

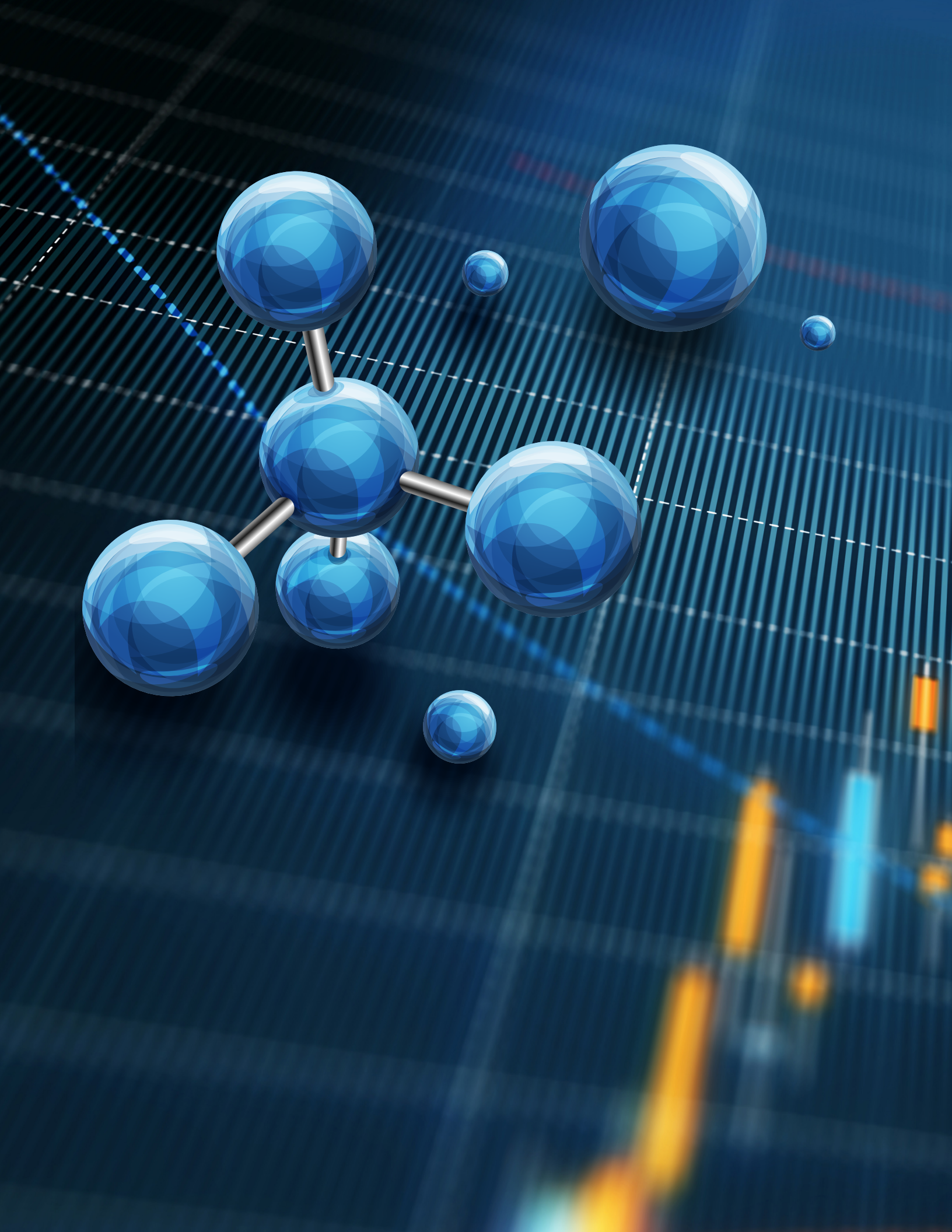
Healthcare and Life Sciences

# Capital Markets Review

October 2024



**ROPES & GRAY**



## Key Takeaways

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Over the course of 2024, capital markets activity for life sciences companies has begun to rebound from significantly slow markets in 2022.

