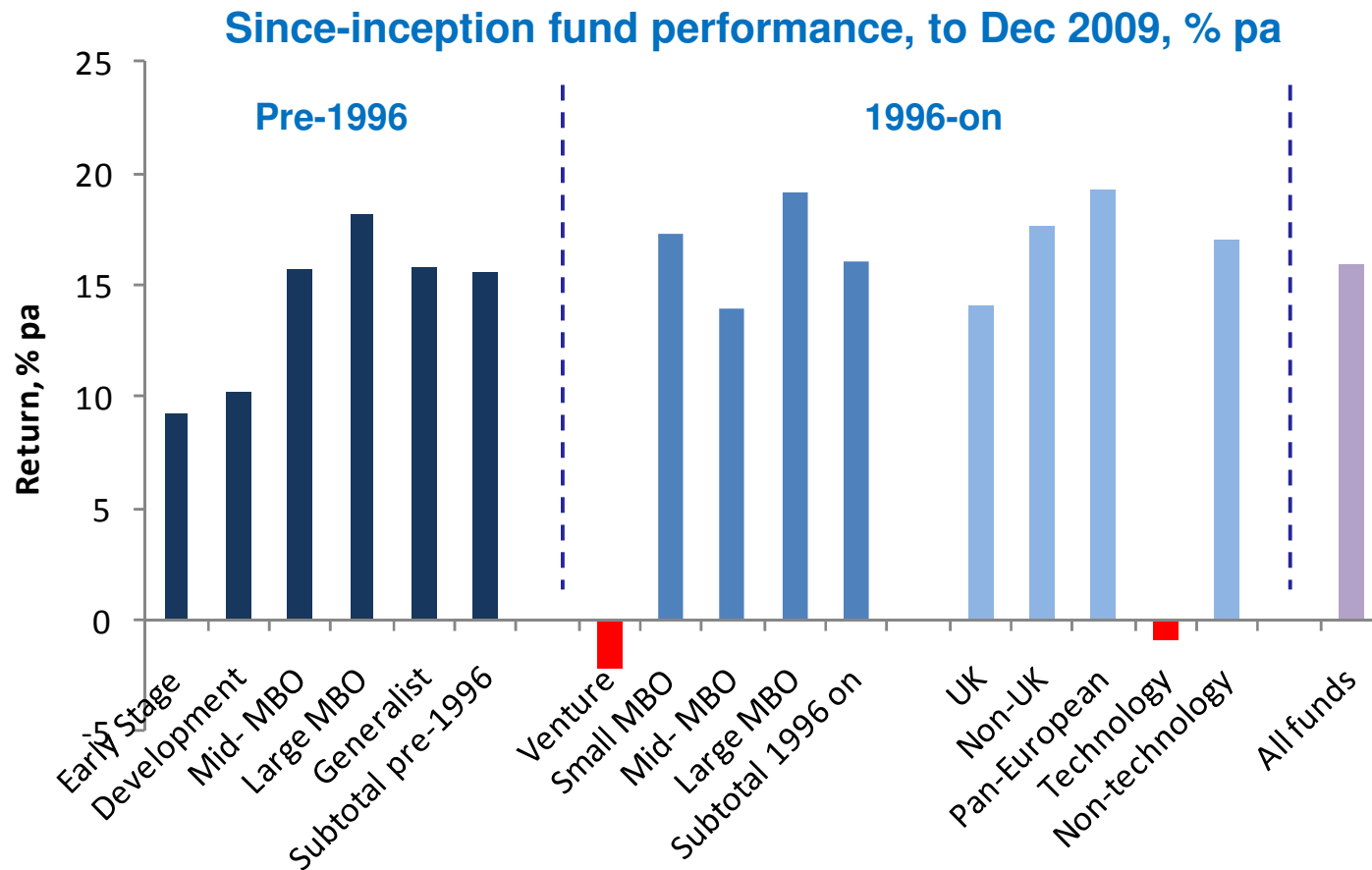
Average biotech investment – UK vs US

Average amount invested in biotech companies, £ million*



