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Another big year beckons for biotech venture financing



[Edwin Elmhirst](#)



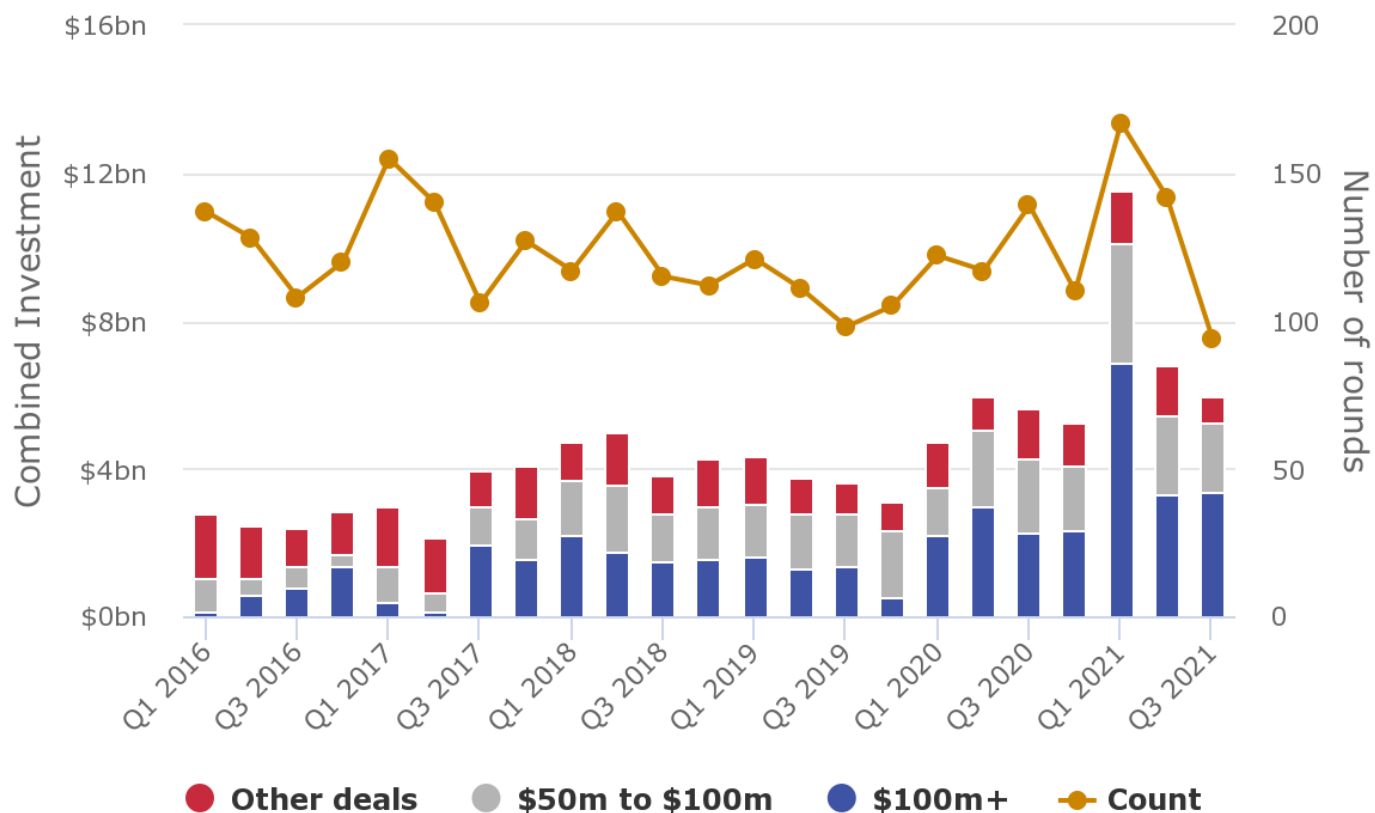
Private drug developers have already raised more money this year than in 2020.

2020 was a huge year for biotech venture financing – and 2021 has already eclipsed it. Private developers have raised a staggering \$24bn so far this year, overtaking the total for 2020, [which was itself a record breaker](#).

The pace this year was set by a massive first quarter; while subsequent periods have not matched this, the environment for young biotechs still looks very favourable indeed. Venture backers put nearly \$6bn into these start-ups in the third quarter, an amount that would be considered massive in a typical year, the latest data from *Evaluate Pharma* show.

But the trend for fewer, bigger rounds continues, with only 94 deals counted in the most recent period. It will be a while before it becomes apparent whether this concentration of wealth in the hands of relatively few companies will help or hurt R&D productivity.

Quarterly biopharma VC rounds



Evaluate

This analysis concerns pure-play drug developers only, and excludes sectors like medtech and digital health. The vast majority of the financings were raised by companies based in Europe and the US.

Still, the biggest round of the third quarter went to a Chinese firm. Abogen brought in \$700m in August to develop its thermostable mRNA Covid-19 vaccine contender, known as ARCoV, which is designed to be stored at room temperature for at least a week. The project went into [phase 3](#) earlier this year.

Success with Moderna and Biontech's mRNA Covid-19 vaccines is clearly attracting investors to RNA technologies, with other specialists also pulling in big bucks. This includes Laronde, which employs circular RNA that, the company hopes, could provide longer-lasting effects than other RNA therapies.

Deep Genomics' unique selling point, meanwhile, is its AI engine to develop RNA therapeutics "for almost any gene in any genetic condition", a bold claim that still need to be proved.

Biggest venture rounds of the third quarter

Company	Description	Sum raised (\$m)	Round
Abogen Biosciences	China-based; mRNA vaccines and therapies	700	Series C
Laronde Therapeutics	US-based; "endless RNA" therapies	440	Series B
Sonoma Biotherapeutics	US-based; regulatory T cell therapies	265	Series B
Altos Labs	US-based; anti-aging	270	Series A
Deep Genomics	Canada-based; RNA therapies	180	Series C

Source: Evaluate Pharma.

These groups, and others, have benefited from venture capitalists' deep pockets, but private developers will be wary of any signs that the tide could be turning.

For one, [an uncertain climate](#) on the stock markets could hit support for biotech IPOs, an important exit point for venture investors. There are reasons to believe that [investor interest in IPOs is cooling](#), and any slowdown would be evident in venture financing data. This is because huge pre-flotation fundraisings, known as crossover rounds, have been largely responsible for the upswing in venture cash raised in the past 18 months.

As for investors' other main exit route, there has also been a [dearth of M&A this year](#), with rising valuations – fuelled partly by ready cash – blamed in part for putting off would-be acquirers.

At some point the pot of venture cash will get smaller, though private companies probably do not have to worry too much just yet. And, while the money continues to flow, biotech groups will continue to raise what they can, when they can.

For a deep dive into the biopharma venture capital sector, including analyses of investment trends and therapy areas, read [Evaluate Vantage's recent report](#).

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Evaluate HQ
[44-\(0\)20-7377-0800](#)

Evaluate Americas
[+1-617-573-9450](#)

Evaluate APAC
[+81-\(0\)80-1164-4754](#)

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