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Life Sciences Markets to Watch: **Bay Area, Boston and SoCal**

2021

DATA PROVIDED BY  PitchBook.



FROM LAB TO MARKET

Bridge Bank's Life Sciences Group is a team of experienced bankers with a national footprint. We work with biotechnology, medical devices, pharma and diagnostics/tools in all stages of development. We can find a specialized solution for you putting your mind at ease, so you can focus on what's important — managing your business and achieving your goals. We provide the following creative and flexible debt financing solutions:

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To learn more about us, visit bridgebank.com/lifesciences.

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EXECUTIVE SUMMARY

- Benefiting from a unique combination of macro factors—including aging demographics, significant technical advances, and regulatory easing—life sciences has experienced a bull market in both equities and venture funding over the past several years.
- Key technical advances have been gradual in the pace of development but are now bearing fruit. Increasingly accurate gene editing, genome mapping, immunotherapies, virtual modeling, and more are all underpinning a wave of innovation within the life sciences industry.
- The three primary hubs of life sciences in the US—the Boston, Bay Area and Los Angeles-San Diego clusters—raked in a record sum of funding in 2020 across just over 650 financings.
- Close to 2,400 unique investors were active in life sciences in 2020.
- Both median financing sizes and pre-money valuations have reached significant new highs in 2021 to date.
- Venture-backed exits from companies across those three hubs also hit a new high in volume in 2020 and have already eclipsed \$7 billion in exit value so far in 2021.
- Given such strong liquidity, and the strong rates of funding in Q1 2021, it is likely that venture investment in the space will continue at a rapid clip for the foreseeable future. In addition, the likelihood of swifter paths to approvals and subsequent commercialization is strong, which will further encourage both investors and startups.

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 **\$23.2B**

The three major life sciences ecosystems in the US set a record in VC invested in 2020.

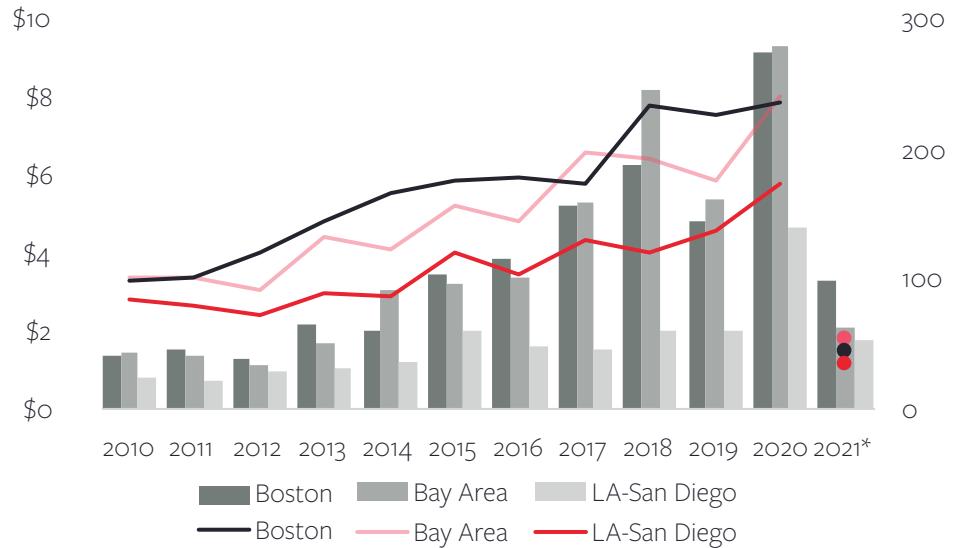
DEALMAKING

Select regions have long enjoyed the benefits of thriving venture ecosystems, incentivizing multiple policymakers over the years to attempt to recreate them. The term Silicon Valley has spawned imitative terms such as Silicon Alley and Silicon Hills. For hotspots of startup and venture activity like Silicon Valley, a combination of factors such as proximity to top universities and other metro areas, a favorable regulatory climate, relatively attractive livability, and access to pipelines of research and talent are often key in establishing a thriving ecosystem.

However, startups in certain sectors may benefit even more from that last factor. More capital-intensive, resource input-heavy segments have often clustered around metro hubs that provide favorable conditions due to existing inventory of factories or laboratories and greater pools of talent. In particular, life sciences startups have clustered around areas that offer talent, access to world-class universities, ample laboratory space, available partners for R&D, and established ties to corporate partners.

