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NEWSLETTER

MELIOR INSIGHTS

INSIDE THIS ISSUE:

Melior
CAPITAL MANAGEMENT

Introduction to Melior Capital Management

MELIOR

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(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 the situation of the global markets through the lenses of different asset classes, as well as, at various sectors through the prism of mergers and acquisitions. This year, unlike any other recent years due to all the effects created by the pandemic, it would be interesting to see how it shapes the investment environment. We have also included the analysis of the survey of the European M&A outlook, which tries to identify the areas most attractive for M&A in the future and most appropriate for investment today. Finally, we review the situation of the life science sector and medical technologies in particular, showcasing three transactions that occurred in September and which illustrate well the opportunities of this sector.

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

Melior Capital Management

MELIOR CAPITAL MANAGEMENT

THE CURRENT STATE OF GLOBAL MARKETS

Are Private Equity investments the solution for generating exceptional returns?

This year has brought numerous challenges to everyone, including investors. Due to the high level of volatility and increased uncertainty, investment decisions are more difficult to make than ever. Despite this, there are more voices promoting private equity not only as a good opportunity for diversification, but also to achieve and maintain superior returns. In a recent interview, Mark Haefele, the Chief Investment Officer at UBS clearly indicated that the current timing and circumstances are perfect for private markets. In this article, we will outline the current situation of various asset classes globally and highlight the significance of private equity investments.

Cash and Government Bonds

A number of leading central banks have recently confirmed their strong commitment to easing monetary policy, including the US Federal Reserve maintaining a near zero rate until inflation has reached 2%. The Bank of Japan, Bank of England and the Swiss National Bank are also keeping record low interest rates. These decisions will most likely result in negative real returns for cash guilts and bonds for the foreseeable future.

Stocks and Bonds

In this context, investors would naturally seek other opportunities for better than average returns that would at least maintain the value of their investment portfolio in real terms. In addition to equity, which can be subject to shifts caused by the pandemic, public companies are operating in a world of disrupted supply chains, alternative demands, and new ways to conduct business.

Commodities

The World Bank has reported a sharp decline in the price of most commodities. Crude oil prices averaged $32/barrel in March, a decline of 50% compared to January, reaching an historic low in April with modest recovery to $42/barrel in September. Demand for oil, natural gas and other energy commodities has collapsed as a result of COVID-19 curtailing travel and transport, which account for around two-thirds of oil demand. Agricultural commodities have seen turbulent dynamics influenced by weather and shifting demand from food services to grocery stores. Precious metal prices have appreciated for silver (42% increase) and gold (27% increase) since January, but not for platinum (a 4% decrease).

Real Estate

A recent report from the CBRE Group, the largest commercial real estate services company in the world, states that the pandemic is having a significant impact on global real estate to varying degrees. The most affected being hotels, which saw a collapse in demand. Office spaces are facing changes with companies switching to hybrid forms of working. Restaurants, retail and logistics space have also seen pressures as well as eroded profit margins. In residential real estate, there are a number of competing trends – apartments in crowded cities are losing their attractiveness, especially in comparison to suburban houses with home offices. Analysts suggest that it is likely we will see a significant repricing in real estate sectors in the near future.

Private Equity

Beyond the conventional asset class, private equity can be a very attractive sector. Mark Haefele recently highlighted a number of market sectors that offer valuable opportunities in the current circumstances:

1) Industries boosted by the pandemic

The COVID-19 crisis has primarily put into focus global health systems, biotechnology, pharmaceutics and medical technology companies, which are all gaining more and more attention from investors. In addition, online shopping, home delivery, remote learning and meeting services are seeing growing traction.

2) Value creation

Value is created by corporate integration, divestitures, cost reduction growth initiatives as well as funding emerging start-ups having innovative projects with medical devices, diagnostic tests, drugs, and vaccines receiving much attention. Federal funding has launched many new life science product candidates that will tame COVID-19 and other associated medical conditions.

3) Distressed investing

The purchase of equity or debt for companies facing difficulties at a discount with the purpose of selling them later at higher margins is an old investment technique which is gaining traction due to the economic fallout. Many businesses face revenue losses, strained cashflows and closures. This situation might result in default situations across both public and private markets.