This report surveys IPO and follow-on market activity from 2022 through the third quarter of 2024, including a total of 34 IPOs and 259 follow-on offerings. Below are some of the key observations of the review, including market trends and transaction structures:

- Both IPO and follow-on market activity have steadily increased since low levels in 2022. In particular, the first quarter of 2024 saw a significant resurgence in capital markets activity.
- IPO average deal size increased from 2022 to 2024, although only one transaction during this time period raised greater than \$500 million and the average amount raised per initial public offering during the period was just under \$200 million.
- Since 2022, more life sciences issuers have conducted follow-on offerings and have been able to raise, on average, more capital per transaction than in 2022, indicative of a potentially growing appetite of investors in this sector.
- Many life sciences companies conducting follow-on offerings continue to rely on a use of pre-funded warrants in order to permit investors to make large investments while continuing to limit certain investors' beneficial ownership.
- Life sciences companies in the later stages of clinical development, or those with commercialized products, represented the largest portion of follow-on issuers in the first nine months of 2024. By comparison, life sciences companies in the earlier stages of clinical development completed more initial public offerings during the year to date than companies in later stages of development.

## Overview of Initial Public Offering Market Activity

In the first nine months of 2024, there were a total of 15 life sciences IPOs, representing a 50% increase as compared to 10 life sciences IPOs during the same period in 2023. Almost half of these IPOs (seven out of 15) closed in the first quarter of 2024.

The 15 life sciences IPOs in the first nine months of 2024 raised aggregate gross proceeds of approximately \$3.1 billion, as compared to only approximately \$2.1 billion raised in the first nine months of 2023. During the first quarter of 2024 alone, life sciences IPO issuers raised more aggregate gross proceeds than life sciences IPO issuers in all of 2022.

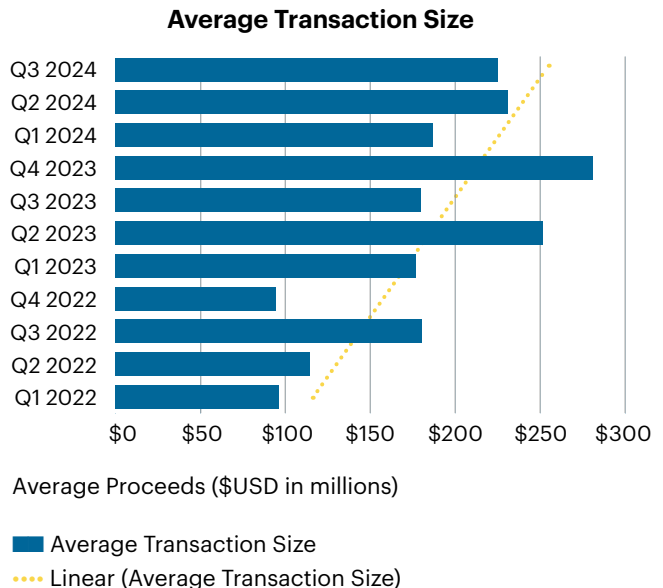
Overall, IPO market activity has significantly increased since 2022 and market activity in 2024 to date has continued to gain momentum as compared to 2023.



	Nine Month Ended September 30	
	2024	2023
Gross proceeds	\$3,131.3	\$2,076.7
Average Transaction Size	\$208.8	\$207.7
Number of Offerings	15	10

### Average Transaction Size

The 15 life sciences IPOs that closed in the first nine months of 2024 had an average transaction size of \$208.8 million. As shown by the linear trend, average deal size has generally increased since 2022.