Life sciences VC deal activity

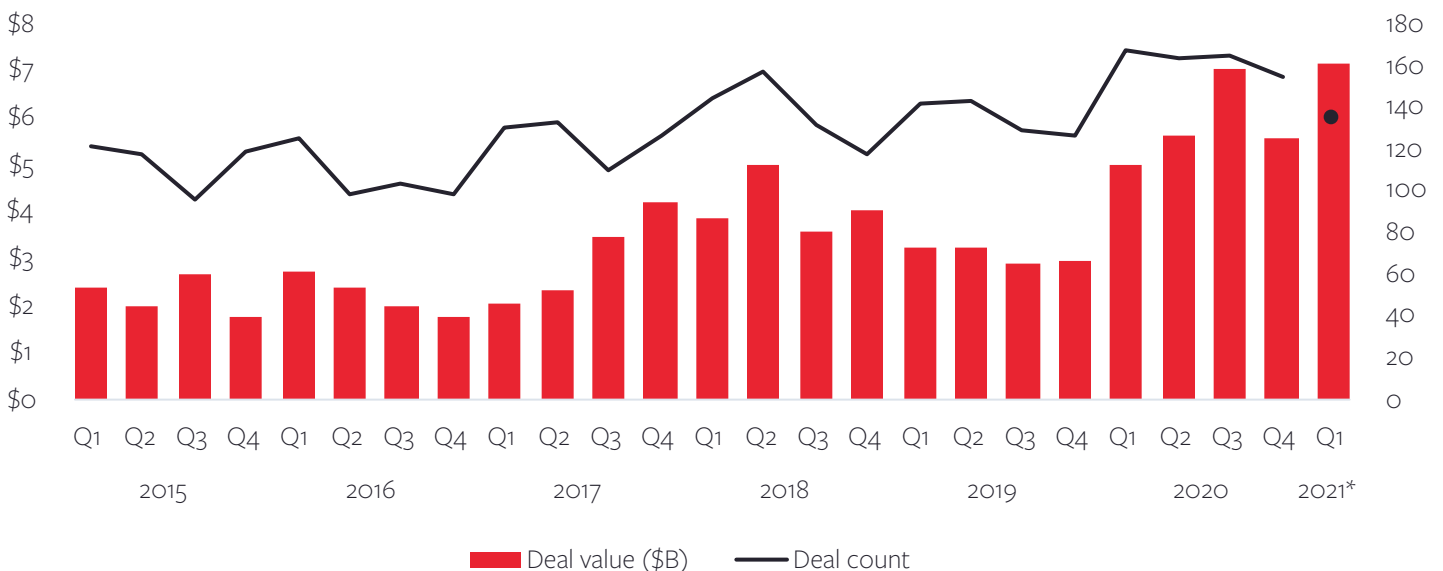
A strong start in 2021 after a record-breaking year



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*Unless otherwise noted, the geographic scope of these datasets are the following combined statistical areas (CSAs): Boston-Worcester-Providence, MA-RI-NH-CT; Los Angeles-Long Beach-San Diego, CA; San Jose-San Francisco-Oakland, CA
*As of March 17, 2021

Life sciences VC deal activity by quarter

The first quarter of 2021 already set a record for VC invested



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

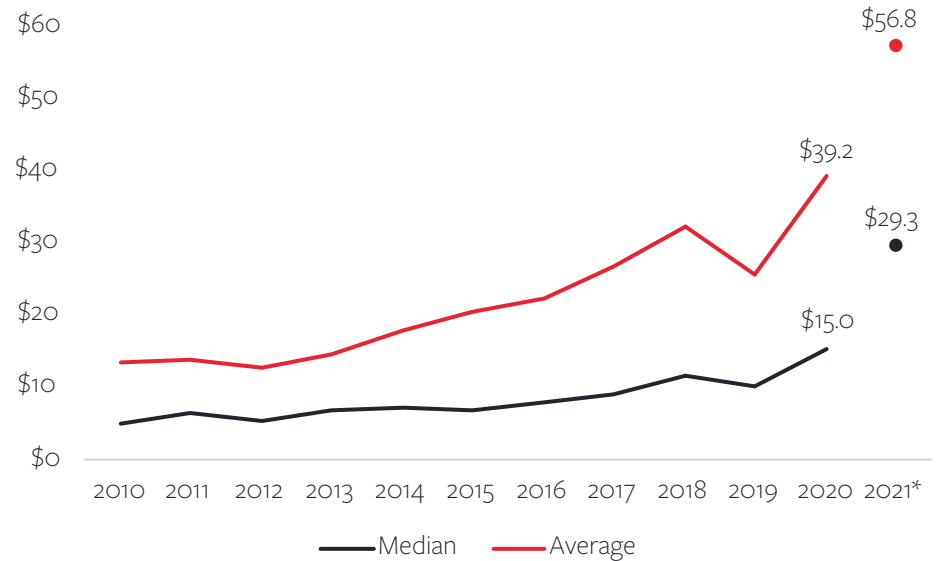
DEALMAKING

As a result, US venture financing in life sciences has often seen a preponderance of activity in three key metro areas: the Bay Area, Boston, and Southern California. Other up-and-coming metro areas are seeing increasing rates of investment—for example, Seattle-Tacoma eclipsed \$1 billion in VC invested for the first time in 2020—but by and large, these three metros still dominate life sciences VC activity. However, further growth is anticipated across additional metro areas such as Minneapolis in the 2020s, as venture further proliferates into more ecosystems across the US. Much like how the gradual geographic expansion of remote-work teams will yield to further investment growth in currently fledgling venture scenes, life sciences ecosystems that enjoy aforementioned key factors will benefit from cross-state investment flow in the future. 2021 is hardly seeing a slowdown—as of mid-March, a new quarterly record for VC invested across these three combined statistical areas (CSAs) was already set, at close to \$7.2 billion.

Much of this record rise has been driven by pharma & biotech, which dominates life sciences investment tallies. 2020 saw a record of nearly \$19.5 billion invested across close to 500 financings in that segment alone, demonstrating the payoff after decades of steady technical advances that culminated in groundbreaking immunotherapies and vaccines—for example, mRNA-based approaches. However, investment has also risen in other segments, which are depicted sans biotech to better illustrate their growth. Healthcare services and systems has seen steady growth in financing volume, while IT hardware and consumer goods have also grown, thanks to the spread of home diagnostics kits and wearables.