WHY IS PRIVATE EQUITY ATTRACTIVE?

Seasoned investors know the advantages of investing in Private Equity, especially when it comes to investment in new projects targeting an unmet need, or developing a paradigm shifting solution. **The list of reasons to invest in such ventures is being extended even more under current circumstances:**

SUPERIOR RETURN

Due to the nature of start-ups, their innovative projects can create superior products that result in greater value and solid returns for investors.

DIVERSIFICATION

Due to no correlation to the market, private equity can diversify the portfolio.

NO VOLATILITY

Private equity investments are not subject to daily public market dynamics and do not create the stress of continuous haphazardous ups and downs.

IMPACT

Start-ups often come with innovative solutions to emergent problems. The opportunity to invest in such projects makes it possible to get in on the ground floor.

Experience has thought us that "crisis" creates dislocations in the public equity market, with successful private equity investments, as shown most recently in the post dot-com era and 2008 financial crisis, thus making 2020 the perfect time for private equity investments.

CHALLENGES OF PRIVATE EQUITY

Private equity investments bring many advantages to investors, but with qualifications:

a) **Liquidity** - unlike listed stocks, private equity investments are illiquid and thus are only recommended to investors that can hold these positions for longer periods of time. Attractive returns can be gained by accepting a 3 to 5-year horizon.

b) **Valuation** - since private equity investments are not traded on a daily basis, valuation can be subjective or formula-driven, with precedents helping to resolve this.

c) **Risk** - private equity investments can carry a greater degree of risk, since most investee companies do not generate cashflows or can face unforeseen problems.

Despite these challenges, there are ways to minimise commercial risks and maximize the accumulative probability of success – this has been proven time and time again.

HOW TO CHOOSE PRIVATE EQUITY INVESTMENTS

In order to achieve success in the private equity sector it is vital to follow a few logical and obvious steps:

Identify the Trustworthy Team

It is crucial that both the Private Equity firm and the Investee's team are credible, reputable and experienced. After all, these are the people that deal with the daily operations, resolution of problems and are ultimately building the new company while also developing the project.

Assess the feasibility of the idea

The underlying project should address an unmet need, have a path forward, and must be economically viable.

Intellectual property protection

The underlying investee company must have full ownership of the intellectual property.

Strong corporate governance oversight

The underlying investee team must have legal support to protect interests, regulatory support to market the product, manufacturing support to produce the product, and marketing/sales support to publicize and sell the product/service.

Sources: *CNBC, ING, Swiss National Bank, World Bank, CBRE, UBS and the Melior Insights Team*

M&A ACTIVITY IN THE FIRST 9 MONTHS OF 2020

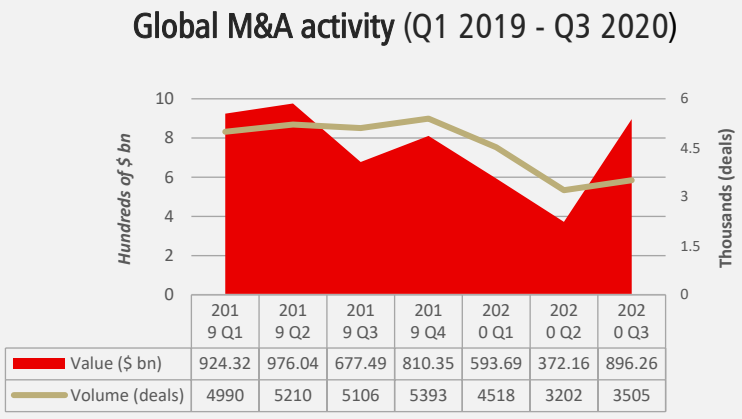
What is the state of play in the context of "COVID-19"?

A good indicator of the global economy is the level M&A's. During the bull market, companies usually seek to access new revenue streams, which results in generous M&A deals. The COVID-19 pandemic has affected the global economy, including the M&A space. In this article, we will review how the first nine months of 2020 affected the M&A sector.

