

Silicon Valley Bank: biopharma's latest crisis



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Hopes are high that a buyer will emerge, but the fast-moving downfall of a big name in biopharma banking is not over yet.

Less than three days after Friday's run on Silicon Valley Bank the group's customers have been assured of full access to their cash. Crisis over? For now, it seems, at least for SVB's banking clients.

Many of the industry's biotech companies banked with Silicon Valley Bank, and the possibility that they might lose their cash was always the immediate concern here. But could what looks like the loss of a huge name in the sector's financial ecosystem have longer-term implications for biopharma?

Much depends on what happens to the other units that make up SVB Financial. It was the group's commercial banking business, its oldest and largest business unit, that ran into trouble.

After initial widespread concern it seems that few publicly listed developers were substantially exposed in terms of deposits, in the US or Europe. Whether that remains true in the private world is hard to know; venture firms will surely be reinforcing the importance of diversity in deposits to portfolio companies in the coming weeks.

As it is, HSBC's acquisition, for a token £1, of Silicon Valley Bank's ring-fenced UK arm solves an immediate problem for thousands of European customers. US deposits are currently backstopped by the Federal Deposit Insurance Corporation, with the support of the Treasury Department and Federal Reserve.

The long-term fate of SVB's US business remains unclear, however.

Interested parties?

The parent company, SVB Financial, comprises four units. The investment banking arm, SVB Securities, remains active, with analysts publishing research this morning. Executives of what is the former Leerink business, including founder Jeff Leerink, are exploring ways to fund a management buyout, [Bloomberg reported](#), citing unnamed sources.

SVB's two other business units are SVB Capital, which operates in the private investment world and is best known for venture debt, and SVB Private Bank, a wealth-management business.

Various institutions are exploring a buyout of the parent company, according to press reports. These include PNC Financial and Royal Bank of Canada, [according to Reuters](#), while [Axios named](#) JP Morgan, Morgan Stanley and Apollo Management. Whether these are interested in all parts of the business is unclear.

SVB was known for supporting very early-stage developers. It would be a poor outcome for biopharma should a less inclined buyer emerge. It is worth remembering that life sciences was a much smaller focus for SVB than the tech sector, and it easy to see how biopharma could become even less of a priority for a bigger organisation.

Failure to find a buyer for all or some parts of this business would be a terrible outcome, and a damning indictment of SVB's strategy – and the industries in which it invested.

This all comes at a tough time for biopharma, which is battling poor investor sentiment. The collapse of a bank known to back biotech is hardly great PR. The high-risk drug development sector would be further hit if the banking sector suffers wider contagion, which appears to be happening: First Republic Bank shares slumped 75% this morning.

Biopharma must hope for a friendly buyer to emerge for SVB's operations in the coming days. One thing is certain: this fast-moving story has yet to come to an end.

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