

**The Life Science
Executive's
FUNDRAISING
MANIFESTO**

**BEST PRACTICES FOR IDENTIFYING CAPITAL
IN THE BIOTECH AND MEDTECH ARENAS**

Dennis Ford



**LIFE SCIENCE
NATION**

Connecting Products, Services & Capital

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Branding and Messaging

On a weekly basis, a typical life science investor receives hundreds of emails, executive summaries, and business plans from entrepreneurs who are trying to raise capital. Moreover, many of these solicitations aren't even a remote fit, and the result is a lot of noise and frustration.

There are two keys to getting that first meeting. One is talking to the right people, properly managing your target list of investor fits, and remembering that there are 10 categories of life science investors and you need to map your firm to the appropriate ones. The other is making sure that those “right people” get customized materials that grab their attention and illustrate your value in a clear and concise manner. The fact is that the investor landscape has changed and there is increased competition among emerging life science companies for the dollars that are out there. Attracting investors has only become more difficult, and now more than ever, a focus on branding and messaging is an integral part of the fundraising process.

To win capital, you must stand out from the crowd. The first way to do that is to have top-notch marketing collateral. You must provide potential investors with high-quality, professional materials—materials that engage them, communicate your message clearly and concisely, and present the information they want to see in a way that helps them to decide quickly and easily if you are a potential fit for their needs.

Often investors find the fundraising materials submitted by entrepreneurs in this space to be inscrutable and unclear. Scientist entrepreneurs

typically have an academic mind-set; it is common for their marketing materials to include pages and pages of wordy explanations that dive deeply into technicalities. Unfortunately, this often means that the truly useful nature of an asset or value proposition gets lost. The graphical representation of data and performance can't be deciphered, and sometimes even crucial statistics are omitted. When out-of-context logos and distracting colors and layouts are also utilized, investors simply can't understand the message. Moreover, due to the sheer volume of business plans and executive summaries they receive, materials that don't pass muster will likely be discarded. Investors just don't have the time to decipher unclear unsolicited submissions.

In Chapter 5, we elucidated the keys to identifying who you are and how you are different from the rest of the industry. Now you know in what specific way you are offering a great and compelling opportunity for investors, so it's time to put that into a branded package that delivers.

Branding Your Firm

Having a clear and consistent identity and message—or brand—that differentiates you is a critical requirement in establishing yourself as an investible identity to your prospective capital providers.

Many life science executives falsely believe that only consumer goods companies must invest in branding. Many also believe that their technology is so compelling that it will speak for itself. The reality is that branding is equally important in the life sciences, especially when it comes to raising capital, and that selling even the best of products takes some work.

Although you're communicating with a small and highly educated audience, branding influences the choices they make. Your brand is what you present to the world. In creating it, you must ask yourself how you want to present your company and product and how you want to be seen and perceived. Your branding projects an image in the marketplace that is paramount in creating a comfort level for investors today and in years to come.

Your brand identity and message should be showcased in your executive summary, slide deck, website, and all other communications materials that are part of your outbound marketing efforts. This is the minimum amount of materials you need to launch a fundraising campaign. There are many

others, such as brochures and newsletters, that can enhance the marketing process. Implementing your identity and message consistently across all written materials is key to building a brand that has positive associations in the marketplace, and enhances your firm's reputation over time.

Developing Your Logo

All leading biotech, pharma, and device companies spend substantial time, money, and effort finding a design firm that will create the perfect branding identity or logo. You should do the same to the maximum extent you can afford. A logo may seem like a trivial component, but it's actually an opportunity for you to create an image in an investor's mind.

The goal of logo development is to create one that embodies the identity of your firm. Your logo is a symbolic representation of what your firm is all about, and it (like your marketing collateral) needs to be clear, crisp, and obvious. Too often, entrepreneurs will pick a logo that is inscrutable to an investor (for example, a complex molecular diagram) without thinking about it from a marketing perspective. You must take the time to consider what differentiates your company from the rest of the marketplace, what values your company holds, and what message you are trying to send. If you take the time to think through these questions, you'll be able to develop a logo that is a strong and simple representation of the image you are striving to achieve in the marketplace.

