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NEWSLETTER

MELIOR INSIGHTS

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This newsletter is for education purposes only and addresses past events. This newsletter is not an offer nor an invitation to subscribe.



Melior
CAPITAL MANAGEMENT



Introduction to Melior Capital Management

MELIOR

/me'ljor/
(from Latin)

BETTER, SOUNDER, SUPERIOR

Melior Capital Management is a Swiss based capital raising and advisory firm, focused exclusively on the global life science sector.

We specialise in providing funding to Medtech, Biotech and Pharmaceutical companies by applying institutional quality service and process to raise capital.

Our investment approach is to fund innovative and commercially viable projects, with proven management teams, promising data, robust IP, strong corporate governance and a likely opportunity for significant commercial upside in a three to five-year horizon.

In the current environment, many existing companies seeking capital for medical trials have encountered a diminishing supply of funding from governments, private equity firms, investment banks and research foundations in favour of start-ups. At Melior, we combine the global reputation of our scientific, management and advisory members to select best in class investment opportunities with credible upside potential.

Our value proposition is attributable to our world class team and their proven track record in the life-science sector, as well as a strong emphasis on extensive due diligence and first-hand experience. Our goal is to offer attractive

and diverse investee project to both private and institutional investors through their professional advisers. For our business to be truly successful, we consider the needs of all parties, including our investees, investors and professional advisers at introduction and throughout the life of the investment.

In this edition of our newsletter – the Melior Insights, we look at what makes life science today more relevant than ever, while reviewing the situation of this year's IPOs and venture funding for healthcare. Understanding the structure of life science venture deals can help investors comprehending where the opportunities are. The report also includes information from two investors survey that gives a glimpse of what the current investor sentiment for private equity is like. All information is key for investors to better see the dynamic of the life science sector and evaluate whether it is appropriate for his or her consideration.

Melior does not accept enquiries from members of the general public, but we welcome enquiries from professional intermediaries.

MELIOR CAPITAL MANAGEMENT



LIFE SCIENCE IS TODAY MORE RELEVANT THAN EVER

What are the drivers boosting the importance of this vital sector?

Humans have always been looking for ways to increase their quality of life and wellbeing, but we have never known or understood so much about the state of our health as we do today. Continuing on existing trends of healthy eating, consumption of food supplements and vitamins, more exercise, usage of wearables to track and measure various health indicators; with the COVID-19 pandemic, we have started to be even more mindful about trivial things like washing hands, but also more complex tasks like protecting ourselves against bacteria and viruses, looking for ways to boost our immunity as well as finding timely and appropriate treatments for our ailments.

