

# TRICKY TERRAIN

## Navigating the Pharma Investment Landscape

JUNE 2022



# TODAY'S PRESENTERS



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**ÖZGÜR TUNCER**

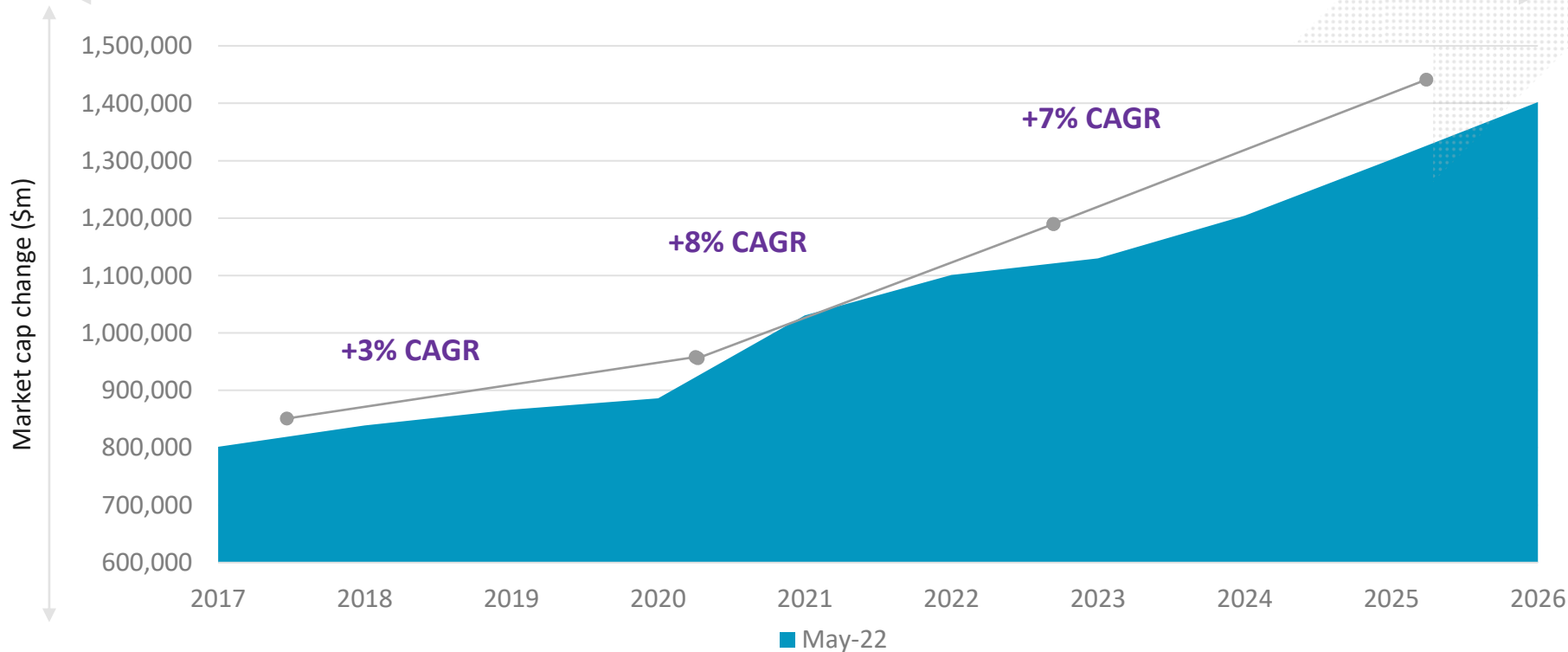
Investment Partner,  
Ascension Life Fund