Your Tagline

Right below your logo should be your tagline. A tagline communicates in one crisp statement who you are and what you do. A common mistake people make is writing taglines that are general and nondescriptive rather than crisp and compelling. Examples of poor ones are "Moving Science Forward," "Next Generation Solutions," and "Creating New Therapies." These don't say anything specific about what the company does. A great tagline explains precisely what you do in a few words and starts to provide the context for who the company is.

Some examples of successful taglines include "Inventors of a Novel, Safe Anti-Cancer Agent" and "Anti-Infective Preventing the Replication of the

Hep C Virus.” Life Science Nation’s tagline is “Connecting Products, Services & Capital.” The tagline needs to capture the essence of what your company does so that the reader has a general idea of what you are about. In the case of the latter example, the company name “Life Science Nation” defines the arena the company plays in. The tagline informs the reader of the company’s role within that space.

The Elevator Pitch

The tagline is typically followed by an elevator pitch, which is basically a general description of the company in four to six sentences. The tagline and the elevator pitch should flow succinctly. The LSN elevator pitch reads as follows:

Life Science Nation works like Match.com. LSN is the premier matching platform for market intelligence and prospect pipeline development. LSN enables life science professionals to generate a list of qualified global targets that are a fit for their company’s products, services, and fundraising efforts. The ability to generate these Global Target Lists (GTLs) makes life science professionals more effective and efficient.

Creating a Look and Feel

The look and feel of a brand include the logo, colors, layout, typography—even the style of the graphs and charts—used in your company’s communications. In short, everything you use to represent your company’s image and information is part of its look and feel. Leaders in winning marketing teams work daily to create and maintain an image that is sharp, clean, and always up to date.

Potential investors see the marketing materials of hundreds of firms that are competing against yours to win allocations. These investors are judging your firm relative to its peers as they read your marketing materials. Some are conscious judgments—and some are not. It is imperative, therefore, to do your research to find out what works and what doesn’t, as well as what’s new and current versus what’s old and out of date.

There is a fine balance to the art of branding when it comes to your look and feel. On the one hand, you want to establish a clear and consistent identity so that investors can quickly recognize your company as you are familiarizing yourself with them and establishing your product in the marketplace. However, times change, and more quickly than you might expect in the world of marketing. What's in one year may be out the next. If you want your company to be seen as both distinctive and current, you have to be willing to review your look annually and decide whether to make some subtle updates.

Beyond the aesthetic reasons to keep your materials looking current and fresh, it is important to accurately reflect the evolving state of your company and the pitch you are making to investors. As we discussed in Chapter 5, you will be constantly pivoting your message—and maybe even your identity—as your company grows and evolves. So naturally, it is imperative that you continually update your materials to reflect this.

It's important to incorporate design elements that other life science companies are using to communicate complex ideas and make them easily understood. For example, I am frequently asked whether charts and graphs should be three dimensional and whether stock photography is acceptable. Such decisions may seem insignificant, but in fact they can substantially impact an investor's impression of a firm.

If your materials follow the principles of branding, an investor will be able to pick up any piece of marketing collateral that your firm produces and know it's from your firm without even seeing the company name. Now that's branding!

