

Business

Big Money Comes Knocking

Major venture capital firm's investment in startup Liquidia foretells big things for the area

BY ANNE KRISHNAN
STAFF WRITER

DURHAM - A promising Morrisville company with technology that would improve delivery of solar power and cancer drugs has attracted \$16 million in funding led by a blue-chip venture capital firm.

Although the cash alone is big news for a two-year-old startup with 22 employees, the deal could be even more significant for the region.

The investor is New Enterprise Associates, a national venture capital firm that has \$8.5 billion under management and 155 successful IPOs under its belt.

Its investment in Liquidia Technologies — only its second in a Triangle company — brings prestige to the area and could spark investment in local entrepreneurs by NEA and other major venture capital firms.

"This is incredibly great for the Triangle," said Michael Zapata, technology entrepreneur in residence at N.C. State University. "It gives massive credibility to the region and shows that these high-tech, high-growth companies are a major economic engine in our state."

The funding caps a lucrative investment week for the Triangle. Motricity, an NEA-backed company in Durham, on Monday announced that it received \$50 million from billionaire investor Carl Icahn.

The Triangle has strong regional venture capital and individual "angel" investors, but until now has mostly lacked attention from internationally known, top-tier venture firms, Zapata said.

The NEA deal is encouraging for companies looking for funding and for smaller funds that can invest more confidently, knowing that there are deep pockets in the wings that can help make companies successful, he said.

The investment says a lot about Liquidia, as well. A \$16 million funding round is a "large chunk of cash" for a young company, he said.

NEA and other big investors don't fund a company unless they envision a major return, perhaps 10 times their investment or better, he said. Venture capital investors eventually look to recoup their money — and more — by selling their portfolio companies or taking them public.

"It's a big investment, and it says they think there's a really big opportunity in front of that company," Zapata said.

But the funding, even combined with Liquidia's technology and business plan, isn't enough to guarantee the company's success.

"They've got the rocket fuel. Now they've got to perform," he said.

Much like BASF or 3M, Liquidia's business is focused on making materials that improve the way other products perform.

At the core of its technology is Fluorocur, a nonstick material developed by researchers at UNC-Chapel Hill and N.C. State that can be made into molds for manufacturing microscopic particles or molecular-level patterns on large surfaces.

Liquidia is using the molds to fashion products such as highly efficient solar panels

and tiny vessels to deliver drugs inside cells. The firm sees potential in the medical-device and consumer-products industries as well.

Customers are lining up.

Liquidia is talking with six of the top 10 pharmaceutical and biotechnology companies and four other Fortune 500 companies, and has turned away half a dozen more. It is partnering with the companies to develop products.

With so many billion-dollar market opportunities, the company must set priorities, said Ralph Snyderman, the former CEO of Duke University Health System, who is one of two NEA representatives on Liquidia's board of directors.

He likened the company's options to walking into a candy store: "What do you choose?" he asked.

"The challenge for Liquidia will be to focus this tremendous opportunity into the areas that are most likely to have the greatest benefit in the shortest period of time."

Snyderman, who joined NEA as a venture partner in January 2006 and works out of Durham, is a further indication of the rise in the Triangle's status. Entrepreneurs no longer have to trek to Silicon Valley, Boston or Northern Virginia to seek investment from a major fund; now the big dogs are coming to them.

"There's no question the Research Triangle is on the map," he said. "NEA feels that this is an emerging area, and we want people here to know that there is access to NEA."



Ashley Galloway, left, Ginger Rothrock, Jocelyn Brewster and Derek Schorzman work at technology company Liquidia in Morrisville.

STAFF PHOTO BY TAKAAI IWABU

Snyderman and an NEA associate are actively working with local universities and venture capital firms to identify promising investment opportunities, he said.

“The two of us are going to be spending whatever time it takes to help entrepreneurs in this area,” Snyderman said.

One of Liquidia’s next challenges will be to find a new chief executive to lead its burgeoning business. CEO Todd Pope left the company in October to join a subsidiary of Johnson & Johnson.

Meanwhile, the company will use the new funding to hire employees for its research, technology development and business development staffs. Officials expect to add 10 to 15 employees by the end of the year. Liquidia also plans to move into a new facility that will triple its floor space and expand its capacity for laboratories and manufacturing.

One of the company’s early focuses is using its technology to make better displays for cell phones, TVs and computers. The company could introduce products for niche applications such as aerospace displays as soon as next year, said Luke Roush, director of business development.

Sales from that side of the business will help fund its longer-term work developing drug-delivery technologies, he added.

“There’s a rhythm to what we do in both the materials science and the life-science side of the business,” Roush said. “How we manage that rhythm, that cadence, is very important.”

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LIQUIDIA TECHNOLOGIES

BUSINESS: Liquidia’s technology enables the manufacturing of microscopically small particles and patterns for pharmaceutical, energy and other products

HEADQUARTERS: Morrisville

FOUNDED: 2004

EMPLOYEES: 22

FUNDING: \$8.5 million in venture capital and private investments

TOTAL CAPITAL RAISED: \$24.5 million

CO-FOUNDERS: Joe DeSimone, Ed Samulski, Ginger Rothrock and Jason Rolland

NEW ENTERPRISE ASSOCIATES

BUSINESS: NEA has invested in 550 life-science and high-tech companies, of which about 155 have gone public and 220 have been acquired. The company recently raised \$2.5 billion in its 13th fund, taking its total capital under management to \$8.5 billion.

Offices: Baltimore; Reston, Va.; Menlo Park, Calif.

FOUNDED: 1978

PORTFOLIO COMPANIES: 3Com, Boingo Wireless, CareerBuilder, Flextronics International, Macromedia, Salesforce.com, TiVo, Vonage, WebMD

NORTH CAROLINA INVESTMENTS:

Liquidia Technologies (Morrisville), Motricity (Durham), Targacept (Winston-Salem), TriPath Imaging (Burlington), Bariatric Partners (Charlotte) and Hospital Partners of America (Charlotte)

TRIANGLE REPRESENTATIVES:

Ralph Snyderman, Justin Klein