The end of Q3 showed an improved worldwide private equity financing activity for biotech companies and reached financing values seen at the beginning of Q3, despite a growing tension environment caused by a possible second wave of Covid-19 disease. The number of IPOs also showed a slight increase compared to the previous month.

Both the US and Europe managed to increase private equity financing value to the numbers registered at the start of Q3. They were able to reach the staggering values of Q2 (EU Q3: USD 1.2bn and US Q3: USD 4.1bn vs. EU Q2: USD 1.18bn and US Q2: USD 4.8bn). However, investors seemed more focused on closing bigger private equity deals at late-stage financing rounds. During the last month of Q3, noteworthy private equity investments were a Series D round for Recursion Pharmaceuticals Inc. (USD 239mln), another Series D round for the Chinese company InventisBio Inc. (USD 147mln), and a Series A round for the Dutch Neogene Therapeutics (USD 110mln). Besides, the American company Palleon Pharmaceuticals concluded a Series B private equity deal with a USD 100mln financing round.

The Graph contains only equity financing rounds of private and independent biotech therapeutic & diagnostic companies (excl. IPOs, research grants, and loans). Financing amounts and the number of rounds from previous months may alter as new information on financing rounds is received and/or new tranches to existing financing rounds are added.
Worldwide Financing

Worldwide, total financing in biotech companies showed a consistent increase, up almost 30% compared to the previous month, and nearly identical from the start of Q3, keeping up with the values seen in Q2 (Q3: USD 6.1 bn vs Q2: USD 6.6 bn). Europe had only a slight increase in private equity financing while the US almost doubled its financing deals. On the contrary, China that raised less than half compared to August 2020 was the weakest in terms of financing.

<table>
<thead>
<tr>
<th>Biotechnology - Therapeutics and Diagnostics</th>
<th>All units in USD M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Month</td>
</tr>
<tr>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td>Total</td>
<td>1,480</td>
</tr>
<tr>
<td>USA</td>
<td>1,230</td>
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<tr>
<td>Europe</td>
<td>110</td>
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<tr>
<td>China (Mainland)</td>
<td>59</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>62</td>
</tr>
</tbody>
</table>

Source: Biotechgate.com

Row = Rest of the world. The table above shows the total global private equity financing in biotechnology in the therapeutics & diagnostics subclass (excl. IPOs, research grants, and loans).
Biotech Private Equity Financing Rounds by Series

Proportion of Number of Rounds by Series

During the last month of Q3, there was a shift in private equity financing from early (Seed and Series A) to late (Series B/C/D) rounds. Seed rounds trimmed their total numbers by 4%, whereas Series C round numbers gained 7% compared to August 2020. Moreover, Series A round numbers were not affected, and Series C showed a 3% decrease.

Generate Biomedicines led the Seed round leaderboard with a USD 50mln financing, followed by Stemson Therapeutics LLC with a USD 7.5mln deal. Q3 concluded with a trend reversal from Q2, where the total number of rounds concentrated to later-stage financing rounds (Series B/C/D).

The graph above shows the financing deals of by series. It shows the proportion of the number of financing rounds for private equity financing of biotech companies (therapeutics and diagnostics) by investment series including Unknown, Seed, Series A, B, C, and D rounds, but not including Series above D / 4th round due to their rare incidence. The quarters cover the following months: Q4: Oct, Nov, Dec; Q1: Jan, Feb, Mar; Q2: Apr, May, June; Q3*: Jul, Aug, Sept. The dataset includes private Biotech (Therapeutics & Diagnostics) companies from the US, Europe, and the RoW.

The value of financing rounds from previous months may alter as new information on financing rounds is received and/or new tranches to existing financing rounds are added.
Proportion of Financing Value (USD) by Series

In September 2020, the total value of early private equity financing rounds slightly increased from August 2020 (by 3%), whereas Series C sharply dropped (by 5%) and Series B round values did not change. Interestingly, Series D financing value increased by 5% mainly due to the USD 239mln financing deal closed by Recursion Pharmaceuticals Inc.