Marketing Materials

So what marketing materials are required to fundraise successfully? Figure 6.1 provides a list of the most common. At a minimum, you need to prepare the following three items:

- Executive summary
- Slide deck
- Website

To secure capital, fundraising executives must be more effective at every juncture of the marketing process than they were at the last. This requires putting careful thought and effort into every piece of collateral that you're putting in front of prospects. Most importantly, remember that you are trying to create a persistent presence in the minds of your prospective investor audience. Consistency and clarity of message are paramount.

| MARKETING COLLATERAL | PURPOSE | LENGTH |
|----------------------|--|--|
| TAGLINE | Distills company identity into a single line | 1 line |
| ELEVATOR PITCH | Explains offering in a short format that can be delivered within a minute | 1 paragraph |
| EXECUTIVE SUMMARY | Briefly conveys opportunity in clear and concise manner | 1–2 pages |
| SLIDE DECK | Provides more detail on offering by expanding on all major points in executive summary | 10–12 pages |
| WEBSITE | Functions as a deep dive sales pitch in an easy-to-navigate, clearly designed layout | Typically a total of 5–7 tabs with subsections as required |

FIGURE 6.1: *Marketing collateral overview*

The Executive Summary

Aside from your initial email (which I will cover in depth in Chapter 11), an executive summary offers your first written opportunity to market your company. As the logical extension of your tagline and elevator pitch, your executive summary should flow seamlessly from them. The tagline feeds the elevator pitch, and that feeds the executive summary. A superior executive summary is designed to capture the attention of investors and compels them to investigate further. It is a cogent one- or two-page description that astutely describes your firm and is the first chance you have to make a good impression. The executive summary tells the investor whether you

understand who you are and the market. Savvy investors can look at this document and discern who you are very quickly just by seeing how you organize your thoughts and present your company.

Investors know what they want, and if you've done your research on your target investor audience, you'll know what information they expect (such as preclinical findings or a description of the market opportunity). Often just a little bit of investigation will give you a good sense of what makes a particular investor group tick. Focus on highlighting your firm around those factors in an easy-to-interpret format with logical flow.

Though the typical length of an executive summary is one to two pages, be careful not to compress your materials by omitting content too haphazardly. As a wise man once said, "If I had more time, I would have written a shorter letter." This should guide your thinking in creating a brief document that is designed to capture the attention of investors. The most impressive executive summaries immediately give insight into a firm's unique value. They also quickly communicate—ideally, in a few sentences and at most, in a paragraph or two—why an investor should continue reading. If your executive summary fails to do this, your communication will go right into the circular file.

An executive summary highlights key data and information. That is, all the quick facts associated with your firm, such as key asset(s) and technology, competitive landscape, and previous clinical results. Leave out critical elements—or, conversely, include unnecessary information—and the executive summary will be useless. Remember, the point of an executive summary is to showcase your firm and whet investors' appetites.

The Slide Deck

The slide deck is the vehicle that provides a more in-depth view of your company following the executive summary. Remember, you are creating a sales pitch to an investor. Building your message and creating continuity of that message throughout communications is something you need to take time and think about. Moving from a tagline to a four- to six-line elevator pitch to a two-page executive summary to a slide deck should be

a seamless process, and each element should be integrated to create a consistent and clear message that is easy to understand. When you have finished creating your message, everybody in your company should be able to effortlessly communicate who you are and what you do to basically anyone, from your grandmother to the scientist consultant who is doing diligence on your firm.

Your slide deck provides you with an opportunity to solidify investors' interest by giving them some in-depth information and data about your company. A common mistake that many life science executives make is to think that "in-depth" means "lengthy." Potential investors will not read a 35- to 50-page presentation, much less one that's 75 pages long. Remember, at this stage, they are evaluating numerous firms for a potential fit. They know that the length and weight of this document does not necessarily equate to the value of the investment. Your job is to efficiently convey why your firm is important. If an investor is interested and needs more evidence or information, they will surely ask for it. However, a great presentation can easily lose its power if it becomes burdened with excessive and unnecessary detail. If anything, an overly long slide deck suggests that the executive did not take the time to distill the information down to that which is most relevant, useful, and instructive. This can quickly translate to a judgment that the executive is "unfocused" or "unable to prioritize effectively."

The most effective slide decks are ideally 10 to 12 pages long. They have a distinct flow, so investors receive the information they want, sequenced in a logical order that's easy to absorb. Too often, entrepreneurs incorrectly assume that investors care only about the data and not the way it is presented; however there are best practices established for these materials.

