

Cooley

Innovation Network: Massachusetts

Go Global Program
Nuremberg, Germany
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attorney advertisement

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The success of your start-up is only as good as your ability to finance it!

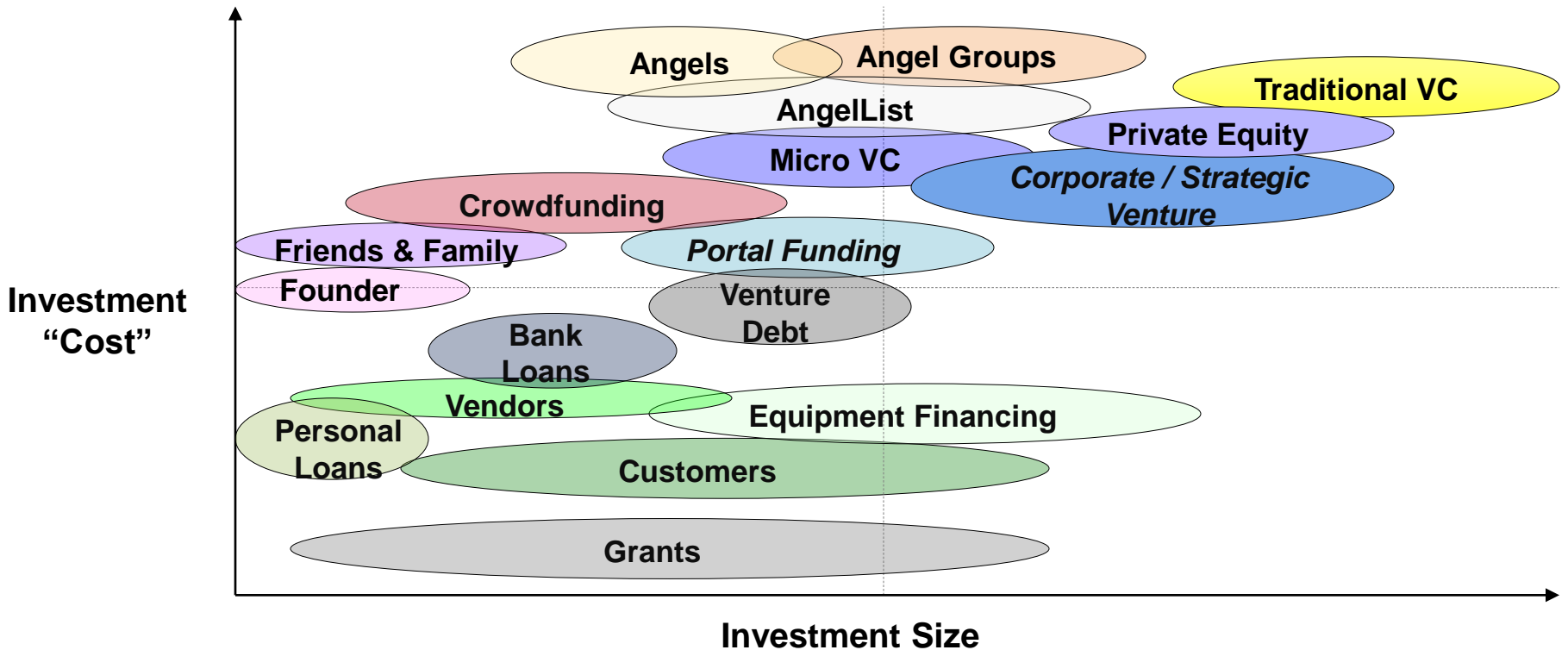
The Numbers (U.S., 2015/2016)

- \$69.1 B → \$ invested by VCs (2016)
- \$24 B → \$ invested by Angels (2015)
- 7,750 → Companies funded by VCs (2016)
- 73,000+ → Companies funded by angels
- 315,000+ → Angels in the US
- fewer than 200 → VCs in the US
- 25+ → Angel groups in New England

Top 5 Sectors for Venture Capital, 2016 (# companies)

- Internet 1,752
- Mobile & telecomm 666
- Healthcare 577
- Software (non-internet) 253
- Hardware & services 101

