

# The Brookline Brief

## *Brookline Capital Markets*

Life Sciences, Med. Tech. and Diagnostics  
Equity Capital Markets Update

**February 2024**



Equity Market / New Issue Market **Tailwinds**

- › Following a December that featured no IPOs within the life sciences-, med. tech.-, and diagnostics-focused subsector, the market began to show signs of life during the past two weeks. Four IPOs priced between January 22 and February 2 (*CGON, AVBP, GUTS, and ANRO*) raising aggregate gross proceeds of \$793mm (*prior to overallocments, where applicable*). Industry observers were encouraged by the flurry of activity, which was the highest over a two-week span since October 2021 (*by aggregate gross proceeds*). Moreover, the offerings were well received in the after-market. Three out of the four offerings traded into positive territory with an average offer-to-current return of +31.2% (*mean basis*). <sup>(1)</sup> Three additional IPOs were publicly filed during January (*MGX, AUNA, and KYTX*). Industry observers will be watching the anticipated transactions carefully to see if the market's early momentum will sustain.
- › The follow-on market within the life sciences-, med. tech.-, and diagnostics-focused subsector started 2024 on a high note during January. Over the course of the month, 57 deals priced for \$5.2bn in aggregate gross proceeds (*prior to overallocments, where applicable*), with both figures representing their highest levels since February 2021. Currently, deal count and aggregate gross proceeds in the follow-on market stand 2.1x and 2.7x higher than 2023 YTD's levels, respectively. Furthermore, post-offering performance has been strong to start the year, continuing a trend that began during the final quarter of 2023. Specifically, 63% of deals priced in January posted a positive offer-to-current return (*n = 35*) with an average return of +10.8% (*median basis*). <sup>(1)</sup>
- › M&A activity within the life sciences-, med. tech.-, and diagnostics-focused subsector of the market carried its momentum from the final three months of 2023 into January. Four public companies within the subsector were acquired for \$8.1bn in aggregate consideration (*AMAM, AXNX, HARP, and INBX*), marking the fourth consecutive month with over \$8.0bn in aggregate M&A transaction value. Notably, three out of the four acquired companies (*AMAM, HARP, and INBX*) were early-to-mid-stage therapeutics companies, bucking a recent trend of acquisitions of late clinical-stage or early commercial-stage companies (*e.g., KRTX, IMGN, RYZB*). Industry observers were pleasantly surprised by the acquisitions, noting their reflection on large pharmaceutical companies' interest in augmenting their R&D pipelines beyond near-term revenue opportunities.

Equity Market / New Issue Market **Headwinds**

- › On the heels of two consecutive months of month-over-month gains, the XBI and IBB fell -2.1% and -1.1%, respectively, during January, lagging broader market indices which were slightly positive for the month (*S&P 500, +1.6%; NASDAQ, +1.0%; DOW, +1.2%*). While some industry observers remain concerned about the biotech subsector's mild pullback during January in light of largely positive news across the sector (*e.g., a "re-opening" of the IPO market, strong follow-on market performance, and sustained M&A volume*), others remain convinced the subsector remains poised for outperformance relative to the broader US equity market over the near-term.
- › Although inflation rose at a more moderate pace than expected during December (*as measured by Core PCE, +2.9%, year-over-year vs. +3.0% cons.*), the Fed pushed back on the market's rate cut expectations during January's FOMC meeting. During a press conference at the end of the FOMC meeting, Chairman Powell said he viewed a March rate cut as unlikely. At the beginning of January, the market was pricing in a nearly 70% probability of a March rate cut. Now, the probability of a rate cut in March stands at 21%. Stocks responded to Powell's commentary by plunging into negative territory across the board (*S&P 500, -1.8%; NASDAQ, -2.2%; DOW, -0.8% on Jan. 31*). Even though the Fed futures market continues to price in up to six rate cuts during 2024, some fear that the Fed cutting rates below expectations could meaningfully disrupt equity markets and stanch the recovery of risk appetite within the biotech subsector.
- › Notwithstanding January's follow-on new issue market headline numbers, structuring terms for "micro-cap" issuers remained underwhelming during the first month of the year. <sup>(2)</sup> A case in point, 73% of offerings completed by "micro-cap" issuers featured warrant coverage in some capacity (*n = 24*), maintaining 2023's historic incidence of warrant coverage. However, post-offering performance for "micro-cap" issuers was, on average, slightly positive during January. Specifically, 55% of "micro-cap" offerings delivered positive offer-to-current returns during January 2024 - compared to 41% of "micro-cap" follow-on offerings completed during January 2023. <sup>(3)</sup> While some industry observers remain concerned about the persistent levels of "investor-friendly offering terms," others contend that improving post-offering performance of "micro-cap" offerings will eventually lead to meaningful reductions in the incidence of warrant coverage for smaller-cap issuers.

