

The Brookline Brief

Brookline Capital Markets

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

May 2024



Equity Market / New Issue Market **Tailwinds**

- › Notwithstanding recent setbacks in the follow-on and IPO markets for the life sciences-, med. tech.-, and diagnostics-focused subsegments of the market, industry observers remain encouraged about overall activity within each respective market during 2024 YTD. Currently, follow-on activity within the subsector is 1.4x and 2.4x higher than 2023 YTD by deal count and aggregate gross proceeds raised (*prior to overallocments, where applicable*), respectively. In addition, overall post-offering performance has improved compared to this point last year. A case in point, 41% of follow-on offerings have yielded positive offer-to-current returns vs. 33% at this point during 2023. Similarly, in the IPO market, activity is 2.7x and 3.8x higher than 2023 YTD by deal count and aggregate gross proceeds raised (*prior to overallocments, where applicable*), respectively.
- › "Tranched" follow-on financings (*i.e., follow-on offerings with warrant coverage structured around specified clinical, regulatory, and / or commercial milestones*) continue to serve as viable conduits for smaller-cap issuers and continue to offer the potential of meaningfully exceeding the typical follow-on raise for such issuers in 2024. ⁽¹⁾ During 2024 YTD, there have been 12 "tranching" deals completed by "micro-cap" issuers. On average, "tranching" deals have raised \$32.7mm upfront with \$60.6mm potential additional proceeds available upon the exercise of one or more subsequent warrant "tranches" resulting in average total potential gross proceeds of \$113.1mm (*median basis*). Both the upfront and total potential gross proceeds figures represent significant increases versus the \$8.0mm average gross proceeds raised by "micro-cap" issuers during 2024 YTD (*median basis*). In addition, "tranching" financings have generated stronger post-offering returns when compared to other transactions that featured some degree of warrant coverage, with an average offer-to-current return 34.1 percentage-points higher than all other deals with warrant coverage (*median basis*).
- › The pace of M&A activity within the life sciences-, med. tech.-, and diagnostics-focused subsegments of the market remained robust through the first four full months of 2024, with April's M&A activity (*which featured the acquisitions of ALPN and DCPH by VRTX and Ono for \$4.9 bn and \$2.4bn, respectively*) bringing total public company M&A activity in 2024 YTD to \$37.5bn as of the end of this past month. Though some have noted that the volume (*deal count*) of public company M&A activity in 2024 YTD is lower compared to this point last year, others remain encouraged that overall M&A capital deployed through the first 4 months of this year remains comfortably ahead of 2023 YTD entering May 1st (*after excluding the blockbuster \$43.1bn PFE / SGEN deal in March 2023*).

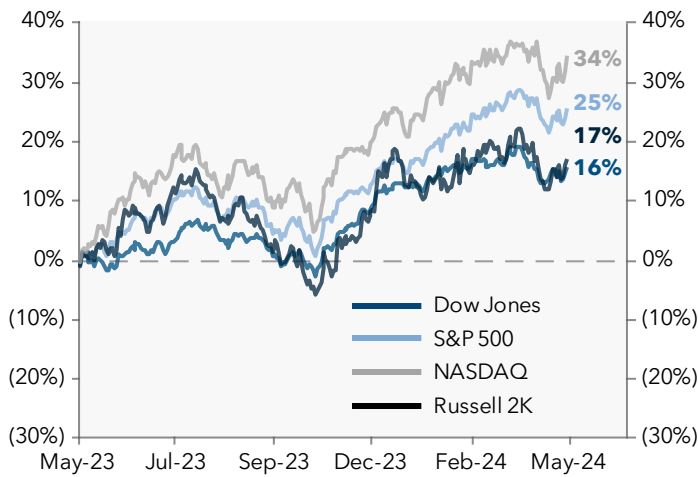
Equity Market / New Issue Market **Headwinds**

