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General Partners: Buyout

OrbiMed Advisors Offers 'One-Stop Shop' for Health-Care Companies

By BRIAN GORMLEY

OrbiMed Advisors plans to show that bigger can be better for health-care focused firms.

The firm, which recently closed the largest health-care venture capital fund ever at \$975 million, manages more than \$15 billion in assets, ranking it among the world's largest dedicated medical investment firms.

A private equity investor since 1993, OrbiMed has steadily expanded its private-investment practice, raising successively larger venture funds and a series of specialized pools aimed at Asia, Israel and credit/royalty investments.

The New York firm's newest partnership, which closed in December with \$950 million in limited partner and \$25 million in general partner commitments, respectively, surpasses a \$900.5 million fund raised in 2009 by Essex Woodlands, the previous top health-care fund.

OrbiMed's growth counters industry trends. In recent years, venture capital has become more specialized, with smaller teams pursuing narrower strategies with modest-size funds. Instead of specializing, OrbiMed aims to provide companies in any medical sector or country with the type of startup or growth financing they need. "[We] want to be thought of as a one-stop shop," said Jonathan Silverstein, a partner who heads the private equity practice with Partner Carl Gordon.

Large funds have helped OrbiMed double down on its winners. One of its best investments has been in Enobia Pharma Corp., which developed a treatment for hypophosphatasia, a rare genetic disease that causes skeletal deformities and severe muscle weakness. Using its \$530 million third fund, closed in 2006, OrbiMed invested \$67 million to gain a 50% stake in Enobia, which was later acquired by Alexion Pharmaceuticals Inc. for \$1.08 billion in 2012.

Seeing opportunity to provide growth capital to companies

seeking nondilutive or minimally dilutive funding, OrbiMed in 2011 and 2015 raised credit/royalty funds of \$600 million and \$924 million, respectively.

The firm used its newest credit/royalty pool to provide equity and debt to **HLS Therapeutics Inc.**, a startup led by former executives of Biovail Corp., a Canadian pharmaceutical company that merged with Valeant Pharmaceuticals International Inc. in 2010. HLS, which seeks to acquire neurological disease treatments, last year used the financing it raised to buy the North American rights to schizophrenia medicine Clozaril.

OrbiMed also makes other atypical investments. It is one of a handful of firms looking to help pharmaceutical companies finance the development of some of their drugs in exchange for payments. Facing profit margin pressure, many drug makers are searching for ways to lower their clinical-research costs while continuing to bring new products to market.

One such investment is **OxOnc Development**, which has joined with Pfizer Inc. to conduct clinical trials of a Pfizer cancer therapy in patients with a specific gene rearrangement. OxOnc

OrbiMed Advisors

Latest Funds

OrbiMed Private Investments VI LP, \$975 million, closed in 2015; OrbiMed Royalty Opportunities II LP, \$924 million, closed in 2015; OrbiMed Asia Partners II LP, \$325 million, closed in 2014; OrbiMed Israel Partners LP, \$222 million, closed in 2012.

The Strategy

OrbiMed is investing OrbiMed Private Investments VI LP across health care, with a focus on biotechnology, medical devices, diagnostics and health-care information technology.

Key Personnel

Partners Carl Gordon and Jonathan Silverstein co-lead the private equity practice.

Selected Portfolio Companies

Adaptimmune Therapeutics PLC, IPO, 2015; Aduro Biotech Inc., IPO, 2015; Cardioxyl Pharmaceuticals Inc., acquired by Bristol-Myers Squibb Co., 2015; SAGE Therapeutics Inc., IPO, 2014.

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is providing funds and oversight for the studies, which are taking place in Japan, China, Taiwan and South Korea, and will earn milestone payments if Pfizer gains regulatory approval in this patient population in the Asia region.

OrbiMed expects to consider more of these structured-finance investments. Firms pursuing similar deals include **Abingworth** and **Clarus Ventures**. “R&D in this industry is very expensive, and even large companies have more programs that merit funding than they have resources for,” Dr. Gordon said.

Some firms have exited early-stage investing as their fund sizes have grown. OrbiMed isn’t one of them. It continues to fund startups, including some it has helped get off the ground. In 2014, for example, Private Equity Partner Peter Thompson joined with entrepreneur Richard Miller to launch **Corvus Pharmaceuticals Inc.**

Corvus, which develops drugs that engage the immune system in the battle against cancer, has raised more than \$100 million in venture capital and is in registration to go public. ■

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Referenced sale proceeds related to Enobia Pharma Corp. include payments contingent on the occurrence of certain future events and may ultimately not be realized.

OrbiMed Advisors LLC (“OrbiMed”), together with its affiliates, ranks as one of the world’s largest global healthcare-dedicated investment firms based on net assets under management as determined from publicly available information with over \$15 billion of net assets under management as of December 31, 2015.

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