



ZS portfolio and business development quarterly

Biopharma pipeline and investment trends for Q2 2024

By Cody Powers

Impact where it matters.®

Our second quarterly dive of 2024

In our second ZS portfolio and business development quarterly [webinar](#) of the year, we reviewed the first quarter market trends shaping the pharma and biotech industry.

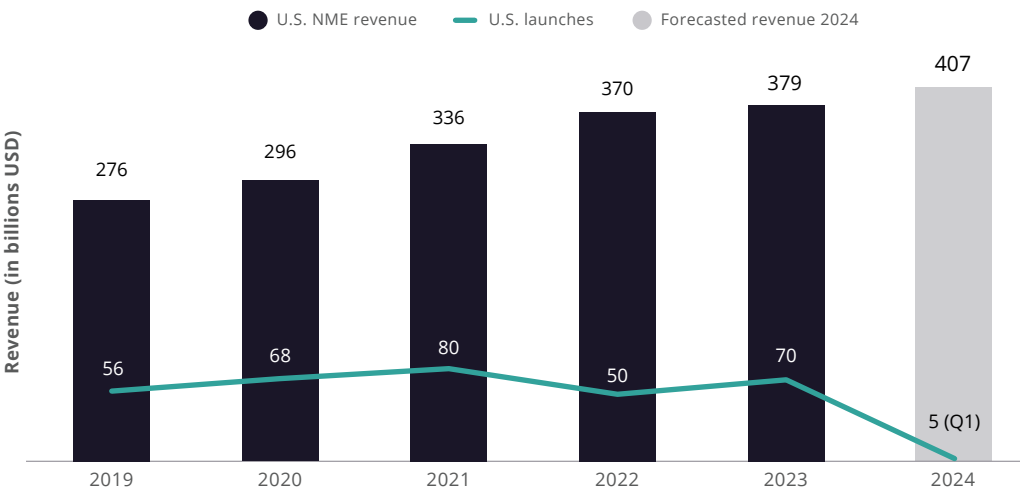
In this report, you'll find insights about:

- **Innovation and approvals:** Small to midsize companies contributed a disproportionately high number of innovations in the first quarter, deviating from the trend of recent years.
- **Funding innovation:** Q1 funding remained strong compared to 2023, with venture funding seeing modest growth and IPO funding expanding significantly.
- **Clinical trial trends:** Trial volumes continued to decline relative to the COVID-19 peak, as funding decreased.
- **Investment activity:** M&A activity is growing, and the current position is stronger than where the market started last year, but accelerated trends are needed to match 2023 end-of-year levels.



FIGURE 1:

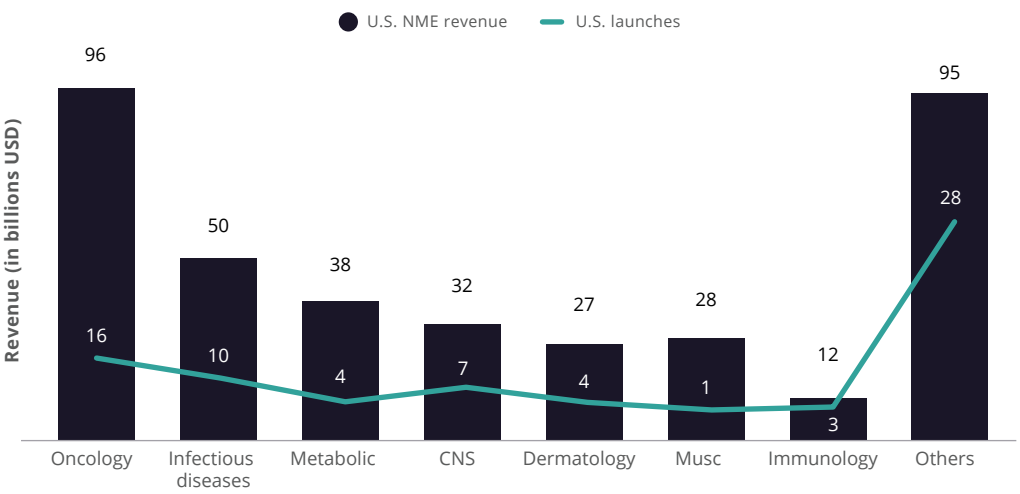
2019 through Q1 2024 US NME launches and NME revenue



Industry aggregate revenue remains consistent with the past few years, growing at or slightly below the inflation rate.

