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PROPRIETARY

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## PE Spotlight: ORI Capital secures USD 232m for Fund II ahead of second close

25 JAN 2021

- AI-enabled system screens for targets
- Target fund size USD 400m
- Seeks at least two investments this year

ORI Capital, a Hong Kong-based early-stage investment firm focused on the healthcare industry, has raised USD 232m to date for its Fund II, Founder and Senior Partner Simone Song told this news service.

It aims to raise a total of USD 400m for Fund II by yearend. The fund, launched in late 2020, raised USD 112m at the first close on 1 January 2021, as reported.

The second close will be on 30 June, she said, but declined to elaborate on target amount. However, she noted that the team has started marketing more aggressively, proactively, and hopefully will close the fund earlier than expected.

Existing ORI Fund I limited partners (LPs) have expressed interest in ORI Fund II, Song said, noting that so far most of the funding was contributed by existing LPs. Interested LPs include family offices and institutional investors in Asia and globally, she added.

"We look for long-term investors with a passion for the healthcare industry," Song said.

ORI Fund II has a 10-year life span with a two-year extension. The vehicle aims to invest in around 15 companies, she noted.

The investment firm has started shortlisting target companies and has a great pipeline, she said, adding that it hopes to complete at least two investments in 2021. Fund II may also deploy dry powder to follow-on investments in Fund I portfolio companies, she said.

There are no geographic preferences or limitations to the fund's investment strategy.

The ideal investment size for each portfolio company is between USD 10m and USD 50m, including follow-on investments. The fund will not invest more than 20% of the total fund size in a single company, i.e. USD 80m for ORI Fund II, she added.

The pandemic has not prevented the firm from reaching out to potential targets as due diligence can be done remotely since there are no manufacturing companies on its shortlist, Song said.

"There are only three assets to look out for biotech companies: the patent, the clinical data, and (quality of) human (resources)," she noted.

Song said that some biotech companies have seen a slowdown in terms of trial enrollment and FDA approvals due to COVID-19, but its portfolio companies and potential investment candidates have not been materially impacted. "I don't see major setbacks," she said.

AI-enabled research system to screen candidates

ORI Capital focuses on companies in therapeutics, drug delivery, and diagnostics that address diseases with high mortality rates such as cancers, neurodegenerative and metabolic diseases, as well as rare diseases caused by genetic mutation, Song said.

"If we have the ability to stay abreast of the technology, we would rather invest in early stage-companies," she noted.

The firm utilizes its self-developed artificial intelligence (AI) research system, ORizon, to hunt for target portfolio companies. The system follows 10,000 companies globally on its database and updates it daily. It generates a focus list of thousands healthcare companies and further screens hundreds of companies for its watchlist, Song explained.

It also follows 600 key opinion leaders and the movement of a thousand fund managers and their portfolio companies, which gives the fund the market intelligence to actively go after the potential investment candidates, she noted.

Apart from big data, there are 10 selection fundamental elements to be considered when it comes to investments: (1) scientific bloodline of the technology; (2) clear patent and freedom to operate; (3) good laboratory data; (4) good clinical data; (5) strength of the scientific founder; (6) strength of the

CEO; (7) strength of the execution team; (8) quality of scientific board; (9) quality of board members; and (10) quality of shareholders, she explained.

### Fund I to enter harvesting period

ORI Fund I launched in January 2016 and officially closed its fundraising in January 2018. ORI Fund I has deployed USD 200m in 10 innovative healthcare companies, of which eight had a ticket size of USD 12m or above, Song said, noting that two of them were smaller tickets.

Fund I is a seven-year fund with a two-year extension, she said. Generally, a fund will enter its harvesting period in the fifth or sixth year. Thus, it is going to enter the harvesting period as it enters year five in 2021, she continued.

ORI Capital announced earlier this month that it agreed to exit from UK-based clinical-stage biopharmaceutical company Kymab, after the French pharma company Sanofi [EPA:SAN] proposed a takeover transaction of Kymab for an upfront payment of around USD 1.1bn and up to USD 350m upon achievement of certain milestones.

