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Investors Flock Back to Biotech After a Long, Cold Spell

Among the startups pulling in cash are companies chasing hot research areas such as cancer and weight loss

By Jennifer Calfas Follow

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The deep freeze in biotech is beginning to thaw.

About half a dozen biotechnology companies have gone public since the start of 2024, with some raising hundreds of millions of dollars. The jump-start to the new year is a welcome sign for the industry after a challenging two years fueled by layoffs, scientific hurdles and rising interest rates, investors say. Fewer than 20 companies went public in both 2022 and 2023.

Biotechs have attracted more than $6 billion in follow-on financing since the start of the year through mid-February, which Jefferies analysts say is a record-setting pace—one that has already exceeded each quarterly amount recorded since the second quarter of 2021.

Venture capitalists have invested $3.2 billion in biotechs this year through the middle of February, compared with about $3 billion during the same period in 2023, according to data from research firm PitchBook.

"The healthy market is back," said Jordan Saxe, head of healthcare listings at Nasdaq, "and it's not just a fad."

Among the startups drawing interest from investors are those further along in developing their drug treatments—a change from prior years when unproven drugs found success entering the market. Companies filling up with cash also include firms chasing some of the hottest areas in biotech research, such as cancer, weight loss and nonopioid pain treatment.

Kyverna Therapeutics raised more than $337 million in net proceeds during its recent market debut to fund work developing the company's autoimmune-disease drugs, Chief Executive

Peter Maag said. Kyverna uses the cellular-therapy technology known as CAR-T, which has shown success in some cancers.

"It took us five years to become an overnight success," Maag said. "The reception was phenomenal."

High interest rates, a spotty deal market and Wall Street's lower appetite for risk had pushed biotech into the doldrums during the past two years. Startups pulled back on seeking new funding or going public. Just 17 venture-capital-backed biotechs went public in 2022, and a further 18 made the move in 2023—a significant drop compared with the 88 companies that took the plunge in 2021 and 66 in 2020, according to PitchBook. Companies also cut back spending, leading to layoffs. Some closed.



BioAge Labs, which develops drugs for obesity and metabolic diseases, has announced $170 million in new funding. PHOTO: BIOAGE LABS INC.

Fortunes began changing at the end of last year, when big pharmaceutical companies made a flurry of deals and investors anticipated cuts to federal interest rates. Pent-up demand also contributed.

"We're on a reasonable pace to definitely exceed last year, which is a low, low bar," said Christiana Bardon, co-managing partner of biotechnology investment firm MPM BioImpact, about initial public offerings of stock.

The kinds of companies drawing interest from investors have changed from earlier periods. Now, investors are looking for companies further along in developing their treatments—ones

with drug candidates in later-stage human testing and results from the studies coming relatively soon.

CG Oncology, which has a bladder-cancer treatment in late-stage trials, raised about $400 million in net proceeds during its IPO last month. The first biotech to go public in 2024, the company raised more than it had expected. ArriVent BioPharma, a biotech with a lung-cancer drug in the final clinical trial phase, raised about $180 million in net proceeds during its market debut shortly after.

Biotechs working in buzzy areas are also attracting interest. BioAge Labs, a clinical-stage biotech specializing in drugs for obesity and metabolic diseases and working with Eli Lilly, announced $170 million in new funding on Feb. 13.

Latigo Biotherapeutics was launched in mid-February with $135 million in funding for its nonopioid painkillers in development. Nancy Stagliano, chair of Latigo's board, said the company benefited from recent positive late-stage study results for a separate nonopioid pain-drug candidate from Vertex Pharmaceuticals that is part of a new class of medicines targeting molecular mechanisms involved in feeling pain.

"When we started the company, there was still a good amount of risk around the target and around these pathways in general," Stagliano said. "Now, with time, and with the advancement of the Vertex program, that risk has been reduced."

If the money that flowed into biotech keeps up the pace, follow-on financing during the rest of the quarter could beat the $11 billion garnered in the first quarter of 2021, the highest quarter in recent years, said Jefferies biotech analyst Michael Yee.

Still, investors caution these early signs of improvement might not mean biotech is entirely out of the woods. Optimistic sentiments could shift because of potentially slower-than-expected cuts to interest rates this year.

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