

The Brookline Brief

Brookline Capital Markets

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

November 2024



Equity Market / New Issue Market **Tailwinds**

- US equity markets delivered an overwhelmingly positive response to Donald Trump's election as the 47th President of the United States and the announcement of an additional quarter-point cut to the target Fed Funds Rate by the FOMC this past week (*bringing the current target FFR to 4.50% to 4.75%*). Specifically, the S&P 500, Dow, and Russell 2000 climbed +4.7%, +4.6%, and +8.6%, respectively, this past week - representing the strongest calendar week returns for these major US equity benchmarks during all of 2024 YTD. Also of note, biotech sector-tracking ETFs also rallied last week, with the XBI closing this past Friday at \$104.18 (*its highest level since Jan. 6, 2022*) and the IBB closing this past Friday at \$148.85 (*only 0.4% shy of its best close since Jan. 3, 2022*), representing weekly gains of +4.9% and +4.3%, respectively. As markets continue to digest the implications of turnovers in the White House and the US Congress in early 2025, many remain hopeful that a potentially more business-friendly regulatory atmosphere - combined with the continuation of Federal Reserve interest rate policy moderation over the near- to medium-term - will augur well for small- and mid-cap public companies in 2025 and beyond.
- October marked the second consecutive month with 4 IPOs across the life sciences-, med. tech.-, and diagnostics-focused subsegments, with the IPO Class of 2024 YTD welcoming first-time issuers CAMP, CBLL, SEPN, and UPB over the past several weeks. Together, October's quartet of new entrants raised just under \$800mm in combined aggregate gross proceeds (*prior to overallocments, where applicable*) - marking the second-best month of IPO issuance this year in terms of combined proceeds raised (*trailing only September, which tallied \$912mm in combined proceeds raised*). Of note, October's IPO activity also represented the first instance of back-to-back calendar months with at least 4 IPOs since October and November 2021 and the first instance of consecutive months with at least \$700mm in combined IPO proceeds raised since September and October 2021. Though some contend that the "IPO window" remains largely closed to prospective issuers without "blue chip" institutional support and/or strong insider participation, others have argued that recent improvements to IPO post-offering performance is poised to reignite IPO appetite heading into the new year (*as evidenced by the fact that 3 of this past month's 4 IPOs traded up post-offering, averaging an offer-to-current return of +49% on a median basis as of Monday night's close*).
- M&A activity rebounded during October with the announcement of Lundbeck's proposed acquisition of Longboard Pharmaceuticals (NASDAQGM: LBPH) for \$2.5bn on October 14th. The deal marked the first \$1bn+ acquisition of a public life sciences, med. tech., or diagnostics company since Lilly's acquisition of Morphic for \$2.2bn in July. In addition, AbbVie also announced the acquisition of privately-held Aliada Therapeutics for \$1.4bn on October 28th, representing the first \$1bn+ deal for a private company within the sector since Merck's acquisition of EyeBio for \$1.3bn in May. While some remain discouraged by the fact that M&A activity within the sector this year remains devoid of any "mega blockbuster" deal (*a primary driver of 2024's unimpressive year-over-year comparison to 2023 year-to-date in terms of total M&A transaction value*), others have expressed optimism that October's M&A rebound - combined with increasingly positive macro and political/regulatory tailwinds - could catalyze a sustained uptick in M&A dealmaking activity within the sector over the near- to medium-term.

