

ENTREPRENEUR FOR LIFE (SCIENCES)

Raymond Vennare talks about building ThermalTherapeutic Systems and what it will take to build a stronger life sciences industry in Pittsburgh

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Raymond F. Vennare has got to be one of Pittsburgh's most talented businessmen and life sciences entrepreneurs. His experience speaks for itself, going back nearly two decades with VSinteractive, TissueInformatics and ImmunoSite. His latest venture, ThermalTherapeutic Systems, is just hitting its stride with its VERATHERM™ Portable Hyperthermic Perfusion Device just coming to market and becoming a new standard of care. This proprietary technology system has been precisely designed to provide the medical community with an economical platform to deliver and circulate heated and unheated sterile fluids to a broad population of patients for a variety of appropriate indications and treatments. Vennare also holds some seriously interesting views about how the region can create more life sciences companies and further open the funding pipeline. Read on to find out more.

TEQ: Raymond, you're a true veteran of Pittsburgh's life sciences/medical device industry. Tell us a little about your experience in the industry over the years and your latest venture, ThermalTherapeutic Systems.

RFV: In retrospect, my interest in life sciences has been an evolutionary process. It began with multi-media design, evolved into bioinformatics, crossed-over to biological therapies and, most recently, led to my being asked to co-found a medical device company.

Fourteen years ago, I was a partner in a multi-media development company called VSinteractive. As we began to explore new markets, healthcare presented an opportunity for growth and diversification. Our first life sciences client, TissueInformatics, also happened to be one of the first biotechnology companies in the region. When TissueInformatics later acquired VSinteractive, I joined the management team and led the effort to refine the company's imaging, informatics and analytics capabilities with an eye toward commercialization. That was my introduction to translational science, technology commercialization and the entire process of moving scientific discovery from the laboratory to the marketplace.

A few years later, I met an investor who was interested in funding a university spin-out. The goal was to transform an academic research facility into a stand-alone commercial laboratory, then commercialize the methodology developed to measure and monitor the effects of immuno-potentiating therapies used to trigger the body's immune system to fight cancer at the cellular level. The company was ImmunoSite and I was asked to serve as CEO.

The insights gained at VSinteractive, TissueInformatics and ImmunoSite prepared me for what I do today. I was named President and CEO of ThermalTherapeutic Systems - a medical device company developing an innovative technology in an emerging market - primarily because of the cumulative experience of translating, building-upon and commercializing novel discovery.

TEQ: What's been the most challenging aspect to getting the company off the ground?

RFV: Like any other early stage company, it's all about financing. In biotech, the ability to secure financing - assuming a viable idea in a sustainable market - depends largely upon mitigating regulatory and reimbursement risks. The capacity to clearly articulate a defensible regulatory and reimbursement strategy is crucial. I've participated in raising many millions of dollars for various biotechnology companies over time and, invariably, reimbursement and regulatory compliance consistently prove to be the most difficult hurdles to leap when speaking with potential investors, partners and collaborators. These constraints will only become more pronounced as the FDA continues to reinvent itself and as healthcare policies shift and change in the weeks, months and years ahead.

[continued on page 34]

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[continued from page 7]

TEQ: Where do you see the company heading over the next year?

RFV: We have worked very hard at ThermalTherapeutic Systems to meet our core milestones in the past 18 months. We have been cleared by the FDA, negotiated an agreement with a major hospital system and have product in the pipeline. Our immediate goal is to orchestrate a limited controlled launch in key evaluation sites through the end of the year, followed by a much more aggressive sales effort in the first quarter of 2011. In the meantime, we are actively pursuing strategic partners to help drive adoption and brand the company's VERATHERM™ Portable Hyperthermic Perfusion Device as a new standard of care.

TEQ: How has Pittsburgh's life sciences industry/medical device industry changed over the past decade?

