

The Kx Technology Fund: Fueling Digital Transformation in Pharma

By Antonia Breslin

The economic landscape for pharmaceutical, health, life sciences and biotech companies has become increasingly challenged. Ernst & Young's Biotechnology Report 2017 notes that biotech budgets for digital innovation projects have been reduced due to unsustainable cost pressures, despite the urgent need for product differentiation. This lack of capital has resulted in a surging interest in mergers and acquisitions. A staggering 70% of life sciences companies are planning to use M&A over the next two to three years for transformation projects, including building digital capabilities. The Kx Technology Fund offers an alternative avenue - rather than yielding equity, recipients receive a market leading technology, funding and the practical support they need to develop and bring their research, product, or drug to market.

Big Data + Pharma = Big Dividends

Big data is only useful when it is processed, analyzed and presented in a way that empowers business intelligence to give a company a market edge. Disruptive SMEs are at a crossroads, they do not have the capital to invest in digital transformation projects, yet without them they will fall behind the competition and risk losing revenue. As result, SMEs are increasingly becoming M&A target for larger corporations. CB Insights reports that Merck alone has invested in over 20 digital health companies in the last three years and M&A deals for the top 20 pharma companies are on the rise in 2017, with 47 equity investments already closed. No longer are potentially disruptive SMEs merely at risk of being engulfed by the giants of the pharma industry; technology leaders such as Apple, Google and IBM have jumped on the pharma Big Data band wagon by acquiring promising SMEs and asserting their ambitions in healthcare.

The major stumbling block for promising start-ups in the pharma/healthcare sector with M&A's is that they carry concerns over market share, combined with many legal and regulatory complications. Sophisticated contracts over intellectual property and the transfer of assets and shares can often be time consuming, diverting company resources from operations. The legal structure of M&A deals can often mean that founders lose a significant amount of equity in their company, and lengthy deal negotiations can simultaneously delay the implementation of a much needed digital transformation in a market where time is money and every second counts.

Looking into 2018, Ernst & Young predicts global expansion in biotech with new forms of competition coming from digital technologies, as well as biological discoveries. These innovations are going to further drive biopharma M&A, with investors looking to cash in on the next big development. This dynamic presents an opportunity for the doctors, scientists and business leaders behind biopharma SME's looking to fund their companies' growth.

Kx Technology Fund

Kx is a technology market leader in the delivery of solutions designed for Big Data analytics. Kx's capabilities can help pharma SMEs digitally transform to become disruptive, by being able to rapidly link and query very large data sets, aiding the speedy delivery of the Big Data insights that pharma demands. Kx has invested in innovative pharma start-ups such as [RxDataScience](#), who are using Kx technology to power their data science platforms.

In previous years Kx has invested strategically to facilitate its shift into new markets. Kx has now formalized this strategic objective through the Kx Technology Fund, and is actively seeking start-ups

with solutions that can use Kx software. Kx is looking to either invest in and/or become a strategic technology partner with, pharma SMEs, providing access to capital, technology resources, hardware, hosting/cloud capability, and support resources to ensure that they are quick to market.

It is in the mutual interest of Kx and the respective start-ups, that the founders retain majority equity, which is a fresh alternative for pharma companies who are in need of a digital transformation, and want to dodge the M&A trend. Kx seed funding can be structured on an optional basis so that funding is only accessed if it is needed. Therefore a licensing agreement can be drawn up in isolation. Kx allows the retention of equity for the founders, while enabling access to market leading database platforms. This will enable disruptive SMEs to integrate speedy digital transformation, without trying to jump through M&A hoops.

If you are interested in finding a technology partner for your potentially disruptive pharma business, click [here](#).

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