

Press Coverage | April 11, 2022

Biotech Startups Face ‘Trickle-Down Effects’ as Sector’s IPO Drought Endures

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Chris Miller, a partner and leader of Troutman Pepper’s Emerging Companies and Venture Capital team, is quoted in the *Biopharma Dive* article, [“Biotech Startups Face ‘Trickle-Down Effects’ as Sector’s IPO Drought Endures.”](#)

“We started to see a trickle-down effect this quarter,” said Chris Miller, a partner with law firm Troutman Pepper who works on private financing deals. It will “only get worse the longer the IPO window stays shut,” he added.

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Troutman Pepper’s Miller said he’s noticed an impact on financings he’s worked on this year. Investors with struggling public biotech stocks in their portfolio are now choosing startups more cautiously. That’s made some financing rounds harder to fill and, in certain cases, led to “revaluations” of companies in the middle of a deal, he said.

According to Miller, the fear of financings falling apart is leading investors to consider “risk mitigation strategies.” Tranched financings, in which biotechs have to hit milestones to access portions of a round, are more common than they’ve been in recent years, he said.

At the same time, some investors are turning to “draconian” financing provisions that reduce the stake of another investor that fails to fund a promised tranche, Miller said, adding that financings that are getting done are either selling shares at the same price, or lower, than in previous fundings.

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