

Biotech Stock Market and Financing: Reflections on the Year thus far and Beyond

How has the Biotech industry fared with regard to financing and the stock market thus far?

This has been a difficult year thus far for the Biotech industry on the financial side. The stock market recovery has left the Biotech industry behind and funding, both in the private and public markets, has become very difficult.

- After major declines in 2022, the overall stock market performance was positive during the first quarter of 2023.
- By the end of the first quarter of 2023, the S&P 500 had increased 7.5% and the S&P Euro 350 had increased by 5.6%.
- The larger biopharma companies did poorly with the Y&P U.S. BioPharma decreasing by 6.5%, and the European BioPharma index increasing by only 2.9%, and the Y&P generic index decreasing by 2.5%.
- The biotech industry indices also did poorly. The NBI index fell by 1.2%. The Y&P Biotech Mid-Small Cap index increased by 0.2%.
- In terms of debt financing, Biotech companies are usually modest issuers of debt given their negative cash flows.
- The volume of non-bank debt issuance was only \$0.2 billion in the first quarter of 2023. This was a major slowdown compared to the \$1.1 billion issued in all of 2022.
- There was also a dramatic slowdown in the number of equity offerings in the first quarter of 2023, with only 40 equity offerings versus 204 offerings. However, the dollar volume held up with \$5.4 billion completed in the first quarter versus \$21.5 billion in 2022.
- The slowdown in IPOs was severe. Only 2 IPOs were completed worth \$0.4 billion in the first quarter of 2023, compared to 17 IPOs worth \$1.9 billion in all of 2022. This volume is significantly less than the peak volumes seen in 2021.

What is the outlook?

The downturn in the stock prices of biotech companies will continue and will be depressed for some time. This downturn has crushed both public and private funding and valuations and will not improve for some time.

Biotech equity offerings and specifically IPOs will continue to be depressed until both the broader market stabilizes and the enthusiasm for biotech returns.

This will change the biotech landscape as companies struggle to get funding at attractive valuations and many go through down rounds or run out of cash.

Young & Partners

Young & Partners is a focused life science and chemical industry investment banking and strategy consulting firm serving the strategy, M&A, financing and financial advisory needs of clients in North America, Europe, Asia and South America. Our focus is on providing first rate business and financial strategy advice, in-depth life science industry expertise, excellent execution and technical investment banking skills, exceptional contacts, senior management of every transaction, and the total absence of any conflicts of interest. All of our Managing Directors ran the equivalent industry groups at major firms. We have successfully completed a large number of investment banking projects over the last 27 years. Our website is www.youngandpartners.com.

Save the Date

The 19th Annual Young & Partners Pharmaceutical Executive Summit will be held on November 9 at the Yale Club of New York. The speakers will be leading experts covering important strategic and financial issues. It will be hybrid, with both in person and virtual participation. Please save the date. Invitations will be sent out in mid-June.

Regards,
Peter Young
CEO and President
Telephone: 212-682-5555
Email: pyoung@youngandpartners.com