

The Brookline Brief

Brookline Capital Markets

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

September 2024



Equity Market / New Issue Market **Tailwinds**

- Sector-tracking ETFs posted modestly positive returns during August, with the XBI and IBB delivering month-over-month returns of +2.2% and +0.1%, respectively. In addition, August marked the fourth consecutive month of month-over-month gains for both the XBI and the IBB - the first such occurrence since October 2020 to January 2021 for the XBI and May 2018 to August 2018 for the IBB. Furthermore, the XBI concluded this past month with 10 consecutive closes north of the \$100 mark (*August 19th to August 30th*) - surpassing the total number of ">\$100 closes" set during all of 2024 YTD heading into August (*n=9 >\$100 closes at July 31st*). Though some remain cautious on the durability of the recent 4-plus month sector-wide rally, others remain sanguine on the prospects for continued sector-wide outperformance heading into the final 4 months of the year and the first Fed Funds Target Rate cut decision (*expected to occur following the conclusion of the next FOMC meeting on September 18th*).
- Follow-on new issue activity within the life sciences-, med. tech.-, and diagnostics-focused subsegments rebounded significantly during August, tallying 34 deals that raised a combined total of \$1.3bn in aggregate gross proceeds (*prior to overallocments, where applicable*). On a month-over-month basis, follow-on activity in August represented upticks of +17% and +44% in terms of follow-on volume (*deal count*) and overall combined proceeds raised, respectively (*the largest and second-largest month-over-month increases, respectively, during all of 2024 YTD*). Though some observers viewed the recovery in follow-on activity during August as somewhat inevitable in the wake of July's sluggish performance (*\$897mm raised via 29 deals - the worst monthly figures since November 2023 and February 2022, respectively*), others viewed the August uptick as a meaningful signal of the resilience of investor risk appetite. A case in point, August 2024 represented just the third instance of an August improvement in month-over-month follow-on volume (*deal count*) since 2018 and just the second instance of an August improvement in month-over-month proceeds raised since 2018.
- August marked the third consecutive with at least one IPO throughout the life sciences-, med. tech.-, and diagnostics-focused subsegments, with Actuate Therapeutics (*NASDAQCM: ACTU*) completing its public debut on August 13th and raising \$22.4mm in aggregate gross proceeds (*prior to overallocment*). Though some were quick to dismiss the significance of Actuate's debut following the downsizing of the transaction from its originally intended \$50mm raise, others noted that Actuate marked the first debut within the sector during the month of August in over 3 years - potentially indicating a recovery in sector-wide IPO appetite heading into the Fall. In addition, post-IPO performance throughout the IPO Class of 2024 (*n=13*) continued to recover this past month, with average offer-to-current returns climbing to -4% on a median basis as of August 30th (*versus -23% as of July 31st*).

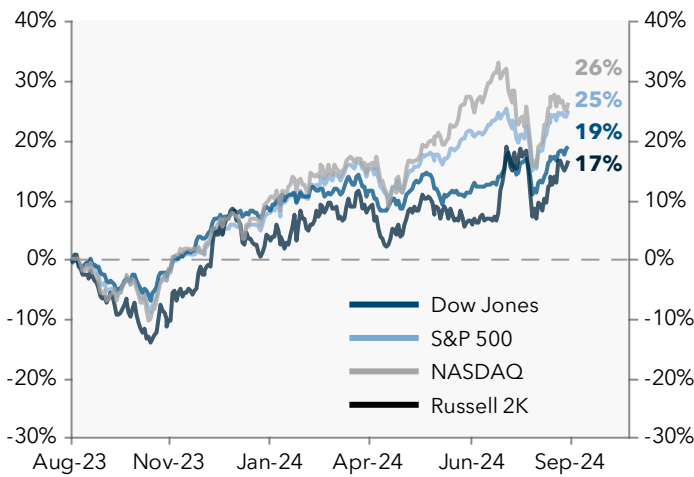
Equity Market / New Issue Market **Headwinds**

