



**Press release**

**France Biotech presents the results of its  
"Life Science Panorama 2010" survey**

***The results for 2010 attest to a dynamic, fast-growing sector and signal the arrival of the "second generation" of biotech companies in France***

- *A product pipeline that matches the best in the pharma industry.*
- *An exceptional year for venture capital funding of innovative business.*
  - *A vintage year for stock market listings, with 7 IPOs.*

**Paris, March 30<sup>th</sup>, 2011** - France Biotech (the French association of life science companies) today presented the results of its "Life Science Panorama 2010" survey at BioVision in Lyons. The survey describes the main trends for 2009/2010 in the life science industry in France and internationally. Over 263 companies responded to the survey this year - an exceptional high participation rate - and 211 were included in the analysis.

France Biotech Chairman André Choulika commented on these results by saying that *"The study shows that the life science industry in France has never been as lively - partly as a result of support from the French government. The first-rate development projects being pursued by French companies mean that the sector's future is promising. Nevertheless, France Biotech has warned the government about the negative impact of some of the reforms set out in the 2011 Budget Bill - in particular, the progressive eradication of the Young Innovative Company (YIC) fiscal status. This move will threaten the survival of many of our companies! France Biotech will continue to lobby the government to back-track on these recent legislative changes"*.

THE MAIN TRENDS IN FRANCE FOR 2010

**The results of the Panorama survey attest to the arrival of the "second generation" of biotech companies. Even though a high proportion of companies (48%) work in the field of human or animal health, new companies are emerging in the medtech, environmental and renewable energy sectors.** The French government is encouraging the creation of these kinds of business through its "biotech and bioresources" call for projects under France's National Bond Scheme ("*Grand Emprunt*").

**Most of the life science companies are located in one of three French regions:** the Paris Ile de France region (33%), the Rhône-Alpes region (16.6%) and the Provence-Alpes-Côte d'Azur (PACA) region (10.5%). The mean number of staff on the payroll is 25, versus 19 in 2009.

The study shows that the industry has weathered the global financial crisis well. A third of all companies were incorporated at least 10 years ago (e.g. Vivalis, Integragen and Novagali Pharma), versus 18% last year. The proportion of businesses incorporated has fallen (15% of less than 3 years in 2011, versus 20% in 2009).

**The French life science companies' product pipelines are encouraging, when faced with the weight of the pharmaceutical industry.** Oncology and infectious disease are the most favoured therapeutic and diagnostic fields. R&D work is concentrated on the development of products for human healthcare. Two thirds of the companies stated that they have at least one therapeutic product in development or on market.

**Although mergers and acquisitions** are generally the preserve of multinationals, the French listed companies Collectis, Vivalis and Iris Pharma made two acquisitions in 2010. The Panorama data suggest that other acquisitions are on the way. An attractive tie-up between Actelion and Trophos was signed in July 2010; the latter company has also attracted significant international interest in its "Olesoxime" drug candidate, currently in Phase III clinical trials. Vivalis was again the most active French company in terms of corporate alliances with the pharma industry.

2010 saw 12 companies go out of business and it was clear that some corporate alliances probably took place as a result of financial problems. Even though 2010 was a remarkable year in terms of fundraising, it should be noted that 33% of all companies encountered financial difficulties: 20% had cash flow problems, 27% needed to raise funds, 7% made staff redundant in 2010, 5% will have to make staff redundant in 2011 and 4% are going to file for protection from creditors.

#### CORPORATE FUNDRAISING IN 2010

##### **State funding**

- In 2010, 114 companies (out of 181 respondees) had YIC status, which provides companies less than 8 years old with various tax breaks. In 2010, these fiscal incentives leveraged the hiring of 394 R&D personnel (an average of 3 per company), the launch of R&D projects worth €44 million and investment in equipment worth €2.2 million. These figures clearly demonstrate the effect that YIC status has had in strengthening R&D at biotech companies. Recently incorporated life science SMEs are now asking for YIC status at an early stage.
- According to an October 2010 survey performed by France Biotech, the French research tax credit scheme (affecting 1227 employees in all) benefited 27 companies with between 1 and 10 staff prizes, 15 companies with between 11 and 30 staff and 16 companies with over 30 staff. The total eligible R&D expenditure in 2009 was €167 million, with the deduction of €10 million in repayable advances. A total of 870 researchers were taken into consideration. On average, R&D-associated expenditure by the companies corresponded to 280% of the research staff costs.
- Although new government initiatives (such as the French National Bond Scheme and the Strategic Innovation Fund are now in place), too many companies still have enormous difficulties in accessing funds.

