

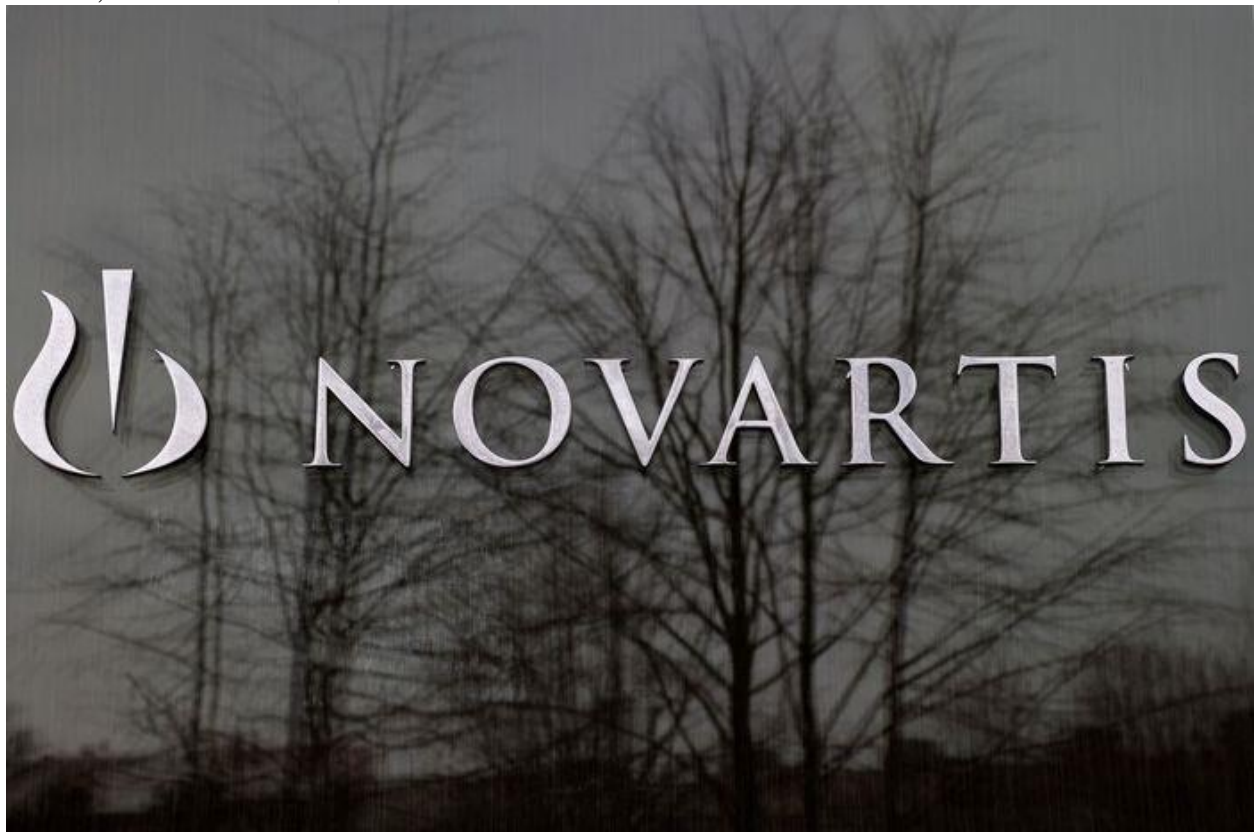
# THE WALL STREET JOURNAL.

## Biotech Acquisitions Heat Up, Giving Venture Capitalists Hope for 2024

M&A and the prospect of an improved IPO market  
provide reasons for optimism

By [Brian Gormley](#)

Jan. 11, 2024 6:00 am ET WSJ PRO



Recent deal activity includes Novartis agreeing to buy venture-funded Calypso Biotech. PHOTO: STEFAN WERMUTH/BLOOMBERG NEWS

Recent acquisitions of small drugmakers are giving biotechnology venture capitalists hope for stabilization in their industry following two years of declining investment.

Purchases this week followed a busy fourth quarter for biotech mergers and acquisitions, providing venture capitalists with returns as few companies are going public.

This week drugmaker [GSK agreed to buy](#) venture-backed Aiolos Bio for up to \$1.4 billion to secure an asthma drug ready for mid-stage clinical studies. Also, pharmaceutical company [Novartis](#) said it would purchase venture-funded Calypso Biotech, which has a treatment for celiac disease and the immune disorder eosinophilic esophagitis in clinical trials, for as much as \$425 million.

Publicly traded biotechs [Harpoon Therapeutics](#) and [Ambrx Biopharma](#) also accepted buyout offers this week.

“The bright star is M&A,” said Dr. Robert Mittendorff, a general partner and head of healthcare for venture investor B Capital.

That, innovation in the industry and the prospect of interest rate cuts and an improved initial public offerings market are giving venture investors optimism for 2024. However, not all biotechs are poised to benefit.

Those with promising drugs in clinical trials and top-notch earlier-stage companies will fetch interest from venture firms, acquirers and the public markets, but weaker players will struggle, investors and analysts said.

“It’s the have and have-nots right now in terms of access to capital,” said Jonathan Norris, a managing director with HSBC Innovation Banking.

That wasn’t the norm during the pandemic, which fueled overfunding in the industry, investors and entrepreneurs said. Global biotech venture deal volume reached \$70 billion in 2021, but slipped to \$50 billion in 2022 and to \$34 billion last year, according to investment-banking and financial-services firm

“A lot of companies were launched with significant amounts of cash on pretty flimsy science, and a lot of that hasn’t survived,” said Dr. Paul Grint, executive chairman and interim chief executive of biotech startup Codagenix.

Investors and entrepreneurs also are wrestling with questions such as the impact of the 2022 Inflation Reduction Act, which enabled Medicare to negotiate prices of certain medications, said David Bearss, chief executive of biotech startup Halia Therapeutics.

“One of the things that is still a driver of the pullback of investment in biotech is uncertainty,” Bearss added.

Many startups last year struggled to lure new investors and turned to existing backers instead. About 40% of biotech venture financing in 2023 were insider rounds or additions to prior rounds, about twice what would be expected in a strong financing climate, according to HSBC’s Norris.

Biotech ingenuity persists and pharmaceutical acquirers are tapping it to fill gaps as medications lose patent protection. Buyers also initiated discussions last year as biotech

share prices fluctuated, leading to the run of deals disclosed recently, said Dr. James Healy, managing partner of biotech investor Sofinnova Investments.

“Innovation is at an all-time high,” Healy said. “The volatility last year created a buying opportunity.”

Now also is the time to back early-stage science, said Mira Chaurushiya, a managing director of venture firm Westlake Village BioPartners. The downturn in 2008 and 2009 proved fruitful for biotech investors who remained active, and today’s market presents similar opportunities, she added.

“When we look at last year and this year, there’s no better time for early-stage investing,” Chaurushiya said.

One opportunity is in obesity treatments that build on the recent success of injected medications that mimic the naturally occurring gut hormone GLP-1. Investors see room for a new generation of obesity drugs.

“This is a market big enough to accommodate a multitude of products,” said Stephen Squinto, chief investment officer of J.P. Morgan Life Sciences Private Capital. The firm has founded a startup targeting oral, non-GLP-1 obesity therapy, he added.

Drugmakers not in the obesity market may enter it through acquisitions, said Stephanie Sirota, partner and chief business officer of life sciences investor RTW Investments, adding that innovation and the acquisitiveness of large companies bode well for the biotech industry.

“We think recovery is upon us,” Sirota said.

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