- › April marked the first month-over-month decline for the S&P 500, DOW and NASDAQ since October 2023 and represented the XBI and IBB's worst monthly performances since April 2022. Markets suffered following March 2024's hotter-than-expected CPI print (+3.5% year-over-year vs. +3.4% cons.), which marked the fourth consecutive hotter-than-expected CPI readout in 2024. In response, US equity benchmark averages slumped during the final three weeks of this past month and posted negative monthly returns (S&P 500, -4.2%; NASDAQ, -4.4%; DOW, -5.0%; Russell 2K, -7.1%), with biotech sector-tracking ETFs declining even more severely (XBI, -10.8%; IBB, -7.5%). In addition, Fed Futures Markets nearly eliminated the implied likelihood of a rate cut at next month's FOMC meeting on June 11th and 12th. Prior to last month's CPI reading on April 10th, Fed Futures Markets had been pricing in a 53% chance of a June rate cut - now, however, that figure stands at just 8%. Following the April 2024 FOMC meeting, Chairman Powell further tempered investor expectations, saying in a press conference that the central bank would likely require additional time to gain the confidence that inflation is at a comfortable level for the Fed to begin cutting rates. Currently, consensus expectations (*as measured by the CME Group's analysis of Fed Futures Markets*) indicate a potential 25bp reduction of the target FFR at the Fed's September FOMC meeting, followed by another one-two 25bp rate cut(s) before the end of CY 2024 (*versus six to seven cuts throughout 2024 at the beginning of the year*).
- › April represented the slowest month in the follow-on market for the life sciences-, med. tech.-, and diagnostics-focused subsegments during 2024 YTD by deal volume (*count*) as well as aggregate gross proceeds raised (*prior to overallocments where applicable*). During this past month, 52 deals priced raising \$2.8bn in aggregate gross proceeds raised, with each figure marking year-to-date monthly lows and breaking a three-month streak of at least \$5.0bn raised each month since the start of the year. Nevertheless, optimists remain encouraged by the overall tenor of the follow-on new issue market through the first third of the year, as evidenced by the fact that the first four months of 2024 featured over 200 follow-on offerings for the first time since 2021.
- › The IPO market for life sciences-, med. tech.-, and diagnostics-focused companies remained relatively sluggish during April. Contineum Therapeutics' (NASDAQGM: CTNM) \$110mm IPO represented the only successful IPO debut to price within the subsector during the month and marked just the eighth addition to the IPO class of 2024. Though some were encouraged that the IPO window remained "open" to some extent during April, others expressed concern that CTNM's offering was downsized from its original expected size of \$150mm (*decreasing the shares offered from 8.8mm shares to 6.9mm shares*). In addition, others noted that post-IPO performance across the IPO Class of 2024 soured during April, with post-IPO returns averaging just -20.7% as of the close of trading on May 3rd (*median basis*) and just one of 2024's eight IPO new entrants trading above IPO issue price entering the middle third of the year (CGON, +115.8%). Since the completion of Contineum's offering, no issuers within the subsector have publicly filed for an IPO.

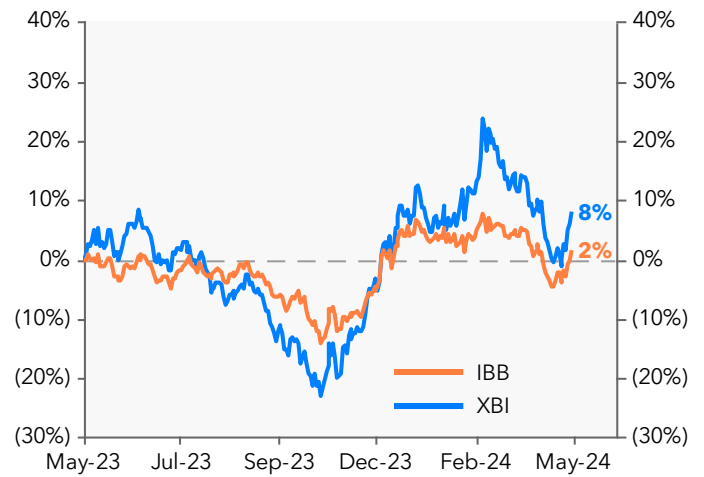
(1): "Micro-cap" issuers are defined as those with a fully-diluted pre-deal market capitalization less than \$150mm.

