



Entrepreneur's Hub: **Kleanthis G. Xanthopoulos of Enterprise Partners Venture Capital**

By Andrea Siedsma, *Contributing Editor*

Name: Kleanthis G. Xanthopoulos

Title: Managing Director, Enterprise Partners Venture Capital's Life Science practice.

Age: 48

The Deal: Uses capital to fund young biotechs that can influence the way pharmaceuticals and biologics are being developed.

In the third decade of biotech, the industry is valued between \$300 and \$400 billion in market capitalization. With accelerated biological and scientific progress and hundreds of successful drugs on the market, the biotech industry is here to stay. Many in the industry even believe that biotechs are going to be the exclusive source of innovation in the future for large pharmaceutical companies.

However, extreme capital efficiency is a must for Biotechs that want a piece of the pipeline. So says Kleanthis G. Xanthopoulos, a San Diego life science entrepreneur-turned venture capitalist.

"There's an evolving model in biotech that requires a very disciplined deployment of capital in order to support a business model that has some very specific milestone-driven value creation events," says Xanthopoulos, co-founder and former CEO of San Diego-based biotech Anadys Pharmaceuticals, who became managing director of Enterprise Partners Venture Capital's life science practice last June. "Every now and then we need to be open to revolutionary ideas, in which case it might be appropriate to finance a (start-up) company differently to determine new biological processes. That ultimately gives you the opportunity to develop multiple drugs but those opportunities don't come every quarter. The majority of our investments will be very specific and will be deployed for some smart technologies and products."

While many of today's VC firms tend to fund later-stage companies, Enterprise Partners mainly focuses on early stage life science and technology companies. The 21-year-old VC firm has collectively managed over \$1.1 billion. The firm's current fund, Fund VI, is \$353 million and is balanced between health care and technology, while the next fund, EPVII, is expected to focus on the life sciences.

"Enterprise's niche in the life sciences is finding inefficiencies in drug discovery and development," Xanthopoulos says. "We want to step in and fix the inefficiencies in the drug development process. Our goal is to get a 'proof-of-concept' in the clinic as soon as possible. It doesn't make it less risky but it can potentially have big returns."

Enterprise Partners typically leads 80 percent to 90 percent of their investment deals and the managing directors are very active on the boards of the companies in which the firm has an investment. "We pay a lot more attention to company operations than some VC firms do. We spend about 10 percent to 20 percent of our time picking the company to invest in and the rest of the time we spend growing and guiding the company."

One of the reasons Xanthopoulos moved over to the VC world is because he wanted to help effect change in the life science industry. Xanthopoulos, a biotech executive since the late 1980s, felt he could influence the industry by leveraging his experience building companies. "I want to create more value for the biotech industry," he says. "My passion is to take ideas and create business models around them. I had a wonderful time as an executive and entrepreneur. As I looked to the next 20 years of my career I thought my skills would be helpful to other entrepreneurs. I'm having a blast so far."

Xanthopoulos, former vice president, Genomics & Molecular Biology for San Diego-based Aurora Biosciences Corp., was also the section head for the National Human Genome Research Institute at the National Institutes of Health. He was a postdoctoral research fellow at the Rockefeller University and an associate professor of molecular biology at the Karolinska Nobel Medical Institute in Sweden. Xanthopoulos is an Onassis Scholar, has a Bachelor's degree in biology from the Aristotle University in Thessaloniki, Greece, and a Master's degree and Ph.D. in molecular biology from the University of Stockholm, Sweden. Xanthopoulos was a 2006 San Diego recipient of Ernst & Young's Entrepreneur of the Year award.

Although his family wanted him to be a doctor (he went to medical school for one day and couldn't stand the smell of formaldehyde), Xanthopoulos opted for the business side of biological sciences. "I love this industry," he says about biotech. "As an executive you have to focus on the task at hand. As a VC you're seeing hundreds of ideas, and you have to sort through them and pick out the ones you think have the potential to create value. That's something that excites me."

Enterprise Partners, Xanthopoulos says, is also looking for ways to influence the way pharmaceuticals and biologics are being developed. He pointed to one unique company he is involved with called Complete Genomics, a Sunnyvale, Calif.-based gene sequencing company whose mission is to dramatically reduce the cost of DNA sequencing for research, drug development, and diagnostic applications. The firm, founded in 2005, is in the running of a race ignited by the National Human Genome Research Institute, which issued a request for applications in 2004 entitled "Revolutionary Genome Sequencing Technologies: The \$1,000 Genome."

"They want to ultimately sequence anyone's genome for \$1,000," Xanthopoulos says about Complete Genomics. "For the next 24-to-36 months, the goal is to work on the accuracy, throughput and cost of that sequencing. The implications of this technology are enormous. For example, the more we understand how our bodies respond to certain drugs, the more we will be able to tailor drugs to individuals. When you're faced with a serious disease and you know how your genome reacts to drugs, you can take a certain drug to maximize the therapeutic range of that drug. That's the market we want to play in."

Being on the venture capital side has given Xanthopoulos a different insight to the complex process of investment selection. "You can become a technology and idea junkie," he says. "You have to decide, 'Where do you put your money? How do you prioritize?' This is where your partners come in. I may fall in love with an idea but I have to confer with my partners. Enterprise's unified group approach of sorting through thousands of business plans and choosing a handful to invest in every year is a very interesting and disciplined process."

Like many of his colleagues, Xanthopoulos is fueled by passion. "It's about working because you want to do well," he says. "I cannot think of any other industry that can combine the satisfaction of working and discovering something as a team and having a direct effect on people's quality of life. That's priceless."

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