



## A new kind of biotech startup incubator comes to Montréal

BY SHAWN LAWRENCE • SEPTEMBER 2, 2014 • BUSINESS FOCUS, CAPITAL MARKETS/FUNDING, DRUG DEVELOPMENT, FEATURE, SCIENCE FOCUS • COMMENTS (0) • ♥986



It's an investment model that has worked well for global life science venture firm Versant Ventures in both the U.S. and in Europe.

On the surface, the model is similar to that of other venture capital firms that co-invest in startups with attractive new drugs and platform technologies, but Versant's model

offers a slightly different spin. For starters, Versant specializes in seeking out not just the emerging technologies at an early stage, but also recruits the researchers behind these innovative ideas. Then through partnerships with its virtual incubators, it creates new companies in the hopes of taking these technologies far enough along the value chain in the hopes of selling to a product hungry big biotech and pharma.

Now the firm is attempting to replicate this success in Canada, having created two virtual incubators with Blueline Bioscience in Toronto and Inception Sciences in Vancouver, and this past June, announcing the creation of a third called Inception Sciences Montréal.

The motivation to expand into Québec comes down to a number of factors according to Clare Ozawa, founding business chief and COO of Inception Sciences. In her role, Ozawa is responsible for Inception Science's global operations including strategic business development. Working out of the Inception Science San Diego Incubator, she's seen the Versant model play out before. Charged with overseeing Inception Montréal's launch, she believes the model will work very well there.

"There are very good academic institutions in Québec with a strong reputation for world-class science that can support drug discovery," says Ozawa. "It's also a province that prides itself on its strong history in the life sciences sector."

This is important, she says, as the idea behind Inception's entry into locations like Montréal is to capitalize on the strengths of the provinces bioscience assets to generate companies.

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"It's all part of a creating a value chain," explains Ozawa. "This is what really differentiates us. Inception Sciences operates as a kind of mother ship or incubator-type holding company, spinning out new drugs and development programs most of which are drawn from academic institutions. So you need a strong talent pool to work from."

The hope is that the new drugs and programs that are to be incubated will be done so in partnership with large biopharmaceutical companies. The companies will not only provide the funding, but if successful, provide a path of exit through pre-negotiated acquisitions.

"It all comes down to big pharma and even big biotech firms facing the problem of their pipelines drying up and their internal R&D efforts not being as productive as they need them to be," says Ozawa. "They've shifted huge amounts of dollars into what's called external R&D and this is where we come in with Versant Ventures and our incubators ready to provide this R&D. We're like the middle-person, taking early stage discovery far enough along to the point of exit."

Again, this is where the model differentiates from the norm. When the technology or company is sold, unlike other incubators the same scientists will remain with the Inception Sciences incubator and continue to work together on the next great discovery or project.

"It's a model where Versant is actually partnering with the scientists. And everyone benefits when we reach a promising milestone. The product may be sold but the team stays to set up the next program," she explains.

Finding the right environment for such a model to work is a big part of Versant Ventures Canadian growth strategy says Jerel Davis, a partner at the firm.



Clare Ozawa, founding business chief and COO of Inception Sciences



Jerel Davis, Vancouver, BC – based Partner, Versant Ventures

"That is why we're in Vancouver, Toronto and now in Montréal. In all the companies we've helped launch over the years, each of those companies has academic collaborators. We fund and actively engage with entrepreneurs, taking early-stage discoveries and incorporate them into companies. At the same time, we're looking for investments, seeking out other investors who might get involved in backing these companies as well as to help us leverage our investment."

An example of this process has seen Teraly Capital, along with co-investors Fonds de solidarité FTQ and the Business Development Bank of Canada (BDC), already working with Versant Ventures on the expansion of the Inception Sciences incubator to Montréal.

"Some of the folks that announced their commitment to Versant, have their own mandate to develop the Québec ecosystem. As we come to Canada as Versant, an investor, and as Inception Sciences, the drug discovery engine, both

Versant and Inception are very committed to finding ways to work with Canadian academics in all three



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hubs – including Québec – to translate their discoveries,” says Davis.

Echoing Ozawa’s feelings, Davis says the lure of Montréal is that it is still a relatively untapped biotech market.

“Great ideas can come from anywhere, they don’t have to come from San Francisco or Boston, and so that’s part of thesis, look to places that often get overlooked to find great scientific breakthroughs, places like Québec and even the rest of Canada, where we think there is a lot of under-recognized talent,” says Davis.

Of course, he adds, there’s also the fact Versant has pre-existing ties to Canada as both Brad Bolzon (managing director of Versant Ventures) and Peppi Prasit (CEO of Inception Sciences) are Canadian, with the latter having spent considerable time in the province of Québec.

“Prior to establishing a relationship with Versant, Peppi (Prasit) was very much involved with Merck Frosst, working there for 15 years prior to its closing. He has extensive relationships with many people who formerly worked there, as well as others from Canada’s research community. So, he knows the region very well, he knows of its potential and those are reasons we think we can be successful here,” says Davis.

Both Davis and Ozawa add that while Versant and Inception have much to gain from entering into this market, they also have much that they can give back.

For example, Montréal’s life science sector has been hit hard in recent years with some of the big pharma companies such as AstraZeneca PLC and Merck & Co. Inc. closing research facilities there, leaving scientists needing a place to work.

“Inception can help bring researchers who left the province following these closures back to the province,” says Ozawa. “I think we’re interested in great talent regardless of where it comes from but we are looking for people obviously from Montréal. In some cases, I think some people we’ve already hired, or who have accepted their offers, are people who have actually moved out from Montréal and that are going to relocate back here. Some are ex-Merck employees and people that we know well.”

For Davis, the true measure of success and giving back will not only be associated with the jobs that are created, but the companies that will be spurred and the investments that will be made. On this note, Davis speaks of what Versant Ventures has accomplished on the global stage, managing more than \$1.6 billion and investing in over 75 companies to date in North America and Europe.

“I think Canada as a whole, and Québec have a lot of components that allow us to replicate that success, and it begins with how we are able to work with academic institutions,” says Davis.

In terms of how these partnerships will work and what therapeutic areas will be targeted, Ozawa explains the partnerships will be broad and decided largely by what areas are in most demand from big pharma.

“That is pretty much the priority. It has to be in an area that’s of significant interest to potential pharma partners. We’ll definitely focus on projects that can easily be translated into a drug within a relatively short timeframe also.”

As such the types of scientists Inception Montréal will be hiring will be those who are able to work across many different therapeutic areas.

“Many of the scientists that we will be bringing in will have backgrounds in medicinal chemistry, in vitro biology and drug metabolism,” says Ozawa.

The next steps will include getting Inception Montréal off the ground. Plans have already been initiated to hire drug development experts and a location will be selected for the new physical drug discovery laboratory shortly.

"I think initially we're looking to build a scientific team of about fifteen to twenty scientists and we'll supplement that with some business support on the ground. From there, we'll see how the model rolls."

The aim say both Davis and Ozawa is to have Inception Sciences Montréal fully operational by the end of 2014.

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