

Fall 2015

State of the Industry Report



UF UNIVERSITY of
FLORIDA

UF SID MARTIN
**FLORIDA
BIODATABASE**

Industry Overview

The expansion of Florida's biotech industry remains resilient with an overall growth rate of 92% in the number of companies over the past 7 years. In contrast, the national growth rate in the number of biotech companies has been 43.6% during the same period. The state is currently home to 262 biotech companies representing more than 10% of the nation's biotechnology enterprises. Florida's life science venture funding has started strong in 2015 with \$79.3M raised in the first half of the year, an amount nearly equal to the \$86.1M seen in all of 2014. Four regions in Florida accounted for 99% of the \$597M of the life science VC funds from 2008 to 2014: South Florida (42%), Alachua/Gainesville (22%), Greater Orlando (20%) and Greater Tampa Bay (15%). The continued growth of Florida's emerging bioscience industry and the ongoing recognition by VC firms inside as well as outside of Florida should contribute to an increase in future venture deals to our state.

Industry Growth

Recently released reports from Ernst & Young and Nature Biotechnology indicate the expansion of the US biotechnology sector finally turned the corner in 2014 with a 7.2% growth rate in the number of companies during the previous 12 months. This is the strongest nationwide showing in 5 years with an overall growth rate of 43.6% since 2008.

Notably, Florida's biotechnology industry has grown by more than 92% over the same time period with an 8.7% increase in the number of companies in 2014. The state's life science

industry has never had a down year in terms of growth since the Florida BioDatabase began collecting data in 2007. In contrast, the national biotech company growth curve has been either flat or slightly negative each of the past 5 years until 2014.

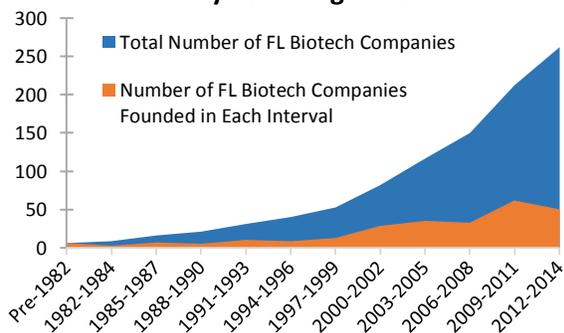
Florida's bioscience industry has experienced an unprecedented acceleration of new companies with almost half being founded since 2009. The state is currently home to 262 biotechnology companies representing more than 10% of the nation's biotechnology enterprises.

For each of the past 4 years, a Florida life science firm has ranked within the top 13% of all Deloitte Fast 500 technology companies in North America. These companies have included MAKO Surgical (acquired by Stryker for \$1.65B in 2013), AxoGen, Therapeutics MD and OPKO Health.

Florida was ranked #1 in the Southeast in 2013 and tied for first place with Georgia in 2014 for the number of tech companies ranked among all categories in the Fast 500.

Award winners are selected based on the percentage of revenue growth (must be 100% or greater) during the prior 4 year period. This award

Florida Biotech Company Growth by Founding Date



also recognizes innovation and business excellence among the 500 fastest growing tech companies (public or private) within key regions around the world in a variety of technology areas.

The state's two largest biotech segments are: Therapeutics (38%) and Diagnostics (11%) with approximately two-thirds of Florida companies currently having a product being sold in the marketplace. There are 52 publicly held companies, with almost half being traded on either the NYSE or NASDAQ exchanges. It takes an average of 12 to 15 years for a biotech company to develop and commercialize a research discovery.

The Florida biotechnology industry is located primarily in four areas: the Southeast region of Miami, Fort Lauderdale and Boca Raton (40% of companies), the Tampa Bay/St. Petersburg region (25% of companies), the North Central region including Gainesville and Alachua (18% of companies) and the East Central region of Greater Orlando (10% of companies). The respective percentage of companies in each area has remained nearly constant since 2008.

Venture Capital (VC) Funding

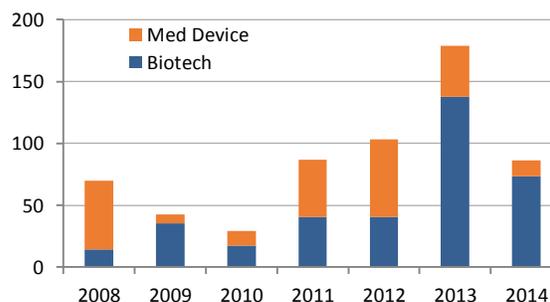
2014

Life science venture investments in Florida amounted to \$86.1M for 2014 with an average deal size at \$9.6M (range from \$500K to \$20M). Total VC dollars were down from an exceptionally robust year in 2013 (\$179M), but were fairly consistent with 2011 and 2012 which were \$86.7M and \$103M respectively.

There were 5 VC deals in the biotech sector (\$73.5M) while the medical device segment had 4 venture deals (\$12.6M) for a total of 9 life science deals in 2014. Data from the National Venture Capital Association revealed a significant increase in life science funding nationwide with a 29% increase over 2013 to a total of \$8.7B. Biotechnology was the 2nd largest VC category at \$5.97B, just short of a record high set in 2007. Medical device investing saw a 27% increase to \$2.7B last year.

California and Massachusetts are the country's largest states in terms of volume of life science funding deals and intensity of capital. This is a strong historical trend with these 2 states accounting for greater than 65% of the total US life science venture dollars each year for more than a decade.

Florida Life Science Venture Funding (\$M)



Our data acknowledges that Florida's share of national funding which has ranged between 1% and 2.7% of total US life science venture dollars per year for the period of 2012 through mid-year 2015 is well below amounts seen in California and Massachusetts. However, Florida is largely an "early stage" landscape with many nascent biotech companies that will take additional time to fully develop market ready products. The strong growth of Florida's emerging bioscience industry and the ongoing recognition by VC firms inside as well as outside of Florida should contribute in bringing a greater percentage of future venture deals to our state.