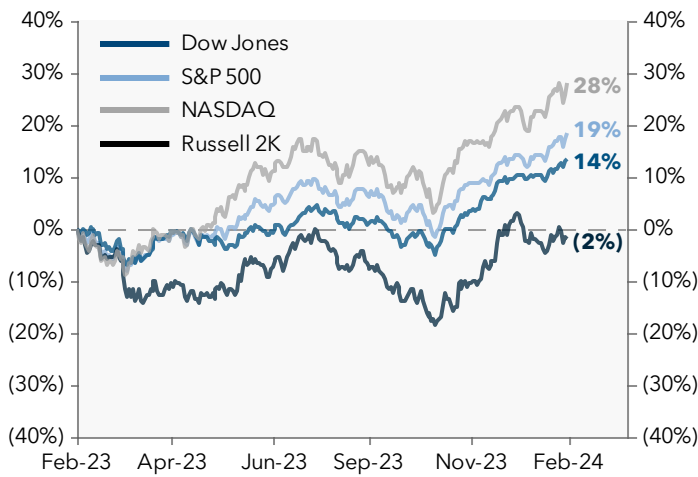
(1): Market data as of 4:00 PM on February 2, 2024, unless otherwise noted.

(2): "Micro-cap" issuers are defined as those with a fully-diluted pre-deal market capitalization less than \$150mm.

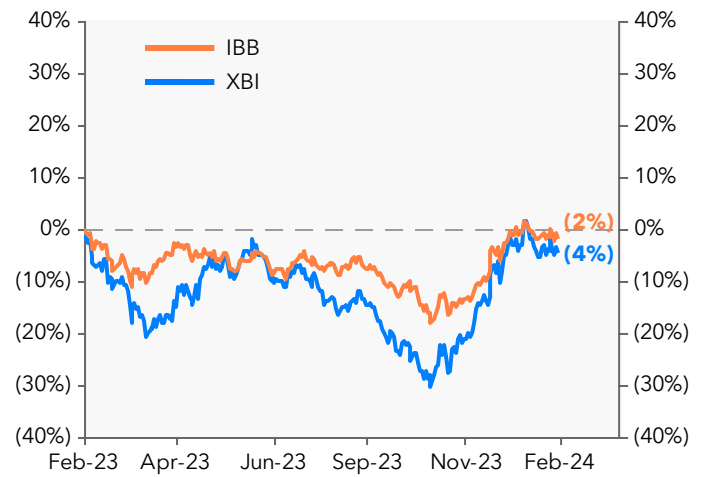
(3): Market data as of 4:00 PM on February 2, 2024, and 4:00 PM on January 31, 2023, respectively.

Sources: FactSet, Bloomberg, Brookline Capital Markets Investment Banking Data, US Food & Drug Administration Data, CME Group.

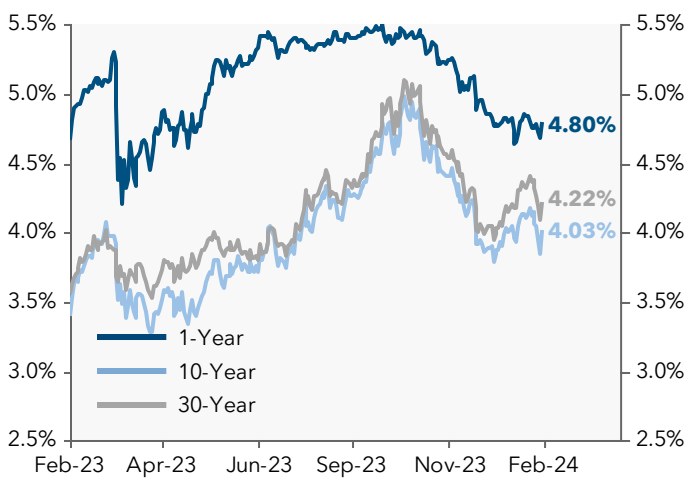
### General Indices Performance (Last 12-Months)



