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BioTrove Locks Up Series C For Profitability

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BioTrove Inc., which in December canceled plans to go public, has gotten a cash infusion from its venture backers to make a push toward profitability in the biotechnology research-tool market.

Fletcher Spaght and Excel Medical Ventures, both return backers, co-led a Series C round of undisclosed size that had an initial closing in February, with the rest to come in early May, said Chief Executive Albert A. Luderer. The round is not tranced, but the company split the closings to accommodate some undisclosed investors needing time to make cash calls, Luderer said.

BioTrove, which raised \$62 million before this financing, saw its valuation climb slightly with this round, Luderer said, but he didn't disclose specifics. Other previous backers also participated, including Catalyst Health Ventures and Vox Equity Partners. The supplier of gene- and protein-analysis instruments drew about \$10 million in revenue last year, and will double sales this year and turn profitable in the first quarter of 2010, Luderer said. Investors are betting it will accomplish these things despite the recession and strong competition.

The economic slump that prompted BioTrove to pull its registration also is forcing venture firms to fund their best companies longer. Fletcher Spaght, for example, has invested both of its funds in BioTrove, said Vice President Guy L. Fish.

The Excel Medical team, meanwhile, has used both the Excel Medical partnership and a fund they raised at their last firm, CB Health Ventures, where they initially funded BioTrove. Recently, the team tapped CB Health limited partners to increase the size of that firm's \$73 million second fund by an undisclosed amount to make additional investments in BioTrove and other maturing CB Health companies, said Frederick R. Blume, co-founder of CB Health and managing director of Excel Medical.

BioTrove investors aim to tap rising demand for tools that help researchers capitalize on a deluge of data springing from gene and protein research. The company's OpenArray system enables scientists to run 3,072 genomic analyses at once on a single metal plate. Researchers use the technology to study how genes or genetic variations affect the development of cancer, diabetes and other diseases. They also can analyze genetic markers to develop molecular diagnostics.

Meanwhile, the company's RapidFire sample-preparation system helps drug makers get more out of their mass spectrometers, which identify compounds by measuring their molecular weight. The speedy system makes it more practical to use mass spectrometry to screen chemical compounds against molecular drug targets, according to Luderer, who said his company performs screening services for customers and also sells RapidFire instruments.

Luderer wouldn't discuss clients, but regulatory filings cite Bristol-Myers Squibb Co., Genzyme Corp., Pfizer Inc. and Schering-Plough Corp. as some of the companies that have used its products.

While BioTrove has performed well since forming in late 2000, the recession has slowed the Woburn, Mass., company somewhat. Since it wasn't able to go public last year - and raise the

targeted \$75 million - it won't be able to expand as rapidly as hoped in molecular diagnostics, said Joshua S. Phillips, general partner of Catalyst Health and chairman of BioTrove.

"The lack of an IPO marketplace for companies like BioTrove restricts flexibility," Phillips said. "It takes longer to grow because you can't invest in all the things you want to."

But industry analysts predict that drug companies won't cut back on tools that stretch their research dollars. Howard High, a spokesman for BioTrove competitor Fluidigm Corp., said business surged in the second half of 2008 even as the economy slipped.

Fluidigm, which withdrew its registration to go public in September, makes integrated fluidic circuit instruments used to perform thousands of biochemical tests on small samples. In November, it said its third-quarter revenue had reached \$4.6 million, a 124% increase over the third quarter of 2007.

Constricting budgets might even help upstarts, High said. In good times, prospective customers often stick with the tried and true, but "when things get tight, they're usually willing to consider some newer technologies because they need the benefits and the attributes [they have] to offer."

Fluidigm, which has raised just over \$171 million from InterWest Partners, Versant Ventures and others, hopes to take another shot at going public when the market clears. That's also true of BioTrove, which Luderer said is operating much like a public company so that it will be ready when the opportunity comes.

The ultimate exit for BioTrove investors, however, is more likely to come through a merger. In recent years, corporations have bought several biotech toolmakers, including NimbleGen Systems Inc., which raised capital from Skyline Ventures and others before being acquired by Roche for \$272.5 million in 2007.

To get acquirers' attention, small companies like BioTrove need to be strong competitors in markets most important to major players, Luderer said.

"If it's not strategic, it doesn't get done," he said. "You want to be kicking these guys in the shins if you want to get your best M&A potential."