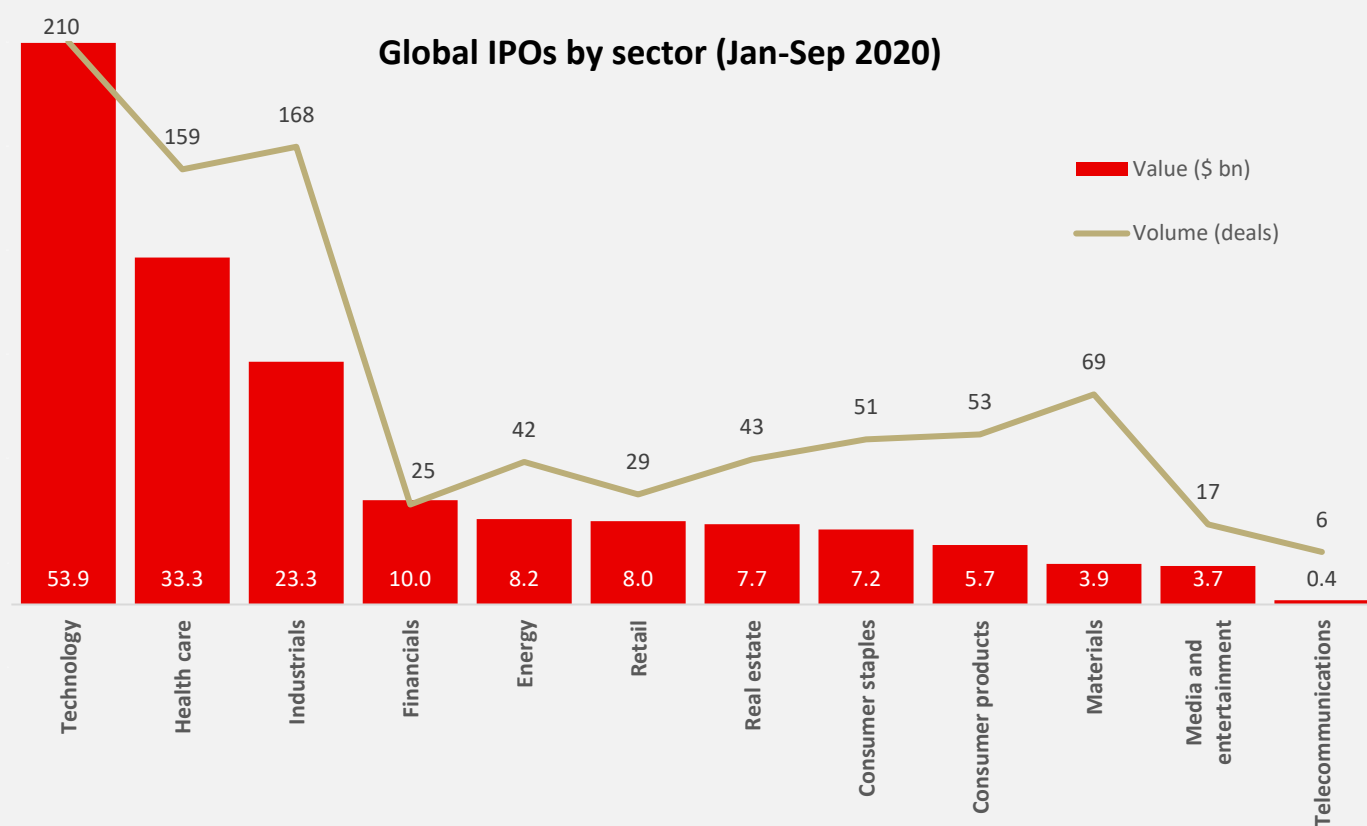
In current times, the importance of healthcare becomes even clearer as highlighted by a recent report from BlackRock, which underlines the recent positive evolution of healthcare. Furthermore, it is a sector with enormous opportunities, solid fundamentals and is also supported by beneficial long-term demographic changes (longer average duration of life and higher level of income, especially in emerging markets). Healthcare has a low correlation with global macro conditions and a more resilient demand – health, after all, is our main asset. Like all sectors, healthcare is not immune to geopolitical risks, yet such risks have proven to be much milder for this sector. In addition, authorities around the world are now focusing their efforts on boosting the functioning of the healthcare system, with many countries allocating stimulus packages to boost development of new treatments. Historically, this sector outperformed competing sectors in late cycle and recessionary periods. In addition, life science companies continue to invest in R&D delivering new products for unmet needs, which can create new markets, some being valued in billions of dollars of yearly sales.

FOUR PROMISING OPPORTUNITIES WITHIN HEALTHCARE HIGHLIGHTED BY BLACKROCK:

1. **New generation implant technologies** to replace older standards of care
2. **Minimally invasive technologies** to reduce the risks of surgeries and the time for recovery
3. **Immuno-oncology products** aiming to enable the immune system to target cancer cells
4. **Antibody conjugate technology** – chemotherapy drugs targeting only cancer cells while not affecting healthy cells

The growing interest for healthcare is clearly reflected in the dynamic of the IPO markets, with healthcare being the second most active sector this year, with more than \$33.3 billion IPOs, surpassed only by the technology sector (\$53.9 billion). A level that has already significantly exceeded that of 2019 (\$22.3 billion), 2018 (\$21.5 billion), 2017 (\$13.3 billion) and 2016 (\$14.2 billion). From the point of view of volume, healthcare has also excelled being in third position with 159 IPOs, after Technology (210) and Industrials (168), representing 18.2% of the volume of all deals.

More and more investors are looking at life science, as it has proven time and time again to be a source of solid returns. The sector becomes even more lucrative for investors that choose an earlier point of entry and invest in private companies rather than IPOs or seasoned public companies.