# AN INDUSTRY IN STRONG HEALTH

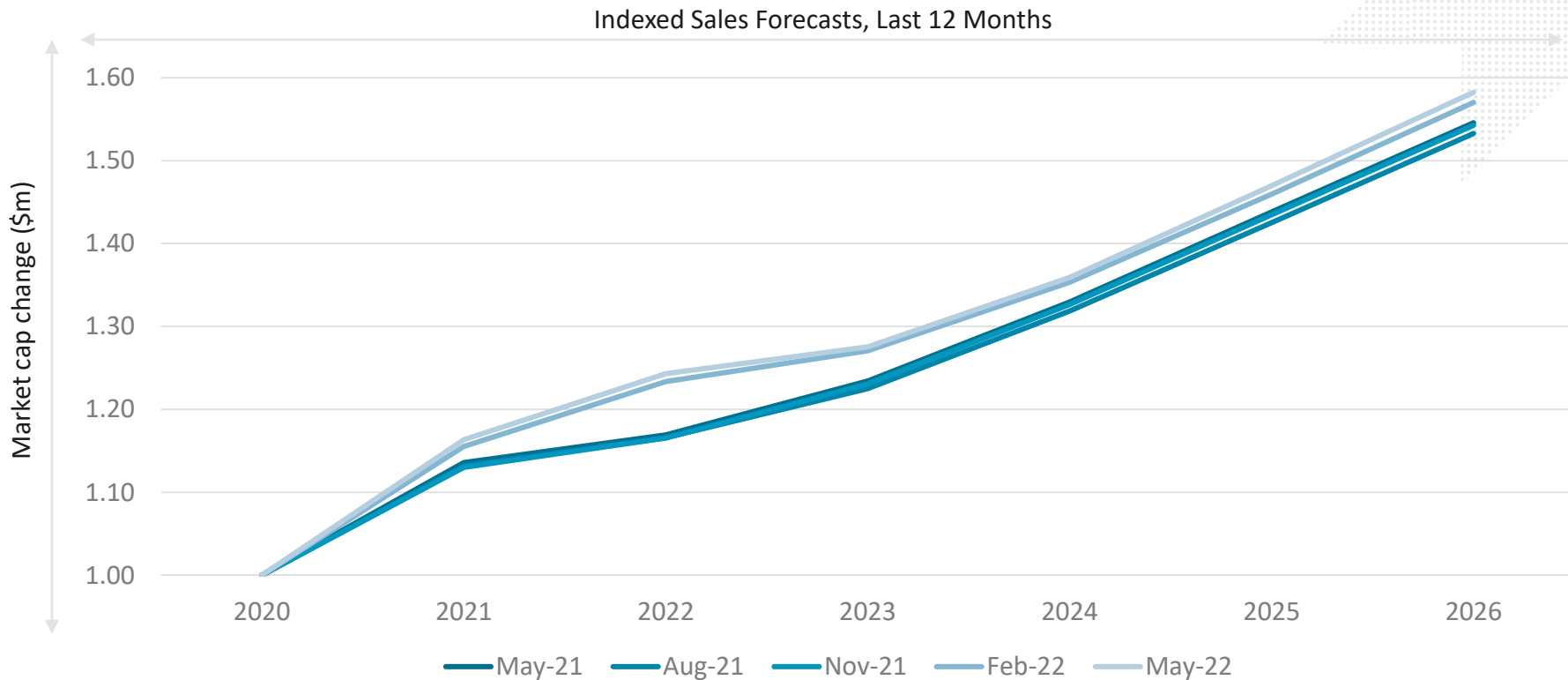
WW Rx Drug Sales & Forecasts





# A POSITIVE PICTURE?

But nothing is ever so simple

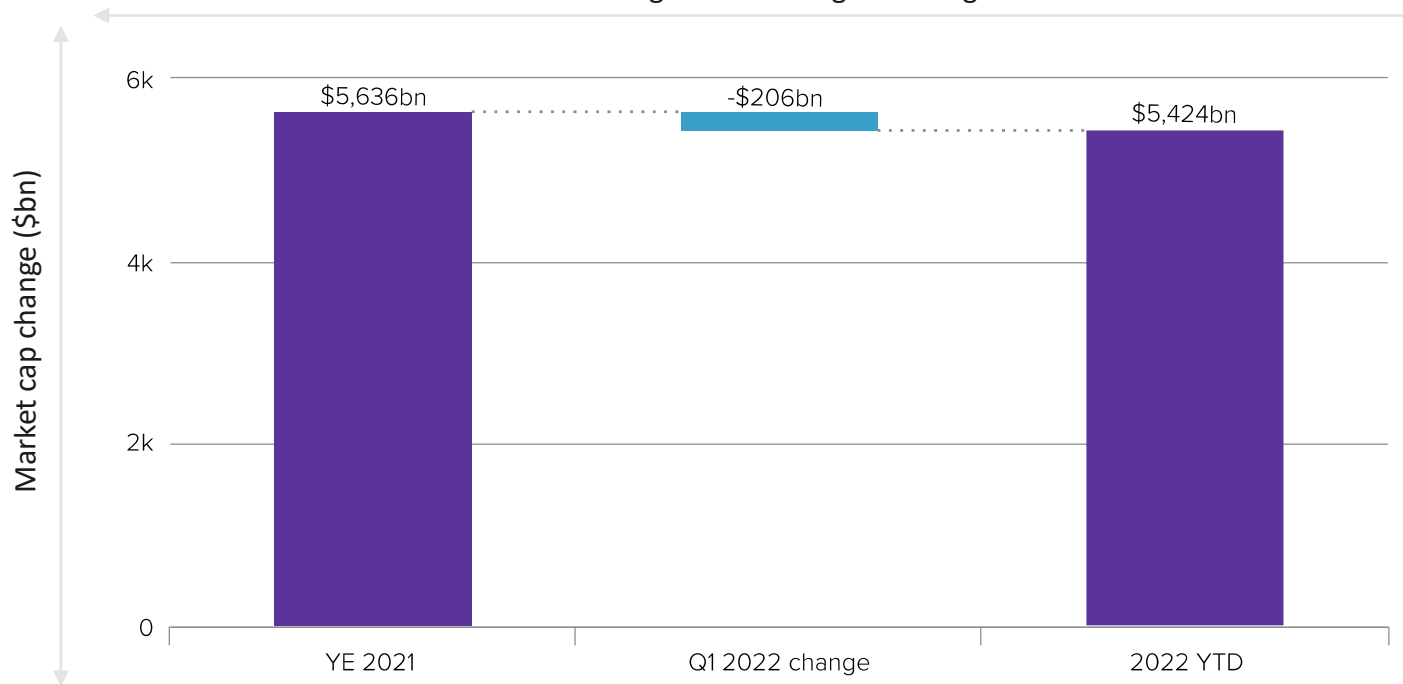




# STOCK PERFORMANCE

For the "high risk" pharma sector paints a very different picture

The shifting valuation of global drug makers

