# Reflections on Bio€quity Europe 2023

## Optimism and innovation post-correction

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# Executive summary

**Bio€quity's 23rd conference came to Dublin this May. As a global Irish organisation headquartered in Dublin, and a member of the conference's Regional Hosting Committee, ICON was excited to see a record of more than 1,000 registrations for this biotech event. Among attendees were more than 300 biotech CEOs and 200 venture capitalists among banks and other stakeholders. Between panel events, one-to-one partnering meetings and hallway conversations, industry players reflected on the challenges of the past few years and shared their perspectives and strategies for responding to them.**

These industry conversations help drive progress, foster innovation and enable a collective knowledge-sharing, which are especially vital as we adjust after the recent market correction. The downturn from 2021's peak has certainly posed challenges – the cost of capital has increased, the IPO window has been firmly shut and costs at all levels are in constant flux. Yet, there was a palpable buzz of optimism throughout the conference as biotech veterans and emerging innovators traded notes on surviving and thriving within challenging climates.

**1,000**
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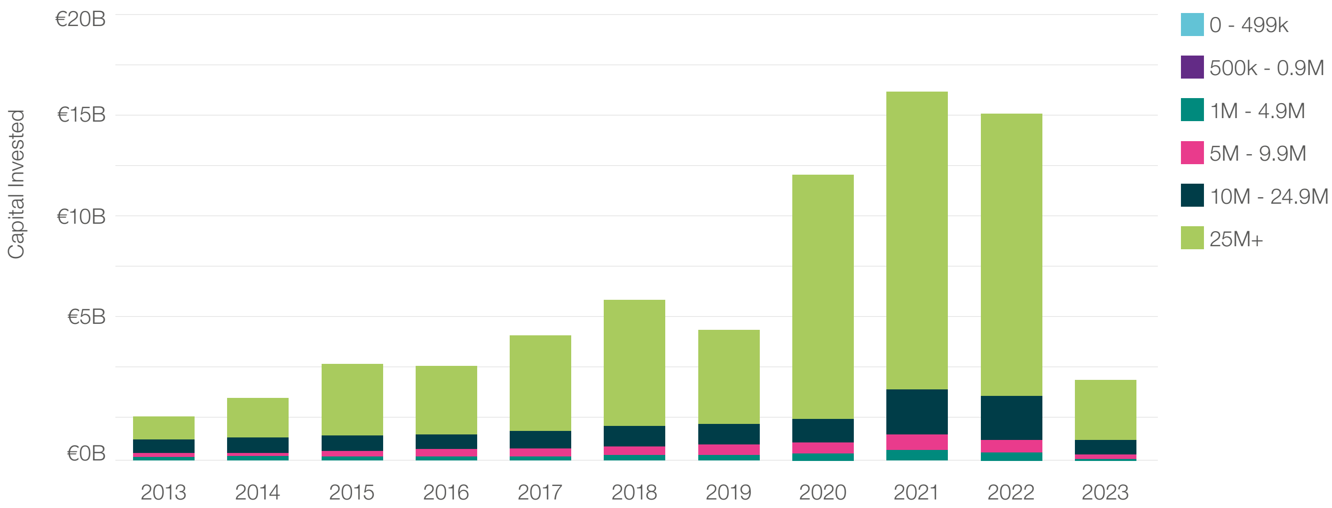
**200**
**venture capitalists**

# Where the money is (and where it's going)

**Capital invested by Deal Size (VC)**




*Source: PitchBook Data, Inc.; *Data has not been reviewed by PitchBook analysts.*

The years leading up to 2020 saw a steady increase in the levels of venture capital being invested in the biotech sector, with record-setting levels achieved in 2021. Whilst 2022 saw a relative slowdown, levels were still above historic norms. A number of large, newly-created VC funds closed in 2022 and the early part of 2023, meaning there are substantial levels of dry powder available to invest in the most innovative companies. These high levels of VC funding will remain critical to the sector, as the ongoing macroeconomic challenges continue to hamper the ability of companies to raise capital from the public markets.

**The conversations at Bio€quity pointed to biotech's creativity in finding the funding they need and ensuring they are prepared to optimally deploy the funds they secure. In addition to venture capital, there is more optionality than ever before from innovation grants to tax credits, and a plethora of structures including venture debt, equity investment and other funding sources.**

Opportunities abound, but as the "Creative Financing Structures for the Bear Market" panel reminded us, it's critical to "think like a business" when exploring how to get from one stage gate to the next. Biotech are optimising cash runways to hit the next value inflection point, which will drive their next round of funding. With the IPO no longer a viable option in the short term, we are seeing a rise in the supply of venture debt as a source of short term, non-dilutive capital.