Median & average life sciences VC deal size (\$M)

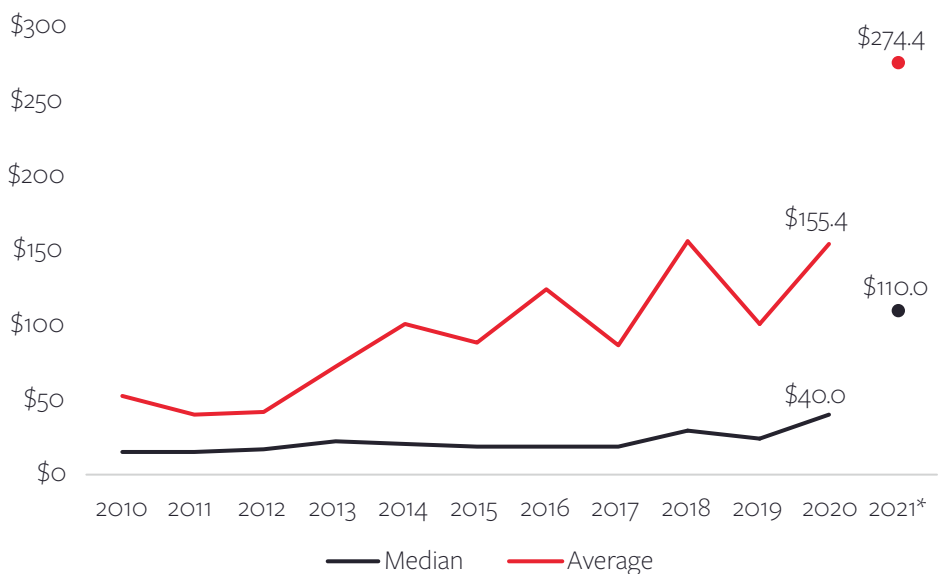
New highs in financing metrics speaks to surging demand



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

Median & average life sciences post-money VC valuation (\$M)

Valuations remain underpinned by sheer amount of capital within the space



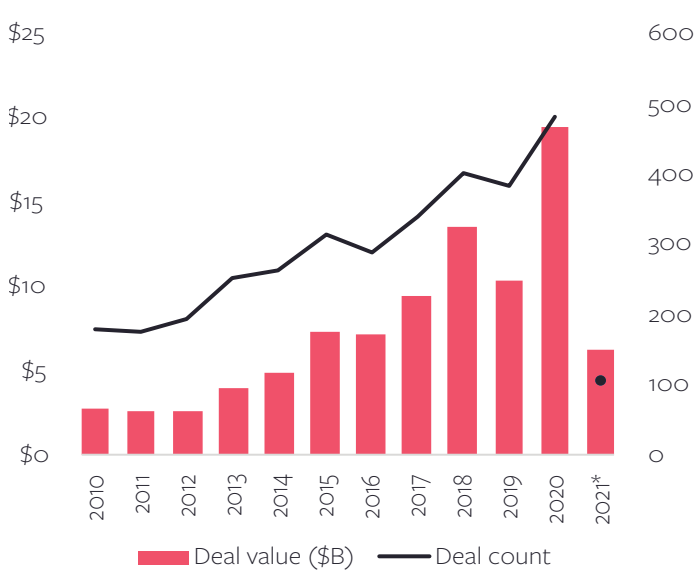
Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

Note: The sample size is n < 30 for 2021.

DEALMAKING

Pharma & biotech VC deal activity

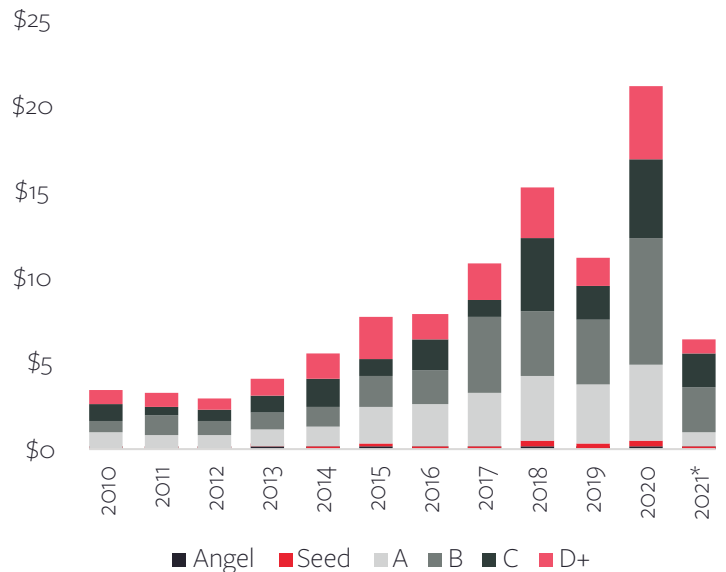
Pharma & biotech sees well over \$19B invested in 2020



