

## We also spoke with Andrew Cossar, Executive Partner, Head of Strategic Transactions at the investment trust Syncona.

Syncona is a leading FTSE 250 healthcare company focused on creating, building and scaling a portfolio of global leaders in life science.



### Q: What were the main challenges facing the biotech industry during 2023?

We all know that higher interest rates have really impacted on the biotech sector, and you can see that capital has been much less available to biotechs – a fundamental challenge for a sector that needs long-term access to capital to develop its products. We also see this cause a real disconnect between the underlying value creation as companies develop new products, and the value that private and public markets are willing to give those companies. In the public markets you can see examples of companies getting no value uplift when they release good data (but being acutely punished when the data is negative). Taken together it makes it a very difficult time to be a biotech taking products through the early stages of development – though we still believe strongly that products with regulatory approval or late-stage data will have their fundamental value recognised.

### Q: Looking forward to 2024, do you expect conditions to change significantly?

We expect conditions to remain challenging – we don't see significant capital flowing back into the biotech sector in public markets in 2024, and private markets look likely to remain challenging too with funds focusing their capital on their existing portfolios rather than looking at new deals. However we do see the potential for

valuations to recover for high quality late-stage biotech assets – particularly given continued interest from big pharma in high quality, late-stage assets, with several \$1bn+ acquisitions in the year e.g. Prometheus to Merck for \$11bn, Mirati to BMS for \$5.8bn. Ultimately we know that pharma is facing an upcoming \$200bn patent cliff and so they will need to source a lot of their next generation of products from biotech. For us this underlines the importance of getting products to late-stage development, and building companies with a clear path to that.

### Q: What attributes will a biotech company need to be successful in 2024 and beyond?

There are a few things that biotechs always need – great products meeting unmet healthcare needs, with clear strategy to get to late-stage data and approval. But in this environment they also need very strong capital discipline – the days of easy capital access are gone and the goal must be to get products to data and approval within their existing cash. So they need to extend their cash runways wherever they can – part of this will be streamlining pipelines to focus capital on the products with the highest chance for approval and where they can achieve meaningful data within their available capital. They also need to be creative in looking for opportunities to bring in financing, including licensing deals, collaborations or product

financing. Unsurprisingly we've been working closely with our portfolio companies on all of these things.

### Q: Are there any particular technologies that you expect will take centre stage in biotech over the coming years?

Rather than a single technology taking centre stage, we think we're at a stage where a decade of work has presented us with a great range of different technologies available to be used – both long-established and newer ones like cell and gene therapy where Syncona has had a great deal of experience. This diversity of technologies brings new levels of precision to drug development, and the opportunity we see is to drive patient benefit by matching a novel target with the best technology to address it. We believe getting this right will be crucial to developing the next wave of medicines and ensuring their commercial success.

### Q: Is AI set to become a mainstream tool for the industry?

Overall we see AI becoming a mainstream tool for companies as it brings many benefits to drug discovery and development, and in particular enables the quick and efficient analysis of vast data sets, and we expect that to continue. However, fundamentally the core of the biotech industry is to validate products through the clinical trials process, with this remaining the core focus for Syncona in managing its portfolio.