INTRODUCTION

Welcome to the latest newsletter from the Hume Brophy Healthcare team

Mary Clark, Head of Healthcare

I hope everyone has had a great Easter! This month, Andy Smith, Chief Investment Officer at Mann Bioinvest Limited shares his views on the market for Biotech stocks.

We also provide a spotlight on the upcoming elections and include as usual people moves across the sector and key events for your diary.

We hope you enjoy our newsletter and look forward to your feedback.

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@Hume_Brophy

ON THE MOVE

We want to keep you up to date with sector moves, so please let us know if you have moved or are aware of any moves we have missed. In the meantime, here’s what we’ve heard…

MEDIA
- Kevin Grogan left PharmaTimes and is now freelancing
- Angela Cottrell is now Editorial Manager at Pharmaceutical Manufacturing and Innovations in Pharmaceutical Technology (IPT)
- Rowan Hooper has been promoted to Managing Editor at New Scientist

ANALYSTS
- Delphine Le Louët is covering Biotech at Société Générale and Justin Smith is covering Pharma

BANKING
- Thomas Stockman has moved from Citi to join Royal Bank of Canada
- Lachlan Towart is now at UBS Wealth Management in Zurich

FUNDS
- Malin Corp plc - Life Sciences investment fund listed on the Irish Stock Exchange raising €330 million ($352 million) in one of Europe’s biggest biotechnology IPOs
- Vivo Capital - closed Fund VIII raising $750 million

ACCESSING US CAPITAL
14 April 2015, 5.30 to 8pm

As UK and European Healthcare companies look to raise their profile with key investors/asset managers in the US, we are often asked by our clients ‘what are the success factors for raising capital in the US?’

In 2014 Hume Brophy partnered with US based firm, Burns McClellan, to create greater value for our clients looking to enhance exposure within the US investment community. This month, we join forces to host an event in London in partnership with Weil, Gotshal and Manges on Accessing US Capital.

Venue:
Weil, Gotshal & Manges, 110 Fetter Lane London EC4A 1AY

Our Head of International Healthcare, Mary Clark, and our US healthcare partner’s CEO, Lisa Burns, will share their experiences on the investor landscape in the US, market sentiment for European companies and top tips for successfully raising finance.

The evening event will comprise of a presentation on the US investor landscape, as well as a panel session looking at:
- How can you successfully raise money in the US?
- What is the US investor appetite towards European companies?
- What do US investors look for?
- What is the best way to approach them?

If you wish to attend please send an email to healthcareteam@humebrophy.com

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BIOEQUITY EUROPE 2015
May 19 - 20, 2015 • Vienna, Austria

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THE START OF THE NEXT BIOTECH PULL-BACK

Andy Smith  
*Chief Investment Officer at Mann Bioinvest Limited*

Yes, it has started. As the end of March drew near - and characterised by, as the sell-side analysts say, a weak biotech tape - the markets tended towards free-fall and investors started to reach for their tin hats (or in today’s military vernacular, Kevlar battle bowlers). Many observers, including me, have mentioned the word ‘overvalued’ and the phrase ‘top of the market’ for months now and it is strange to see the investment bank analysts now describing the losses being experienced by investors as ‘healthy’. There is nothing healthy about losing your investors’ money when your job is exactly the opposite. So, before we look at how we are going to do the opposite, let’s think about how we’ve got here.

"We are in a more mature life science environment than we were in 2001"

The NASDAQ Biotech index has only just faltered after finishing up 240% since the start of 2012 and while many investors have correctly stated that biotech is in a different place since the last bubble burst. With more companies with consistently profitable business models, now the shooting has started and there are going to be casualties on all sides of the market capitalisation spectrum. Much of the recent hubris came about because of the increasing number of new drugs being approved by the FDA. With ten new drugs approved this year up until mid-March, and 41 in 2014, this is an unquestioning level of productivity. However, when was the last time you remember a UK-domiciled biotech company getting a drug with blockbuster potential approved?

