

Finance/Funding

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▼ MedImmune Ventures plumps for Iomai

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Young biotechnology firms can expect increased attention from corporate venture funds, including those set up by cash-rich counterparts.

On January 3, MedImmune (Gaithersburg, MD) announced the first investment from its venture capital fund, MedImmune Ventures, when it participated in the \$56 million series C round of drug delivery firm Iomai (Gaithersburg, MD). This investment signals the emergence of cash-rich biotechnology companies into the corporate venture arena, which is a growing source of equity capital for young biotech companies.

MedImmune launched its \$100 million fund in July 2002 in a bid to generate "superior financial returns" for its shareholders. At the time of the launch, David Mott, MedImmune's CEO, explained that the venture capital subsidiary would invest in early-to-late stage, public or private biotech companies focused on the discovery and development of human therapeutics.

Whether or not MedImmune shareholders will get higher returns from their money through MedImmune Ventures than they had expected from the company's in-house efforts remains to be seen. Various academic studies^{1,2} tracking corporate venture returns-on-investment suggest that they fall short of the levels conventional venture capitalists achieve.

However, MedImmune has other motivations to dip its toe into the corporate venture world. "We believe that MedImmune Ventures will give us a strategic window on technological developments in the sector, help us identify attractive product developments that we may wish to acquire, and act as a conduit for potential future alliance partners," says Jamie Lacie, MedImmune spokesperson. In this case, MedImmune has its eye on Iomai's transcutaneous drug delivery technology, which enables delivery of vaccines to the skin through a patch.

As a general trend, corporate venture capital is becoming an increasing source of cash for young biotech firms: in the past two years, corporate venture capitalists participated in approximately 20% of all private equity transactions into biotech firms, compared with fewer than 10% in 2000. Most of the funds have emerged from pharmaceutical giants such as Novartis (Basel, Switzerland; see "[Novartis branches into biotech](#)") or industrial firms that do not even have life sciences as a core business activity ([see table](#)).



Most corporate ventures are motivated by a desire to maintain a close eye on front-line technology developments and monitor prospective acquisition targets.
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Table 1: Selected corporate ventures in the life sciences space.

Corporate parent	Venture operation	Year founded	Funds available (\$millions)	Fund focus	Recent deals
Aventis SA	Genavent	2000	30	Genomics, biochemistry, and technologies focusing on new medicines, vaccines or agricultural products.	Apovia AG; Scynexis; Targacept
Eli Lilly	Lilly BioVentures	2001	75	Early-stage companies developing novel therapies and technologies aimed at improving drug discovery & development.	Serenex; XenoPort; Zyomyx
GlaxoSmithKline plc	Euclid SR Partners	1985	300+	Healthcare, IT, and eHealth.	Kudos Pharmaceuticals; Targacept
Johnson & Johnson	J & J Development Corp	1973	N/A	Start-ups that are developing healthcare technologies or products that fit within J & J's portfolio ambitions.	CellGate; KuDos Pharmaceuticals; Quorex Pharmaceuticals
MedImmune	MedImmune Ventures	2002	100	Early-to-late stage, public or private biotech companies focused primarily on infectious diseases, oncology, and immunology.	Iomai
Merck & Co	Merck Capital Ventures	2000	120	Technologies that accelerate innovation related to the pharma business, pharmacy benefit management, and many other sectors of healthcare delivery.	Aegis Analytical
Novartis AG	Novartis Venture Fund	1996	300	Three separate funds that support associates of Novartis setting up innovative businesses, young companies emerging from academia, and biotech companies, respectively.	Athelas; ESBA Tech AG; GenoSpectra
Novo Nordisk	Novo A/S	2000	N/A	Products for diagnosis, control, and prevention of disease. Platform biotechnologies are also of interest.	Biolmage A/S; Nuevolution A/S; Symphogen A/S
Siemens AG	Siemens Venture Capital	2001	N/A	Emerging and innovative technologies including e-business healthcare solutions.	november AG; Polytechnos Ventures; TVM TechnoVenture Management
Yamanouchi Pharmaceutical	Yamanouchi Venture Capital	2000	30	Emerging biotech companies that are developing innovative products or building new drug discovery platforms.	Memory Pharmaceuticals

Source: www.criticali.net

Box 1: Novartis branches into biotech

One of the most active corporate ventures in recent years has been the Novartis Venture Fund. Established in 1996, following the merger of Ciba and Sandoz, the Novartis Venture Fund's initial mission was to both foster entrepreneurship and create new jobs, particularly for soon-to-be-former employees of the merging companies. The fund subsequently evolved to meet changes in the business environment, turning increasingly to external investments as the number of merger-related spin offs diminished. Over the six years of the fund, 117 companies have been funded.

"Our ambition as a venture fund is not to achieve the highest and fastest possible rate of financial return, but the highest rate of quality investments leading to sustainable and successful business creation," Francois L'Eplattenier, Novartis Venture Fund chairman, explained to Fund stakeholders recently. "That said, the next months, perhaps years, will be a struggle for some of our portfolio companies to survive until the IPO window reopens. ...accordingly, our investments will be focused on second, even third round funding of existing portfolio companies."

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One such firm actively looking at non-pharmaceutical biotech investment opportunities in North America and Europe is LG Chemical (Seoul), South Korea's largest chemical company. "We are more interested in getting early access to innovative technologies than investment returns. We are interested in potential chemical industry applications such as biochips or fine chemical manufacturing," notes Francois Deuber, a technology strategist at LG Technology Center Europe.

With the public markets currently closed and venture capitalists spending more of their money to finance their foundlings in follow-on rounds, young biotech companies have to look for alternative sources of capital. The increasing availability of 'smart money'—cash plus expertise—from corporate venture capitalists ensures that this asset class will become a major player in the development of the biotech industry.

Further information

[Aventis SA](#)

[Lilly BioVentures](#)

[Euclid SR Partners](#)

[Johnson & Johnson](#)

[MedImmune](#)

[Merck Capital Ventures](#)

[Novartis Venture Fund](#)

[Novo Nordisk](#)

[Siemens Venture Capital](#)

[Yamanouchi Venture Capital](#)

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2. Siegel, R., Siegel, E., & MacMillan, I.C. Corporate venture capitalists: autonomy, obstacles, and performance. *J. Bus. Venturing* **3**, 233-247; (1988).

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