Equity Market / New Issue Market **Headwinds**

- Although follow-on activity (*as measured by deal count*) within the life sciences-, med. tech.-, and diagnostics-focused subsegments increased +15% on a month-over-month basis during October, total combined aggregate gross proceeds raised via follow-on offerings dropped to \$2.6bn this past month - representing a month-over-month decline of -44% and marking the third-worst calendar month of follow-on capital-raising activity during all of 2024 YTD. Though some contend that the follow-on market's unimpressive October showing reflects a cooling off of capital-raising appetite from larger-cap issuers (*as evidenced by the fact that this past month featured only 4 deals that raised \$200mm or more - compared to 10 such deals in September*), others maintain that the bolus of larger-cap follow-ons during September (*which marked only the 4th monthly period with 10 or more \$200mm+ follow-ons since the start of 2017*) simply reduced the supply of larger-cap follow-on supply heading into this past month. Notwithstanding October's lackluster month-over-month performance, many remain encouraged that overall follow-on activity trends through the first 10 months of the year remain robust, comfortably outpacing follow-on deal volume (*deal count*) and combined proceeds raised recorded through the first 10 months of 2023 by 1.1x and 1.4x, respectively.
- The incidence of warrant coverage in follow-on offerings by "micro-cap" issuers within the life sciences-, med. tech.-, and diagnostics-focused subsegments remained stubbornly high during October. ⁽¹⁾ Specifically, 70% of deals by "micro-cap" issuers featured warrant coverage over the course of the month ($n = 21$), up slightly compared to 2024 YTD prior to October (69%). Overall, the prevalence of warrant coverage in "micro-cap" follow-on offerings during 2024 YTD remains in line with 2022 and 2023's elevated levels (72% and 71%, respectively). Notably, 33% of "SMid-cap" follow-on offerings in October also featured warrant coverage ($n = 3$), representing a notable uptick vs. 7% of "SMid-cap" follow-on offerings featuring warrant coverage during 2024 YTD prior to October and the highest monthly figure since March 2022 (50%). ⁽²⁾ While most observers agree offering terms in the "micro-cap" subsegment of the follow-on market remain challenging for issuers (*as evidenced by the persistently elevated prevalence of warrant coverage during 2024 YTD*), some view the recent incidence of warrant coverage by "SMid-cap" issuers as an ominous signal for offering terms for larger issuers in the coming months.
- This past month also featured new bankruptcy filings by 3 public companies within the life sciences-, med. tech.-, and diagnostics-focused subsectors (*NTBL, GRYS, and BIOL*) - bringing the total number of public companies that have formally sought bankruptcy protection in 2024 YTD to 27 as of this past Friday. In context, bankruptcy filing activity throughout the sector this year is currently on pace to exceed the last year's full-year (*and record-setting*) total of 28. Prior to this past year, the highest number of bankruptcy filings within the sector during a single calendar year (*since the start of 2012*) was just 9 (*set in 2019*). Finally, the total number of bankruptcy filings within the sector since the start of 2023 ($n = 53$) has already eclipsed the total number of bankruptcy filings in the sector over the preceding decade combined ($n = 49$ from 2012 to 2022). While some have expressed concern that the continuation of historically elevated levels of bankruptcy activity in the sector may negatively impact the capital-raising prospects for small-cap and/or cash-constrained issuers over the near- to medium-term, others contend that the removal of issuers with failed clinical development programs (*and/or those with unsustainably high levels of cash burn*) will ultimately improve the capital-raising prospects throughout the sector over the longer-term.

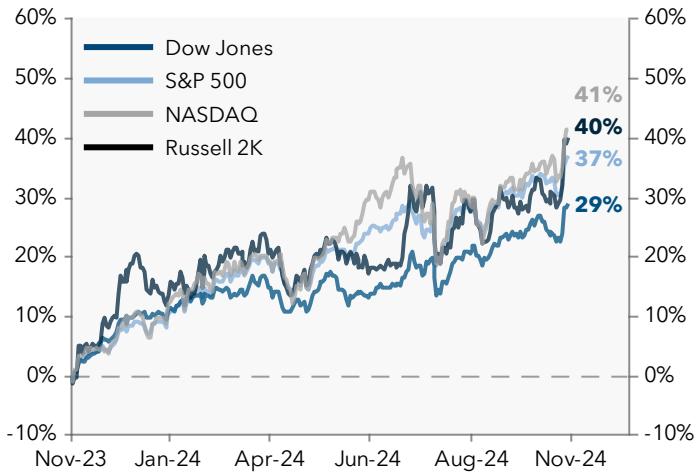
(1): "Micro-cap" issuers are defined as those with a fully-diluted pre-deal market capitalization less than \$150mm.

(2): "SMid-cap" issuers are defined as those with a fully-diluted pre-deal market capitalization between \$150mm and \$1bn.

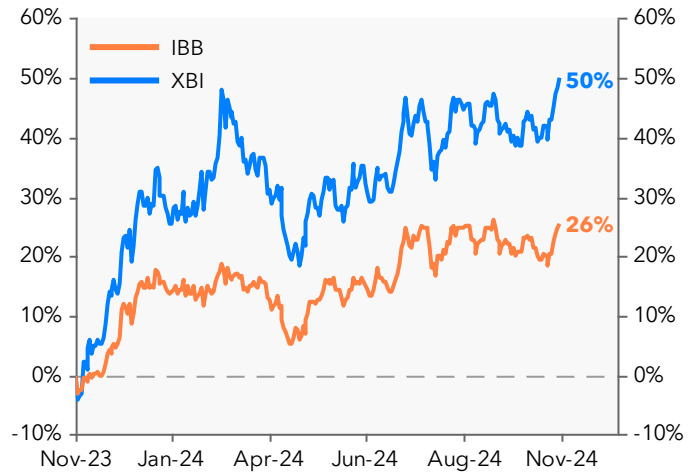
Sources: FactSet, Bloomberg, Brookline Capital Markets Investment Banking Data, US Food & Drug Administration Data, CME Group.