FIGURE 2:

2023 US launches and NME revenue by therapy area



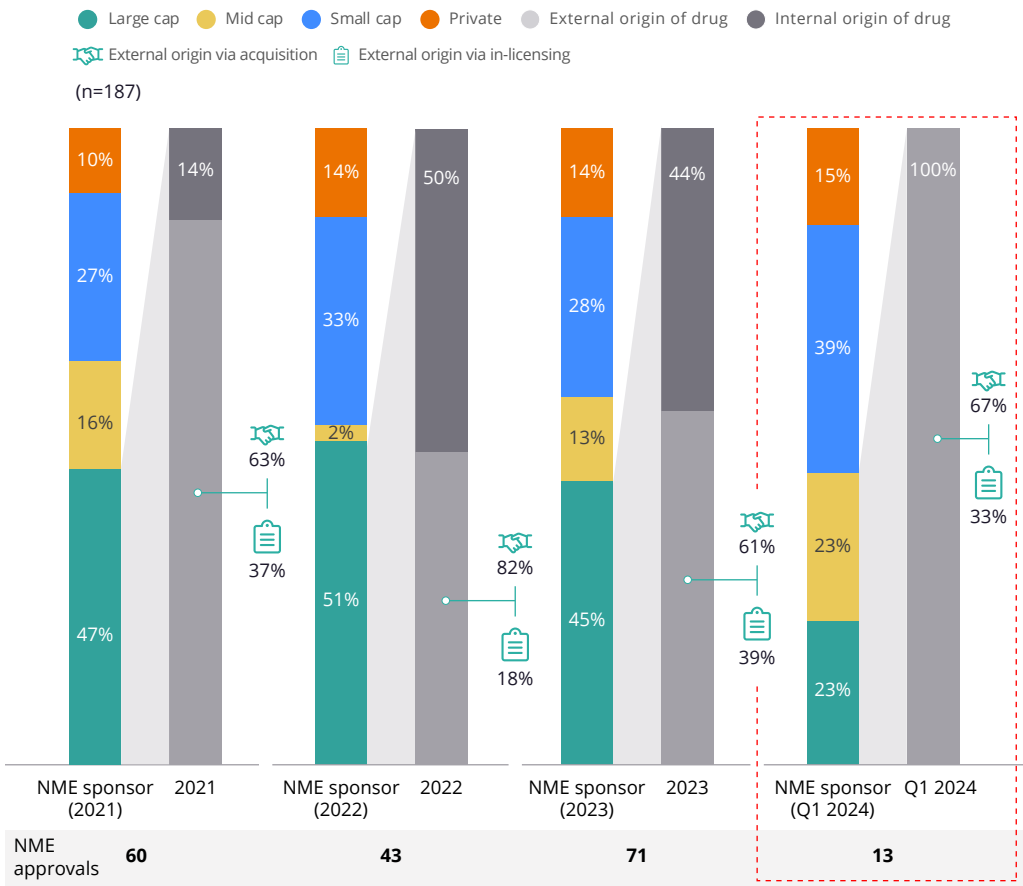
The number of launches generally mirrors the revenue, suggesting that no area is disproportionately driving future growth at this point. However, one segment to monitor is CNS. It has seen more launches than historical revenue projections, suggesting potential faster growth which recent market events support.

Source: Evaluate Pharma, accessed in April 2024.

Notes: U.S. launch numbers account for unique NME launches in the U.S. from 2019–Q1 2024. Revenue is a cumulative sum of all NMEs having sales in U.S. for each year. Indication expansions are not included in our analysis of number of launches. First U.S. launch date is considered for launch year.

FIGURE 3:

2021 through Q1 2024 approvals



Traditionally, large-cap companies have been responsible for approximately half of the innovation brought to market. However, a significant proportion (ranging from a quarter to a third of all approvals) came from small-cap companies commercializing for the first time (referred to as “first launch companies”). In this past quarter, small- and mid-cap companies had a notable impact while large-cap companies only brought external innovations to market. But due to limited sample size and the early stage of the year, it’s premature to definitively label these as trends.

Sources: FDA CBER, FDA CDER, Evaluate Pharma, AdisInsight, accessed in April 2024.

Notes: The approvals include CDER and CBER approvals by FDA. Company size is determined by the company's market cap: large-cap pharma - >\$20B, mid-cap pharma - <\$20B to >\$5B, small-cap pharma - <\$5B. External origin: Drug from company acquisition or in-licensed. Organic development is “internal” origin.

FIGURE 4:

2023 vs Q1 2024 % market cap gain and loss

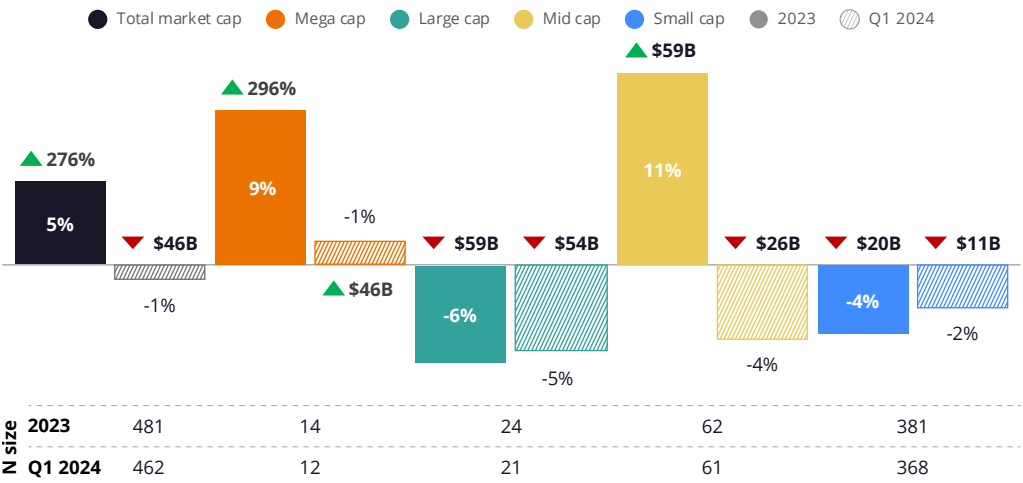


FIGURE 5:

Q1 2024 companies greatest market gains and losses

Market cap changes	Mega cap (more than \$100B)	Large cap (\$100B – more than \$20B)	Mid cap (less than \$20B – more than \$5B)	Small cap (less than \$5B)
▲	Novo Nordisk	UCB	Viking Therapeutics	Top Alliance
▼	Novartis, Amgen	Gilead	Apellis	Vivoryon

Greatest market cap gain/loss (%) Q1 2024 (start – end)

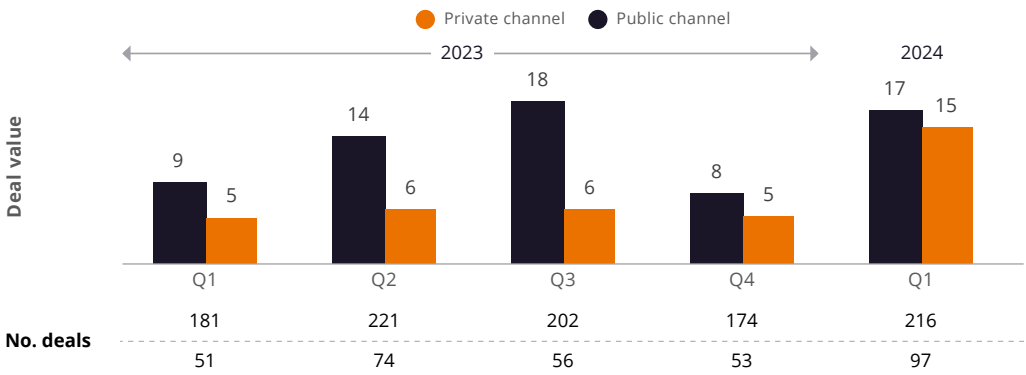
From a market valuation standpoint, in the previous year, it was a more diverse composition with mega caps buoying large caps and mid-cap stocks doing well. However, in the first quarter of 2024, each segment traded roughly at or below the prior year.

Sources: Pitchbook, Evaluate Pharma, accessed in April 2024.

Notes: Analysis includes ~460 biopharmaceutical companies across the globe (sourced from Evaluate Pharma). Percent gain and percent loss are based on shift in market cap from Jan 16, 2024 to April 19, 2024. Companies have been classified as “mega cap,” “large cap,” “mid cap” and “small cap” based on the latest market cap data.

FIGURE 6:

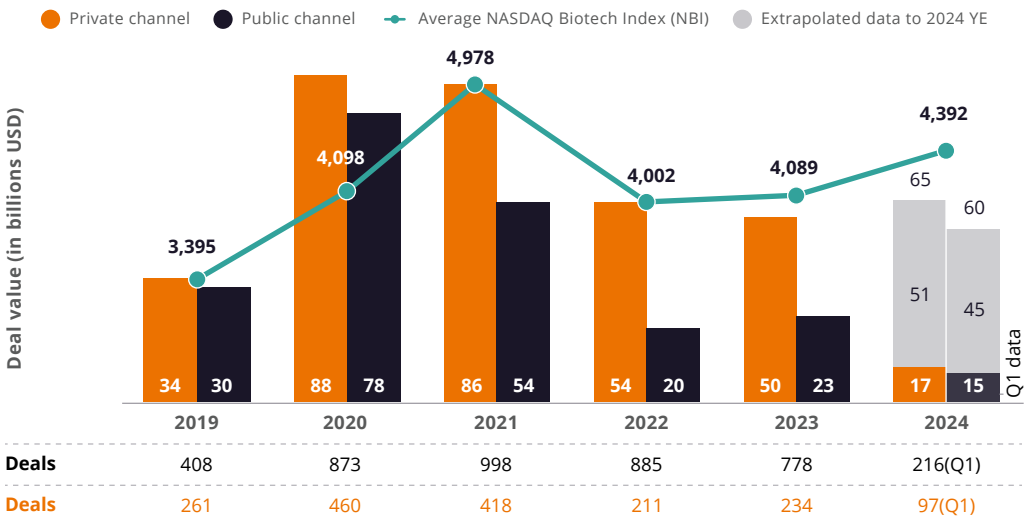
Q1 2023 through Q1 2024 funding



In Q1 2024, aggregate private channel fundraising doubled compared to Q1 2023, while public channel fundraising tripled compared to any quarter in 2023.

FIGURE 7:

2019 through Q1 2024 funding environment



At this point, projected overall aggregate fundraising performance indicates measurable growth for private channels and substantial growth for public channels. This aligns with the many IPO announcements this year so far.

