



Life Science Venture Capital Valuation Survey  
San Francisco Bay Area 2008

# FENWICK & WEST LLP

## Life Science Venture Capital Valuation Survey San Francisco Bay Area (2008)

### Background

We analyzed the terms of venture financings for 81 life science companies headquartered in the San Francisco Bay Area that reported raising money in 2008.

### Overview

The results of our fifth annual San Francisco Bay Area Life Science Venture Capital Valuation Survey are as follows:

- Up rounds outpaced down rounds 59% to 22% for life science company financings in 2008, while 19% of the financings were flat. This was a significant decline from both 2007 and 2006, as 79% of financings were up rounds in both of those years. Perhaps more importantly, the percentage of up rounds declined as 2008 progressed, with down rounds exceeding up rounds 39% to 30%, with 31% flat, in 4Q08.
- The Fenwick & West Life Science Barometer™ showed a 27% increase for life science companies raising money in 2008, compared to such companies' prior financing round. This was a significant reduction from both 2007 and 2006, which were in the 45-50% range. Perhaps more importantly, the Barometer declined as the year progressed, falling to -1% in 4Q08.
- Medical device companies had a higher percentage of up rounds than biopharmaceutical companies in 2008 (63% vs. 55%), but biopharmaceutical companies had a better average return as measured by the Barometer (35% vs. 17%).
- Non-Life Science companies generally performed better than Life Science companies in 2008, primarily due to the relatively strong performance of Web 2.0/digital media companies.

Other life science venture industry related results for 2008 include the following:

- Venture capital investment in U.S. health care companies declined 22% in 2008, from \$10.5 billion in 2007 to \$8.2 billion in 2008. U.S. health care venture investment declined 42% in 4Q08 compared to 4Q07, from \$2.6 billion in 4Q07 to \$1.5 billion in 4Q08. Health care's share of total U.S. investment decreased from 35% in 2007 to 30% in 2008. <sup>1</sup>
- Investment in the biopharmaceutical sector declined the most, 29%, from \$5.9 billion in 2007 to \$4.2 billion in 2008. Biopharmaceutical investment declined by even more, 53%, in 4Q08, from \$1.5 billion in 4Q07 to \$707 million in 4Q08. <sup>1</sup>
- There were 4 health care company IPOs in 2008, raising less than \$0.3 billion, compared to 31 health care IPOs raising \$2.3 billion in 2007 and 28 IPOs raising \$1.4 billion in 2006. <sup>1</sup>
- There were 53 acquisitions of U.S. venture backed health care companies in 2008, compared to 67 acquisitions in 2007 and 74 in 2006. <sup>1</sup>

### Price Change

The direction of price changes for life sciences companies receiving financing in the first and second halves, and the last quarter, of 2008, and the aggregate price changes for all such companies in 2008, in each case compared to their previous round, and comparisons with the results for life science companies in 2007 and 2006, and with non-life science companies in 2008, 2007 and 2006, are as follows:

Price Change	Life Science 1H '08	Life Science 2H '08	Life Science Q4 '08	Life Science All '08	Life Science All '07	Life Science All '06	Non-Life Science Q4 '08	Non-Life Science All '08	Non-Life Science All '07	Non-Life Science All '06
Down	12%	27%	39%	22%	12%	15%	33%	20%	14%	22%
Flat	15%	21%	31%	19%	9%	6%	9%	13%	9%	11%
Up	73%	52%	30%	59%	79%	79%	58%	67%	77%	67%

**The Fenwick & West Life Science Barometer™ (Magnitude of Price Change)**—Set forth below is (i) for up rounds, the average per share percentage increase over the previous round, (ii) for down rounds, the average per share percentage decrease over the previous round, and (iii) the overall average per share percentage change from the previous round for all rounds taken together. Such information is provided for the first and second halves, and last quarter, of 2008 and in the aggregate for all of 2008, and is compared to the results for life sciences companies in 2007 and 2006, and for non-life science companies in 2008, 2007 and 2006. In calculating the “net result” for all rounds, “flat rounds” are included. For purposes of these calculations, all financings are considered equal, and accordingly the results have not been weighted for the amount raised in a financing.

Percent Change	Life Science 1H '08	Life Science 2H '08	Life Science Q4'08	Life Science All '08	Life Science All '07	Life Science All '06	Non-Life Science Q4'08	Non-Life Science All '08	Non-Life Science All '07	Non-Life Science All '06
Up rounds	+45%	+61%	+42%	+54%	+63%	+71%	+85%	+90%	+111%	+99%
Down rounds	-60%	-46%	-47%	-48%	-37%	-38%	-56%	-50%	-43%	-49%
Net result	+33%	+24%	-1%	+27%	+45%	+50%	+31%	+53%	+79%	+55%

**The Fenwick & West Industry Segment Barometer™ (Magnitude of Price Change)**—Set forth below is the Fenwick & West Barometer™ comparing the up round, down round and overall average price change information for 444 companies that reported raising venture capital in the San Francisco Bay Area in 2008, separated into five different industry segments.

Industry Segment	No. of Financings	% Up Rounds	% Down Rounds	% Flat Rounds	% Price Change All Rounds
Biopharm	36	55%	27%	18%	+35%
Medical Devices	45	63%	17%	20%	+17%
<b>Life Sciences - Total</b>	<b>81</b>	<b>59%</b>	<b>22%</b>	<b>19%</b>	<b>+27%</b>
Software; E-Commerce	184	66%	21%	13%	+52%
Hardware, Electronics, Semiconductor	69	62%	20%	18%	+25%
All Other	110	75%	18%	7%	+69%
<b>Non-Life Sciences - Total</b>	<b>363</b>	<b>68%</b>	<b>20%</b>	<b>12%</b>	<b>+53%</b>
<b>TOTAL</b>	<b>444</b>	<b>66%</b>	<b>20%</b>	<b>14%</b>	<b>+45%</b>

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1 Information in this paragraph obtained from Dow Jones VentureSource.

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