Sources: Blackrock, EY, PWC and the Melior Insights Team



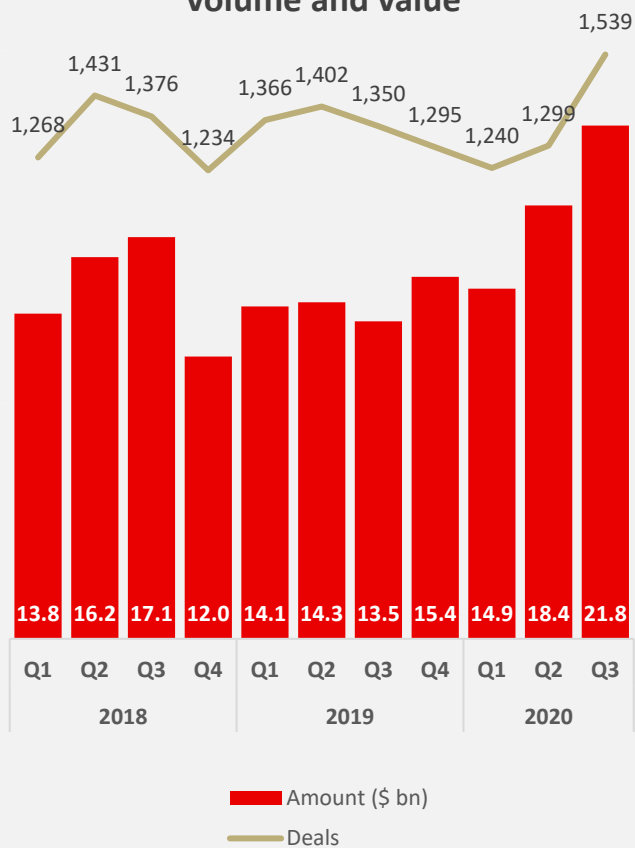
GLOBAL HEALTHCARE FUNDING HITTING A NEW RECORD

What is driving the market of venture investments and where is it going?

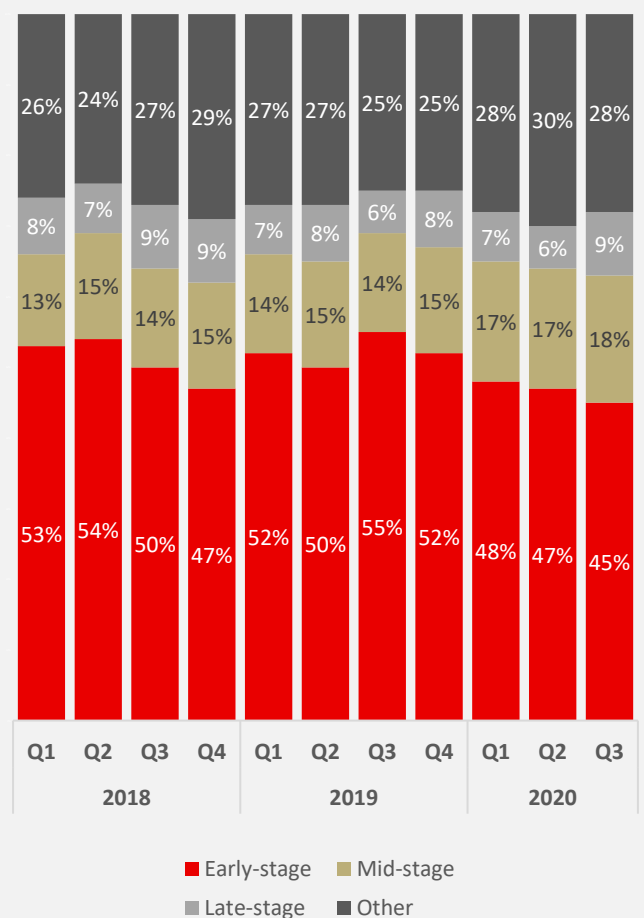
Despite the global pandemic and all the consequences brought to the world of venture investment, including slower and more cumbersome due diligence processes, the markets saw a record level for such deals in the healthcare sector with 1539 investment rounds totalling \$21.8 billion globally, with an average deal value of \$14.2 million.

The majority of deals were for early-stage companies (angel, seed and Series A rounds). Mid-stage included Series B and C; while late-stage were Series D and later. The 'Other' category is composed of unattributed and corporate minority deals.

