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Execs upbeat heading to J.P. Morgan Healthcare Conference

By Peter Winter, Editor

SAN FRANCISCO – The mood heading into the start of the 33rd annual J.P. Morgan Healthcare Conference in San Francisco that opens today will be decidedly upbeat. In fact, it will be hard for biotech executives to stop smiling with the industry coming off a record year in terms of raising capital, performance on the capital markets and partnering and mergers and acquisitions. Equally gratifying is that all signs are pointing toward another repeat performance this year.

"There's a lot of wind in the sails going into the meeting, more so than last year," John Chambers, head of Healthcare Investment Banking at Roth Capital Partners, told *BioWorld Insight*. "Take deal flow for instance; in just a week or so of the new year we already have had north of $1 billion raised in financings and that is astonishing."

With more than 12,000 business executives, investors and analysts descending on San Francisco for the J.P. Morgan Healthcare, Biotech Showcase and OneMedForum events, the week certainly sets the tone for the rest of the year. And the common denominator in all those meetings is money. For public companies, good presentations and break-out sessions can impress investors, which in turn can positively influence share values. For presenting private companies, attracting the attention of venture capital firms or potential strategic partners will be the main goals.

Certainly, the executives of the private companies presenting at those events will be hoping that venture capital flows as freely as it did in 2014.

According to *BioWorld Snapshots* the amount of capital raised by global private biotech companies was $5.5 billion in 2014 – about 39 percent up on the total raised in 2013.

MARKET SUSTAINABILITY

There is no doubt that these are exciting times for biotech. Unlike the genomics era that spawned a record level of financings before tapering off dramatically, the present record funding environment is being driven by a more orderly organic growth fueled by the maturing of the larger companies and a change in investor attitude toward novel therapeutic areas such as gene therapy and immuno-oncology, noted Chambers.

This time around the appetite for biotech feels much more self-sustaining, with the large-cap companies evolving and driving consistent growth. The first half of the year will be very healthy for the sector with the blue chip companies at the vanguard.

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In addition, there will be a blossoming of companies developing novel therapeutics. Those growth-stage companies will either become M&A targets at some point if they are successful or they will be able to raise the capital they need to build their pipelines independently, Chambers concluded.

M&A ENVIRONMENT

Although this year will be robust and highly competitive for M&A activity in the biopharma industry, the dealmaking environment is likely to "challenge firms seeking growth through acquisitions as they face a scarcity of affordable prime acquisition targets and increased competition." That is one of the conclusions of *EY's Firepower Index and Growth Gap Report 2015: Firepower fireworks*, released Monday. [See next week's issue for a detailed review of its findings.]

While taking a breather in 2013, big pharma returned to robust dealmaking in 2014, spending nearly $90 billion on M&A. "Many firms within this group sought to create more focused businesses and close persistent revenue 'growth gaps,' which are expected to total $100 [billion] by 2017" the report noted.

There is no doubt that potential buyers will be busy during this week on the lookout for acquisition targets.

STORY LINES AT JPM

Big pharma companies are predicted to be active in M&A and their presentations at J.P. Morgan will be closely scrutinized for clues to their potential intentions.

Pfizer Inc. is certainly going to be an active player this year, and we could expect a major deal from them in the not too distant future.

It is also no secret that large biotechs, who are awash with cash, are expected to be active players looking to partner or acquire pipeline assets. In addition, they, themselves, because of their success, could become acquisition targets.

On the technology front, companies developing CAR T and gene therapies likely will present to packed audiences. Might be in the crosshairs of firms anxious to get into that space?

Also, will the biotech IPO market be as strong as it was last year? The National Venture Capital Association (NVCA) believes it will. According to an Exit Poll report released by Thomson Reuters and the association last week, they determined that 27 venture-backed initial public offerings (IPOs) raised $4.4 billion during the fourth quarter of 2014, an 18 percent increase, by number of offerings, from the third quarter of this year and a 68 percent increase, by dollars, compared to the previous quarter.

The fourth quarter also marked the seventh consecutive quarter to see 20 or more venture-backed IPOs, levels not seen since the fourth quarter of 2000.

Bobby Franklin, president and CEO of the NVCA, said "2014 was an exceptionally strong year for the public markets, creating favorable conditions for venture-backed companies to make that long-awaited IPO. With the economy continuing to gain steam and the appetite for high-growth companies on the cutting edge of innovation at a high, we hope that the public markets continue to provide opportunities for the next batch of companies coming up through the venture pipeline."

There are many ongoing interesting story lines this year and BioWorld reporters will be closely following and reporting on them this week. Stay tuned!