

## Biopharma venture investors shrug off Covid-19



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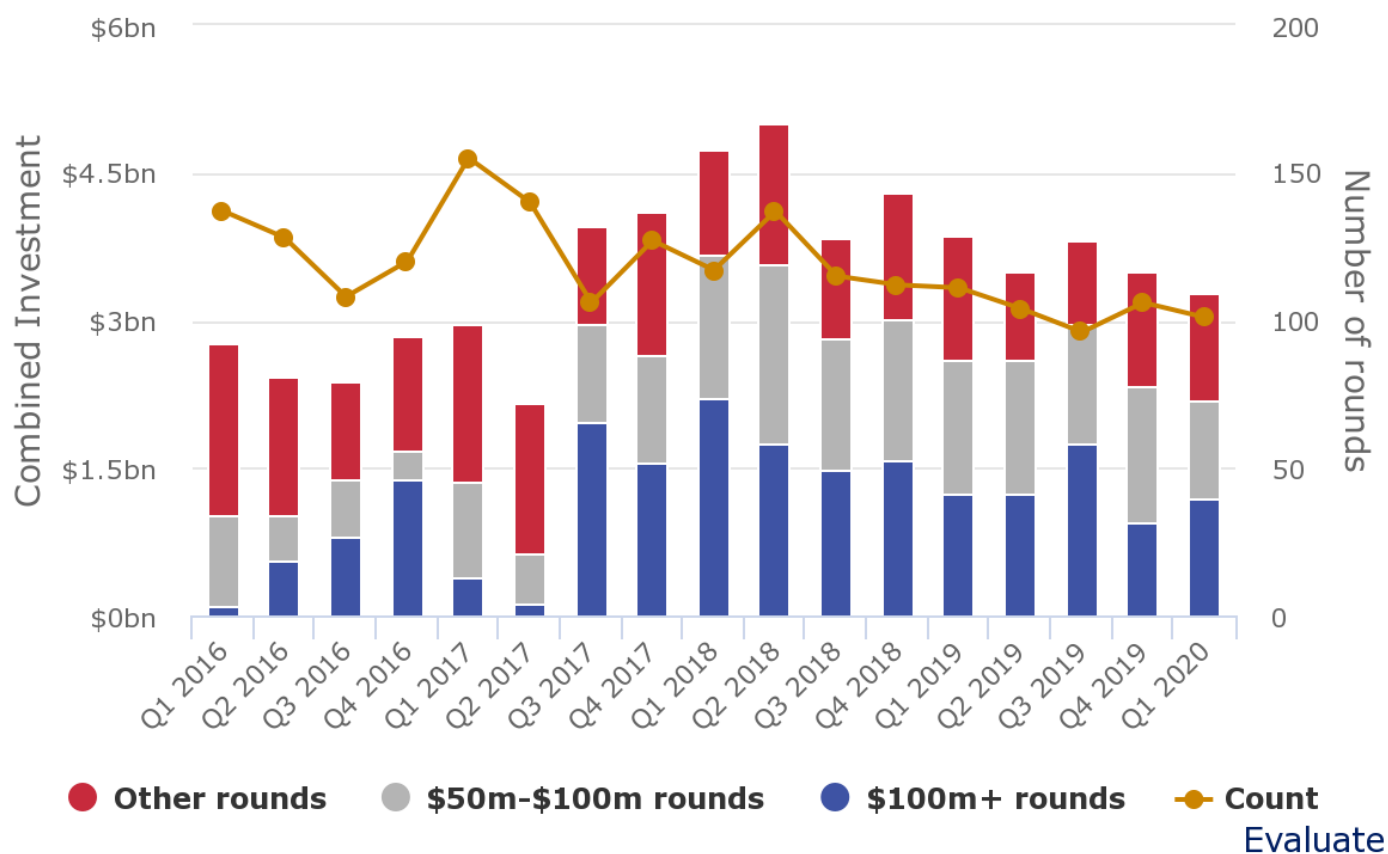
### **First-quarter venture investments barely register the pandemic - huge cash reserves should protect funding for biotech start-ups this year.**

Clinical trials are being mothballed across the biopharma industry, and companies are delaying the launch of new products because of Covid-19. But if the \$1.46bn that [Arch Venture Partners has just raised](#) for two new funds is anything to go by there is still substantial appetite for private financings, even at the very high-risk end of biotech.

