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The European Life Sciences Sector: impact and response to the COVID- 19 crisis

ttopstart

ttopstart is a PNO life sciences & healthcare company

ttopstart's mission is to transform healthcare and life sciences by accelerating the introduction of impactful innovations.

Founded in 2009, it provides public funding, business strategy, academic and programme management, and corporate finance services for biomedical innovators.

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Executive summary

With this report we aim to provide insights on how the life sciences industry is impacted by and has responded to the COVID-19 crisis. We interviewed 50 European life science companies and have translated the results into recommendations for them and policy makers.

- There is a mixed impact of the COVID-19 crisis to the life sciences industry; Whereas the majority of R&D processes and clinical trials are delayed and half of the firms require extra funding, some companies expect their exit value to rise, and many firms do not feel impacted by the crisis at all. Companies that did not dip in the 2008 crisis, also do not expect to dip now.
- Biomedical innovators responded to the crisis with a range of strategic moves. Almost a third of the companies switched to developing infectious disease solutions or COVID-19 related products. Amongst financial precaution, reduction in operational cost and postponing investments are the most common.
- The majority of the respondents applied for governmental support. Interestingly, only a quarter of those in need of extra funding attempted to raise this via EU grants.
- A 6-month extension of all European medical patents is a widely supported solution for the problem life science companies are facing today. We advise to look into the feasibility of such a measure.
- We recommend extending and simplifying filing and granting procedures around clinical trials as there are difficulties to add experiments and samples.

Life science companies could benefit from support in timely finding new investors and partners to anticipate to the corona-induced, novel situation. We recommend keeping track of updates on the newest support measures and funding opportunities related to COVID-19.

1. Impact of COVID-19 on the life sciences industry

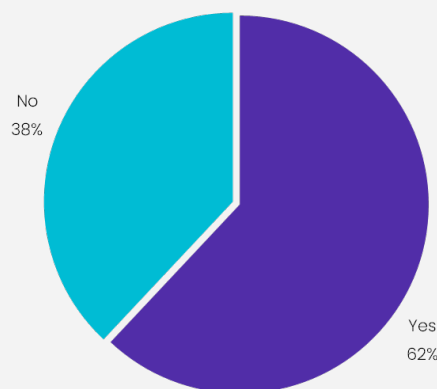


The COVID-19 outbreak is a healthcare, societal, and economic crisis with the life sciences industry facing a challenging dichotomy: biomedical innovators are expected to produce solutions at unprecedented rates whilst ongoing developments and operations are detrimentally impacted under the most stressful of conditions. We asked the respondents about the impact of the COVID-19 crisis.

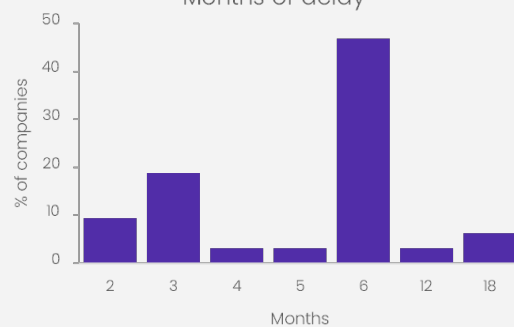
Delays in R&D and clinical trials

Nearly two-thirds of the companies interviewed expect delays in the development of their lead product due to the COVID-19 crisis, with an average delay time expected to be 6-months, and some up to 18-months. For those involved in clinical trials, 70% face delays, most of them paused or delayed up to 12-months.