##### **A rise in venture capital financing**

- 2010 was an exceptional year for the financing of innovation through venture capital. Following a 65% drop in 2009, the total amount of venture capital raised by life sciences companies increased by 56% in 2010 (from €65 million to €148 million).
- The total amount invested in seed capital funding and first round financing **fell by 10% to €20 million; although** the average ticket increased by 83% to €6 million. The number of first round financing transactions fell from 17 in 2009 to 6 in 2010. However, the proportion of seed capital investment and first round financing total went from 15% of total fundraising in 2009 to 14% in 2010.
- There were 21 second-round and other transactions, with tickets ranging between €37 million and **€144 million**.

##### **Listed biotech companies**

The Euronext Next Biotech index was created in April 2008 as a tool for tracking the performance of listed biotech companies across Europe. At present, the index features 34 listed companies, of which

17 are French (Cellestis, ExonHit Therapeutics, Genfit, GenOway, Hybrigenics, Innate Pharma, Ipsogen, Transgene, Vivalis, Deinove, Carmat, Ipsogen, Neovacs, IntegraGen, Novagali, AB Science and Stentys). It should be noted that other French life science companies are also listed on other markets: BioAlliance Pharma and NicOx on Euronext, Cerep on Alternext and Flamel Technologies on the Nasdaq.

#### FINANCIAL SUPPORT FOR INNOVATION IN 2011

Venture capital is the defining source of funding for life science companies but can it alone really meet the sector's needs? 2010 saw a rise in stock market listings and fully 7 of the 10 European IPOs were from French companies. This was an exceptional year for the stock market which had not seen any sector listings since 2008, Ipsogen being the only company to have made such a move since then.

#### **Oséo**

The French state innovation agency Oséo invested a total of €42 million in 344 projects. The proportion of pharma-biotech projects in Oséo's innovation support budget remained stable, at 10%. In 2010, Oséo's Strategic Industrial Innovation programme awarded €58 million in financial support to 6 pharma/biotech projects (45% of the total number of projects).

#### **The FSI-PME programme**

The €2 billion FSI-PME programme for SMEs was set up in October 2009 is jointly managed by Oséo and the French state Strategic Investment Fund (FSI)

#### **Funds created by the FSI:**

As part of the **FSI-France Investissement** programme, the FSI set up two "FCPR" venture capital mutual funds in late 2009. They are managed by CDC Entreprises (the FSI's operator for privately held SMEs) and a number of partners.

#### **The InnoBio fund.**

The InnoBio fund was created in late 2009 and is focusing on innovative life sciences companies. The funds have access to €139 m from the FSI and various pharmaceutical laboratories (Sanofi-Aventis, GSK, Roche, Novartis, Pfizer, Lilly, Ipsen, Takeda and Boehringer-Ingelheim), and 6 investments have been made

The **Kurma Biofund** (run by CDC Entreprises and Natixis Private Equity) has a Europe-wide life science focus. The €50-million fund made its first two investments in late 2010 (€1.1 million euros in Indigix (UK) and €1.2 million in Meiogenix (France)) and has since invested in three other start-ups (Sterispine, Key Neuroscience and PathoQuest).

#### Major global trends

According to IMS Health, the global pharmaceutical market will be worth around \$975 billion by 2013. However, the sector's recent double-digit growth is set to slow markedly. The main limiting factor relates to blockbuster drugs, which are going off-patent and becoming exposed to competition from generics. The industry must now deal with the loss of its core patents, uncertainty concerning developing new drugs and taking them through to market (the cost of which is constantly rising) and increasingly stringent regulatory authorities. Faced with this drought of innovation, biotech now accounts for about 70% of newly registered drugs. The "big pharma" model has had its day and much attention is now being focused on the life sciences via collaborations, licensing agreements and acquisitions.

