



Emerging biotech

Lessons from a biotech downturn: Funding challenges, an IPO dry spell and what to expect in 2024

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BioPharma Dive reporter Gwendolyn Wu speaking with biotech executives and experts during an Oct. 25 panel. Edward Pagliarulo/BioPharma Dive

Despite optimism for a stronger investment climate this year, many of the hurdles that faced young biotechnology companies in late 2022 have endured through 2023.

Initial public offerings for drugmakers have remained slow, with only 18 biotechs making their public debut. Private financing rounds are taking longer to close for some, while others face a “Series A cliff” as they go back to investors for more money.

Biotech executives and analysts weighed in during a pair of panels hosted by BioPharma Dive Wednesday on the current market and the lessons startups can draw.

‘Data is king’

The IPO slowdown has made it harder for younger startups to make a quick jump to public markets. Companies that are further along or have drugs in clinical testing have a better chance, according to Jordan Saxe, senior managing director at Nasdaq.

“I would say it’s more about the stage of the company with respect to an IPO,” said Saxe. “Companies are more mature, they have quality management teams, but they also have very important data points or data readout coming up once they’re public.”

In the past, the market was more receptive to innovative, early-stage companies. But now, the pendulum is swinging back, said Kevin Eisele, a managing director at investment bank William Blair.

“For new companies, you want to grow into the valuation and let the data speak for itself,” Eisele said. “Data is king and it’s something that is really standing true in this market.”

But, as is often the case in biotech, that’s not always an easy task. Acelyrin, which raised \$540 million in a rare IPO success this May, lost more than half of its market value in September when it disclosed negative data for its lead drug.

New hotspots

Companies must also decide which assets are worth dedicating resources toward.

Dee Datta, the co-founder and CEO of Switch Therapeutics, said some companies need to be more disciplined when it comes to research and development. “Not every new innovation can become a startup company, and neither can each new innovation become a product,” she said.

Edward Kaye, CEO of Stoke Therapeutics, offered a similar view, noting how that, even during a tough year, investors still have significant funds to deploy.

“In this circumstance, there’s a lot of capital, people have money, but they’re putting it in, I would say, the wrong places,” said Edward Kaye, CEO of Stoke Therapeutics.

Biotech research labs are always churning out new drugs. But recently a few types of treatments have drawn more attention from investors.

Diabetes and weight loss treatments like Novo Nordisk’s Ozempic and Eli Lilly’s Mounjaro are bringing in billions of dollars in sales, spurring a wave of would-be competitors. Meanwhile, new kinds of autoimmune disease drugs are being looked to as successors to current blockbusters, and complex cancer treatments like radiopharmaceuticals and antibody-drug conjugates are newly in vogue.

Riding out the cycle

In 2020 and early 2021, the success of Moderna and BioNTech in developing highly effective vaccines for COVID-19 drove a surge of investment from all corners of the market into biotech. That’s no longer the case, panelists said.

“Right now, it still remains a market, at least on the IPO side from a demand perspective, that’s very much driven by the specialist investors,” Eisele said. “While the generalists have been increasingly more active, it’s still very much of a market that’s driven by those special healthcare specialists, investors.”

Private companies should be aware of this dynamic and plan accordingly, executives said.

Biotechs must also learn to be honest with their investors, said Andrew Gengos, the chief financial officer and chief business officer at Athira Pharma. It is better to “under-promise and over-deliver,” he said, and make sure data is clean and concise to relay how the science works.

Panelists also said companies need to be more disciplined with their financing and learn to be nimble when market down swings occur.

Still, many are hopeful the next year could see a different market for biotech.

“Markets are cyclical,” Datta said. “We find ourselves in this particular cycle now. It’s not going to be forever.”

Editor’s note: BioPharma Dive hosted the panel discussion live on Oct. 25, 2023. You can register to watch a replay [here](#).