Sources: FactSet, Bloomberg, Brookline Capital Markets Investment Banking Data, US Food & Drug Administration Data, CME Group.
Market data as of 4:00 PM on May 3, 2024, unless otherwise noted.

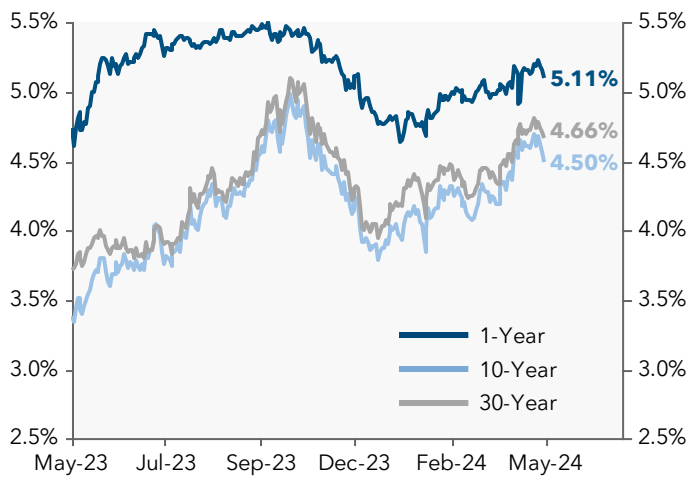
General Indices Performance (Last 12-Months)



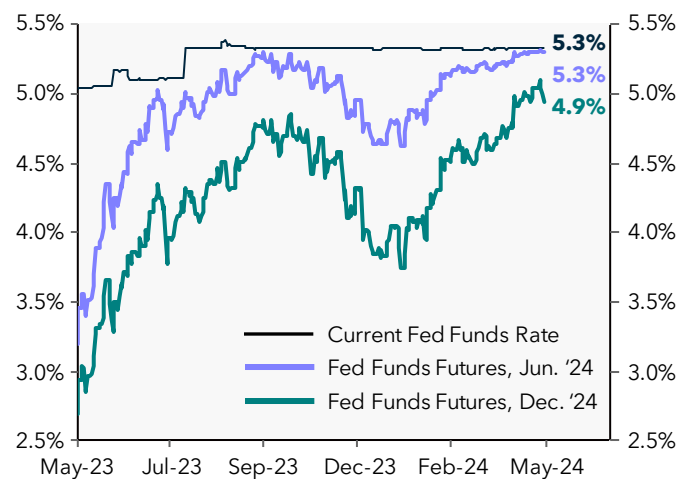
XBI and IBB Performance (Last 12-Months)



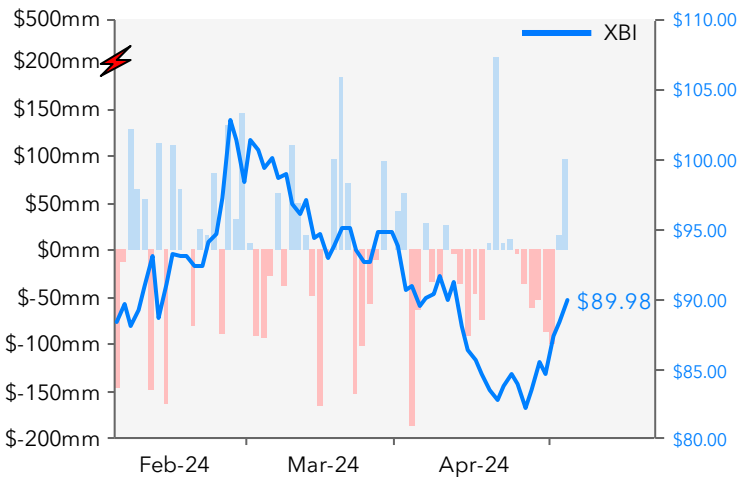
U.S. Treasury Yields (Last 12-Months)



