

Venture investors: biotech's preppers?



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A handful of huge financings helped start-ups raise a record \$5.4bn in the second quarter as investors brace for tougher times.

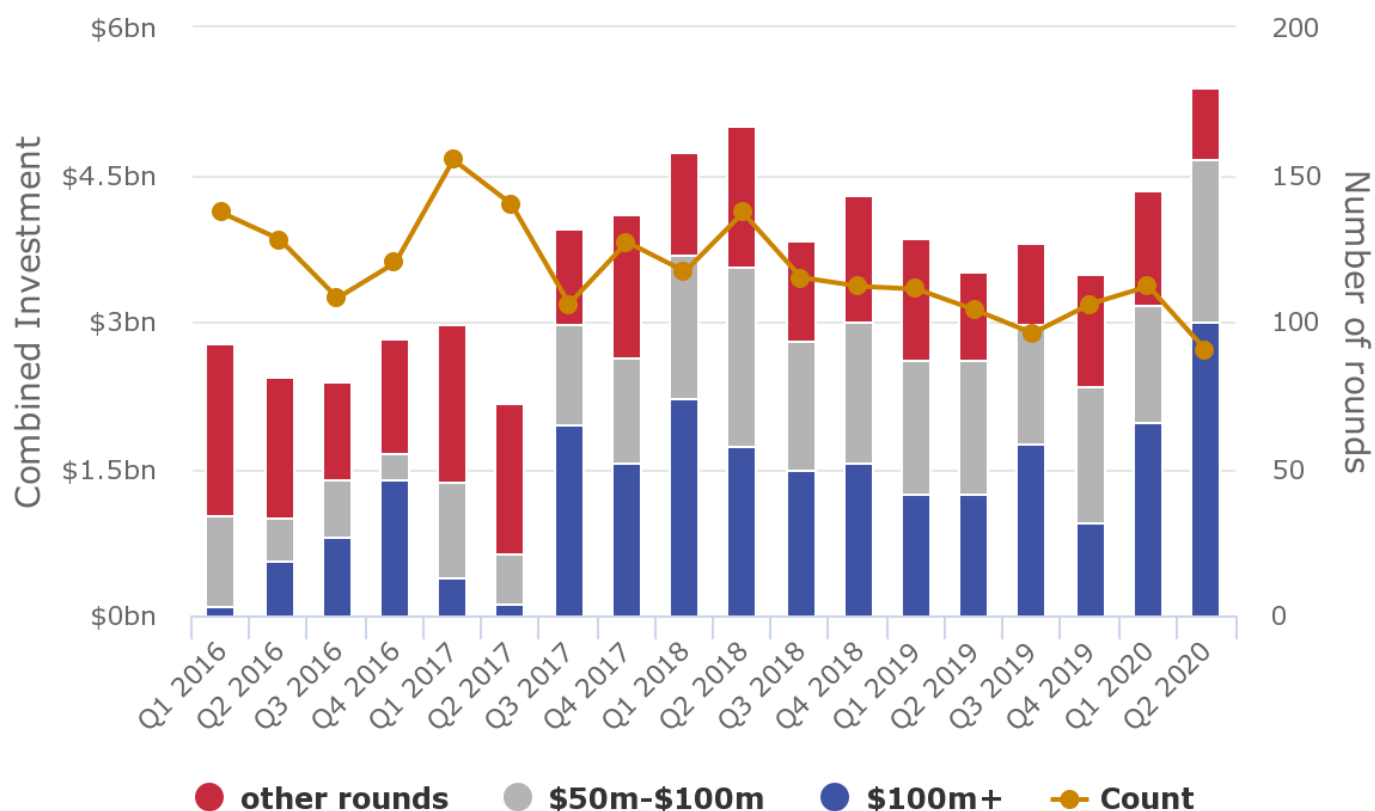
Being locked down is no barrier for venture investors, apparently; private drug developers are awash with cash. Or at least some of them are: the second quarter saw a record \$5.4bn raised by these start-ups, though the number of deals being done sits at decade lows.

Fewer but bigger is the investment model of choice at the moment, of course, while the huge pools of capital available only make this trend more obvious. A prime example of what investors are after right now is Sana Biotechnology: with a well-known executive team that had “done it before” and a focus on cell and genetic engineering, the company managed to amass \$700m in its initial financing round.

Sana [disclosed the final tranches](#) of this funding in June, but it had presumably been busy securing and spending the cash since its founding in 2018. The Seattle-based firm already has over 200 staff and boasts several ex-Juno employees, including one of that company’s founders, Hans Bishop.

Coincidentally, March saw another huge raise from a company that has Juno links and Mr Bishop on its board: \$493m was raised in a series C by the secretive Lyell Immunopharma, whose chief executive, Rick Klausner, also describes himself as a Juno founder. The company says it is on a quest to develop “curative cell-based immunotherapies” and recently [struck a deal with Glaxosmithkline](#), but it has also [invested in other start-ups](#).

Quarterly biopharma VC rounds



Evaluate

Perhaps the pandemic is having the opposite effect in the venture world than in areas like M&A, which has seen activity dim. Raise money while you can is certainly one philosophy, and investors will be very keen to see that their portfolio companies are as strong as possible, in case times do get tougher.

Stockpiling themes are also playing out in the public markets, where cash is being readily thrown at biopharma companies ([What pandemic? Biotech floats break records, July 7, 2020](#)). An important note is that this analysis concerns only those researching therapeutics, and excludes sectors like medtech or digital health.

The last quarter saw a notable jump in the number of mega rounds, those of more than \$100m, six of which raised more than \$200m in the second quarter. As a result, the average size of a financing at the half-year stage is around double that being raised only a few years ago.

Annual biopharma venture investments

	Investment (\$bn)	Financing count	Avg per financing (\$m)	No. of rounds \geq \$50m	No. of rounds \geq \$100m
H1 2020	9.73	202	49.15	71	29
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

Source: EvaluatePharma.

Still, the Sana and Lyell financings are outliers, and dwarf rounds that would otherwise be topping the tables—Everest Medicines' \$310m series C, for example, or Mabwell's \$279m series A. Notably, both of these companies are based in China. The former's strategy is to develop successful Western drugs for these markets, while the latter focuses on various antibody technologies and projects.

With \$9.7bn raised so far this year, 2020 is on the way to breaking the annual record set in 2018 for this sector, a year in which venture investors ploughed \$17.9bn into young drug developers. Few expected this

figure ever to be broken, but then 2020 has certainly not been a typical year.

Biggest biotech venture rounds of Q2 2020			
Company	Country	Investment (\$m)	Financing round
Sana Biotechnology	US	700	Undisclosed
Everest Medicines	US	310	Series C
Mabwell	China	279	Series A
Atea Pharmaceuticals	US	215	Series D
Erasca	US	200	Series B

Source: EvaluatePharma.