

LIFE SCIENCE MARKET UPDATE

Q3&4 2023

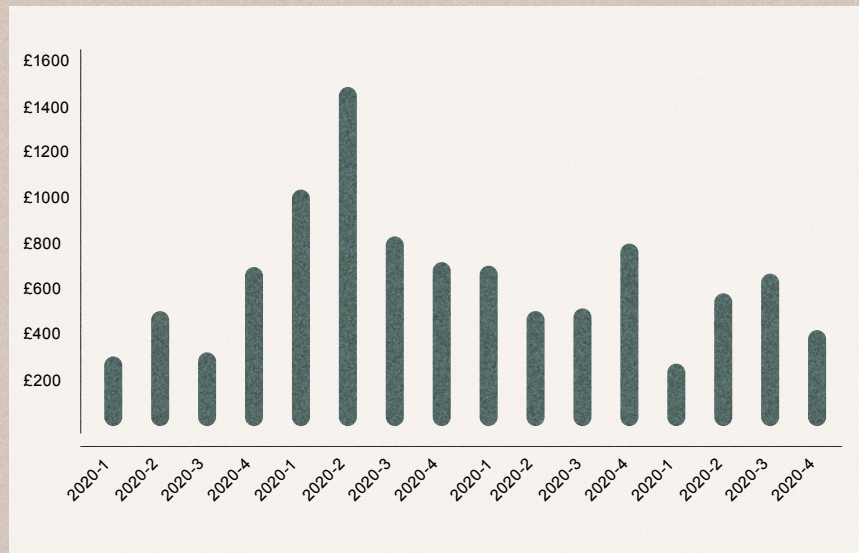
Welcome to Pioneer's six monthly updates on the life science sector. The aim of these short reports is to give you further insight into some of the trends driving the growth of this rapidly emerging and high-profile industry. Much of the focus will be on venture capital investment as a key driver, but over time we will also look at government announcements, M&A and other factors such as pharmaceutical company R&D spend. Finally, in each edition will take a look at one of the great companies within the Pioneer family and open a window on some of the life changing work these businesses are undertaking.



“2023 INVESTMENT LEVELS ARE BACK TO THE LONG RUN AVERAGE, OR SOMEWHAT ABOVE IT.”

There is some concern in the real estate sector over the fall in venture capital investment levels. The chart below shows just how unusual were quarters one and two in 2021, with 2023 investment levels back to the long run average, or somewhat above it. However, the first and second quarters of 2021 were inflated by some huge investment rounds, including £432 million into CMR Surgical (Cambridge), £195 million into Oxford Nanopore (Oxford), £176 million into Quanta (West Midlands) and £162 million into ExScientia (Oxford and Dundee). Between them, these four investments accounted for two thirds of the investment raised in the second quarter of 2021. Once these four mega-deals of Q2 2021 are taken out, the level of investment, at £506 million in Q2 2021, is at a similar level to other quarters.

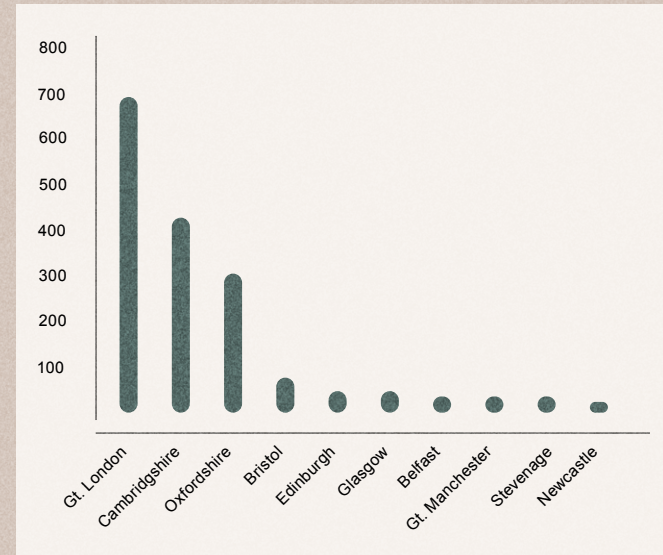
INVESTMENT IN THE UK LIFE SCIENCES (£M)



01 SOURCE : BEAUHURST

In contrast to the huge investments in 2021, the fourth quarter of 2023 most notable investments were on a different scale, such as £52 million into EyeBio (London), £48 million raised by T Therapeutics (Cambridge) and £48 million into AstronauTx (London). These are still significant investments, which will drive growth in these companies. According to Savills, every €1 billion of venture capital investment has the potential to create 50,000 sq m of life science demand for space. Extrapolating this formula, suggests even these smaller fundraises in Q4 2023 could each result in over 3,000 sq m of additional demand in the near term.