In 2009, the total turnover for listed life science companies amounted to almost \$90 billion - a 12% rise on 2007. However, the situation depends on the market in question. The USA conserved its leadership, with 74% of the global market. This was followed by Europe with 18% and the Asia-Pacific zone with 5.5%. Although Europe and America have about the same number of biotech companies,

the American businesses are much more mature - they spend an average of 5 times more on R&D and have twice as many employees. On the basis of turnover for 2009, 6 of the 10 largest companies were American, with the largest Australian life science company CSL Limited and the Swiss company Actelion breaking up the rankings.

The US life science sector became profitable as a whole for the first time, with net profits of \$417 million<sup>1</sup> in 2009 and \$370 million in 2008. Even though this figure is still strongly influenced by the US "big biotechs", it nevertheless constitutes a very encouraging sign for the industry as a whole.

Although Europe's biotech sector is younger than its American counterpart, listed European companies saw their revenues grow by 26%. A few European companies are now mature enough to pull the sector along behind them. In 2009, the Europe biotech sector posted a net loss of \$288 billion, compared with a net loss of \$913 billion in 2008.

Lastly, the Asia/Pacific zone has become a player in the life sciences market over the last few years, in Australia's wake. Thanks notably to CSL Limited, the Asia/Pacific sector grew by 25% in 2008. Even though life science businesses in China and India have not made major breakthroughs, the two countries are standing on the threshold and have enough assets to muscle their way into global markets.

### **Fundraising**

In 2007, 326 companies raised a total of \$6.8 billion in venture capital. This figure fell successively by 7% in 2008 and by 8% in 2009 (-14% over 2 years) but rose by 5% in 2010, with 318 businesses attracting a total of \$5.4 billion in VC funding.

### **Initial public offerings**

The United States stood out from the rest of the world, with 18 IPOs in 2010 (totalling \$1,283 million). In Europe, \$230 million was raised by 9 IPOs: 8 in France (Neovacs, Deinove, AB Science, IntegraGen, Stentys, Carmat and Novagali Pharma) and 1 in Denmark (Zealand Pharma). The latter company took the year's European record by raising \$68. The two French companies that raised the most capital in their IPOs were Stentys (€22.7 million) and Novagali Pharma (€22 million), placing them respectively in 17<sup>th</sup> and 19<sup>th</sup> places in the global top 20 ranking of IPOs.

In 2010, the Asia/Pacific zone posted 4 IPOs (totalling \$98 million) - one more than in 2009 (3 IPOs and \$65 million raised).

### **Mergers and acquisitions**

The total annual volume of M&A operations grew significantly during 2008 and 2009. From a figure of around \$50 billion in 2007, the total rose to \$55 billion in 2008 and \$67 billion in 2009. The average deal value also increased every year - from \$216 million in 2007 to \$670 million in 2009.

2010 saw Europe at the top of the M&A rankings, with Novartis' acquisition of Alcon (for \$41 million), followed by Teva and Sanofi.

### **Corporate alliances**

Corporate alliances have never been as hot as during the last 2 crisis years. The number of alliances nearly doubled between 2005 and 2009 and the cumulative annual value rose by 157% to just over \$41 billion.

### **About the "Life Science Panorama"**

Since 2002, France Biotech has carried out the Life Sciences Panorama - the only annual survey of the life science sector France. France Biotech uses the study results to analyze the outlook for its corporate members, make recommendations for improvements and mark out the life sciences industry as a sector in its own right. The survey data is provided by independent companies that spend more than 15% of their revenues on R&D. France Biotech contacted over 450 companies and analyzed the results of a secure online questionnaires provided by 211 companies (out of 253 replies). The survey results are the property of France Biotech.

### **The life sciences sector in France**

It is safe to say that we are now embarking on the second generation of life science companies in France, after the first generation started with the creation of Transgene. At present, France is home to about 250 life science companies in five main business sectors: primarily therapeutics, closely followed by diagnostics, innovative medical devices and, most recently, cosmetics and the environment.

