

Biotech Firm Relies on Armanino to Determine Value at Critical Milestones

Technical Case Study

Customer Profile

Headquartered in South San Francisco, California, Principia Biopharma Inc. is a private, clinical-stage biopharmaceutical company. As Principia progresses through the stages of developing innovative therapies for patients with autoimmune diseases and cancer, it turns to Armanino Valuation Services on a regular basis to support its valuation needs, from periodic company valuations to valuations at certain milestones or for specific aspects of joint collaborations with other pharmaceutical companies.

Software & Services

- Armanino Valuation Services

Benefits

- Access to valuation expertise with deep knowledge of the biotech industry
- Includes variables appropriate for specific stages of product development and clinical testing
- Provides objective, credible valuations to inform investors and partners

Challenge

Principia Biopharma Inc. is a private, clinical-stage biopharmaceutical company that designs and develops oral small molecule therapies to benefit patients with autoimmune/inflammatory diseases and cancer. Using its proprietary technology, the company can discover new medicines that combine the dosing convenience of an oral small molecule drug with the specificity of an antibody.

Going into its seventh year in business in 2018, Principia has three clinical-stage programs in its pipeline, a major accomplishment in the biotech industry for a relatively young firm. Because Principia is still in the clinical testing phases and does not yet have regulatory approval to sell its products, its main source of revenue comes from collaboration with other pharmaceutical companies. Determining the value of a company with these characteristics requires sophisticated analysis and deep industry understanding.

Unlike a public company, where value can be determined by market capitalization, Principia must use other industry-specific methodologies to determine company value. “The valuation of a biotech company has unique aspects and complexities that other industries don’t have,” says Christopher Chai, chief financial officer at Principia. “As we matured as a company, we decided that we needed a different outside provider to conduct our valuations. We wanted one with a deep understanding of our industry to provide objective, credible results that we could use to inform investors and partners.”

Solution

Based on recommendations from fellow CFOs, Chai turned to Greg Ansel, a partner at Armanino LLP, for valuation help. Armanino—the largest independent accounting and consulting firm based in California—has performed independent third-party valuations for thousands of clients for tax, financial reporting, business combinations and litigation purposes.

From the first engagement, Chai was very pleased with the collaborative approach and extensive industry knowledge of Ansel and the Armanino valuation group. “Greg and his team are willing to engage on the details and the approach to the valuation,” says Chai. “I enjoy the partnership.”

Armanino now supports all of Principia’s valuation needs, including stock option valuations as well as any derivative analyses related to certain milestones, warrants or financings. They recently completed a valuation for Principia’s collaboration with another pharmaceutical company. “We needed to understand the worth of certain aspects of the collaboration,” says Chai. “Naturally we turned to Greg and his team at Armanino.”

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Results

With help from Armanino, Principia delivers financial statements that include an objective, third-party valuation that both the company and its investors can stand behind. Chai says Armanino’s work is consistently excellent, that’s in part to the firm’s deep industry knowledge. “The Armanino team innately understands the drivers of valuations for biotech companies at various stages and identifies the variables that are most relevant to consider at each stage of development,” says Chai. “The result is a valuation that makes intuitive sense.”

He sees the relationship between Armanino and Principia as an equally important factor in the positive outcomes of the valuation work. “It’s really critical that there are multiple touchpoints between me, my colleagues and the valuation team,” says Chai. “Armanino has fielded a good bench at all levels for the Principia team to work with.”

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As Principia evolves and potentially enters into more collaborations, Chai knows who to call. “Assuming we do more collaborations with other companies, we’ll definitely have more valuation work for Greg and his team,” he says.

About Armanino

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