



FUNDING LIFE SCIENCES:

Where the Opportunities and
Resources Are in 2021 and Beyond



**Lowenstein
Sandler**

EXECUTIVE SUMMARY

Early-stage and small to midsize private and public companies in the life sciences sector began 2020 on a high note. Funding, particularly in the **biotechnology** sector, was pouring into the industry. Even several months into the pandemic, many biotech and other life sciences companies **showed no signs** of struggling to raise capital. But as COVID-19 continues to batter the world economy, life sciences leaders are likely to encounter new obstacles to funding growth.

And yet new data from Lowenstein Sandler's inaugural Life Sciences Investment Survey suggests that life sciences entrepreneurs and leaders remain optimistic about their abilities to obtain funding in 2021, particularly from major pharmaceutical and biotech companies.

That's despite the fact that startup leaders take a dim view of the industry's—and their own—growth prospects in the coming year, according to the survey.

The survey gauged the perspectives of C-suite and other executive-level professionals working in the pharmaceutical, health care services, biotechnology, and medtech and medical device industries on the current state of investment in the life sciences sector, taking into account the COVID-19 pandemic's impact on the industry. The survey also assessed respondents' outlook on the industry's ability to raise capital in 2021.



The survey provides a host of insights into life science entrepreneurs' perspectives on three key topics:



CLINICAL TRIALS



THE INVESTMENT LANDSCAPE



THE ROLE OF BIG PHARMA AND BIOTECH



Life sciences entrepreneurs and leaders remain optimistic about their abilities to obtain funding in 2021.

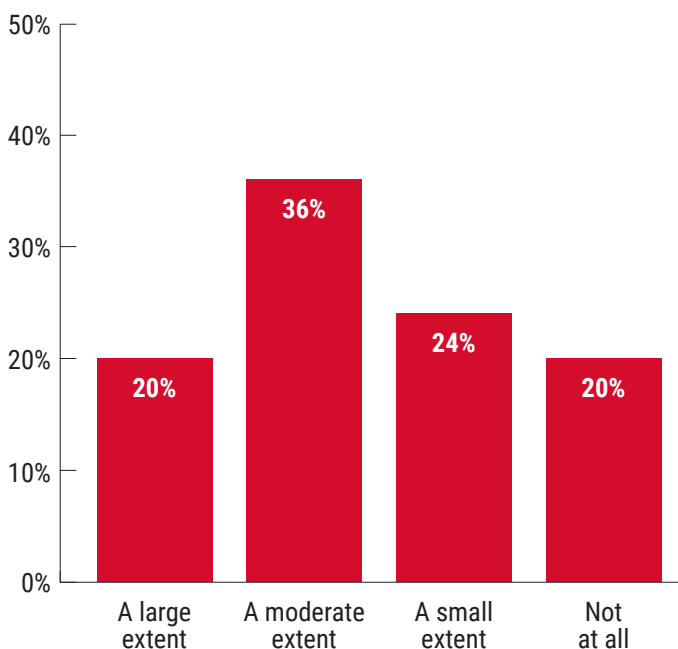
CLINICAL TRIALS

- Companies suspended most clinical trials in the spring, though they are now preparing to restart those trials. Most respondents (80 percent) reported at least some supply chain disruptions, which they expect to continue into next year.
- While the trials were paused, companies focused on building partnerships (27 percent) and investing in digital solutions (25 percent).
- Some respondents also reported exploring M&A and other strategic alternatives as part of their efforts to keep trials running during COVID-19-induced lockdowns.



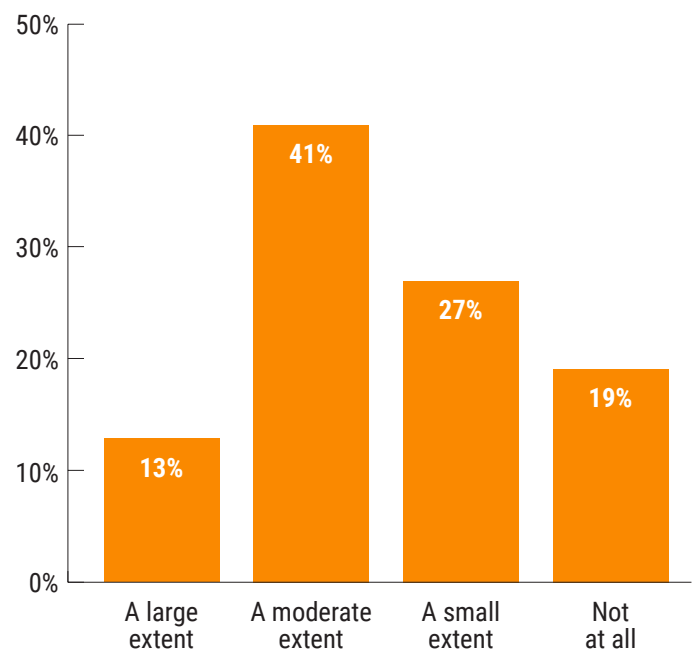
TO WHAT EXTENT HAVE CLINICAL TRIALS AND STUDIES BEEN IMPACTED BY SUPPLY CHAIN DISRUPTIONS IN THE LIFE SCIENCES INDUSTRY?

