

A personal perspective: Sean Morgan-Jones

New opportunities awaited travellers to San Francisco

The well-known Scottish poet and novelist Robert Louis Stevenson is often cited for the expression: 'to travel hopefully is a better thing than to arrive.' This has been widely interpreted to mean that life is a journey that should be continuously enjoyed. All well and good. But in the world of business there are always intervals when the travel stops and deals have to be done. This is how I would describe the dynamic of the annual JP Morgan Healthcare Conference in San Francisco, California. It is sometimes more rewarding to travel. This year, it was just as good to arrive.

In saying this, I am taking a three-year perspective. Going back to 2022, the US Nasdaq market was still covered in permafrost at JP Morgan and showing no signs of a thaw. Pfizer was allegedly poised for great things on the back of a sizeable war chest built up during the pandemic. But very little was disclosed in the way of M&A at that time. In 2023, the *Inflation Reduction Act* loomed large with concerns over how the legislation would affect spending on research and development. The uncertainty surrounding the use of artificial intelligence in drug development was a constant theme.

By early 2024, the zeitgeist had started to change. Nasdaq was still frozen but corporate shake-ups were underway leading to changes in the strategies of many companies. Albert Bourla, Pfizer's chief executive, announced a cost-cutting exercise of up to \$4 billion following the drop-off in Covid-related product sales. He talked about a challenging year ahead. Yet just weeks before the meeting, Pfizer completed the takeover of Seagen Inc, a global leader in the development of antibody-drug conjugates (ADC) for cancer. The deal value was valued at \$43 billion.

Merger and acquisition deals weren't as large as in previous years, but they were still being executed this year. Bristol Myers Squibb Co took over the neuroscience company Karuna Therapeutics and Novartis acquired Calypso Biotech BV, a spin out of Merck KGaA which is developing antibody therapeutics for a range of chronic autoimmune diseases. Merck & Co Inc bought Harpoon Therapeutics to develop T cell engager compounds for cancer, and GSK Plc bought Aiolos Bio to get a respiratory product in-licensed from China. Not to be overtaken by Pfizer, Johnson & Johnson Inc announced an agreement to acquire Ambrx Biopharma Inc, a developer of ADCs.

What are the omens for 2024? Executive search, which is my profession, is a useful lagging indicator of sentiment because of the lead time involved in identifying candidates for jobs and securing senior executive positions. With typical lead times of three to four months, organisations giving mandates to search firms were looking to land hires in the second quarter or early in the third quarter of this year. This level of engagement suggests that the outlook for the second half of the year is more positive than 12 months earlier.

Furthermore, the underlying macroeconomic outlook is improving with inflation easing on both sides of the Atlantic

and growth accelerating in the US. Figures released by the US Department of Commerce in late January showed that real gross domestic product increased by 2.5% in 2023. This exceeded predictions by Wall Street of a 2% increase. In 2022 GDP growth was 1.9%. It is still uncertain how this economic data will feed into interest rates. But assuming a gradual rate decline, this would reduce the cost of capital. Right now, wary investors are sitting on mountains of their clients' cash. This needs to be deployed. And with patents expiring on many top selling medicines, the 12 largest companies are waiting to spend an estimated \$180 billion to buy new products and/or take over the companies that are developing them.

At Biotech Showcase, a parallel event to the main JP Morgan event, I moderated sessions at which many entrepreneurial chief executives displayed their wares. It was enlightening to see the quality of the science emerging from the new technologies and from different geographies. The UK had a particularly strong cohort of young companies this year.

IPO activity picks up

Now, four weeks after the end of the conference, market activity has picked up. As I write this commentary, there have been five IPOs since the start of the year. All but one raised, or was hoping to raise, over \$100 million. The first was CG Oncology Inc, a late clinical stage biopharma company, which is developing a bladder-sparing therapy for patients with bladder cancer. Proceeds from the offering were \$437 million.

The second IPO came from ArriVent BioPharma Inc, a developer of oncology drugs with a special focus on ADCs. Proceeds from the offering were expected to be \$175 million. The third offering, from Alto Neuroscience Inc, was expected to raise \$128.6 million for diagnostics and treatments for neurological diseases. The target diseases include depression, post-traumatic stress disorder and schizophrenia.

The genetic medicines company Metagenomi Inc was expected to raise \$86.9 million from an IPO to support its gene editing platform. Still in the advanced therapy arena, Kyverna Therapeutics Inc announced proceeds of \$366.9 million from an IPO for an autologous chimeric antigen receptor (CAR) T cell therapy for B cell driven autoimmune diseases. If successful, Kyverna would be one of the first companies to advance a CAR T therapy into an indication other than cancer.

Looking ahead, all the available evidence points to more merger and acquisition activity and potentially more IPOs. It was indeed as good to arrive in San Francisco this year as it was to take the actual trip.

This article was written by Sean Morgan-Jones, chief commercial officer at Morgan Prestwich, life sciences executive search.