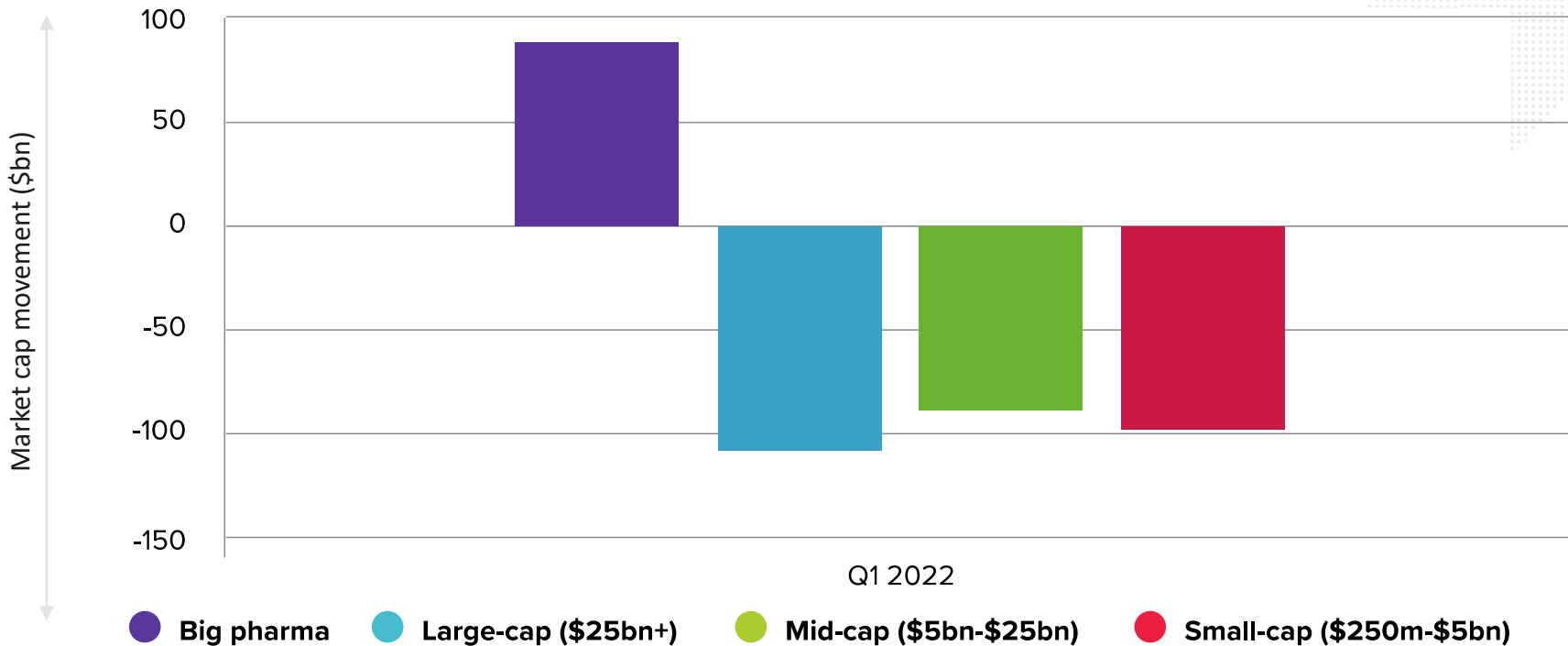


- >\$200B in market cap erased from the ~700 listed pharma companies covered by Evaluate Pharma in the first quarter of 2022
- The biggest quarterly decline in the prior year was \$84B
- These trends have continued into Q2: at the time of writing the NASDAQ Biotech Index was >25% down YTD



