



BioNJ 2015 Entrepreneurship Survey



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Executive Summary

Entrepreneurship is the lifeblood of an innovation-based economic cluster. Key to New Jersey's vibrant life sciences ecosystem is a robust base of entrepreneurs and start-up companies. To get a better understanding of the challenges that New Jersey entrepreneurs are facing, as well as the resources they are taking advantage of, BioNJ, the life sciences trade association in New Jersey, surveyed this community. With the underlying goal of identifying opportunities and support for this sector, the survey was designed to capture both qualitative and quantitative feedback.

We heard from 44 highly experienced executives who represented experiences from over 90 start-up life sciences companies. The vast majority of respondents were serial entrepreneurs, with several involved in over five start-ups, primarily in biopharma with a significant number in medical devices.

The responses were rich in anecdotes, recommendations and cautionary tales. Survey participants detailed what is working within the State and made numerous suggestions to enhance the environment for start-up companies. It was evident that New Jersey has a base of enthusiastic and passionate entrepreneurs who are sincerely interested in promoting the ecosystem and improving conditions in the current atmosphere for a stronger future.

This report outlines the results from the survey. BioNJ, with the assistance of its Entrepreneurship Advisory Committee, has written a companion white paper detailing recommendations to strengthen the entrepreneurship programs being offered by the State. Fostering entrepreneurship is invaluable to the development of New Jersey's life sciences ecosystem, as well as the progression of medical innovation.



BioNJ's Entrepreneurship Advisory Committee

To develop recommendations for future growth of New Jersey's life sciences ecosystem, BioNJ established the Entrepreneurship Advisory Committee (EAC), comprised of entrepreneurs; representatives from higher education and research universities; economic development, foundation and venture capital firms; specialists in early stage company formation and financial and accounting firms. These representatives had specific personal and/or professional experience in entrepreneurship or working with entrepreneurial enterprises.

The EAC met regularly from the end of 2014 through 2015 and was guided by several central questions: What is the current state of entrepreneurship in New Jersey? What can be done to enhance, promote and improve the climate for entrepreneurs? What are the limiting factors to more fully unlock the entrepreneurial spirit and efforts of those in the State? What are key areas where stakeholders can contribute to improve the early pipeline of new companies, support growing and emerging companies and foster a meaningful culture of entrepreneurship in New Jersey?

Committee Members

James M. Golubieski (*Chair*), *New Jersey Health Foundation*

Vicki Gaddy, *BioNJ*

Yair Harel, *Rutgers University*

Randy Harmon, *New Jersey Small Business Development Center*

Harish Krishnaswamy, *Domain Associates*

Diana Kyser, *COOonDemand*

Ravi Ragunathan, *CohnReznick*

Thomas Richardson, *BioNJ*

Judith Sheft, *NJIT*

Vincent Smeraglia, *Rutgers University*

Yaniv Sneur, *Mid Atlantic Bio Angels*

Ryan Starkes, *BDO USA*

Alvin Stern, *Cepter Biopartners*

Laurie Tzodikov, *Princeton University*

Michael Wiley, *Foundation Venture Capital Group*

Mina Zion, *Rowan University*

Survey Methodology

The survey was developed to capture three general categories of questions:

- Basic information on the company being represented.
- The role of the respondent in the company and the experiences related to company formation.
- Demographic information to provide additional context.

The survey was administered via a commercially-available, online tool and disseminated throughout the State.

Summary of Results



Respondent Demographics

The respondents were highly educated in which the vast majority had attained advanced degrees in science, business or law. Additionally, they were highly experienced with over three-fourths having more than 15 years of experience in the industry. Further, a large majority were either a founder of the companies they represented or worked in the business development arena while the company was being established. Lastly, the respondents were largely serial entrepreneurs, whereby 80% had founded or were part of more than one start-up.

The collective experiences of the respondents represented over 90 companies, in which several participants had been part of five or more companies. The geographic areas where these serial entrepreneurs worked were largely concentrated in central and northern New Jersey, with 10 counties represented.

Company Demographics

The companies represented were largely in the biopharma sector (67%) followed by medical devices (23%) and diagnostics (20%), respondents could choose more than one. Others included healthcare IT, research tools and manufacturing. Companies were spread through 10 counties in central and northern New Jersey, except one that was located in Burlington. The majority of the companies were start-ups or ramp-ups (78%) in which the firms have been established or have five employees. Only 7% were considered to be mature businesses. Accordingly, only two respondents listed their company as having over 50 people, and only four had more than 20 employees. Lastly, a minority of the companies had revenues (42%).



