Trends in Healthcare Investments and Exits 2018

2018 Massachusetts Life Science Innovation Day

Clark Hayes – Managing Director Life Science/Healthcare
Northeast Head of Business Development
SVB Corporate Overview

Get to know us. For more than 30 years, SVB has helped innovators and their investors move bold ideas forward fast. Today, we provide a full range of banking services to companies of all sizes in innovation centers around the world.

We’re at the intersection of innovation and capital

HARDWARE & INFRASTRUCTURE
SOFTWARE & INTERNET
LIFE SCIENCE & HEALTHCARE
ENERGY & RESOURCE INNOVATION
PRIVATE EQUITY & VENTURE CAPITAL
PREMIUM WINE

SVB provides specialized solutions you won’t find at other banks

PROPRIETARY INSIGHTS
INFORM YOUR STRATEGIC DECISION.
- Acquisition candidates
- Valuations
- Technology investment and M&A exit trends
- Annual global survey of tech and life science executives

CAPITAL STRATEGIES AND SOLUTIONS
OPTIMIZE YOUR GROWTH.
- Growth capital and working capital
- Recapitalizations and acquisition financings
- Syndications
- Foreign exchange and interest rate hedging
- SVB Capital investment
- Founder liquidity

GLOBAL BANKING SOLUTIONS
STREAMLINE AND SAFEGUARD YOUR OPERATIONS.
- Treasury best practices
- White glove service
- Global cash management
- Investment and liquidity strategies
- Trade finance

INDUSTRY CONNECTIONS
STRENGTHEN YOUR INDUSTRY NETWORK.
- Access to emerging players
- Opportunities to meet successful peers and industry influencers
- All enhanced by wine tastings from our premium wine clients

PRIVATE BANKING
BRING CLARITY AND EASE TO EXECUTIVES’ PERSONAL FINANCES.
- Wealth planning
- Private banking reinvented
- Investment and stock option strategies
- Tailored lending including flexible, competitive mortgages

*Approximate
**According to NVCA data
Life Science and Healthcare

“Our relationship with Silicon Valley Bank began in the very early days of One Medical and has continued since. SVB has been a thoughtful partner in supporting our mission to transform health care, with a perspective on long-term impact much like our investors. It's been a great partnership.”

Thomas Lee
Founder & Executive Chairman
One Medical Group

Our clients

More than
3,100
Life science and healthcare clients in the U.S.

$31B
in deposits and investments*

43%
of life science and healthcare companies that went public in the U.S. in 2017 are SVB clients

15%
Year-over-year client growth since Q1 2016

Working with industry leaders

90%
of companies listed on the BioSpace Top 20 Companies of 2017 are SVB clients

87%
of companies on the Fierce 15 Biopharma Companies of 2017 are SVB clients

82%
of companies listed on the Fierce 15 Device Companies of 2017 are SVB clients

Over 45 public companies with market cap over $1B

*As reported on a consolidated basis for the period end March 31, 2018 (5.7) See disclosure corresponding to this number on the last page of this presentation.
Life Science and Healthcare

SVB provides advice and delivers specialized solutions in the areas of biotech, tools, diagnostics, healthcare services, medical devices and digital health - helping companies move their bold ideas forward, fast.

Sector expertise

What our clients say

“SVB worked with me when I was nobody. We just raised our first round and they were there. It was definitely a different experience than other banks. They are very much focused on establishing a long-term relationship, and probably our business was not very profitable for them in the first few years, if at all, but being there early creates a strong relationship.”

Emily Leproust, Co-Founder & CEO, Twist Bioscience

“We really appreciated the way SVB worked with us over the past several years to find the right funding structures for our needs. Your persistence and dedication to customer service have been exemplary.”

Timothy Robertson, Co-Founder & CEO, Vium

Loan portfolio

$2.75B total loan commitments*

- $1.04M Biopharma and diagnostics
- $461M Healthcare services
- $498M Healthcare IT/digital health
- $473M Medical devices

*As reported on a consolidated basis for the period end March 31, 2018 (5,7) See disclosure corresponding to this number on the last page of this presentation.
2017 Key Highlights: Investments

Healthcare Investments and Fundraising Set Records in 2017

- U.S. healthcare venture fundraising set a record, reaching $9.1B – a 26 percent increase over 2016 – and surpassing the 2015 record of $7.5B.

- Investments into venture-backed biopharma, medical device and diagnostics and tools (Dx/Tools) companies are also expected to break a record in 2017, increasing 31 percent over 2016 to reach $15.5B.

- Spikes in Q1 and Q4 biopharma Series A deals propelled the sector to another record year, posting $2.8B in investments.

