VC funding up across board in Q2: biotech second in deals

by Gretchen Goetz on 17 JULY 2015 in Research & Data

Biotechnology reached its largest quarterly total for venture investing in Q2, hitting $2.3 billion, according to a new PwC/NVCA MoneyTree™ Report based on data from Thomson Reuters.

The industry saw the third highest dollar count for deals in Q2, behind software, which hit $7.3 billion, and media and technology, which received $2.7 billion. The number marked a 32 percent increase from dollars raised in Q1 and was a record quarterly high for the industry since MoneyTree issued its first report in 1995. Biotech had the second highest activity in deal count, with 127 deals; software hit 491.

The high biotech value was fueled in large part by three big ticket financing rounds that accounted for three of the quarter’s top ten deals. Denali Therapeutics, focused on treatments for neurodegenerative diseases such as Alzheimer’s, logged the largest first round financing of a biotech company, raising $217 million in May. Aduro BioTech, a cancer therapy developer, received $200 million from an undisclosed investor before going public in April. And in a Series F financing round in May, Adaptive Biotechnologies raised $195 million to support its sequencing of immune system receptors, used in research and diagnosis of cancer and other immune system diseases.

Biotech came in second in deal count behind software, with a total of 127.

Tim Mills, managing director at California-based life sciences investment firm Sanderling Ventures, said he is not surprised by the uptick in biotech financing, given the plethora of innovative therapies currently under development.
“We’re seeing an abundance of new scientific results in the area of therapeutics, and this is driving a whole new class of companies that will have the ability to treat some of most compounding diseases that the human race suffers from,” said Mills in an interview with Private Healthcare Investor. “We’re seeing development in cardiovascular diseases, neuro degenerative diseases, immunotherapies and hopefully some unique ways to treat orthopedic conditions.”

According to Mills, while there was a shortage of available capital for financing private drug development during the recession, universities, lab organisations and other public research institutions, which are usually responsible for basic research, came out with significant innovations that private investors now have the ability to harness.

“Those inventions that would have been harvested at a normal rate were waiting below the surface,” he said. “Now we see so much venture funding because these innovations are all coming to fruition. One of the most difficult processes we have right now is just opportunity screening because there is such a plethora of great ideas out there. The challenge is really just to be able to digest and suggest how best to handle these opportunities.”

Aside from biotech, another category of healthcare, the service sector, also saw significant venture capital activity in Q2, receiving $568 million across 74 deals, according to PwC/NVCA MoneyTree data. Many of these services are also software companies, contributing to the high deal count and value in that sector. The largest of these financings was that of MDLive, which raised $50 million from North Carolina-based private equity firm Bedford Financing in June.

*Data from PwC/NVCA MoneyTree*