However, Q3 ended with a much stronger commitment for late financing rounds in biotech companies, and a sharp decrease in early financing compared with Q2, suggesting investors saw consolidated companies a safer investment.

The graph above shows the allocation of capital towards various rounds. It shows the proportion of the financing value ($) for private equity financing of biotech companies (therapeutics and diagnostics) by investment series including Unknown, Seed, Series A, B, C, and D rounds, but not including Series above D / 4th round due to their rare incidence. The quarters cover the following months: Q4: Oct, Nov, Dec; Q1: Jan, Feb, Mar; Q2: Apr, May, June; Q3*: Jul, Aug, Sept. The dataset includes private Biotech (Therapeutics & Diagnostics) companies from the US, Europe, and the RoW. The value of financing rounds from previous months may alter as new information on financing rounds is received and/or new tranches to existing financing rounds are added.
Proportion of Average Deal Value (USD) by Series

The average deal value for Seed rounds increased by USD 3 mln per deal compared to August 2020, and almost doubled when compared to Q2 (Q3: USD 11 mln per deal, Q2: USD 6 mln per deal). Also, the Series A round increased the average deal value of USD 3 mln per deal from August 2020, although it decreased by USD 17 mln per deal compared to Q2. Notably, for Series D the average value increased by USD 30 mln per deal during September but decreased by USD 28 mln per deal when compared to Q2. The average deal value of Series B and Series D also decreased from the previous Q2, whereas the Series B rounds kept the same average value.

The graph above reflects the value of rounds by series. It shows the proportion of the average financing value for private equity financing of biotech companies (therapeutics and diagnostics) by investment series including Unknown, Seed, Series A, B, C, and D rounds, but not including Series above D / 4x round due to their rare incidence. The quarters cover the following months: Q4: Oct, Nov, Dec; Q1: Jan, Feb, Mar; Q2: Apr, May, June; Q3*: Jul., Aug., Sept. The dataset includes private Biotech (Therapeutics & Diagnostics) companies from the US, Europe, and the RoW. The value of financing rounds from previous months may alter as new information on financing rounds is received and/or new tranches to existing financing rounds are added.
Summary Biotech Therapeutics Private Equity Financing by Series
Q3 ended relatively strong compared to Q2, and the private equity financing gained strength back during September 2020. Overall, the average deal value decreased for late-stage financing. Although, investors seemed keener to invest in mature companies in late financing rounds. The Nasdaq Biotech Index (NBI) showed increased volatility by tanking ca. 6% at the beginning of the month but finding previous support from June 15, 2020, and closing the month of September even (0% at 4291).
Proportion of Biotech Financing Rounds by Investment Size

The proportion of investment size in private equity showed an unchanged situation compared with August 2020, although there was a 3% increase in financing for investments lower than USD 5 mln. Despite this difference, Q3 clearly showed a solid decrease in small size financing (USD 15 mln and below) from Q2, and an increased money commitment for bigger rounds (USD 15 mln and above).

The graph above shows the proportion of private equity financing rounds by investment size (excl. IPOs, research grants, and loans). The dataset includes only private Biotech (Therapeutics and Diagnostics) companies from the US and Europe. The quarters cover the following months: Q4: Oct, Nov, Dec; Q1: Jan, Feb, Mar; Q2: Apr, May, June; Q3*: Jul., Aug., Sept. The proportion of financing from previous months may alter as new information on financing rounds is received and/or new tranches to existing financing rounds are added.
Biotech Private Equity Financing Rounds by Development Phase of Lead Product

In September 2020, most of the private equity financing rounds went for late-phase clinical trials, reversing the trend seen in the first two months of Q3, clearly confirming that companies have advanced their leading product development to later stages, probably by speeding up their trials to bring Covid-19 therapeutic and diagnostic products to the market. Financing for Phase I, and Phase III trials increased by 6% and 8%, respectively, whereas the number of rounds for Phase II trials remained steady. On the contrary, Preclinical trial financing drastically dropped by 10% compared to August 2020. When compared with Q2 and Q1, Q3 proved to have the highest commitment to financing for late Phase III trials.