### **About France Biotech**

France Biotech is the French association of life science companies and their partners. Its mission is support the industry's growth in France by lobbying for a favourable fiscal and legal environment. When the Young Innovative Company fiscal status was introduced under the 2004 Budget Bill, France Biotech lobbied for the innovative sector to be considered as an industry in its own right. France Biotech is currently chaired by Collectis CEO André Choulika. It has over 150 members and a Board of Directors comprising 17 business leaders.

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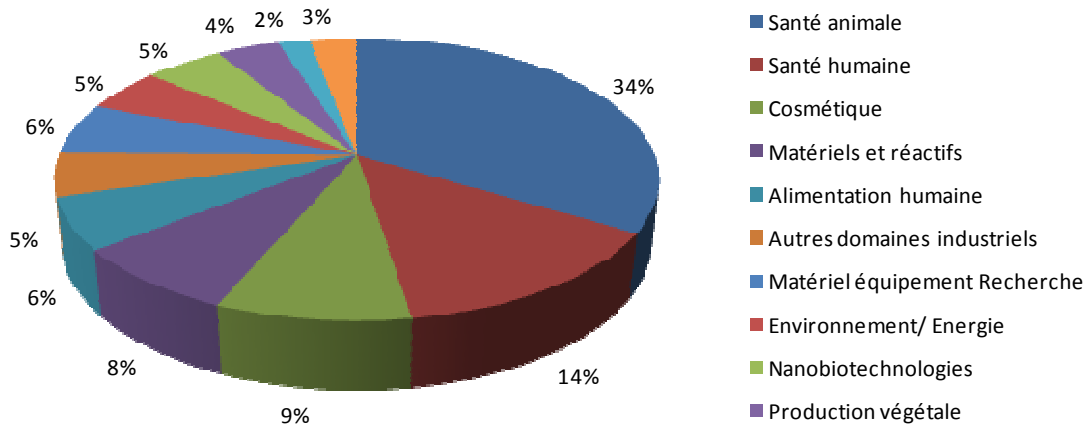
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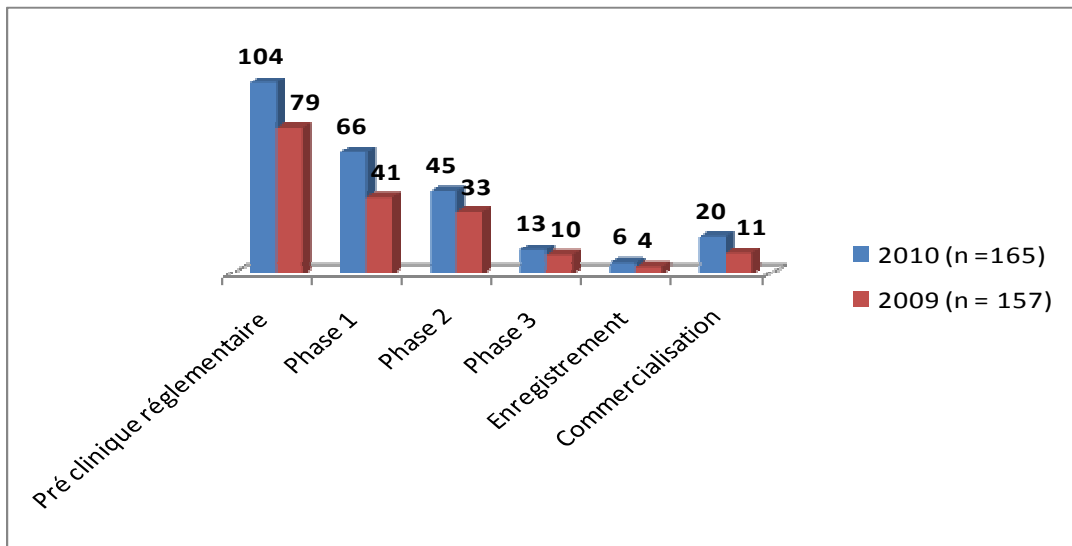
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## APPENDICES