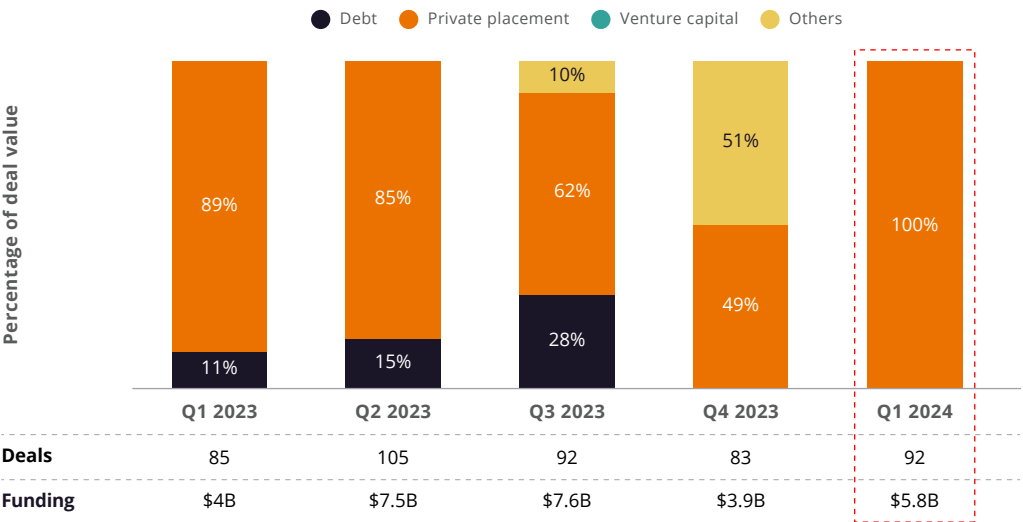
Sources: Biomedtracker, accessed in April 2024; BioPharma Dive; Labiotech.

Notes: All the deals are considered irrespective of availability of deal value. We have taken closing NASDAQ Biotech Index. We have not considered preliminary deals and taken only final deals.

Definitions: Public channel - IPO, FOPO, spin off, convertible and non-convertible debt; Private channel - Convertible and non-convertible debt, special purpose financing vehicle, venture capital, PRV sale, royalty sale, PIPE.

FIGURE 8:

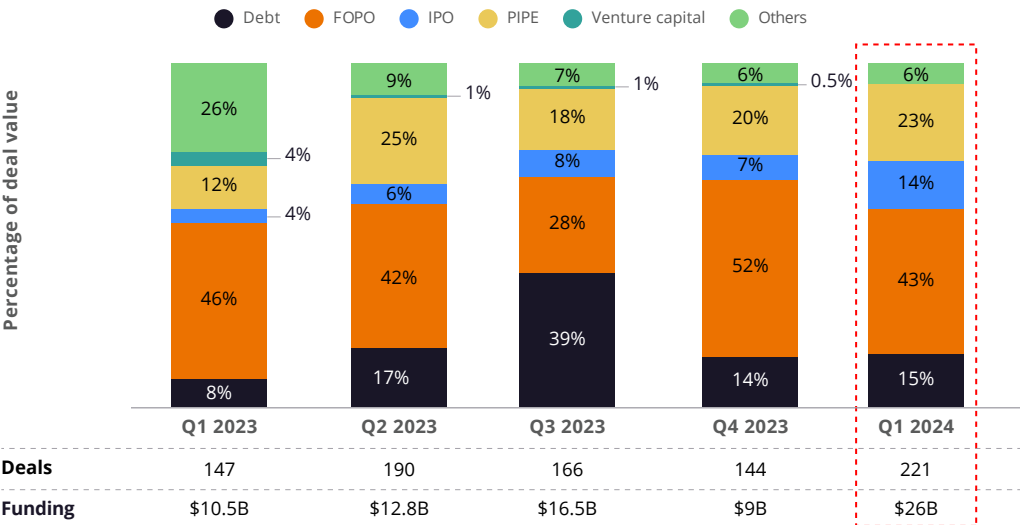
Funding strategy: Private companies



While nontraditional financing in private capital has grown over the last few years, early data for Q1 2024 suggests a potential reversion to traditional VC to historical (higher) levels.

FIGURE 9:

Funding strategy: Public companies



For public channels, the IPO market surged in the first quarter at \$3.6B raised, surpassing the amount raised in 2023.

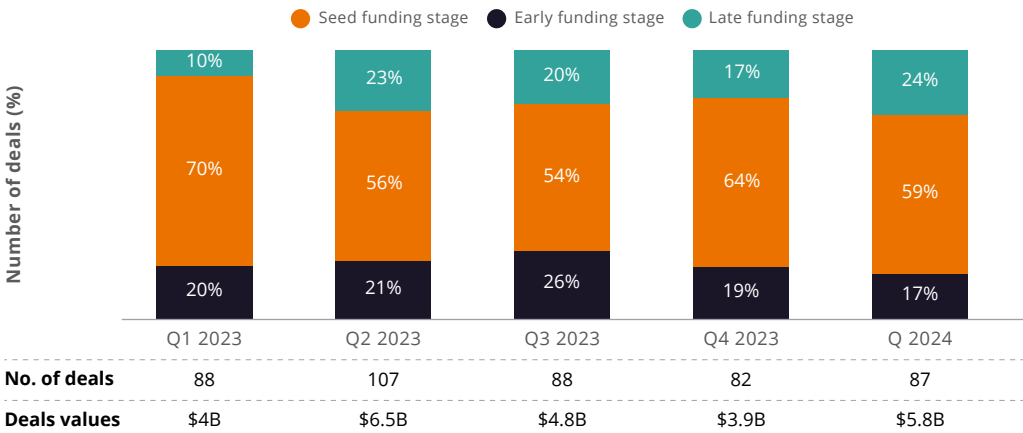
Source: Biomedtracker, accessed in April 2024.