Market data as of 4:00 PM on November 8, 2024, unless otherwise noted.

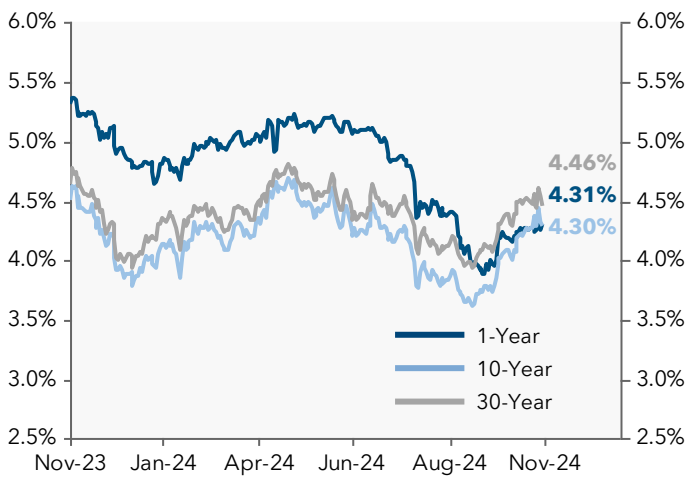
General Indices Performance (Last 12-Months)



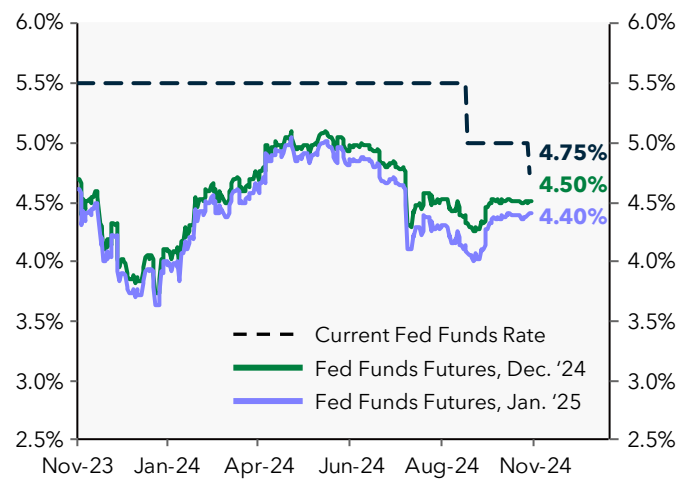
XBI and IBB Performance (Last 12-Months)



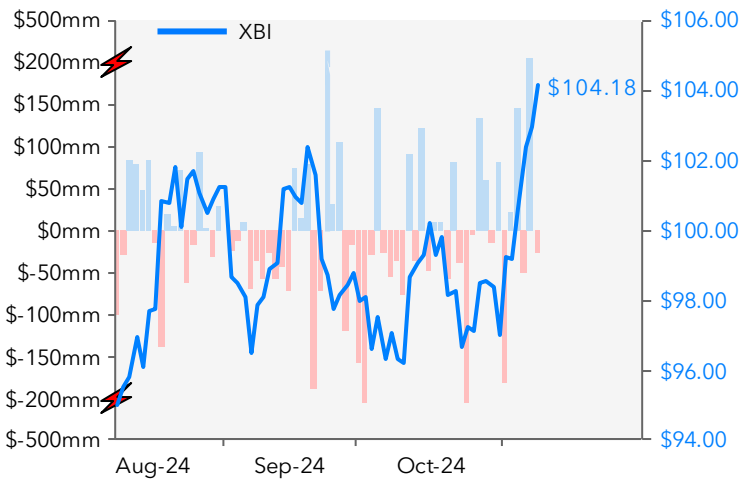
U.S. Treasury Yields (Last 12-Months)