First Half (H1) 2015

Florida is off to a strong start in the first half of 2015 with 11 VC life science funding deals amounting to \$79.3M. Total dollars raised in H1 already reflects an amount equal to 92% of Florida life science funding raised in 2014. The two largest life science deals through June 2015 have been orthopedic company Orthosensor at \$19M while biotech company Tissue Tech closed a \$15M round.

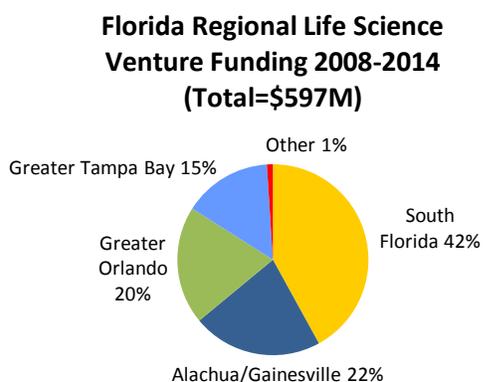
National funding in life sciences was \$5.3B for the first half of 2015 compared to \$8.7B for all of 2014. This year's second quarter saw the highest amount raised at \$2.3B for the biotechnology sector in one quarter since 1995. The life science segment once again is the number 2 category for VC funding behind software.

Regional Trends

Venture capital firms invested \$597M from 2008 to 2014 in Florida's life science industry with 99% of dollars allocated to the four regions detailed below. The majority of Florida venture funded biotech companies were in a later stage of development and had an established revenue stream, or were close to placing a product in the marketplace.

Alachua/Gainesville

Over the seven year span from 2008 to 2014, \$131.5M in life science venture dollars (16 deals) went to companies in Alachua County, accounting for 22% of the total Florida VC life science funding. Furthermore, 92% of these dollars were directly attributable to technology from the University of Florida.



Alachua County based gene therapy company Applied Genetics Technology Corporation (AGTC) has been one of the most successful Florida biotech firms in raising venture funding (\$88M) over the life of the company. This UF Sid Martin Biotechnology Incubator graduate utilizes UF technology and went on to close a \$50M IPO in March 2014. The company announced a collaboration and licensing agreement with Biogen in July 2015 to develop gene-based therapies for multiple ophthalmic diseases. AGTC is eligible to receive upfront and milestone payments exceeding \$1B.

South Florida

South Florida life science companies accounted for 42% of life science funding between 2008 and 2014 equaling \$248M. Once again, this region had the most Florida life science venture deals (43). Xcovery, developing next generation targeted therapeutics for cancer along with Sancillio, focused on improving drug delivery, have each raised \$20M in venture funding. These were the 2 largest Florida biotech deals last year and accounted for almost 47% of the life science venture funding in 2014.

Greater Orlando

The Greater Orlando area garnered 20% of Florida's life science VC investments over the past 7 years, totaling just over \$122M (14 deals). A significant portion of these funds were directed to LensAR, a medical device company developing one of the latest laser systems used primarily in ophthalmic surgery. The company's femtosecond technology has received venture funding exceeding \$86 million since 2009.

Tampa Bay/St. Petersburg

Tampa Bay/St. Petersburg's share of life science venture dollars was 15%, totaling \$86.6 million among 16 deals from 2008 to 2014. Dollars were invested among a variety of companies including a follow up round (\$5M) invested in diagnostics company, Informed DNA, which provides genetic testing and analytics.

About the Florida BioDatabase (FloridaBioDatabase.com)

Established in 2007, the Florida BioDatabase is one of the most comprehensive sources of information concerning our state's biotechnology industry. The searchable public database was co-founded by the University of Florida's Sid Martin Biotechnology Incubator which currently manages this resource. The BioDatabase follows the industry-held standard of defining a biotechnology company according to the Ernst & Young guidelines that include core R&D and involve the use of modern biological techniques to develop products or services for human health care, animal health care, agricultural productivity, food processing, renewable resources, industrial manufacturing and environmental management. The Florida BioDatabase does not include healthcare services companies, medical device companies without a bio-component or biomed companies that are involved only in manufacturing and/or distribution of products.

Florida BioDatabase Editor Michael A. Schmitt, MD

Dr. Schmitt is co-founder of the Florida BioDatabase with over a decade of experience in clinical and research medicine. He is an analyst and consultant within the life science industry and graduated with honors from both the University of Pennsylvania and Johns Hopkins University. Dr. Schmitt holds an MD as well as a Master's degree in Public Health with concentrations in healthcare management, epidemiology and behavioral sciences. He is trained in ophthalmology and preventive medicine.

University of Florida's Sid Martin Biotechnology Incubator

Sid Martin Biotech brings promising research discoveries to the marketplace and opened in 1995 as one of the first bio-business incubators in the US. In 2013 the program won three first-place international awards while in 2014, the incubator was recognized with the State Science and Technology Institute Excellence in Technology-Based Economic Development award for exceptional achievement in technology commercialization. In the last several years alone Sid Martin companies have seen a \$113M acquisition, a \$50M IPO and a \$350M government contract award. The incubator's companies have attracted more than \$1.3B in equity investment, contracts, grants and M&A activity while helping to generate more than 2,000 high-wage jobs. The University of Florida's Office of Technology Licensing has helped create over 150 new companies, mostly bioscience, in the last 14 years.

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Contact

Sid Martin Biotechnology Incubator
12085 Research Drive
Alachua, FL 32615
386.462.0880 tel | 386.462.0875 fax
www.sidmartinbio.org