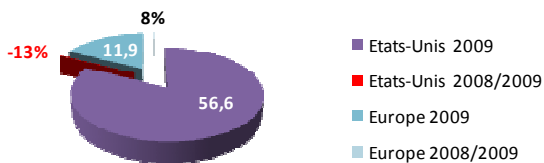


### BUSINESS SECTORS FOR LIFE SCIENCE COMPANIES IN 2010

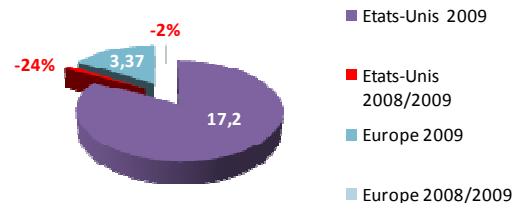


### DEVELOPMENT PHASE PRODUCTS CITED BY COMPANIES IN THE 2010 SURVEY

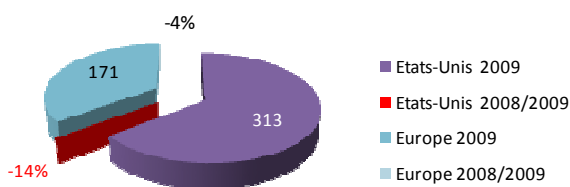
#### Répartition du chiffre d'affaire aux Etats-Unis et en Europe (entreprises cotées) - 2009



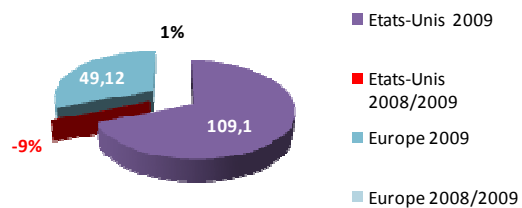
#### Dépenses R&D en Milliards USD (entreprises cotées) - 2009

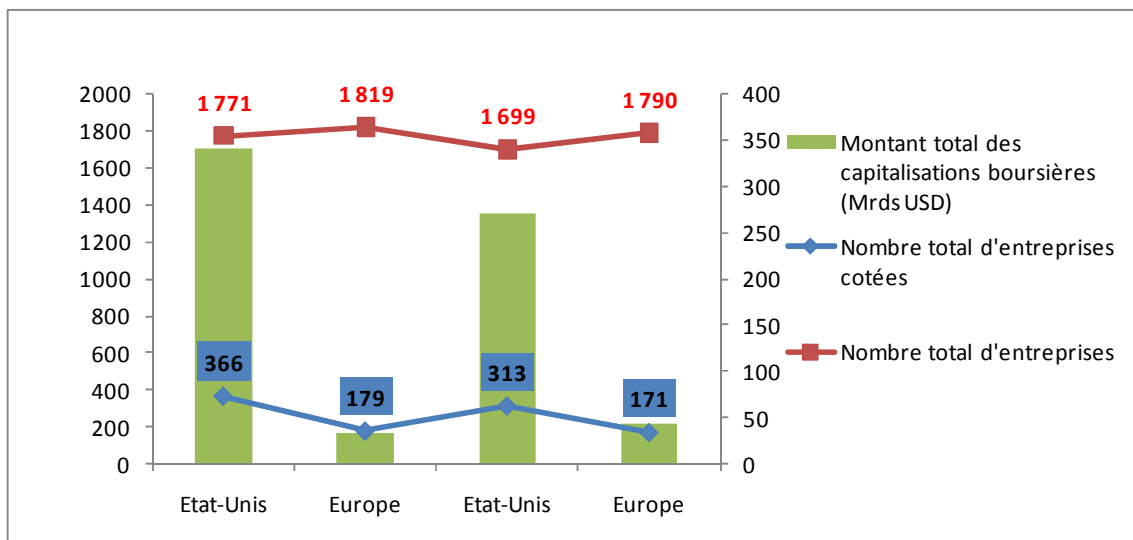
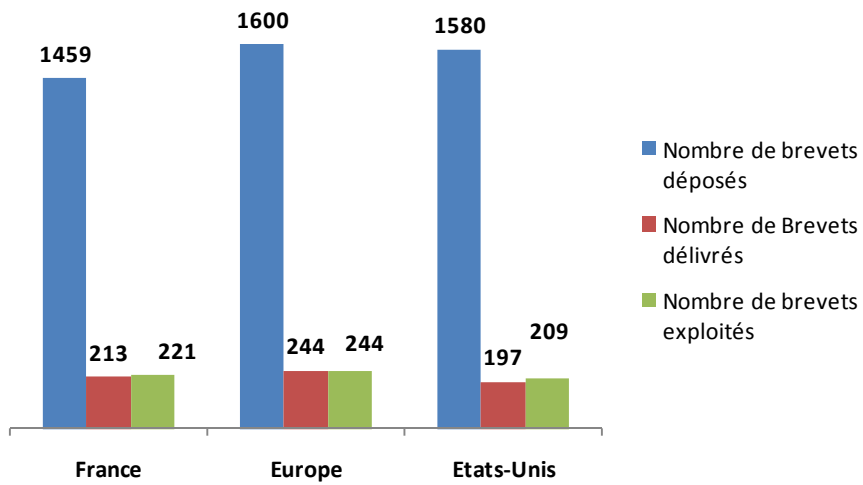