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

Life sciences VC deals (\$B) by series

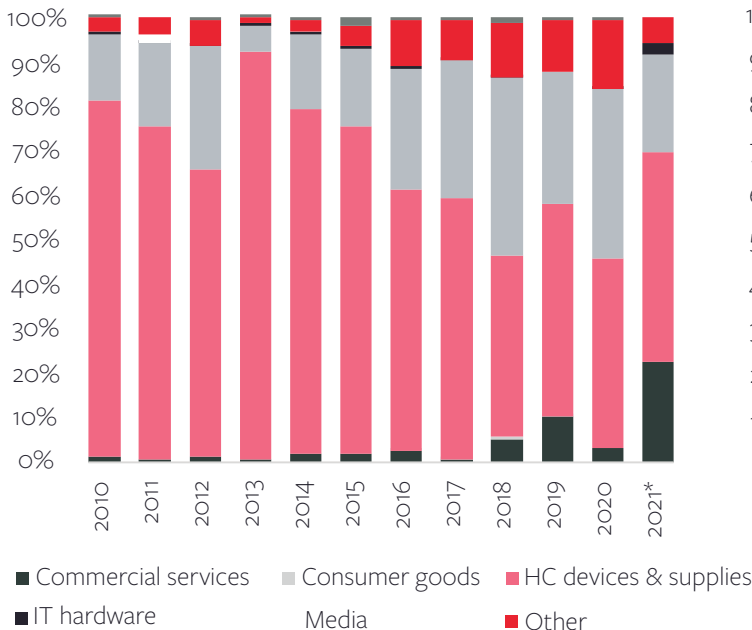
Seed sees second-highest annual tally; Series A hits a record \$4.5 billion



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

VC deals (\$) excluding pharma & biotech by sector

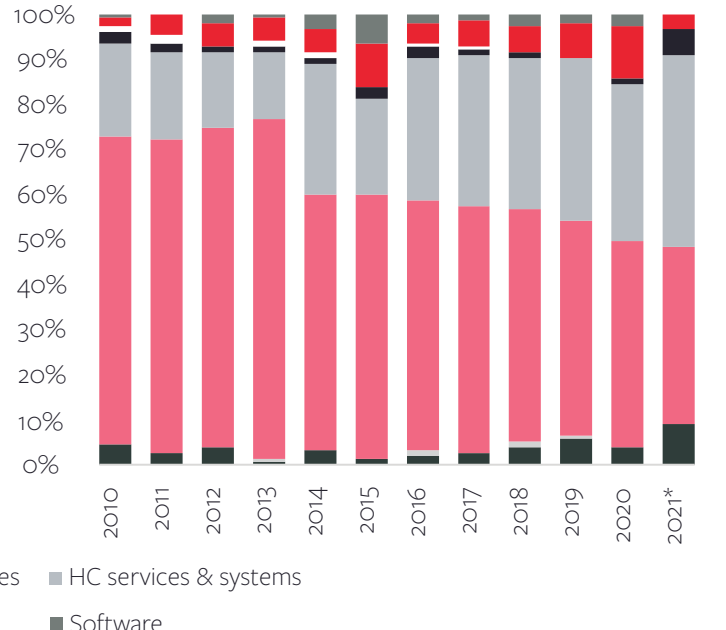
Devices & supplies still accounts for a plurality of VC invested



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

VC deals (#) excluding pharma & biotech by sector

Services & systems grew steadily throughout the decade



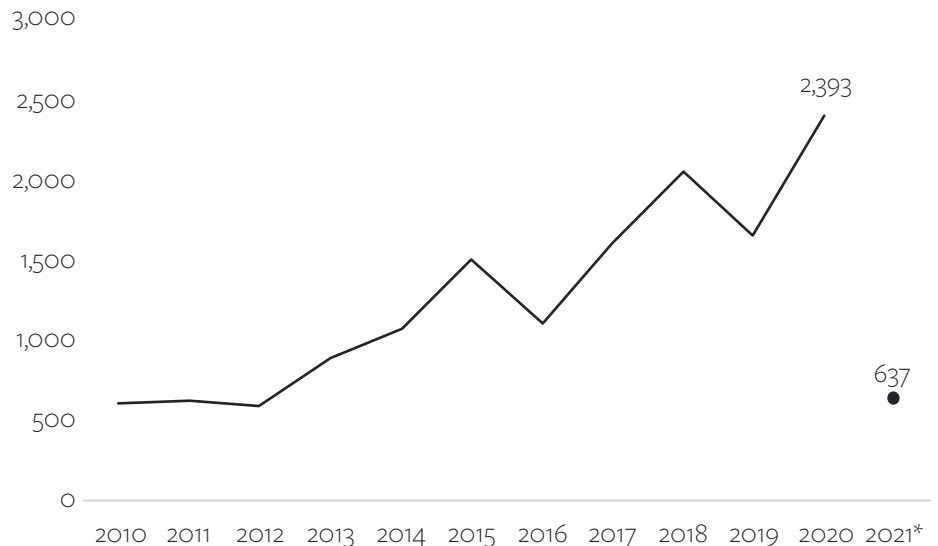
Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

DEALMAKING

Other factors have also contributed to the success of life sciences in 2020, including a favorable regulatory environment that enabled potentially shorter timelines across clinical trials and public listings, but those factor families remain most critical. Combined, they have induced a booming investment environment. Both dollars invested and volume have tilted toward financing series that are later in a company's lifecycle, suggesting a profundity of available VC to enable companies to stay private longer. Valuations have surged, as have median and average financing sizes. It's worth noting that part of this access to capital is augmented by increasing amounts of venture debt from multiple lenders. Life sciences business models can lend themselves well to VC debt structures and terms, especially given favorable conditions in current equities markets. [Recent PitchBook analysis](#) has revealed VC lending to healthcare companies in general to be rising, hitting a new high of \$6.7 billion across 765 loans in 2020.