- Even as total aggregate gross proceeds raised via follow-on offerings in 2024 YTD comfortably exceeded 2023 on a year-over-year basis as of the end of this past month (*\$29.8bn as of August 31st, 2024 vs. \$19.3bn as of August 31st, 2023*), sector-dedicated investors as well as generalists continued to express concern regarding both the magnitude and prevalence of cash runway overhang issues persisting within certain subsegments of the public company universe. Specifically, Brookline's analysis found that as of the end the 2 most recently completed quarterly reporting periods, a total of 34% and 33% of all public companies within sector reported cash balances equating to 4 or fewer quarters of cash runway, respectively. In addition, Brookline's analysis found that follow-on offerings completed by issuers with fewer than 4 quarters of cash-on-hand at the time the offering yielded just \$5.3mm in average aggregate gross proceeds (*compared to \$100.0mm for deals by all other issuers*) and were completed at average discounts of -10% (*compared to -0.5% for deals by all other issuers*). Though some maintain that the strength and durability of the follow-on market in 2024 YTD will eventually lead to a trickle-down effect - by which a sizable portion of those within the cash-constrained public company universe may rectify persistent cash overhang concerns - others remain skeptical that the defining "haves vs. have nots" dynamic in the follow-on new issue marketplace will persist for the foreseeable future.
- The follow-on capital-raising environment for "micro-cap" issuers within the sector remained challenging during this past month, with just 22 total deals raising a combined total of \$204.8mm in aggregate gross proceeds, prior to overallocments (*down -29% and -63% relative to mean monthly "micro-cap" follow-on deal volume and combined proceeds raised of 31 and \$558mm, respectively, during 2024 YTD*). ⁽¹⁾ In addition, 77% of "micro-cap" follow-ons completed this past month featured warrant coverage in some capacity (*vs. 68% for all "micro-cap" follow-ons completed between January and July of this year*). Notwithstanding outlier transactions in the "micro-cap" subsegment of the market (*such as TENX's \$100.0mm PIPE on August 6th with a \$5.7mm pre-deal market cap*), some industry observers remain concerned that onerous terms for "micro-cap" issuers could persist heading into Q4 2024.
- Despite August's relative rebound in follow-on activity within the life sciences-, med. tech.-, and diagnostics-focused subsegments of the market, some industry observers have expressed concern around the relative lack of activity during Q3 compared to Q1 and Q2 of this year. Through the first two months of Q3 2024, issuers have completed 63 offerings and raised \$2.2bn in aggregate gross proceeds (*prior to overallocments, where applicable*). For comparison, through the first two months of Q1 and Q2 of this year, follow-on volume totaled 120 and 105 deals, respectively, and issuers raised \$12.5bn and \$7.4bn in aggregate gross proceeds, respectively (*prior to overallocments, where applicable*). Although some contend that the lack of activity during Q3 could be the result of decreased investor demand for follow-on offerings in recent months (*particularly in light of the XBI's recent positive performance*), others argue that the supply of issuers requiring follow-on capital may have decreased in recent months as a result of Q1 and Q2's elevated follow-on activity.

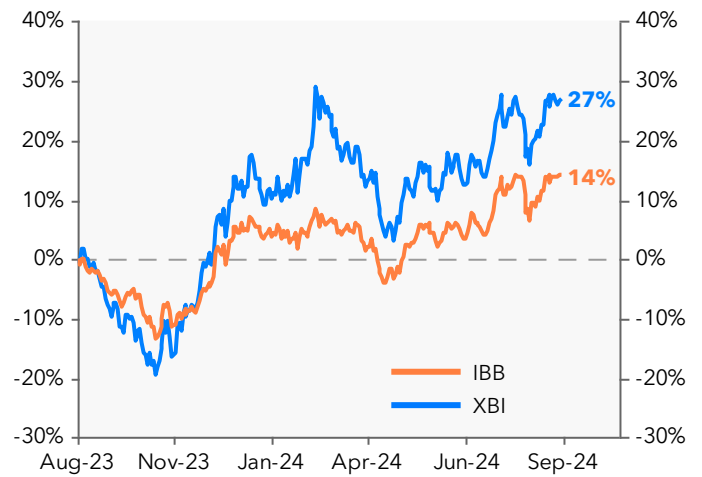
(1): "Micro-cap" issuers are defined as those with a fully-diluted pre-deal market capitalization less than \$150mm.

Sources: FactSet, Bloomberg, Brookline Capital Markets Investment Banking Data, US Food & Drug Administration Data, CME Group.
Market data as of 4:00 PM on August 30, 2024, unless otherwise noted.