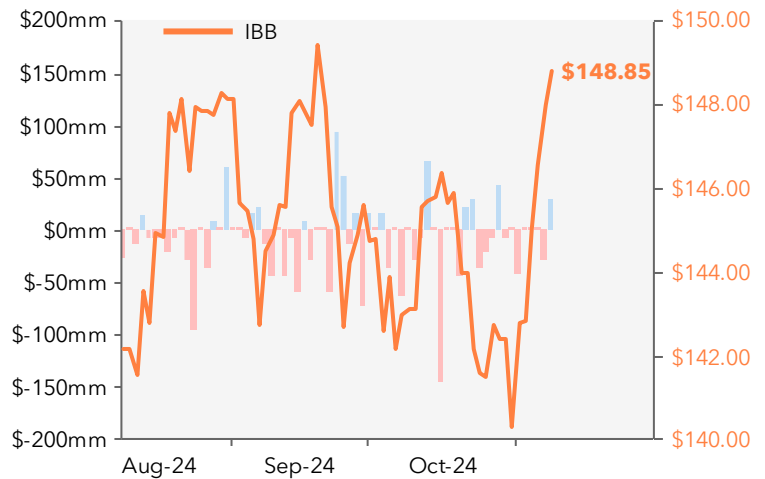
Fed Funds Rate & Futures (Last 12-Months)



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

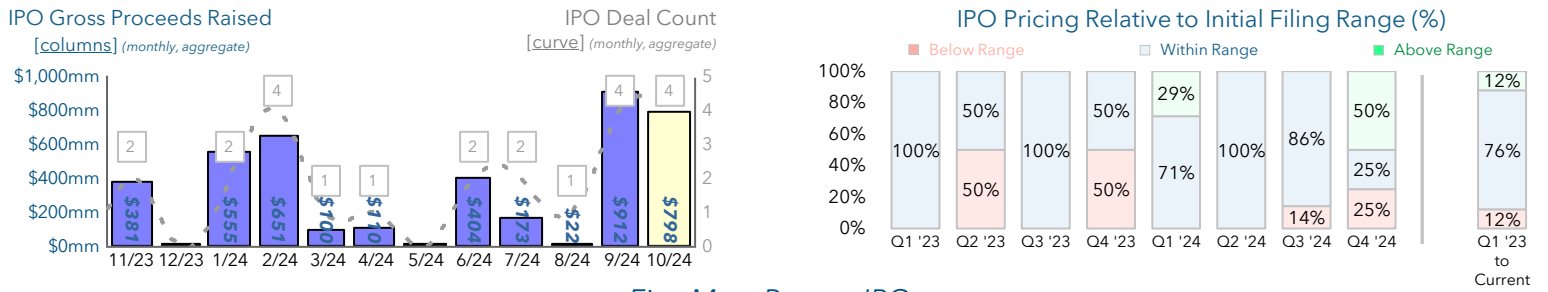


IBB Price & Weekly Fund Flows (Last 3-Months)



Sources: FactSet, Bloomberg, Brookline Capital Markets Investment Banking Data, US Food & Drug Administration Data. Market data as of 4:00 PM on November 8, 2024, unless otherwise noted.

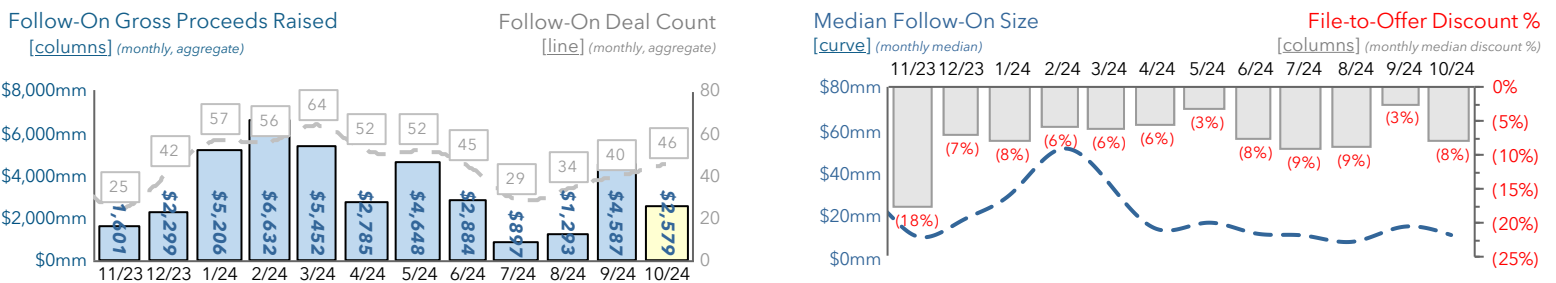
IPO Market Activity - Life Sciences, Med. Tech., and Diagnostics (Last 12-Months)