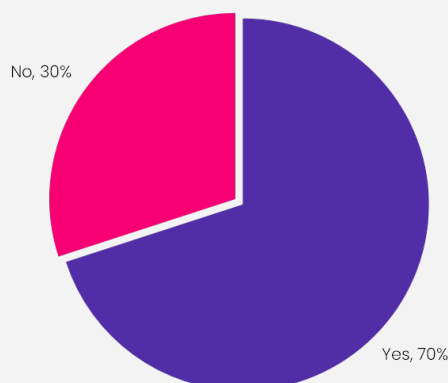
Delays in R&D



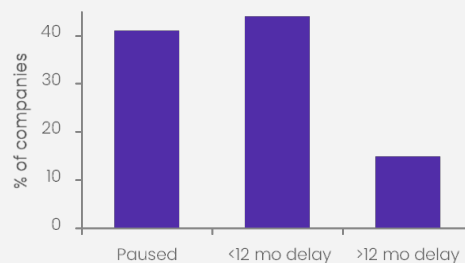
Months of delay



Delays in clinical trials



Delays

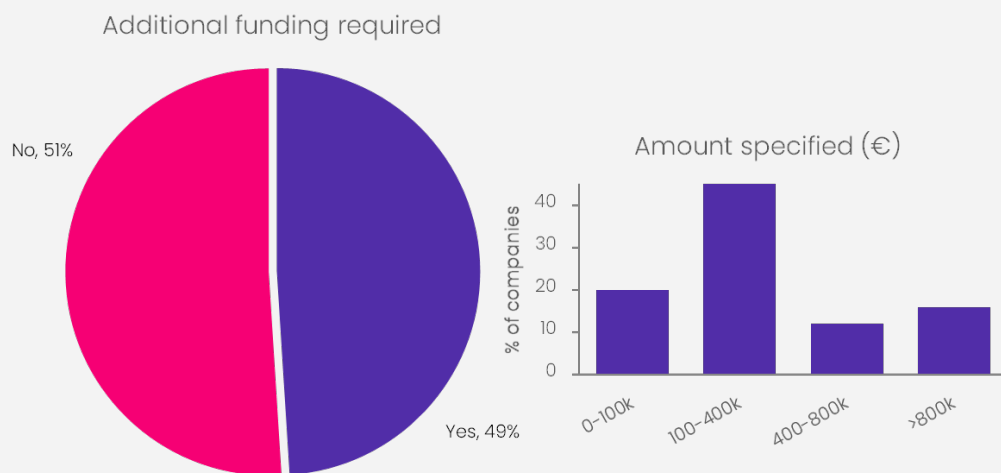


R&D of biomedical innovations is prone to severe slowdown. Due to pausing and postponing clinical trials, market introduction is being delayed while patents are

ending. This may have a big impact on the viability of life sciences firms, the healthcare system, as well as on patients individually. Having delays in R&D of life sciences innovations will have tremendous long-term negative effects on the healthcare system as a whole. These consequences will come on top of the already tensed healthcare system, in which shutdowns force waiting lists to grow rapidly. During this time we can expect to see a rise in expenditures for care for COVID-19 patients, with excessive amounts of budgets being spent on procedural precautions and medical supplies, and other issues related to the pandemic.

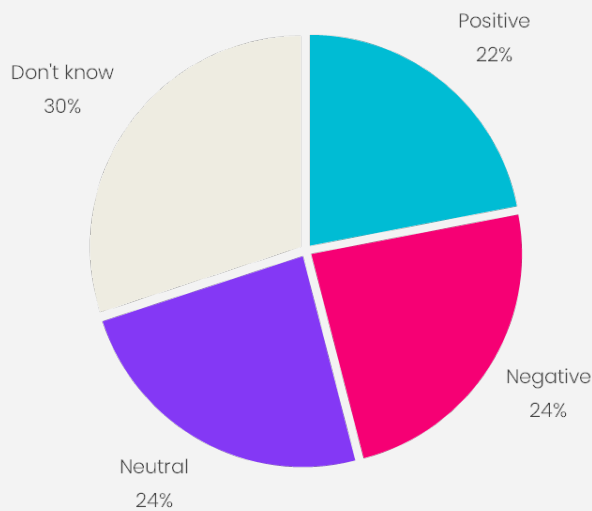
Half of the firms need extra funding, the impact on exit value is mixed

About half (51%) of the companies expect to require **extra funding**. Most of the firms in need for additional funding require an amount between €100.000-€400.000, and it is not rare for companies to require an amount of even more than €800.000. Interestingly, these data also imply that an equal amount of companies does not face a financial setback.



Approximately a quarter of the companies expect their exit value to be impacted negatively. Interestingly, about an equal amount of them expects a positive effect, no effect, or find it hard to make a prediction.