Active investors (#) in life sciences VC deal activity

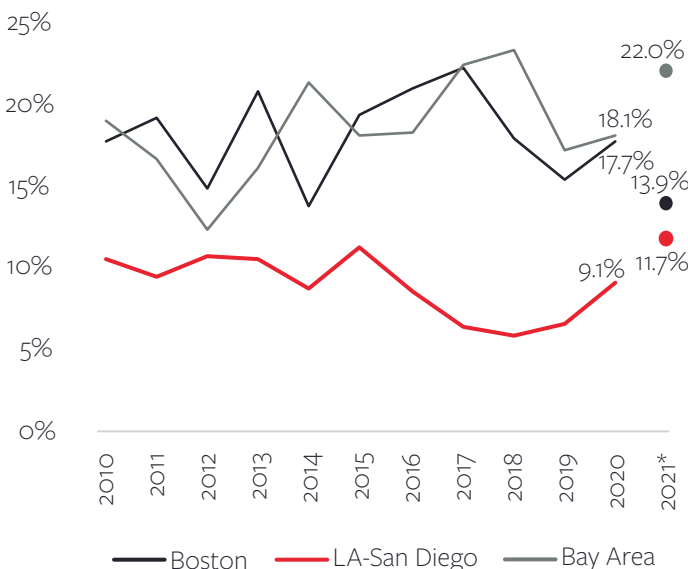
A record number of investors have piled into life sciences



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

Life sciences VC deals (\$) as a proportion of overall global VC deals

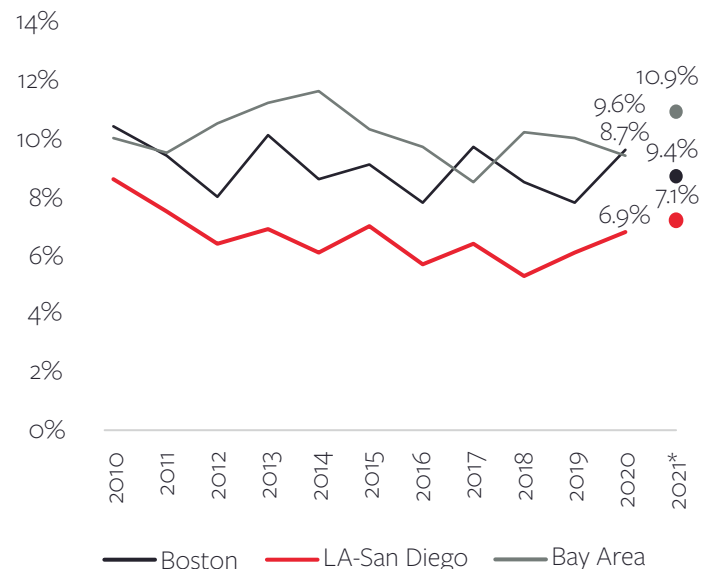
After exceeding a third of VC invested in 2018, Bay Area slides



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

Life sciences VC deals (#) as a proportion of overall global VC deals

Boston CSA sets new high for the decade's start



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021



BridgeBank®

CLIENT STORY

COMPANY:

CytoSorbents

INDUSTRY:

Life Sciences

CLIENT SINCE:

2016

Cytosorbents Corporation, An Emerging Medical Technology Company, Is Having a Major Moment

The company's flagship life-saving blood purification product, CytoSorb®, was authorized for emergency use in the U.S. in 2020, adding to its existing use by dozens of other countries to reduce the potentially deadly effects of cytokine storm in critically ill – including COVID-19 – patients.

As this New Jersey-based company was pivoting to address skyrocketing demand for its technology among hospitals worldwide, the entire CytoSorbents executive team, along with all clinical and administrative teams, began working from home due to the coronavirus.

“The pandemic caused a shock to our Accounting team back in March, with everyone suddenly working from home. We said, ‘How are we going to pay vendors?’ How are we going to sign checks?’ What did we do? We called Bridge Bank,” said Kathleen Bloch, chief financial officer of CytoSorbents.

CytoSorbents has worked closely with Bridge Bank since 2016. “We’ve had a long relationship with Bridge Bank. They were willing to provide financing early in the commercializing process and they have been great about flexible terms and very responsive to our needs. It’s just been a wonderful relationship,” Bloch added.

When Bloch's team was faced with new challenges of operating the business remotely, Bridge came through with solutions. “We worked with a talented and knowledgeable advisor in Treasury Management, who carefully explained the choices we had for writing checks and paying bills, and we ultimately decided to move to ACH payments. Then the Treasury Management advisor worked with our IT and Accounts Payable people, step-by-step, all hours of the day and night, to make sure we were up and running. The support was phenomenal. Within two weeks we were making payments to vendors via the new ACH platform. Now we like the platform so much we think we’ll stick with it for the long run. It works beautifully.”

According to Bloch, something else about the five-year relationship with Bridge Bank that works for her company is the bank's informed, proactive approach. “Our banker understands our business and she is constantly calling us to make suggestions about what the bank can do for us. Usually people call us because they want our business. She's calling us because she wants to provide us with solutions.”