# BIG PHARMA REMAINS A SAFE HAVEN

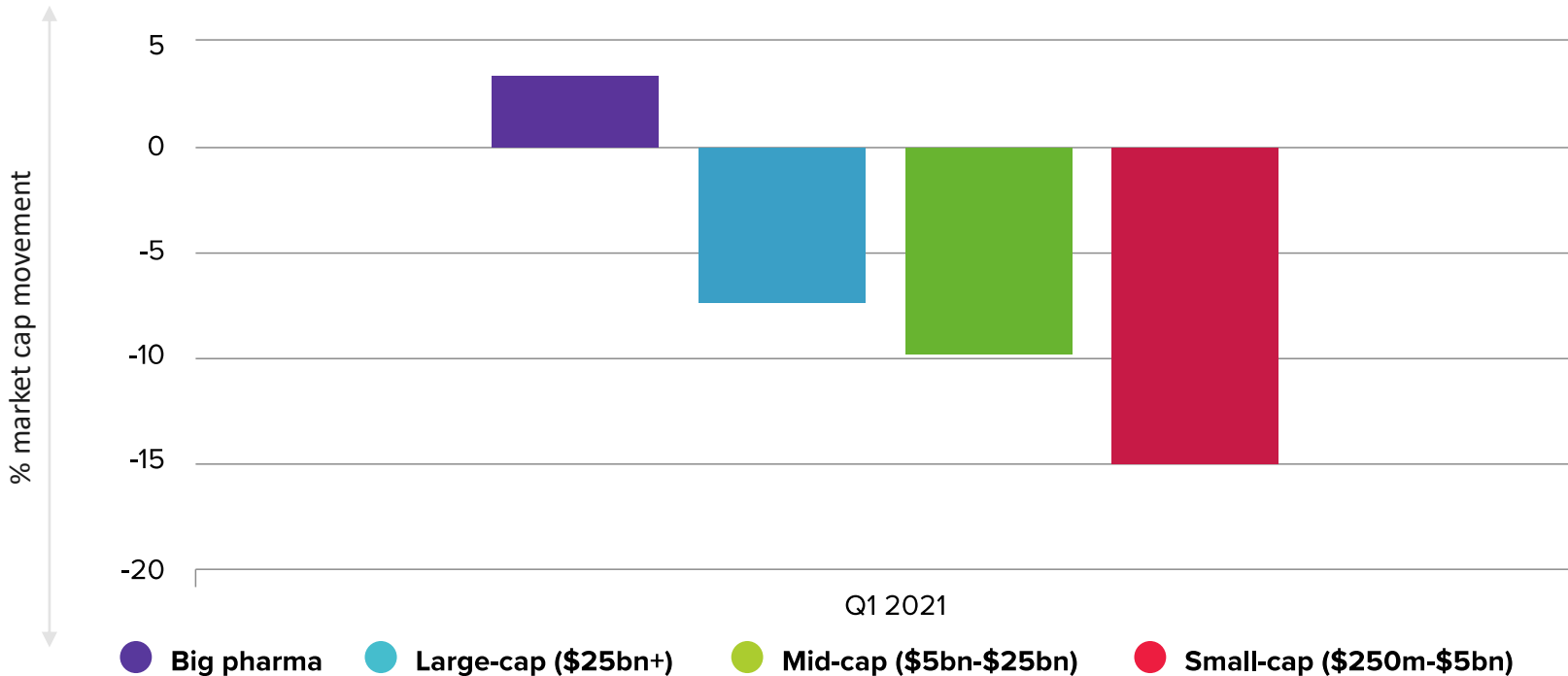
Absolute market cap gains and losses, by size bracket