Source: BVCA, US NVCA

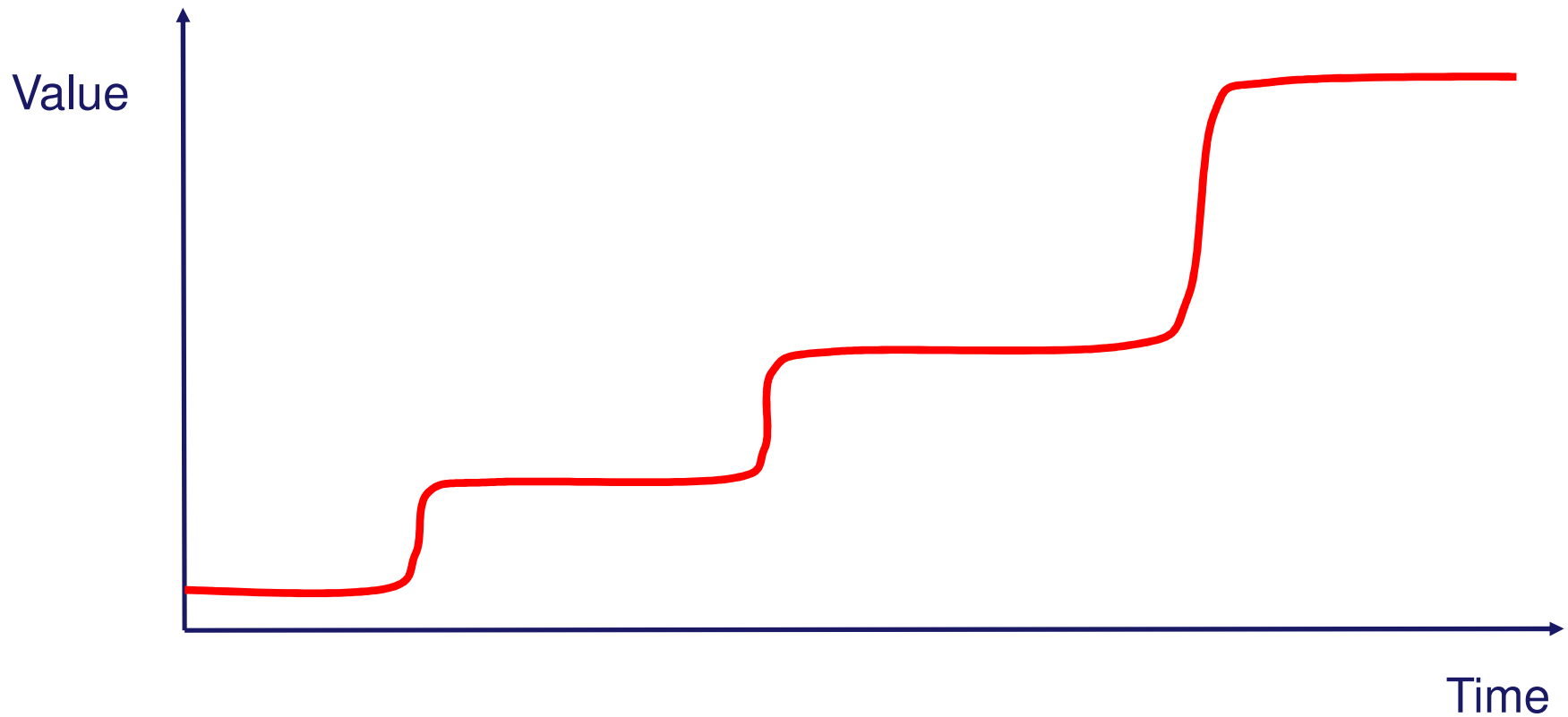
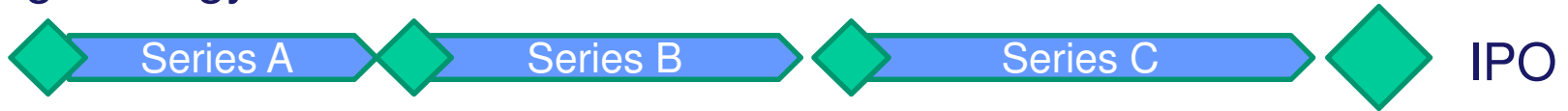
Average VC fund returns have been lamentable



