

Funding landscape of the UK life sciences sector

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One of the disincentives to potential investors in the life sciences sector in the past has been the length of time and cost it takes to bring a drug or medical device to market. Following the COVID-19 pandemic, how has this changed and what does it mean for the future of the life science industry?

The last 18 months has been an extraordinary period for everyone, but particularly for [life science companies](#) which were suddenly thrown into the global spotlight. The focus was on their ability to assist us to navigate our way out of the pandemic, through the development of diagnostics, track and trace capability, screening technologies for potential therapeutic treatments and of course, vaccines.

This focus had a number of consequences – both short and longer term. In the short term, from the start of the pandemic, many life science companies pivoted their work towards COVID-19 related therapies and new companies started up to carry out work in this area. At the beginning of 2020, many venture capitalists were well funded, but more money poured into the life science focused funds during that year. This enabled significant deals to be done.

Investment

In 2020 in the UK alone, £20bn of corporate investment was made in life science deals (the fourth highest globally), including some £2.4bn of venture capital funding. This has been surpassed in 2021 with the first quarter of the year seeing £10.6bn of corporate investment in the sector with venture capital funding amounting to £1bn in the same period.

Earlier in the pandemic, new investment was skewed into companies carrying out COVID-19 related development. At this time, life science investors were proving cautious about making new investments other than into this area as well as very conservative about providing follow on funding for existing investments. The restrictions on movement under global lockdowns; the focus of medical facilities on dealing with patients with COVID as well as on minimising infection and the general levels of uncertainty led many research based companies to halt or severely curtail any work that was not COVID related. Companies carrying out clinical trials were caught in a trap of either having to halt trials part-way through (with obvious cost issues, and time delays to their programmes), or not start them as scheduled (again incurring time delays).

If the surge in investment in 2020 was all about COVID, it might be reasonable to suppose that as we go through 2021, investment levels in life sciences would have tailed off. But this hasn't happened and as above it appears that investment levels are stronger than ever. The US market leads the way with over \$500BN of VC funds raised for life sciences already in 2021. In the UK there have been some very significant fundraisings:

- CMR Surgical – a med-tech company developing surgical robotics – £425m in June 2021
- Oxford Nanopore Technologies – a company developing portable high-throughput sequencing devices – £202m in August 2021
- Quanta Dialysis Technologies – a company developing a dialysis device – £176m in June 2021

None of these UK investments have a specific COVID-19 focus, so what do these investments show about the market?

The impact of Covid-19 on the life science sector has been about more than shining a short-term spotlight on it.

There were a number of things that changed for the sector during the pandemic. In the quest for the development of effective therapies and vaccines, there was considerable collaboration between companies which had formerly been rivals, focused on a common goal. Regulatory authorities looked again at their approval processes and ways of shortening these without jeopardising quality. The significant advantages were realised of the utilisation of AI to swiftly analyse and cross-check complex sets of data and results of trials. Fast screening techniques were used to look again at drugs that had already been licensed for other purposes to see if they would be effective in combatting COVID-19 in people who had contracted it. By being forced to carry out work remotely, it was realised that physical presence was not necessarily required – another way of potentially cutting cost and time.

One of the disincentives to potential investors in life science in the past has been the length of time and cost it takes to bring a drug or medical device to market and, therefore, the risk and time to realisation of a return from an investment. From discovery to market was estimated in a report in 2020 to cost an average of \$1.3bn and other reports estimate time to market from discovery to be 10-15 years. The development of effective vaccines against COVID-19 took less than a year.

Opportunities

The changes identified in the sector above are now becoming embedded within the culture of early-stage drug development and medical device entities; the importance of life sciences finding solutions to issues is now recognised and the global nature of the market for life science products has been emphasised – with the concomitant potential opportunities for return on investment. Therefore, new investors and more money is coming into the sector and not just into businesses that are focused on COVID-19.

Now is a good time to be looking for finance for investment in a life science technology business.

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