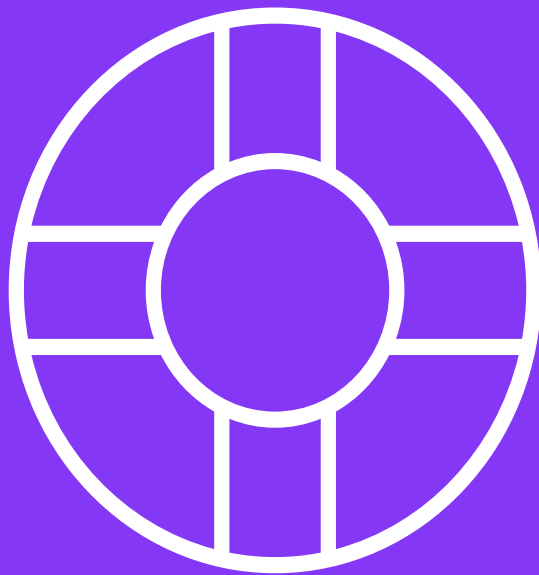
Impact COVID-19 crisis on exit value company



70% of the companies that were established before 2008 said they were influenced positively or neutrally by the previous global crisis. Of the firms older than 11-years 21% are at risk of default (compared to 42% of younger companies) and only 36% of them require extra funding due to the COVID-19 crisis (compared to 63% of younger companies). This may indicate that older firms have a higher chance of surviving this crisis. We did not find a correlation between risk of default and phase of development of the main product.

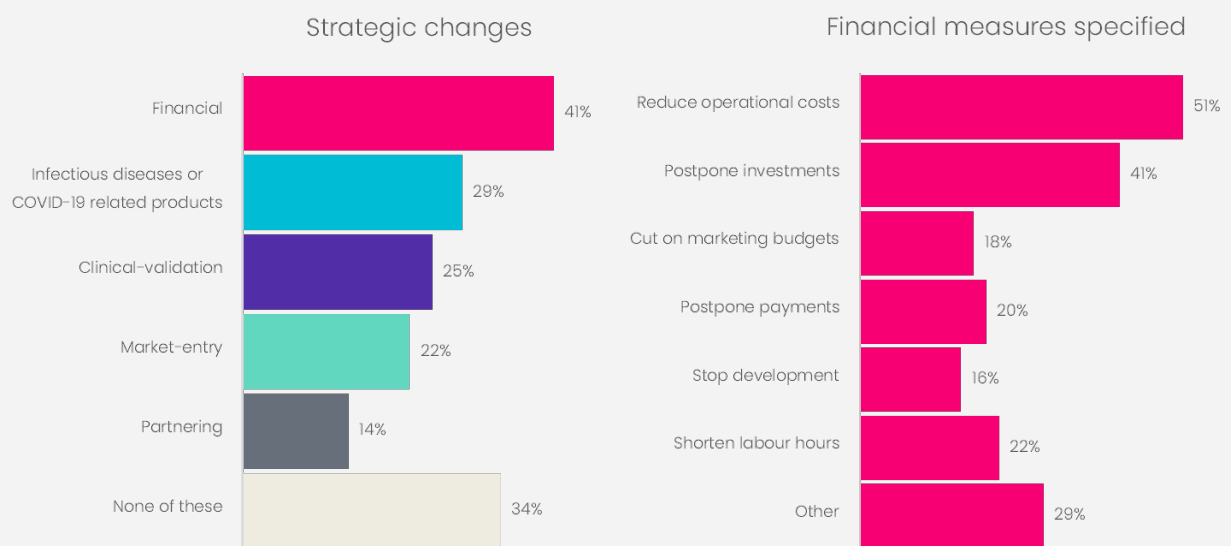
There is a split between those in acute need of extra funding, and not. Most firms require €100.000-€400.000 and it is not rare for companies to require an amount of even more than €800.000. It seems that the maturity of the firm could be a predictor for how much impact the corona crisis will have. Also, in comparison to other industries, life sciences think to be affected less by the 2008 GFC and the COVID-19 crisis.