Even worse, whilst we can attribute many of these new drug approvals to the renaissance in pharmaceutical company pipelines, we divested both our GlaxoSmithKline and AstraZeneca holdings last year because they are suffering from the same lack of commercial productivity as UK and European biotech companies. So in at least one way, it is no surprise that the pull-back has started and it feels that generalist investors woke up one recent Spring morning and wondered ‘what on earth am I invested in that for?’ This could be the other reason for the current retrenchment. I’ve been fairly public in my disdain for most of the recent IPOs that have come to the market, not for their science, but because of the disconnect between the risk of their products, the number of patients they have treated and their lofty valuations. It was perfectly logical back in 2001 for a private gene therapy company that had treated a handful of patients to have a $25m valuation.

"The NASDAQ Biotech index has only just faltered after finishing up 240% since the start of 2012"

The only difference between that same company at that same stage today, is that it now has a $3bn public valuation. We are however in a more mature life science environment than we were in 2001 and that $3bn gene therapy is not about to go all the way back to $25m in this current pull-back (unless it causes a case of lymphoma or leukaemia, which could happen), but for moment with the flight away from risk, every healthcare company from Johnson & Johnson down will get cheaper - it’s called collateral damage, and for investors like us who hope to have a new fund to invest when this all bottoms out, we intend to make the most of it. The key question now is not why has this pull-back come about, but how long it will go on for?

The reasons we are in the middle of this retrenchment might now seem obvious (always in retrospect). As investors, we need to decide what we are going to do about it. The tension here is that our investors pay us to give them life science exposure come fair weather or foul, not a load of cash. On the other hand, our investors also do not want us to consciously lose them money by investing in the most risky and least advanced assets. One of the answers is to move up the market capitalisation spectrum, increase our weighting in healthcare sectors, unlike small and mid-capitalisation biotech, that have more tangible fundamental biases like profits, free cash flow and dividends.

Another approach is to hold more cash with a view to re-investing in the short-term since last year’s pull-backs were over fairly quickly and the active funds could have made reasonable money by investing close to the bottom. Until we get to that point, recent IPOs and secondary offerings will fall below the issue price and private fundraisings will be delayed. If you were thinking about an IPO or your next private round but no one is taking your calls this week, I would take the summer off and come back after Labor Day.

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DATES FOR YOUR DIARY

APRIL
14-15 Needham and Co. 14th Annual Healthcare Conference, NY
14 Accessing US Capital, London
15 ONE NUCLEUS: Dementia Investment Forum, London
16 8th Kempen&Co Healthcare/Life Sciences Conference, NY
28 Healthcare Europa, London

MAY
5 Mizuho Securities Healthcare Corporate Access Day, NY
5-7 Baird Growth Stock Conference, Chicago
6 FT US Healthcare and Life Sciences Conference, NY
6-7 Deutsche Bank 40th Annual Health Care Conference, Boston
11-14 Bank of America Merrill Lynch 2015 SmidCap Conference, Las Vegas
11-13 BioTrinity, London
18-20 UBS Global Healthcare Conference, NY
19-20 BioEquity Europe 2015, Vienna

JUNE
1-4 Jefferies 2015 Global Healthcare Conference, NY
9-11 William Blair 35th Annual Growth Stock Conference, Chicago
11 European Mediscience Awards 2015, London
15-18 BIO International Convention, Philadelphia
15-16 Citi European Healthcare Conference, London
23-24 JMP Securities Life Sciences Conference, NY

NOTICE BOARD
Meet the Hume Brophy Healthcare team at the following events
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Dementia Investment Forum
15 April 2015, London

In November 2014, Hume Brophy supported the One Nucleus dementia roundtable looking into the challenges and opportunities represented by Dementia. We once again continue this discussion with a larger event focused on investment in Dementia organised by One Nucleus and supported by Hume Brophy on 15th April at the Queen Mary Innovation Centre.

The event will once again assemble a range of experts in the field taking part in panel discussions and company presentations throughout the day.

PROGRAMME
Panel 1: Investing in Technology in Dementia
Panel 2: Investing in Therapeutics in Dementia
Panel 3: How can Public-Private Partnerships Change the Dynamic?
Please see full programme here

BIOTRINITY 11-13 MAY 2015

BioTrinity 2015 brings you more and more each year, and continues to be a powerful catalyst for deal making and fundraising. Europe’s most influential partnering and investment conference is a critical event for life science CEOs, senior R&D executives, big pharma licensing and development managers, and biomedical investors because it can add real value in supporting your business objectives.