AMOUNT RAISED IN 2023 BY LOCATION (£M)



02 SOURCE: BEAUHURST

As might be expected, London, Cambridge and Oxford were the main locations of recipients of investment in 2023. With the next placed cities, Bristol, Edinburgh and Glasgow a long way behind at less than a tenth of the amount raised in London. The Northern Gritstone Fund, formed in 2021 in collaboration with the universities of Manchester, Leeds and Sheffield, seems yet to have a significant impact on life science investment in key northern cities, but the hope is the £312 million fund will enable fundraisings of the scale commonly seen in Oxbridge to take place.

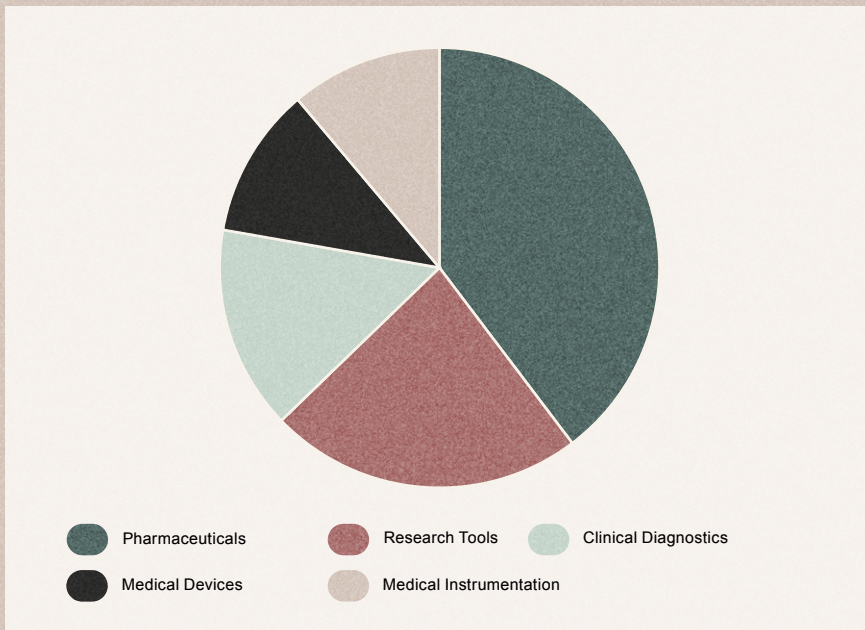


The life science sector can be subdivided into multiple subsectors, many with differing real estate needs, so it is important to understand the types of businesses that investors are funding.

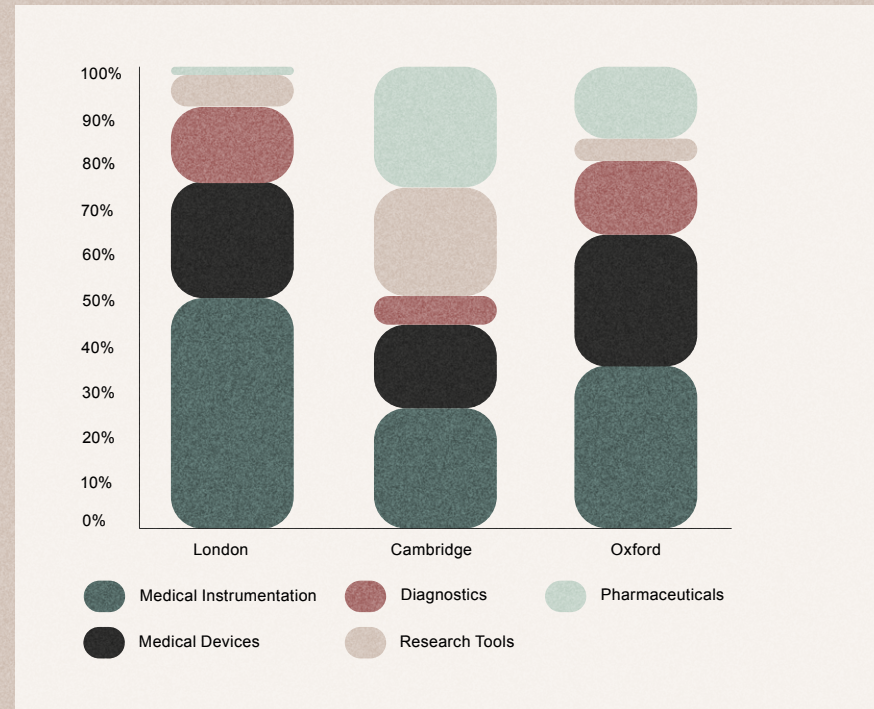
Pharmaceuticals were the dominant destination of funds across the UK in 2023, taking 40% of investment. Next is Research Tools and Reagents, with 23%. This is significant as companies in these two subsectors cannot usually operate without wet laboratory space (biology and chemistry labs).