2. Response of life science companies to the crisis



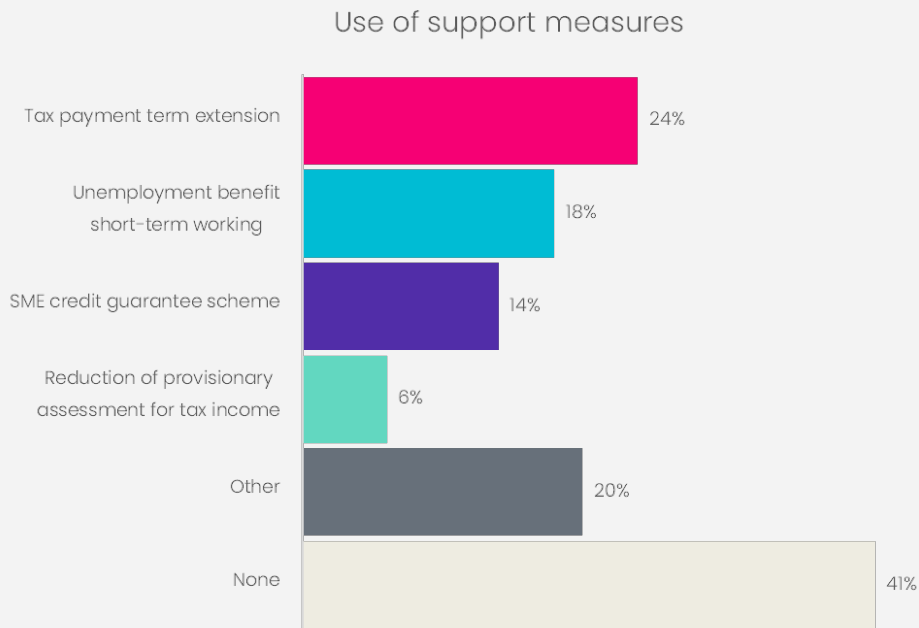
Changes in strategy: switch to infectious diseases

A wide range of strategic moves in response to the crisis have been observed. Amongst financial strategies, reduction in operational costs and postponing investments are the most common. Interestingly, nearly a third of the interviewees have responded to the pandemic by switching to infectious diseases or other COVID-19 related areas. Those 29% who did, seem to perceive the position of their firm in relation to the crisis more positively (15% of them think their exit value will be impacted negatively, compared to 24% of the total average). Strategic changes in clinical validation and market entry strategy are also common.



Use of support measures

Nearly 60% of the companies applied for the governmental support measures offered. At the moment there are no statistics available to compare the use of support measures by the life sciences and health industries with other industries.



Targets sources for additional funding

When we asked the respondents where they have applied, or plan on, for the additional funding they needed it turns out that only a quarter of them (7 of the 26) expect to raise funds via the EU, whereas the majority of them will aim to raise funds via investors and shareholders.

“Try to connect with informal investors”

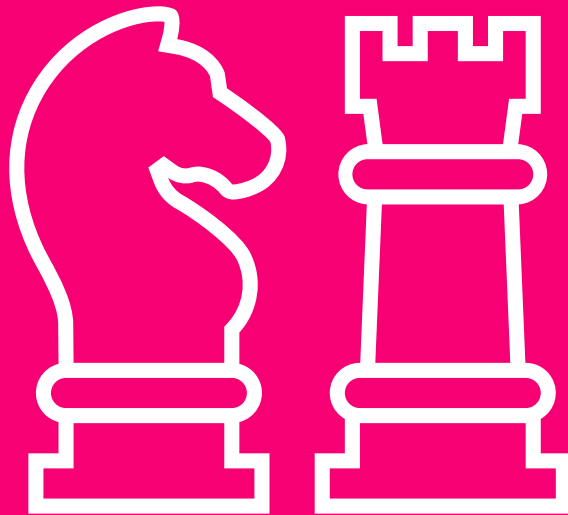
“Grants, payment for services”

“Pursuing the ongoing capitalisation, including negotiation with current investors and new investors, comprising VCs and industrial biotech investors”

“Keep on raising fund through online channels”

Many companies are forced to revise their R&D and funding strategies while facing future uncertainties. The long-term effects of postponing investments could be the most detrimental for biomedical innovation. It would be interesting to find out more about the effects for diagnosis and treatment of other diseases is when many life sciences firms have switched to infectious diseases related products. We plan on further elucidating which changes in market-entry strategies and validation strategies will be proven most successful.