BioTrinity 2015 boasts its strongest line up of industry leaders yet discussing:
• Impact of ongoing pharma externalisation on emerging companies
• What changes in the sourcing of innovation by large pharma and medtech mean for small and medium sized companies
• Trends in founding and starting-up new biotechs including seeding
• Significance of a growth in multiple forms of investment by larger corporates and corporate venture
• Opportunities arising indirectly from M&A and consolidation
• How they value early-stage therapeutic assets
• Expert advice mixed with unrivalled opportunities for informal interactions to form and foster strategic relationships:
• Design your opportunity - select who you want to meet in one-to-one meetings through partneringONE. Visit the BioTrinity website to see the latest list of investors attending
• Present or watch company showcases

Download the programme here
SPOTLIGHT ON... THE ELECTIONS

Ipsos-MORI is one of the UK’s largest and most respected market research and polling companies. Its CEO, Ben Page delved into the world of polling and prediction of electoral outcomes, outlining the variables, patterns and possible outcomes of the 2015 General Election at a recent City of London Election Preview Breakfast, hosted by Hume Brophy. The event involved an intimate and informative presentation, highly insightful Q&A session, and was a great opportunity to gain insight into the outlook of one of UK’s most far reaching polsters. Given the highly unpredictable election outcome in May, Ipsos-MORI’s strategic intelligence shed some valuable light on the nuances of political developments for British industry.

The 2015 General Election is polled to be one the tightest and most unpredictable in decades. Latest polling suggests the Conservatives and Labour are almost neck and neck, yet no lead is currently substantial enough to indicate a win for either party. The Conservatives currently hold 302 seats – Labour 256. On May 7th, the former will need a swing of 2% in order to win the 20 extra seats they require to govern on their own. In turn, Labour needs a uniform swing of 5% to gain the 68 seats it requires to win its own outright majority.

Realistically, there are two outcomes we should prepare for following Election Day. The first would be the largest party attempting to legislate and govern with a minority government, and the second (and most likely) would be another left or right leaning formal coalition.

The dominance of the two main parties is faltering, with a new trend for smaller parties taking an increasing share of the electorate – UKIP are now in third, with 13%, the Liberal Democrats with 9%, the Greens with 5%, with the final 6% to other minority parties. (As of 10th April 2015, BBC poll of polls)

In terms of implications for healthcare, Labour’s Shadow Secretary of State for Health Andy Burnham has said he will repeal the Health and Social Care Act, with the key target being the reversal of NHS privatisation. While it’s not clear that the competition elements of the Act can be repealed without withdrawing from Europe, if Labour tried to implement its position as stated by the Shadow Health Secretary, there would probably need to be another significant reorganisation of the service, arguably even larger than the 2010–13 reorganisation.

Top three issues voters look at are:
- Healthcare (46%)
- The economy (33%)
- Immigration (27%)

In terms of business, the FTSE 350 companies are generally behind the government with 86% agreeing that the current government’s economic policies will improve the state of the economy.

Have the voters decided yet?
- Before the 1992 General Election, 18% of voters hadn’t made up their mind. In 2005 this was 25%, in 2010 it was 45%, and now currently stands at 50% of the electorate
- Party alignment has gone - age is now a better predictor of voting intentions than social class.

OUR INTERNATIONAL TEAM

MARY CLARK  SUPRIYA MATHUR  HOLLIE VILE  EVA HAAS  ALEXIA FAURE  CONALL MCDEVITT

EOIN BROPHY  KEVIN BRADLEY  ROBERT CONDON  STEPHANIE REEVES  CARL GIBNEY  MARIA CRYAN

ABOUT US

Hume Brophy is an international communications firm specialising in PR, IR, public affairs, corporate and financial communications, and has a team of over 80 consultants based in London, Brussels, Dublin, Paris and Singapore.

We recognise the need for companies to communicate to a much wider set of stakeholders in the new age of healthcare and that it is no longer sufficient for practitioners only to have certain skill sets. With the scrutiny on healthcare systems as constant and intense as it has been for many years, it’s critical that the industry is communicating its message properly.

Our specialist healthcare team combines global industry knowledge and expertise in public relations, investor relations with government & EU regulatory affairs.

We understand the diverse nature of the healthcare industry and the roles that its constituents play. This means that we can deliver unrivalled healthcare solutions to help clients communicate with the major decision makers and important influencers across the investment community, media, regulatory & legislative bodies, and major political parties and institutions in Europe.

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