

# BioWorld Today

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## *EuroBio 2008*

### French Biotech Takes Stock as Financial Crisis Widens

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PARIS - The world economy continued to unravel as hundreds of chief executives from biotechnology businesses gathered hopefully at their exhibition stands for the second day of **EuroBio 2008**.

The macro-economic machinations of American and European central banks, the wild gyrations of the world's stock markets and a wholesale flight to safe investments by private equity dwarfed the financial worries of start-up biotech executives whose businesses looked even smaller in the face of the rapidly spreading crisis.

Some were cheered by Monday's news that two French virologists from the nearby Pasteur Institute in Paris and a physician from the German Cancer Research Center in Heidelberg won the penultimate recognition for work in the field, the Nobel Prize in Medicine, for their discovery of AIDS and that cervical cancer is caused by a virus, respectively. One of the Nobel prize winners, Françoise Barré-Sinoussi, will speak today in a plenary session at **EuroBio**.

Some CEOs noted it took 25 years to win that recognition and wondered aloud if the crumbling fortunes for investments in their businesses left them with similar long-term prospects.

The highest authority for European investment spoke at the end of the day at **EuroBio**, but only confirmed the worst fears. Ahead of her presentation, Martine Charbonnier, the director for European listings on the Euronext exchange, told *BioWorld Today* the market is "definitively closed for any new biotechnology financings, for six months at the least."

"No one wants to go into this market," she said, whether for first round or secondary financings. "We need to see confidence return, then to see investors return before we will see any return of market financing introductions," Charbonnier said.

The majority of biotech companies exhibiting at **EuroBio** are further upstream than companies with products or intellectual properties mature enough to risk an initial public offering on Euronext.

The Young Innovative Companies (YIC) grouped in clusters and housed in incubators spread across France have all secured some kind of start-up funding from venture capital funds, almost always with matching grants and tax credits from the French government.

Jean-Gabriel Judde from Xentech, located inside the Genopole (Evry) cluster, is among the last French biotech entrepreneurs to receive good news for quite some time.

In early September, just ahead of the collapse of investment confidence, Judde closed a €600,000 (US\$821,000) private equity financing round for XenTech to increase research programs in diagnostic testing for antitumor therapies, what the French call theranostics, or a paired diagnostic.

That funding adds to the €700,000 start-up funding from OSEO, France's national agency for industrial innovation, that XenTech received at the end of 2007.

"We have a service that generates revenue, thankfully," Judde told *BioWorld Today*. "This revenue will help offset the losses in our research activities and help stretch our capital."

Like all the companies interviewed, XenTech qualifies for the new French tax status granted to YICs, which executives described variously as "essential," or "critical" to their results for this year.

Another big winner in the Genopole complex for the amount of investment, and especially the timing, was Novagali Pharma that secured €15 million on the eve of the financial meltdown. ([See \*BioWorld Today\*, Sept. 29, 2008.](#))

Less lucky in seeking investment was Pascale Bouillé, the chief executive at Vectalys in the Cancer-Bio-Santé cluster near Toulouse. Vectalys was in a due diligence process in July for a second financing round for €1 million when the first tremblings of the credit crisis delayed the process.

"The investors began fretting and said they first needed to secure their own position before going forward with the financing," Bouillé said. "We are not a priority right now because investors have other cats to beat so that the funding I was expecting in September has now been pushed to the end of the year," she added.

Bouillé said Vectalys has a solid revenue stream supplying DNA constructs in viral expressions, production of customized viral vectors and transduction of cell lines, which now includes a 20 percent customer base outside of France, primarily in the U.S.

She said she expects to maintain business and her 12 employees thanks to that income, the YIC tax credit, remaining cash reserves from an initial funding of €550,000 in 2005 and the low-cost housing in the Midi-Pyrénées biocluster.

A not-so-young entrepreneur who said starting up a biotech firm was part of his retirement plan is Serge Bischoff, CEO of Rhenovia Pharma housed in the Technopole Mulhouse perched inside the BioValley that joins France, Germany and Switzerland in a mutual promotion program.

Bischoff was caught a third of the way into completing a financing of €500,000 for a biosimulation technology platform for drug discovery and development in neurology. "We have €150,000 in the bank from our first private investor," he said. "We are good through the end of 2009 but will need to extend our financing after that."

In May 2007 Bischoff established the company with €1 million from his own savings, those of his co-founder, Michel Baudry, and some seed money from the University of Southern California in Los Angeles, where Baudry is a professor for neurology and biomedical engineering.

Bischoff is undeterred by the financial crisis, saying Rhenovia has signed its first partnership agreement with an undisclosed firm in Quebec. "The patents on all the blockbusters in the pharma pipeline for the nervous system are going to expire over the next four years," he said. "Our platform will help pharmaceutical companies extend those protections, so there is a huge opportunity for us."

For French biotechs there is a multiplier effect caused by the drying up of private equity that will become more significant the longer the dry spell continues, according to Guillaume Costecalde, head of Physiogenex and a neighbor of Vectalys in the Midi-Pyrénées Cancer-Bio-Santé cluster.

Because OSEO matches private investments, a fall in private investment also is matched by the French government agency support. "If you don't get the euros from an investor, you lose the equivalent euros from OSEO," he said.

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