

General Market Overview

PUBLIC MARKETS

Looking back at 2020, there is more than one way to describe the year. On the one hand, government restrictions and lockdowns have been a hard blow to many businesses and many countries have seen record levels of unemployment as well as in GDP drops. At the same time, the life science industry experienced its arguably best year ever, recovering from the drop in the opening quarter. Companies had to tackle some R&D delays due to general uncertainty and difficulties to get access to clinics and patient recruitment, but access to capital was good and at the end of the day, so was productivity.

Every major biotech index reached new all-time highs during Q4 and all market cap tiers tracked by BioCentury climbed in Q4, ending the full year up at least 24%.

A recent McKinsey & Co study concludes that there are plenty of reasons for optimism going into 2021. Interest rates are expected to remain low, and over 60% of investor survey respondents expect better global economic conditions in the coming six months. The M&A market has been solid and driving public market performance. This could very well continue in 2021 and the general view that science, and biotech in particular, could lead the way out of the pandemic in encouraging for the performance of biopharma companies on public markets.

| <u>Index</u> | | <u>Q4 2020</u> | | <u>2020</u> |
|-------------------|---|----------------|---|-------------|
| NASDAQ | ↑ | 15% | ↑ | 44% |
| BC 100 | ↔ | 8% | ↑ | 26% |
| NASDAQ Biotech | ↑ | 12% | ↑ | 26% |
| S&P 500 | ↑ | 12% | ↑ | 16% |
| NYSE Arca Biotech | ↔ | 7% | ↑ | 13% |

A strong ending quarter for the biopharma sector and for the broader markets. NASDAQ Biotech index closed the year up 62% from its bottom on March 16th, ending the full year +26%.

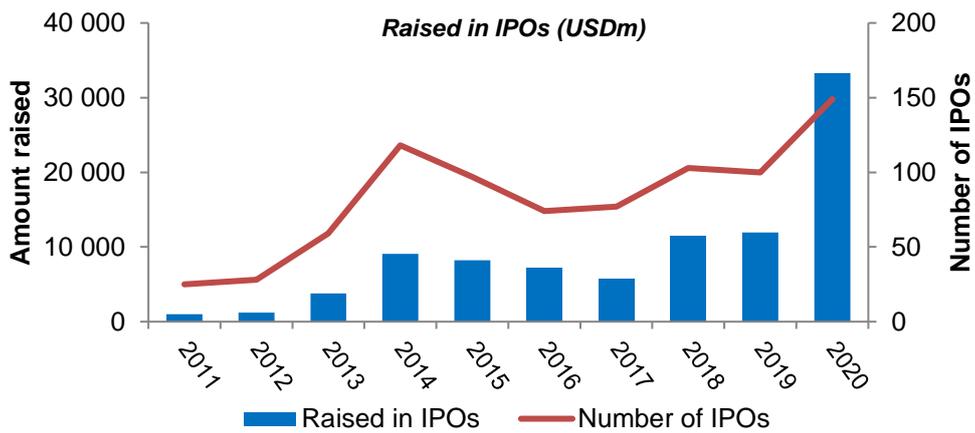
Index performance. Source: BioCentury Financial Center

Public HealthCap portfolio companies posted a strong performance in Q4 with double-digit increases in most companies, led by US company **Pulmonx** (Nasdaq: LUNG), closing the quarter at USD 69 per share, 263% above its September 30th IPO price of USD 19 per share. **Vicore Pharma** (Nasdaq Stockholm: VICO) climbed 37%, backed by positive news from its Covid-19 clinical trial. Unfortunately, **Apria Therapeutics**, (Nasdaq: APRE) closed the quarter with an 80% drop, after failing to meet the primary endpoint in its phase III clinical trial. Further data analysis is however ongoing.

FINANCINGS

Access to capital has been plentiful, further highlighting the strong sentiment in the industry, fighting the downward direction of the general global economy, although broader recovery can be seen as well. A record number of IPOs was noted in 2020, both for volume and number of offerings, and the number of publicly traded biopharma companies have doubled since 2015, according to Brookline Capital Markets analysis.

