

MAXIMISE BIOTECH VALUE CREATION

To create value in biotech, and ultimately secure the investment required to succeed, strategic and operational excellence is essential. Moving quickly to the next value inflection point requires biotech companies to have a compelling strategic focus and clear asset prioritisation. They will also need a fit-for-purpose operating model to optimise decision-making, capabilities, and culture.

AGREE A CLEAR STRATEGIC FOCUS

Biotech companies often face challenges deciding which assets to prioritise, which market opportunities are the most promising, and how to sequence projects. The first step to answering these complex questions is to agree a clear strategic focus: a coherent company vision with a clear path to achieving it. To do this, three key questions must be addressed:

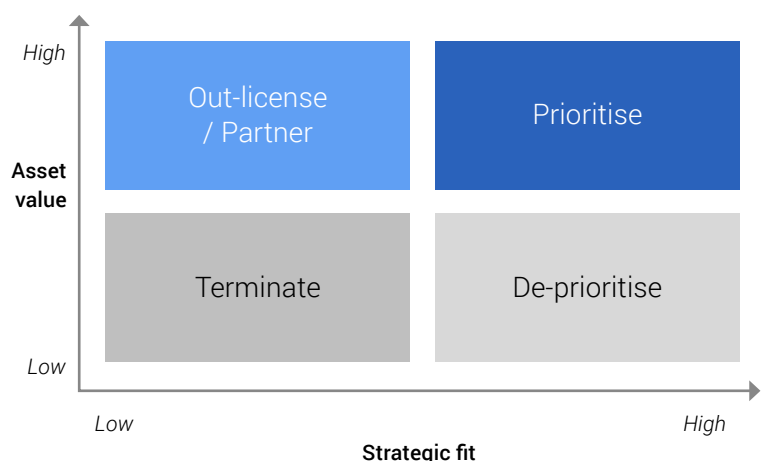
<p>What are the investor expectations?</p>	<ul style="list-style-type: none"> ● Identifying the right investors, whose expectations match the focus of the company, is critical ● Considerations include their investment horizon, exit plans, risk appetite, and how much they are willing to invest ● Investor expectations will influence the value creation approach and time horizon (e.g., progressing priority assets quickly to next value inflection point for out-licensing vs. building an integrated company with commercialisation capabilities, and considering out-licensing lower value assets to fund the development of priority assets)
<p>What type of company do we want to be long-term?</p>	<ul style="list-style-type: none"> ● A compelling vision is a powerful enabler of creating a highly motivated and aligned business ● It is important that the vision is aspirational and at the same time, specific and achievable
<p>What is our competitive edge?</p>	<ul style="list-style-type: none"> ● The vision and path to achieving it need to be anchored by a biotech company's unique capabilities and expertise in a particular technical and/or scientific domain

A powerful strategic focus outlines the type and scale of company you want to build, the focus in terms of therapeutic areas, technologies, and level of innovation, and how this will be achieved. It is the basis of a compelling value proposition to attract investment, partners, and talent.

UNDERSTAND ASSET VALUE

Once a strategic focus is established, biotech companies often seek to value their assets using traditional methods (e.g., risk-adjusted NPV, comparables analysis). Done well, these are worthwhile foundations for a useful valuation. However, they are limited by the high risk and level of investment required for early-stage assets and do not account for how well the assets fit the company strategy. A holistic evaluation is therefore required, one which considers both asset value and strategic fit (see Figure 1).

Figure 1. Asset Prioritisation Matrix



Example: An early-stage biotech had three promising assets but insufficient resources to progress all three simultaneously. Through discussions with the executive team and shareholders, a strategic focus was agreed. The three assets were then evaluated for both strategic fit and value to identify the most promising asset while the other two were deprioritised.

DRIVE OPERATIONAL EXCELLENCE

Once the strategic focus is set and assets prioritised, operational excellence becomes the key to drive R&D projects forward and maximise value creation from investments. Operational excellence in biotech companies is centred on four key components:

Attract experienced management: Investors look for experienced management teams that have successfully developed products or platforms. This direct experience is essential to build investor and partner confidence and successfully progress projects. A well networked management team will also increase the likelihood of securing investment and industry partnerships.

Embed effective decision-making: As a biotech company grows, appropriate governance needs to be established to ensure clear alignment on how and why decisions are made. Governance needs to balance ensuring robust alignment across the company with decision-making agility. Clearly defined roles and responsibilities across a growing team will establish the remit of designated decision-makers.

Build relevant capabilities: The required capabilities in a biotech company depend on the priorities defined by its strategic focus, and eventually the chosen go-to-market model (e.g., license, partner, own-commercialise). It is essential to identify critical capability gaps and address them through a combination of hiring, training, adopting tools, and outsourcing. The optimal approach to address these gaps is highly dependent on capital and resource constraints, and partner interest.

Foster a productive culture: To quickly access the capabilities and expertise required, rapidly growing biotech companies often hire talent from Big Pharma companies. However, the Big Pharma culture these hires bring is often in stark contrast to the biotech culture embodied by the original team members. Ensuring a positive culture, which maintains a biotech mentality, will reduce the amount of miscommunication and frustration, and increase employee satisfaction, collaboration, and ultimately productivity.

Example: A pre-revenue biotech needed to sharpen its R&D operating model to better manage a rapidly growing portfolio and organisation. Through a series of internal and external discussions, a solution was designed to address the most essential needs in team structure, role clarity, and governance, while maintaining a simple and pragmatic approach. The new operating model provided a clear direction and structure in managing an evolving portfolio, whilst enabling optimal coordination across functions.

IN CONCLUSION

While biotech companies face similar challenges to the wider biopharma industry, their rapid growth and requirement to compete for funding confer additional unique strategic and operational challenges. Biotech leaders should ask themselves:

- Is my strategic focus compelling and operating model fit-for-purpose?
- Will the strategic focus and operating model deliver pipeline and commercial success?
- Can I raise money based on the strategic focus and operating model?

With the global macro-economic outlook remaining uncertain, it is more important than ever for biotech companies to address these questions and secure the funding they require to create value in this highly competitive market.

Novasecta supports biotech leaders to develop strategies and operating models that maximise value creation and enable successful fundraising.