Healthcare investment deal volume and value



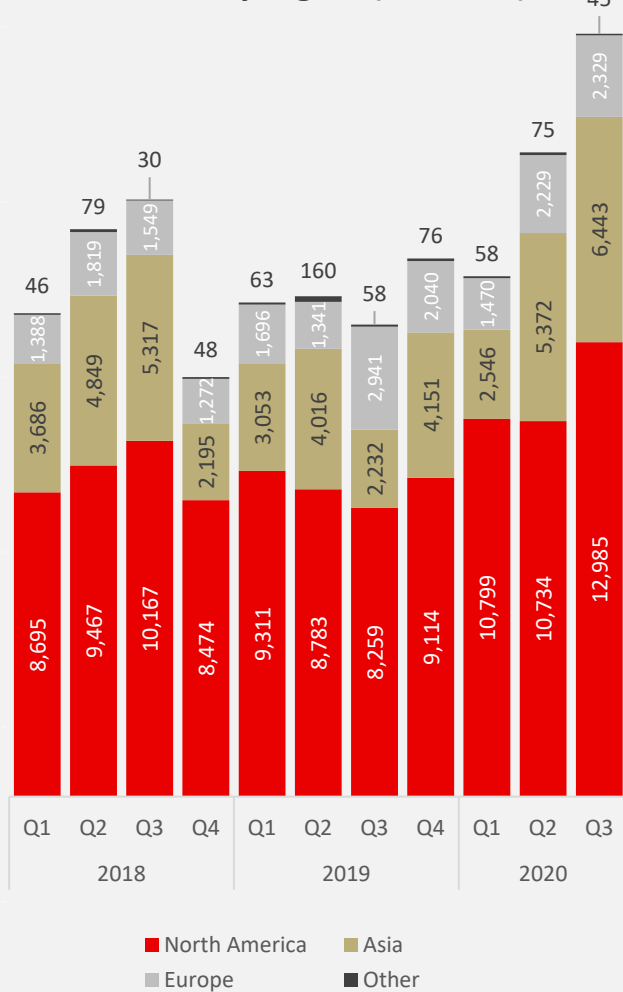
Global healthcare investment deals by stage





From the point of view of region, the US continues to dominate. However, there is also stable growth in the European and Asian sectors too. Europe has seen more than \$6 billion of investment since the beginning of the year.

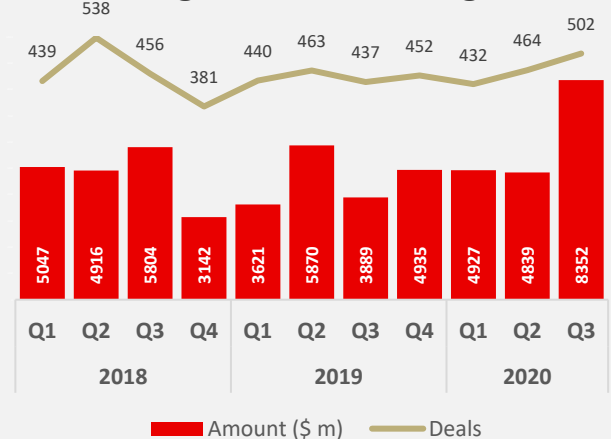
Global healthcare investment deals by region (\$ million)



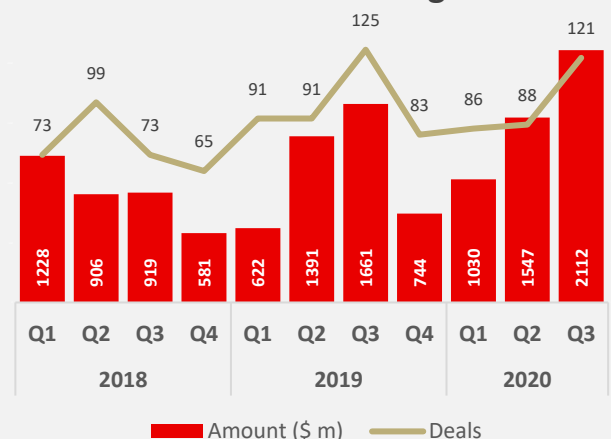
Evolution of the global healthcare market is interesting when looking at various sub-sectors. The digital health deal value saw a 73% growth in Q3, with an average deal size of \$16.6 million. The AI health sector raised over \$2.1 billion in the last quarter, with a steady growth for a year to an average deal size of \$17.5 million. Telehealth has set a new record in Q3 with \$2.8 billion and an average of \$17.5 million per deal. Medical devices raised over \$5

billion at a \$10.6 million average deal size. R&D tech also hit an all-time record at \$1.5 billion with an average of \$38.5 million per deal. Women's health saw more than a doubling in deal value in Q3 and an average deal size of \$8 million. Mental health funding has been constantly declining this year, but still reached a remarkable level of \$417 million and an average deal size of \$6.2 million. Health plans & benefits management has almost reached \$1.5 billion of funding with an average deal size of \$50.5 million. All these figures show the growing interest from investors for life sciences in private markets and especially at early stages.