# BIG PHARMA REMAINS A SAFE HAVEN

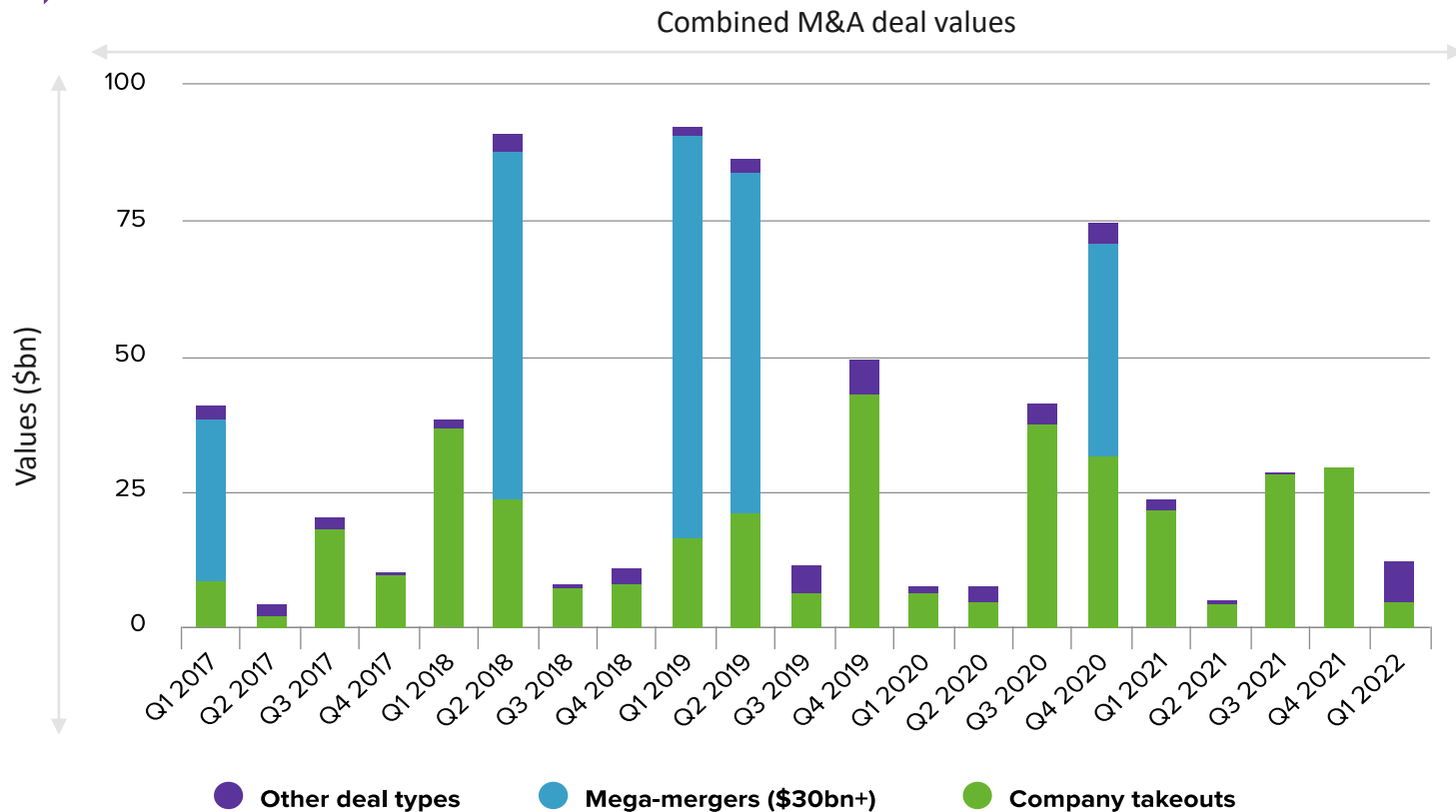
Percentage market cap gains and losses, by size bracket





# Q1 DISAPPOINTED FOR M&A

Did Q2 show signs of promise?



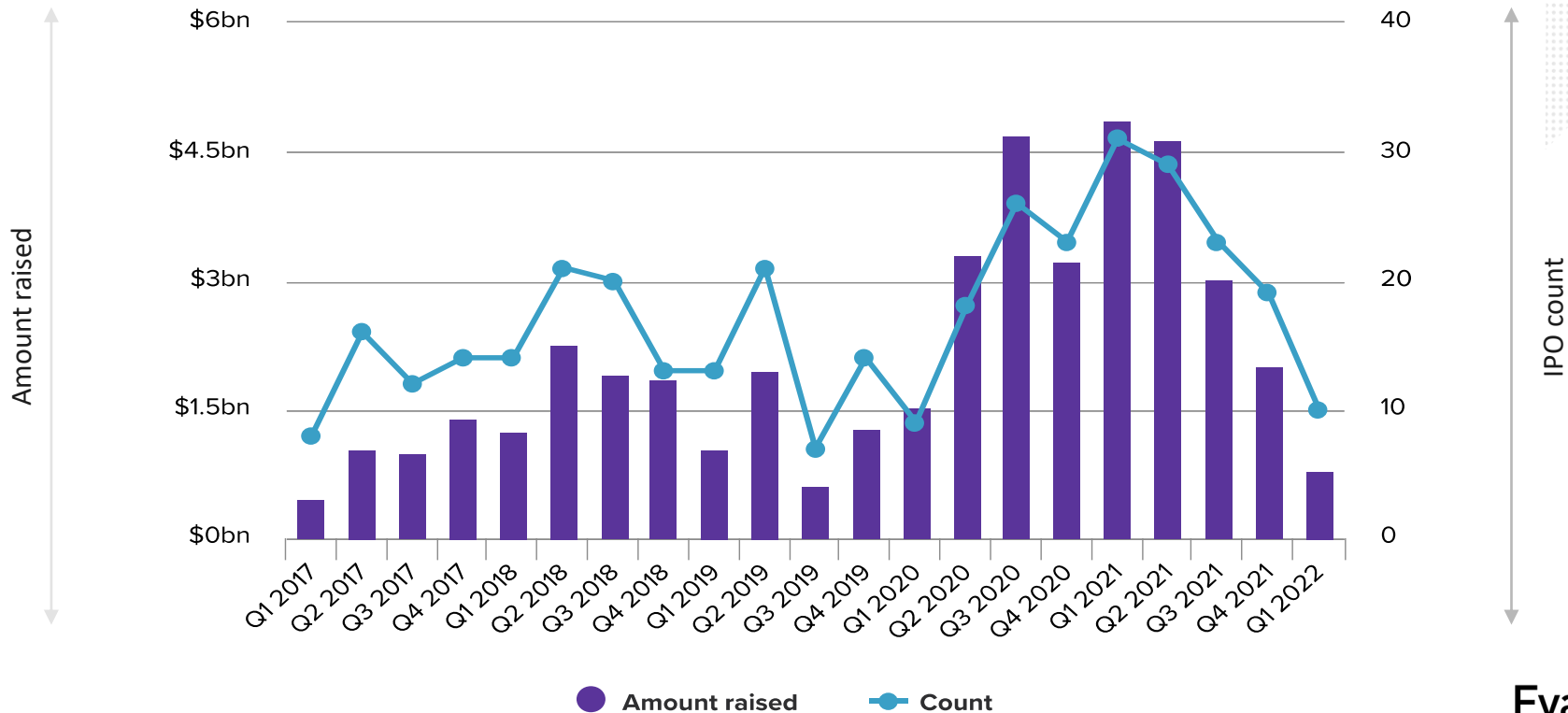
- 2021 was one of the worst years on record for M&A in pharma
- A pick up in late 2021 sparked hopes of a turnaround, but this was not borne out in Q1 with quarterly transaction volumes at a five-year low
- Some signs of renewed activity in Q2 with Pfizer at the deal table with COVID coffers to spend
- Majority of acquisitions of private groups