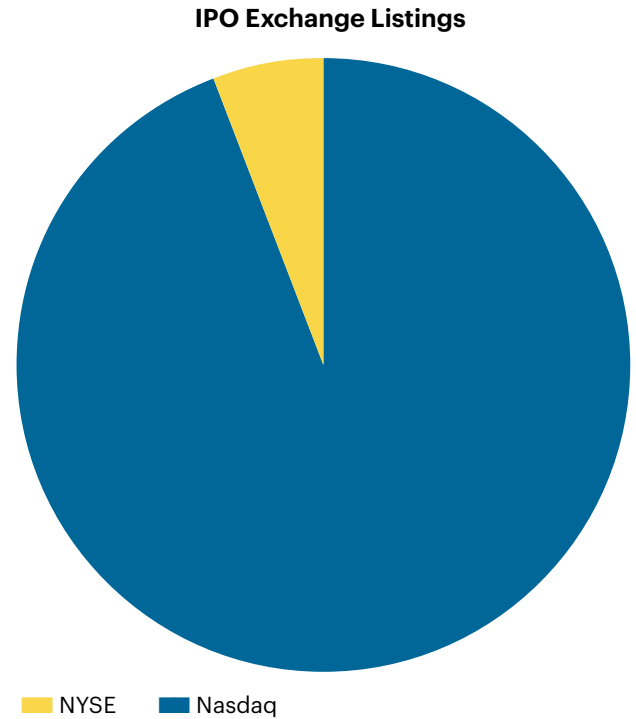


## Initial Public Offerings

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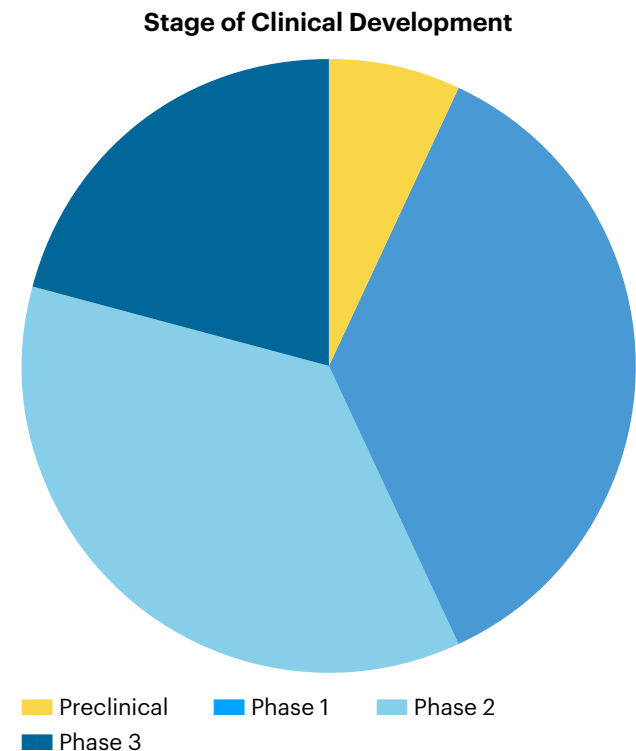
### IPO Exchange Listings

Since 2022, 32 out of 34 life sciences IPO issuers listed equity securities on the Nasdaq stock market, as compared to only two life sciences IPO issuers who listed equity securities on the New York Stock Exchange.



### Stage of Clinical Development

In the first nine months of 2024, one life sciences IPO issuer was in the preclinical stage of development, five life sciences issuers had a lead product candidate in Phase 1 clinical development, five life sciences issuers had a lead product candidate in Phase 2 clinical development, and three life sciences issuers had a lead product candidate in Phase 3 clinical development. During this period, no life sciences issuers conducting IPOs had commercialized products.



### IPO Transaction Structures

**Primary Offerings.** In the first nine months of 2024, 100% of life sciences IPOs were primary-only and did not include shares sold by any selling stockholders.

**Concurrent Private Placements.** In the first nine months of 2024, three life sciences IPOs included a concurrent private placement. In two of these offerings, the same investor, Sofinnova Venture Partners, invested via a concurrent private placement.

## Follow-On Offerings

### Overview of Follow-On Offering Market Activity

In the first nine months of 2024, there were a total of 110 follow-on offerings by life sciences companies, representing a 100% increase as compared to 55 follow-on offerings by life sciences companies during the same period in 2023.