- Biopharma investment centered on oncology and platform companies. Platform companies piqued investor interest, as their technologies showed promise for multiple exits across different indications.

- Non-invasive monitoring, especially in cardiovascular, uro/gyn and neuro, took off in medical device Series A investments.

- Neuro investment surged in 2017, with significant interest from niche investors and incubators.

- Artificial intelligence spurred tech investor interest in Dx/Tools, leading to record investment.

- Liquid biopsy investment exploded, punctuated by $1.8B in investments into Guardant Health, GRAIL and Human Longevity.
Healthcare Fundraising Reaches New Heights

Healthcare venture funding hit a new high in 2017. The increase started in 2014 when fundraising jumped 50% over the previous year. This has led to a large pool of capital available to invest in venture-backed companies.

Venture healthcare investors have recently focused on biopharma and Dx/Tools. As Dx/Tools companies integrate computational methods such as artificial intelligence, we see tech investors, many new to healthcare, starting to invest in these deals.

Over the past few years, traditional VCs scaled back medical device investments. This trend reversed in 2017.

Looking ahead, we anticipate fundraising will continue to be strong, but will decline to the $6B-7B range in 2018.

*SVB estimates the dollars allocated to healthcare by all U.S. venture funds. Source: PitchBook and SVB proprietary data
Biopharma Series A Spikes in Q1 & Q4 Set A Record
U.S. Series A* Biopharma Investments, 2016 – 2017

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
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</thead>
<tbody>
<tr>
<td># of Investments</td>
<td>125</td>
<td>144</td>
</tr>
<tr>
<td>Total Series A Funding ($M)</td>
<td>$2,334</td>
<td>$2,787</td>
</tr>
<tr>
<td>Corporate Investments (%)</td>
<td>26%</td>
<td>29%</td>
</tr>
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</table>

Investors making big bets on new technologies led biopharma Series A activity to record levels in 2017.

**[A]** Corporate investors often joined these early-stage syndicates, but they were least active in orphan/rare and neuro companies (20% and 22%).

**[B]** Oncology deals and dollars at least double the next closest indication.

**[C]** The 2017 median deal was $9M, but Q1 and Q4 median deals had values twice that size.

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*Series A investments include all U.S.-based first-round institutional or corporate venture investment, and all first-round investments equal to or greater than $2M regardless of investor.
Source: PitchBook and SVB proprietary data.
Investors Seek Early-Stage Biopharma Deals
Most Active Biopharma Investors*, 2016 – 2017

*Most Active Biopharma Investors calculated as new (first-time) investments into companies in 2016 – 2017.

Source: PitchBook, press releases and SVB proprietary data.
Oncology, Platform Draw New Investor Activity
Most Active Biopharma Investors* by Indication, 2016 – 2017

# DEALS | $ MILLIONS

- Early Stage
- Late Stage
- Undesignated

- Oncology
  - 70
  - $3,410M
- Platform
  - 27
  - $1,421M
- Neuro
  - 16
  - $664M
- Orphan/Rare Disease
  - 15
  - $734M
- Auto-Immune
  - 9
  - $541M
- Anti-Infective
  - 8
  - $649M

*Most Active Biopharma Investors by Indication defined as Top 42 venture and corporate investors calculated as new (first-time) investments into companies in 2016 – 2017.

Early Stage is defined as Series A & B; Late Stage defined as Series C and later.
Source: PitchBook and SVB proprietary data.

Logos represent any $25M+ financing raised in that time period/indication.
Non-Invasive Monitoring Drives Device Series A
U.S. Series A* Device Investments, 2016 – 2017

A

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
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<td># of Investments</td>
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<td>59</td>
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<td>Total Series A Funding ($M)</td>
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<td>$342</td>
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<td>Corporate Investments (%)</td>
<td>12%</td>
<td>20%</td>
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<tr>
<td>Median Round Size ($M)</td>
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<td>$3.9</td>
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B

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<tr>
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<tr>
<td>Non-Invasive Monitoring</td>
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<td></td>
<td>$97M</td>
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<tr>
<td>Orthopedic</td>
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<tr>
<td></td>
<td>$63M</td>
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<td>Neuro</td>
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<td></td>
<td>$72M</td>
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<td>Ophthalmology</td>
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<td>4</td>
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<td></td>
<td>$27M</td>
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C