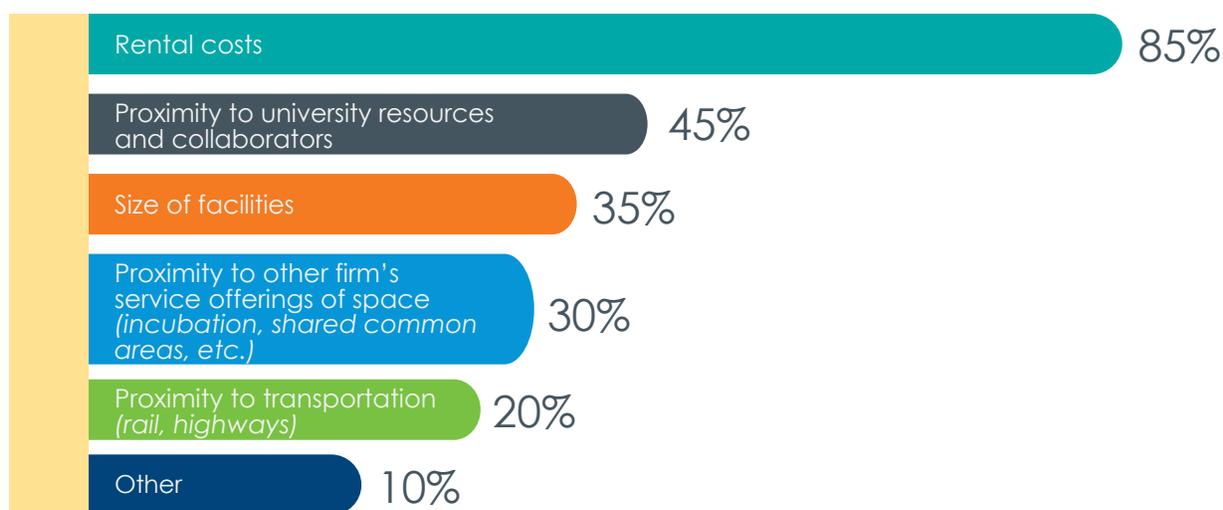
Experiences

Real Estate

Central to biopharma start-up activity is physical space to conduct research and development. To perform this work, most companies require a host of amenities, such as laboratory space capable of handling chemical and biologic materials, as well as analytical and small production scale instrumentation. As many of these specialized facilities are expensive but absolutely required, incubator space is often chosen to provide capital preservation while allowing small start-ups to focus on their proprietary efforts. Incubator space allows for companies to share overhead, building management and infrequently used, but critically important technical resources. Therefore, incubators and start-up space represent a critically important component to the start-up ecosystem.

In New Jersey there are a variety of space options, however based on survey feedback, there appears to be an insufficient number of appropriate real estate possibilities for biopharma start-ups. About two out of five respondents identified difficulty in finding space and an overwhelmingly percentage cited costs (85%) as a challenge. Other issues such as size of facilities and those related to proximity to needed services and collaborators were also noted (Table 1).

Table 1. Real Estate Challenges



Funding

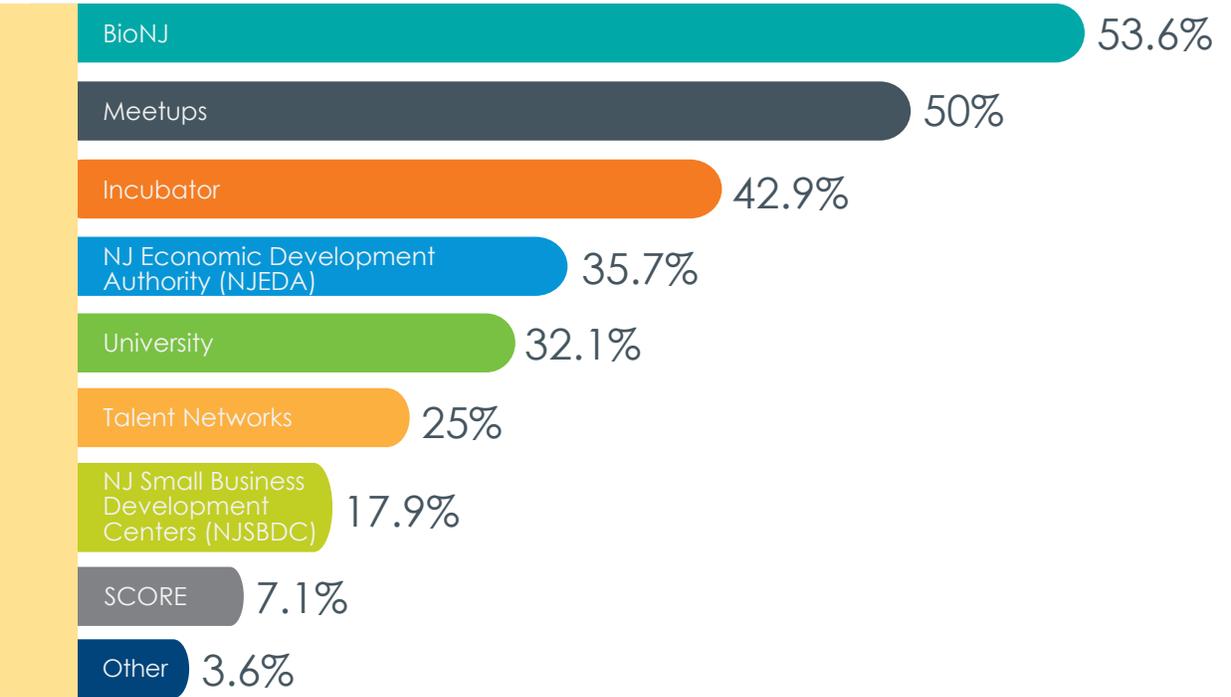
Survey results showed availability of funding as a major hurdle for entrepreneurs. Most funding received was under \$200,000, which represents very little capital for companies operating or intending to operate in the biopharma sector. This early start-up funding came from either the founders themselves or family and friends (60%). Larger levels of funding that were reported (greater than \$1mm) came from a variety of sources with a large portion also coming from self-funding and family and friends (50%). Angels represented 40% of the source for larger funding.