Definitions: Debt - Convertible and non-convertible debt, special purpose financing vehicle; VC - Venture capital financing; PIPE - Private investment in public equity; IPO - Initial public offering; FOPO - Follow-on public offering; Others - PRV sale, royalty sale.

Note: Some percentages will not equal 100% due to rounding.

FIGURE 10:

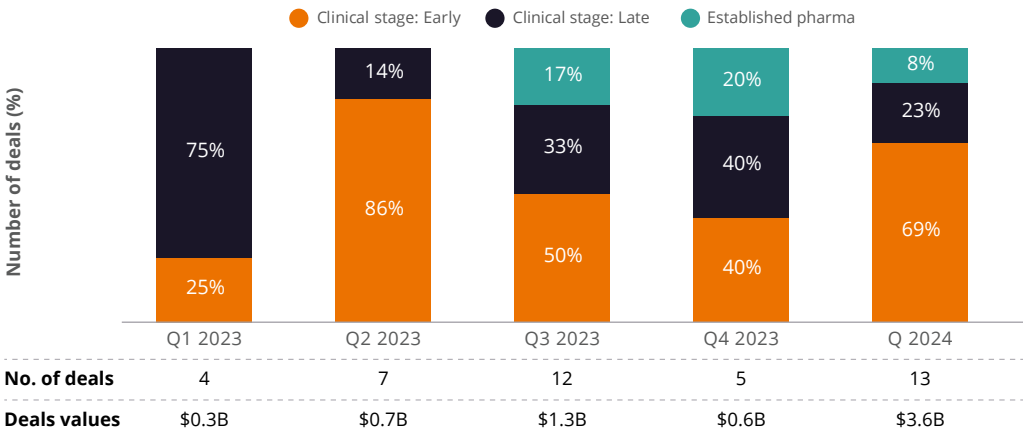
Venture financing in Q1 2023 through Q1 2024



Venture financing exhibited a slight change in the first quarter, which is not uncommon given that more venture funds are now willing to remain invested for longer periods or invest at later stages. This is a trend that contrasts with practices from five to 10 years ago.

FIGURE 11:

IPO in Q1 2023 through Q1 2024



The percentage of IPO deals surged in the first quarter, not only for later-stage companies (considered safer investments) but also for some earlier clinical-stage companies.

Sources: Biomedtracker, Crunchbase, Pitchbook, accessed in April 2024.

Note: Sixty-eight deals in 2023 and three deals in Q1 2024 with series information undisclosed are excluded from analysis.

Definitions: Early funding stage - Series A or series B funding; Late funding stage - Funding in series C or above; Clinical stage: Early - Lead asset in phase 2 and below; Clinical stage: Late - Lead asset in phase 3 and above; Established pharma - Has marketed assets.

FIGURE 12:

Clinical trials initiated from 2019 through 2023

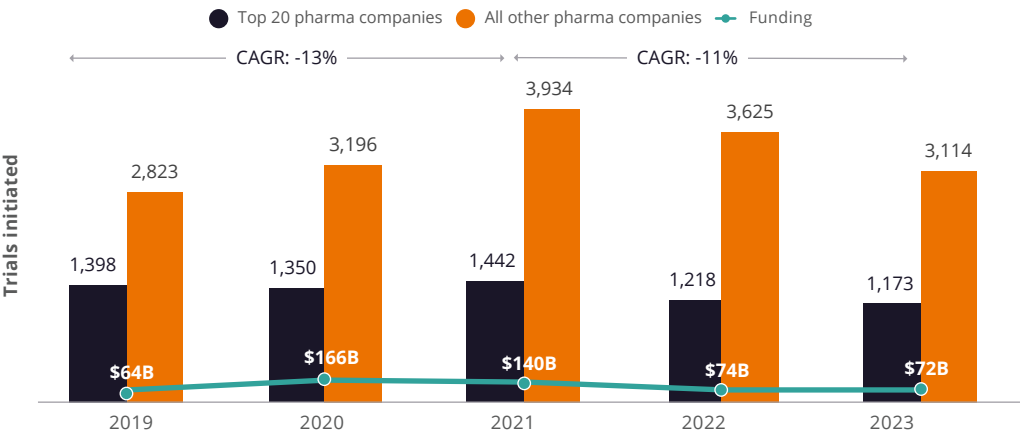
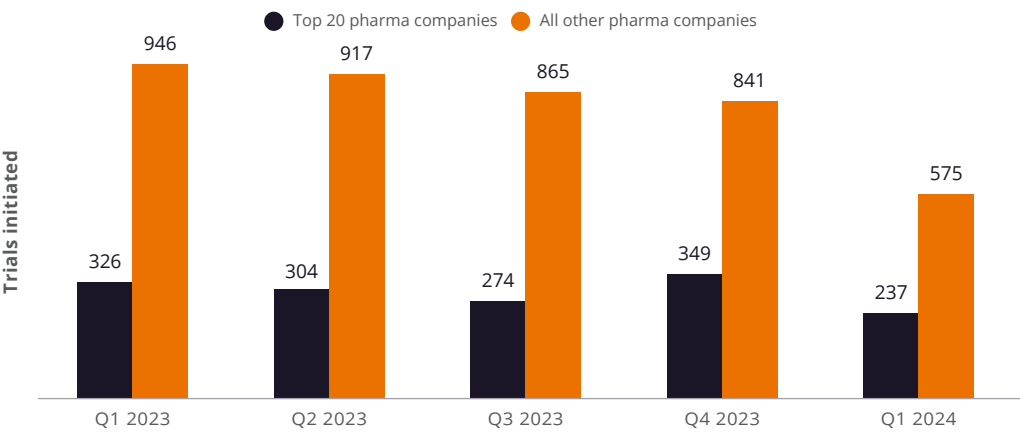


