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BIO SCIENCE VALUATION
Knowledge and Evidence-based Solutions

„The only way is up ...?“ — The race for a
Covid-19 vaccine is in full swing worldwide
By Dr. rer. nat. Joachim M. Gruel and Thomas
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Round-table Biotechnology

A mutual
corridor

Gene therapies in NRW

A fertile
soil

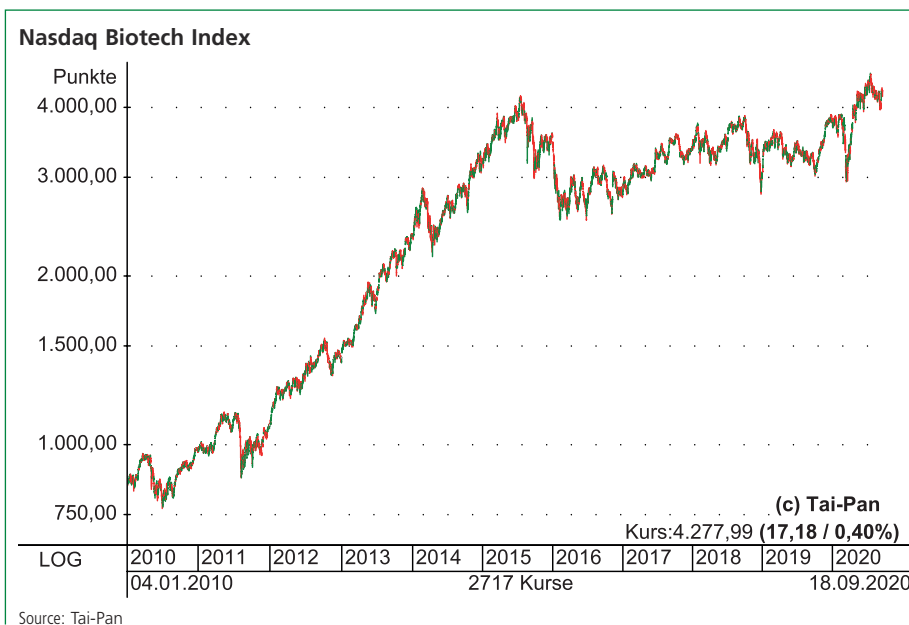
Made in Germany

Biotechs and FDA
approvals

„The only way is up ...?“

The race for a COVID-19 vaccine is in full swing worldwide

Numerous stock exchanges have reached new all-time highs over the last six months, and the enthusiasm for technology stocks has known no bounds. In the meantime, the stock-price-to-book-value ratio for the NASDAQ-100 at 8.1 was clearly above the long-term average of 4.1, which poses challenging tasks for stock-listed German biotech companies in terms of positioning, valuation, and capital market communication on the US stock exchanges. **By Dr. Joachim Greuel and Thomas Loeser**



The volatile stock market situation also presents considerable challenges to biotechs.

The need for discussion regarding the competitive advantages of the technology platform, market and sales potential of the development and product portfolio, as well as the commercial potential of strategic pharmaceutical alliances are becoming ever greater. The communication intensity regarding the valuation components discussion conducted with the management and investors, in particular regarding stock-listed companies, has increased this year. Supporting and valuation-relevant assets are either inadequately communicated and recognized or subject to excessive expectations that make it difficult for the company to grow into realistic valuation corridors.

In both cases, a differentiated value proposition should be developed and continuously communicated as a key component of the equity story.

Access to International Capital Markets

For this reason—and in view of the sector search of banks in Germany that has shrunk almost to zero as a result of the MiFID II Directive—financing also presents a great challenge to Germany's beacons of cutting-edge research—especially on the domestic capital market. Among the few exceptions are the German companies BioNTech and CureVac. The Bill & Melinda Gates Foundation not only recognized the potential of mRNA technology and its potential applications at an early stage, but it also prominently supported, with its investment in these two companies, the commitment of

Germany's main investors and laid the first milestone towards the US capital market. Also, Bill Gates later placed his investment in a global context by postulating in an interview in 2020 that a COVID-19 vaccine must be classified as a global public good and therefore be affordable and accessible to all. In order to achieve these goals, the G20 should, already today, deal with the logistics of a global immunization project, said Gates. Access to US capital markets is certainly an important factor for good valuations.

Financing via Nasdaq IPO: Entry into the Champions League

CureVac's brilliant Nasdaq stock market debut has impressively confirmed the performance of German biotechnology. For the time being, the financing of all development programs, additional growth, and the establishment and expansion of urgently needed production and distribution capacities have been secured, and, with the tradable share, the company now has a



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second currency, which it can use for the development of the company as well as for other transactions. Since the total investments of US\$373 million achieved in the IPO environment were not entirely generated from financial investors, but also from strategic alliances and political commitments, there is now a necessity to deal with a large number of new shareholders and stakeholders in Germany, worldwide, and especially on the US capital market simultaneously.

