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Chapter 1 : How to Value a Development-Stage Biotech Company

Valuation of Internet and Technology Stocks offers practical information on how to value internet and high-tech companies more accurately. The book reviews previous practice, highlights the deficiencies in existing stock market techniques, and shows how to modify or replace them.

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Chapter 2 : Biotech Bull & Bear 3X ETF | LABU, LABD | Direxion

Valuation of Internet and Technology Stocks by Brian Kettell. Elsevier. - Valuation of Internet Technology and Biotechnology Stock by Brian Kettell.

Because many ventures are in the development stage , they often confound traditional financial analysis: With little or no cash flow, earnings or even revenues, putting numbers on a firm â€” while not entirely impossible â€” can be awfully tricky. Here are a few non-numerical items to consider when analyzing biotech companies. Ideally, the company should be developing a technology platform with multiple â€” rather than single â€” treatment opportunities. Importantly, the company should be working on a large number of products that target diseases and conditions with large patient populations. Keep an eye out for biotech firms developing products for big treatment areas â€” such as cancer, cardiovascular diseases and central nervous system disorders â€” where potential return on investment is greatest. Stay clear of companies developing "me-too" treatments for disease areas that already well served by existing technologies in the market. By giving the firm exclusive rights to its technology, patent protection increases the value of that technology and of the company itself. A key factor in success is the ability to develop cost-effective drugs that represent breakthrough therapies. Management Talent and experience of management is critical for long term success. Ideally, the biotech company should be run by executives who have developed and commercialized treatments before. Meanwhile, be wary of companies that regularly miss their targets. Partnerships These days, biotech companies can rarely succeed alone. Given the big costs of drug development, a biotech company will be held back from reaching its full potential unless it can find partners to help fund clinical trials and commercialization. Look for partners that show lasting commitment â€” remember, the product-development process can be a very long and expensive one. Also, keep an eye on deal terms, as they offer a reliable indication of value that the market gives to the technology. A good licensing partnership agreement will include not only a generous royalty rate on future sales but also healthy upfront payments, plus milestone payments for achieving development targets. After all, funding is the fuel of the biotech industry. A solid cash position means that the company can strike up favorable partnerships without having to accept the first deal on offer. Given that biotech businesses typically have scant financial records, quantitative analysis represents a big challenge for investors, too. Trading Center Want to learn how to invest? Get a free 10 week email series that will teach you how to start investing. Delivered twice a week, straight to your inbox.

Chapter 3 : Double Your Money with the Best Biotech Stock to Buy in

Biotech investors also need to manage seemingly canyonesque difference between a biotech company's real, or financial, value, and its perceived value, or the value associated with potential.

Share It can be tricky to put a price tag on biotechnology companies that offer little more than the promise of success in the future. Just because someone in the lab cries "Eureka! In the biotech sector, it can take many years to determine whether all the effort will translate into returns for a company. However, while valuation may appear to be more guesswork than science, there is a generally accepted approach to valuing biotech companies that are years away from payoff. In this article, we explain this valuation approach, which relies on discounted cash flow DCF analysis, and take you through the process step by step. Discounted Cash Flow Analysis Portfolio Valuation Approach Think of a biotech company as a collection of one or more experimental drugs, each representing a potential market opportunity. The idea is to treat each promising drug as a mini-company within a portfolio. Using DCF analysis, you can determine what someone would be willing to pay for that drug portfolio. In other words, you determine the forecasted free cash flow of each drug to establish its separate present value. Then, you add together the net present value of each drug, along with any cash in the bank, and come up with a fair value for what the whole company is worth today. A biotech company can have dozens or even hundreds of drugs in its developmental pipeline. However, that does not mean you should include them all in your valuation. Generally speaking, you should only include those drugs that are already in one of the three clinical trial stages. For more information, visit the U. Therefore, drugs in the pre-clinical stage are usually assigned zero value by public market investors. The key is to determine what expected peak sales would be if - and this is a big "if" - a drug successfully makes it all the way through clinical trials. Look at information provided by the company and market research reports to determine the size of the patient group that will use the drug. Analysts typically focus on market potential in the industrialized countries, where people will pay the market price for drugs. If there is a competitive drug market, with limited advantage offered by the new drug in terms of increased effectiveness or reduced side effects , the drug will probably not win substantial market share in its product category. Estimated Price Tag Once you have established a sales market size, you need to come up with an estimated sales price. Of course, putting a price tag on a drug that addresses an unmet need will involve some guesswork. But for a drug that will compete with existing products, you should look at the price of the competition. Multiplying that price by the estimated number of patients gives you estimated annual peak sales. Many biotech firms - especially the smaller ones with little capital - do not have sales and marketing divisions capable of selling high volumes of drugs. They often license promising drugs to bigger pharmaceutical companies, which help pay for development and become responsible for making sales. In return, the biotech firm normally receives royalty on future sales. According to an article written by Medius Associates "Royalty Rates: Current Issues and Trends," October , the royalty rate for drugs currently in Phase I of clinical trials is normally a percentage in the single digits. As these firms move along the development pipeline, royalty rates get higher.