FIGURE 13:

Clinical trials initiated from Q1 2023 through Q1 2024



The market remains on pace to be at pre-COVID-19 trial volumes or even slightly below. Funding decreased from the peak of COVID-19, resulting in a lag in the decrease in trial volume. As funding increases like it seems to be, trial volume is expected to either rebound or stabilize.

Sources: Citeline, Biomedtracker, accessed in April 2024.

Note: All trials including planned, withdrawn and terminated were considered.

FIGURE 14:

Number of biopharma bankruptcies from 2019 through Q1 2024

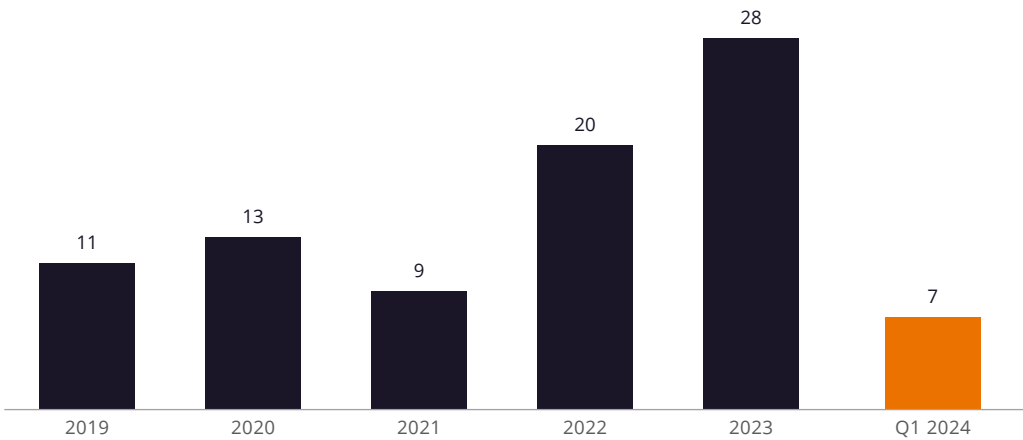
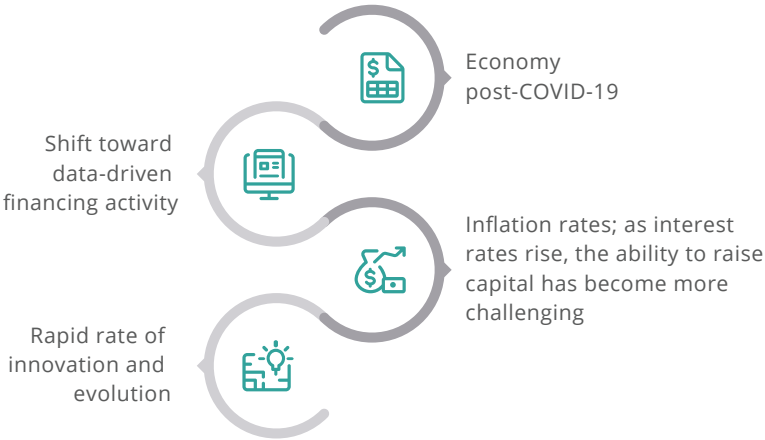


FIGURE 15:

Key drivers of the recent uptick in bankruptcies

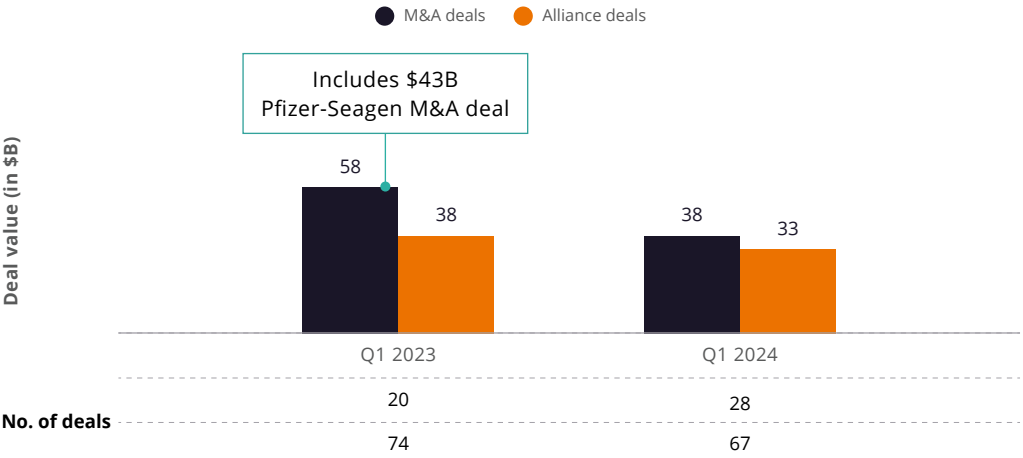


Bankruptcies continue to be closely monitored with the biotech market remaining on a similar pace as last year. Capital takes time to flow through the system, and companies receiving funding are not necessarily the same ones facing bankruptcy pressure.

Sources: BioSpace, “Biotech bankruptcies skyrocket”; Fiercebiotech; Solactive; Pitchbook, accessed in April 2024; “Travecta”; WSJ.

FIGURE 16:

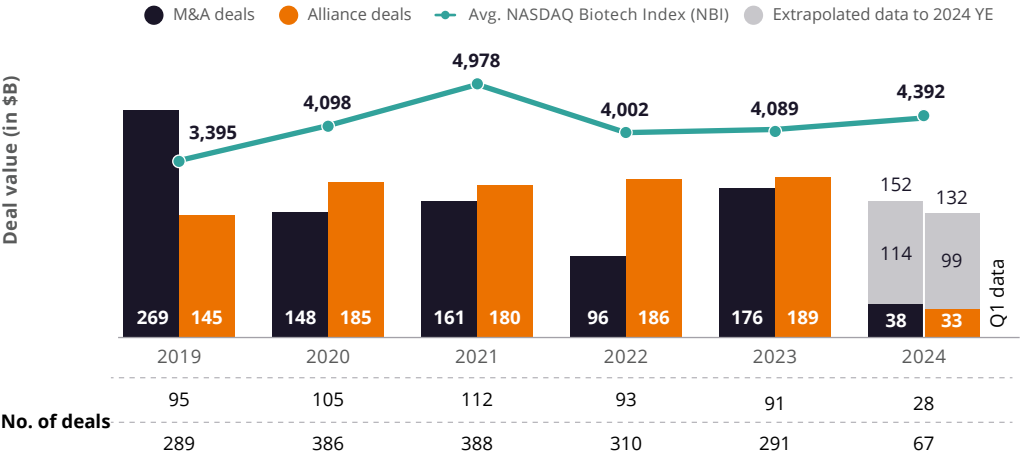
Q1 2023 vs Q1 2024 M&A and alliance deals



~33 M&A and 253 alliance deals with no financials are excluded from analysis.

FIGURE 17:

2019 through Q1 2024 M&A and alliance deals



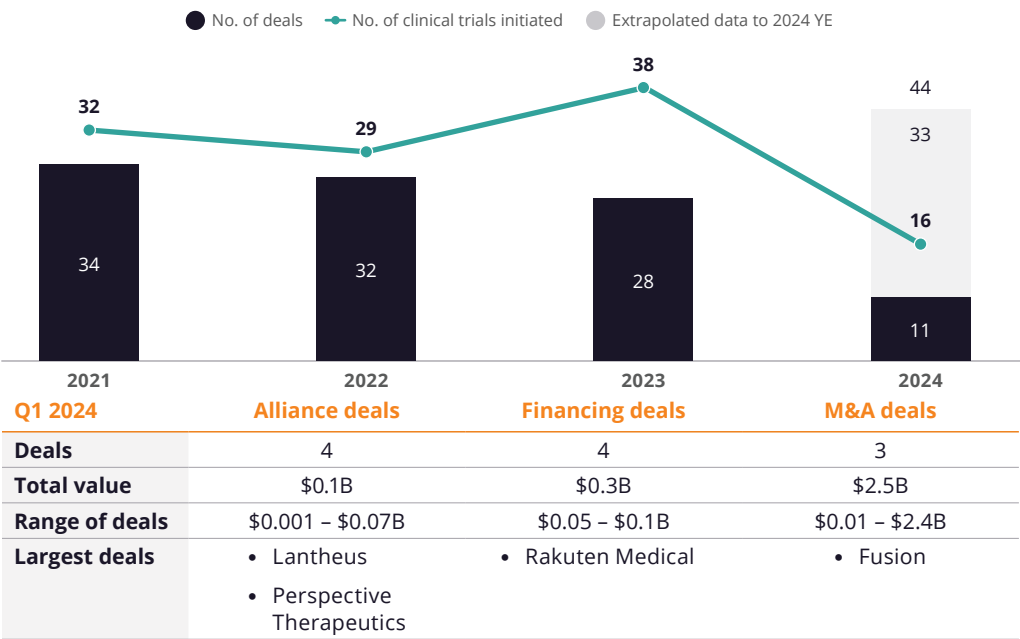
~404 M&A and 3,327 alliance deals with no financials are excluded from analysis.