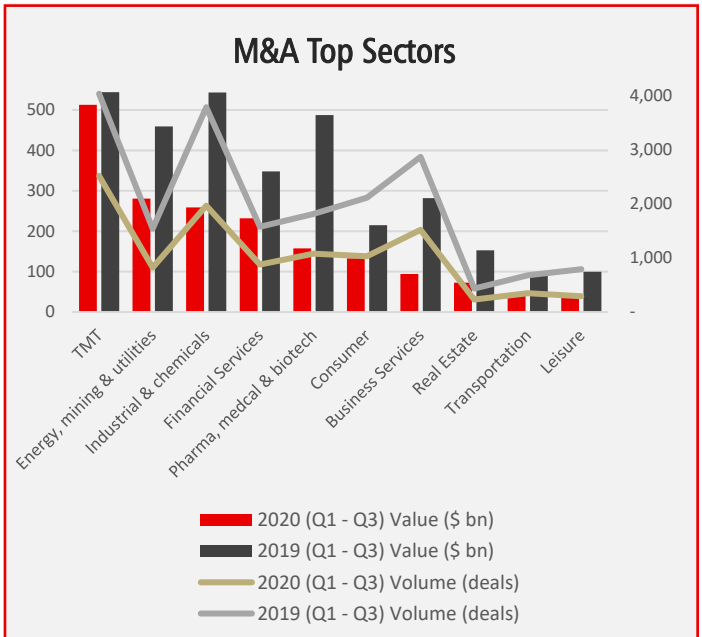
GENERAL M&A ACTIVITY

and outlook for 2020

This year saw a dramatic decrease in both M&A volume and value for the first three quarters of 2020, compared to the same period in 2019, with a 27.8% decrease in value from $2,577.9B to $1,862.1B and a 26.7% decrease in volume from 15,306 to 11,225 deals. Growing uncertainty around the future of company's earnings and the overall economy has widened the pricing expectations between vendors and buyers. Dealmakers are becoming more nervous about paying full multiples for assets at a time of high volatility, while vendors are reluctant to accept lower valuations at the bottom of the cycle.



The increase in M&A value in Q3 2020 partially compensates for the low levels of the first half of the current year, a period affected by stricter measures instituted due to the pandemic. Interestingly, the average deal size has remained at the same level of around $166 million for the two comparative periods.



Sector	2020 (Q1 - Q3)		2019 (Q1 - Q3)	
	Value ($ bn)	Volume (deals)	Value ($ bn)	Volume (deals)
TMT	512.6	2 512	544.0	4 027
Energy, mining & utilities	280.5	819	459.3	1 537
Industrial & chemicals	258.9	1 963	543.5	3 778
Financial Services	231.8	877	348.2	1 573
Pharma, medical & biotech	157.3	1 077	487.4	1 809
Consumer	133.1	1 029	214.8	2 111
Business Services	94.0	1 518	282.0	2 863
Real Estate	72.8	231	152.8	433
Transportation	39.9	348	91.9	679
Leisure	39.8	292	99.7	789

The Technology, Media and Telecom Sector

The technology, media and telecom (TMT) sector was least affected by the pandemic. The sub-sectors that have suffered the most are the traditional Media & Entertainment industries, such as cinema venues, theatres and concert arenas. Traditional advertising has also seen a significant decline, with the switch to digital advertising, the biggest winners being Google and Facebook. Telecom operators have seen a growth in sales, with surging demand for data traffic and connection; this is expected to continue due to the rolling out of 5G. Technology companies have seen a bigger decrease in the B2B products than in B2C. Many services like e-commerce platforms, tele-conferencing and tele-medicine have seen growth in usage. Analysts foresee a difficult period for technology up-starts which might face liquidity issues, potentially resulting in further consolidation of the sector and the demise of numerous pre-revenue businesses.

The Energy, Mining & Utilities Sector

This sector has seen a drop of 39% in the M&A value, which clearly illustrates the impact of the pandemic. The demand for energy and mining products has also decreased drastically. Analysts are sceptical about a quick recovery in this sector as well as its M&A activity and anticipate a prolonged period of volatility and risk. Companies in the M&A sector must seek to ensure security of supply and business resilience measures. They might also benefit from automation, digitalisation and new ways of working that would create more flexibility and productivity. There might also be important implications derived from the change in behaviour generated by the pandemic. Reduced traffic, pollution and CO2 emissions resulting from the pandemic might set a new bar for policymakers, or on the contrary, the global recession might push climate change and sustainability down the list of priorities - factors that will shape the M&A scene for this sector.