These 110 life sciences follow-on offerings raised aggregate gross proceeds of approximately \$22.5 billion, compared to approximately \$7.5 billion during the same period of 2023 and only approximately \$5.7 billion during the same period of 2022.

Approximately 46% of the capital raised by life sciences follow-on issuers in 2024 was raised during the first quarter of 2024.

### Follow-On Market Activity

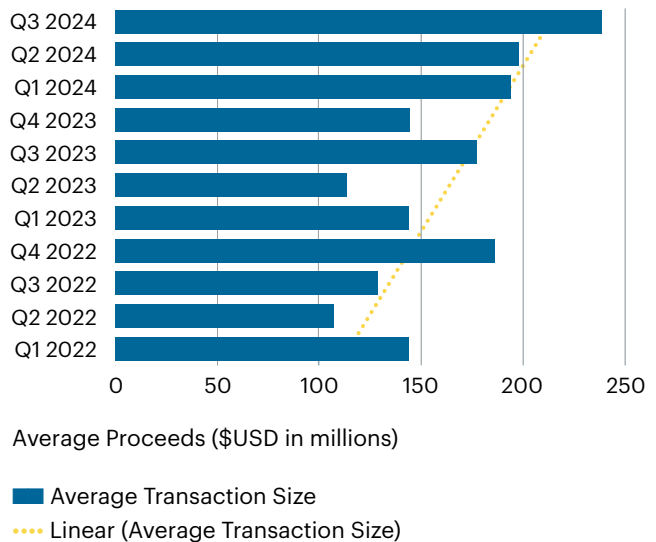


\$USD in millions	Nine Month Ended September 30	
	2024	2023
Gross proceeds	\$22,491.4	\$7,462.2
Average Transaction Size	\$204.5	\$135.7
Number of Offerings	110	55

### Average Transaction Size

The 110 life sciences follow-on offerings that closed in the first nine months of 2024 had an average transaction size of \$204.5 million. Average follow-on deal size has generally increased since 2022.

### Average Transaction Size



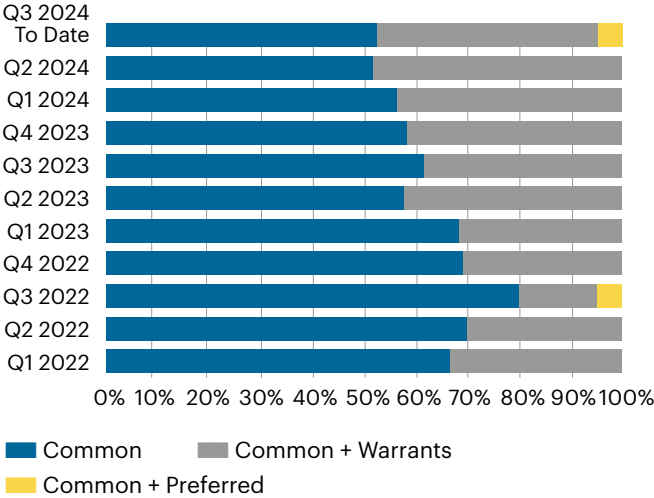
# Follow-On Offerings

## Types of Securities Offered

In the first nine months of 2024, 56.4% of life sciences follow-on offerings included common stock only, 42.7% included common stock and equity warrants, and 1% (represented by one offering) included common stock and preferred stock. This represents a slight increase in prevalence of equity warrants as compared to prior periods.

Of the 46 offerings during this period that included equity warrants, 45 offerings included pre-funded warrants.

