

General Market Overview

PUBLIC MARKETS

The public biotech sector experienced its worst quarter in more than 13 years as major biotech indices fell more than 20% from their July peaks. Big caps are still trading slightly up, year-to-date, but all other market cap segments are in the red for the year after having all valuation increases erased in the third quarter.

Index		Q3 2015		2015
BC London	↗	0%	↗	6%
NYSE Arca Biotech	↘	-18%	↗	-1%
NASDAQ	↘	-7%	↘	-2%
BC 100	↘	-23%	↘	-3%
S&P 500	↘	-7%	↘	-7%
FTSE 100	↘	-7%	↘	-8%
Dow Jones 30	↘	-8%	↘	-9%

The BioCentury 100 index fell 23% and NYSE Arca Biotech 18%, a worse performance than broader indices, evening out the performance for 2015 year-to-date, with the BC London index now climbing up as the top performer with a 6% increase for the first nine months.

Index performance. Source: BioCentury Financial Center

Notable from the last quarter is that the BC London index, as well as the BC Europe index, were well insulated from the sector sell-off. Bankers BioCentury have been talking to see a slightly different market dynamic in Europe with specialist investors supporting biotech stocks to trade at worst horizontally.

The high volatility of biotech stocks is expected to persist through next year with the ongoing drug pricing debate in the US, which is likely to remain an issue through the US presidential election. Bankers, however, are not ready to call the end of the long biotech bull run as no other asset class is expected to be able to offer comparable growth and as long as interest rates remain low no generalist investor shift out of healthcare is foreseen.

PUBLIC FINANCINGS

In early Q4, all IPOs have taken haircuts as the pricing power has slid over to the buyers compared to Q3 when only two out of 15 IPOs priced below range. On a positive note, the Q3 IPOs closed the quarter up a median of 2%. In general, bankers are not ready to call the IPO window shut as relatively strong after-market performance will attract continued investor interest for IPOs as well as potential follow-ons in the companies pricing below range.

During the quarter, 19 companies announced plans to go public, bringing the IPO queue at the end of quarter to at least 28 companies. The first IPOs in Q4 will be closely watched by investors, and some companies are expected to wait and see and hold their IPOs until early next year.

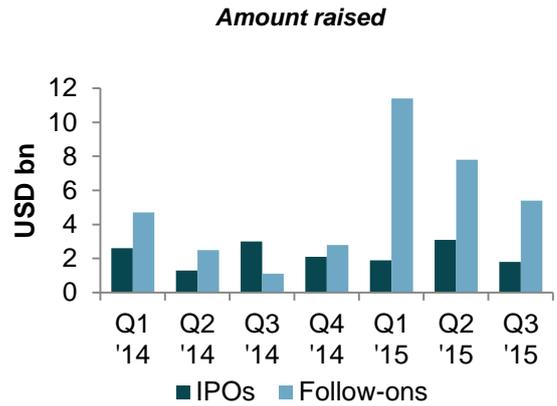
IPO and follow-on financings. Source: BioCentury Financial Center.

In early Q4, HealthCap VI portfolio company **Strongbridge Biopharma Plc**, which recently changed name from Cortendo AB, completed its IPO on NASDAQ raising USD 25 million for a post-money valuation of USD 212 million.

OTHER FINANCINGS

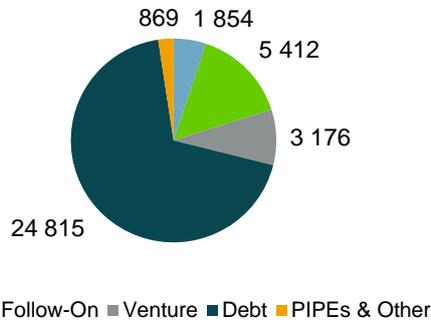
Fifteen IPOs in Q3 managed to raise a combined USD 1.8 billion, some 1.3 billion less than the 27 IPOs in Q2, but at about the same amount raised as the 22 IPOs in Q1.

Although at lower levels than the preceding two quarters, Q3 follow-ons reached USD 5.4 billion, bringing the year-to-date total higher than any full year since BioCentury started tracking in 1994.



In total, the biotech industry raised USD 36 billion in Q3 of 2015, bringing the year-to-date total close to USD 100 billion, almost doubling the USD 55 billion for the full year of 2014.

Total Biotech Financings Q3 2015 (USD millions)



Debt financing benefit from the low interest rates and reached even higher than the USD 20 billion in Q1. Year-to-date, debt financing account for approximately 54% of all financing.

Biotech financings. Source: BioCentury Financial Center.

During the quarter, Swedish HealthCap VI portfolio company **Trimb HealthCare AB** raised a significant amount from a US private equity firm. Trimb also raised additional funds, supported by HealthCap, later during Q3 to finance its acquisition of **YouMedical Group BV**, a Dutch OTC company with yearly sales amounting to EUR 16 million.