Digital health funding

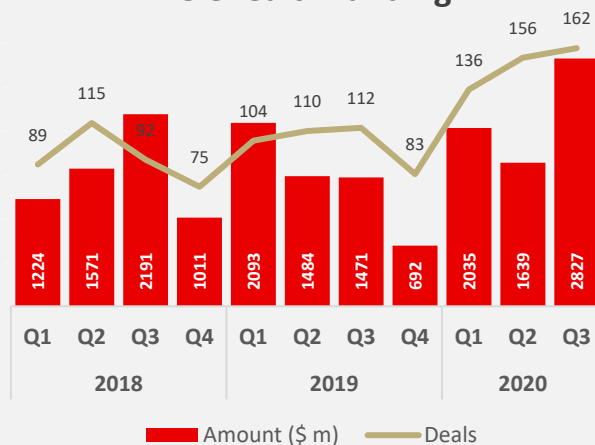


AI health funding

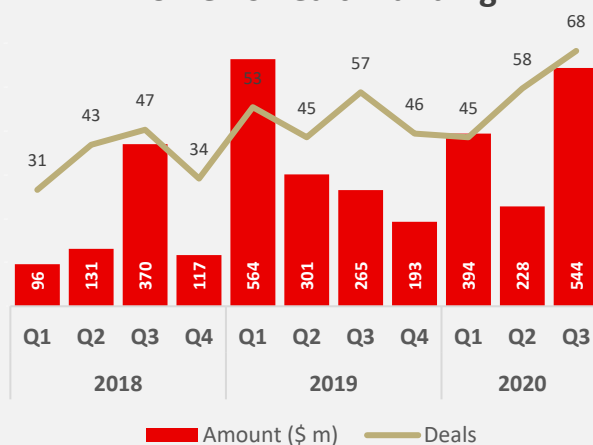




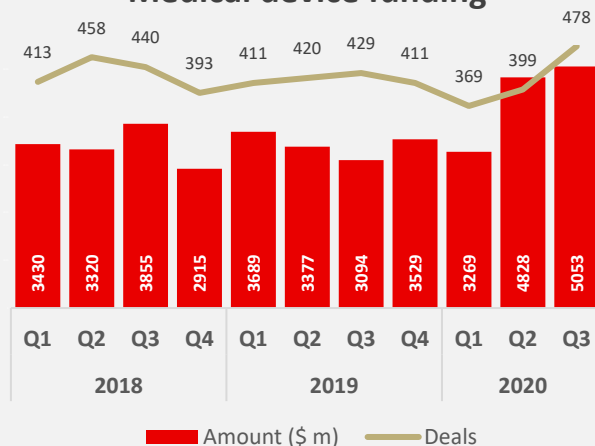
Telehealth funding



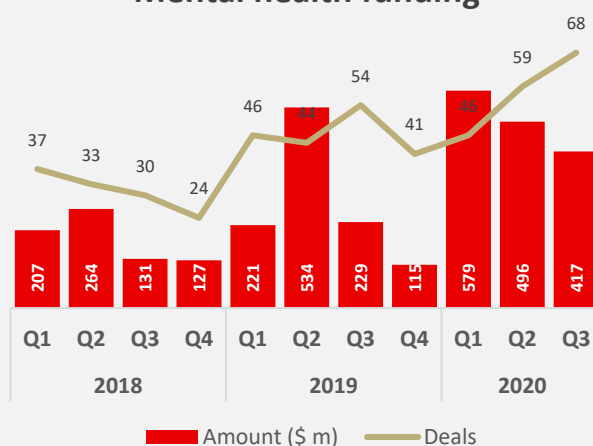
Women's health funding



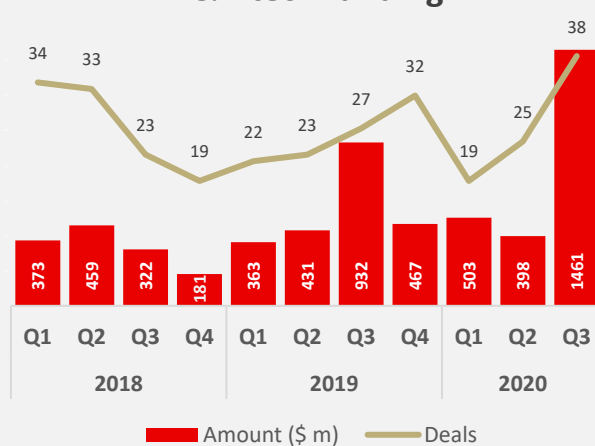
Medical device funding



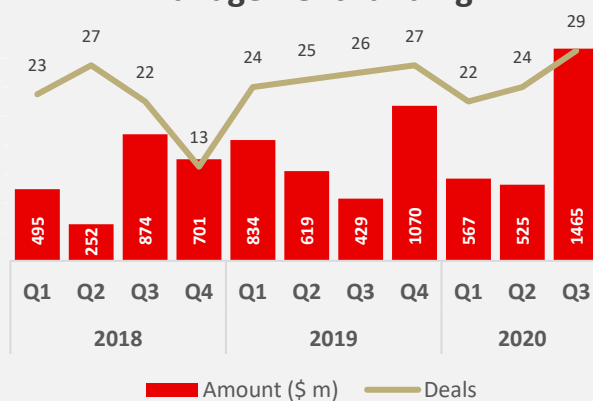
Mental health funding



R&D tech funding



Health plans & benefits management funding



Sources: Fierce Biotech, CB Insights, and the Melior Insights Team

INVESTORS THINKING REGARDING PRIVATE DEALS

What is driving the market and where is it going?

In the previous two articles, we have seen the growing interest of investors in both public and private markets, particularly in the life science sectors. The growth of activity in the private markets has also