The graph above shows the proportion of the development phase of the lead product for private equity financing of biotech companies (therapeutics and diagnostics). The quarters cover the following months: Q4: Oct, Nov, Dec; Q1: Jan, Feb, Mar; Q2: Apr, May, June; Q3*: Jul, Aug, Sept. The dataset includes private Biotech (Therapeutics & Diagnostics) companies from the US, Europe, and the RoW. The value of financing rounds from previous months may alter as new information on financing rounds is received and/or new tranches to existing financing rounds are added.
**Worldwide Initial Public Offerings**

In September 2020, more biotech companies filed to go public than in the previous month, although the total IPO financing value was almost the same. The reason behind this was due to the fact that two companies, Greenwich LifeSciences and Graybug Vision, raised low capital for their IPOs (USD 7 mln and USD 90 mln respectively) compared to the average IPO financing value of September (USD 111 mln). The Hong Kong-based company Zai Lab raised USD 761 mln for its IPO, focused on therapeutics for cancer, infectious, and autoimmune diseases. The second-biggest IPO in September was the medical technology company, Outset Medical Inc. that raised USD 277.9 mln for the development of its dialysis machine.

The graph contains IPO rounds of private and independent life science (biotech, pharma, MedTech) companies from around the world. Financing amounts and the number of rounds from previous months may alter as new information on financing rounds is received and/or new tranches to existing financing rounds are added.
Selected Financing Highlights

**Zai Lab (HK: 9688) raises USD 761mln IPO on the HKEK exchange**
HONG KONG, China (CHINABIO TODAY) – Zai Lab (HK:9688) raised USD 761mln from its secondary listing in Hong Kong, reaching a market cap of USD 6.8bn during its first trading session. Zai Lab’s leading product is Zejula, a PARP inhibitor approved in China as maintenance therapy for ovarian cancer. The company’s complete pipeline consists of 15 drugs and a medical device. The HKEK listing has the purpose to fund the R&D, the current portfolio commercialization, and new in-licensing pacts.

*(Source: ChinaBio Today, September 28, 2020)*

**Outset Medical (Nasdaq: OM) raises USD 277.9mln IPO on the Nasdaq exchange**
SAN JOSE, California (BIOSPACE) – Outset Medical, (Nasdaq: OM) closed its IPO at an initial price of USD 27/share. Gross proceeds were approx. USD 277.9mln. BofA Securities, Morgan Stanley, and Goldman Sachs & Co. LLC acted as joint lead book-running managers for the offering, while SVB Leerink and Stifel acted as co-managers for the offering. Outset Medical is a medical technology company focused on its Tablo hemodialysis system development and commercialization. Home setting dialysis is in increasing demand as the Trump administration aims to move dialysis out of clinics.

*(Source: Business Wire, September 17, 2020)*

**Recursion Pharma secures USD 239mln in a Series D financing round**
SALT LAKE CITY, Utah, US (FIERCE BIOTECH) – US-based biotech company Recursion Pharma raised USD 239mln in a Series D financing round led by Leaps by Bayer. The investment also attracted new participants, Casdin Capital, Catalio Capital Management, Laurion Capital Management, Samsara BioCapital, and others. Bayer plans to take advantage of Recursion’s drug discovery platform by combining AI with classical biology experiments to boost the search of small molecule candidates for possible drug candidates. Under the same agreement, Bayer and Recursion Pharma will launch more than 10 research programs. Moreover, Bayer will have the option to exclusively license any novel drugs discovered.

*(Source: Fierce Biotech, September 9, 2020)*
Financing Rounds Summary September 2020
Source: Biotechgate

<table>
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<tr>
<th>Company name</th>
<th>Sector</th>
<th>Amount (million USD)</th>
<th>Type of round</th>
<th>Financing stage</th>
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Access to the full list of financing rounds is only available to Biotechgate subscribers.

Please request a trial [here](#) or log-in to your existing account to download the full report with all 94 financing rounds in September 2020.
About this summary

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