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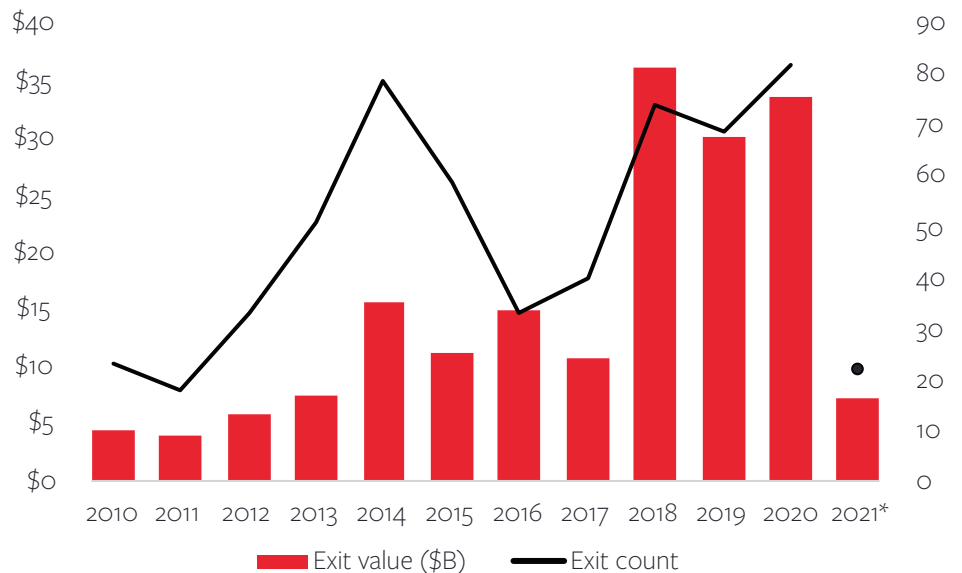


EXITS

For the Bay Area, Boston, and Southern California, the three-year span between 2018 and 2020 saw an unparalleled level of exit value and volume. That period notched just over \$100 billion in exit value across 225 exits. Each year surpassed \$30 billion in aggregate exit value, often more than double prior annual highs. In addition, 2021 is off to a strong start at \$7.3 billion across just 22 completed exits. This tally signals some outlier exits, including Thrive Earlier Detections' \$2.15 billion acquisition by Exact Sciences in January and BioTheranostics' \$230.0 million acquisition by Hologic in late February. M&A remains one of the primary exit avenues for VC-backed life sciences companies; some of the most active acquirers in the space over the past few years include Merck & Co., Novartis, Astellas Pharma and Aikermes. However, initial public offerings (IPOs) by life sciences companies in the Bay Area, Boston, and Southern California garnered a total exit value of \$26.9 billion across just over

Life sciences VC exit activity

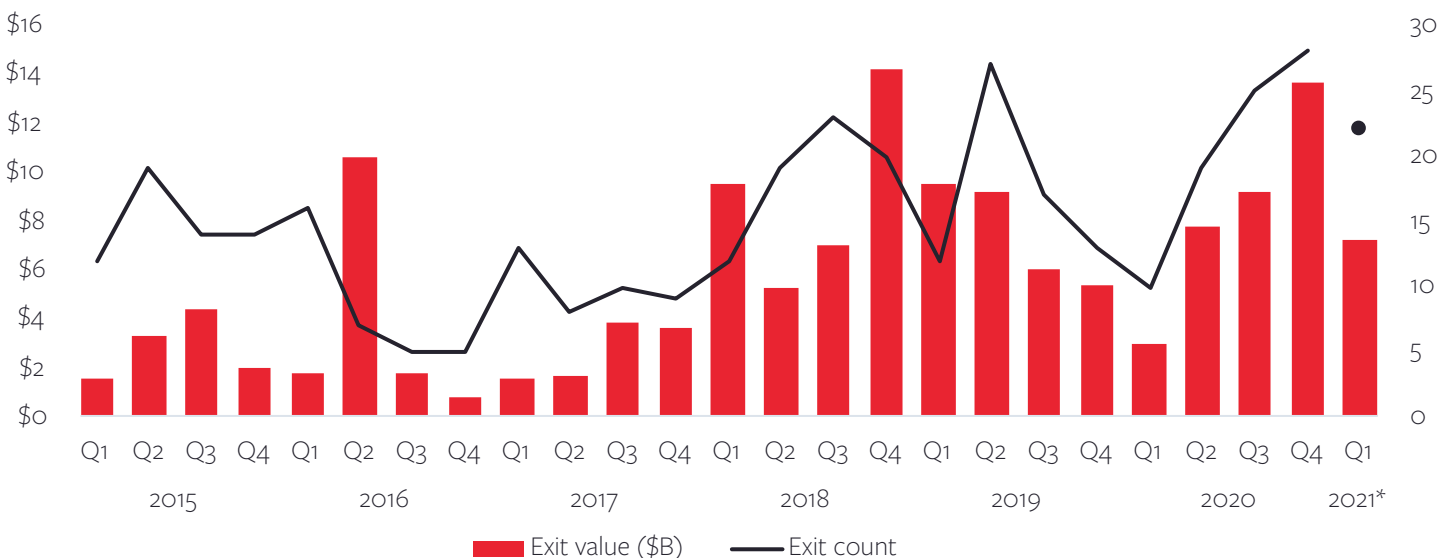
Second-highest exit value coupled with record volume in 2020