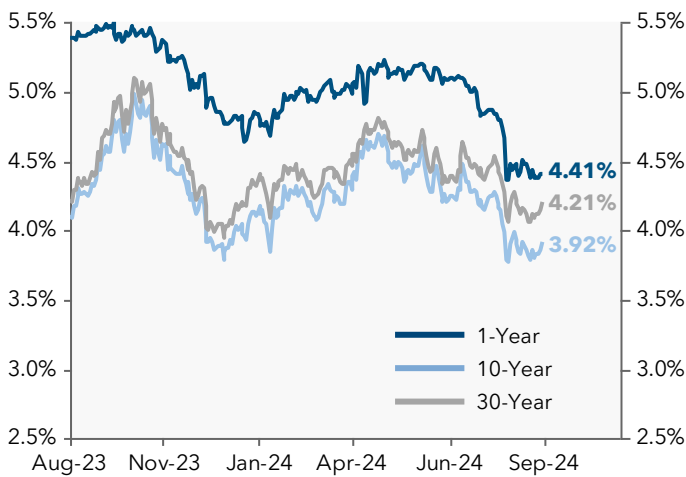
General Indices Performance (Last 12-Months)



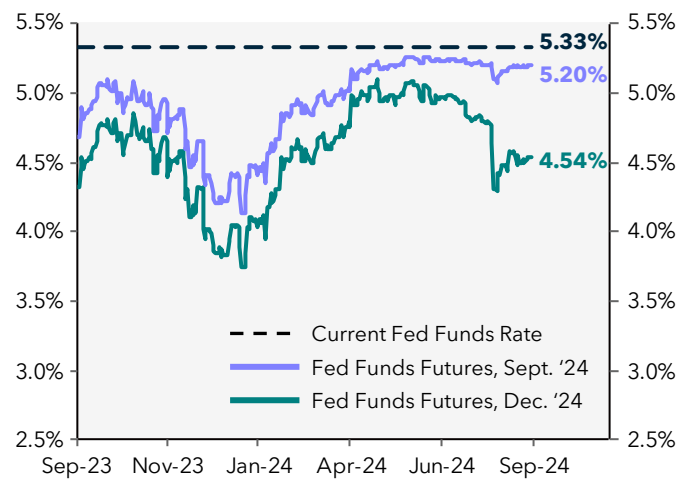
XBI and IBB Performance (Last 12-Months)



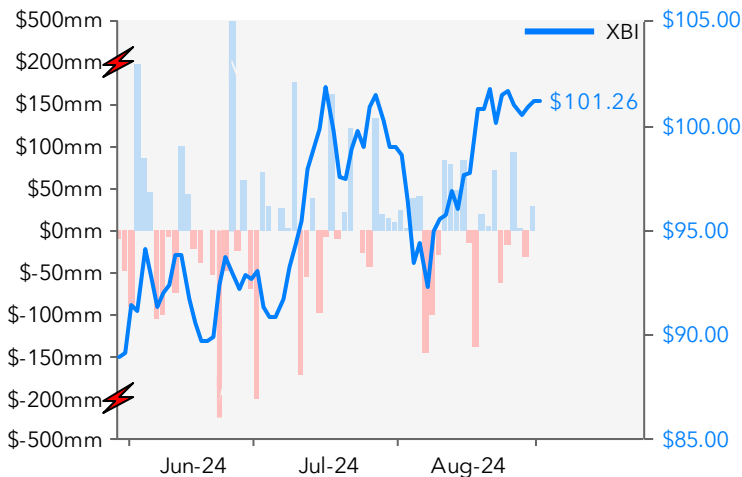
U.S. Treasury Yields (Last 12-Months)



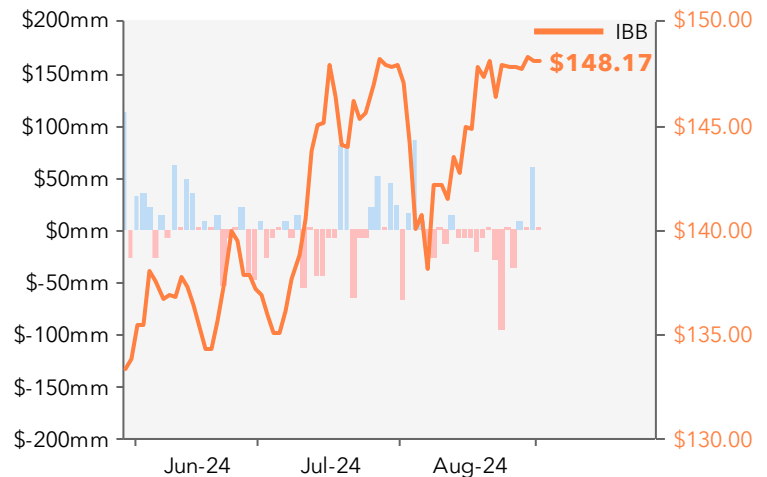
Fed. Funds Rate & Futures (Last 12-Months)