The Industrial & Chemicals Sector

This sector is one of the most affected with a 52% decrease. The pandemic has caused both disruptions in the supply chain and a huge drop in demand mainly due to uncertainty. The year started on a strong note with the creation of the new Syngenta Group, one of the largest companies of agricultural chemicals in the world, before taking a dive amid the COVID-19 pandemic. Numerous deals have been postponed or even terminated in this period, as investment in these are no longer valid under the current circumstances.

The Financial Services Sector

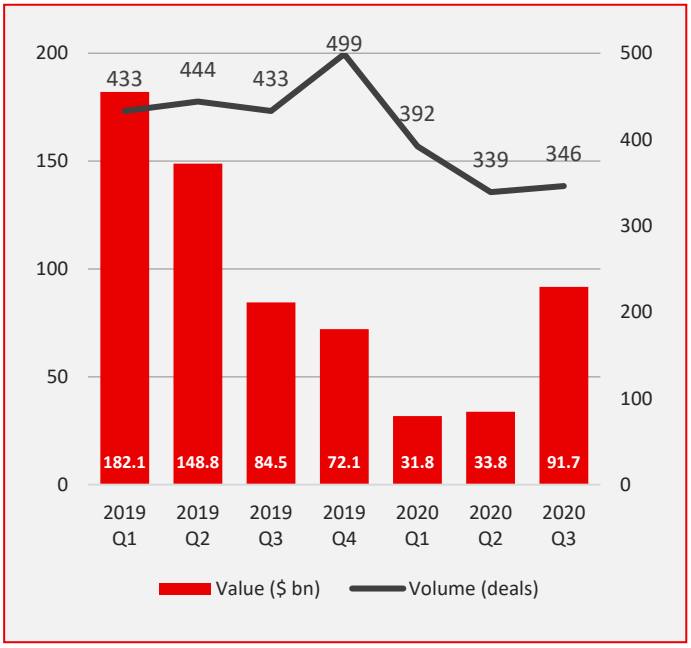
The Financial Services sector has seen a number of challenges generated by the pandemic, ranging from pressures on loan portfolios, record-low interest rates and the increasing probability of a lengthy road to economic recovery. It is likely we will see further consolidation in this sector, with healthy institutions purchasing those that will face hardships. The high unemployment rate across the world slows the revival in business operations and economic growth, which shapes the financial sector. With the decrease in margins, financial institutions will face growing pressure to become more efficient and productive, implementing digital transformations. Financial technology companies have the opportunity to add tremendous value to the sector especially under the current circumstances.

The Pharma, Medical & Biotech Sector

The evolution of this sector saw a dramatic decline of 68% in deal value, mainly driven by an exceptionally strong year in 2019; however, analysts predict that there is still much potential for the last quarter as COVID-19 vaccines and therapies emerge. Companies are dealing with disruptions in supply chains, trying to maximise the potential of their capital, while developing vaccines, treatments and other products related to the pandemic. The Pharma sub-sector saw a decrease in deals mainly due to companies digesting the large volume of deals completed in recent years as they plan their next strategic moves. Biotech deal values were mostly flat, partially driven by the relative strength of

Biotech capital markets and fewer large deals. Medical Devices saw a good number of deals; however, the average deal size was relatively small. This sub-sector also saw a dramatic change caused by the limitations of surgical procedures implemented due to the pandemic, which resulted in a decrease in demand for their products and delayed revenue.

Analysts anticipate a growing number of divestitures across the sector caused by the growing pressure and need for companies to focus their resources on a limited set of R&D projects. The activity of Private Equity is forecasted to become more active, particularly on small and medium size deals, a context that is very lucrative for venture investing. The dynamic of the sector is expected to continue in the ascending direction, continuing from the surge in Q3.