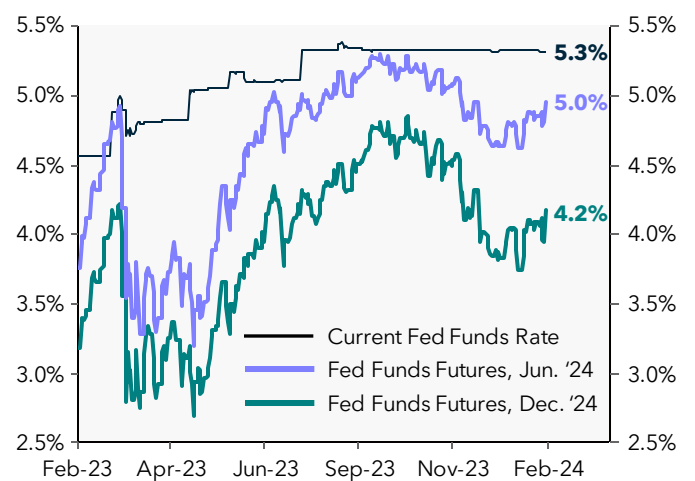
### XBI and IBB Performance (Last 12-Months)



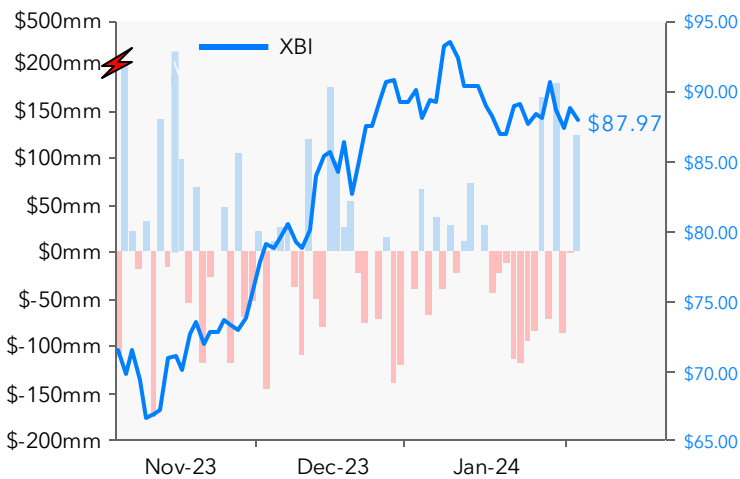
### U.S. Treasury Yields (Last 12-Months)



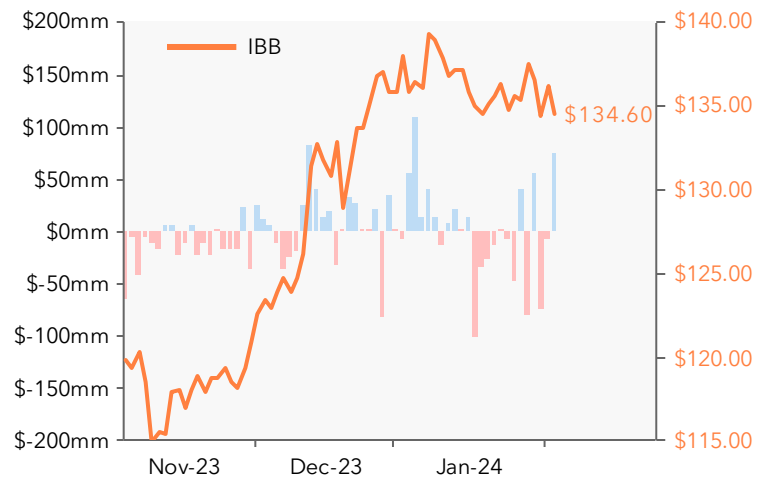
### Fed. Funds Rate & Futures (Last 12-Months)



