

Several Life Sciences companies are emerging as winners of the COVID-19 crisis

INSIGHTS FROM OUR LIFE SCIENCES INVESTOR SURVEY 2020 AND INDUSTRY PROFESSIONALS

KEMPEN & CO LIFE SCIENCES AND HEALTHCARE | AMSTERDAM | 1 MAY 2020

Similar to many other industries, the European life sciences industry has been impacted dramatically by the COVID-19 pandemic. Although some of these companies are on the frontline of the battle against the pandemic by developing new treatments or tests, many others are not, and have had to cope with the shift in priorities of the healthcare industry.

The healthcare sector was the best performing sector amongst European equities towards the end of April, trading approximately where it was at the start of the year. At Kempen & Co, we continuously talk to life sciences investors and executives to understand how the European life sciences industry is impacted by COVID-19 and note the following themes:

INCREASED INTEREST IN INFECTIOUS DISEASE VACCINES, TREATMENTS AND DIAGNOSTICS

Governments and health organisations are spending billions of euros on COVID-19, translating into increased interest from investors in companies developing treatments or tests for the virus. The share price of **BioNTech** (DE) nearly tripled in three days (adding c. €13bn in value) when it announced two COVID-19 vaccine collaborations. **DiaSorin** (IT), a diagnostics firm that recently launched detection and serological tests for the virus, had its share price increase by

over 50% from March '20 to the end of April '20. Kempen & Co identified over 200 companies developing treatments and over 100 companies developing diagnostics, many of whom have jumped to the front of investors' minds. In time, it will become clear which of companies are developing the superior and "winning" technologies.

IMPACT ON CLINICAL TIMELINES AND DESIGNS

Many clinical trials for non-immediate life-threatening diseases such as neurological and gastrointestinal disorders have been halted or postponed to redirect medical capacity to the fight against the pandemic, leading to a delay in data and milestones. In contrast, companies such as **Merus** (NL/US) and **Oncopeptides** (SE), developing therapies for advanced cancer patients, do not expect to put their trials on hold, due to the acute need to treat these patients.

CONCERNS OVER FINANCING

the delayed development timelines and volatile equity markets have compounded investors' concerns over the financing for development-stage (cash-burning) life sciences firms. Those with larger cash reserves such as **Galapagos** (BE/NL) and **Genmab** (NL/DK) stand out to investors relative to the rest of the field, whereas others are forced to implement stringent cost-cutting measures such as hiring freezes that hurt their growth prospects.





GENERAL TRENDS

Although the COVID-19 pandemic remains top of mind these days, investors expressed their views on structural themes and trends in the life sciences sector in a survey conducted by Kempen & Co amongst public life sciences investors, which we have supplemented with our own insights from talking to life sciences professionals.

BIOTECH REMAINS #1, DIGITAL HEALTH RISES

Surveyed investors remain most interested in biotechnology companies by a large margin, followed by medical devices and pharmaceutical companies. Interest in digital health technologies rose by 155% year-on-year to become the fourth most interesting area and is likely to increase further due to COVID-19.

INTEREST IN NEW TECHNOLOGIES

Three relatively new and ‘flashy’ technologies have become increasingly more interesting for surveyed investors over the last three years:

- *Cell therapy*: taking cells out of the body, modifying them and putting them back into the patient. **Erytech** (FR) and **Immatic** (DE) are using this technique to develop treatments for cancer patients.
- *Gene therapy*: using genes to treat or prevent diseases. **UniQure** (NL/US) is developing a pipeline of gene therapy programmes to treat haemophilia, Huntington’s disease and other severe genetic diseases.
- *RNA-based technologies*: using RNA to treat or prevent diseases. Many companies in this field are focusing on messenger RNA (mRNA), the approach **BioNTech** (DE) and **CureVac** (DE) are

using to develop novel vaccines for COVID-19.

As a result, these technologies now rank almost as high as the established technologies and long-time investor favourites such as antibodies and small molecules.

DISEASE AREAS: ONCOLOGY REMAINS #1, BUT AUTOIMMUNE IS RISING

As the largest therapeutic market, oncology remains the number one disease area of interest indicated in the survey. However a slight decline is showing as investors talk about (immuno-)oncology ‘fatigue’ – there are simply too many companies and drug candidates around these days. More recently, investors have shown an increased interest in autoimmune diseases, now ranked as the #2 most interesting area, which is also highlighted by the impressive rise of European biotech giant **argenx** (BE/NL) who is developing treatments in this field. Orphan and infectious diseases were selected as #3 and #4, respectively, the latter undoubtedly because of COVID-19.

INCREASED INTEREST IN DIAGNOSTICS

Almost all (95%) of our surveyed investors now consider investing in technologies that diagnose or monitor patients. Although diagnostics has always been an integral part of the life sciences industry, diagnostics and the prevention of diseases are expected to play a larger role in the future as the healthcare industry shifts more towards a value-based payment model. In light of the COVID-19 pandemic and the lack of supply of effective diagnostics, investors have been increasingly focusing on companies active in this space.



BUILDING RELATIONSHIPS IS BECOMING MORE IMPORTANT

In the survey, investors once again highlighted the importance of building relationships and trust. Since 2017, the subgroup of investors evaluating companies for “over a year before they feel comfortable investing” has quadrupled. This stresses the importance of keeping in touch, albeit via virtual meetings or other means of interactions under the current circumstances.

ABOUT THE KEMPEN & CO LIFE SCIENCES INVESTOR SURVEY 2020

To stay up-to-date with the latest thinking of investors, Kempen & Co Life Sciences & Healthcare has been conducting an annual survey of investors interested in the life sciences sector since 2010. In the 2020 edition, 40 investors across Europe, the US, and Israel were surveyed between January and March 2020. The survey consists of an elaborate list of questions – both qualitative and quantitative - to understand the current views of investor and discover trends over time.

ABOUT KEMPEN & CO LIFE SCIENCES & HEALTHCARE

Kempen & Co Life Sciences & Healthcare, part of Van Lanschot Kempen NV (VLK), is uniquely positioned as a dedicated specialist adviser in the life sciences & healthcare sector. In recent years, we have built a strong position and extensive track-record in European and US IPOs and other capital market transactions and have emerged as a trusted adviser in various cross-border mergers & acquisitions and other advisory services. We combine our in-depth knowledge of the financial sector with a scientific background and extensive industry experience.

CONTACT DETAILS

Jan De Kerpel

T: +31 (0) 20 348 8528
jan.dekerpel@kempen.com

Nadine Maalouf

T: +31 (0) 20 348 9166
nadine.maalouf@kempen.com

Frederik Gorter de Vries

T: +31 (0) 20 348 8524
frederik.gorterdevries@kempen.com

Kempen & Co is a trade name of
Van Lanschot Kempen Wealth Management NV

Beethovenstraat 300
1077 WZ Amsterdam
The Netherlands

P.O. Box 75666
1070 AR Amsterdam
The Netherlands

T + 31(0)20 348 8700
F +31 (0)20 348 8750

www.kempen.com