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**Announcer:** The *BioWorld Insider Podcast*.

**Lynn Yoffee:** This is *BioWorld Insider Podcast* bio world insider podcast. I'm Lynn Yoffee, *BioWorld's* publisher. When 2021 wrapped up with a record 1,968 biopharma deals worth of projected $213.5 billion combined, even despite a tumultuous year, it didn't seem hard to imagine that 2022 might be just as bright. Sure M&A activity was depressed amid all that deal-making. With big pharma players sitting on piles of cash and high profile takeouts, like Merck's $1.5 billion acquisition of Acceleron, and Novo Nordisk $3.3 billion acquisition of Dicerna, the future seemed bright.

How is 2022 actually turning out so far? Today, BioWorld Staff Writer, Lee Landenberger, will explore exactly that with BioWorld's Senior Analyst Karen Carey. Karen tracks a torn of news and numbers each quarter to bring us new perspective on the industry's activities and financial health. Today, they'll discuss what she's seen in Q1 and where things might go in the second quarter. Over to you, Lee.

**Lee Landenberger:** Thanks, Lynn. Karen, it's great to have you back. You are one of the few who's a really good journalist and fabulous with these numbers. I wanted to review the first quarter of '22 activity. You noted that biopharma deal values rose by 36% in the first quarter, yet M&As remain at their lowest point. In the big picture, what does that mean?

**Karen Carey:** Basically, it means that pharma executives and big biotech are realizing they can attain innovative technologies for a lot less money through licensings and collaborations. There is a lot of risk with M&A. They can be very expensive. On the other hand, not every biotech company with a good story wants to be acquired right now. They are coming off of two of the best financing years in the history of biotechs.

There may not be as many for sale right now. There also may be a disconnect between the amount that buyers are willing to pay and a biotech company's market capitalization. That may have an effect on M&A activity.

Still, biopharma deals in the first quarter came to a combined value of $56.9 billion. That's the highest amount for a first quarter in the past six years. What is interesting is, a lot of folks in the financial world, what I was hearing late last year, anyway, they thought M&A would pick up in 2022. Yet that has really not been the case, at least, not for biopharma. If you broaden it, if you look at all of life sciences, M&As are doing okay.

There are a lot of mergers with medtech companies. Lockdowns caused by the pandemic highlighted the need for digital technologies and diagnostics. Companies are incorporating more artificial intelligence and machine learning into their day-to-day, but when we look at just biopharma companies, M&As are well below other years.

For example, in the first quarter, we tracked 25 completed M&As worth $19.8 billion. That is actually a higher value than the first quarter of 2021, which recorded about $14 billion. It is significantly below most other quarters. The 2021 figure was based on 43 completed M&As compared to 2022's 25. We basically saw 42% fewer M&A transactions during this year's first quarter. You would think, with financings going down, that we would see M&As going up, but that has not been the case. Not yet, anyway.

**Lee:** With M&As going down, but late last year you were saying you expected they would go up, do you have any idea why the analysts or those that project these things were so wrong?

**Karen:** Oh, it is really hard to say. I think it's just a cyclical thing. You see things go up. You see them go down. They've been down for the last couple of years, so you would expect them to be going up. They do seem to be in line with financings. When financings are down, M&As tend to go up. It's just hard to say.

**Lee:** The biopharma industries recorded record value from mega-deals in the first quarter of 2022, the top all recent years and executives continue to opt against costly mergers and acquisitions. Can you tell me what's going on with all that?

**Karen:** Yes, we've seen a tremendous number of what we call mega-deals or those worth $1 billion or more. In the first quarter, for example, we had 21, the most ever for a first quarter. There were 15 in last year's first quarter, 13 in 2020, and only 10 in 2019. We've basically doubled the number of these mega deals in three years. The top one this year, you wrote about, Lee, it was Sanofi's $6.3 billion partnership with IGM Biosciences.

Overall, that is the ninth largest biopharma deal of all time. Sanofi notably also signed two other huge deals in the first quarter, one with Adagene and one with Exscientia. They've been very active in executing these mega deals. The need for new cancer therapy seems to be the biggest driver of these types of deals. Of course, technologies have matured to the point of being able to demand higher value than ever before.

In addition to cancer, we are also seeing some big cell in gene therapy efforts. For example, Bristol Myers and Century Therapeutics signed a $3 billion stem cell therapy deal for leukaemia and myeloma in the first quarter. Takeda and Code Biotherapeutics, they joined on a $2 billion gene therapy deal for rare diseases. In total, these mega deals reached 75 in 2021. We are on track this year to surpass that amount.

**Lee:** There are fewer collaborations than in previous years. In terms of volume, the first quarter recorded 434 deals, which is fewer than each of the last three years. It represents a 23.7% decline from 2021's 569 deals. Can you tell me why that is, Karen?

**Karen:** Yes. In 2018, we recorded 282 deals in the first quarter. That was the last time, the last first quarter in which we recorded fewer deals than this year's first quarter. I would just say we're behind, yes, but 2020 and 2021 did not really represent the typical years because of the flurry of pandemic-related activity. We're lower than 2019, but not by much. 2022 was at 434 deals in the first quarter, 2019 was at 446 deals. It's only a little bit more.

The value of these deals, like you mentioned earlier, are ahead by 36%. There are fewer deals, yes, but they are worth more. I think maybe we're just seeing a return to the pre-pandemic days although COVID certainly made the world aware the importance of investing in biopharma research. That has enabled the industry to command a certain amount when they're forming these deals, but in and of themselves, deals are still cheaper and less risky than M&A.