been confirmed by surveys gauging investor sentiment. The number of investors relaunching their activities and pursuing new private equity deals despite the current limiting circumstances is growing. A recent report from Lazard's Private Capital Advisory indicates that more than 60% of investors are operating as usual, while 26% are only pursuing deals and relationships started before COVID-19, and 14% have paused investment decisions with regards to private deals.

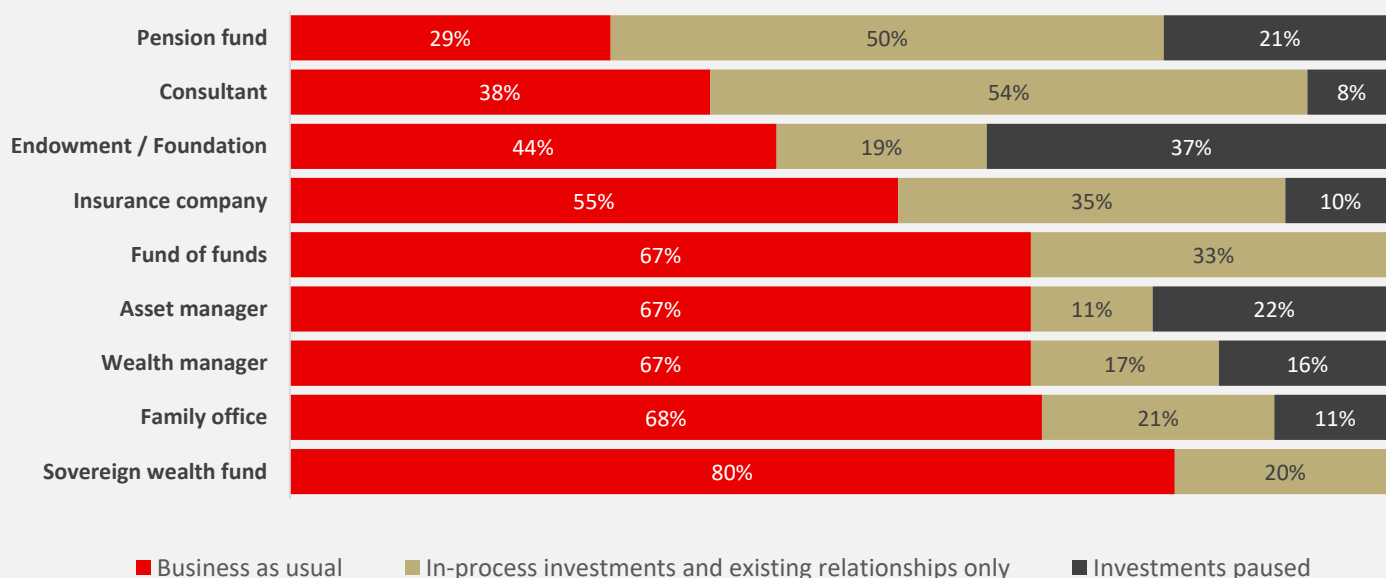
In another report from BNP Paribas, based on the interviews of 1,132 HNWI entrepreneurs with \$18.2 billion of investable wealth, 69% indicated that they are confident in their understanding of private equity and are actively pursuing such investments. The distribution varies greatly when looking at their age group:

