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Cash Starved at Home, Europe's Biotech Firms Seek U.S. Funds

- European startups eye J.P. Morgan event in California
 - Biotech financing lags rest of tech; Europe behind U.S.
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For a 28-year-old biotech entrepreneur, Frenchman Xavier Duportet has a standout resume: a PhD in biology and genome engineering from MIT and Inria, a lab at Paris's Louis Pasteur Institute, and award-winning research with his name on it.

Still, in Paris, as in capitals across Europe, it's much harder for him to raise money than for most of his tech peers.

To find the support they think is lacking back home, companies like Duportet's Eligo Bioscience, as well as larger rivals that have already tapped the stock market such as OSE Immunotherapeutics SA and Celyad SA, have headed out to the J.P. Morgan Healthcare Conference starting Monday to meet U.S. financiers.

"France is a great place for innovation, with brilliant minds that cost half what they would in the U.S.," said Duportet, who's seeking 25 million euros (\$26.2 million) to finance clinical testing of his startup's treatment of drug-resistant bacteria on humans. France's Seventure Partners, which pitched in on Eligo's 2.4-million-euro fundraising in 2015, will participate again in the next round and Duportet is talking to other local funds, but "to raise money we need more investors who know pharma and can put in bigger amounts -- we're talking to investors in the U.S."

France has a history of strong innovation and has spawned a strong talent pool thanks partly to research tax breaks and subsidies. But over the past five years its push to reverse a shortage of venture capital investments has succeeded only in some startup segments, leaving others like biotech behind.

Investment in digital technology reached \$1.4 billion in France during the first nine months of 2016, second in Europe only to the U.K.'s \$1.8 billion, according to a report by CB Insights. It was positioned to leapfrog the U.K. in the final quarter of last year, investor Bpifrance said in an interview mid-December.

Meanwhile, venture capitalists invested just 250 million euros into health sciences startups in France in the first nine months of 2016, of which 147 million euros was in biotech. While that's nearly doubled over the past five years, it's still short of the 485 million euros in estimated financing needed by the industry for the coming two years, according to a report

by industry group France Biotech. There are few individual rounds of more than 15 million euros, the report showed.

Go Public

A number of biotech entrepreneurs have turned to the stock market instead, raising money via initial public offerings and through further share issues, said Philippe Pouletty, co-founder and managing director at venture capital fund Truffle Capital. But there too, startups are hitting a ceiling beyond the 70-million-euro mark, and have to turn to the U.S. for more, he said.

The U.S. had some 86 percent of global biotech money in 2015, according to a report by EY. Financing amounted to \$61 billion including both private investors, IPOs and debt; six times the European level.

“Up to a certain point you can raise money fairly easily in France or in Europe, but whether through private money or on the stock market, the upper stage of the rocket is missing,” said Pouletty, whose fund has invested 200 million euros in biotech and medtech. “There just aren’t enough large specialized funds.”

One example is Belgian company Celyad. It had a European IPO in 2013 in Paris and Brussels, before listing on the Nasdaq two years later and raising \$100 million by selling shares in a global offering.

OSE Immunotherapeutics, a biotech that had its IPO in 2015, is sending two representatives to the J.P. Morgan Healthcare Conference to prospect investors and discuss options for its international expansion, its Vice President Maryvonne Hiance said.

Hiance, who also presides over industry group France Biotech, said while the French and European ecosystems are headed in the right direction, showing up to San Francisco in January and meeting investors there is essential.

“Things are looking up for European biotech financing -- recent success stories and financially sound companies coming out of this part of the world are attracting a broader range of investors,” Hiance said. “But looking back it’s clear there’s been a surge of enthusiasm for digital tech in Europe, and biotech was left on the side of the road.”

By **Marie Mawad**