General Market Overview

In the third quarter of 2023, the pharma industry has seen a number of positive late-stage trial read outs, signs of increased IPO activity and several large M&A deals.

Biotech indices XBI and NBI are down by -10 % and -5 % YTD, respectively. Notably, large pharma with market caps over USD 10 billion experienced a relatively smaller downturn compared to smaller companies during Q3. In the general market, S&P500 dropped -3 % during the quarter but is still up +12 % YTD, mainly driven by the top companies with large market capitalizations that have been experiencing a big run-up this year.

While private venture capital financings in the biotech sector were down -30 % on an annualized basis compared to 2022, it was in line with the volumes witnessed in 2020 and higher than the preceding years. The number of venture financings during the Q3 declined compared to the first quarters of 2023, but the total deal volume remained relatively stable. Venture financings are still largely going to biotech companies with oncology assets. Autoimmune diseases, neurology, endocrine and metabolic disorders are also attracting significant investments.

16 biotech IPOs were recorded in Q3, with a total IPO volume of USD 1.5 billion. Notably, the last week of September witnessed the successful IPOs of radiopharmaceutical company RayzeBio raising USD 311 million and neuroscience biopharma Neumora Therapeutics bringing in USD 250 million. Similar to IPOs, the number of M&A deals remained relatively steady with 29 deals announced during Q3. The total deal value, however, fell to USD 19 billion, about 30 % lower than what was seen in Q2. 5 deals with values over USD 1 billion were announced, the largest one being Biogen's acquisition of Reata Pharmaceuticals, a company developing therapeutics for serious and rare neurologic diseases. The total deal value amounted to USD 7.3 billion. In general, more cash was funneled toward companies with later-stage candidates.

One of the most closely watched drug classes during the quarter has been the incretin targeting medicines (GLP-1 and GIP) for obesity and metabolic diseases. Novo Nordisk reported another positive trial readout which led to a 16 % stock surge, as the primary outcome was met in their trial of Semaglutide in overweight and obese patients with cardiovascular disease. This data is in line with the cardiovascular protective effects of the GLP-1 class of drugs previously reported in patients with type 2 diabetes. The clinical and commercial successes of Novo Nordisk and Eli Lilly's GLP-1 targeting drugs has brought attention to additional investments in the therapeutic areas of weight loss and diabetes. Both Novo Nordisk and Eli Lilly are making efforts to expand their pipelines with next-generation candidates. Eli Lilly announced a deal with Versanis Bio worth up to USD 1.9 billion for a non-incretin program. Novo Nordisk announced several acquisitions during the quarter. The two most notable deals were Inversago Pharma (deal value up to USD 1 billion) and Embark (deal value up to EUR 471 million), both companies having multiple non-incretin targets in their pipelines. Endocrine and metabolic disease licensing now ranks among the top five therapeutic areas with the highest total deal values in 2023.

The US FDA approved 14 new drugs in Q3. This brings the total number of approved drugs YTD to 40, already surpassing the 37 approvals in 2022. The majority of the new FDA approvals in Q3 were in hematology/oncology and rare disease indications. Further, it can be noted that more than half of all approvals YTD have been precision medicine drugs.

To conclude, companies with strong clinical-stage assets in relevant disease indications have been relatively resilient to the market downturn. Precision medicine and new therapeutic modalities are making significant clinical advancements across a range of indications, including major indications such as cardiometabolic and neurodegenerative diseases. There is still an active interest and a strong market potential for biotech companies with robust development programs addressing unmet medical needs. This together with big pharma's dependency on new late-stage assets, the availability of venture capital, and more realistic valuations of early-stage biotech companies should lay the foundation for future value creation in the biotech industry.