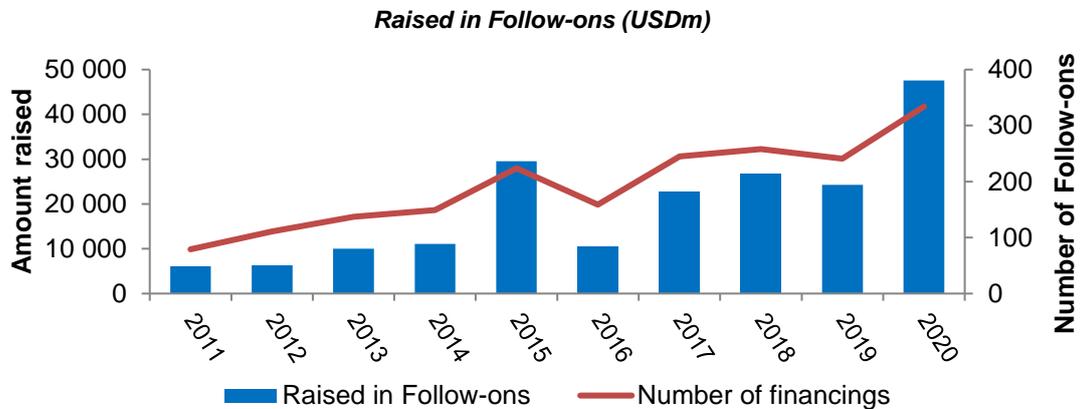
Three companies in HealthCap's portfolio completed their IPOs on Nasdaq in 2020. **Fusion Pharmaceuticals** (Nasdaq: FUSN) closed its USD 213 million IPO in June, **Pulmonx** (Nasdaq: LUNG) raised USD 219 million in its IPO, mentioned above, and **Spruce Biosciences** (Nasdaq: SPRB) raised USD 104 million in its October 8th IPO.



Biotech IPOs by year. Source: BioCentury Financial Center

2019 was already a strong year in terms of IPO financings, but 2020 reached a total of more than USD 33 billion in IPO proceeds, three times more than the previous year, for an average IPO financing size of USD 230 million.

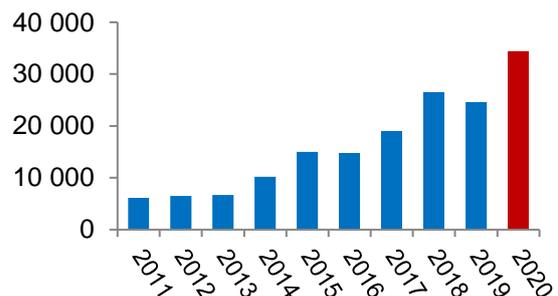
Follow-on financings also reached record levels and the average amount raised in follow-ons was USD 142 million, the second highest ever, only slightly beaten by year 2000 with an average size of USD 146 million.



Biotech Follow-ons by year. Source: BioCentury Financial Center

Just like other financing categories, venture financings reached record levels in 2020. The average venture round size was USD 83 million, almost double the size of the second highest USD 46 million average round size in 2019.

Raised in Venture rounds (USDm)



Biotech Venture financings by year. Source: BioCentury Financial Center

M&A

Investors saw the return of M&A biotech activity over the ending quarters of 2020. **AstraZeneca's** (LSE, Nasdaq: AZN) December 12th announcement to acquire **Alexion** (Nasdaq: ALXN) for USD 39 billion, at a 44% premium, fueled the optimism heading into 2021. Notable were also **Gilead's** (Nasdaq: GILD) acquisition of **Immunomedics** (Nasdaq: IMMY) for USD 21 billion at a 108% premium, and **BMS'** (NYSE BMS) all cash offer to acquire **MyoKardia** (Nasdaq: MYOK) for USD 13 billion.

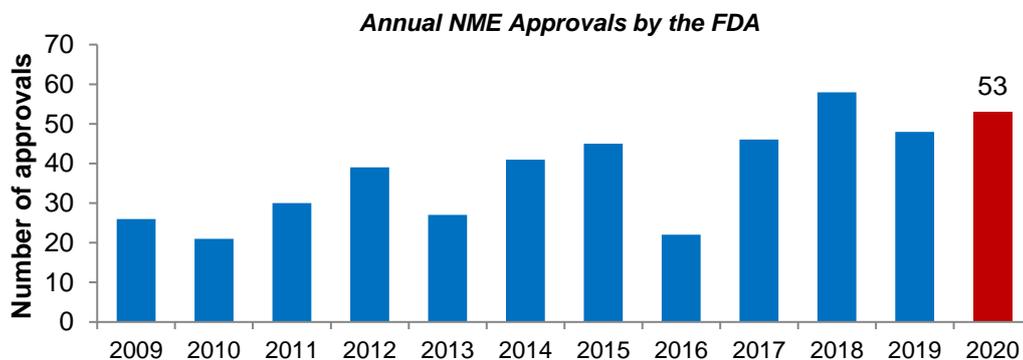
For the full year, M&A levels were comparatively low, but most deals were announced in the last months and a continued positive public market momentum could further strengthen the M&A markets, which in turn typically boost public market confidence.

AstraZeneca's acquisition of Alexion to strengthen its clinical portfolio within rare diseases continues a trend than once again can be seen in product approvals as well.

PRODUCT APPROVALS

The FDA approved 53 new drugs in 2020, a high-level mark only beaten by the record-breaking 2018 with 58 approvals. Even though many operations were halted in the first half of the year, FDA was not slowed and almost half of approvals were announced during the first half of the year. Also, 100% of the PDUFA goal dates were met.

Four out of ten approvals were approved as first-in-class, an indicator of potentially strong positive impact and often using novel mechanisms of action. Almost two-thirds of approved drugs were designated as orphan drugs.



FDA Approvals. Source: FDA