The Consumer Sector

Despite the fact that this sector is one of the most exposed to shifts in consumer perception, there was a 38% decrease in deal value, a smaller drop compared to other sectors. This can be explained by the inelasticity of many of the products in this sector and continuous M&A activities to consolidate. Nonetheless, companies in this sector saw pressure on supply chains, a turn to e-commerce as well as modifications in consumer behaviour and demands.

With people spending more time at home, there is a surge in food purchase; household products; home delivery services; e-commerce, with all its related infrastructure like storage warehouses, distribution centres and last-mile delivery and hobby activities, like fitness, baking, arts and crafts. M&A activity is anticipated to revert to normal levels by the end of the year.

The Business Services Sector

This sector saw a significant decrease of 67% in deal value, mainly driven by the growing uncertainty of demand for these services. The Consulting & Professional Services sub-sector is expected to see a growing demand for various optimisation processes. The Engineering & Construction sub-sector will likely see a decrease due to the reduction in new real estate development projects. Facilities Management & Maintenance Services as well as Media & Marketing Services sub-sectors are facing pressure to decrease due to slowing demand. These trends are expected to be seen in the M&A scene of this sector too.

The Real Estate Sector

This sector saw a drop of 52% compared to the deal value in the same period in 2019. One of the main issues of this sector was the deterioration of price transparency, resulting from fewer transactions and a growing gap between public real estate indexes and private values, raising the question whether public markets are too draconian or private markets are slower to adapt. The growing uncertainty has also reduced the availability of credit, which results in increased mortgage spreads and fewer transactions. Analysts expect growth in the following sub-sectors: Towers/data centres, driven by increased demand for connectivity and 5G in particular; Logistics, due to acceleration of e-commerce growth, and last-mile shops and residential, due to the shift to working from home, which has also triggered a migration to suburbs and smaller cities. Office, Senior Living and Lodging & gaming sub-sectors will likely receive less investments as the risks remain quite high and demand is likely not to return to the pre-pandemic level soon. Overleveraged and under-performing companies are likely to divest, while unaffected companies are likely to consolidate.

The Transportation Sector

This sector saw a decrease of 57% in deal values caused by travel restrictions, declines in transportation of oil and other resources, as well as disruptions in supply chains. The only sub-sector to post a deal value increase was shipping with a growth of 29% to $10.4 billion in H1 2020, compared to H1 2019. The passenger air sub-sector has been severely impacted with both private and business travel being reduced drastically. Analysts predict that the consequences of this will affect the industry for years to come, unless governments step in, as the German government have - the Economic Stabilisation Fund acquired a stake in Deutsche Lufthansa for $5.1 billion and granted a further $10.7 billion in loans. The logistics sub-sector had a good time, driven by the demand in e-commerce and home delivery services. It is likely that we will see more divestitures in this sector, with sellers looking to free up cash for liquidity and strategic investments, while acquirers will seek targets offering operational efficiencies, driving consolidation and taking advantage of distressed opportunities.

The Leisure Sector

The leisure sector saw a decrease of 60% in deal value caused by a high level of uncertainty. With travel restrictions and other limitations, the hospitability sector saw many hotels, restaurants and bars going out of business. Due to the prolonged cease of operations of many businesses in this sector, analysts foresee a growing number of transactions based on the acquisition of distressed assets and consolidation for companies that have diversified revenue streams.

Sources: *Datasite, Benchmark International, White & Case, PWC, and the Melior Insights Team*

THE OUTLOOK FOR THE EUROPEAN M&A MARKET

Where are we going?

In September 2020, CMS Legal and Mergemarket surveyed 170 corporates and 60 Private Equity firms regarding the outlook for European M&A in the year ahead. Below are some of the key findings from respondents:

74% say the pandemic has caused their deal making appetite to lessen

65% are not considering M&A (vs. 45% in 2019)

79% expect financing conditions to deteriorate in the coming years

With growing uncertainty, credit sees tighter terms and higher prices. The leveraged loan issuance is already down year-on-year. This will further slow economic development and subsequently M&A activity. The European Commission is predicting an 8.3% decline in EU GDP in 2020.