Cardiovascular
- RDS
- iBeat
- LifeCuff Technologies Inc.
- ReThink Medical

Uro/Gyn
- Potrero Medical
- Prima-Temp
- CREmedical

Neuro
- MOBERG ICU Solutions

Respiratory
- cohero health+
- VOXELLO
- bialog

Ambulatory

Metabolic

Ophthalmology

Series A Investments includes all U.S. based first-round investments from institutional or corporate venture investment, and all first-round investments equal to or greater than $2M regardless of investor. Source: PitchBook and SVB proprietary data.
Traditional VCs Increase Device Investments
Most Active Device Investors*, 2016 – 2017

# OF DEALS

8  
KCK Group

7  
Johnson & Johnson

5  
Boston Scientific, gsk, LSP, KCK Group

4  
Halla Tech, OrbiMed, Merger, KKR, INNOGEST, NOVO, endevour vision, FundRx, MVM

3  
Green Park & Golf

*Most Active Device Investors calculated as new (first-time) investments into companies in 2016 – 2017.
Source: PitchBook and SVB proprietary data.
**Niche Investors Generate Major Interest in Neuro**

**Most Active Device Investors by Indication*, 2016 – 2017**

<table>
<thead>
<tr>
<th># DEALS</th>
<th>$ MILLIONS</th>
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<tr>
<td>Early Stage</td>
<td>Late Stage</td>
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<tr>
<td>Surgical</td>
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<tr>
<td>Neuro</td>
<td></td>
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<td>Orthopedic</td>
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<tr>
<td>Non-Invasive Monitoring</td>
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<td>Vascular Access</td>
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<td>Metabolic</td>
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<td>Drug Delivery</td>
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<td>Neuro</td>
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<tr>
<td>Orthopedic</td>
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<tr>
<td>Non-Invasive Monitoring</td>
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<td>Vascular Access</td>
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<tr>
<td>Metabolic</td>
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<tr>
<td>Drug Delivery</td>
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<tr>
<td>ENT</td>
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<td>3</td>
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Logos represent any $25M+ financing raised in that time period/subsector.

*Trends:
- Surgical, Neuro and Non-Invasive Monitoring
- Vascular Access

*Most Active Device Investors defined as Top 35 venture and corporate investors calculated as new (first-time) investments into companies in 2016 – 2017.

Stage is defined as Series A & B; Late Stage defined as Series C and later.

Source: PitchBook and SVB proprietary data.
Investors Make Smaller Series A Bets in Dx/Tools
U.S Series A* Dx/Tools Investments, 2016 – 2017

<table>
<thead>
<tr>
<th>A</th>
<th>2016</th>
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<tr>
<td># of Investments</td>
<td>55</td>
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<tr>
<td>Total Series A Funding ($M)</td>
<td>$516</td>
<td>$500</td>
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<tr>
<td>Corporate Investments (%)</td>
<td>18%</td>
<td>15%</td>
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<tr>
<td>Median Round Size ($M)</td>
<td>$5.3</td>
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B

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<tr>
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<td>R&amp;D Tools</td>
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<tr>
<td>Dx Tests</td>
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<td>24</td>
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<td>Dx Analytics</td>
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C

Artificial Intelligence

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<tr>
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Traditional R&D Tools

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<tbody>
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Synthetic Biology

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Point-of-Care Dx Tests

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<tr>
<th>Logo</th>
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<td><img src="image7" alt="Logo" /></td>
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*Series A Investments includes all U.S. based first-round investments from institutional or corporate venture investment, and all first-round investments equal to or greater than $2M regardless on investor. Source: PitchBook and SVB proprietary data.
Tech-Focused Investors Emerge as Dx/Tools Leaders
Most Active Dx/Tools Investors*, 2016 – 2017

# OF DEALS

9 AME Cloud Ventures
6 Khosla Ventures
5 AVEH Ventures Partners, Data Collective, OrbiMed
4 Illumina Ventures, Alexandria Venture Investments, ForeSite Capital
3 Seven Venture, Viking, SV Tech Ventures

*Most Active Dx/Tools Investors calculated as new (first-time) investments into companies in 2016 – 2017. Source: PitchBook and SVB proprietary data.
Investors Focus on R&D Tools and Dx Tests
Most Active Dx/Tools Investors* by Subsector, 2016 – 2017

<table>
<thead>
<tr>
<th># DEALS</th>
<th>$ MILLIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D Tools</td>
<td>42</td>
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<tr>
<td>Dx Tests</td>
<td>19</td>
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<tr>
<td>Dx Analytics</td>
<td>16</td>
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</tbody>
</table>

Logos represent any $25M+ financing raised in that time period/subsector.

*Most Active Dx/Tools Investors defined as Top 24 venture and corporate investors calculated as new (first-time) investments into companies in 2016 – 2017.
Source: PitchBook and SVB proprietary data.
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