



"WE CAN NOW BET UP TO € 20 MILLION ON THE SUCCESS OF A COMPANY"

Seventure Partners is a subsidiary of Natixis Private Equity, capital investment wing of Natixis, which manages assets amounting to more than 3 billion euros. Known for its visionary investment in areas related to life sciences such as biotech or nutraceutical industry, the company has an original funding model that allows it to receive, via "FCPI", new funds each year. Isabelle de Cremoux, General Partner at Seventure, presents her views on biotech investments in Europe.

BIOTECH FINANCES:

How far is Seventure involved in Life Sciences?

Isabelle de Cremoux: Seventure was created in 1997, at the start of FCPI ("Innovation Investment Funds" in French) in France. Initially, the fund had a general and ICT investment policy. Its policy then expanded in 2000 to health, in the context of the rise of biotechnology. I joined the company at that time to create and develop its Life Sciences department after more than 10 years in the pharma industry. So far, we manage more than € 500 million of assets. The allocation of funds is not strictly defined, but on average, we invest about 40% in the life sciences.



BIOTECH FINANCES:

What is your model of financing?

I.D.C.: Unlike most VC firms, which go on fundraising every 3 to 4 years, and who have consequently frozen investment cycles on this time, Seventure manages several funds of different types and durations. Among these, we

raise a new FCPI each year (62m€ raised in December 2007), and have also structured an evergreen fund this year, in addition to 2 older funds. This allows us to obtain each year of new money to invest, and could have a continuous pace of investment.

BIOTECH FINANCES:

How do you allocate your funds between France and the rest of the world?

I.D.C.: A common point we have in the Seventure Life Sciences team is to have all lived and worked for several years abroad. While at the beginning, we focused on the French market by investing in a dozen lines of values now become flagships in their field, such as METabolic EXplorer, OPI or BioAlliance Pharma. Once established, we opted since 2005 for an entry into international markets where we are active since 3 years. 50% of the companies that we support today now come from abroad with, for example, 4 foreign investments over the last 18 months. The main areas of interest to us today are, in addition to France, Scandinavia, Germany, and since late 2007, the United Kingdom. We are investing in continental Europe directly from our Paris office, but have recruited a few months ago an experienced British investor who works for us from London to cover investment in Great Britain. The next step in our development will be

the Swiss market, in 2008. For the time being, we do not invest outside Europe. We are indeed quite often lead or co-lead, and for that we must be geographically close to the companies that we support.

BIOTECH FINANCES:

Is it essential for you to be lead or co-lead to participate in a round?

I.D.C.: As recently explained in your columns Sander Slootweg, General Partner at Forbion Capital Life Sciences (1), working seriously as a leader requires a lot of human and financial resources, but it does not make a difference in terms of return multiple. Leading a round of financing is not a sine qua non for us. For one day be invited to a financing round, we need to be able to be lead from time to time to, in turn, be able to invite our "preferred" partners. On some cases, we also prefer to be alone or in small committee to support a company still young and not requiring large financial resources. Having the control of the financing round is under these circumstances a significant asset.

BIOTECH FINANCES:

Are there any priority sectors for your investments?

I.D.C.: We were initially focused on the pharmaceutical and medical devices, but we

quickly expanded our scope, involving us in promising but not much regarded sectors, at a very early stage. We have bet since 2001 on biotech industry which has since become the main focus of many funds. Our first support in this area, on the A-round of METabolic Explorer in 2001, have been somewhat difficult because we were a bit marginalized by other VCs and had some difficulty to attract them on our side. But the success of this company, with its IPO in April 2007 being one of the most high on EuroNext Paris in the biotech sector ever seen, told us that we were on the right path. Since 2005, we have expanded our focus by betting on "healthcare and lifestyle products", i.e. non-pharmaceutical products for health and well-being such as nutrition, nutraceuticals, cosmetics, and so on. Our first investment on this area, in 2005, concerned Fluxome Sciences, a Danish company that specializes in the production of health foods and nutraceuticals that we are leading investor.

BIOTECH FINANCES:

At what stage do you like to join societies?

I.D.C.: The vast majority of our investment is made in the form of first, second and third rounds. The novelty since 2007 is our involvement in LBO or capital development transactions for small to mid-sized companies. We can also exceptionally invest more upstream, in a seed round, for instance to lock the relationship with a highly promising company straight in the core of one of our four areas of focus.