(Select one option.)

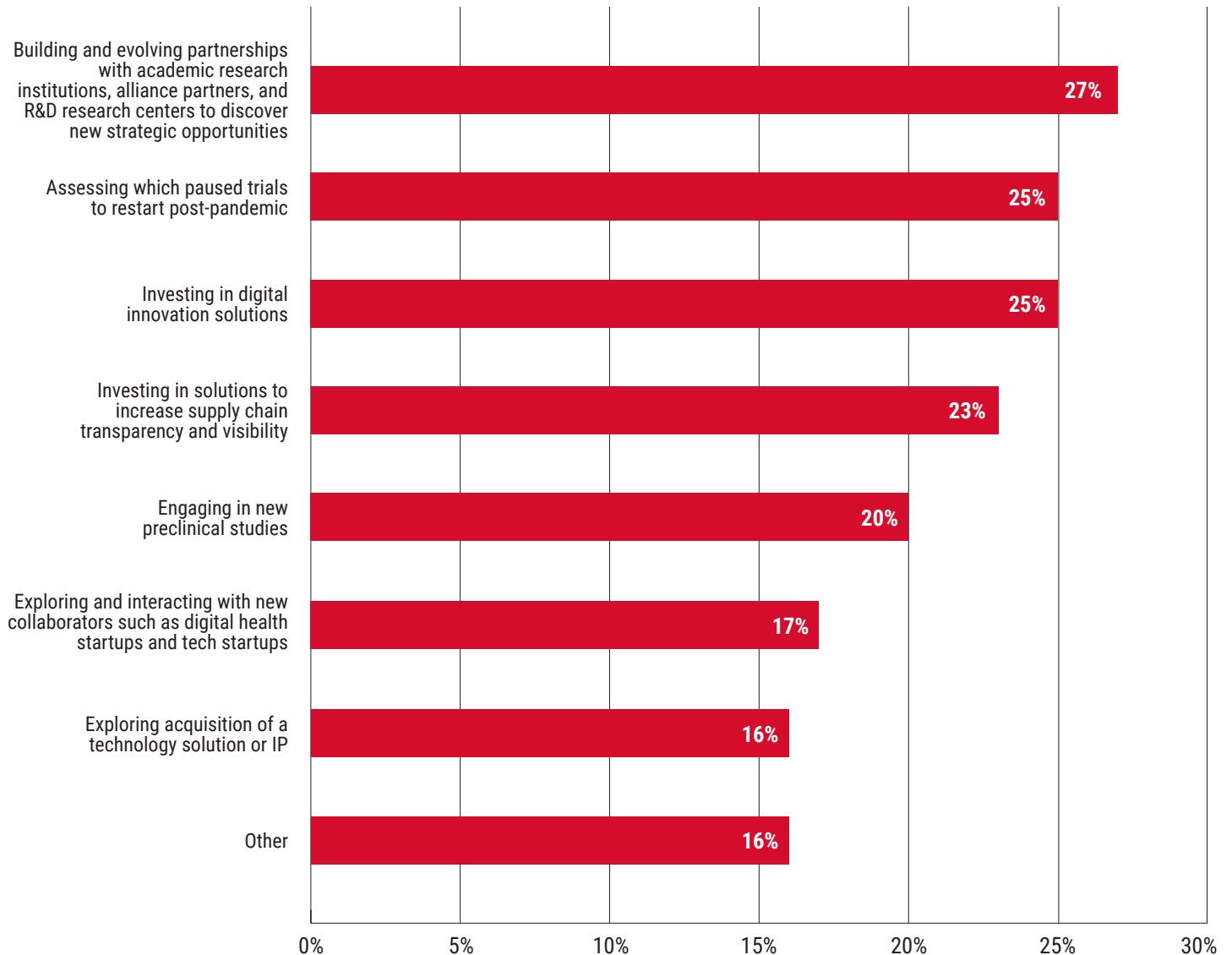


TO WHAT EXTENT IS YOUR COMPANY CONCERNED ABOUT CONTINUED SUPPLY CHAIN DISRUPTIONS AND THE SUBSEQUENT IMPACT ON CLINICAL TRIALS AND STUDIES IN 2021?

(Select one option.)



