

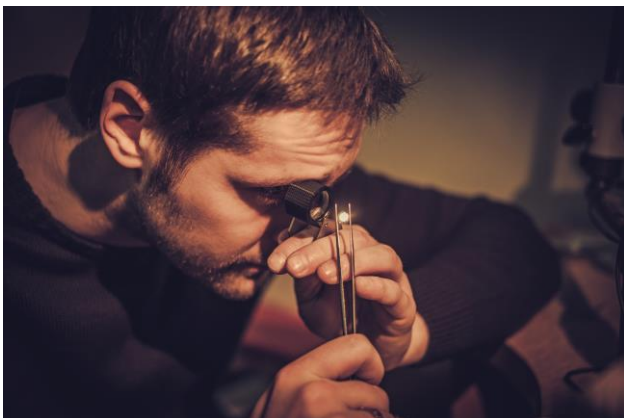
What is the value of my future spin-off?

By Roch Ogier and Saskia Karg

Your future start-up has little value...

No matter how hot your science, early stage projects have very little intrinsic value. Most investors infer value from a mix of science and technology, intellectual property (IP), team, market size, and current sales. In your case...:

- i. Your technology is usually a combination of ideas and acquired know-how. Ideas are free. Know-how may not be unique. If it is rare and you can transfer it to your spin-off, you have some credible value potential.
- ii. The IP usually belongs to the university and – while vital – is not worth much without development. For this reason, pharma or tech companies do not rush to in-license young IP.
- iii. Your team is usually junior, at least in terms of entrepreneurship. Once founded, your spin-off will most likely not attract experienced personnel immediately as you have no track record at incorporation. While board members and advisors may be lined up, they are rarely very engaged at this stage.
- iv. The market and size of opportunity varies from one project to another and is the same for everyone in your field. You did not contribute to this and it does not bring value to your project per se, it simply adds to (or subtracts from) the value potential.
- v. Finally, you usually have neither sales nor customers at this point.



...but value potential

Only a very small part of the value of your newborn company is due to the past (intrinsic value) and a very large part is expected

to develop in the future (value potential) – if ever developed. What matters is the value potential people see. Its realization will mainly depend on implementation quality, which will be based on a mix of hard work, luck and – in the biomedical field – the sometimes impenetrable laws of biology.

No spin-off, no value

The biggest risk to your discovery never realizing its potential is lack of development and momentum. Some researchers have a paralyzing fear of someone stealing their technology. This is hardly ever warranted. Knowledge, know-how, and available infrastructure set natural limits. And if there is competition, you would want to outrun it, not outwait it.

Another risk is that a team member, mentor, or co-inventor prevents the development, either by directly vetoing agreements or by slowing things down so that momentum is lost. Lack of alignment of the different stakeholders may kill an entrepreneurial project before it is even started. Self-sabotage is an unacknowledged risk.

Many people are unwilling to take the personal risk associated with a spin-off company or are lured by alternative career paths in industry or academy. With low unemployment and juicy career options, this is a big issue in Switzerland. Pharma or tech companies are not rushing to in-license IP at this early stage, nor are third parties. Your idea may die simply because nobody is committed enough to move it forward.

Often there is only a single person willing to take on the project. Whether this person is you, your mentee, or someone you hire: without the right person at the right time with the right motivation, your project may die a slow and quiet death. Once someone is willing to take the plunge and commit to developing the project, the question is: who will found the start-up? With whom?

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