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Chapter 4 : Using DCF In Biotech Valuation

*'Valuation on Internet and Technology Stocks' reviews existing stock market techniques highlighting their deficiencies and show how the New Economics necessitates new forms of investment analysis. * Investigates why there has been a high correlation between high loss companies and a rocketing stock price.*

This is all promising news for a host of companies contemplating raising capital in Hong Kong. This alert discusses these developments in more detail. The HKEx initially proposed creating a new board for certain pre-revenue and pre-profit New Economy companies, but ultimately decided to preserve one premium Main Board rather than segment into two. However, the HKEx will only allow biotech companies to list on a pre-revenue basis. The rationale is that the biotech industry tends to be strictly regulated and such companies pose less risks to investors compared with other types of pre-revenue companies. The HKEx notes that as it gains experience in listing companies from emerging and innovative sectors, it may update its guidance at a later date, as appropriate. A biotech company wishing to apply for listing on the Main Board under this new chapter does not need to satisfy the financial eligibility test under Listing Rule 8. In addition, it must meet the following requirements: Weighted Voting Rights Weighted voting rights WVR are designed to give certain shareholders more rights than the others. However, one of the main principles of the Listing Rules is that all shareholders shall be treated equally and fairly, and therefore, WVR structures were not permitted by the HKEx. To be eligible for listing under this new chapter, companies must meet the following criteria: Note that this definition of New Economy company is also applicable to companies seeking a secondary listing in Hong Kong as further elaborated below. Each WVR holder has an active executive role within the business and contributes to a material extent to the ongoing growth of the business. Each WVR holder is or would assume the role of director of the issuer at the time of listing. WVR attached to a share will lapse automatically if the weighted share is transferred to another person or the shareholder ceases to be a director of the company. There are some explicit protections for ordinary non-WVR shareholders, including representation at general meetings and ability to convene general meetings. The HKEx will also implement enhanced disclosure and enhanced corporate governance measures, including appointment of a permanent compliance adviser. Secondary listings Currently, an issuer seeking a secondary listing on the HKEx must satisfy the following criteria: HKEx proposes to create a new secondary listing route for a New Economy company that meets all of the above conditions and: This new chapter will also remove the current prohibition on secondary listings in Hong Kong by companies listed in China. Greater China Companies that are listed on a Qualifying Exchange on or before the publication of the Consultation Conclusion ; ii non-Grandfathered Greater China Companies; and iii non-Greater China Companies, for implementation of different measures, including: All three types of company with a secondary listing in Hong Kong are automatically waived from compliance with certain Listing Rules. The above measures are only applicable to companies seeking secondary listings in Hong Kong. Where the bulk of trading in the shares of an issuer migrates to Hong Kong on a permanent basis, these companies would be treated as having a dual-primary listing in Hong Kong and granted only waivers that are commonly granted to dual-primary listed issuers. Conclusion and Open Questions HKEx is determined to open its market to New Economy companies so to capture market opportunities and respond to the needs of market participants. While the Consultation Conclusion sets out a framework of the changes, many finer details remain open for discussion. For instance, HKEx has explicitly left open the possibility of imposing quantitative performance measures on listed companies with WVR structures in the future. It has also highlighted that some passive index funds are no longer including weighted shares companies with WVR structures into the index. The new measures set out in the Consultation Conclusion still impose a number of restrictions. HKEx intends to conduct further consultation on the proposed rule amendments in the first quarter of This memorandum is a summary for general information and discussion only and may be considered an advertisement for certain purposes. It is not a full analysis of the matters presented, may not be relied upon as legal advice, and does not purport to represent the views of our clients or the Firm. Berney San Francisco, Shanghai. The views expressed in this newsletter are the views of the authors except as otherwise noted. Portions of this communication may contain attorney advertising. Prior results do not guarantee a similar outcome. Disclaimer Thank you for your interest. Before you communicate with one of our attorneys, please note: Any comments our attorneys share with you are general information and not legal advice. By clicking "accept" you acknowledge receipt and agree to all of the terms of this paragraph and our Disclaimer.

Chapter 5 : Valuation of Internet and Technology Stocks - O'Reilly Media

the Internet of Things and digital health are trending at the moment, as more and more graduates are inspired by the infamous growth stories of start-ups like Facebook, Dropbox and Snapchat.

Chapter 6 : Hong Kong Stock Exchange Amendments Aim to Attract More Biotechnology and Technology

For four years running, biotech stocks have risen faster than any other sector of the market in the United States. Health care set new records last year for both IPOs and M&A spending.

Chapter 7 : How To Do Qualitative Analysis On Biotech Firms | Investopedia

The valuation of biotech IPOs. retention of technology IPOs and internet IPOs are valued differently. financial statement information is of very limited use in the valuation of internet.

Chapter 8 : Startup Valuation Calculator

Generally speaking, a tech startup which is offering convertible preferred stock will get a valuation of 9X its revenues. If it chooses to offer plain equity, then after a 25% liquidity/small company discount, it will get a valuation of X its revenues.

Chapter 9 : Technology Companies - www.nxgvision.com

The Direxion Daily S&P Biotech Bull and Bear 3X Shares seek daily investment results, before fees and expenses, of %, or % of the inverse (or opposite), of the performance of the S&P Biotechnology Select Industry Index.