Source: BVCA

The old VC investment model no longer works

Funding strategy

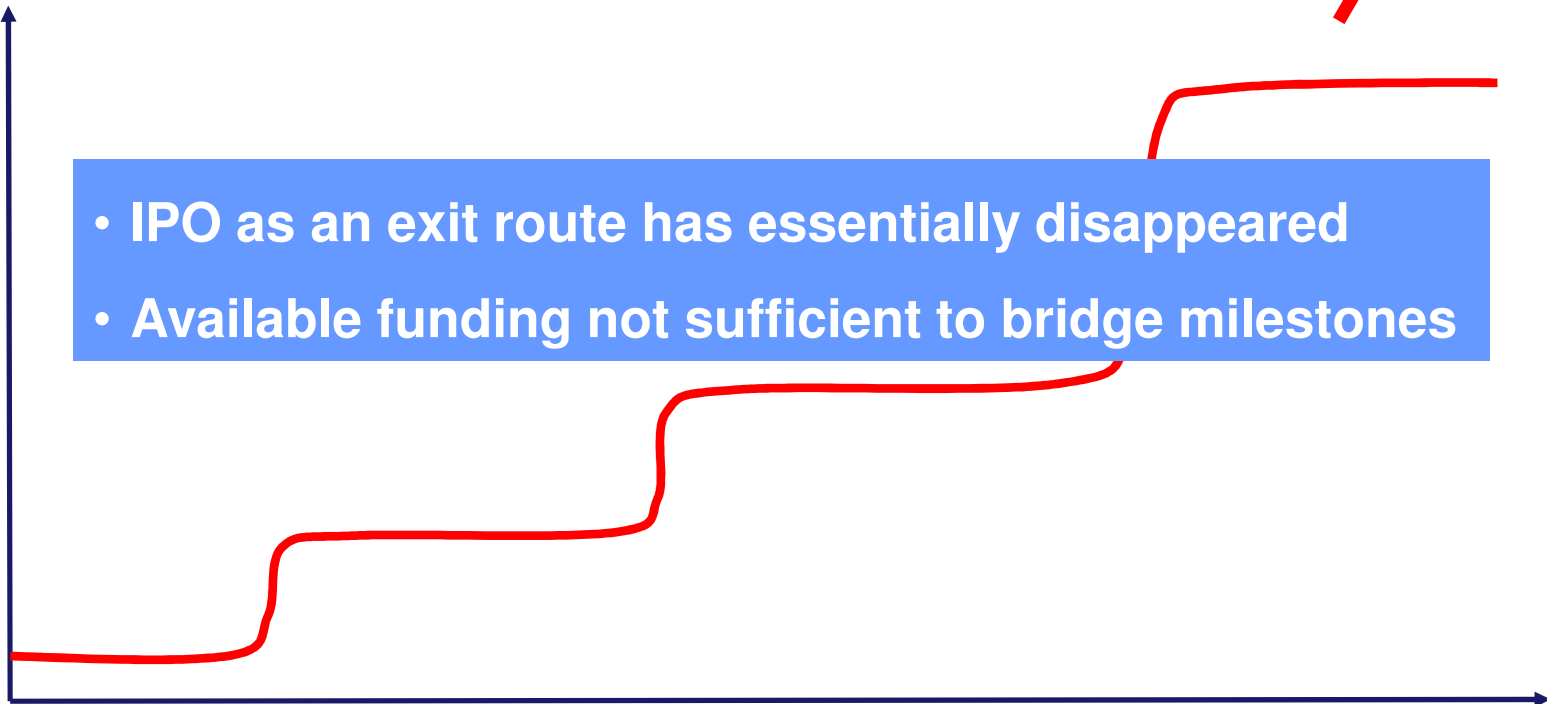


The old VC investment model no longer works

Funding strategy



Value

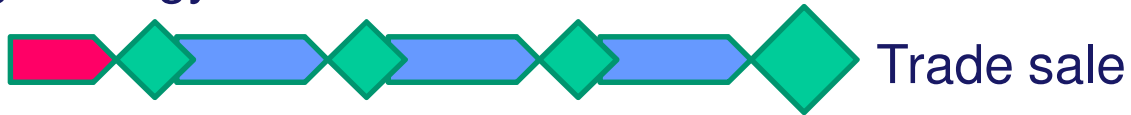


- IPO as an exit route has essentially disappeared
- Available funding not sufficient to bridge milestones

