

## Biotech first-quarter venture haul unprecedented since crash



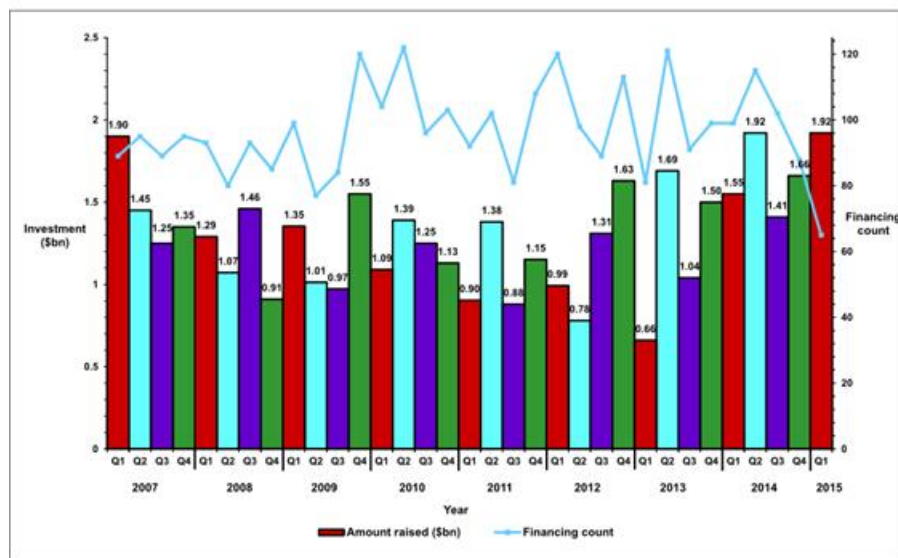
[Edwin Elmhirst](#)

The \$1.9bn in venture cash raised by biotech companies in the first three months of 2015 makes this period the strongest first quarter in at least eight years – and suggests that investors continue to believe that the public markets will welcome biotech IPOs (see analyses below).

It is true that Moderna Therapeutics' gargantuan \$450m series D round distorts the picture somewhat. But even excluding this unheard-of amount, *EvaluatePharma* data show that biotech venture rounds are getting bigger.



Quarterly VC investments



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Total venture investment in the first quarter is beaten only by last year's second quarter, and narrowly at that. But on average the deals are larger than at any time since the beginning of 2007 – and that remains true even after Moderna's record-breaker is excluded. The analysis here only includes companies developing human therapeutics, and includes medtech companies and diagnostics players, for example.

The single biggest reason for these large deals is the buoyancy of the public markets and the concomitant window of opportunity for IPOs. Of the companies that obtained the 10 largest rounds this quarter, two have filed to go public and one already has. It seems likely that several of the others will go out too, with the presence of crossover funds in eight of the top 10 rounds – the exceptions are CureVac and Chiasma – possibly signalling a float.

Of course, investment from crossover funds does not necessarily presage a float. Wellington Management participated in Moderna's mega-round, but the biotech's management has in the past played down any suggestion that it was aiming for an IPO ([VCs fall for Moderna love with record-setting round, January 6, 2015](#)).

Top 10 rounds of Q1 2015		
Company	Investment (\$m)	Round
Moderna Therapeutics	450.0	Series D
Innovent Biologics	100.0	Series C
Allergen Research	80.0	Series B
aTyr Pharma	76.0	Series E
CureVac	76.0	Series E
Chiasma	70.0	Series E
NGM Biopharmaceuticals	57.5	Series D
Aduro BioTech	51.4	Series D
Collegium Pharmaceutical	50.0	Series C
Global Blood Therapeutics	48.0	Series B

Both aTyr Pharma and Collegium Pharmaceutical have filed for IPOs, each seeking around \$86m. They and their backers will have been paying close attention to the astonishing performance of Aduro, which raised the seventh-biggest VC round this year and then went on to soar 147% on its first day on the public markets, earlier this month ([Aduro's gain is Advaxis's pain, April 16, 2015](#)).

It seems unlikely that aTyr and Collegium will match this rise, however, as neither is in the red-hot oncology space, or sports a high profile big pharma partner. However, in the current market it would be unwise to rule anything out.

### **Bigger and better?**

Innovent Biologics is an interesting case. Though it is a Chinese company three of the participants in its \$100m series C round were US funds, including Fidelity Investments and Eli Lilly's corporate VC arm, Lilly Ventures. Perhaps the company will opt to capitalise on its clear appeal to US investors with a Nasdaq listing. The involvement of crossovers Frontline BioVentures and Foresite Capital does not detract from this possibility.

Allergen Research takes third place with an \$80bn round - not bad for a series B, particularly when its series A was just \$17m. The cash will pay for the upcoming phase III trial of Allergen's lead product, AR 101, a peanut allergy immunotherapy, among other things. A late-stage product is the kind of thing shareholders like to see; if the company can map out a convincing path to market it might find its current investors clamouring for an IPO.

The table below shows that the mean deal size for the second quarter was \$30m - more than twice the quarterly average investment seen between 2007 and 2014. Removing Moderna from the calculation gives an average deal size of \$23m, still bigger than every quarterly average all the way back to 2007.

Annual VC investments				
Date	Investment (\$bn)	Financing count	Average per financing (\$m)	No. of rounds $\geq$ \$50m
2015 Q1	1.9	65	30.0	9
2014	6.5	404	17.5	35
2013	4.9	392	13.9	12
2012	4.7	420	12.4	16
2011	4.3	383	12.6	11
2010	4.9	425	12.7	13
2009	4.9	380	14.5	16
2008	4.7	351	15.4	13
2007	5.9	368	17.6	23

The first quarter saw nine rounds worth more than \$50m. If the next three quarters can match this 2015 will exceed even last year's extraordinary total of 35 \$50m-plus rounds.

The soaring valuations of public companies continues to prompt talk of a biotech bubble. With both the total annual investment and the average deal value ticking upwards for the last three years, the patterns in venture funding could point to a bubble forming in the private sphere too.

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