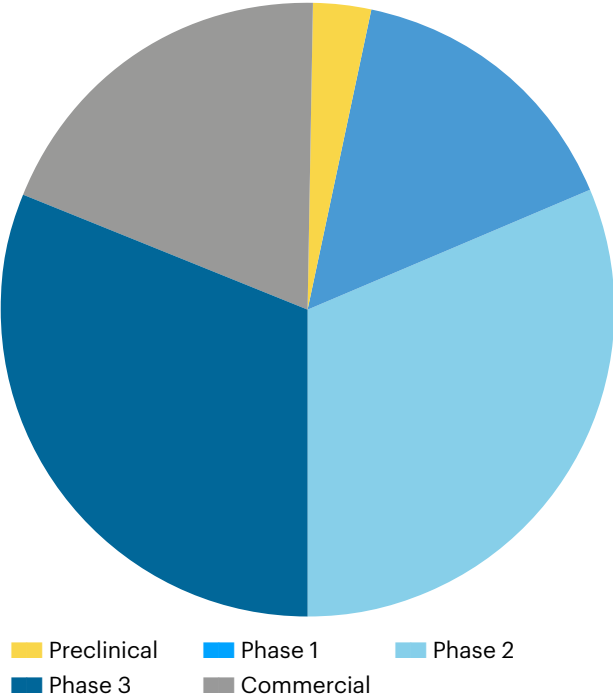
## Types of Securities Offered



## Stage of Clinical Development

In the first nine months of 2024, 2.9% of life sciences follow-on issuers were in the preclinical stage of development, 15.4% of life sciences issuers had a lead product candidate in Phase 1 clinical development, 31.7% of life sciences issuers had a lead product candidate in Phase 2 clinical development, 31.7% of life sciences issuers had a lead product candidate in Phase 3 clinical development, and 19.2% of life sciences issuers had a commercialized lead product. The majority of life sciences follow-on offerings were conducted by companies in the late stages of clinical development (Phase 2 and Phase 3), representing 63.5% of all life sciences follow-on issuers during the period.

## Stage of Clinical Development



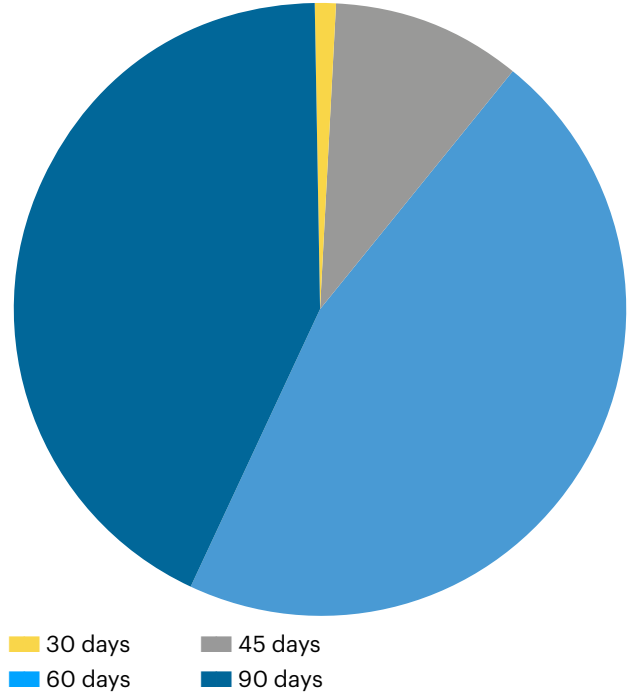
## Follow-On Offerings

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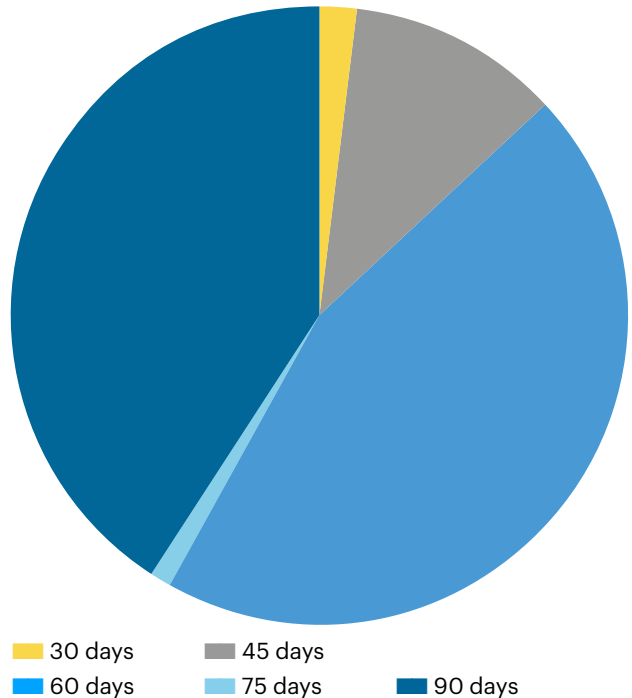
### Lock-Up Agreement Terms

