

## Young & Partners Forum

### Reflections on 2024 and the Outlook – Stock Market and Funding

#### Introduction

Although the pace of innovation has been strong for both the pharmaceutical and the biotech companies and the pace of U.S. and European drug approvals continues to be solid, the financing, M&A and stock market developments in 2024 for pharma and biotech companies have broken from past trends in certain categories, both positively and negatively. Many of these trends would seem not to make sense on the surface, but they are logical if you carefully examine the underlying drivers.

The future looks promising, but it is also highly uncertain with the actions and intentions of the new Trump administration and the high level of geopolitical and economic turmoil globally.

#### The Stock Market and Funding

By the end of 2024, the S&P 500 had increased 24.0% and the S&P Euro 350 had increased by 0.3%. This was a significant positive development, although much of the increase in the S&P 500 was driven by the largest technology companies.

The overall picture for the pharma industry in 2024 was mixed.

The Y&P U.S. BioPharma index increased by 6.9%, underperforming the market. The Y&P European BioPharma index decreased by 10.3%, and the Y&P Generic Pharma increased by 50.5%.

Pharma equity issuance in 2024 was modest, but much higher compared to 2023. Dollar volume of equity issuance in 2024 was \$13.3 billion versus \$6.5 billion for 2023.

The number of offerings was also higher with 69 offerings in 2024 versus 41 offerings in 2023.

The performance of biotech public shares has been weak. The NBI index decreased by 3.3% and the Y&P Biotech Mid-Small Cap index increased by only 1.2%. This was a continuation of the underperformance of biotech public shares that began in 2022.

2024 saw a continuation of a suppressed number of biotech IPOs, but a robust number of secondary offerings by companies already public. If you are already public, the ability to issue more equity has been solid, but sadly the companies seeking to go public have been given the cold shoulder.

Equity offerings of all types roared back in 2024, with 237 equity offerings completed versus 201 offerings in 2023. The dollar volume was also strong, with \$32.0 billion completed in 2024 versus \$24.8 billion in 2023.

The IPO market volume, however, only modestly recovered from trough levels. 23 IPOs were completed worth \$3.8 billion in 2024 compared to 16 IPOs worth \$3.3 billion in 2023. There are signs of improvement, but it is not clear that there will be a sustained recovery.

Many biotechs who have had plans to go public have been facing serious funding problems since the IPO market has been an important source of very attractive equity funds to extend their research and regulatory runways.

The drop in biotech stock market valuations have also pushed down the private equity funding valuations and availability except for pockets of sectors that are in favor. Venture capital firms took big paper losses on their existing ownership positions in private and public biotech/biopharma companies and dramatically slowed funding new companies, except in the hot areas of technology. Their focus has been on defending their existing portfolio companies to make sure they survive the funding and IPO drought. However, there are signs that investing activity is picking up as venture firms take advantage of lower valuations and because they really cannot stop investing entirely.

With many of the private biotechs running out of money, we will continue to see downsizing announcements on a regular basis. Some biotech companies will not survive and will have to shut down. This down cycle has happened to biotech many times historically, so this is not a new development in the history of the industry.

Peter Young  
CEO, Young & Partners  
[pyoung@youngandpartners.com](mailto:pyoung@youngandpartners.com)

January 28, 2025

### Young & Partners

Young & Partners is a focused life science and chemical industry investment banking firm serving the business and financial strategy consulting, M&A, financing and financial advisory needs of clients worldwide. Our focus is on providing in-depth life science industry expertise, excellent technical investment banking skills, exceptional contacts and senior attention to every transaction without any conflicts of interest. We have successfully completed a large number of investment banking projects over the last 29 years. Our offices are at 535 Fifth Avenue, 4<sup>th</sup> Floor, New York, New York 10017. Our website is [www.youngandpartners.com](http://www.youngandpartners.com)