#### Nombre de sociétés cotées - 2009

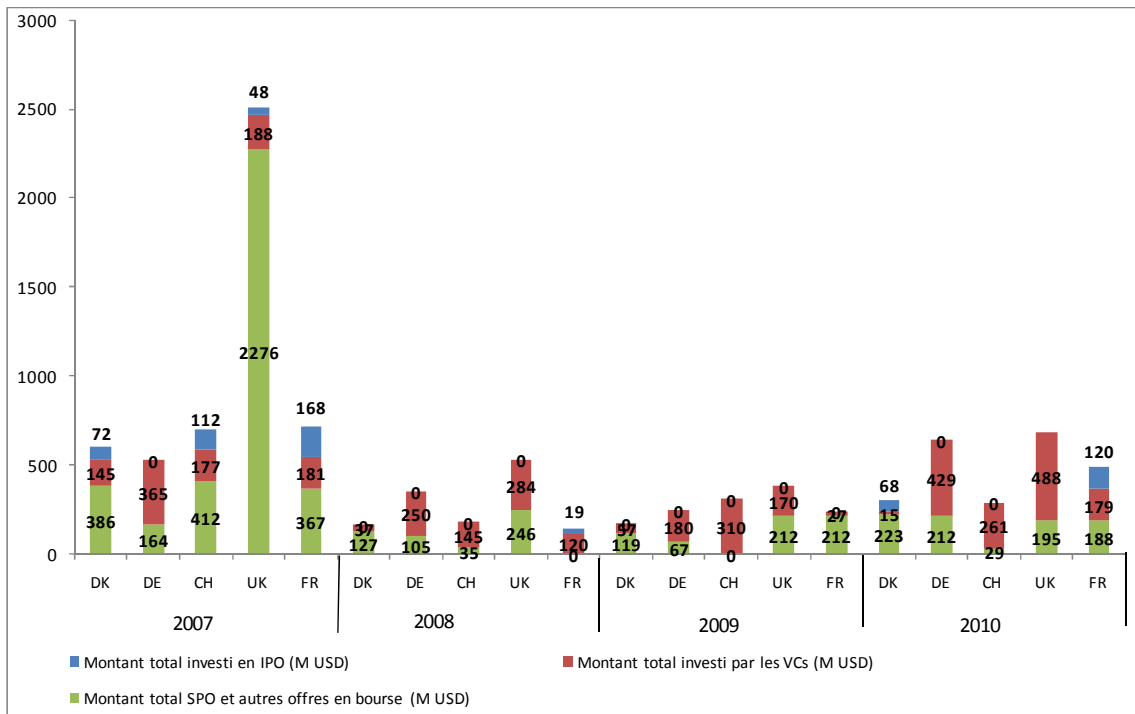


#### Effectifs des sociétés cotées - 2009





**Total stock market value (in millions of USD) and number of listed life science companies in the USA and in Europe (source: Ernst & Young 2010)**



***A comparison of investments (in millions of USD) in life science companies in the main European countries (source: BioCentury, Feb 1<sup>st</sup> 2011)***