

Money matters

Simon Browning

Coming up with a great discovery is one thing, but financing its development is another matter. Simon Browning sheds some light on ways to fund a new biotechnology venture.

Hidden in the laboratories of the world's best research organizations and universities are discoveries and inventions capable of creating significant wealth. But unlike in industry, those who have made discoveries and inventions are only infrequently motivated by the possibility of exploiting a profit opportunity. After all, why go into academia if you want to be an entrepreneur?

Starting a business can be a life-changing experience. The cultural change from grant-based research to investment-based sales and production requires a major shift in mind set – it's certainly not for everyone, but with the right support scientists can choose to enter the new venture full time, or may remain within academia as a technical consultant. Few academic researchers are cut out to be CEOs of high-growth businesses.

Traditional funding routes for biotech companies have included a number of financing rounds, starting with proof of concept and seed funding before larger amounts are invested as 'Series A' and 'Series B' rounds. A tougher investment environment has led to a reduction in the number of funding rounds and pressure on businesses to produce revenue more quickly.

● Case studies

1. Syntopix Ltd

Founded by two members of Leeds University's Skin Research Centre, Syntopix has adopted a strategy geared towards the rapid discovery of effective topical alternatives to antibiotics for clinically and economically important dermatological diseases. The first of these will be *Staphylococcus aureus* infections, including methicillin-resistant *S. aureus* (MRSA), followed by acne.

Researchers Anne Eady and Jon Cove have received £500,000 through the Wellcome Trust's technology transfer division (formerly Catalyst Biomedica) for a pre-clinical research programme, and Syntopix will employ four scientists to assist the process.

New anti-staphylococcal drugs are urgently required to prevent the spread of both methicillin-susceptible *S. aureus* and MRSA within and outside hospitals. Fears are growing that MRSA is emerging as a significant community pathogen.

'The novelty of our approach lies in the combination of tried and tested agents in new ways that harness both their antimicrobial and pharmacological effects', says Dr Cove. 'Syntopix has developed a specific and efficient screening process that should facilitate the prediction of in vivo efficacy. Our goal is to remove the need for antibiotics for all but the most serious staphylococcal infections.'

The Wellcome Trust's business analyst, Dr Angela Loihl said, *'In making a funding decision, we look at the healthcare need, the potential of the technology to meet this need, and we look at the strength of the team. With this project, we were impressed with all of these factors. The innovative approach to development means that the time to market for potential drugs should be relatively short, and the focus on MRSA in particular addresses an important unmet and growing area of healthcare.'*

2. Photopharmica

Photopharmica has recently raised second-round funding of £3.5 million to sustain its business, enabling the testing of putative medicines in patients in several therapeutic areas, and the development of its pipeline through the Centre for Photobiology and Photodynamic Therapy at the University of Leeds. The company also makes photosensitizers for purpose and contracts with industrial partners to meet specific needs.

The company was originally funded by the White Rose Technology Seedcorn Fund. The fund is owned by the universities of Leeds, Sheffield and York and can provide finance to companies based on their research.

This platform technology, known as photodynamics, can produce drug candidates for a number of therapeutic indications within oncology and infectious disease with large markets and unmet medical need. The company has contracted with a major player in the photodynamic therapy (PDT) market to develop its leading anti-infective compound.

The company is aware that early revenue streams are essential to mitigate financial risk, as well as short-term enhancement of share valuation through an accelerated route to the clinic. The company has commenced industrial negotiations to co-develop intellectual property outside of its core business. The early conclusion of such a deal should result in an early revenue stream.

CEO of Photopharmica, John Lyon, said, *'Despite the difficult market, we found investors very approachable,*



and they were impressed by our solid technology and our management team which has a good mix of academic and commercial experience.'

● What help is available?

Several organizations provide support to new ventures. Most universities have dedicated technology transfer officers who can help academics to take an idea through to a viable business. Many parts of the UK have set up bioscience clusters led by regional development agencies and these will have relevant programmes. These cluster groups will have information on seed financing funds available regionally.

My own organization, Connect Yorkshire, runs a series of seminars to help new ventures become investment-ready, and holds investment conferences where early-stage companies present to potential investors.

Finding investment may not be easy, but help is at hand and the best ideas will be funded. Persistence and dogged determination are vital attributes and will also indicate the quality of the management team.

● *Simon Browning is the Managing Director of Connect Yorkshire, a support organization for early-stage technology businesses. He has a background in Electronic Engineering and spent 10 years as managing director of an international electronics and software company based in Bradford.*

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Bryan Greener presenting for Materialise at a Connect Yorkshire Investment Conference.
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BELOW:
Professor Stan Brown of Photopharmica.
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