**It's clear that VCs are still hungry for innovation and diversity in their portfolios, but they are more discerning with their investments than before.**

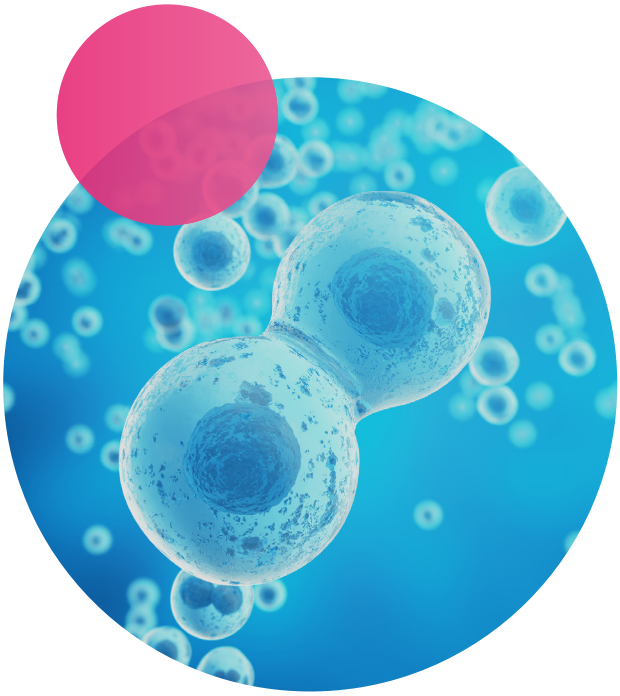
No longer funding "a hope and a promise" as one panellist said during the "Getting Real about Valuations in the New Normal" showcase. VCs want the "shiny toy" of innovation with partial validation and promising data points behind it, and when they find it, they are more likely to invest in early stages with a goal of "bringing it up through the ranks". Funding seems to be aimed at companies that are ready to enter the clinic or that have early phase 1 data with the aim of exiting at clinical proof-of-concept.

# Therapeutics trends and innovation

**Europe remains a world leader in innovative science and this underpins Europe's favourable company creation ecosystem. The outlook is optimistic – with an increasing number of emerging biotech companies driving innovative research. Mirroring global trends, the European biotech space is focussing primarily on oncology and neuroscience, the latter of which is enjoying a renaissance period, but we also see the rise in metabolic and immunology based therapies.**

**There is a growing trend towards the development of new modalities, particularly advanced therapeutic products such as cell and gene therapies.**

Interestingly, recent changes in regulatory perspectives by the FDA have had a positive impact in Europe and have opened the door for a flurry of science to move forward in the Alzheimer's space. There are more therapeutic areas adopting the precedent set in oncology, with an early focus on combination therapy approaches, and this is reflected in an increasing number of biotech company strategies.



# Partnering early and often

**As a CRO, ICON views these industry conversations through a partnership lens. The partnership approach was prevalent across the conference, spanning topics like biotech choosing funding partners that align with their vision, how VC leadership are approaching their boards and portfolio CEOs with partnership mindsets, and how strategic vendor partnerships can help stretch that critical cash runway.**

**For biotech, partnership deals are increasing, and more are happening at the pre-clinical stage, which has traditionally been seen as risky for pharma partners and they are more open to partnering their lead compounds than they may have been in the past, as the competition for capital investment intensifies.**

Leaning into partnership can bring benefits to biotech in fundraising, but it's also key to composing a clear development strategy. Biotech are known for lean operations, and as they restructure around tighter funding with less available to build their infrastructure, externalised development is more important than ever. Finding the right early engagement partner that can support biotech from end-to-end across multiple elements of drug development will set them up for long-term success.

Biotech are also more interested in engaging CROs earlier in their process, leveraging the consultative front-end solutions to help steer early development. A credible CRO partner can bridge gaps in expertise to help optimise trial designs, manage cashflow, navigate to inflection points and help scenario-plan. A competent partner with capabilities that extend beyond the clinical trial arena will provide continuity and help instil confidence in the board and future investors.

## Role of risk

**After the market correction, innovation is still highly desirable but there is an increasing expectation of risk mitigation, i.e., early data which supports the potential value proposition for an asset.**

**VCs are attracted to earlier stage, more innovative companies developing assets with blockbuster potential but need more data to buttress the belief, whereas PEs and pharma prefer more de-risked assets that still steer in bold new directions but are based on solid, later stage clinical data.**

To secure funding, biotechs need to clearly map capital to the clinical eventualities and de-risk their designs from the earliest possible stages. A clear story is needed as to precisely what the capital is to be used for, and how it will facilitate advancement of the program to the next inflection point, for example clinical proof-of-concept.

# Refocus on value-building

**European biotech has taken the recent funding market setbacks in its stride. They have sharpened their pencils and are taking a more focused approach to value-creation and building ease of execution in their design to maximise their funding rounds and get to the next data inflection point sooner.**

**With more deals happening at seed and pre-clinical stages, it's crucial for biotech to demonstrate the potential value of their drug earlier in the process.**

Considering ultimate patient positioning, reimbursement potential and drug utility while building a data-responsive approach complete with exit contingencies builds value into the asset and crafts a compelling story for investors that want de-risked innovations.

# Conclusion

**The positive outlook and enthusiasm we felt at Bio€quity isn't misplaced, the European market has historically seen less variability than the US, and Europe remains a major accelerator for global biotech innovation.**

**Despite the downturn, there is plenty of dry powder out there with more cash in existing funds, more funds closing and private equity building a foothold in life sciences.**

In short, there is plenty of capital available for the right companies; those with innovative solutions to the most pressing medical needs and clear strategies to execute their development program.

Events like Bio€quity serve an important role in the forward progress of the industry as a place to share knowledge, connect with key players and secure deals that will keep the European innovation machine ticking.

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## About ICON

ICON is the world's leading clinical research organisation, powered by healthcare intelligence. From molecule to medicine, we advance clinical research providing outsourced development and commercialisation services to pharmaceutical, biotechnology, medical device and government and public health organisations. We develop new innovations, drive emerging therapies forward and improve patient lives. With headquarters in Dublin, Ireland, ICON operates from 99 locations in 46 countries and has approximately 41,150 employees as of 1 March 2023.