In the first nine months of 2024, the most common company lock-up period and director and officer lock-up period for life sciences follow-on offerings was 60 days, followed closely by 90 days. Out of 110 offerings in the first nine months of 2024, only 11 included lock-up periods that differed between the company and directors and officers. In five of these offerings, the company lock-up period was shorter than the director and officer lock-up period and in six of these offerings, the company lock-up period was longer than the director and officer lock-up period.

Company Lock-Up Periods



Director and Officer Lock-Up Periods





## Methodology

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- Market data for the *Initial Public Offering* data set was sourced from the S&P Capital IQ database, a product of S&P Global Market Intelligence, a division of S&P Global Inc. The industry classification utilized was “Pharmaceuticals, Biotechnology and Life Sciences (Primary).” Initial public offerings reviewed were limited to those with issuers listed on the Nasdaq Global Select Market, Nasdaq Global Market, Nasdaq Capital Market, New York Stock Exchange or NYSE American. To be included in the data set, an initial public offering had to have raised at least \$30 million in gross proceeds.
- Market data for the *Follow-On Offering* data set was sourced from the S&P Capital IQ database. The industry classification utilized was “Pharmaceuticals, Biotechnology and Life Sciences (Primary).” Follow-on offerings reviewed were limited to those with issuers listed on the Nasdaq Global Select Market, Nasdaq Global Market, Nasdaq Capital Market, New York Stock Exchange or NYSE American. To be included in the data set, a follow-on offering had to have raised at least \$30 million in gross proceeds.
- Additional data was sourced from company filings from the Securities and Exchange Commission’s EDGAR database (<https://www.sec.gov/edgar>).
- For *Stage of Clinical Development* charts and analysis, we looked to how far advanced an issuer’s lead product candidate was in its FDA clinical trial process at the time of the transaction, as disclosed in such issuer’s final prospectus or on its website during the third quarter of 2024. Certain issuers in our *Follow-On Offering* data sets were excluded for purposes of this chart because their services were not subject to the FDA approval process.



## Life Sciences Capital Markets Contacts



**Zach Blume**  
Boston  
+1 617 951 7663  
Zachary.Blume@ropesgray.com



**Paul Kinsella**  
Boston  
+1 617 951 7921  
Paul.Kinsella@ropesgray.com



**Tom Danielski**  
Boston  
+1 617 235 4961  
Thomas.Danielski@ropesgray.com



**Craig Marcus**  
Boston  
+1 617 951 7802  
Craig.Marcus@ropesgray.com



**Tara Fisher**  
Boston  
+1 617 235 4824  
Tara.Fisher@ropesgray.com



**Will Michener**  
Boston  
+1 617 951 7247  
William.Michener@ropesgray.com



**Daniel Forman**  
New York  
+1 212 841 0438  
Daniel.Forman@ropesgray.com



**Emily Oldshue**  
Boston  
+1 617 951 7241  
Emily.Oldshue@ropesgray.com



**Tom Fraser**  
Boston  
+1 617 951 7063  
Thomas.Fraser@ropesgray.com



**Rachel Phillips**  
New York  
+1 212 841 8857  
Rachel.Phillips@ropesgray.com




**Tom Holden**  
San Francisco  
+1 415 315 2355  
Thomas.Holden@ropesgray.com



**Marko Zatylny**  
Boston  
+1 617 951 7980  
Marko.Zatylny@ropesgray.com

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