Sources of capital

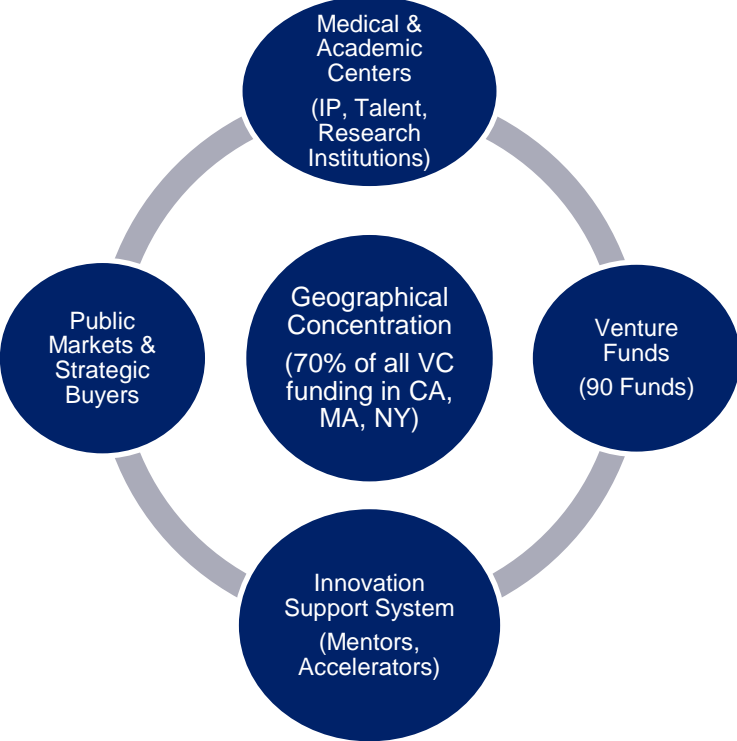


Basic Differentiation: sources of capital

<u>Type</u>	<u>Amounts</u>	<u>Security</u>	<u>Terms</u>	<u>Motivation</u>
Friends and Family	\$5-25k	Common, LLC Interests, Convertible Notes	Loose or undefined	Love and friendship
Individual Angels	\$25k-100k	Common, LLC Interests, Convertible Notes	Basic	More from the heart than the head
Angel Groups	\$250k-2mm	Convertible Notes, Preferred Equity	VC-like	More from the head than the heart
Venture Capitalists	\$3mm-up	Preferred Equity	Well-lawyered	Show me the money

→ **Each** of these sources provided **tens of billions** of investment capital to start-ups in 2014

Key Success Factors for Innovation Clusters



Academic Concentration in Boston

- **Massachusetts Institute of Technology (MIT)**
 - 33,600 companies, 300 each year, employ 3.3 million people, generate sales of \$2 trillion, 300+ patents each year
- **Other academic institutions**
 - Approximately 75 colleges and universities in Boston-area
 - 265,000 students
 - 8 research universities pump \$7 billion into economy
 - Spending \$1.5 billion on R&D yearly
 - 280 commercial licenses

New England Venture Funds

- More than 700 venture capital professionals from 80 firms managing more than \$50 billion in capital*
 - Working with 30 Accelerators
 - **Top Investment Sectors**
 - Biotechnology
 - Consumer Products
 - Electronics
 - Industrial & Energy
 - Medical Device & Equipment
 - Software

*Source: New England Venture Capital Association

Innovation Support System

- Accounting and Finance
- Banking and Debt Financing
- Corporate Partners
- CFO, Controller and Advisory Services
- Education and Resources
- Human Resources
- Insurance
- Investment Groups
- Legal Services
- Office Space and Furniture
- Payroll
- Valuation

Public Markets & Strategic Buyers (2016)

- **IPO and Private Equity**
 - 25 IPO and private equity fund buy-outs
- **M&A Venture Backed Exits**
 - 75 corporate acquisitions

Source: IPO Vital Signs NVCA, Pitchbook

Massachusetts Bio Tech: Biggest Cluster in US

- Venture Capital Investment in MA-based Companies
 - 2015: \$2.1B invested
- Initial Public Offerings (IPO)
 - 2015 – 2016: 20 IPOs raising \$1.5B
- NIH Funding
 - Second highest: \$3.4B California vs. \$2.4B for MA
 - Per capita basis, it is the highest: \$357 MA vs. \$89 California
 - 5 of top 6 NIH-funded hospitals in the US are in MA: 2015 = \$1B
- Employment and Lab Space
 - Growth rate 10X faster than for all other industries
 - 2016: 63,000 employees, average salary \$147,000
 - \$9.3B salaries – big impact for MA
 - 25M sq feet of commercial lab space

Massachusetts Bio Tech

- Biopharma manufacturing grew 24% in the past 10 years
- Concentration of biotech R&D industry in MA is 8 times higher versus the nation as a whole
- 1,645 drug candidates currently in the pipeline
 - 13% of entire US pipeline and 6.0% of global pipeline
- R&D for medical products: 362 different medical indications, 16% are cancer-related
- New drug approval: 2014 + 2015 = 10

Preparation For Raising Capital

- “what” and “so what” questions: answer the “so what”
- Do your homework: know the group before you come in
- Find a mentor
- Sort out ownership, management, vesting, etc.
- Keep a clean cap table
- Consider multiple exit points
- Focus on next 2 years, that is what early stage investors like
- Get your legal house in order