

Ohio attracting more attention from nation's bioscience investors

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After years of pouring their money into bioscience companies on the coasts, namely in places such as Boston and San Francisco, venture capitalists are now more frequently turning their eyes toward Ohio.

A new report shows that investors' interest in Midwest health-care companies, especially in Ohio, is increasing.

Meanwhile, Columbus, which has long been a bioscience lightweight compared to its northern neighbor Cleveland, is also making significant strides in the industry, according to Midwest Health Care Venture Survey released Tuesday by BioEnterprise Corp.

The report, which surveyed national health care venture capital firms on their "perception" of cities and regions for industry investment, noted that "there have been notable gains in reputation for Cleveland, Indianapolis, Cincinnati and Columbus."

Through the end of third quarter 2007, seven companies in the Columbus area raised \$13.2 million in investments, up from the entire 2006 total of \$5.3 million in 10 companies.

"I think that's a pretty significant gain, and that's not even for the entire year yet," said Annette Ballou, director of strategic marketing and communications for BioEnterprise.

In the new survey, Columbus saw an improvement in its score from 2.19 for 2006 to 3.12 for last year. While the ranking is based on a top score of 10, it's notable that Columbus received an improved score especially when scores for cities such as St. Louis and Chicago, which has a score similar to Columbus', actually fell.

Much of the investment in Columbus companies is in the medical device sector.

There are more than 125 bioscience-related companies in Central Ohio, according to BioOhio, a Columbus-based nonprofit organization that advances the biosciences in Ohio.

"We're becoming noticed in a great way," said Ballou.

She said investors who typically put their money in companies on the East or West Coasts now are seeing that they can make money in the Midwest.

"Our deals are performing better. They're getting more bang for their buck," said Ballou. "We have good management and the prices are reasonable."

Another good sign is that the state's bioscience companies are receiving investments from outside the state. She said that approximately 80 percent of investment money in the Cleveland area comes from outside the region.

The survey supports her, noting that compared to national deals, 23 percent of investors believe Midwest deals perform better while the remaining 77 percent indicate Midwest deals perform equally.

She said interest is increasing so much that many venture capitalists are even opening offices in Ohio.

"They tend to follow their investments. It's a very good sign for us," Ballou said.

Minneapolis/ St. Paul again topped the rankings, but the gap between that area and second-place Cleveland narrowed.

"Over the last five years there has been a flow of \$600 million of new money that has been put into biotech companies in Cleveland," said Ballou.

Pittsburgh came in third followed by Wisconsin, Indianapolis and Cincinnati.

Medical devices is seen as the strongest sector in Midwest deals according to the survey, however, actual investor dollars suggest that the biopharmaceutical sector is actually stronger.

In the survey, 72 percent of investors rated medical device deal flow to be strong in the Midwest while only 16 percent rated Midwest biopharmaceutical deals as strong.

However, based on actual investments, biopharmaceutical companies capture nearly 50 percent of the invested dollars in the region.

Health-care services and software are also getting more attention from investors in Ohio, said Ballou.

Investment interest continues to strongly favor medical devices, followed by biopharmaceuticals with 94 percent of the respondents indicating an interest in medical devices, 65 percent an interest in biopharmaceuticals, 55 percent indicate services and 44 percent showed interest in health-care software.

Most respondents (79 percent) see overall Midwest deal flow as having increased over the past five years, and 87 percent would like to expand their deal flow in the Midwest.

"Not surprisingly, the 2007 survey results mostly reflect what we have seen in terms of actual venture investing in the Midwest," said Baiju R. Shah, president of BioEnterprise. "Clearly, investors are finding good opportunities in the Midwest and the deals are performing for them."