RFV: The landscape itself is changing. We are beginning to see companies and life science professionals relocating to the city rather than moving away. That may have something to do with the fact that the number of startups – or at least those most willing to take the risk on start-up ventures – have been steadily increasing. We have always been a highly-competitive center for scientific research with more entrepreneurial spirit than capital and, as those numbers continue to grow, the potential to commercialize new technologies will increase proportionally.

TEQ: How can we get more people in the region starting companies, especially life sciences companies?

RFV: The simple answer is “collaboration” and “capital.” The more we encourage collaboration between entrepreneurs, investors, industry and academia, the more likely fundable opportunities will emerge. This certainly exists in the microcosm but, to create a sustainable culture of entrepreneurship, incentives need to be in place to accelerate and reward such collaboration.

I sometimes think that we have the business creation-cycle slightly backward - we evaluate hundreds of business plans, exercise due diligence on several, invest in one and hope that it's a winner. But there is another way for entrepreneurs and investors to collaborate - to proactively identify market opportunities, aggregate talent and capital around those niche market opportunities then fund a company to meet those specific objectives.

The less simple answer is that funding ideas is not the ultimate goal; it's creating an environment wherein talented people and promising companies are able to commercialize their ideas, while laying a solid economic foundation for the next generation of entrepreneurs and investors to build the synergistic and self-sustaining cluster of life sciences companies long-ago envisioned by many of our region's pioneers in biotechnology. ■

THE BUSINESS INTELLIGENCE VALUE CHAIN

[continued from page 25]

Thing is, far too many companies still struggle to transform data into insight and insight into action that ultimately creates value. These are the organizations that work hard to survive instead of thrive, follow instead of lead. Their BI Value Chains are broken. In the next issue of *TEQ Magazine*, I'll explain why. ■

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PRACTICAL ADVICE ON THE IPO MARKET

[continued from page 20]

Preparing Projections

It will likely be hard for a company to retain its credibility if it misses its first revenue or profit projections, even by one or two cents per share. With that in mind, a company that is about to go public may need to create a more robust business planning and analysis function so that it can formalize the process and increase its chances of accuracy. Management should also create diligence files to make sure each assertion is justified and regularly update its Management Discussion & Analysis (MD&A) so that it accurately reflects ongoing operations.

Prepare When Markets are Weak

It may not seem intuitive, but one of the best times to begin preparing for an IPO is when the IPO market is relatively inactive. As the last year has shown, markets can be extremely volatile and a window of opportunity can appear or disappear within days. Companies that have been doing their IPO homework may have several advantages. First, they will be able to act when the window opens up. Second, they will be among the first in line to approach investors. There are only a finite number of investors, such as pension funds and other institutions, that are able to invest in IPOs and those investors have only limited resources allocated to IPOs. Being one of the first in line improves the chances that a newly public company will be approaching investors while their resources are relatively plentiful.

Look at the Competition

Other companies that are in the same industry, especially any that are direct competitors, provide valuable information for a company that is planning to go public. It is wise, for instance, to look at the IPO comment letter for competitors who recently went public. This may provide insight into the types of questions on which the SEC is currently focusing. Reviewing a competitor's financials may also reveal whether there is any discrepancy in how certain accounting issues are handled. If there are discrepancies, they will probably be raised by the SEC and an explanation will be required. Lastly, listening to a competitor's analyst calls can reveal what issues are of interest to the financial community; those same questions will likely be asked of the newly public company.

Conclusion

Companies seeking to go public need to spend a significant amount of time planning and executing their IPOs. While it is clear that legal and regulatory requirements must be met, adopting leading practices can make the process run more smoothly. Companies are advised to start early and consider planning even during a downturn. Their readiness assessment should include an analysis of their KPIs and they should implement infrastructure changes that will help them meet SOX and SEC filing requirements. Financial statements should meet public company standards before a planned filing, and analyzing a competitor's filing may help the process. These and other practices will help make the IPO process less disruptive and costly. ■

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