

General Market Overview

PUBLIC MARKETS

The biotech sector's underperformance on the public markets has continued during Q3 and the generalist investor's sell-off has put pressures on stock prices. September was one of the worst months in recent years, but analyst opinions diverge when it comes to Q4 forecasts as some believe the poor performance may continue, whereas others consider the correction completed and the lowered valuations may pave the way for sector outperformance heading into Q4, according to BioCentury.

A possible driver would be an increase in M&A levels. BioCentury identified seven M&A take-outs in Q3 above USD 500 million in disclosed deal value, up from just one in Q2. Pharma companies are still rich on cash and many biotech stocks are well below their 52-week highs, making conditions attractive for acquirers.

Index	Q3 2021	YTD
S&P 500	→ 0%	↑ 15%
NASDAQ	→ 0%	↑ 12%
NASDAQ Biotech	↓ -1%	↔ 7%
NYSE Arca Biotech	↓ -4%	→ -1%
BC 100	↓ -4%	↓ -5%

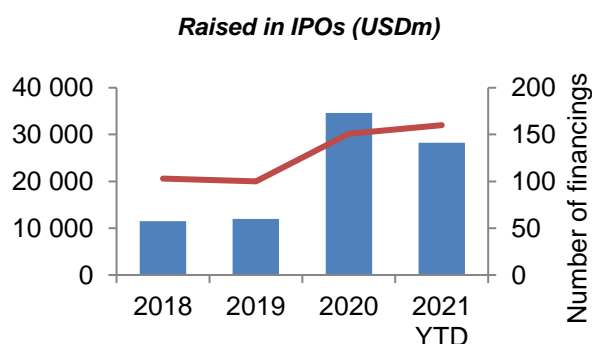
The biotech sector is still struggling to keep up with broader indices. Historically, Q4 has typically posted a stronger performance than Q3 for any given year, and investors are putting their hope to an improved M&A environment to recover the losses YTD.

Index performance. Source: BioCentury Financial Center

FINANCINGS

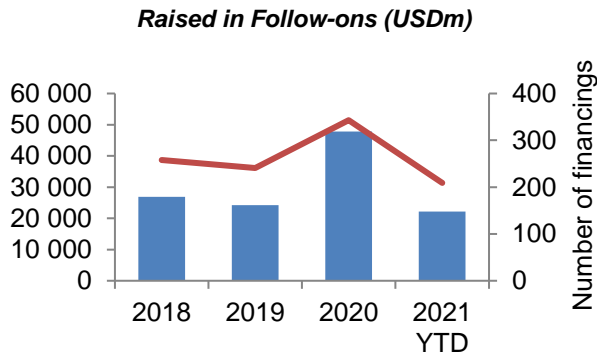
The first nine months of 2021 already brought the year to a second place for highest aggregated amount raised across venture, follow-on and IPO financings, only beaten by the nearly USD 120 billion raised in 2020. In 2021, the named financing types sum up to USD 80 billion, but the numbers are dominated by a strong first quarter, as half the amount was raised during the first three months. Especially notable was the slow follow-on financing period in September

IPOs are still getting done in the sector, with heavy insider participation, despite lackluster performance.



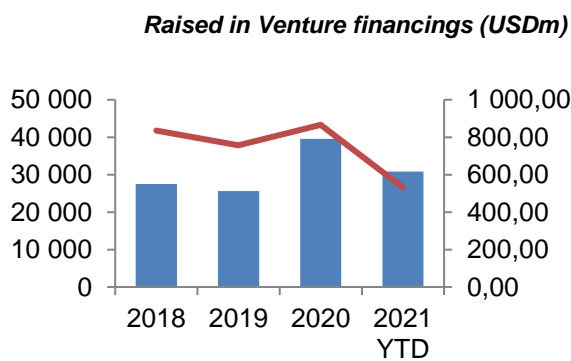
The number of IPOs 2021 YTD has exceeded last year's number, and with some 300 companies gone public since the start of 2020, investors have plenty of new public companies to track.

Biotech IPO financings, by year. Source: BioCentury Financial Center



Follow-on financings have dropped in 2021 compared to last year, both in terms of amount raised and number of financings. Still, more than 50% of companies have at least 2 years of cash at hand, according to BioCentury data.

Biotech Follow-on financings by year. Source: BioCentury Financial Center



Amount raised in venture rounds hold up well to last year's numbers as rounds have grown even larger on average, but the number of financings has dropped.

Biotech venture financings by year. Source: BioCentury Financial Center

New investments in the digital therapeutics space have been added to the HealthCap portfolio recently as HealthCap participated in financings completed by Swedish company **ELSA Science** and German company **HelloBetter** raising EUR 3.5 million and EUR 5 million, respectively. ELSA Science will use the capital to fund an ongoing randomized trial in patients with rheumatoid arthritis and HelloBetter will finance market expansion within Germany but also to other markets with their digital products for treatment of mental health disorders.