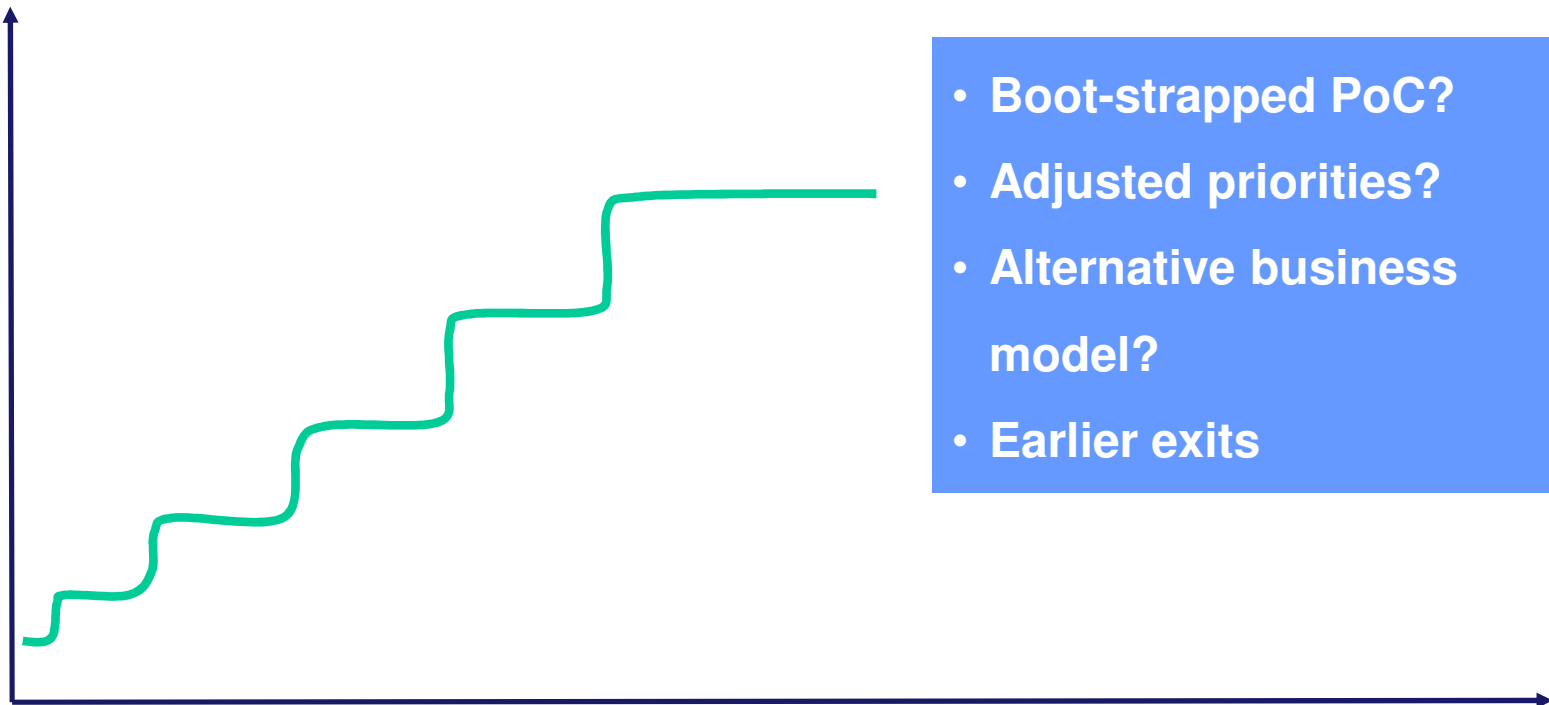
Time

Funds starvation is forcing adoption of a new model

Funding strategy



Value



- Boot-strapped PoC?
- Adjusted priorities?
- Alternative business model?
- Earlier exits

Time

Boot-strapping the investment proposition

- **Utilise “free” money to demonstrate early PoC**
 - Translational research grants
 - Follow-on Funds (BBSRC, EPSRC, NERC)
 - MRC DPFS, Wellcome Trust
 - TSB
 - Royal Society
 - European collaborative funding
 - Local/regional funds
- **Target early corporate partnerships**
 - Funding for preferential access/option
 - De-risks the proposition for investors

Preparing the ground

- **Technology**
 - Platform potential?
 - Exploitable IP position?
 - Sufficiently developed?
 - Does it have “currency”?
- **Management**
 - Technology champion to join company?
 - Right, experienced, commercial team?
- **Financial plan**
 - Viable business model?
 - Realistic milestones – “bridges not piers”?
 - Plausible exit route?

New beasts on the funding block



Finding the funding

- **Focus on the lead**
 - Many followers, few leaders
 - Lead will bring co-investors
- **Write the plan for the funder**

Investor requirements vary:

 - Quantum of funding, follow-on capacity
 - Risk profile
 - Time horizon
 - Syndication
- **Read the runes**
 - How well do you fit?
 - Many say they're investing, few actually are
 - Lots of "Maybes" few outright "Nos"
- **Allow time**

Enjoy the ride!

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