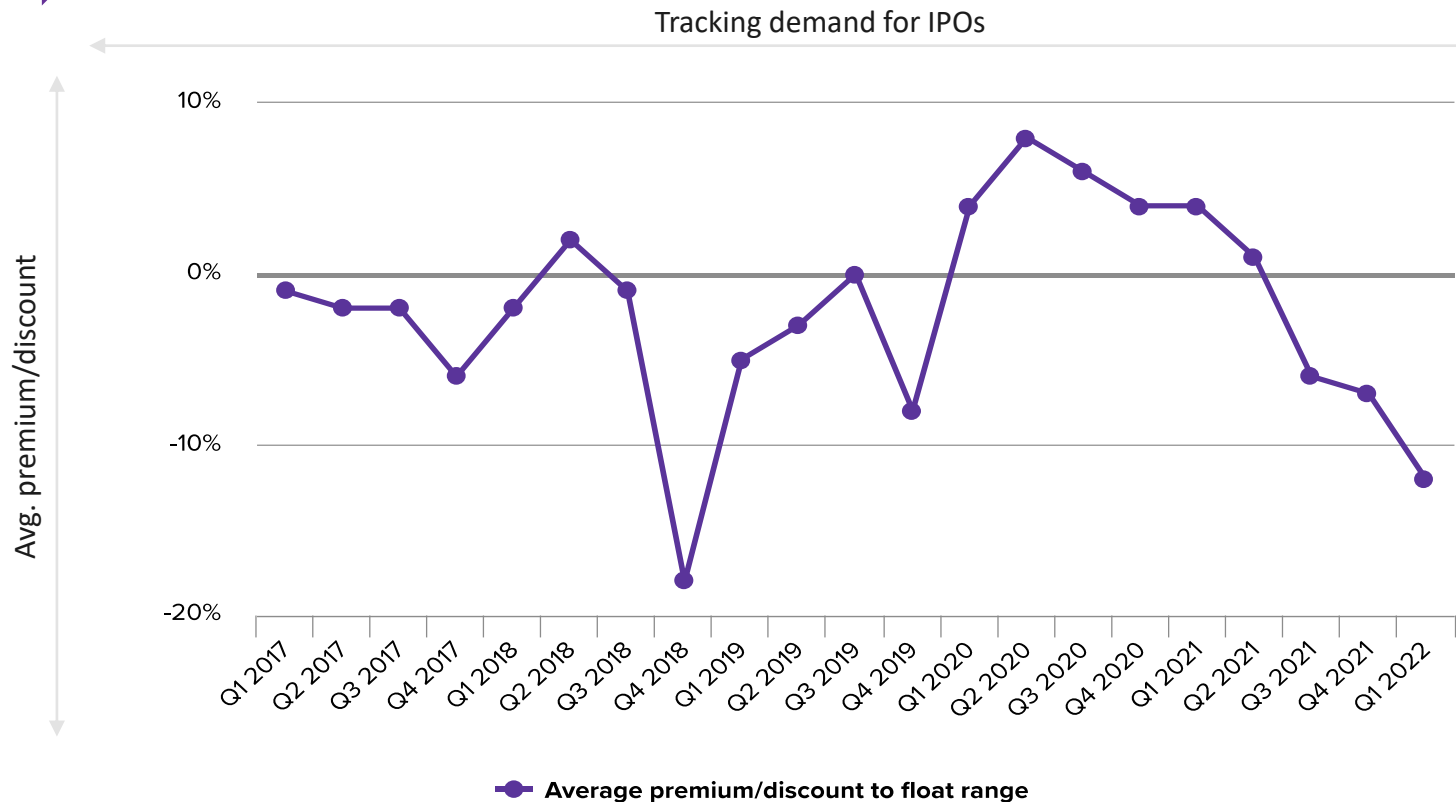
# THE BIOTECH IPO WINDOW MAY FINALLY BE CLOSING