BIOTECH FINANCES:

Up to how much are you willing to invest then in a company, if its business model convinces you?

I.D.C.: We do not have a pre-established pattern. We can sustain the growth of companies with very large amounts. During the past few

years, we have greatly increased the size of our tickets and the maximum exposure that we can achieve in a given company. We can now build up to € 20 million in the history of a company, which is starting to be really meaningful and interesting. On average, we are below with bets ranging between 2 and 10 M €.

BIOTECH FINANCES:

What are, following your analysis, the particularly stimulating criteria for investment?

I.D.C.: Most VCs have the same ideal: excellent management team, particularly innovative products with high barriers to entry, in an area where the appetite among customers and partners will be strong to generate high value exits. But such companies are rare, each investor have to make concessions on one or the other of these criteria, making bets, and this is where the real skills of the profession are. On our side, we look for strong leaders who positioned their company at the crossroads of a market with high demand and which have a unique value proposition to meet those needs, i.e. at the same time on a "market pull" and a "technology push". It is interesting to note that most of our portfolio companies, even if they are not yet profitable, receive some income from partnerships & licenses or sales of products. This is important for us because it enables young companies to keep in touch with reality and expectations of their markets, to be on the radar of prospective buyers and it gives businesses room to manoeuvre in case of financial crisis.

BIOTECH FINANCES:

What is the best way to approach you?

I.D.C.: Like everyone else, we receive a lot of spontaneous investment proposals. In France and Scandinavia, we receive more than 95% of projects that raise funds. In Germany,

Switzerland and the United Kingdom, the figure was lower with about 50% coverage. Yearly, we may receive between 280 and 350 proposals, only to the sector of the life sciences. We have two parallel main modes of actions to find opportunities. In the sectors a bit original, less structured, where we have a strong appetite, such as nutrition or industrial biotech, we act proactively, contacting directly across Europe companies that interest us and contacting industrial leaders, academic groups, regional agencies, incubators for they think to recommend us to their partners. For more traditional areas and more structured, there are many conferences, and intermediation companies generally know where to send spontaneous propositions and do not forget us.

BIOTECH FINANCES:

You are working with consultants for your sourcing?

I.D.C.: In contrast to some funds, which according to their needs appoint various consultants, we have put in place a solid network of exclusive experts: between 1 and 2 people per area, which are constantly working for us. The latter, each with more than 20 years of experience, spend a few days each month for us to find the best records in their business throughout Europe. This is a very good way to obtain and maintain a top-class proprietary deal-flow.

BIOTECH FINANCES:

What are ultimately the greatest achievements of Seventure in the field of life sciences?

I.D.C.: It is difficult to talk about it as we are not out of all companies, but a few success stories already accompany the history of our firm. This is the case of OPi, for example, which was sold last March for € 109 million in cash. We led the investor syndicate and with this exit, we generated an internal rate of return of nearly 70%. Our entry to the capital of METabolic Explorer was also a very good operation because we have maintained our participation to 30% until its entry into Exchange last spring and we won with it our challenge to be a successful investor on the white biotech industry. Santaris Pharma in Denmark, in which we are the only French investor on board, holds also a high potential for success. We had a lot of difficulty to enter the last round, which was heavily oversubscribed, but we place high expectations on the model of the company, which is very promising.

Interview by Juliette Lemaigen
Translation by Jerome Samson

SEVENTURE INVESTMENTS IN LIFE SCIENCES

Company Name	Focus	Location
METabolic Explorer	Industrial Biotechnology & Cleantech	France
BioAlliance Pharma	Biopharma	France
Noxxon Pharma	Biopharma	Germany
OPi	Biopharma	France
Santaris Pharma	Biopharma	Denmark
Theraptosis	Biopharma	France
TxCell	Biopharma	France
MDS	Medical devices	France
Eurosurgical	Medical devices	France
Mauna Kea Technologies	Medical devices	France
Tekka	Medical devices	France
Vivolution	Medical devices	Denmark
Fluxome Sciences	Nutrition & quality of life	Denmark
Meristem Therapeutics	Industrial Biotechnology & Cleantech	France