

Biotech Excerpt: Pharma, Biotech & Medtech 2020 in Review

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Evaluate Vantage 

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A big year for biotech flotations



With the final numbers in, the excesses of 2020 are laid bare. An astonishing \$12.7bn was raised last year by young drug developers via IPOs, a figure that outstrips previous records by a long way.

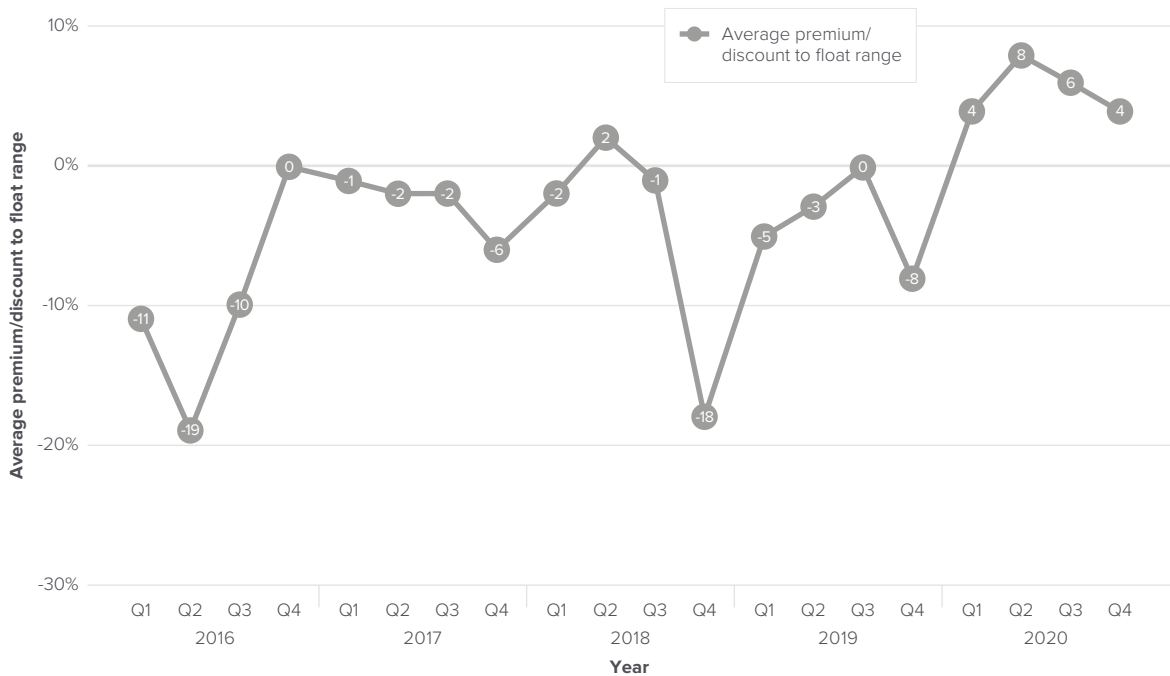
The number of companies that went public is also high, although not remarkably so. But those that did float managed to amass huge sums, taking full advantage of the cash flowing readily into the sector.

Whether this largesse continues in 2021 is the burning question for IPO investors, and for now there are few signs of diminishing appetites.

These analyses concern pure-play drug developers only.

Tracking demand for IPOs

Source: Evaluate[®], January 2021



The chart above illustrates how investor interest in biotech soared last year, with all listing companies managing to float at or above the initial prices proposed by bankers. Many pulled off upsized offerings, selling substantially more shares than planned at valuations inflated by huge demand.

