

THE VANCOUVER SUN

U.S.-based venture capital firm plans investment in B.C. biotech companies

Versant Ventures sets up Vancouver office and invests \$10 million drug development

By Gillian Shaw, Vancouver Sun December 9, 2013

A California-based venture capital firm specializing in life sciences, with more than \$1.6 billion in assets under management, has targeted British Columbia for investment, opening an office here and investing \$10 million in a new company that will be managed by its Vancouver biotech team.

Versant Ventures' drug discovery incubator Inception Sciences recently entered into a deal with Bayer Healthcare to create Inception 4, a company focusing on the development of drugs to treat retinal eye disease, such as age-related blindness.

Following a successful "build to buy" model Versant pioneered several years ago, the Vancouver operation will develop a drug that already has a pre-structured exit in that Bayer has agreed to buy it when certain milestones are reached.

"This is a new trend emerging in venture capital as a way for increasing return on investment and it's very attractive to pharma because it provides them with a way of sharing risk and capital in discovery research," said Jerel Davis, who is heading up Versant's new Canadian office, located at the same Great Northern Way address as QLT headquarters.

"The unit here in Vancouver is a sister to the successful unit we have created in San Diego where we have a group of great discovery researchers."

Versant's decision to set up an incubator in Vancouver is good news for B.C.'s biotech sector, said Paul Drohan, president and CEO of LifeSciences B.C.

"This is a great signal for the B.C. biotech sector that the good signs we saw from the U.S. ... the initial public offerings and the amount of capital being injected into biotech have been significantly increased in 2013 and now we are starting to see that north of the border in Vancouver, which is fantastic," he said.

“We hope this isn’t the last,” he said. “We hope there is more to come when they see the success Versant will have in Vancouver.”

Unlike more traditional exit strategies that see entire companies sold, the Versant model will see only the drug sold with the research team that developed it staying together to work on the next drug discovery and development.

“We like to go into uncharted territory to find the raw material for new companies,” said Davis. “We have the unique ability to start companies from scratch ... to look at areas where there is great science and start companies from scratch around that science.”

Davis outlined three reasons Versant opened its new office in British Columbia. Top of the list is talent — the company has former Merck Frosst Canada scientists from Montreal who have moved to Vancouver and Davis said Versant was able to build a team around the scientists.

“Number 2 is great untapped science” said Davis. “We believe there are few people looking at the science in Vancouver, Toronto and Montreal.”

The third reason relates to the people involved in Versant. Versant managing director Brad Bolzon is Canadian and Davis’s wife is Canadian.

“It’s not a surprise to us that there is great talent in Canada and the quality of science is extremely high,” said Bolzon, who holds MSc and PhD degrees in pharmacology from the University of Toronto.

Inception 4, backed by \$10 million in Series A financing from Versant, will be managed by Inception Sciences Canada, a Canadian arm of Versant’s U.S.-based Inception Sciences.

In turning its attention to Canada, Versant is following up on successes generated by its incubator in the U.S. Versant counts among its success stories Amira Pharmaceuticals, which sold to Bristol-Myers Squibb for \$475 million US, with \$325 million paid up front and potential milestone payments of \$150 million

Inception Sciences was founded by the team that created Amira and since 2005 it has been the catalyst behind the launch of six pharmaceutical companies, which have generated close to 100 jobs in the San Diego area.

Versant also has a biotech incubator in Toronto, BlueLine Bioscience, which, in collaboration with Celgene, is planning to launch companies focused in areas such as oncology and inflammation. It also plans to launch in the Quebec market in 2014.

Versant Ventures’ Vancouver office is located at 887 Great Northern Way, site of QLT headquarters. QLT was Vancouver’s biotech pioneer and its Visudyne treatment for age-related blindness propelled it to become one of Canada’s leading biotech companies. However, the company failed to produce another product to match Visudyne’s success and its workforce has

been cut by more than 80 per cent. QLT sold Visudyne to Valeant Pharmaceuticals in September 2012.

© Copyright (c) The Vancouver Sun