



Tech Futures:
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By [Michael Volker](#)

In this month's column, I'll cover **Aspreva's** recent IPO mainly as an example of how early stage investing is supposed to work and the role of angel investors and angel funds and how you, too, could get in on the real early action. Just for fun, a few of the world's super wealthiest are identified just in case you are looking for some really deep pockets.

Angel Investors hit pay dirt with Aspreva

The Easter bunny came early this year with some golden eggs for a number of angel investors and founders of **Aspreva Pharmaceuticals Corporation**, a Victoria-based company barely 3 years young, that completed its \$100 million IPO (Initial Public Offering) this month.

Aspreva is an emerging pharmaceutical company focused on identifying, developing and commercializing new indications for approved drugs and drug candidates for underserved patient populations. Aspreva's strategy, which it calls "indication partnering", is to collaborate with pharmaceutical and biopharmaceutical companies to pursue new indication approvals which lie beyond these collaborators' strategic focus. For example, in October 2003, Aspreva and **Hoffmann-La Roche** announced that Aspreva had obtained exclusive worldwide rights (excluding Japan) to develop and market **CellCept** in autoimmune disease applications. Aspreva is undertaking the development of CellCept in a number of autoimmune diseases, and has established operations in Canada, Europe and the US, employing people in various positions of clinical development and commercialization.

Aspreva was one of the fledgling startups that presented its case at the monthly [angel network](#) meeting in June, 2002 (it was only incorporated in December, 2001) although it didn't raise any angel money until March 2003 (\$1.5 million) and September 2003 (\$5.5 million) followed by a serious VC round of \$73 million in March 2004 – almost exactly one year ago.

Aspreva recently completed its initial public offering on the NASDAQ and the TSX (TSX:ASV) stock exchanges, raising C\$112 million through the issuance of 8.2 million of its shares at C\$13.68 per share. On its first day of trading, Aspreva's stock rose \$4.32, giving Aspreva a market capitalization of \$594 million. The stock touched \$20 briefly and closed in the mid-\$16 range before the Easter weekend.

Now that Aspreva is public, it's easy for any of us to buy and sell the stock. But why, you ask, do we get to play only when others have made some serious money? To a certain extent, our securities regulations shut out many willing investors because there isn't a simple mechanism for them to invest in young companies. Unless you are an accredited investor (literally, a millionaire) or you are buddies with the founders of a company, you are prohibited from investing unless the company incurs the expense and trouble to prepare an offering memorandum or full-blown prospectus. While an offering memorandum may not sound like a big deal, it causes a company to lose its "private issuer" status which can mean more red tape

and other expenses.

Building Biotech, an angel Fund, was one of the original angels, along with dozens of other investors who bought into Aspreva in two early rounds. The first one in February, 2003 (almost a half year after the pitch to the angel network) was at Cdn\$0.67/share and the second round in October, 2003 was at approximately \$5.50/share.

One getting-in-early option for investors is to invest through the relatively few funds that cater to startups such as **BC Advantage Funds (VCC) Ltd.** or **WUTIF Capital (VCC) Inc.** BC Advantage is actually three separate funds, two of which are now "closed" to investors. One of these, the **Advantage Life Sciences Venture Fund**, LSVF, increased its NAV (Net Asset Value) per share by \$9.21 to \$30.43 as a result of its paper gain from its investment in Aspreva.

LSVF (formerly **Qwest Emerging Biotech Fund**) was the first institutional investor in Aspreva, investing \$125,000 of the \$1.7 million seed round, at a pre-money valuation of \$4.9 million. That's batting better than 100X! This Fund subsequently exercised its right to invest a further \$100,000 into Aspreva in a \$69 million private equity financing, at a pre-money valuation of \$79 million.

At Aspreva's IPO capitalization, the \$225,000 invested by the Advantage Life Sciences Venture Fund is worth more than \$3.6 million, representing a combined return to the Advantage Life Sciences Fund investors of more than 16 times their initial investment.

The returns for LSVF are impressive. A \$10 investment has more than tripled thanks to the recent performance by Aspreva and gains due to two other investments in biotech ventures, namely **Protox Therapeutics Inc** (TSXV:PRX) and **Xillix Technologies Corp** (TSX:XLX). LSVF started with a modest \$1.83 million in capital that has grown to around \$5.5 million. LSVF bought into Protox at \$.22/share (now trading close to \$1) and into Xillix at \$.25 (now trading at \$.75).

The other two funds, in addition to LSVF, in the BC Advantage family are the Venture Fund (no Life Sciences in front of it) and the BC Tech Fund. Approximately, \$23 million has been raised by the group in the past two years under the Provinces Venture Capital Corporation tax credit program. So the net gain to investors in LSVF, using \$7 per share as the true cost, is more like >4X than 3X, demonstrating the leverage that the Province's 30% kick-back offers to investors willing to take these risks.

IPOs such as Aspreva are, alas, too few and far between. However, when they do occur, it sure stimulates interest in startups but even more importantly, the gains realized by the various investors will hopefully spawn dozens of new ventures.

Entrepreneurs in search of such angels should read the prospectus documents filed by companies like Aspreva (look under www.sedar.com). These clearly identify not only some of the angels that supported Aspreva, but also some of the company founders that will, hopefully, become angel investors themselves.