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

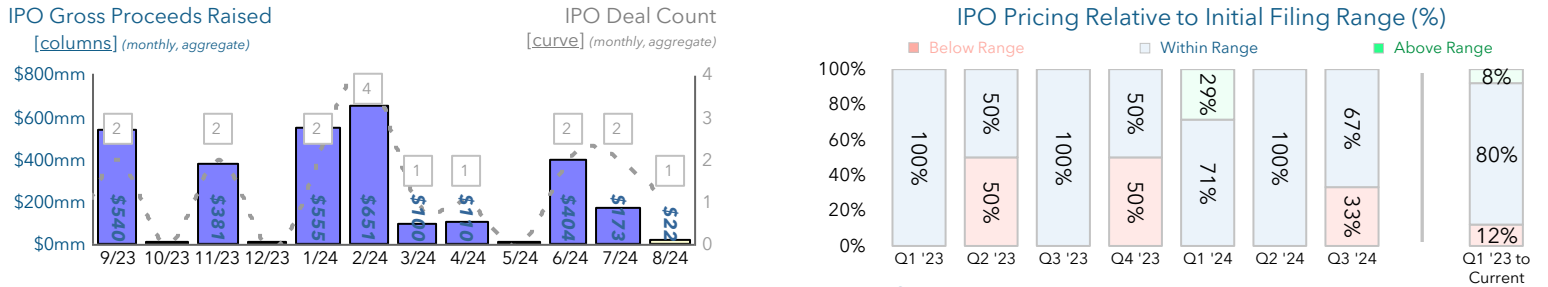


IBB Price & Weekly Fund Flows (Last 3-Months)



Sources: FactSet, Bloomberg, Brookline Capital Markets Investment Banking Data, US Food & Drug Administration Data. Market data as of 4:00 PM on August 30, 2024, unless otherwise noted.

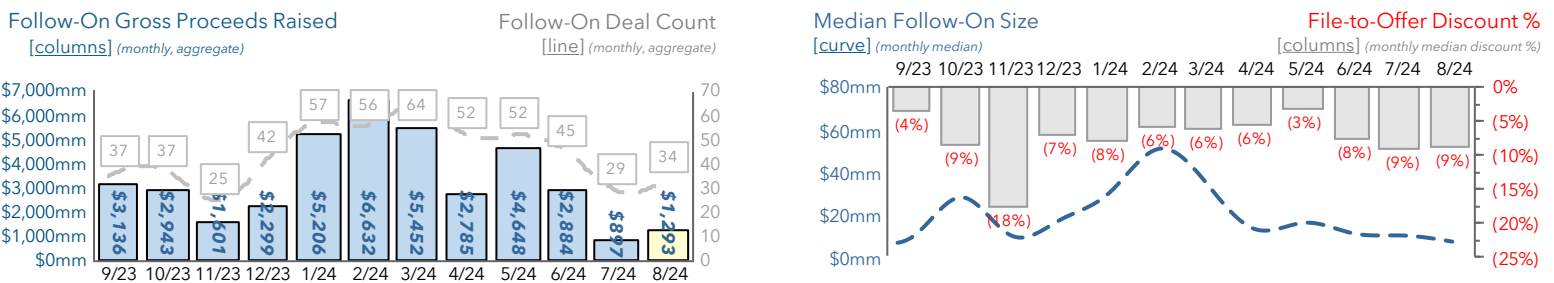
IPO Market Activity - Life Sciences, Med. Tech., and Diagnostics (Last 12-Months)



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
Actuate Therapeutics	ACTU	Oncology (GSK-3β)	08-13-24	\$8.00	\$22.4mm	\$132.5mm	In Range	18%	+0.6%
OS Therapies	OSTX	Oncology (Osteosarcoma)	07-31-24	\$4.00	\$6.4mm	\$75.9mm	In Range	23%	+3.5%
Artiva Biotherapeutics	ARTV	Immunology (NK Cell Therapies)	07-19-24	\$12.00	\$167.0mm	\$122.8mm	Below	--	(3.8%)
Alumis	ALMS	Immunology (TYK2)	06-28-24	\$16.00	\$250.0mm	\$634.1mm	In Range	16%	(20.6%)
Rapport Therapeutics	RAPP	CNS (Receptor-Associated Proteins)	06-07-24	\$17.00	\$154.0mm	\$479.4mm	In Range	12%	+27.9%

