

Injecting Capital and Know-How into Israel's Life Sciences Equation

OrbiMed is confident that its new government initiated and supported \$203 million fund can drive the growth of the Israeli BioMed industry, and will be successfully invested in drug development companies.

“Israel's life science industry has great people and promising products. Our new fund plans taking advantage of the abundance of biotech and medical device opportunities to help the country's life science sector fulfill its potential,” said Dr. Nissim Darvish, Senior Managing Director of OrbiMed Advisors LLC.

OrbiMed won the recent Israeli government tender to set up a venture capital fund (there is also a tender for a second such fund) dedicated to life sciences and has raised \$203 million including nearly \$50 million in government funding.

Dr. Darvish explained, “The government is trying to repeat what it achieved in the early 1990s when it kick-started Israel's venture capital industry by investing in a range of funds. But over the years, those successful Israeli venture capital funds have been reluctant to invest in biotech, where the risks are higher and the returns are in the longer term.”

New York-based OrbiMed is the world's largest

healthcare-dedicated investment firm with about \$5 billion in assets under management. Dr. Darvish himself is an experienced venture capital fund manager and successful entrepreneur. A graduate of the Technion with an M.D. and Ph.D. in Biophysics and Physiology, he founded and headed medical device company Impulse Dynamics, which was sold to Johnson & Johnson and Guidant for \$250 million. His second company Neovas was sold to a Canadian firm and for the past eight years he was a General Partner with Israeli venture capital fund Pitango, where he sat on the board of many life science companies including Inotek Pharmaceuticals and Vascular Biogenics.

He said, “Israel is a well established global power in life sciences. Worldwide, we have the largest number of new patents per capita in medical devices and the third largest number of patents per capita in biopharma. In medical devices, the world's major corporations have made many acquisitions and

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have a strong presence here – GE, Johnson & Johnson, Philips and many more. In biotech, we are strong in research but have not yet fully matured when it comes to development and management know-how, although I know of dozens of top quality Israeli managers who have returned home from the US recently.”

Dr. Darvish said that the figures speak for themselves, “In the past decade \$3 billion has been invested in Israeli life science companies and the returns have been \$11.5 billion.”

In the past 30 months alone, five Israeli medical devices firms have been acquired by large international healthcare companies for nearly \$1.5 billion dollars: Johnson & Johnson acquired Omrix Biopharmaceutical, a provider of bio-surgery and passive immunotherapy products, for \$438 million; St. Jude Medical acquired inter-body navigation and minimally invasive cardiology device developer MediGuide for \$300 million; Medtronic acquired heart valve developer Ventor for \$325 million; Roche acquired Medingo, which develops a miniature insulin dispensing patches for \$200 million; and Align Technologies acquired Cadent Holdings, which develops 3D scanning solutions for restorative dentistry and orthodontics for \$190 million.

OrbiMed’s first move in Israel has been to invest \$10.5 million in SMT R&D, which is developing medical devices for use in complex heart procedures. But what will distinguish the new fund in Israel is its major focus on biotech investments – an area that until now local venture capital funds have avoided.

He said, “We have surveyed the sector and found that Israeli companies are holding 400 clinical trials for their products including 120 different treatments in human clinical trials. There is such a lack of venture capital for these projects that some 50 Israeli life science companies have help IPOs on the Tel Aviv Stock Exchange, even though it was not appropriate for many of them to go public, but they had no choice.”

Dr. Darvish stressed that as well as capital and management know-how, OrbiMed will also be able to provide contacts with the global pharmaceutical industry with many of the world’s major drug companies being investors in its funds.

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He observed that in the past budding Israeli drugs have been sold off early and cheaply and said that in 2010 Israeli discovered drugs (not including Copaxone) earned \$9 billion in worldwide sales with very little of that finding its way back to Israel in royalties.

Examples include the Hebrew University’s Prof. Marta Weinstock Rosin’s Exelon treatment of Alzheimer’s Disease currently earning Novartis \$1 billion a year. Doxil, an anti-cancer medication discovered by Prof. Yechezkel Barenholz of the Hebrew University in collaboration with Prof. Alberto Gabizon of Hadassah University Hospital, is produced and marketed by Johnson & Johnson and generates revenue of more than \$450 million per year. The list goes on and includes multiple sclerosis treatment Copaxone, the first drug to remain in Israel for development and marketing and which has earned Teva \$14 billion in revenue since 2002.

Dr. Darvish said, “Even with Copaxone, we see the Weizmann Institute where it was discovered by Prof. Michael Sela and Prof. Ruth Arnon, developing new drugs through companies to a further stage towards commercialization. Universities and scientists are now rightly saying to themselves why sell cheap.”

He added, “At OrbiMed we are confident of success because Israel is strong in such areas as

oncology, cardiology and auto-immune diseases. But more significantly, we are strong in developing drugs based on biologics and cell therapy, which are the wave of the future because they are more specific in their treatment and have less side effects.”

He continued, “We had very constructive talks with officials at the Ministry of Finance and Ministry of industry and Trade when we negotiated over the fund. I was very impressed at the way they listened to our ideas. They were eager for us to invest in later stage start-ups and we will do this but we convinced them that there are also investment opportunities in earlier stage companies, even those still in incubators.”

Dr. Darvish said, “Ultimately we expect our biotechnology investments to yield returns after five years, and our medical devices investments in a shorter period.”