

Ready for the Biotech Bounce Back in 2024?

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Overview

Heading into 2024, expectations for biotech venture capital (VC) and private equity (PE) investments were low following two lackluster years, but as we wrap up Q1, those expectations have been turned on their head after a strong start to the year. This leads us to question whether these early tailwinds are here to stay?

Already, several themes have emerged as value drivers in 2024, including artificial intelligence (AI), weight loss, and cell and gene therapy manufacturing. Companies that are still standing in these sectors would be well advised to make strong moves toward their next growth milestone.

2024 Deal Outlook

After record-shattering years in 2020 and 2021, the relative droughts of 2022 and 2023 left companies and investors scrambling for opportunities. The 2024 forecast, though cautiously optimistic at its outset, has exceeded initial expectations for the biotech and life sciences industry. Fresh capital is providing a much-needed reprieve for existing investors who were largely tapped out from the insider-led rounds that strained cap tables over the last two years.

The year did not exactly start with overly positive expectations. PitchBook had predicted that the biotech and life sciences industry's share of VC and PE deal activity in 2024 would fall further than the 10.8% it clocked in 2023 (the lowest level since 2015). Yet, that bearish sentiment has not played out. Instead, the *Wall Street Journal* recently [reported](#) that biotechs have in fact attracted more than \$6 billion in follow-on financing through mid-February, which Jefferies analysts say is a record-setting pace — one that has already exceeded each prior quarter since Q2 2021. Additionally, the IPO window appears to be reopening, with a number of noteworthy IPOs, including: Metagenomi (\$100 million), Dyne Therapeutics (\$345 million), ArriVent Biopharma (\$100 million), and Praxis Precision Medicines (\$150 million). Public biotechs are also [turning sentiment](#), with a string of positive data releases and \$13.7 billion in secondary raises already in 2024. On the private side, buyouts of companies like Seagen and Cerevel have provided further opportunities for liquidity.

Undoubtedly, the freeing up of the public markets and boost in M&A transactions will continue to trickle down to the private side, likely leading to an uptick in private companies pursuing exit opportunities.

In particular, the following sectors are showing early signs of life in 2024:

AI

Unless you have been living under a rock, you have certainly seen that AI is dominating headlines and fascinating investors. In the biotech space, AI drug discovery has been lauded as one of the most potentially transformative applications of the technology. Still, investors have historically taken a cautious approach to cutting-edge technologies in the biotech space due to high development costs and unpredictable nature of drug discovery. Nonetheless, the space has featured several successful AI-driven cell and gene therapy biotech initiatives such as Generate Biomedicines, Cellerity, Enveda Biosciences, and Verge Genomics.

An additional early trend in the application of AI has been in the health care IT space. For example, Artisight, a program that uses a “sensor-based system to enable remote nursing and clinical operations management,” which recently announced a \$42 million Series B financing. Another example of a health care IT program lead by AI is Laudio, an operations platform that “assists clinical leaders with prediction and reduction of burnout while automating workforce management tasks.” Overall, these programs are slow to deploy, but promising in their products and services once the proper momentum is generated.

While investors continue to pile into AI-adjacent biotech opportunities, the long-term success of AI in the biotech and life science sector is still unknown. Investors and companies will have to actively monitor the application of AI as it converges on successful commercial applications.

Weight Loss

The only thing hotter than AI is the demand for accessible weight loss drugs. It is no wonder that they are expected to be among the most dynamic assets in pharma this year. Earlier this year at the 2024 J.P. Morgan Healthcare Conference, public and private company presentations identified three approaches for startups to compete in the weight loss drugs market that is currently dominated by pharma giants.

The first approach builds upon the existing GLP-1 drug market. The companies in this market category develop medications to treat obesity that address some of the hallmark side effects of such drugs like muscle or bone loss. “These secondary treatments, though not medically ideal, are favored by investors and have become attractive targets for M&A.”

The second approach “evolves the GLP-1 agonist biology by current market leaders to achieve improved dosage and user-friendliness.” Another possibility within this evolutionary approach focuses on optimizing the effectiveness of current drugs on the market and the development of novel treatment methods, such as oral delivery.

The third approach has been classified by Pitchbook as the boldest of the three and involves “pioneering entirely new methods of treating obesity.” Two companies that have taken this route, Rivus Pharmaceuticals and Fractyl Health, are exploring metabolic accelerators and gene therapy for weight loss, respectively.

The VC trajectory for digital health in the weight-loss market is still in its infancy. Although “[w]eight management broadly is a good match for virtual health solutions given the easily understood health goals and recurring nature of injectable prescriptions ... virtual weight loss providers may face differentiation challenges as more players rush to the space.” Some recent VC funding rounds in this sector include Signos’ \$20 million Series B, knownwell’s \$20 million Series A, and Form Health’s \$6.7 million early-stage round. Pitchbook projects that one or more of the

large telehealth platforms could pursue add-on transactions in this space. While 2024 has not yet seen significant activity in terms of digital weight loss funding rounds or M&A announcements, it is anticipated that such news is forthcoming this year.

Cell and Gene Therapy Manufacturing

Even though this topic constitutes an existing pillar within the biopharma industry, cell and gene therapy biomanufacturing remains a “bottleneck due to cost, quality and speed” and is primed for a reboot. One popular strategy to address these concerns is “increasing collaboration with emerging contract development and manufacturing organization startups, such as ElevateBio and Resilience.” These partnerships work by focusing the specialized manufacturing prowess of the startups to help produce advanced cell and gene therapies. This sector faces massive demand for new technologies, approaches, and products in the cell therapy domain, and will remain an area to watch for more development in the coming months.

Conclusion

While 2024 is off to an exciting start for biotech and life sciences investments, particularly in AI, weight loss, and cell and gene therapy manufacturing, the funding markets are proceeding with caution. It is worth remembering that although 2022 and 2023 paled in comparison to the booms of 2020 and 2021, the long-term trajectory of the industry remains positive. Though it would be advisable for companies to temper expectations about any spike in investment and exit opportunities, the first months of 2024 indicate that the bull run for biotech is not over.

Now is the time for companies to rebuild teams and clean up any deferred maintenance caused by cost-cutting measures over the past years. As exit opportunities re-emerge, companies need to build their investor bases and position themselves for IPOs or M&A transactions. Recent history has repeatedly shown that the windows for these opportunities are short. However, if the start of the year is any indication, a new window is just beginning to open.

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