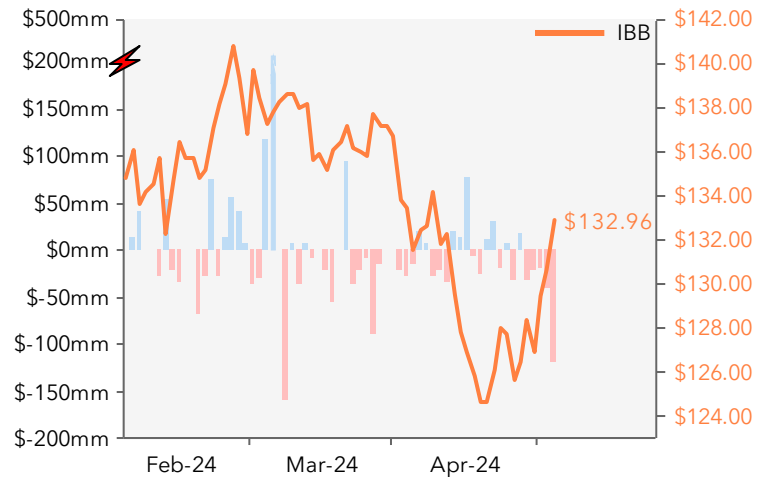
Fed. Funds Rate & Futures (Last 12-Months)



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

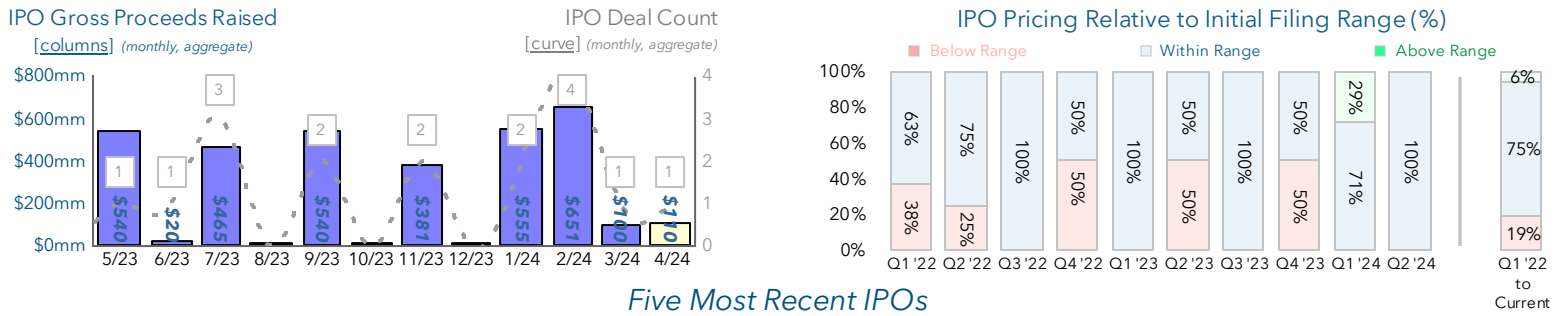


IBB Price & Weekly Fund Flows (Last 3-Months)



Sources: FactSet, Bloomberg, Brookline Capital Markets Investment Banking Data, US Food & Drug Administration Data. Market data as of 4:00 PM on May 3, 2024, unless otherwise noted.