90% say there will be an increase in restructuring activity

82% expect increases in corporate defaults

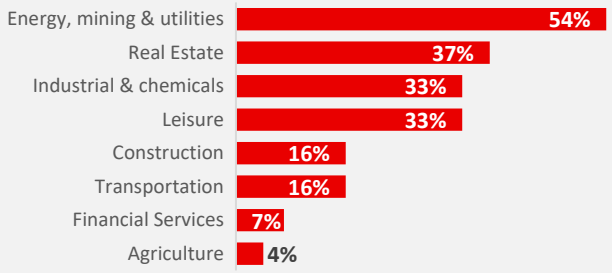
Distressed M&A and restructuring are growing, many sectors are gravely affected: aviation, retail and leisure. Government support mechanisms are ending, which will result in even more businesses facing growing distress.

64% don't expect the M&A market to return to pre-pandemic levels before at least 2023

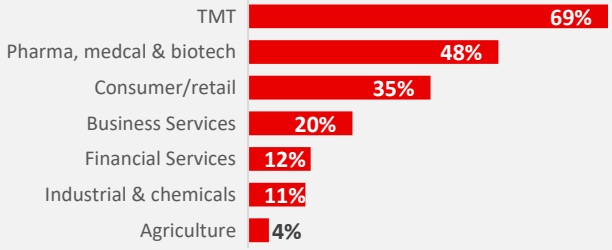
56% expect Europe to be the region most affected by the COVID-19 crisis

63% predict North America will be the top non-European target region for European acquirers over the next 12 months

Which sectors will be most negatively affected by COVID-19?



Which sectors are likely to see most growth post-COVID-19?



Sources: *CMS Legal and the Melior Insights Team*

WHAT TO EXPECT FOR LIFE SCIENCE?

One of the most promising sectors in the current environment

Despite the results in the first nine months of 2020, life science is expected to have a successful year in M&A activity. Over the past five years, biotechnology M&A activity alone has generated hundreds of completed deals and hundreds of billions of dollars in aggregate value. Leveraged buyouts accounted for one fifth of all acquisitions completed in three of the past four years. The compound annual growth rate of the biotech market is 7.4%, on pace to reach $727.1 billion by 2025. There are currently upward of 100 experimental COVID-19 treatments and vaccines in development, including 11 being studied in clinical trials.

The life sciences sector is the key to a solution for COVID-19, from testing improvements to vaccine candidates. In April, the US Department of Health and Human Services gave $500 million to Moderna Therapeutics to accelerate development of its mRNA vaccine. Over the past ten years, public and private sector researchers across biotech have collaborated to greatly reduce the lag time between genetic sequencing of a virus and running human trials.

The COVID-19 situation has disrupted progress of experimental therapies and hundreds of clinical studies. There is an increasing awareness of the ramifications of these disruptions, boosting both public and private capital markets' perception of the importance of life sciences.

In addition, the last decade has seen growth in venture capital investment in life sciences and now many companies are scaling up to take on COVD-19 solutions such as vaccines and antibody treatments. Historically, vaccination development specialists have not garnered the same level of venture investor interest as their biotech peers. But this trend is shifting as the more promising platforms mature. Last year, venture capital aggregate in the antiviral field reached $3.4 billion, and since 2014, funding overall has never dropped below $2 billion annually. The first quarter of 2020 maintained that trend with more than $1 billion in venture investment. Biotechnology leads the number of life science venture capital and private equity deals so far in 2020, with a 32% share, followed by 18% for drug discovery, 11% for diagnostic equipment, 10% for therapeutic devices, 8% for surgical devices, and 6% for pharmaceuticals.

The facts prove that life science remains a great area for investment, both for returns and impact. This is well illustrated by the deals that resulted from M&A activity, three such medical technology deals that occurred in September 2020 are reviewed below.

GRAIL & illumina

Grail is a California based company that spun out of Illumina in 2016 and is developing a pan-cancer screening test aiming to detect cancers at an early stage. The company was acquired by the company it spun out of, Illumina, at an impressive price tag of $8 billion.

January 2016	Series A: $100 million
Grail started in 2016 with its first round of financing of $100 million to work on a moon-shot project – an early-stage cancer test.	

