Edison Healthcare

Accessing the US Capital Markets

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EDISON

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Benefits of Becoming a Public Company in the US

- FPIs realize a number of benefits by becoming a public company in the United States, including:
  - Valuation
  - Increased visibility and world-wide market credibility
  - Ready access to the largest and most liquid capital markets in the world
  - Comparability with peer companies in U.S.
  - Enhanced ability to attract and retain key officers and employees by offering them equity based compensation in a U.S. publicly traded company
  - Research coverage by U.S.-based analysts
  - Exit options include U.S. market
  - Acquisition currency for future M&A

Burdens of Being a US Public Company

- Costs of the IPO (financial advisory/underwriting, legal, accounting and other offering expenses)
- Liability under the U.S. federal and state securities laws; risk of U.S. class action law suits
  - Risks in U.S. mitigated by rigorous diligence and disclosure practice
  - Reputational issues associated with risk of law suits or administrative action by U.S. securities authorities
- Sarbanes-Oxley compliance, although partly mitigated by JOBS Act as well as by experience of issuers, lawyers and accountants

The JOBS Act and Qualification as an Emerging Growth Company

- The Jumpstart Our Business Startups Act eases the regulatory burdens imposed on smaller companies in an IPO
- The JOBS Act established Emerging Growth Companies providing FPIs further relief from the regulatory burdens. EGCs:
  - Can submit draft registration statements to the SEC for confidential review prior to public filing
  - "Testing the Waters" - Can engage in oral or written communications with QIBs and institutional accredited investors to gauge interest in a proposed IPO
  - Are only required to present two years of audited financials (as opposed to three) and need not disclose certain financial information for periods prior to those presented in their IPO registration statements
  - Are not required to obtain an attestation report on internal control over financial reporting from their registered public accounting firms

Accommodations Available to FPIs Not Available to US Domestic Issuers

- FPIs are considered to have lighter and less restrictive SEC obligations than domestic U.S. issuers, and are subject to numerous exemptions from national securities exchange listing rules
- The following highlights some of the regulatory concessions available to FPIs not available to U.S. domestic issuers:
  - Significantly less required disclosure (in annual, quarterly and current reports), including with respect to individualized compensation information of certain executive officers and directors
  - General exemptions from SEC and NASDAQ/NYSE rules governing the solicitation of proxies
  - Relaxed rules relating to timely Exchange Act filings
  - Relaxed rules relating to intentional disclosures of material non-public information (Reg FD)
  - Exemptions from insider reporting obligations and short-swing profit rules

Key Success Factors Observed in Recent Biotech IPOs

- Significant market opportunity and first mover advantage
- Strong management teams led by CEOs with prior public market success
- Crossover investors to provide validation as well as support on IPO and in aftermarket
- Near-term data / strategic catalysts to answer the "why buy now" question
- Extensive interaction with public investors 6 months to 1 year before IPO org meeting
- Critical to price appropriately for existing market to ensure strong deal and aftermarket performance (prudent / attractive cover valuation range)
- Potential for competitive M&A takeout