Tax credits from the State of New Jersey were, surprisingly, not as broadly utilized as might be expected. Only 26% reported using credits and of those, the Technology Business Tax Certificate Transfer (NOL) Program and R&D Tax Credit Program were the most frequently used. Tax and related finance programs were used by 31% of the respondents (note that respondents could use more than one program).

Resources

New Jersey's ecosystem is supported by a variety of organizations offering myriad resources, including talent and networking, education programs and business support tools and services. Table 2 highlights the utilization of resources from various organizations. The services most utilized were business plan writing (51%), team building (37%) and finding access to funding (22%).

Table 2. Resources Utilized



Opportunities for Improvement

BioNJ and the EAC sought to hear directly from this community about their opinions on New Jersey's landscape and areas for improvement. Cited as the most important area needing improvement was direct State support and funding closely followed by VC funding. Mentoring was ranked as third. Table 3 highlights the rankings.

Table 3. Areas for Improvement (1=most important and 5=least important)

	Rating Average
Direct state support and funding	2.1
VC funding	2.33
Mentoring	3.1
Programs and networking	3.23
Events and/or education	3.89



Quotes from Survey Respondents

“It is important for New Jersey to get onto the innovation ‘log curve’. Progress is noted, but we have a long way to go!”

“New Jersey has a lot of potential for a vibrant biotech community, but needs an integrated effort among investors, entrepreneurs, academia and State development organizations.”

“Entrepreneurs need easier access to larger funds. It’s tough to build a company on \$250K.”

“The solution for industry and professionals in the area of life sciences must be comprehensive: capital, labor/people, and the society it serves and regulations must be an integral part of the equation.”

“Get the word out about all the resources.”

“Low cost rental lab space and start-up funding, directly from the State are two major criteria that are needed to change the current environment. I do not see any of the current New Jersey programs designed specifically to support start-up venture.”

Synopsis

1. New Jersey has excellent and active networking platforms, education programs and tools and resources.
2. New Jersey has valuable governmental and economic development incentive programs though they are not fully utilized.
3. Access to risk capital remains a significant hurdle. Funding from both private (e.g., venture capital) and public (e.g., government programs) sources are severely limiting the entrepreneurial opportunities in the State.
4. Access to appropriate and affordable real estate and incubator facilities remains a challenge.
5. New Jersey maintains an outstanding pool of industry talent in which mentoring networks are strong; there is opportunity to integrate these more comprehensively into the community.

In summary, these points underscore a vibrant community of serial entrepreneurs in New Jersey and highlight opportunities for establishing the next generation of life sciences companies.



About:

BioNJ, The Gateway to Health, is a powerful network of 400 Member Investors representing research-based life sciences companies and stakeholders dedicated to propelling a vibrant ecosystem where Science is Supported, Companies are Created, Drugs are Developed and Patients are Paramount. Because Patients Can't WaitSM, BioNJ is committed to the growth and prosperity of New Jersey's life sciences ecosystem to help accelerate the discovery, development and commercialization of therapies and cures that save and improve lives and lessen the burden of illness and disease to society. As the industry's voice in New Jersey, we fulfill our Mission to help companies help Patients by driving capital formation and fostering entrepreneurship, advocating for public policies that advance medical innovation, providing access to talent and education and offering a cost-saving array of critical commercial resources. For more information about BioNJ, please visit www.BioNJ.org.

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About:

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