

COMPANY FACTFILE

- > Established in 2006
- > Spin-out company from the School of Medicine (MHS)
- > Founded by Professor David Denning
- > Development and supply of molecular diagnostic products to aid speedy, accurate diagnosis of life-threatening fungal infections in humans
- > www.myconostica.co.uk



“Myconostica cuts the time to get a result from 10 days to 3 hours”

Professor David Denning



So what does Myconostica do and how did it come into being?

“Well, unlike some successful spin-outs it wasn't technology-driven. We didn't happen across a patent with great clinical and commercial potential and then set about looking for an application. Myconostica was born of the fact that there was a real market need for speedy and sensitive fungal diagnostic products to help combat numerous life-threatening conditions such as invasive aspergillosis (typically leukaemia and transplant) and candidaemia (premature babies and intensive care). The requirement for rapid, innovative diagnostics is evident in the thousands of patients we see every year and is essential to save lives.”

One of the fundamental problems with respiratory fungal disease is the length of time it takes to grow cultures and to make a diagnosis. Myconostica has developed extraction and testing products which cut the time taken to get a result from 10 days to 3 hours. The speed with which fungal respiratory conditions can take hold means that patients could often be beyond help by the time we diagnosed their condition. With Myconostica's innovative and speedy testing kits medics can now have those results back the same morning and start a programme of treatment immediately.

So how did you move on from knowing that there was a need to finding the solution?

“I met with David Perlin of the Public Health Research Institute and talked to him about my desire to implement diagnostics in this field and David was the man with the experience and technical know-how to actually do it. So already we had two very important skill sets and one shared goal. I had a good understanding of the market needs and the potential applications and David understood the technology. Finding the two skills together is rather rare.

The next step was finding the IP and, having been awarded £60,000 from UMIP's Proof of Principle Fund, we were able to purchase some IP and file a new patent. Where we really needed help though was in developing and understanding that IP and creating a business framework. Our experience was miles away from manufacturing and implementing quality systems. We needed external advice on those vitally important areas. We had some great input and support from UMIP, especially from Dr Conor Mulrooney who helped us to address some of the more unfamiliar areas.

At this point of course, we still did not have the technology, we simply had the idea which had no value. We set up Myconostica to create the technology which is where the value lies.”

How big a part did market research play?

“When Nick Montague joined the company as interim Chief Financial Officer, we undertook a formal market survey which verified what we knew from our work in the field - that the need was definitely there but an invention was needed to fill the gap.

When we did our patient-based modelling it was difficult to get patient numbers and we spent a lot of time sorting out the different markets to find out what would be the best approach to attract investors. VCs in the main are only interested in markets worth over \$0.5bn so a market of \$100k would not be sufficiently attractive.”

How did you find the process of setting up a spin-out company?

“The excitement of setting up the company was tempered by the awful experience of going through the legal process and organising all the paperwork. In all, it took about four months to sign with the University and a further three months to agree terms with the investor’s lawyers.

One piece of advice I really would pass on to new spin-outs is to create the warranties file upfront. In the UK, company founders have to give detailed warranties and this took up an extraordinary amount of time once the legals had been finalised. If we had sorted the warranties out at the same time we would have saved a considerable amount of time.”

Was there one hurdle in particular that you had to overcome?

“Funding. It is always the biggest hurdle as you really can’t get anywhere without that in place and in order to attract to right level of investment you really need to have your ducks in a row. We were lucky to be selected by Amphion Innovations, who have invested over £1.5 million in us. They specialise in the formation, financing, management and development of life science and technology companies. It proved to be a great investment partner, not just financially but it also provided access to the best people and advisors which has really helped us to progress.

This money was hard won and has really only taken us to the stage where we have secured the IP and achieved CE marking on the products. Now other investors want to see sales before they will commit so the goalposts change all the time.

Finding the right people was also a real challenge but we now have a fantastic team in place and it shows in the progress we have made in the last twelve months alone. The key drivers of a spin-out business are so important as their energy and enthusiasm in turn attract great people. The figureheads of the company also attract investors so it is imperative to have brilliant people throughout the team.”

So finding the money was hard work, how did you find dealing with the investors?

“I am pretty well seasoned now having probably made 60 or 70 presentations to venture capitalists over the years! But, ideally you really need to have someone on the team who is experienced at going out and getting the money in, but you can’t recruit these people until you can pay them so it really is a Catch 22 situation. Academics should be the magnets to attract investors but shouldn’t be the main point of contact as they really don’t have the time and it’s not usually their core skill.”

What are the benefits to the University in engaging with spin-outs?

“The benefits are numerous – a successful spin-out with the right financial structure can be a great revenue source for the University and supporting and investing in a company which eventually reaches global financial success is an excellent long-term investment. The University is also supporting the City’s aim of job creation and inward investment.”

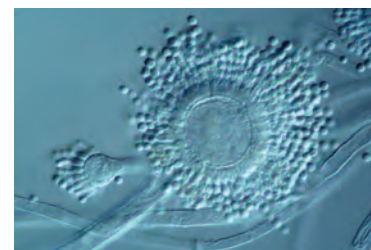


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And to sum up, what are the most important factors in starting and nurturing a spin-out company?

“Approach it with bags of energy and enthusiasm and focus on deliverables so you don’t shudder to a halt in fear of the sheer scale of the task ahead. Build a strong team with complementary skill sets and let them use those skills to make clear and steady progress. Remember, you can not do it all alone. You need to empower your team to make decisions quickly so that you don’t lose momentum at any stage of the journey.”



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