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
Septerna	SEPN	Endocrinology (PTH1R)	10-25-24	\$18.00	\$288.0mm	\$509.3mm	Above	--	+43.9%
Ceribell	CBLL	Med. Tech. (CNS / EEG)	10-11-24	\$17.00	\$180.3mm	\$462.9mm	Above	13%	+66.3%
CAMP4 Therapeutics	CAMP	Metabolic Diseases (Urea Cycle Disorders)	10-11-24	\$11.00	\$75.0mm	\$146.2mm	Below	--	(3.7%)
Upstream Bio	UPB	Pulmonary Diseases (TSLP MAB)	10-11-24	\$17.00	\$255.0mm	\$693.2mm	In Range	--	+54.0%
BioAge Labs	BIOA	Metabolic Diseases (APJ agonist)	09-26-24	\$18.00	\$208.6mm	\$451.9mm	In Range	11%	+23.3%

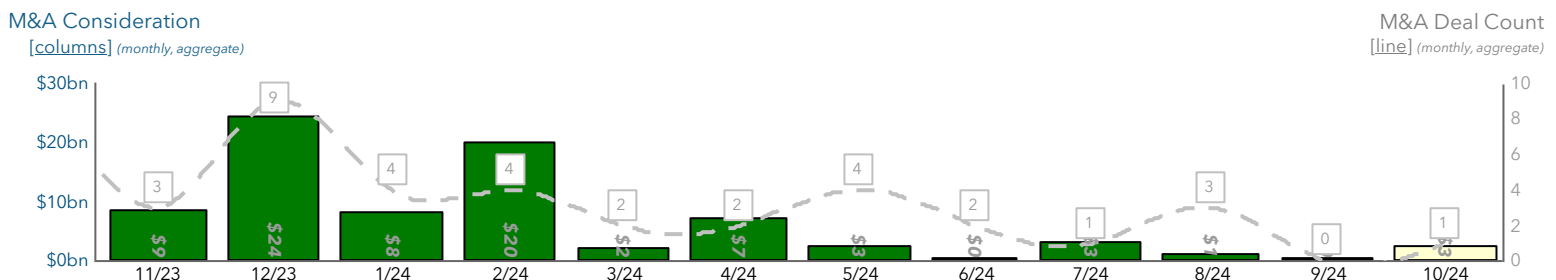
Follow-On Market Activity - Life Sciences, Med. Tech., and Diagnostics (Last 12-Months)



Five Largest Follow-Ons, October 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
Crinetics Pharma	CRNX	Rare Diseases (SST2 agonist)	10-09-24	CMPO	\$50.00	\$500.0mm	\$4,546.0mm	(3.3%)	+21.4%
Scholar Rock	SRRK	Oncology (TGFB1)	10-09-24	CMPO	\$28.25	\$300.0mm	\$3,748.9mm	(17.6%)	+2.9%
Vera Therapeutics	VERA	Rare Diseases (IgAN)	10-30-24	CMPO	\$42.00	\$300.0mm	\$2,817.4mm	(11.3%)	+14.5%
New Biohaven (2022)	BHVN	CNS (Kv7 potassium channel activator)	10-01-24	CMPO	\$47.50	\$250.0mm	\$5,059.1mm	(4.9%)	+12.6%
PROCEPT BioRobotics	PRCT	Med. Tech. (Surgical)	10-30-24	CMPO	\$91.00	\$175.0mm	\$5,093.0mm	at market	+8.9%

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; transaction amounts reflect the total value of all transactions priced in a concurrent fashion, where applicable (e.g., bifurcated CMPO / PIPE offering structures)

(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 November 8, 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	 Biopharmaceuticals Company Ongoing Engagement Capital Markets Advisor	 Biopharmaceuticals Company Ongoing Engagement Capital Markets Advisor	 Specialty Pharma Company Ongoing Engagement Capital Markets Advisor	 PROTAGENIC THERAPEUTICS \$1,275,000 PIPE Exclusive Placement Agent October 2024	 BeyondAir The Magic of Breathing \$20,600,000 PIPE Co-Placement Agent September 2024
 eyenovia \$4,000,000 Registered Direct Co-Placement Agent September 2024	 Rallybio Completed Engagement Capital Markets Advisor September 2024	 IMUNON Completed Engagement Capital Markets Advisor August 2024	 iBio Completed Engagement Capital Markets Advisor August 2024	 OS THERAPIES \$6,400,000 IPO Sole Bookrunner July 2024	 IMUNON \$10,000,000 Registered Direct Co-Placement Agent July 2024	 eyenovia \$5,000,000 Registered Direct Co-Placement Agent June 2024	 VSee Digital Health Acquisition \$110,000,000 Merger Financial Advisor June 2024
 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

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