Looking at the type of companies receiving investment, in the main life science locations, shows quite distinct patterns, with Pharmaceuticals and Research Tools dominant in London and Oxford, while Medical Devices and Instrumentation account for half the investment made into Cambridge companies. A few very large investments can of course sway the outcome of this sort of analysis, but it is still relevant as to the type of space that might be needed in a particular location in the future.

% FUNDS RAISED 2023



SUB SECTOR INVESTMENT IN KEY LIFE SCIENCE LOCATIONS 2023



While venture investment can directly drive growth, mergers and acquisitions in the life science sector can also impact demand for space, either because the new owner invests and expands the acquired business, or because they shut it down and move the intellectual property to the parent company. The latter scenario is rarer than the former, in part because much of the value of any life science company lies in the knowhow and skills of the employees. Keeping them retained and happy is often key to maximising the benefits of an acquisition. M&A in 2023 across all industries saw a slump and life sciences was no exception, with just a few, relatively small scale acquisitions taking place, such as London-based 3D technology's acquisition by Convatec for £92 million. There are signs that the market is picking up, for example the mood at the recent JP Morgan life sciences conference in San Francisco was decidedly more optimistic than a year ago. We will continue to monitor the market and report here on developments.

→ Government initiatives can also impact on the development of the life science sector, and there have been some significant developments over the past few months. These include:

→ Re-entry of the UK into the Horizon Europe programme. This is the largest research programme in the world, which the UK left as a result of Brexit, and which now means UK researchers have access to the €82 billion scheme.

→ In the Autumn Statement, the UK government has revealed a raft of measures and investments including £520 million for life sciences funding, changes to R&D tax credits, and clinical trials accelerator schemes.

→ The chancellor also confirmed a further £500 million for artificial intelligence (AI) over the next two financial years bringing the total planned investment to more than £1.5bn. That also included a previously announced £100 million (\$125m) AI Life Sciences Accelerator Mission, announced by the Prime Minister, which will use health data and AI to tackle what the statement calls “pressing health concerns.”

“RE-ENTRY OF THE UK INTO THE HORIZON EUROPE PROGRAMME... WHICH NOW MEANS UK RESEARCHERS HAVE ACCESS TO THE €82 BILLION SCHEME”



→ New terms were agreed in November on a previously contentious scheme whereby pharmaceutical companies provide a rebate to the UK Government on sales of branded medicines to the NHS. Since 2021, the effective rate of the rebate has increased from 5.1% to 26.5%. Such was the level of dissatisfaction with the scheme that many pharmaceutical companies publicly stated they were pausing investment in the UK until the situation was resolved. The new scheme means rebate rates will be 19.5% in 2024, falling over five years to 7.2% for newly-launched drugs. This should hopefully now unlock pharma company investment in the UK.

→ The Labour Party recently announced plans to increase investment in research and development in the pharmaceutical sector by £10 billion per year, should it win power in the next general election.



COMPANY SPOTLIGHT: NUVISION BIOTHERAPIES

NuVision is a spin-out from the University of Nottingham. It is based on the discovery of a way to treat amniotic membrane to turn it into a bandage, or contact lens, that can be used to treat eye disorders. Amniotic membrane (AM) is the sack that surrounds the baby in the womb, and it has amazing healing properties. These have been known for some time, but application of AM has been limited because it needed to be used fresh. NuVision has revolutionised this and turned it into a storable, off-the-shelf product.

The most exciting application for NuVision's product is in the treatment of dry-eye disease, a condition that affects over 1.5 billion people and can be severely debilitating. In clinical trials using NuVision's OmniLenz product, patients with moderate to severe dry-eye disease, who previously had to apply eye drops every few hours, were given over six month's relief after wearing OmniLenz for just five days- truly life changing.

The founder of the company came on a Pioneer (BioCity) Accelerator programme in 2014, which enabled the company to be set up, and the local team helped the company raise its first investment. Pioneer has also invested into the company and supported the business through sitting on the board and providing clean room facilities.

The business is now in the process of raising £8-10M to fund the rapid expansion of product sales.

Details

→ Founded: 2015

→ Based: MEDICITY NOTTINGHAM

→ Funds raised to date: £7.5M

→ Field: OPHTHALMOLOGY

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