The New mRNA Peer Group: Pressure of Expectation from All Sides

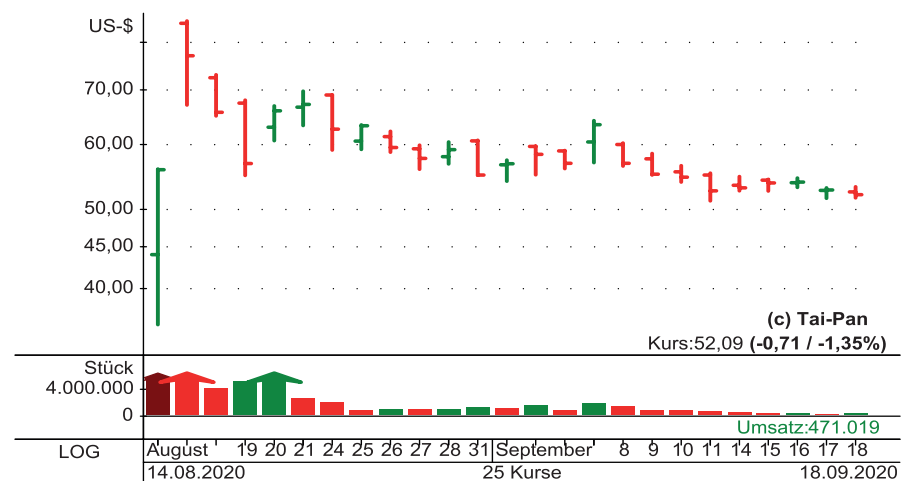
After the IPO, along with Moderna (and a few others), two German companies, CureVac and BioNTech, are now counted as part of the global mRNA Peer Group that participates in the race for the development of a Corona vaccine; all of them are subject to the enormous pressure of expectation, which is also politically fueled by the upcoming US elections. However, the principle of "safety and quality before haste" must always be applied, regardless of particular interests. In the context of a recently established global BioPharma initiative, and given the development periods that already have been drastically shortened in historical comparison, this postulate was formulated clearly by all participants.

"Managing Expectations"

The development of a sustainable, long-term, and transparent communication strategy is the key factor for the successful long-term positioning of a company in the private as well as in the public capital market. In the US, there are several longstanding Life Sciences-focused investor/public relations boutiques for this purpose; the top quartile is based in Boston, such as LaVoie Health Science, which has already accompanied a number of German/European biotech companies on their way to the IPO and subsequently served these companies on the US capital market and Nasdaq. In particular, the following topics will be covered:

Investor Relations: The Fifteen-Slide LHS Presentation lays a foundation for the communication with the capital markets and the research departments of the investment banks. LHS'

CureVac (ISIN NL0015436031)



Source: Tai-Pan

relationships with decision-makers in the industry and investment community form the basis for a network of "trusted relationships" that are continuously expanded and deepened as part of an international marketing and conference strategy focused on "thought leadership."

Public Relations: The second stage of the LHS immersion concept addresses the different interests and communication needs of industry, politics, and society in Europe and the USA. The individual company news flow and a targeted media strategy should ensure a continuous presence in the international press as well as in leading trade publications, industry, and trade. The discussion of clinical milestones and the dialogue with patient and specialist organizations also keep the company in the focus of media attention.

Social Media: The parallel presence in all international channels not only addresses the individual information and communication needs of different social and age groups but also aims to prevent distortions of representation and perception as well as potential misinterpretations.

Crisis/issue Management: Another factor that is often overlooked or considered too late is the managing of the inevitable "pipeline setbacks" in the industry and the company's subsequent re-evaluation and communication policy. The

LHS immersion concept also includes tried-and-tested strategies on this topic, which are already applied when it is important not to be automatically compromised by collective liability in the event of setbacks by competitors.

Conclusion

Germany is on the right track. The successful positioning of two companies as technology leaders and possibly as market leaders in the race for a Corona vaccine is a significant success for the region. However, setting the course for further successful growth requires, already today, a considerable extent of new capabilities and additional resources. Special attention needs to be paid to the transparent communication of company position, strategy on and valuation of the capital markets, and all stakeholders from industry, politics, and economy. Cultural differences between Europe and the USA must be addressed in an integrated overall context as well as the dealing with particular interests. Today, both here and in the USA, the biotechnology ecosystem has mature and resilient structures with great sector expertise that can now be used in a network. This way, Germany becomes an important global player, not only in the triumph over the most challenging global pandemic in human history but also in the advancing into new dimensions with its partners.