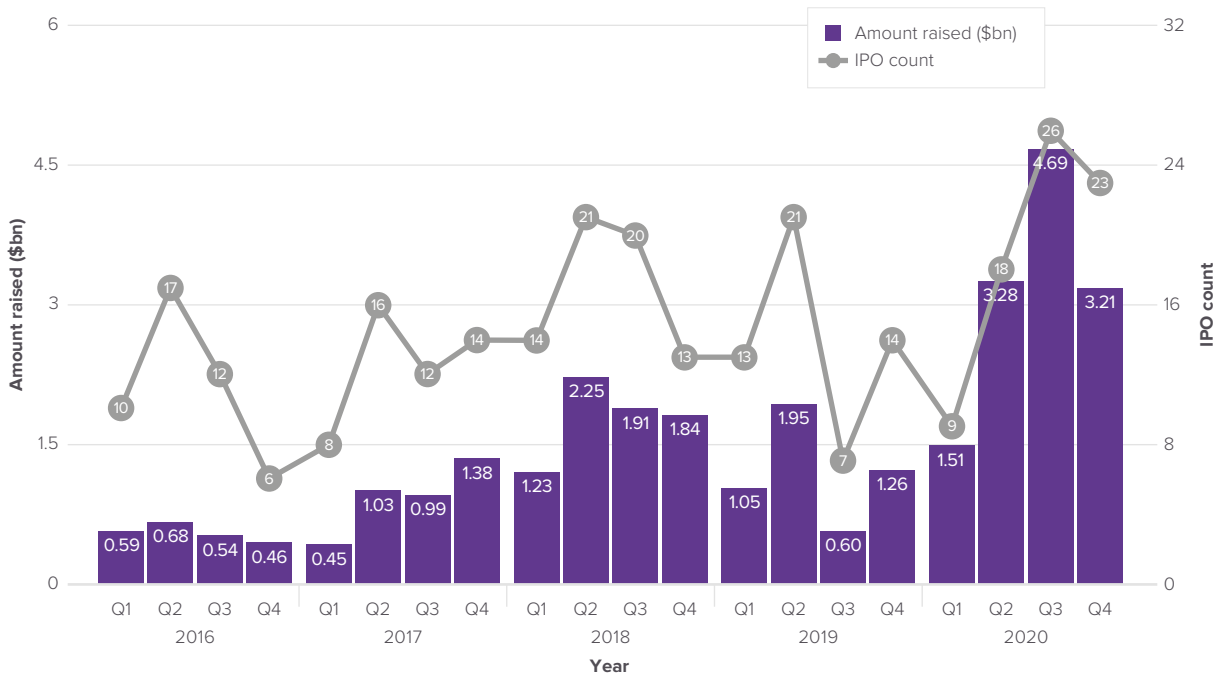


That trend has continued so far in 2021: The Chinese Car-T play Gracell Biotechnologies bumped up its offering by 25% to raise \$209m, while the targeted oncology company Cullinan banked \$250m after upsizing its offering and pricing above range.

At time of writing Sana Biotechnology, a Hans Bishop-backed company, was poised to float. Despite having an entirely preclinical pipeline, which is unlikely to move into the clinic before 2022 at the earliest, a multi-billion-dollar valuation at IPO looks likely.

Biotech IPOs by quarter on western exchanges

Source: Evaluate[®], January 2021



Of course, this huge demand also creates huge expectations, and the pressure is on for new issues to perform this year. The track record of these freshly floated drug developers will be a major influence on investor appetite in the coming months.



A more detailed look at 2020's stats shows just how impressive last year was. The average amount raised per IPO easily set a record, with a staggering 55 companies raising more than \$100m, and 35 of these bringing in over \$200m.

With demand so high it is not surprising that these start-ups are raising what they can, while they can. But there are quite literally huge downsides to the valuations that are being set and, as experienced biotech investors know, the failure rate in this industry is high.

Biotech IPO market by year

Source: Evaluate®, January 2021

Year	No. of IPOs	Amount raised (\$bn)	Avg. amount raised (\$m)	No. raising >\$100m
2020	76	12.7	167	55
2019	55	4.9	88	17
2018	68	7.2	106	31
2017	50	3.9	77	15
2016	45	2.3	51	3
2015	78	5.1	65	17

For more detailed analyses see these articles:

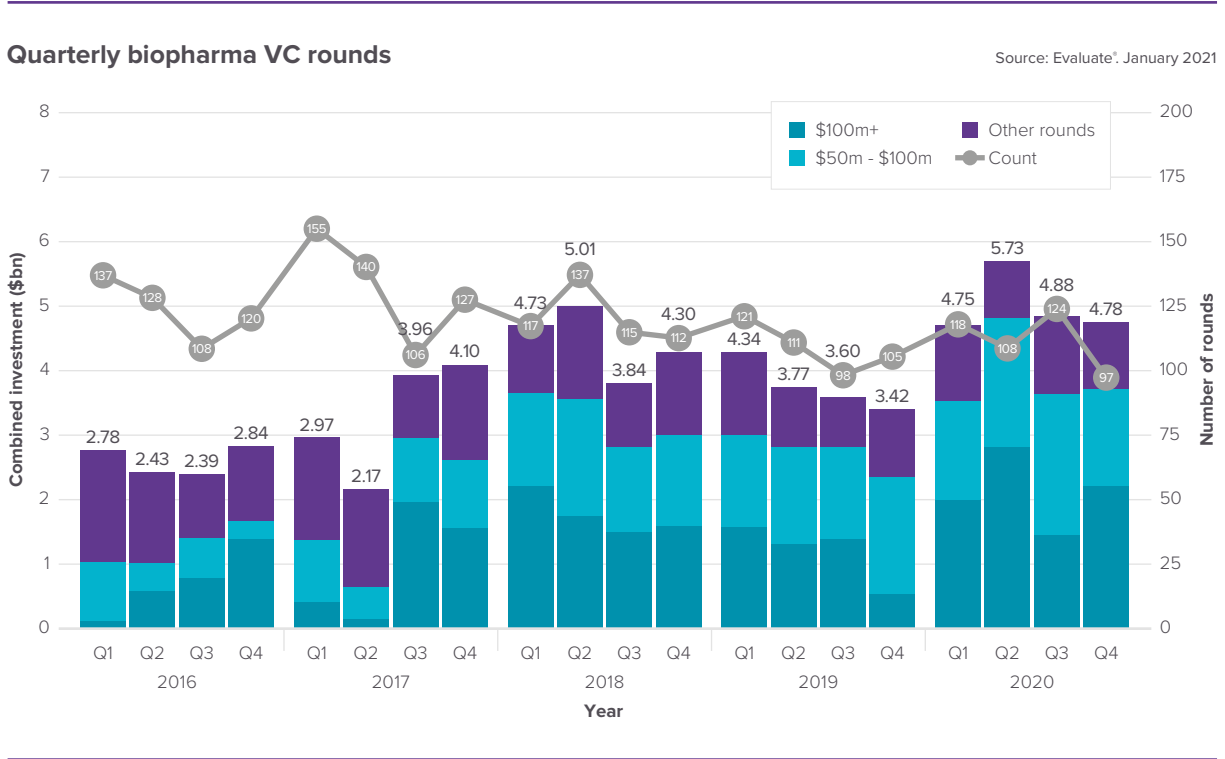


Covid or not, venture financing breaks records

A year that started with cautious optimism over biotech venture financing has wound up breaking records. Private biotechs ended 2020 having raised just under \$20bn, eclipsing even the boom year of 2018, the latest *EvaluatePharma* data reveal.

Full-year totals seem to have blown even the rosiest expectations out of the water. The numbers are so stunning that it is difficult to find negative trends. If there is one it is that 2020's absolute number of VC rounds was around the 450 mark, despite the record-breaking total cash raised; this is lower than 2017's 528, and even than the 492 rounds in 2014, when only a total \$7.2bn was raised.

This analysis includes only companies developing human therapeutics.



The clear trend is towards ever bigger venture rounds. Indeed, the average financing per round last year came in at nearly \$45m, almost \$10m higher than the average in 2019.

This rising average was driven by a few truly monstrous individual company raises. The secretive cell therapy player Lyell Immunopharma topped the first quarter with a \$493m raise, while June saw Sana close an astounding \$700m series A round; both companies are linked to Hans Bishop, the former chief executive of Juno.



It was Sana that pushed the second-quarter VC funding total above \$5bn – the first time that quarterly total had been breached in the current cycle. And it was only because of Sana that the third and fourth quarters looked like a retrenchment; in reality, of course, each period brought in nearly \$5bn of private cash.

It seems likely that once all the numbers are in – there are typically a few small rounds that are not announced until some time after closing – the 2020 VC total will exceed \$20bn. What does 2021 do for an encore?

Annual biopharma venture investments

Source: Evaluate*. January 2021


Year	Investment (\$bn)	Financing count	Avg per financing (\$m)	No of rounds ≥\$50m	No of rounds ≥\$100m
2020	19.99	448	44.63	154	59
2019	15.12	435	34.76	119	38
2018	17.89	481	39.06	130	38
2017	13.21	528	27.4	76	19
2016	10.44	493	22.51	52	15


For a more detailed analysis see this article:


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