ORI Fund I co-led Kymab's Series C Preferred Shares financing round with Hepalink Pharmaceutical [HKSE:9989, SHE:002399] in November 2016. ORI Fund I also made follow-on investments in Kymab in 2019 and 2020. It was ORI Fund I's largest investment with an exit multiple of 2.88x, as announced.

Prior to that, ORI Fund I also exited from Semma Therapeutics, a Cambridge, Massachusetts-based developer of regenerative medicine therapy for Type 1 Diabetes, in 2019. Boston, Massachusetts-based biopharmaceutical company Vertex Pharmaceuticals [NASDAQ:VRTX] acquired Semma Therapeutics for a cash consideration of USD 950m.

The two exits brought ORI Fund I's distributions to paid-in (DPI) ratio to 80%, Song said.

### Exit strategies

Song said in terms of exits, the firm prefers to exit by M&A.

"The reason we prefer M&A is because we invest in very innovative companies, and their strengths lie in drug development or in technology development," she noted. "For the benefit of the patients, it is much better for the company to go large and international as they can speed up further development and they can quickly use their sales and marketing muscle to have the drugs reach patients."

Biotech differs from other sectors in that at the time pre-revenue companies get listed, it still takes them years to reach commercialization, Partner Dicky To said. An IPO, therefore, is only a process for companies to raise funds for ongoing development, he added.

Indeed, ORI Fund I portfolio includes a NASDAQ-listed, London-based gene therapy company, Orchard Therapeutics [NASDAQ:ORTX].

ORI Capital hopes to see its portfolio companies be valued and its products being recognized by the market to benefit patients, To said. By that time, it is very likely that multinational pharmaceutical companies will knock on their door and approach for an acquisition and that's the time for an exit, he noted.

## Key Partners

### Founder & Senior Partner Simone Song

Song serves as investor director on a number of companies that ORI Healthcare Fund has invested in, including AffyImmune, Cold Genesys, Enable Injections, Kymab, Pillar Biosciences, and TriSalus Medical, among others. Prior to founding ORI Capital in 2015, Song was the Head of Goldman Sachs Healthcare Investment Banking for Greater China. Before that, she was a Managing Director of Cowen Group, a member of the advisory board of AXA Investment Managers, and an executive board advisor to AXA Asia Pacific Holdings. Song received a BA in Economics from Fudan University in China and an MA in Economics from Claremont Graduate School.

Song is a passionate art collector. She enjoys spending time with her family and loves to cook.

### Partner Dicky To

To joined ORI Capital in April 2019. Throughout his 25-year career, To has been involved in structuring, transaction and tax advisory. Prior to joining ORI Capital, he was a partner of RSM Hong Kong and worked with the Hong Kong and Shanghai offices of Arthur Andersen for 10 years. To earned a Bachelor of Social Sciences in Economics from the University of Hong Kong and an MA in Training & Human Resources from the University of Technology, Sydney. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

To enjoys horse racing, and owns two horses in Hong Kong via syndication.

by Florence Shiu in Hong Kong

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Grade: Confirmed

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Countries

## TARGET

[ORI Capital](#)

## TARGET

[Kymab Limited](#)[Semma Therapeutics, Inc.](#)[Orchard Therapeutics plc](#)

## BIDDERS

[ORI Capital](#)

## OTHERS

[Shenzhen Hepalink](#)[Pharmaceutical Group Co., Ltd.](#)

## TARGET

[Kymab Limited](#)

## BIDDERS

[Sanofi SA](#)

## VENDORS

[Schroder UK Public Private Trust  
PLC](#)

## TARGET

[Semma Therapeutics, Inc.](#)

## BIDDERS

[Vertex Pharmaceuticals  
Incorporated](#)

## VENDORS

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[6 Dimensions Capital](#) 

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 Principal finance  
 Venture Capital/Private Equity

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### Topics

Bolt on/Oppportunistic  
 Companies for sale  
 Cross Border  
 Private equity related  
 Private Equity Spotlight

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