3. Recommendations



Whereas some life sciences companies seem to benefit from the pandemic, many are facing severe delays, funding issues, and are at risk of default. What may be useful recommendations for those firms?

6-months extension of patents

Nearly two third of the respondents (64%) are of the opinion that a 6-month extension of all European medical patents would be a good solution for the problem life science companies are facing today. We advise policy makers to look into the feasibility of such measure.

“It could compensate delays in product development”

“We are facing a delay in market introduction and this would help (although not entirely solve the problem)”

“It seems a sensible and realistic solution as long it is applied consistently”

Filing and granting procedures

As many respondents acknowledged facing issues to add experiments and samples, we recommend extending and simplify filing and granting of procedures around clinical trials.

Our help

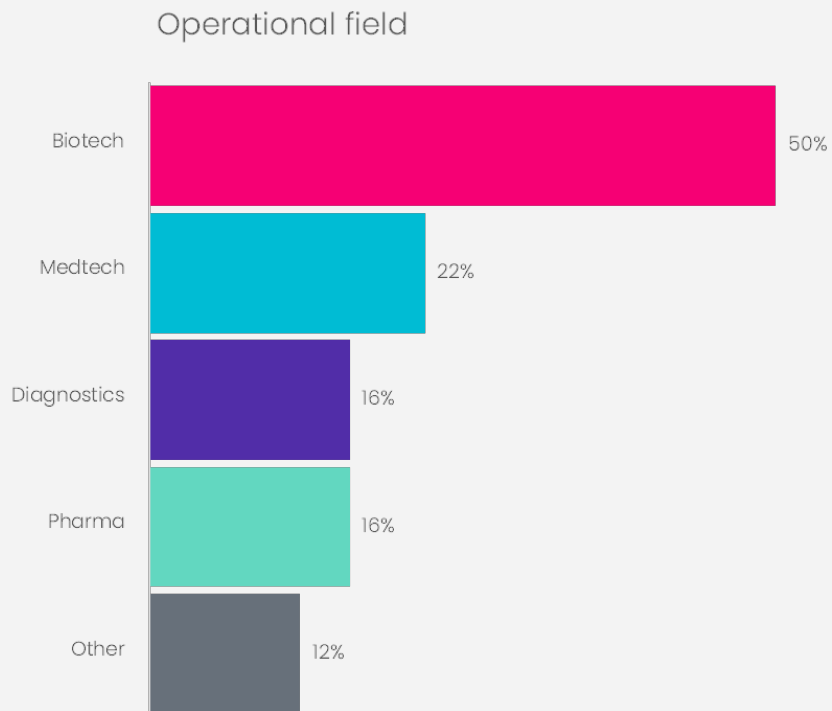
Life science companies could benefit from quickly finding the right investors, partners, and making strategic switches in order to adopt to the corona-induced situation.

We recommend staying updated on the newest support measures and funding opportunities via our online corona guide. Additionally, our experienced life science consultants are well-positioned to ensure your company can successfully navigate the pandemic and emerge not only as a survivor, but as a thriving business. This can include risk mitigation via corporate finance services, strategic restructuring, and project management. Alternatively, you may require a new grant or investor plan, both of which ttopstart is well-placed to serve effectively.

4. Appendix



Field of operation of the companies that completed the survey.



Distribution of age of company, capital raised so far and number of employees of the companies that completed the survey.

Company founded		Capital raised		Employees	
<2 years ago	11%	<2M	20%	<10	44%
2-5 years ago	24%	2-10M	29%	11 to 50	31%
5-11 years ago	22%	>10M	20%	>50	24%
>11 years ago	42%	Wish not to answer	31%	None	0%