Special Report on the U.S. Biopharmaceuticals Industry 2019
Selected quotes from the interview with Geoff Meyerson, CEO and Co-Founder, Locust Walk

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Locust Walk is a global life science transaction firm with an integrated team-based approach across capabilities, geographies, and industry segments to deliver the right products, the right partners, and the most attractive sources of capital to get the right deals done for biopharma and medtech companies.

Large pharma is veering towards bolt-on acquisition deals. How is this impacting the transactions you are involved with?

Locust Walk has definitely seen a trend towards smaller deals as mega merger deals have declined. A significant number of the larger companies that were going to consolidate have already done so. There is a new crop of players coming into the market that will pick up some of the deals but cannot necessarily afford mega deals. The idea of a bolt-on deal is just a euphemism for a smaller transaction, and companies are entering into bolt-on deals to augment their pipelines as opposed to combining two companies together. Currently, the bolt-on deal climate is very dynamic, and we certainly see this type of deal playing a larger role in the future.

With regards to Locust Walk's deal pipeline, we saw a significant uptick in 2018 relative to 2017. We believe this dynamic will continue in 2019, especially with the capital markets being somewhat volatile. The Q4 decline eroded the confidence of investors, and while there is still some investment interest, there is some skittishness to being as aggressive as in the past. This provides an opening for strategics to start playing more of a role in deal making. As companies get more used to their new valuation, the strategics will have more of an upper hand relative to what they had in the past, which has been relegated to a distant second behind equity investors.

Q1 2019 saw some significant M&A deals in the oncology space. Is there a specific therapeutic area or modality that you expect to see more activity in this year?

Oncology makes up a third of the R&D pipeline, so there is always going to be interest, especially when there are novel differentiated programs. Companies are becoming more cutting edge and the companies that are more highly valued are those that the public markets are starting to appreciate, and their market caps are really starting to soar. As these companies attain market caps that are large enough, they might start to consolidate other players underneath them, which, I believe is less about therapeutic area and more about modality.

Do you expect 2019 to be more favorable for IPOs when compared to 2020, given the upcoming presidential electoral cycle?

We are likely to see more IPOs in 2019 than in 2020. There is a significant amount of uncertainty whenever there are political unknowns. The first half of 2019 will be a lot more bullish than perhaps in 2020, since it is unknown when the election cycle will really kick in. In the long run, the government shutdown will have minimal to almost no impact on IPOs because companies that wanted to go public are still going to go public.

Will there be a decrease in cross border partnerships as a result of a more stringent CFIUS review process?

Stringent regulations and trade wars are definitely affecting cross border partnerships, especially with regards to China and South Korea. However, the United States does not have trade issues with Japan or Europe, and companies from these areas that want to enter the U.S. market will still find it accessible.

How do you see Locust Walk positioned in the market and what is your message to the industry?

Locust Walk is unique in the market and our business has developed to help other companies realize their objectives. Our success relies on the success of our clients. We are involved in capital raising, IPO advisory, assisting companies that have non-traditional investors to attain institutional investors, and regional or global partnering.

We've seen a significant increase in partnering deals as a way for companies to attain financing. Companies are struggling to attain equity, or they view partnering more attractive than selling equity. Either way, companies are diluting something, and the question becomes: which is less costly? For some of the companies who do not have major institutions behind them, it might be potentially more advantageous to license their assets as opposed to selling equity.

Locust Walk is much more diversified than most banks or consulting firms and whatever helps our clients achieve their objectives, we will navigate with them. We offer an integrated approach to deal making and we integrate strategy and analytics with every deal execution.