WITH THE SUSPENSION OF MOST CLINICAL TRIALS FOR EVERYTHING BUT COVID-19 VACCINES AND THERAPEUTIC TREATMENTS, WHICH AREAS OF OPPORTUNITY IS YOUR COMPANY EXPLORING TO ENSURE VALUE IS DEMONSTRATED TO SHAREHOLDERS AND



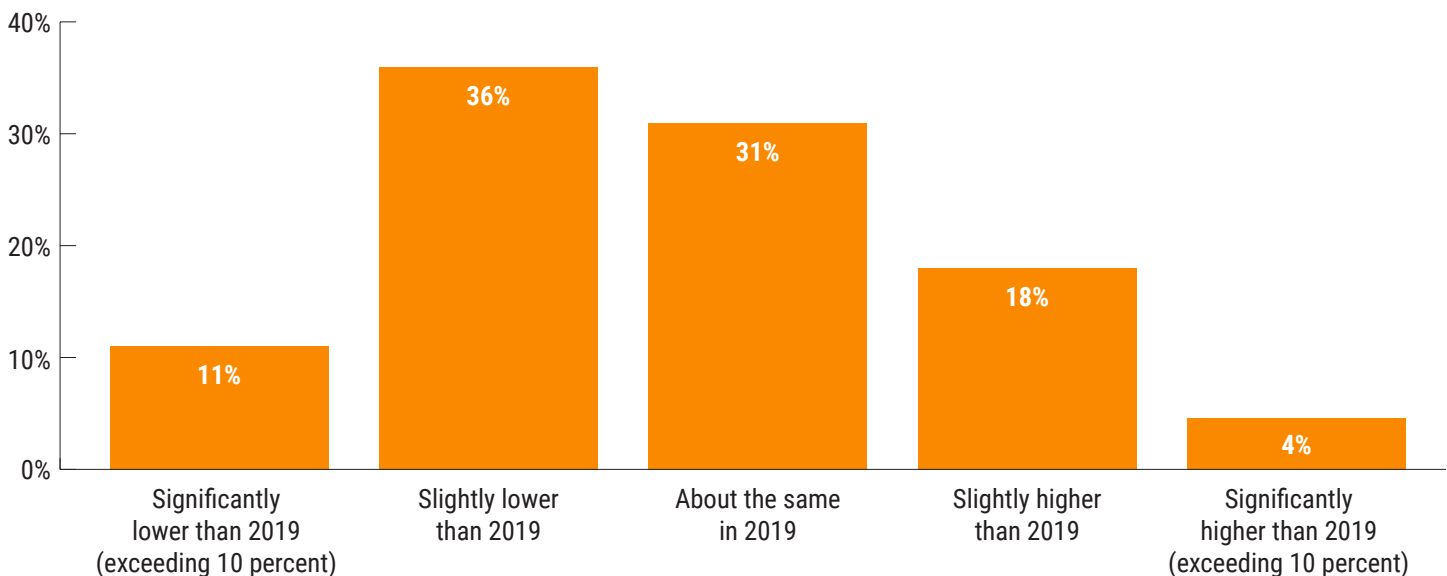
INVESTMENT LANDSCAPE

- Nearly half of respondents (49 percent) believe investors will be as active or even slightly more active in the life sciences space in the coming year as they were in the last year.
- To make themselves more attractive to those investors, respondents report streamlining, cutting costs, and shoring up their balance sheets.
- Nearly half (42 percent) of respondents say impressing investors with timelines and partnerships has the most positive impact in attracting investment.
- Respondents consider scrutiny of drug pricing and investors' aversion to capital-intensive industries as the biggest obstacles to raising capital.