### XBI Price & Weekly Fund Flows (Last 3-Months)

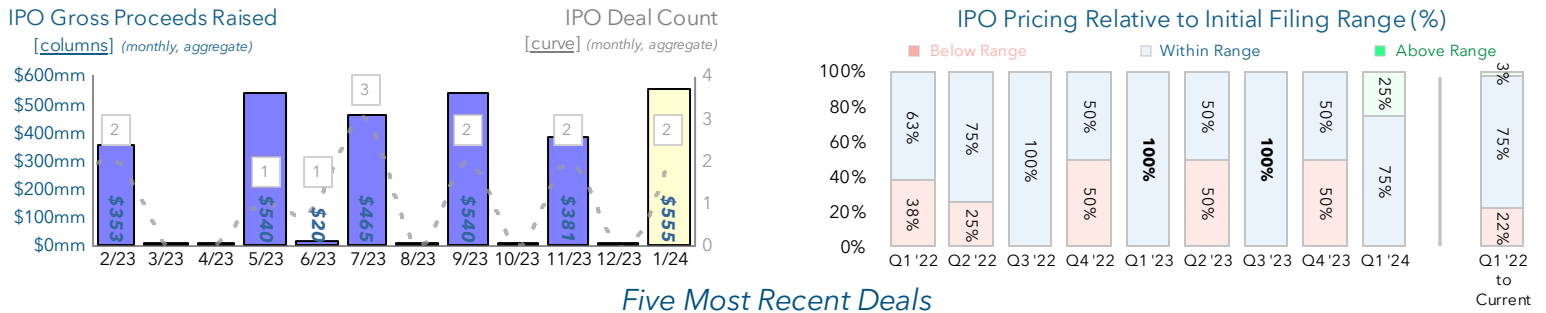


### IBB Price & Weekly Fund Flows (Last 3-Months)



Sources: FactSet, Bloomberg, Brookline Capital Markets Investment Banking Data, US Food & Drug Administration Data. Market data as of 4:00 PM on February 2, 2024, unless otherwise noted.

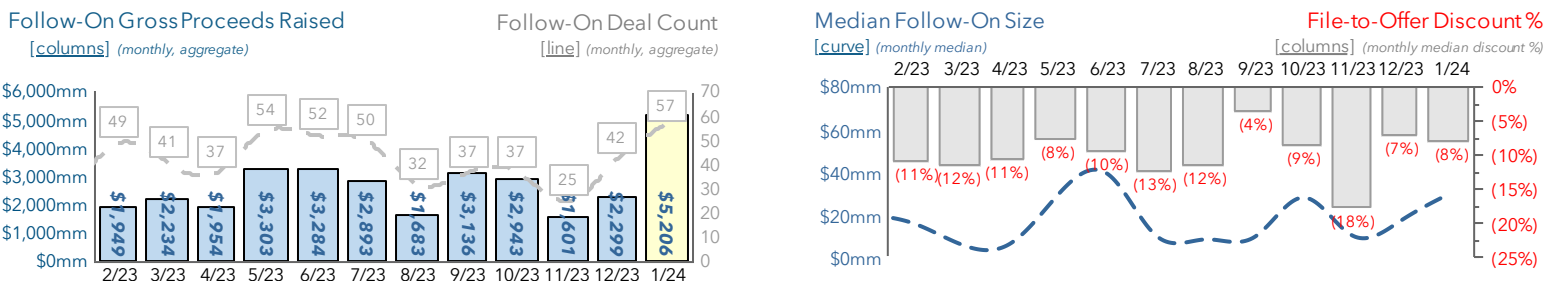
## IPO Market Activity - Life Sciences, Med. Tech., and Diagnostics (Last 12-Months)



### Five Most Recent Deals

Company	Ticker	Indication	Offer Date	Offer Price	Gross Proceeds Raised <sup>(1)</sup>	Pre-Money Equity Valuation <sup>(2)</sup>	Within Initial Range?	Disclosed Insider Part. (%)	% Change Offer / Current
Alto Neuroscience	ANRO	CNS (MDD / PTSD)	02-02-24	\$16.00	\$128.6mm	\$327.8mm	In Range	--	+29.4%
Fractyl Health	GUTS	Endocrinology (T2D / Obesity)	02-02-24	\$15.00	\$110.0mm	\$690.9mm	In Range	--	(14.3%)
ArriVent Biopharma	AVBP	Oncology (EGFR inhibitor)	01-26-24	\$18.00	\$175.0mm	\$435.4mm	In Range	--	+21.4%
CG Oncology	CGON	Oncology (Oncolytic Viral Immunotherapy)	01-25-24	\$19.00	\$380.0mm	\$911.7mm	Above	--	+88.5%
CARGO Therapeutics	CRGX	Oncology (next-gen CD22 CAR-T)	11-10-23	\$15.00	\$281.3mm	\$329.4mm	In Range	--	+56.7%

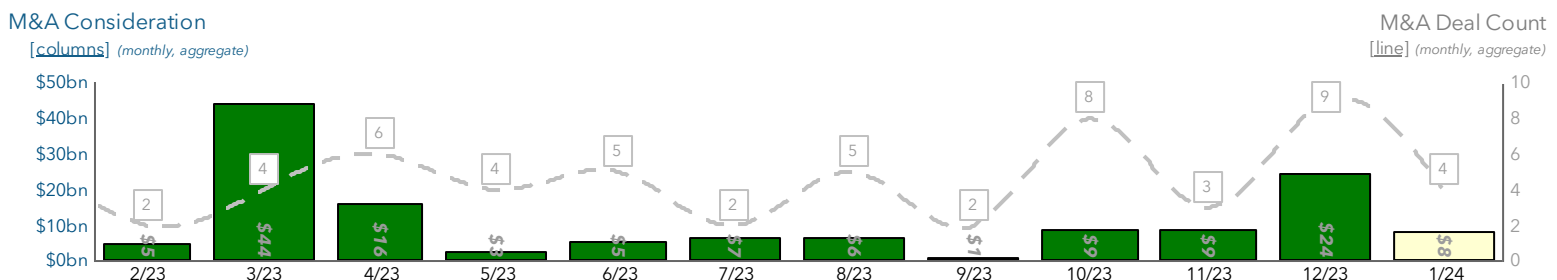
## Follow-On Market Activity - Life Sciences, Med. Tech., and Diagnostics (Last 12-Months)