Millennial	Gen-X	Boomers
71%	83%	45%

In addition, the geographical region seems to influence how investors perceive private equity:

USA	Europe	APAC
84%	72%	53%

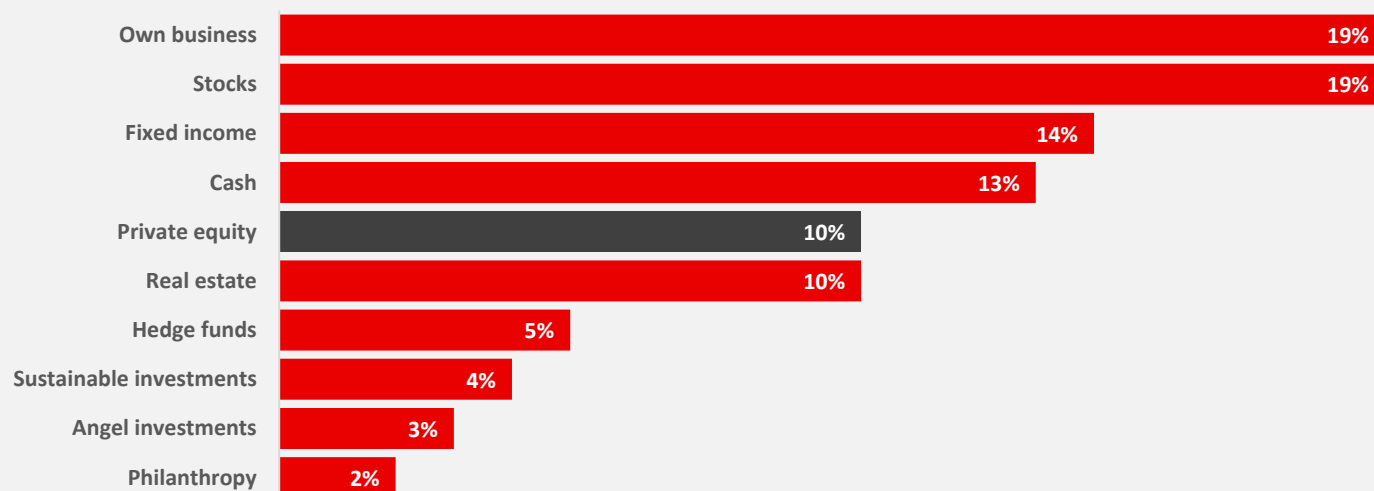
Investor sentiment for private deals





Investors reported that on average they have allocated 10% of their portfolio to private equity in 2019.

2019 Portfolio allocation snapshot



It is very likely that we will see continuous interest from investors for private equity, especially in the context of lowering interest rates. The uncertainty around a number of sectors affected by the pandemic will likely influence investors to seek assets with lower or no correlation to the market, as well as great upside potential. For investors seeking such investment opportunities, life science must definitively be on their shortlist.

Sources: PERE News, BNP Paribas Wealth Management, and the Melior Insights Team



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- II. The views and opinions expressed within this document reflect those of our professional advisers, and are not necessarily those of Melior. Professional advisers should ensure that their clients seek independent and suitably qualified advice before entering into such investment.
- III. Members of the Melior Scientific Team have worked on and taken to market a large number of life science projects during their careers, which spans over the past forty years. Some projects added additional revenue streams to an existing big pharma patent portfolio, some were trade-sales and some were IPOs.