Biotech IPOs by quarter on Western exchanges





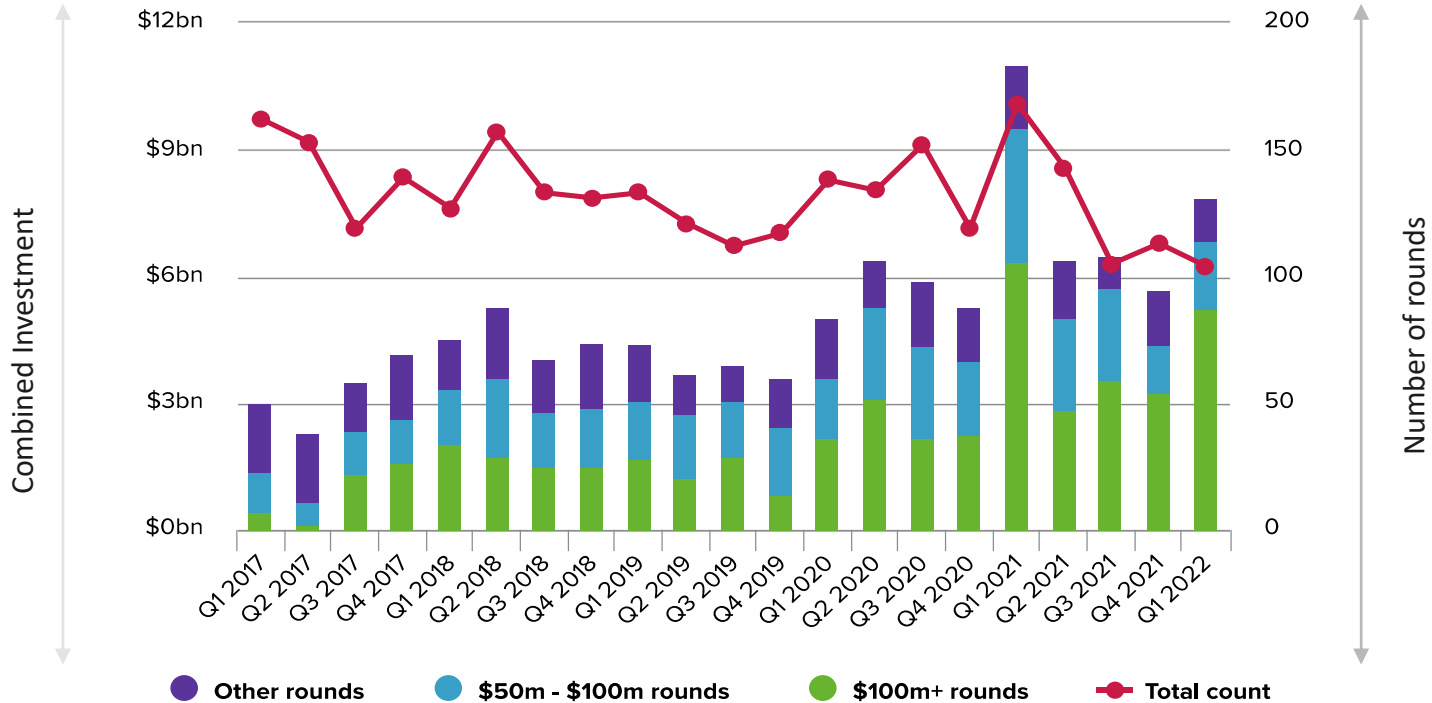
# COMPANIES CONTEND WITH DEEPENING PRICE DISCOUNTS