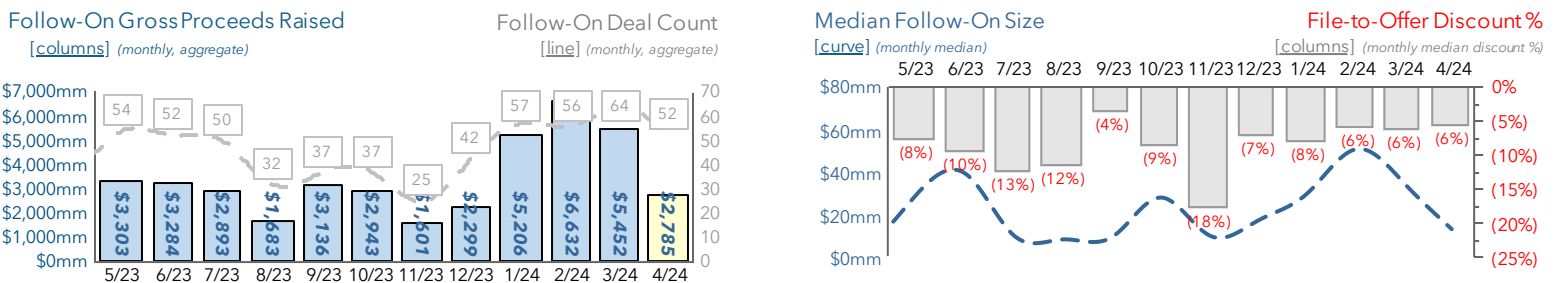
IPO Market Activity - Life Sciences, Med. Tech., and Diagnostics (Last 12-Months)



Five Most Recent IPOs

| Company | Ticker | Indication | Offer Date | Offer Price | Gross Proceeds Raised ⁽¹⁾ | Pre-Money Equity Valuation ⁽²⁾ | Within Initial Range? | Disclosed Insider Part. (%) | % Change Offer / Current |
|------------------------|--------|---|------------|-------------|--------------------------------------|---|-----------------------|-----------------------------|--------------------------|
| Contineum Therapeutics | CTNM | Neuroinflammatory (LPA1R antagonist) | 04-05-24 | \$16.00 | \$110.0mm | \$350.0mm | In Range | -- | (1.8%) |
| Boundless Bio | BOLD | Oncology (Oncogene amplified cancers / ecDNA) | 03-28-24 | \$16.00 | \$100.0mm | \$295.8mm | In Range | -- | (27.3%) |
| Metagenomi | MGX | Gene Therapy (Metagenomics platform) | 02-09-24 | \$15.00 | \$93.8mm | \$469.2mm | In Range | -- | (49.8%) |
| Kyverna Therapeutics | KYTX | Autoimmune Diseases (CD19 CAR-T) | 02-08-24 | \$22.00 | \$319.0mm | \$652.3mm | Above | -- | (29.7%) |
| Alto Neuroscience | ANRO | CNS (MDD / PTSD) | 02-02-24 | \$16.00 | \$128.6mm | \$327.8mm | In Range | 8% | (11.4%) |

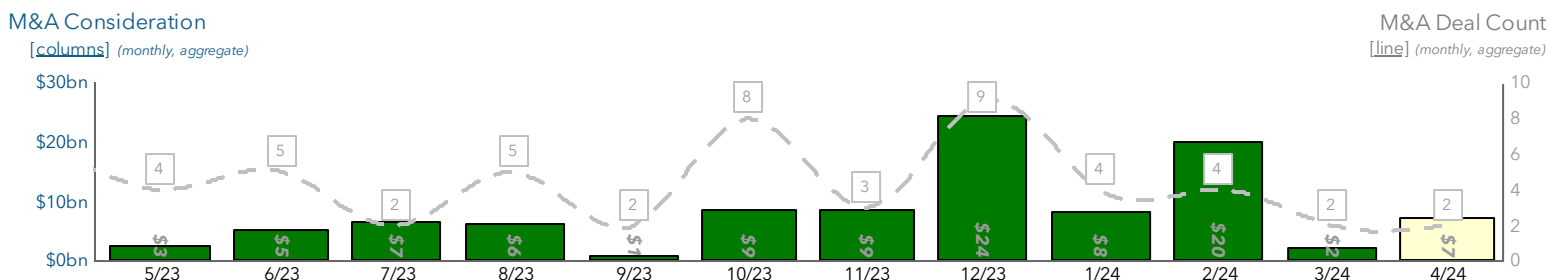
Follow-On Market Activity - Life Sciences, Med. Tech., and Diagnostics (Last 12-Months)