March 2017 Series B: $1.2 billion

The company committed to rigorous R&D from the start, including extensive clinical trials with thousands of participants to build up a detailed reference library of normal and cancerous blood profiles.

May 2018 Series C: $300 million

Grail attracted much attention from the beginning due to its highly qualified team of specialists and scientific advisers. An early study demonstrating that the proprietary test of the company is able to spot 12 cancer types with 76% accuracy and a low rate of false positives of about 1%.

May 2019 Series D: $390 million

After further R&D, the test is able to detect more than 50 types of cancer with a false positive rate of less than 1%. Currently, there are only 5 cancers that have a screening test.

September 2020 $8 billion acquisition

Illumina, which already owned around 11% of Grail has paid for the complete acquisition another $4 billion in its own stock and $3.1 billion in cash. In addition, Illumina has agreed to pay 2.5% for the annual sales of up to $1 billion, and 9% for the sales figures above $1 billion, for a period of 12 years.

Galleri, the test developed by Grail is expected to drastically reduce mortality. Studies estimate that without a screening test, cancer-specific mortality in the first five years of its formation was 79%, while the screening test and subsequent measures is expected to reduce the mortality rate to 11%. The Next Generation Sequencing (NGS) oncology testing market is expected to reach $75 billion by 2035, with Illumina now set to gain a significant part of it. The company is expected to complete a number of clinical trials in 2021 and 2022, applying for FDA approval in 2023.

NeuMoDx Molecular & QIAGEN

NeuMoDx Molecular a company started in 2012 and developing molecular testing platforms for a number of conditions was acquired by Qiagen, a leading global provider of assay technologies.

April 2012 Series A: $5 million

NeuMoDx Molecular began its operations with $5 million of Series A funding in order to advance the development of automated molecular testing systems.

April 2014 Series B: $21 million

The first prototype, the NeuMoDx 500 Molecular IVD System, is being developed for use in clinical trials and is being prepared for regulatory approvals.

April 2016 Series C: $20 million

The company is developing the high-throughput NeuMoDx™ 288 system and the medium-throughput NeuMoDx™ 96 platforms, offering 13 IVD-marked assays for multiple conditions, including influenza and respiratory syncytial virus.

May 2018 Series D: $20 million

In 2018, NeuMoDx received another significant investment, including QIAGEN, which purchased 19.9% of the company at a valuation of $100 million. As part of the deal, QIAGEN has committed to distribute the NeuMoDx products in Europe and other markets outside the US. The device included has capabilities to detect new conditions like sexually transmitted Chlamydia trachomatis and Neisseria gonorrhoeae infections, as well as Group B Streptococcus.

September 2020 $248 million acquisition

QIAGEN has offered to purchase the remaining stake in the company, at a valuation of $310 million, more than triple its valuation from two years ago. The testing device has also received FDA Emergency Use Authorisation to test for COVID-19. A new multiplex test for influenza, respiratory syncytial virus (RSV) and SARS-CoV-2 is scheduled for launch in the fourth quarter of 2020.

fiagon. & intersect ENT

Fiagon, a company started in 2007 and developing electromagnetic surgical navigation was acquired by Intersect ENT, which will advance the products of the company with geographic expansion and product development, including one product pending FDA approval.

November 2012 Early stage VC: $2.6 million

Fiagon received an investment in 2012, when it accelerated the development of its electromagnetic tracking matrix algorithms and flexible pointer technology, which helps physicians to better plan operations and improve patient outcomes.

December 2015 Later stage VC: $7.5 million

Fiagon further developed its pipeline of products, reaching annual sales of $11. 9 million in 2019, but saw a dramatic decrease during the pandemic.

September 2020 $71 million acquisition

Intersect ENT has also received interest towards acquisition from one of the leading global medical technology companies, Medtronic. Intersect has built up competencies in the treatment of ear, nose and throat conditions, but took a hit during the COVID-19 pandemic, with suspended production and a 25% staff layoff.

The three transactions above outline how timely investor decisions can result in significant value creation and return. Life science is a sector with much potential particularly in the COVID era.