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

Life sciences VC exit activity by quarter

Q4 2020 sees second-highest quarterly exit value of the decade

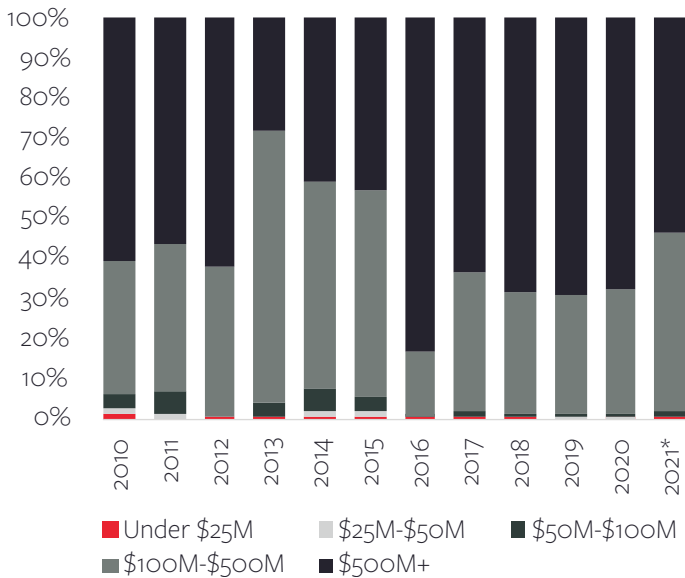


Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

EXITS

Life sciences VC exits (\$) by size

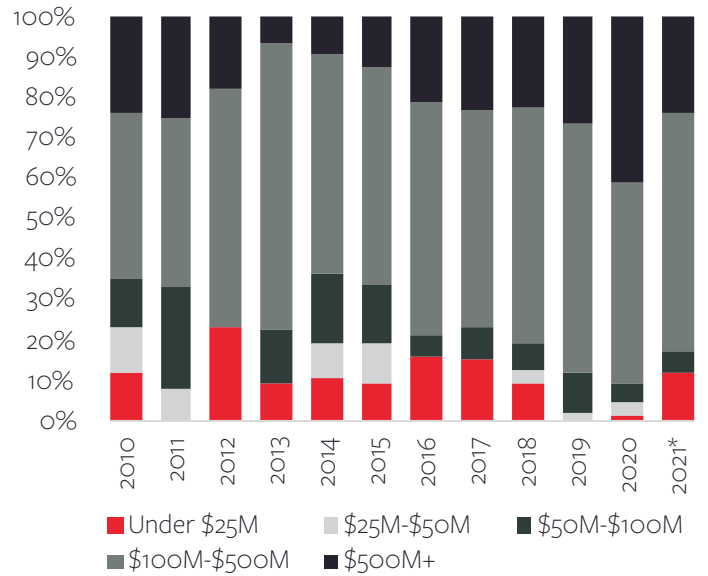
\$3.3 billion in exits between \$100 million and \$500 million



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

Life sciences VC exits (#) by size

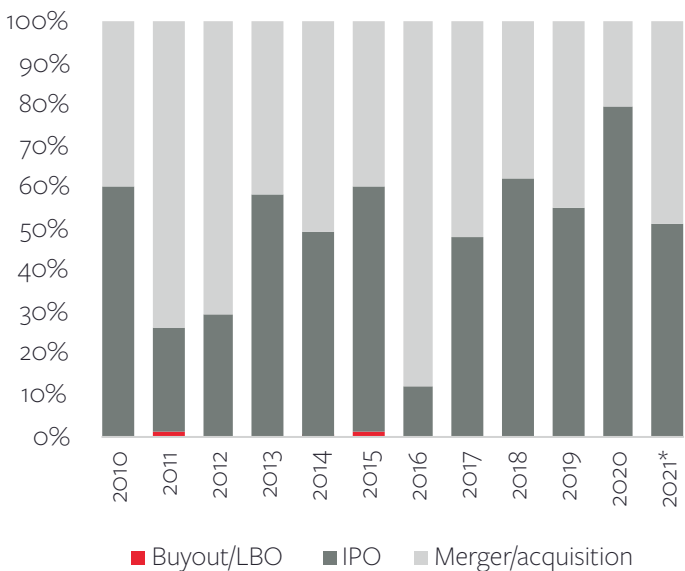
Exit volume remains concentrated in the middle and upper size segments