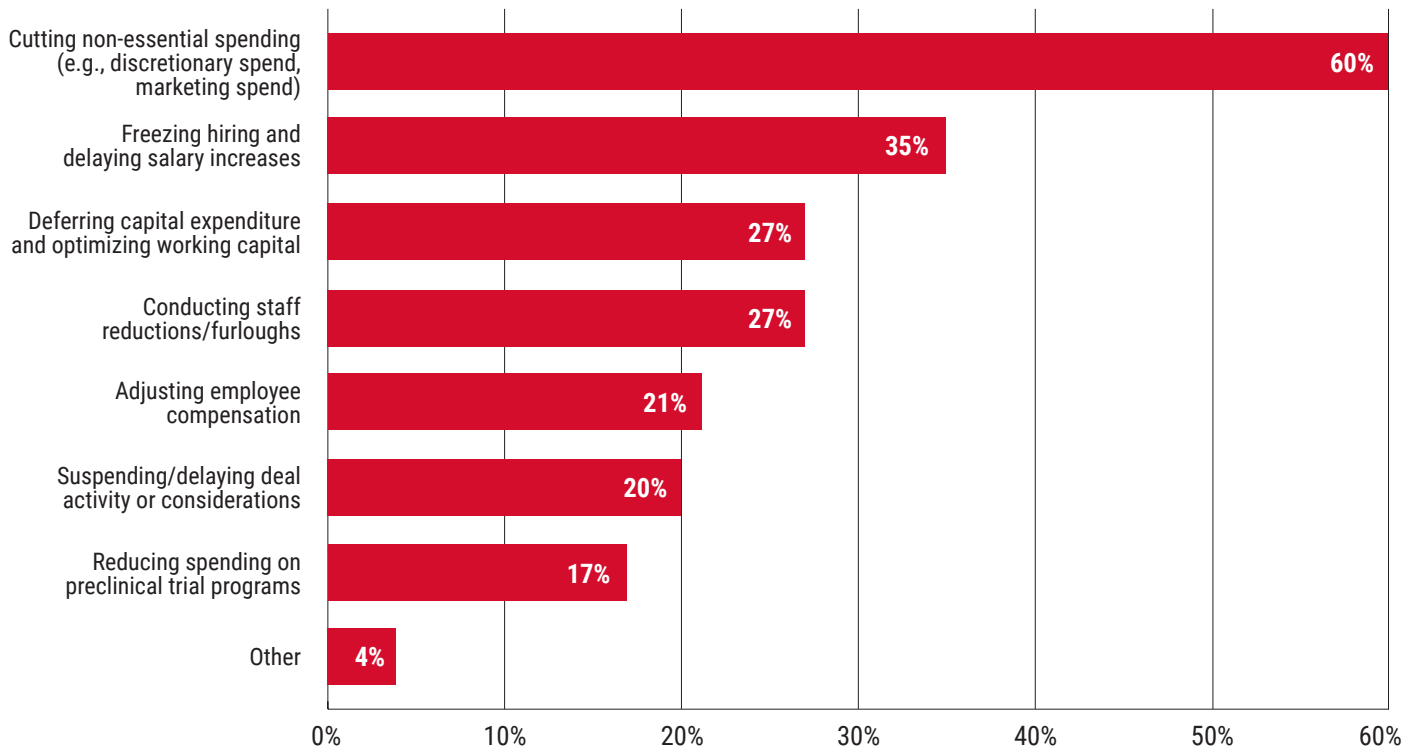


COMPARED TO 2019 FUNDING LEVELS, WHAT DO YOU BELIEVE THE FLOW OF INVESTMENT BY TRADITIONAL INVESTORS WILL BE IN SMALL TO MID-SIZE LIFE SCIENCES COMPANIES OVER THE NEXT 12 MONTHS?

(Select one option.)

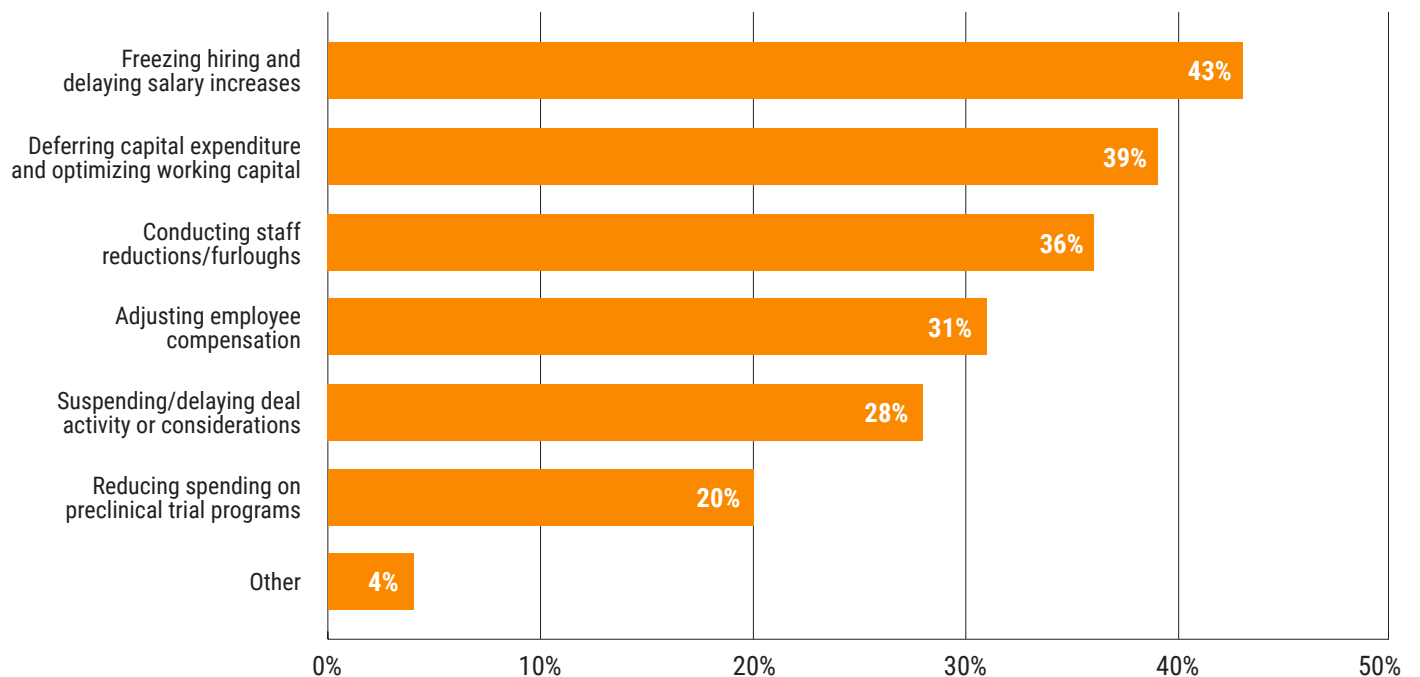


WHICH STEPS HAS YOUR COMPANY TAKEN TO STREAMLINE COSTS?



