# Arix Bioscience PLC

13:39 18 May 2017

## Arix Bioscience hoping to generate venture capital-style returns from the life sciences industry

For the lay investors, backing the latest up-and-coming company in the life sciences industry can be something of a lottery. The failure rate is high, even for stock-pickers expert in the science behind these firms.

Exchange traded funds (ETFs), collective investment vehicles that passively track the sector, are one way of mitigating the periodic booms and busts of this most binary of businesses.

You'd have outpaced the market tracking the NASDAQ biotech index, which delivered an internal rate of return (IRR) of 11.8% between 2006 and 2016.

However, the real money in the sector was made by the venture capital (VC) funds that provided the seed capital and their expertise to the rising stars of life sciences.

WATCH:Arix Bioscience 'building a very exciting, diversified healthcare company'
The IRRs were between 22.5% and 26.8% over the last decade.

The problem with VCs is your money is tied up until the fund is liquidated, which means this specialist form of investment tends to be the preserve of the professional, institutional money managers.

Recently-floated Arix Bioscience Plc (LON:ARIX) would appear to offer access to the VC-style blueprint that leads to success, with the ability to buy into and exit the company at will.

To be clear from the outset, Arix isn't a fund and it certainly isn't a traditional VC, although in a lot of ways it operates like one.

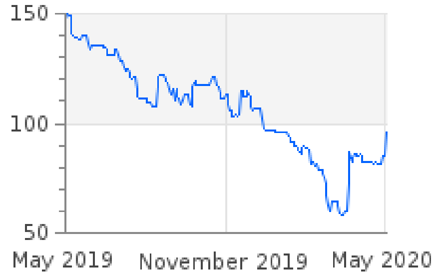
It can't guarantee the returns achieved by the big movers and shakers, but chief executive Joe Anderson is clear the company wants to outperform passive investments such as sector-tracking ETFs and trusts.

"In the longer-term we should be targeting in excess of what the NASDAQ biotech index is returning," he said.

**Price:** 95.5

**Market Cap:** £129.45 m

**1 Year Share Price Graph**




### Share Information

| | | |
|---|---|---|
| **Code:** | | ARIX |
| **Listing:** | | LSE |
| **52 week** | **High** | **Low** |
| | **149** | **57** |
| **Sector:** | | **Medical technology & services** |
| **Website:** | | **arixbioscience.com** |

**Company Synopsis:**
*Arix Bioscience is a global venture capital company focused on investing in and building breakthrough biotech companies around cutting edge advances in life sciences. We collaborate with exceptional entrepreneurs and provide the capital, expertise and global networks needed to help accelerate their ideas into important new treatments for patients.*

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So, having given Arix the big build-up, it is probably worth looking in greater depth at what it does.

The company raised over £160mln in two tranches - the first, £52mln, was deposited last February following a private round of fundraising at 180p a share; it year later sold £112mln-worth of stock at 207p following an oversubscribed listing on the main market of the London Stock Exchange.

Cashed up and looking for opportunities
Cashed up, it is on the hunt for opportunities, although it joined the market with some highly attractive assets already on

its balance sheet.

It has five direct investments, including a stake in stock market-listed Verona Pharma, and indirect holdings in a further 17 via a US accelerator called BioMotiv and fund manager Arthurian Life Sciences.

The latter is a wholly-owned subsidiary founded by Sir Chris Evans, the serial biotech entrepreneur.

Arthurian's main mandate is the £50mln Wales Life Sciences Investment Fund, from which it earns a 2.5% management fee along with a 20% carry.

Its portfolio includes AIM-listed stem cell specialist ReNeuron and Proton Partners International , which is building proton beam cancer treatment centres.

Evans, meanwhile, is deputy chairman of an Arix board that oozes experience.

Jonathan Peacock, chairman, was former chief financial officer of Amgen and Novartis, while CEO Anderson has a quarter of a century's experience in life science investment and was a former partner with Abingworth, a leading VC firm. This trio was the foundation of Arix.

High-powered board

The independent directors, meanwhile, run the gamut from scientists to politicians and various stops between. The senior non-executive director (NED) is Dr Franz Humer, former boss of Hoffman-La Roche and one-time chairman of Guinness-maker Diageo.

Now Arix isn't letting that experience go to waste. It doesn't just offer cold hard cash, it provides all the skills required to grow and develop businesses.

So, for example, the company is able to offer a professor with a recently-discovered molecule the help and guidance needed to turn that intellectual property and research into a company.

Equally, it has close links with industry when the time comes to find a buyer for the technology. Two major IPO backers - the Japanese firm Takeda and Brussels-based UCB - provide obvious big pharma links.

They are part of an intricate web of contacts developed by Arix's team.

At the same time, the directors and senior managers maintain an active role with investee companies by taking a seat on the board of the businesses. This is the classic VC, active rather than passive management.

That collective nous at Arix also means the company knows what is hot and what's not in life sciences.

Arix knows the ecosystem

Although it is not just about fashion and fad; success is obviously predicated on whether drugs and devices work.

But there are also the big, structural issues. The flawed Obamacare system in the US is one, while the unwillingness of payors (health services and insurers) to pony up for expensive new treatments is another.

The Arix team knows how this complex eco-system works. "Society is looking to contain the burden of healthcare costs," said Arix chief Anderson.

"Rightly or wrongly drugs are in the spotlight, which means if you are developing a drug it must be one that works and does something special."

Unlike the funds with specific mandates, Arix can switch its investment from overheated parts of the sector to areas that are under-appreciated by the market.

That's why its portfolio spans seed-funded start-ups right the way through to stock market-quoted investments such as the aforementioned Verona and ReNeuron.

And it isn't just tapping into the UK and European markets, but also the US, the world's largest pool of capital for the industry and a honey-pot for firms around the world.

Tracking success

So, how would one track the success (or otherwise) of Arix?

Well, this won't be done by generating a net asset valuation. Remember it isn't a fund; it is an operating company where it is actively adding value to the investee businesses.

However, Anderson has pledged transparency about the holding value of its investments.

The drivers of value are likely to "tangible and easily measurable" and offered by a "third party", he added.

A refinancing round at a higher price, an exit, or corporate deal would be the obvious 'kickers'.

Unlike a traditional VC, Arix isn't running a fund that must be liquidated within a certain time-frame.

That means it can follow an investment to the next big inflexion point, rather than selling out at a crucial juncture in a business's development.

Equally, the fact Arix is quoted on the stock exchange means investors can dip in and out whenever they want - not something you can do with your average VC investment.

Great investor following

That might explain why more than 4,000 private investors bought into February's over-subscribed stock market listing.

It also boasts an institutional following that would make the average AIM chief executive green with envy, including funds managed by top stock picker Neil Woodford.

The cash it has brought in will be deployed over the next 18 months on 10-15 new investments. But there is a bigger picture beyond this.

"We have a scalable business and a world-class business in two global markets," said Anderson.

"We are ambitious. We have a company worth £180mln, maybe £200mln. Could we develop that to £1bn-plus? Well, that's our ambition."

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