**Lee:** You suggested that the current pacing for 2022 financings might be tracking somewhere along the lines that 2017, '18, and '19 did. All three of those years ended with significantly less raised than the $118 billion that was raised in 2021. Do you expect that to hold true?

**Karen:** It is so hard to predict. In 2021, the first quarter raised the most of any quarter that year. In 2020, it was the second quarter that raised the most right after the World Health Organization declared COVID-19 a pandemic. Going back to 2018 and 2019, in those pre-pandemic days, in both cases, the first quarters were the strongest of each year, and they were both ahead of this year's first quarter.

If 2022 follows the same trend, barring another international health emergency, I would say we may be looking at the lowest financing year since 2017. Still, we raised $13.1 billion in the first quarter through 248 financings. That's quite a lot in terms of most years, 2017 and earlier. In terms of all recent years, biopharma financings are basically at their lowest point for a first quarter. In comparison with just last year, for example, there is nearly 66% less money, and 53% fewer transactions. If I project out for the rest of the year based on what happened in the first quarter, we are looking at financings hitting about $52 billion this year. That is less than half of the $118 billion raised in 2021, and significantly less than the $134 billion in 2020.

It is also important to note that the drop in financings is primarily seen with financings of public companies including private placements. When you look at venture capital rounds, it is a totally different story.

Through VC, private companies raised $5.7 billion in Q1 through 129 transactions, making it the second-best first quarter in history with 2021 at the top. Investors and private companies have really kept their appetite into 2022. How long that will continue though, that's another good question.

**Lee:** Why do you think financings are down?

**Karen:** Financings of public companies may be down for several reasons. The stock markets have not been doing well. By the end of Q1, the NASDAQ biotechnology index was down by about 12%, a bigger decline than what Dow Jones was showing. The Dow was down by just under 5%. When stocks are down, companies tend to shy away from raising money on the public markets.

Also, the generalist investors who invested heavily during the first two years of the COVID-19 pandemic are, perhaps, not as prevalent now that we have several vaccines and therapeutics to help control the virus. They have backed away and there may be some investor fatigue going on among biopharma's regular investors.

Keep in mind we have just exited biopharma's top two financings years, as I said before, and investors may want to start seeing results before they put in more money. Finally, just to note, IPOs and VC rounds did hit record value and volume levels in 2021. As I said, VC rounds are keeping the pace but IPOs are more in line with maybe 2020 and earlier. Even though IPOs are down, they are being compared to an unusually active year, which was 2021.

We're really seeing the biggest drops with follow-on offerings and private placements. That is in comparison with pre-pandemic years as well. Amounts raised through follow-on specifically are behind nine other years since the year 2000, raising only $2.5 billion in the first quarter. To put that in perspective, $2.5 billion compares with nearly $15 billion in the first quarter of 2018.

**Lee:** You mentioned COVID and how the efforts are fading on that because there's more market domination. Right now, I think that's the reason. Can you give me an idea of how the numbers are now for COVID development compared to a year ago, the first quarter of 2021?

**Karen:** I think everyone has grown very tired of COVID-19. Nevertheless, emerging variants and waning immunity has set a clear path for the biopharma industry. This is going to be an ongoing battle. We have to remember when the pandemic first emerged, it put everything on hold. Most programs and efforts that did not have something to do with the virus were delayed.

Now they are coming back full force. In proportion, COVID efforts are less than less. It's not surprising that pandemic-related deals went from 25% of all deals in the first quarter of 2020 to 12% in the first quarter of 2021, and to only 5.8% in 2022. I might also add that industry deals with nonprofit or government entities, as well as industry grants, they have declined by 57% over last year. They are now more in line with 2019 figures. Even though the pandemic is not over, the world is in a much better position than it was two years ago and many of the investments have already been made. Everyone is expecting COVID-19 to move away from pandemic status to an endemic phase but there's still a lot of work going on.

BioWorld has tracked more than 1,050 therapeutics and vaccines that have entered development since the early days. Researchers are pivoting to address each new variant and poorly understood conditions such as long COVID. For many other companies, it's time to get back to their mission because there are still many, many conditions outside of the SARS-CoV-2 virus that are in need of new therapies.

**Lee:** I guess that's good news. The world continues to heal. Thank you, Karen. Thanks very much. I feel a lot more knowledgeable and I have a better understanding of what happened in the next quarter. In the next quarter, we'll check-in with you and see how everything went for the three months too. Thank you very much.

**Karen:** Sounds good.

**Lee:** Lynn, back to you.

**Lynn:** Wow, that was a lot of numbers, Karen. For our listeners out there, you can always come to bioworld.com to read and drill down on Karen's analysis and all of the data that we provide to assess the industry. My major takeaway from this discussion is the biopharma industry is just feeling a slight correction to a back-to-normal state. As Karen said, COVID is still not going away.

In addition, the therapeutics that she mentioned, there are still more than 250 vaccines in early-stage development. The industry is learning how to juggle and they're still working on the COVID issue, but they're moving forward with other therapeutics, which, in the end, is good news for patients. Karen, we really appreciate your work.

Data analysis is key to bringing value beyond the headlines to Bio World subscribers. We're glad you could share what you're seeing with us on today's episode. As always, Bio World will continue to keep you informed of all the most important scientific, clinical, and business updates. That's our show for today. If you need to track the development of drugs, turn to bioworld.com. Follow us on Twitter or email us at newsdesk@bioworld.com.

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**Announcer:** BioWorld, published by Clarivate, is a subscription-based news service, but all of our COVID-19 content over 7,000 articles, and data entries, since the start of the pandemic are freely accessible.

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