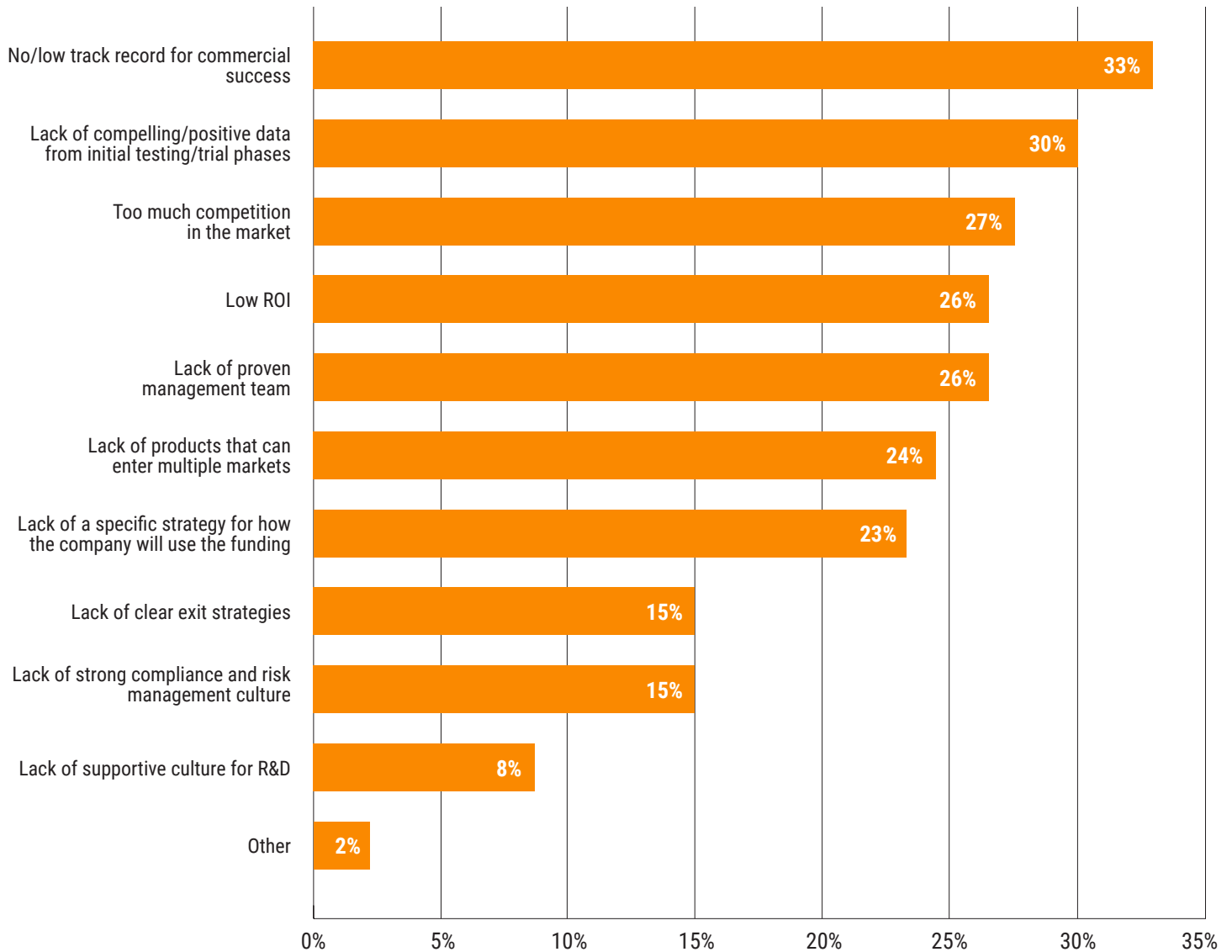
WHICH OF THE FOLLOWING FACTORS ARE NEGATIVELY IMPACTING THE FLOW OF INVESTMENT WITHIN THE LIFE SCIENCES SECTOR?

(Select all that apply.)



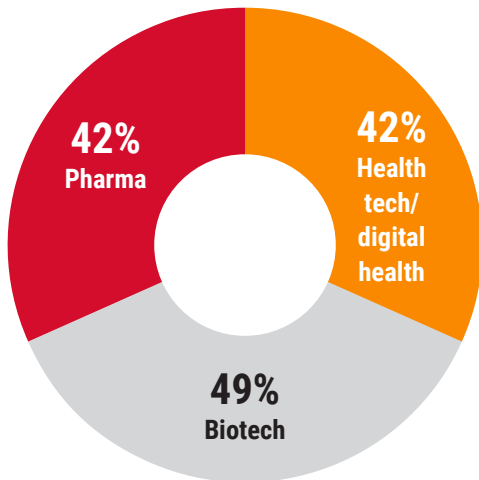
WHAT ARE THE MOST COMMON CONCERNS YOU HEAR FROM INVESTORS WHEN IT COMES TO INVESTING IN STARTUPS OR SMALL TO MIDSIZE LIFE SCIENCES COMPANIES?

(Select all that apply.)