When creating a quality slide deck, there are several decisions you must make, including how you write your introduction, discuss the firm's management and infrastructure, articulate your science, and highlight the details that differentiate your firm within the marketplace. You also must determine how to highlight information using the most effective visuals. The choices you make represent your firm to an investor and can make or break your opportunity.

The Website

Chapter 7 focuses solely on a company's Web presence and effectively using a website as a fundraising tool. However, I will take a moment now to give you a preliminary idea of how to effectively craft a compelling website.

Your focus should be on clarity, especially when it comes to the layout. Understand that when it comes to your website, your goal should be to present your firm as a compelling investment opportunity, so think of that goal when making every decision about how to structure it. Avoid flashy graphics or filling space without serving a purpose.

The two primary elements that should be immediately visible to visitors are management and technology. These are the two main factors that lead to allocations. Highlight the past success of the management team and academic and industry affiliations, and feature them prominently. Do the same with your technology—showcase how it is differentiated within the marketplace, and take the opportunity to let interested parties dig deeper by providing easy-to-navigate links to papers, publications, and experimental and trial data.

Budgeting for Success

It costs money to raise money. Creating effective marketing materials, conducting a targeted campaign, and diligently following up on communications demand both a time commitment and a financial one. Furthermore, to implement a successful fundraising campaign requires that you make these necessary commitments right from the start.

Many investors tell me they are frustrated by the pitches they receive. Entrepreneurs contact them regularly, hoping to secure millions of dollars in allocations, and yet they haven't taken the time or made the effort to present themselves in a compelling way. What conclusion do these investors draw? Essentially, that these entrepreneurs do not have the business mentality necessary to commercialize their science.

Figure 6.2 outlines some of the major fundraising campaign expenses.

Budgeting for an Outbound Fundraising Campaign

| | <i>Required Commitment</i> | |
|---|---------------------------------------|---|
| | Time Required | Estimated Cost |
| Developing Marketing Materials & Content | | |
| Executive Summary, 2 Pages (Professionally Advised) | 30–40 hrs | \$1,000–\$5,000 |
| Slide Deck/PowerPoint Presentation, 10–12 Pages (Professionally Advised) | 80–100 hrs | \$5,000–\$10,000 |
| Website (Professionally Built) | 200–250 hrs | \$6,000–\$15,000 |
| SUBTOTAL | 310–390 hrs | \$12,000–\$30,000 |
| Investor Database & Infrastructure | | |
| Quality Investor Database* | – | \$7,000–\$10,000 |
| List & Task Management Application (e.g., Salesforce.com) | – | \$50–\$250 |
| Email Delivery, Tracking, & Reporting Application (e.g., iContact) | – | \$100–\$600 |
| Content Developing Application (e.g., WordPress) | – | Typically free |
| Ongoing Email Canvassing | 40 hrs per month | <i>Salary Dependent</i> |
| Ongoing Phone Canvassing | 80–100 hrs per month | <i>Salary Dependent</i> |
| SUBTOTAL | | \$7,150–\$10,850 |
| (Plus Salary) | | |
| Roadshow (9–12 Months) | | |
| Travel, Food, & Hotels | Up to one week of travel per month | If regional: \$40,000–\$50,000; If global: \$60,000–\$80,000 |
| TOTAL COST | – | \$60,000–\$120,000 |
| (Plus Salary) | | |

*A quality investor database should provide about 5,000 global investors across 10 categories, allowing you to filter down to a target list of 300–500 investors that are a fit for your offering.

FIGURE 6.2: *Budget for an outbound fundraising campaign*

Developing Marketing Material

As stated earlier in this chapter, the basic materials required to embark on a fundraising campaign consist of a concise executive summary, a digestible slide deck or presentation, and a high-quality website. Together these materials create a cohesive portfolio with a consistent look and feel and clear messaging, designed with the express purpose of gaining interest from investors. Given the importance of these materials, it is recommended that you engage experts to create them for you. Marketing materials created by professional firms stand out. They look different, read differently, and elicit a different response. They also make an investor's job easier, primarily because they are created with his or her needs in mind.

