

**THE DAILY CHECK-IN WITH GOLDMAN SACHS**

**GUEST: JERRY LEE, MANAGING DIRECTOR, GLOBAL HEALTHCARE GROUP,  
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**HOST: LIZ BOWYER, GLOBAL HEAD OF BRAND AND CONTENT STRATEGY**

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**LIZ BOWYER:** Hi Jerry.

**JERRY LEE:** Hi Liz.

**LIZ BOWYER:** You cover global biotech and pharmaceuticals for Goldman Sachs Investment Banking. It's obviously a big year for biopharma. What does that mean for the capital markets?

**JERRY LEE:** It's a great question. It's been a phenomenal set of years heading into 2020. I think just for a little bit of background, 2018, the US biotech capital markets raised \$28 billion between IPOs, follow ons, and convertibles. And we said that's never going to be seen again. 2019 we saw another \$28 billion in biotech equities. And we said, you know what, we're not going to see that again. 2020, so far this year, we've seen \$55 billion of capital put into biotech equities. An incredible, incredible watermark. And why? I'd actually put this in demand and supply terms. On the supply side, we are living through a very special time of genomic medicine, precision oncology, new modalities like gene therapy. And with that, on the demand side, continued interest from the investor community in really underwriting this generation of innovation, especially alongside continued large cap pharma interests in what we call external innovation, in doing collaborations, partnerships, and acquiring these companies.

**LIZ BOWYER:** And talk then about the pandemic and response of the biopharma sector to COVID-19.

**JERRY LEE:** Unfortunately, 2020 has been an unprecedented year. We've run out of ways to describe 2020 with the kind of COVID troughs in the market, the COVID related peaks in the market. But it really has shown a light on why biopharma innovation exists. It reminds us and society why we actually spend so much time, why investors spend so much capital, why corporates spend so much of their resources on innovation, including areas like vaccines.

When you actually think about the actual COVID impact on the market, the COVID related stocks have added more than 50 billion dollars of market cap just this year. And why? When you actually think about some of the recent results, Pfizer, BioNTech, Moderna, Lilly, Regeneron, they've devoted a great deal of capital, a great deal of capabilities, and a great deal of their innovative, cutting edge technologies, to really solving the COVID crisis.

**LIZ BOWYER:** So, we've seen the positive news on vaccine development recently. What do you think that might mean in the coming weeks and months?

**JERRY LEE:** I think many of you saw a few weeks ago Pfizer and their partner BioNTech report positive phase III data with their vaccine. 95 percent effective against COVID-19. And more importantly, consistent across age, gender, race, and ethnicity. Highly effective against severe COVID-19. Very likely supporting an emergency use authorization. And in our view, a potential approval as early as December or January of next year.

And on top of that, Moderna, very similar efficacy. And slightly better storage requirements. And so, in our view, partially because of the breadth and depth of the COVID crisis pandemic, COVID-19 vaccines will be a space for multiple companies to succeed here.

**LIZ BOWYER:** And so, Jerry, from your seat in investment banking, how is this playing out in terms of capital markets activity?

**JERRY LEE:** Liz, that's a great question. I think many of the factors on the supply and demand side that I referenced in the capital markets and what's driven this incredibly robust capital markets environment apply to M & A as well. And just for background, the last few years have been incredible in biopharma M & A. In 2018, we saw 140 billion dollars. 2019, 220 billion dollars. Now with the COVID era, there's obviously been a pronounced pause in biopharma M & A with only, so to speak, 50 billion dollars of M & A announced thus far this year.

But we saw deals accelerate dramatically at the end of the summer. We certainly expect a robust Q4. And many of the factors that saw drive 2018, 2019, and the summer of 2020 we see continuing in 2021.

**LIZ BOWYER:** So, what are the drivers of this activity?

**JERRY LEE:** Pipeline and therapeutic area leadership gaps are myriad across the large cap pharma universe. In addition to that, financially, many of these large cap pharmas are facing upcoming loss of exclusivity or patent cliffs in the coming years. And thus, with revenue growth petering out, they'll need to fill those gaps with external innovation. On top of that, there's an incredible amount of dry powder across both the US and European large cap pharma universe that actually is added to by the divided government with a diminished risk on tax unreform. And then lastly, and perhaps most importantly, what we are sensing across the landscape is a great deal of CEO confidence coming out of the COVID environment. And what I mean by that is, they see their businesses as having meaningful visibility across the next few years and look to capitalize on that strength via M & A.

**LIZ BOWYER:** So Jerry, biopharma is an area with some pretty interesting geopolitical dimensions, critically when it comes to the US and China and cross border cooperation and innovation. You represent companies from both countries. Tell us what you're seeing.

**JERRY LEE:** It's a fascinating time for US/Chinese relations, and even more so in US/China biotech relations. I started traveling to China ten years ago with Goldman Sachs. Back then the US and European multinationals were far more focused on China as a place to manufacture. And to a certain extent, to commercialize, but less innovative assets, more of the generic and branded generic side.

Fast forward ten years to today and nothing could be more different. China has really climbed that hierarchy of needs and innovation where to the point of US and European multinationals are now out licensing their most innovative assets into Chinese biotechs for development and commercialization in China, trusting them with that capability. And even adding that data to global approvals.

On the flip side, US and European multinationals are now in licensing innovation on novel oncology targets from Chinese biotech companies into the US and Europe. We've now even seen multiple deals, including multi billion dollar deals between the US and European and Chinese companies to really flesh out that collaboration across development and commercialization. Certainly a very special time for Chinese biotech.

**LIZ BOWYER:** So explain what's driving the biotech boom in China.

**JERRY LEE:** There's a series of reasons by there's been a Cambrian explosion of innovation in Chinese biotech. Number one, the sheer amount of talent from this returning wave, this so called wave of sea turtles, of PhDs having been trained in the US and Europe, having spent their careers at US and European large cap biopharma returning to China to really seed that innovation on the mainland is extraordinary. Number two. The government, whether it's Made in China 2025 or this next 50-year plan, there's a real focus on innovation and really building a biotech ecosystem within the Chinese borders. And then lastly, the sheer amount of capital formation across the Chinese and Hong Kong biotech landscape is staggering. There is so much risk capital being put to work to underwrite Chinese biotech. We had 60 healthcare companies list in China and Hong Kong this year, raising 16 billion dollars just in Hong Kong and China. And so, we see real trends continuing, not just for 2021, but for the next decade. I think we're going to see this generation Chinese biotechs not just become leaders within China, but really aspirationally look to become leaders globally.

**LIZ BOWYER:** Thanks Jerry.

**JERRY LEE:** Thanks Liz.

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