In a quarter-over-quarter analysis, the market appears slightly below last year at this time. However, this is skewed by the Pfizer-Seagen deal. If that large deal is excluded, Q1 2024 deals are slightly ahead.

Sources: Biomedtracker, Evaluate Pharma, accessed in April 2024.

Notes: Announced dates of deals are considered for the analysis.

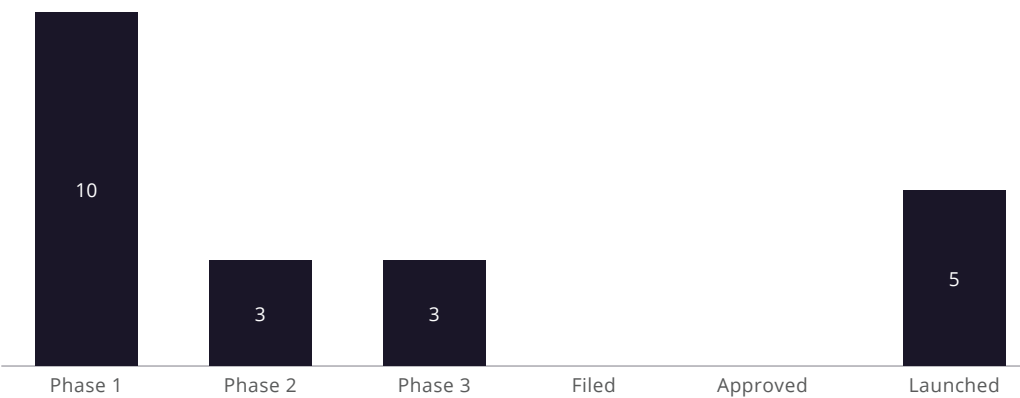
FIGURE 18:
2021 through Q1 2024 radiopharma (therapy and theranostic) deals



One space that is well ahead of 2023 in M&A, alliance and financing deals is radiopharma deals, for both therapy and theranostics.

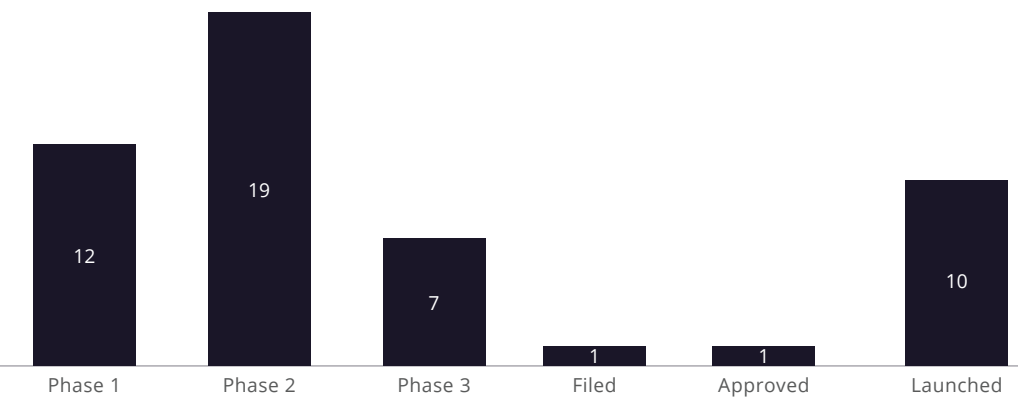
The balance between the top 20 pharma companies and non-top 20 companies shows that much of this space still lies in the hands of the broader biotech ecosystem and that there will be more deals to come.

FIGURE 19:
Global landscape: Radiopharma drugs in oncology
(top 20 pharma companies)



For companies that have been participating in these deals, it has actually been broadening the scope of which large-cap companies are participating in radiopharma.

FIGURE 20:
Global landscape: Radiopharma drugs in oncology
(non-top 20 pharma companies)



With the same balance between the top 20 and those outside of the top 20, it is likely that there will be more acquisitions, given the growing number of companies participating in this space.

Sources: Biomedtracker, Citeline, accessed in April 2024.

Notes: Radiopharmaceutical deals do not include diagnostic assets. Both preliminary and final M&A and alliance deals are included. Only final or completed deals are included for financing deals. Included deals with no potential deal values. Only ongoing and completed trials are considered for analysis. Deals with potential deal value available were considered for the analysis.

About the authors



Cody Powers has over 13 years of experience in healthcare and life sciences consulting with companies of all stages and across a range of strategy issues, including corporate and portfolio strategy, business development and licensing and pipeline assessment. Cody has been a featured speaker across a wide range of engagements (including BIO, LSX and Fierce) as well as a breadth of media outlets.



About ZS

ZS is a management consulting and technology firm focused on transforming global healthcare and beyond. We leverage our leading-edge analytics, plus the power of data, science and products, to help our clients make more intelligent decisions, deliver innovative solutions and improve outcomes for all. Founded in 1983, ZS has more than 13,000 employees in 35 offices worldwide.

Talk with ZS experts



Learn more: www.zs.com