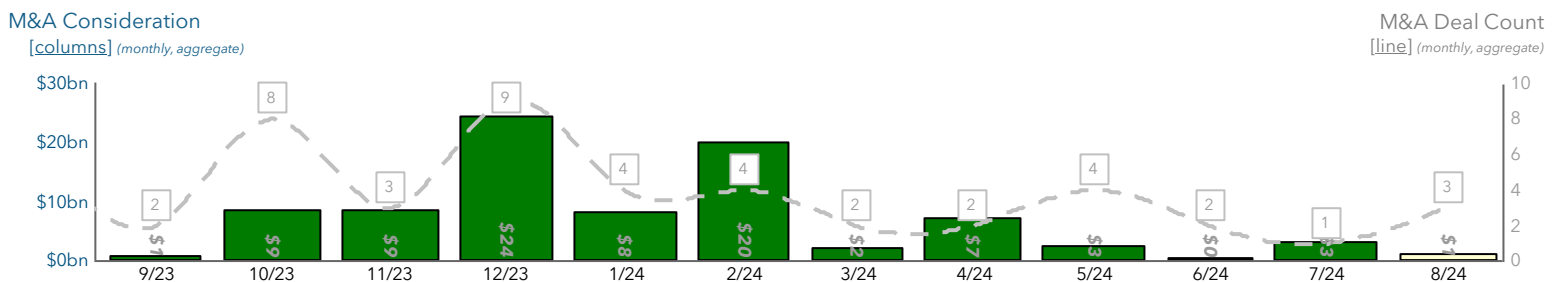
Follow-On Market Activity - Life Sciences, Med. Tech., and Diagnostics (Last 12-Months)



Five Largest Follow-Ons, August 2024

Company	Ticker	Indication	Offer Date	Deal Type	Offer Price	Gross Proceeds Raised ⁽¹⁾	Pre-Offer Market Cap ⁽²⁾	% Chg. File / Offer	% Chg. Offer / Current
Avidity Biosciences	RNA	Rare Diseases (Myotonic Dystrophy Type 1)	08-15-24	CMPO	\$41.00	\$300.1mm	\$5,696.2mm	(8.9%)	+7.3%
Kymera Therapeutics	KYMR	Immunology (IRAK4)	08-20-24	CMPO	\$40.75	\$225.0mm	\$3,386.1mm	(8.5%)	+18.7%
Phathom Pharmaceuticals	PHAT	GI Diseases (GERD)	08-19-24	R/D	\$11.50	\$130.0mm	\$742.6mm	(7.6%)	+43.7%
AnaptysBio	ANAB	Immunology (AD)	08-14-24	R/D	\$36.50	\$100.4mm	\$964.1mm	+9.5%	+4.4%
Tenax Therapeutics	TENX	Cardiovascular Diseases	08-06-24	PIPE	\$3.00	\$100.0mm	\$5.7mm	+2.7%	+33.0%

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: IPOs with <\$10mm gross proceeds have been excluded, unless otherwise noted. Includes life sciences-, medical technology-, and diagnostics-focused issuers.

Market data as of 4:00 PM on August 30, 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

 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	 Ongoing Engagement Capital Markets Advisor	 Ongoing Engagement Capital Markets Advisor	 Completed Engagement Capital Markets Advisor August 2024
 Completed Engagement Capital Markets Advisor August 2024	 \$6,400,000 IPO Sole Bookrunner July 2024	 \$10,000,000 Registered Direct Co-Placement Agent July 2024	 \$5,000,000 Registered Direct Co-Placement Agent June 2024	 \$110,000,000 Merger Financial Advisor June 2024	 \$8,000,000 PIPE Financial Advisor April 2024	 Completed Engagement Capital Markets Advisor April 2024	 Completed Engagement Capital Markets Advisor April 2024
 \$6,600,000 PIPE Financial Advisor April 2024	 Undisclosed Secondary Sale Introducing Agent April 2024	 \$3,000,000 PIPE Exclusive Placement Agent April 2024	 \$50,000,000 PIPE Financial Advisor March 2024	 \$75,000,000 Follow-On Financial Advisor March 2024	 \$69,000,000 IPO Sole Bookrunner February 2024	 Completed Engagement Capital Markets Advisor January 2024	 \$1,100,000 Series A Placement Agent January 2024

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