Five Largest Follow-Ons, April 2024

| Company | Ticker | Indication | Offer Date | SEC Form | Offer Price | Gross Proceeds Raised ⁽¹⁾ | Pre-Offer Market Cap ⁽²⁾ | % Chg. File / Offer | % Chg. Offer / Current |
|--------------------------|--------|---------------------------------|------------|----------|-------------|--------------------------------------|-------------------------------------|---------------------|------------------------|
| Intra-Cellular Therapies | ITCI | CNS (Schizophrenia) | 04-18-24 | S-3 | \$73.00 | \$500.0mm | \$7,913.8mm | (8.6%) | (5.8%) |
| Cullinan Therapeutics | CGEM | Oncology (EGFR inhibitor) | 04-16-24 | PIPE | \$19.00 | \$280.0mm | \$717.3mm | +14.8% | +48.9% |
| Cidara Therapeutics | CDTX | Infectious Diseases | 04-25-24 | PIPE | \$14.20 | \$240.0mm | \$59.1mm | +15.5% | (11.9%) |
| New Biohaven (2022) | BHVN | CNS (Kv7 ion channel activator) | 04-18-24 | S-3 | \$41.00 | \$230.0mm | \$3,967.4mm | (6.9%) | (0.8%) |
| Nurix Therapeutics | NRIX | Oncology (B-Cell Malignancies) | 04-12-24 | S-3 | \$15.00 | \$175.0mm | \$966.7mm | (12.8%) | (14.8%) |

M&A Activity - Public Life Sciences, Med. Tech., and Diagnostics (Last 12-Months) ⁽³⁾



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

(1) Excludes Shoe; (2) based on fully diluted shares outstanding immediately prior to offering; (3) Excludes all acquisitions of private companies.

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 May 3, 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 underwriting and growth capital for private and public companies** with a full suite of advisory capabilities



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

| | | | | | | | |
|--|--|--|---|---|---|--|---|
| Biopharmaceuticals Company Ongoing Engagement Capital Markets Advisor | Biopharmaceuticals Company Ongoing Engagement Capital Markets Advisor | Biopharmaceuticals Company Ongoing Engagement Capital Markets Advisor | Specialty Pharma Company Ongoing Engagement Capital Markets Advisor | CYCLACEL \$8,000,000 PIPE Financial Advisor April 2024 | Adial Completed Engagement Capital Markets Advisor April 2024 | Aquestive Completed Engagement Capital Markets Advisor April 2024 | Rallybio \$6,600,000 PIPE Financial Advisor April 2024 |
| ANTHROPIC Undisclosed Secondary Sale Introducing Agent April 2024 | CARMELL \$3,000,000 PIPE Exclusive Placement Agent April 2024 | CERVOMED \$50,000,000 PIPE Financial Advisor March 2024 | Aquestive \$75,000,000 Follow-On Financial Advisor March 2024 | DT DE CLONIS ACQUISITION CORPORATION \$69,000,000 IPO Sole Bookrunner February 2024 | IMUNON Completed Engagement Capital Markets Advisor January 2024 | WAVE AEROSPACE \$1,100,000 Series A Placement Agent January 2024 | Scientific Industries, Inc. \$7,000,000 PIPE Exclusive Placement Agent January 2024 |
| Immunic Therapeutics \$80,000,000 PIPE Financial Advisor January 2024 | IRON HORSE ACQUISITIONS \$69,000,000 IPO Co-Manager December 2023 | iBio \$4,500,000 Follow-On Co-Manager December 2023 | CoreWeave \$6,750,000 Secondary Sale Introducing Agent December 2023 | AI TRANSPORTATION \$60,000,000 IPO Co-Manager November 2023 | LungTherapeutics \$18,500,000 PIPE Co-Placement Agent October 2023 | HEPION PHARMACEUTICALS Completed Engagement Capital Markets Advisor October 2023 | CIRCULOGENE THERANOSTICS \$12,670,000 Secured Note Sole Placement Agent October 2023 |

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