212c A New Business Strategy for Startup Biotechnology Firms

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In the past, biotechnology entrepreneurs and venture capitalists have created new ventures with the goal of raising public money to support clinical trials and provide liquidation for early investors. Now with the declining number and value of initial public offerings (IPO's), many small privately held biotech companies must adopt a strategy that does not depend on public investment but still provides liquidation at significant multiples within 3-5 years.

In light of this, SmartCells was built as a single product-focused company to be merged with or acquired by a large pharmaceutical company. While the returns may not be as high as those at the height of the biotechnology IPO market, there is still significant value to be created between high risk fundamental research and the successful introduction of a product candidate into human clinical trials.

In order to succeed with this strategy, biotechnology firms must be as capital efficient as possible. Pharmaceutical companies do not like paying for discovery platforms, excess infrastructure, and/or unrelated development programs. As such, SmartCells has not hired management interested in building a company for the long term, avoided large investments in buildings and people, and has outsourced a great deal of our laboratory work and pre-clinical studies.

This talk will highlight the key factors that have allowed SmartCells to execute on this strategy: 1) small private equity investment combined with large amounts of government grant funding, 2) early discussions with potential acquirers about key milestones, 3) access to fully-equipped laboratory and animal facilities, and 4) support from a world-class team of scientific, medical, and business advisors.

Company Background: SmartCells, Inc is developing SmartInsulin , a once-a-day, self regulating, injectable formulation for the treatment of diabetes. It is designed to provide several important advantages for diabetics: 1) Reduce the incident of hypoglycemia, 2) Require fewer injections and less glucose monitoring, and 3) Control both fasting and mealtime glucose levels with a single dose. SmartInsulin makes use of a polymer-based dosing technology developed at the Massachusetts Institute of Technology (MIT) and is currently in pre-clinical testing. This breakthrough makes it possible to auto-regulate the release of a therapeutic based on the plasma concentration of a molecular indicator. Our Co-founder, President & CEO developed the SmartInsulin technology as part of his doctoral thesis work in Chemical Engineering at MIT. At MIT, he also won the Robert P. Goldberg Grand Prize in the 2003 MIT $50K Entrepreneurship competition.