It may be tempting to create marketing materials yourself. After all, who knows more about your business than you? But as an entrepreneur, you could easily get caught up in the details of the product and lose sight of the big picture. Presentations created in-house are often overcomplicated and hard to follow, and frequently lack the “hooks” required to grab investor attention. By making a financial investment in your materials and hiring expert professionals to create them, you are letting prospective investors know that their time and consideration are important to you. You're delivering clear, direct information, which demonstrates that you know how to market your products and services.

As you can see from the above guidelines, to outsource your initial marketing materials you'll have to budget approximately \$12,000 at the minimum. Keep in mind there is an added expense when updating or revising your content. Most companies should allocate \$25,000 to \$35,000 to account for ongoing revisions and updates. If you have a complex offering, you may have to spend much more.

Investor Database

The global target list (GTL), which will be discussed in detail in Chapter 9, includes target investors that have declared a past, present, or future interest in your product and have capital to deploy. To start with, you should aim to fill this list with approximately 300 unique contacts. LSN has one of the best life science investor databases for mapping current investor

interest in your sector and indication. A short phone call to LSN will net you a global heat map of investor interest within minutes. LSN can save a life science executive both time and money and make the fundraising campaign more effective and efficient.

Cloud infrastructure (covered in depth in Chapter 8) will help you to manage your campaign effectively. Email tracking software and a task management system can be obtained for \$100 to \$600 per year. Using these tools will keep you organized and allow you to gauge investor interest and prioritize accordingly. This will prove to be invaluable when you are in the thick of your campaign and have 16 conference calls scheduled on a single day. Investing in these services is well worth the sticker price.

Hitting the Road

Getting out of the building and calling on investors is imperative. You need to set up meetings and hit the road. A fundraising campaign will span 9 to 12 months or more and may require up to one week of travel per month. The road show comprises the majority of the expense of raising capital; a global campaign can easily exceed \$100,000 in costs and over a year of effort. Typically the CEO or the fundraising executive needs to be there. Invest in your appearance, practice your pitch, and create a dialogue. Confidence, focus, and commitment are everything.

Know Your Limits

Creating a budget for an outbound campaign requires an honest analysis of what you and your staff can accomplish by yourselves. Do you think you and your in-house staff can write, refine, and design a top-notch executive summary in less than 40 hours? A slide deck in less than 100 hours? Can you create a full website in under 250 hours? If so, will the content be of professional quality? Will the materials be as effective as they could be? And what other important tasks will not be getting done while you and your staff focus on creating these materials?

Be clear about your own limitations and the value of your time and skills. Do what you can, and seek help with the things for which you don't

have time. Don't pinch pennies when it comes to fundraising; make the investment to succeed. Maintain focus, diligence, and an eye for detail; it isn't easy to secure financing.

As I've stated before, raising capital is a numbers game; your best chance to succeed is to source a list of relevant investors (see Chapter 9) and reach out to them by phone and email. The work is difficult and tedious; many attempts at contact might be necessary just to set up an introductory meeting. It takes tenacity and consistency; only persistence will garner results. If you don't feel confident in your company's ability to perform this work in-house, you could consider contracting a third party to contact investors on your behalf, but you'd be wise to first educate yourself regarding these third-party players and the various types of business models they employ. This was covered extensively in Chapter 3 and is a recurring theme in LSN's newsletter, *Next Phase*.

Attracting Investors and Winning Allocations

It's hard to stress sufficiently the importance of marketing materials in today's life science fundraising environment. The competition is fierce and investors are demanding. If you are going to attract investors and win allocations, you must have professional marketing materials. It's that simple. To produce quality materials that are compelling, you must make a commitment of time and money, and then hire the right firm. Just as investors look to you to achieve their investment goals, you must look to marketing professionals to achieve your marketing objectives.