### Five Largest Deals, January 2024

Company	Ticker	Indication	Offer Date	SEC Form	Offer Price	Gross Proceeds Raised <sup>(1)</sup>	Pre-Offer Market Cap <sup>(2)</sup>	% Chg. File / Offer	% Chg. Offer / Current
Vaxcyte	PCVX	Infectious Diseases (Pneumococcal Disease Vaccines)	01-31-24	CMPO	\$64.00	\$750.0mm	\$7,300.9mm	(5.0%)	+17.6%
Arrowhead Pharmaceuticals	ARWR	Infectious Diseases	01-03-24	R/D	\$28.50	\$450.0mm	\$3,358.7mm	(8.1%)	+12.1%
Dyne Therapeutics	DYN	Rare Diseases (DMD)	01-05-24	CMPO	\$17.50	\$300.1mm	\$949.0mm	+18.5%	+20.2%
Kymera Therapeutics	KYMR	Oncology (IRAK4 protein degrader)	01-05-24	CMPO	\$25.25	\$275.0mm	\$1,640.2mm	(7.2%)	+30.6%
Vera Therapeutics	VERA	Rare Diseases (IgAN)	01-30-24	CMPO	\$31.00	\$250.0mm	\$1,485.2mm	+2.7%	+26.3%

## M&A Activity - Life Sciences, Med. Tech., and Diagnostics (Last 12-Months)



Sources: Dealogic, FactSet Brookline Capital Markets Investment Banking Data.

(1) Excludes Shoe; (2) based on fully diluted shares outstanding immediately prior to offering.

Note: All IPOs with <\$10mm gross proceeds have been excluded. All acquisitions of private companies have been excluded. Includes life sciences, medical technology, and diagnostics companies.

Market data as of 4:00 PM on February 2, 2024, unless otherwise noted.

## Firm Overview

Brookline Capital Markets is a **premier healthcare-focused boutique investment bank** led by former executives of top Wall Street firms **focused on growth capital for private and public companies**



### Leadership With Decades of Industry Experience

Brookline prides itself on taking an advisor's mentality to the complexities facing life sciences, medical technology, and diagnostics companies in the capital markets



### Unique Distribution Network

We have a strong network of **difficult-to-reach fundamental investors** including **Family Offices, Ultra High Net Worth Individuals, and Industry Specialists**

## Selected Recent Transactions

 Ongoing Engagement Capital Markets Advisor	 Ongoing Engagement Capital Markets Advisor	 Ongoing Engagement Capital Markets Advisor	 Ongoing Engagement Capital Markets Advisor	 Ongoing Engagement Capital Markets Advisor	 \$7,000,000 PIPE Exclusive Placement Agent January 2024	 \$80,000,000 PIPE Financial Advisor January 2024	 \$69,000,000 IPO Co-Manager December 2023
 \$4,500,000 Follow-On Co-Manager December 2023	 \$6,750,000 Secondary Sale Introducing Agent December 2023	 \$60,000,000 IPO Co-Manager November 2023	 \$18,500,000 PIPE Co-Placement Agent October 2023	 Completed Engagement Capital Markets Advisor October 2023	 \$12,670,000 Secured Note Sole Placement Agent October 2023	 \$69,000,000 IPO Co-Manager October 2023	 \$67,100,000 PIPE Financial Advisor October 2023
 \$5,000,000 Registered Direct Financial Advisor September 2023	 \$4,500,000 Follow-On Co-Placement Agent September 2023	 \$4,750,000 Secured Convertible Promissory Note Co-Placement Agent September 2023	 \$3,100,000 Series A Co-Placement Agent September 2023	 FirstLight \$335,000,000 Merger Financial Advisor September 2023	 FirstLight \$25,000,000 Series B Placement Agent September 2023	 \$12,000,000 Registered Direct Co-Placement Agent August 2023	 \$75,000,000 IPO Co-Manager August 2023

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