THE ORIGIN OF SIGNIFICANT UPSIDE IN LIFE SCIENCE

M&A deals allow investors to see the materialisation of returns for their capital, but it is events that occur before these transactions that determine if the investment is successful or not. Companies, generally depend on a three-step process that can decide their destiny:

a) Focusing on an existing or creating a need
b) Identifying a solution for that need
c) Successfully commercialising the solution

Life science follows the same process. It all starts with global health - existing diseases and conditions, prolonging life expectancy and improving quality of life. It is important to mention that due to the nature of life science, it has no limitations in comparison to other sectors – diseases are not based on age, gender, culture or other indicators. Health is also one of the main and most precious assets of every human being which makes life science even more valuable. Global supply lines of chemicals and materials make the production of drugs and medical technology quite accessible for every corner of the world and can be easily set up once a license or other agreement is reached with the company that holds the intellectual property.

In the second step, the research and development of treatments, diagnostic tools, medical devices and other products occurs, including clinical assessment and establishment of regulatory pathways to allow their commercialisation, which can also occur in various forms, like direct production and sale, or licensing.

The stage at which development lies is key to determining the fate of the project, but also the return it will yield to investors. It is here that a drug can be proven successful for the investigated condition or a medical device can be shown to materially resolve the issue it was designed to remedy. In some cases, at this stage new usages can be identified – related conditions or other unanticipated benefits, which will further boost the value of the project

and the subsequent return to investors. It is at this stage that positive results can trigger a significant upside for the project, whether that is a successful clinical trial, regulatory approval or other material event. There are hundreds of positive outcomes like these that happen every year in the life science sector and it is the goal of investors to work with such successful companies. To prove this point, we include below a summary of a company that is anticipated to almost triple its value once its COVID-19 treatment is clinically validated.

Tiziana Life Sciences is a clinical stage biotechnology company that focuses on developing transformative therapies for degenerative diseases, liver cancer, autoimmune and inflammatory diseases. The company is dual listed on NASDAQ and the London AIM sub-market and has a pipeline of drug assets for Crohn's Disease, COVID-19, Progressive Multiple Sclerosis and Hepatocellular Carcinoma.

HC Wainwright, a Wall Street investment bank, reported in September, that it sees a meaningful upside in its valuation of Tiziana Life Sciences if its latest trial, which commenced in October in Brazil, is a success. This trial is assessing the potential of a nasal spray version of Foralumab for treating patients with COVID-19. The same drug – Foralumab, a fully human anti-CD3 monoclonal antibody, is currently being tested in two separate Phase 2 programmes for Crohn's disease and progressive multiple sclerosis. Tiziana was able to move directly to human trials for COVID-19 as it already had already secured safety data from its Phase I assessment last year.

The US-listed stock price is currently set at around $3.9, but the analysts foresee a growth of 180% to a $11 price target.

It is such examples and many others that demonstrate how lucrative life science is for global impact, eradication of disease, improving quality of life and generating financial return for those that believe in it.

In a recent report, Morningstar indicated that life science is one of the best sectors to invest in at this time and it expects significant returns from this sector as well as superior returns compared to the general market level. A research paper from Fidelity gave a very positive outlook to public healthcare shares for both fundamental value and relative valuations. Silicon Valley Bank reports that VC funding was very active for life sciences in 2020, with more than $35 billion being raised already from January to August, and estimates $52.5 billion for the full year, a dramatic growth compared to $38.5 billion raised in 2019. The global life science sector now has more than 46 private companies with a valuation of over a billion and a cumulative value of $117 billion. The level of dry powder has also raised and is estimated at $10.4 billion for US-based firms alone, and meanwhile there are more and more reports of growing allocation to this sector from traditional venture investors, including New Enterprise Associates, General Catalyst, Lightspeed Venture Partners and others. It is clear to see that despite the COVID pandemic and a slower M&A market this year, life science is a promising sector.

Sources: *Illumina, Qiagen, Fiagon, MedTechDive and the Melior Insights Team*

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MELIOR CAPITAL MANAGEMENT:
PIONEERING LIFE SCIENCE INVESTMENT

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