

# High quality venture capital opportunity awaits biotech

Malaysian Life Sciences Capital Fund to inject in deserving companies.

By Cynthia Ann Peterson

**T**HE Malaysian Life Sciences Capital Fund (MLSCF) was recently launched, with an allocation of US\$150 million (RM540 million). It is said to be one of the largest of such funds in the region, and is part of a grand plan to help the country become the biotechnology hub of choice.

In Budget 2007, the biotechnology sector was allocated RM210 million, including RM60 million for matching grants through the Biotech Acquisition Programme, RM30 million for commercialisation of research and development (R&D) findings via the Biotechnology Commercialisation Fund and a further RM59 million for R&D initiatives for genome and molecular biology among other research.

The industry is estimated to be worth over RM3 trillion by 2015, and already has a market capitalisation of about RM2.6 trillion worldwide.

The government says the sector is estimated to contribute 5% to gross domestic product (GDP) by 2020 and create 280,000 jobs.

More recently, the government was trying to woo the major pharmaceuticals such as France-based Urrma to invest in setting up facilities here.



Malaysia is making a big push to capitalise on its rich biodiversity and expertise in information communication technology to leapfrog other nations for a larger slice of the biotechnology market.

Among the notable developments was the launch of the National Biotechnology Policy, which was introduced during the BioMalaysia 2005 conference.

The policy outlined nine main initiatives which includes agriculture biotechnology development; healthcare biotechnology development; industrial biotechnology development; research and development (R&D) and technology acquisition; human capital development; financial infrastructure development; legislative and regulatory framework development; strategic positioning and government commitment.

Agriculture, healthcare and industrial biotechnology development are three areas the MLSCF has included as areas for investment, as the fund focuses on all segments of life sciences.

Phase 1 of The National Biotechnology Policy is to build capacity, which is currently under way and is expected to take up to 2010. Phase 2, from 2011 to 2015, is called the 'Science to Business Phase' where the development of expertise to discover and develop new drugs based on natural resources will take place. The last five years up to 2020 is earmarked to take local companies global.

It is an ambitious plan to achieve in 15 years what took countries like the US some 20 to 30 years. But based on the success of the Multimedia Super Corridor, which achieved in a short period what took others decades, efforts seem to be on the right track.

Other biotechnology highlights include the setting up of the Malaysian Biotechnology Corp (MBC) to oversee the industry's development, the establishment of an International Advisory Panel (IAP) for biotechnology and the creation of BioNexus Malaysia, which replaces the previous BioValley concept.

Inno Biologics Sdn Bhd, the first government-owned biotechnology and drug firm with a plant in Nilai that cost RM100 million, was also recently launched.

Overall, investments under the

National Biotechnology Policy are estimated to total US\$8 billion.

The MLSCF is a free standing entity managed by the Malaysian Life Sciences Capital Fund management company jointly owned by the Malaysian Technology Development Corp Sdn Bhd (MTDC), a venture capital company which is government-owned, and Burrill & Co, a San Francisco-based company which is the global pioneer of biotechnology venture capital.

The fund is corporate by structure and aims to give a financial return to investors.

The MLSCF will place an emphasis on early to mid stage companies, investing up to US\$8 million over the lifetime of the investment.

The fund will provide high-quality venture capital opportunities for best in class companies, and is looking to invest in eight to 12 companies overall. Local companies will have to prove their worth, as they have to compare well against others to compete for funding.

*mb-e* caught up with Roger Wyse and John Hamer, directors of MLSCF, to talk about the fund and why it is a good idea for Malaysia to look at a broad spectrum of biotechnology industries to develop and invest in.

#### **Describe generally the mechanics of the fund:**

**Wyse:** The money will go into the lifecycle. Companies will come to us for venture capital, and we are looking to invest in high-growth companies here in Malaysia or outside the country. We are also trying to attract companies to move here to set up operations or part of their operations or to partner with institutions of higher learning. It is part of a global deal flow to attract companies here because it is a good place to do business.

**Hamer:** If this is successful, you'll have a group of Malaysian investments that will foster an environment that will feed on itself.

#### **What are the objectives of the fund?**

**Hamer:** We have a two-part objective; to provide attractive returns to investors and to help Malaysia build an entrepreneurial culture.

**Wyse:** It is open totally to companies. We

may not invest in all the companies, but we can give them good advice to grow.

**Hamer:** The investments will be in some early and some late stage companies. Some of the investments will be here, probably the majority will be in companies outside the country but interested in doing business in Malaysia. The goal is to invest in four companies a year, for a total of 12. We will spend time building value and exit by going public or through mergers and acquisitions (M&As). We expect to have a 25% return target over the portfolio.

#### **It has been said in the past that Malaysia needs to concentrate on a niche area such as bioinformatics as it cannot compete against countries such as India for clinical trials.**

**Wyse:** You have to diversify. A country must focus on its strength, but have a diversified portfolio.

**Hamer:** Malaysia is like an infant in biotechnology, you don't know what it will grow into. So, why limit its opportunities by just concentrating on a niche area like bioinformatics. There are some good bioinformatics companies here and it is a very important area, but it is not one for the country to concentrate on.

#### **How can Malaysia compete with countries such as the US which are far ahead in biotechnology?**

**Wyse:** It has to attract companies to come here to accelerate the growth of the industry. You cannot grow organically, as it will have to be at five times the pace to keep up with others. The key is to look at what works, what is successful to accelerate growth.

#### **Singapore is investing some RM29 billion in biotechnology over the next five years. The RM730 million fund doesn't look like much in comparison, but is putting more money into biotechnology the answer to growing the industry?**

**Hamer:** Smart money is important. You can waste a lot, so wise investments are the key. You have to build on strengths, with the base on university research. The RTP (Research Triangle Park in the US) is a good example. It invested in university research, and the companies came to locate there. *mb-e*