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

Life sciences VC exits (\$) by type

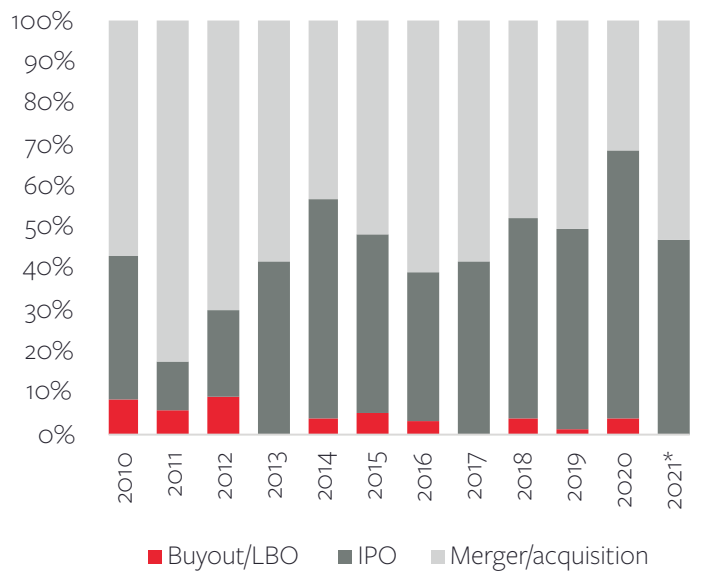
IPOs continue to predominate IPO value



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

Life sciences VC exits (#) by type

Exit volume remains concentrated in the middle and upper size segments



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

EXITS

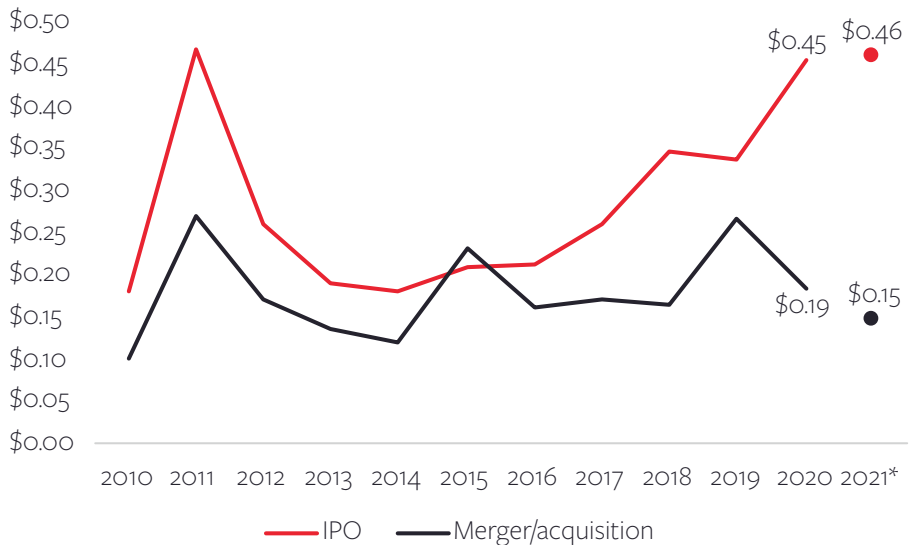
50 debuts. On the other hand, M&A saw close to \$6.8 billion in exit value across 25 transactions, although 10 for close to \$3.5 billion have occurred thus far in 2021.

The sheer strength in public equity markets, which lured many companies to go public at often quite favorable valuations, helps contextualize why IPOs accounted for the majority of exit value in the past few years. For example, 2020 experienced an unrelenting rise in equities, which spurred a record number of companies to publicly list. In addition, the median IPO size more than doubled between 2016 and 2021 to date, underlining the current favorability of the exit market.

However, liquidity options for venture-backed companies in life sciences may diversify in coming months. The SPAC phenomenon that revved up in 2020 has produced a bevy of significantly sized pools of capital amid the record sum of nearly \$125 billion raised between the onset of 2020 and late February 2021, at least a handful of which are targeting the acquisition of life sciences companies. To some degree, the business models of many life sciences companies align well with a SPAC vehicle's goals, in that there could be significant upside and a less complex or protracted pathway toward deal closure given recent easing of regulatory burdens. With that said, it still requires a team with significant industry experience to meet the accelerated timelines required by a SPAC; from the company's side, certainty of valuation can often be appealing. All in all, SPACs could represent an alternate route to public markets for some life sciences businesses; we will need to wait and see whether these transactions provide significant upside in terms of dealmaking and eventual valuation.

Life sciences median exit size (\$B) by type

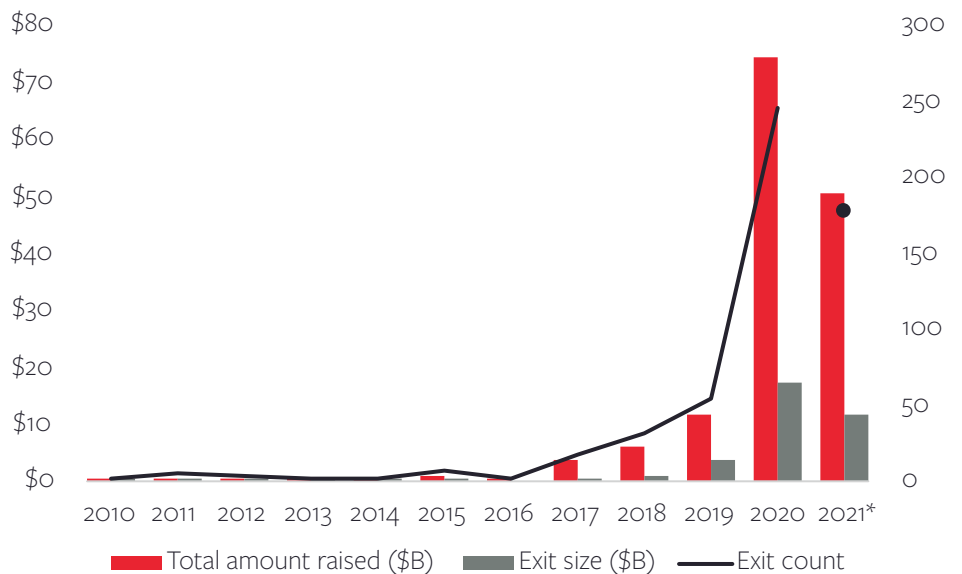
IPOs have surged over the past five years



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of March 17, 2021

SPAC registration for life sciences companies

SPAC fundraising frenzy could lead to alternative exit path



Source: PitchBook | Geography: Boston, LA/San Diego, San Francisco CSAs
*As of February 26, 2021

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We believe in the risk takers, the game-changers and the disrupters — those committed to leveraging innovation to make the world a better place. We've helped these life sciences companies below break through with their breakthrough ideas. If you have breakthrough ideas of your own, let's talk.

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