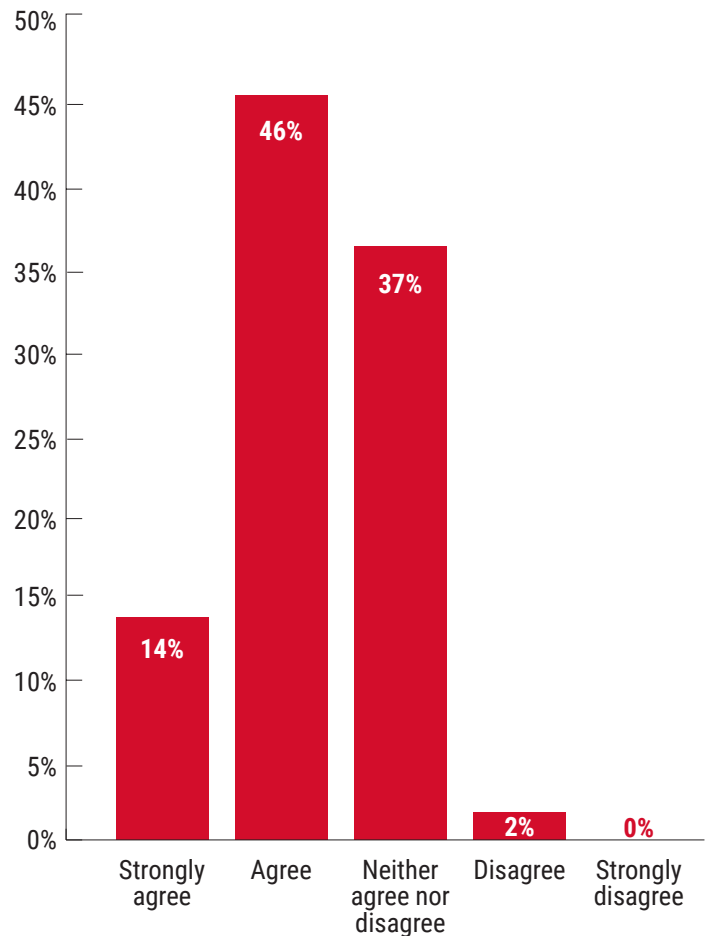
THE ROLE OF BIG PHARMA AND BIOTECH

- Well over half of life sciences entrepreneurs and leaders believe big pharma and biotech companies will increase their investments—either by providing funding or licensing technologies from small to midsize life sciences companies to fuel their pipelines.
- According to respondents, biotech (49 percent), pharma (42 percent) and health tech/digital health (42 percent) startups receive the most funding from big pharma and biotech companies.



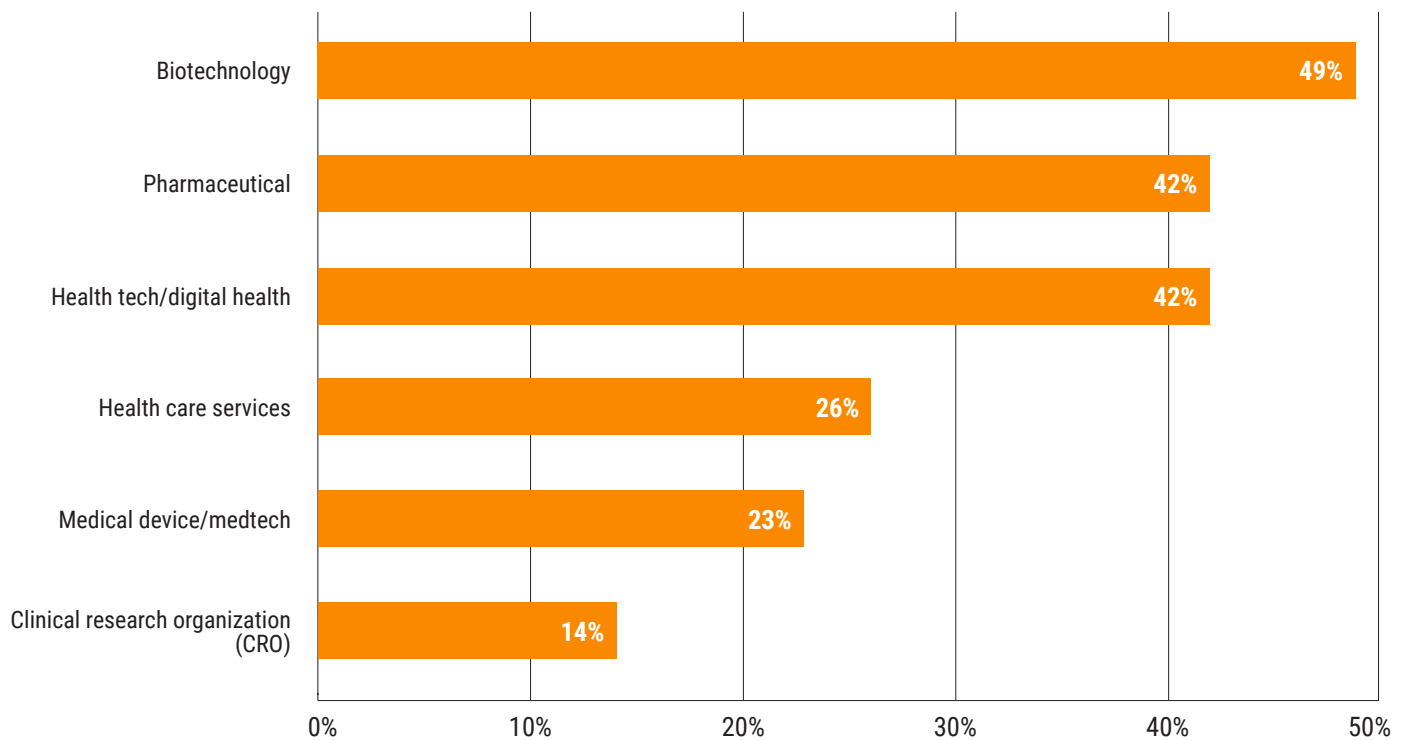
PLEASE INDICATE YOUR AGREEMENT WITH THE FOLLOWING STATEMENT:

Major pharma and biotech companies are increasingly funding startups or small to midsize companies or licensing technology in the life sciences sector to fuel their own drug pipelines.





(ASKED TO THOSE WHO SELECTED “STRONGLY AGREE OR AGREE” IN THE PREVIOUS QUESTION) WHAT TYPES OF STARTUPS OR SMALL TO MIDSIZE COMPANIES ARE THESE MAJOR PHARMA AND BIOTECH COMPANIES PARTNERING WITH AND/OR INVESTING IN? (Select all that apply.)



METHODOLOGY

In the summer of 2020, 122 respondents completed Lowenstein Sandler’s Life Sciences Investment Survey via an online survey tool. The results were tabulated, analyzed, and released in September 2020.

The demographics were comprehensive: 30 percent of respondents were senior managers, 25 percent were managing directors, while other respondent titles included C-level executive (24 percent), principal (9 percent), senior vice president (8 percent), partner (2 percent), legal (1 percent), and other (1 percent).

With respect to company value, nearly half (49 percent) of respondents worked at companies worth less than \$200 million, while others came from companies worth \$200 million-\$500 million (16 percent), \$501 million-\$1 billion (10 percent), \$1.1 billion-\$1.5 billion (10 percent), \$1.6 billion-\$2 billion (1 percent), \$2.1 billion-\$5 billion (5 percent), and more than \$5 billion (10 percent).

Most respondents (66 percent) came from health care services companies. Seventeen percent of respondents came from pharmaceutical companies, while others came from clinical research organizations (6 percent), health tech/digital health companies (5 percent), biotechnology companies (4 percent), and medical device/medtech companies (2 percent).



ABOUT THE AUTHORS

Michael provides strategic judgment and practical advice regarding diverse matters for pharmaceutical, life sciences, and health care companies. Clients—including public and private pharmaceutical, biotechnology, medical device, and other health care companies, as well as their investors and investment banks—value his extensive experience as both in-house counsel and outside legal and business advisor.

This background has contributed to Michael's stellar record of successful outcomes in product acquisitions and divestitures, technology licensing, sales and marketing practices, mergers and acquisitions, intellectual property, corporate compliance, employment law, and regulatory matters. Importantly, he understands the interplay of all these factors and how to manage them effectively for the optimum completion of each transaction.

Prior to joining Lowenstein Sandler, Michael was Senior Vice President and General Counsel of EKR Therapeutics, a specialty pharmaceutical company focusing on acute care hospital products. That position followed six years as Vice President and General Counsel at Reliant Pharmaceuticals Inc., which Michael helped grow into one of the nation's largest privately held pharmaceutical companies before it was acquired by GlaxoSmithKline in 2007. As part of Reliant's senior management team, he was lead inside lawyer on product acquisitions and dispositions totaling in excess of \$650 million, and helped the company raise more than \$660 million in equity and debt.



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[Biography](#)

Earlier in his career, Michael was partner in charge of the pharmaceutical and life sciences practice at a midsize law firm, representing startup, specialty, and large pharmaceutical and other health care-related companies in corporate, partnering, and licensing matters.

Michael is Chairman of the board of directors of the Blanche and Irwin Lerner Center for the Study of Pharmaceutical Management Issues at Rutgers Business School.

ABOUT THE AUTHORS

Steven has extensive legal experience focusing on capital markets transactions and securities law matters, representing public companies, investment banks, and investors. Steven also handles strategic mergers and acquisitions, representing both public and private companies.

When managing public and private securities offerings, Steven identifies and mitigates potential roadblocks, ensuring that transactions move forward quickly. Issuers, underwriters, and investors all appreciate Steven's informed perspective, diplomacy, and ability to expedite transactions.

Steven's involvement with capital markets transactions touches upon nearly every industry sector. He frequently handles IPO transactions, follow-up public offering deals, CMPO transactions, Special Purpose Acquisition Companies (SPACs), registered direct offerings, ATMs, PIPE deals, convertible equity transactions, and debt offerings.

