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VCs lament lack of local opportunities in life sciences

There is also insufficient expertise in evaluating life science start-ups

By Eugene Low

[SINGAPORE]

Life sciences, or biomedical sciences, might be touted as the next big wave, but for now, there are few investment opportunities here, say local venture capitalists.

Players in Singapore's venture capital industry also point out that there is a lack of expertise in the industry when it comes to evaluating life science investments.

"The volume and quality of life science investment opportunities in Singapore and the region are low. The better deals are in the US and Europe," said Yap Chee Wee, investment manager at OCBC, Wearnes & Walden Management.

"Among venture capitalists here, there is also insufficient expertise in evaluating life science start-ups. But there is no urgency because the quality and volume of deal flow are not there," he added.

Venture capitalists told The Business Times that the industry is more familiar with investing in information technology and electronics companies, than in life science start-ups.

Laurence Chan, general manager and vice-president of Fortune Venture Management, said: "The life science investment process is entirely different as you have to deal with different business models, valuation methodology, technology and partnerships. There is high value placed on patents and technology."

Mr Chan also agreed that there is a shortage of life science investment know-how among venture capitalists here. "Very few venture capital firms in Singapore understand life science investments well. There are many misconceptions about the investment risks involved. Also, there is no clear investment strategy in all but a few firms," he said.

But despite the current paucity of life science investment opportunities and expertise, venture capitalists believe that the life sciences is more than just a passing fad.

"I think you have to look beyond the hype and look at what the industry does. Unlike the case of dotcoms, where you might change your online habits and return to print media or buy books from the store, you can't decide to stop ageing or getting sick," said Damien Lim, a general partner at Bioveda Capital. "From a commercial perspective, the life sciences has real and essential products and services to offer the public."

Mr Lim also pointed out that the way life science start-ups operate is distinct from the way dotcoms function. "You're not going to see a 20-something starting a biotechnology company and discovering the next Viagra. This business requires tremendous domain expertise, not just business sense and an ability to work long hours," he said.