

Numoda Seeks \$150M Debut Health Fund

By Brian Gormley

4/13/2009

An information- and process-management company that helps drug makers manage clinical trials is seeking to capture more of the upside from its clients' success by taking equity stakes in the businesses through a new venture capital arm.

Formed in 1997, Philadelphia-based Numoda Corp. provides biotech, diagnostic and medical-device companies with technology and services to monitor patient recruitment, data flow, and the financial and logistical aspects of clinical trials. It also can serve as the trial's general contractor, hiring and overseeing contract-research organizations and other service providers.

Over the years, Numoda has used cash from its balance sheet to make small investments, usually in the low single-digit millions, in selected clients. Seeking to place larger bets in these companies, Numoda late last year formed a venture arm, Numoda Capital Innovations, and is now rounding up \$150 million for its first fund, Numoda Capital Innovations LP.

The firm will soon announce the hiring of a professional with venture capital and investment-banking experience who will serve as Numoda Capital's managing director, said Chief Executive Mary Schaheen, adding that this person would oversee fund-raising and investment activities.

Numoda Corp. and affiliate Numoda Technologies Inc. will commit an undisclosed amount to the fund, Schaheen said. Numoda itself raised a small amount of capital in the late 1990s from Penn Venture Fund, but hasn't taken venture capital since then. In recent years, however, outside investors have expressed interest, and Numoda is now talking with these groups, including endowments, foundations and individuals, about becoming limited partners in the new fund, Schaheen said.

While raising a first-time fund in this environment will be challenging, Schaheen said Numoda's track record of helping companies reduce the cost and risk of drug development should appeal to investors. Since companies these days need to stretch their cash further, services that help them run clinical trials more efficiently should be in demand, according to Numoda.

Numoda, founded by a Princeton University physicist, a computer scientist from Brandeis University, and engineers from Massachusetts Institute of Technology, deploys database and integration technologies that enable companies to monitor enrollment at clinical-trial sites and also to see data as they are recorded.

When hired as a general contractor, Numoda also can help a company select a contract research organization and estimate what a trial will cost. Once the study is underway, the firm's accountants and financial analysts help ensure that the money budgeted for the study is spent effectively, Schaheen said. Through these technologies and services, Numoda has built a profitable business with strong revenue growth, Schaheen said, though she didn't disclose specifics.

"From a financial perspective, we can de-risk the process," Schaheen said. "Our job is to get time, quality and money in balance."

Start-ups often run into problems when they enter the clinic, Schaheen said. Patient recruitment frequently takes

longer than expected, for example, which could cause the company to collect milestones from a partner later than expected, or miss out on them entirely, she said.

Another common problem in clinical trials is that participants drop out or suffer side effects for reasons unrelated to the drug itself, said Claresa S. Levetan, chief medical officer for diabetes-drug company CureDM Inc., one of Numoda's venture-backed clients. Frequently, companies don't pick up on these problems until the trial is over, she added.

Using Numoda's technology, a company can identify and deal with negative trends quickly. Some problems, such as those caused by interactions between the experimental drug and other medicines, potentially may be corrected by changing the study's protocol, Levetan said.

CureDM, which has raised about \$3 million from Scientific Health Development Ltd. and others, has hired Numoda as general contractor for its upcoming Phase I trial, in which it will test Human ProIslet Peptide, which stimulates the differentiation of certain cells within the pancreas to form new, insulin-producing islets.

Conventionally, clinical trial data would be collected over a period of weeks or months after the trial, Levetan said. By using Numoda's technology to obtain data throughout the study, CureDM hopes to wrap up the trial as soon as the final patient exits. "I see this as saving at least six months and an enormous amount of money," Levetan said.

Greg Colip, CEO of Cell>Point LLC, said Numoda is general contractor for a pivotal clinical trial the company is conducting for a radiopharmaceutical imaging agent used to diagnose cancer. It also plans to use Numoda's services for an upcoming cardiovascular trial.

"When your clinical trial is completed, and it's time to un-mask the data, the fact that all of this data has been captured electronically on a continuing basis allows you to put all [of it] together very quickly, and that saves time and money," Colip said.

Numoda has made small investments in CureDM, Cell>Point and other clients, but may take larger positions when it raises its fund. Numoda intends to invest in about 25 companies through Numoda Capital, and will sometimes be the lead investor in a client's venture rounds, Schaheen said.

Numoda is not the only clinical-trial services provider to move into venture capital. Since 2000, contract researcher Quintiles Transnational Corp. has invested from its balance sheet in clients and non-clients through its NovaQuest arm, which has funded venture-backed companies such as Topigen Pharmaceuticals Inc. and Ambit Biosciences Corp.