# A LITTLE LIGHT IN THE DARKNESS

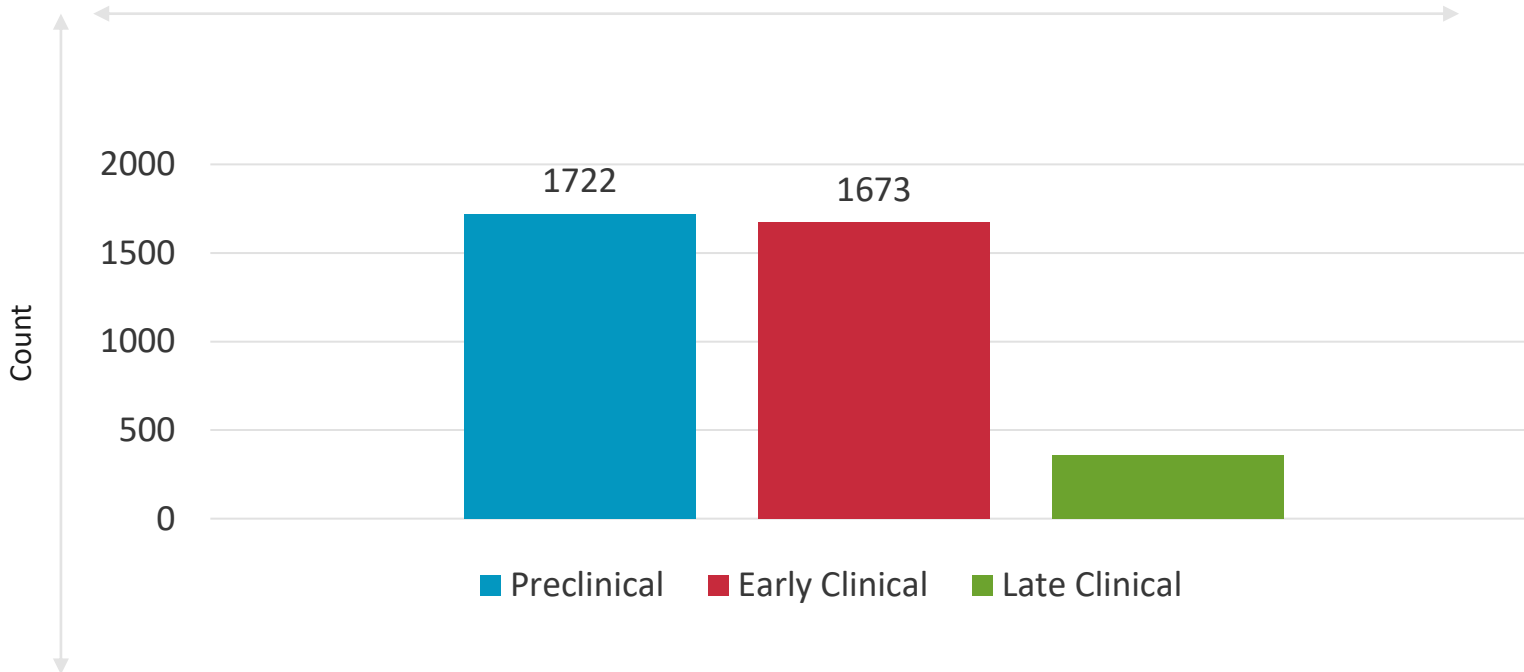
## Quarterly biopharma VC rounds





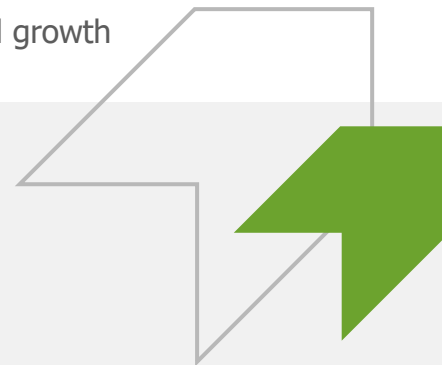
# WHAT ABOUT PIPELINE & SUPPLY OF INVESTMENT OPPORTUNITIES?

Large supply of private biopharma navigating R&D



# OUR PERSPECTIVE

Complex pressures weigh on biopharma, but the sector continues to deliver innovation and growth



## HEADWINDS

- X IPO window may be closing – premiums turned to haircuts in 2021, deepening in Q1
- X High valuation expectations continue to mute M&A activity
- X Tough market conditions for public players outside big pharma

## TAILWINDS

- ✓ Biopharma's capacity to deliver on innovation promises clearly demonstrated during Covid
- ✓ Venture financing landscape remains strong and there is willingness to inject cash into startups
- ✓ Strong supply of private biopharma investment opportunities progressing through R&D

### BIOPHARMA

Evaluate considers that, on the whole, **biopharma is in an uncertain position** as we progress through 2022.

### MACRO MARKET CONDITIONS

How the trends develop in 2022 will be in part driven by **macro market conditions** which are not favourable for pharma in the current climate

### IPOS WILL RETREAT

It is **likely that IPOs will continue to retreat** though it remains to be seen if and when this might stimulate a stronger M&A landscape.

### SOLID VALUE PROPOSITION

Opportunities for investors to deploy capital in a high growth industry are plentiful – making the right investment choices should be **based on solid value propositions and differentiation**

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