Steven's track record of success in the life sciences sector makes him an essential team player for life sciences transactions. He works with leading investment banks that concentrate in this industry, deftly handling public offerings of biopharmaceuticals and medical technology companies, as well as other transactions.

Steven often serves as an advisor to corporate companies and their boards on matters such as SEC compliance, disclosure issues, and corporate governance. He also counsels clients on federal securities law, as well as rules and regulations pertaining to the Financial Industry Regulatory Authority, Nasdaq, and the New York Stock Exchange.



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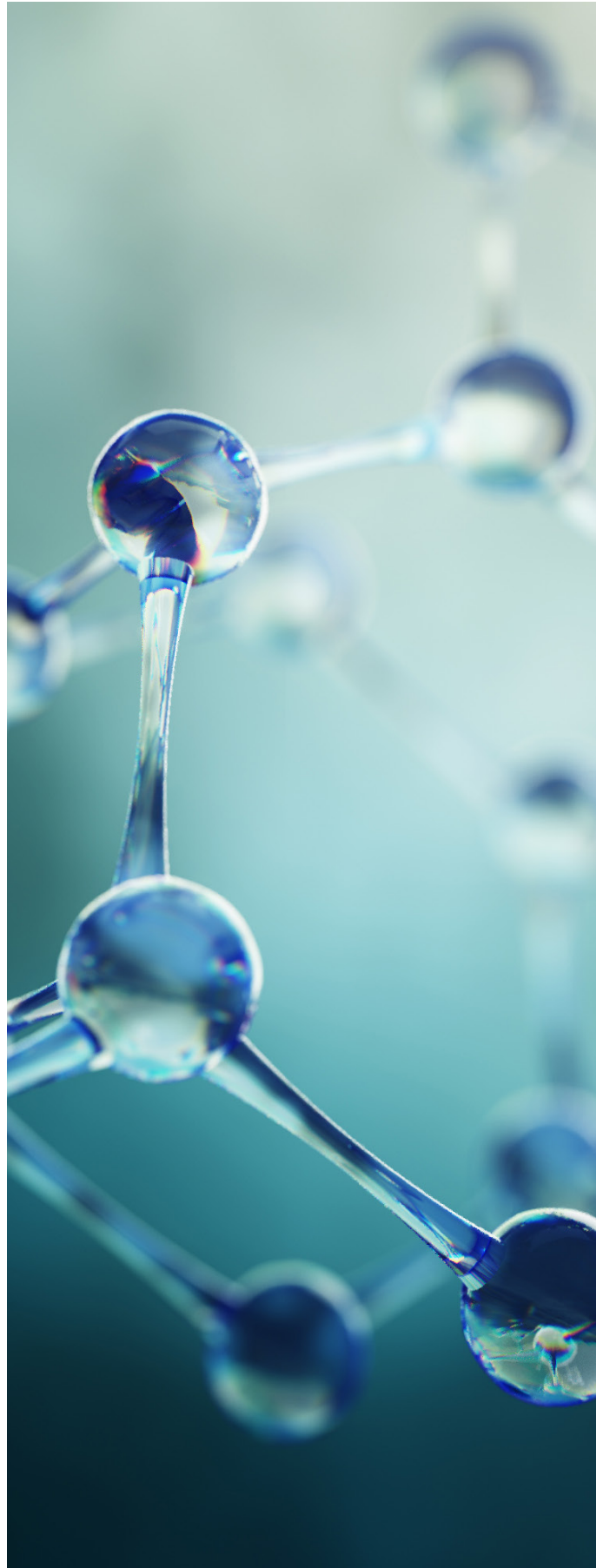
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[Biography](#)

ABOUT THE LIFE SCIENCES GROUP

Participants in the life sciences sector operate in an increasingly challenging environment that requires a broad spectrum of sophisticated legal services. [Our group](#) counsels emerging and mature companies, investors, and investment banks in areas ranging from financing and venture capital to intellectual property, FDA regulatory and sales and marketing compliance, mergers and acquisitions, licensing, employment, litigation, antitrust, product liability, and other general commercial and clinical matters relevant to the life sciences industry. The team—including former in-house counsel from large and midsize pharmaceutical, medical device, and biotech companies—anticipates and efficiently addresses client needs.

We have been described as “beyond responsive”—we care deeply about our clients and see their day-to-day battles as our own. Our broad industry practice representing emerging companies, multinational publicly traded companies, venture funds, hedge funds, private equity firms, and life sciences-focused investment banks gives us insight into industry dynamics and helps us develop creative solutions to complex legal issues.





ABOUT LOWENSTEIN SANDLER

[Lowenstein Sandler](#) is a national law firm with over 350 lawyers based in New York, Palo Alto, New Jersey, Utah, and Washington, D.C. The firm represents leaders in virtually every sector of the global economy, with particular emphasis on investment funds, life sciences, and technology. Recognized for its entrepreneurial spirit and high standard of client service, the firm is committed to the interests of its clients, colleagues, and communities.