In the case of Aspreva, entrepreneur-angels such as **Erich Mohr** of **PRA International**, also of Victoria, is shown as an early investor holding almost a million shares (i.e. >\$16million in value). 321,000 of these were purchased at \$109K and are now worth more than \$5 million - a 50X gain! Numerous other investors and supporters are identified, e.g. biotech entrepreneurs

Tazdin Esmail, Julia Levy, Michael Hayden, a cofounder along with cofounders and employees **Richard Glickman** and **Noel Hall** who each hold some 2.5 million shares and many others who hold stock or stock options.

Further, the prospectus will help you to identify the Venture Capital investors and the people behind them, who now - flush with a nice gain - will be on the lookout for their next big hit.

Bottom Line: IPOs like this provide a wonderful stimulus to the tech sector. It means more angels, more investors, and most importantly it might encourage more entrepreneurs to take the plunge.

Super Angels

OK, so we've got a few more angels in our midst but if you want to know who the super angels are, take a look at **Forbes'** annual list of the world's richest people. Of course, topping the list again for the 11th year running is software nerd **Bill Gates** at US\$46.5 billion, followed closely by super-investor **Warren Buffet** with US\$44 billion. Gates also happens to be on Buffet's company, **Berkshire Hathaway**, board. Buffet made some noteworthy comments recently about his firm's performance. While his shareholders are quite happy, he's not. He feels bad because Berkshire's book value gained only 10.5%, a little less than the S&P500's 10.9% return. Also, his annual profit was down about 10% at only \$7.3 billion. His problem is that he's sitting on \$40 billion in cash looking for a home. Now that's a nice problem to have! At the AGM, he made an interesting biblical reference to his view that it's good for directors to be big shareholders, i.e. Mathew 6.21 in which **Jesus** says, "For where your treasure is, there will your heart be also." Hm... Hm...

Getting back to the super-angels - I think it's great that guys like **Richard Branson** and **Paul Allen** put US\$10 million into the kitty for the X-Prize that **Burt Rutan** won by putting a "commercial" passenger craft into outer space and returning safely to earth - twice in succession. It's this kind of thing that really stimulates gold old American-style entrepreneurship! Now, that's risk taking. So, if you got something really wild that needs funding, like a new energy source, these are the guys to call (it may not be that hard to get through!).

How did Canadians do on the Forbes list? **Kenneth Thomson**, the publishing magnate, ranked 15th (#1 in Canada) at \$17.9 billion while B.C.'s **Jimmy Pattison** (#4 in Canada) came 107th at \$4.8 billion doing really boring things like car sales, groceries, and billboards. Compare this to **Jeffrey Skoll's** \$5 billion (ranked 94th, #3 in Canada)), the Canadian who made all his money with **eBay**. Go figure - Jimmy builds an empire over many years of hard work only to be out-ranked by another software nerd. It just ain't fair. There are no other techies on Canada's top 15. In last place was **Guy Laliberte** with \$1.2 billion for leading **Cirque du Soleil**.

There are a number of American tech guys - 3 from Microsoft - near the top of the list - **Paul Allen** (#7; \$21B), **Larry Ellison** (#9, \$18.4B), **Michael Dell** (#18, \$16B), **Steve Ballmer** (#24, \$12.1B). An East Indian, **Lakshmi Mittal** ranked 3rd overall with \$25 billion making his fortune in the steel business. Steel?!

My guess is that there are some 50,000 millionaires in B.C. All you've got to do is find a few angels among them to help you get rich so that you, too, can become an angel - just like those Aspreva guys!

Business Centre for non-downtowners

If you don't have a **Vancouver** "office" but find yourself downtown occasionally without a "home", you are invited to use **SFU's TIME Business Centre**.

TIME is an acronym for **Technology, Innovation, Management, and Entrepreneurship**. The Business Centre (looks like an airport business lounge) is open to technology entrepreneurs and business people to use as a drop-in downtown office facility. Need to plug-in? Make some calls? Do some work? Hold a meeting? There are some great facilities for holding your company's AGM. Why hang out at MacDonald's when you can work productively at the TIME Centre? Drop by and check it out! It is located at SFU's downtown campus at 515 West Hastings St. You won't believe the price!

If you're an entrepreneur looking for a place to get your company started, there's some great office space available at the **TIME Centre**. There's also access to various resources, e.g. tech advisors, access to capital (e.g the **VANTEC Angel Network**), mentors, etc. Worried about the high cost of being downtown? Well, not to worry - some payments can be in the form of equity. Check www.sfu.ca/time for contact info.

WUTIF...you wanted to invest in a tech startup? The **Western Universities Technology Innovation Fund** (WUTIF), is an "angel fund" catering to tech startups based in BC (not limited only to universities). **WUTIF Capital** is a VCC that offers investors a 30% BC refundable tax credit. If you're keen to co-invest with angels in up and coming companies, this is a good way to get started. Check www.wutif.ca for details. Pooling and risk-sharing is the way to go!

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Tech Futures is a bi-weekly column that focuses attention on new and emerging BC publicly listed technology companies.

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