The fact that Arch was able to amass such a huge war chest reflects a belief that biopharma will eventually return to some semblance of normality; patients will still require new and innovative drugs. Vantage's latest analysis of EvaluatePharma data also reflects venture's seeming resilience to coronavirus, with the amount invested over the opening months of the year and the volume of deals showing very little retreat over previous quarters.

It should be noted that this analysis includes only companies developing human therapeutics, providing a look at the highest-risk end of biotech venture investing. Subsectors like Medtech and diagnostics are excluded, as is digital health, an industry that has seen a huge inflow of investment thanks to the Covid-19 pandemic.

# Quarterly biopharma VC rounds



If the current pace of investment is maintained for the rest of 2020 total funding could come in at around \$13.2bn. While this is back down to 2017 levels, it is widely agreed that 2018 was an outlier, and the sums being raised are still very high, historically.

The volume of deals has stayed pretty constant for the past seven quarters, suggesting that a "new normal" is emerging. It also looks like mega-rounds remain very much a feature, as huge syndicates are formed to fund companies as far along development paths as possible.

This has concentrated venture cash into ever fewer hands, and one fallout of the pandemic could be to exacerbate this trend, with VCs perhaps leaning towards safer plays in the coming months.

Annual biopharma venture investments					
	Investment (\$bn)	Financing count	Avg per financing (\$m)	No. of rounds ≥\$50m	No. of rounds ≥\$100m
Q1 2020	3.28	101	33.47	25	11
2019	14.67	417	36.41	116	36
2018	17.89	481	39.06	130	38
2017	13.21	528	27.40	76	19
2016	10.44	493	22.51	52	15

Of course at this point in the year everything is speculative, given that we have yet to see the full fallout from the pandemic. This will continue to affect supply chains for much of biopharma, interrupt the hiring plans of start-ups and almost certainly delay any non-Covid-19 related dealmaking.

Shielding the venture sector in the medium term is the fact that the good times of 2018 and 2019 allowed huge funds to be raised that will have to be deployed within defined timeframes. And, as the Arch fundraising demonstrates, limited partners, who supply the capital for funds, are still keen to allocate cash to this asset class.

But much depends on how long the disruption continues, something that is true for pretty much all sectors.

Biggest biotech venture rounds of Q1 2020			
Company	Amount raised (\$m)	Location	Financing round
Immunocore	130.0	United Kingdom	Series B
Nurix	120.0	USA	Series D
Kallyope	112.0	USA	Series C
SutroVax	110.0	USA	Series D
Generation Bio	110.0	USA	Series C

*Source: EvaluatePharma.*

In an usual turn-up for the books the biggest financing of the quarter was led by a UK company, Immunocore. The troubled biotech has long been [looking for money](#), and managed to secure \$130m in a series B round, although the fact that this was a down round took some shine off.

While there were the usual suspects of oncology and gene therapy companies among the five largest rounds, Kallyope with its focus on small-molecule drugs targeting the gut showed that companies in lower-profile therapy areas can rake in substantial amounts of cash.

The timing of Sutrovax's series D round at the end of March might have been coincidental, given the time it can take to put syndicates together. But alongside the group's primary focus on pneumococcal infections, its cell-free protein synthesis vaccine platform, which promises to circumvent some of the efficacy and scaling issues of traditional vaccines, might have provided an additional attraction in coronavirus times.

The first quarter did not raise any obvious alarm bells for the financing of smaller companies. But it will be interesting to watch how venture chooses to allocate its money in the coming months.

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