

Life sciences in CEE after COVID-19: growth, decline or stagnation?

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Despite the pandemic, the CEE M&A market in Life Sciences / Healthcare remains stable with substantial growth expected

The M&A market in this sector remained active in 2020 in Central and Eastern Europe, and investors have actually been showing increasing interest because the pandemic has not impacted its performance. Quite to the contrary, the pandemic highlighted an **increasing need for new healthcare solutions**. Healthcare is thus seen as one of the more stable sectors with positive growth potential, and investors are now focused on the industry and are searching for the right investment opportunities.

Although the Healthcare and Life Sciences sector has encountered many challenges, it also brings opportunities with it, as the COVID-19 **pandemic became an accelerator for innovation** and transformation. The combination of recent advances in biological treatment and accelerating developments in technology and artificial intelligence have the potential to take innovation in life sciences and healthcare to a new level.

Which drivers are capturing the most attention and why?

An ageing population and a growing burden of chronic diseases in CEE countries represent a challenge for healthcare systems, as they will put significant pressure on healthcare spending and increase demand for long-term care services. In CEE countries, current public spending on healthcare in terms of a percentage of GDP is around 3% lower than the average in EU5 countries. Both public and private healthcare systems in CEE thus require further investments to meet future requirements

The COVID-19 pandemic has **demonstrated the need for better digitalisation** across the healthcare sector, such as telehealth services, the digitisation of health records and prescriptions, digital diagnostics, including AI/ML solutions, remote monitoring devices and data analytics to identify high-risk patients and provide targeted treatments.



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Life sciences sectors to watch in 2021/2022

BIOTECH has been active across many fronts

Biotechnology is currently considered one of the most attractive areas for interesting investment opportunities. Unlike most industries, biotech is experiencing an *increase* in investment. This is partly the result of increased efforts to find treatments and a vaccine for COVID-19 which have of course attracted intense government, media, and public attention in terms of healthcare research and innovation, reinforcing the belief that **biotech targets represent a good and stable investment**.

The fast success in the development of effective COVID-19 vaccines also helped focus investors' attention on biotechnology.

The **messenger RNA (mRNA) technology** that has sped development of COVID-19 vaccines has the potential to treat many other diseases. This sector is also active in the CEE region.

Recent notable transactions in this area include:

- *Sartorius's* EUR 360 million acquisition of BIA Separations, a Slovenian maker of purification products for the analysis of large biomolecules, such as viruses, plasmids and mRNA; and
- *US-based Novavax, Inc.*, a late-stage biotechnology company developing next-generation vaccines for serious infectious diseases, and its acquisition of *Praha Vaccines from the Cyrus Poonawalla Group*, with a transaction value of USD 167 million. *Novavax* is one of the companies aiming to develop a vaccine for COVID-19 and has been looking to boost capacity to produce its vaccine candidate.

Personalised medicine via **cell and gene therapies** has attracted several big pharma firms to expand their pipelines in Europe, such as

- *Novartis* purchasing ocular gene therapy developer *Vedere Bio* for a value up to USD 280 million and
- *Roche* entering into collaboration agreement with *Dyno Therapeutics* worth up to USD 1.8 billion.

As regards the CEE region, a Czech immuno-oncology company acquired the rights to *Unum Therapeutics'* *BOXR* cell therapy platform and *BOXR* lead programmes for over USD 8.1 million upfront and another USD 3.4 million in milestones down the line to develop **novel T-cell therapies** for the treatment of solid tumours. *SOTIO* already operates two cell therapy-manufacturing facilities in Prague, Czech Republic, and Beijing, China.

Wolf Theiss advised:

- *Bain Capital*, an US private investment firm, on a significant cross-border acquisition of *Lonza Specialty Ingredients* business and operations, a leading supplier of microbial control solutions for professional hygiene and personal care products, for an enterprise value of USD 4.53 billion.
- *Latvian Jasper Therapeutics*, a biotechnology company focused on enabling cures with **hematopoietic stem cell therapies**, received USD 14 million in funding in a round led by *Roche Venture Fund*.

Biologics and biosimilars, another substantial element of biotech, have also been in the spotlight. In Europe, with over 30% of all drug spend is on biologic medicines. Except for traditional big pharma firms active in the field of biological treatment, there are also examples of successful CEE biotech companies. In particular, the Polish biotech sector is growing rapidly. As an example,

- Polish drug developer *Selvita* (now *Ryva Therapeutics*) licenced out its first lead compound to *Menarini Group* for up to EUR 90 million. Another Polish biotechnology company,

- *Mabion*, is developing **biosimilar medicine** for the treatment of certain blood cancers and recently announced that it plans to select a strategic investor by the end of 2021.

MEDTECH has countless applications that are developing rapidly

In recent years, technological development enabling **data analytics, artificial intelligence and the Internet of Medical Things** has disrupted traditional healthcare operations and transformed healthcare services provision into what is now described as **Healthcare 4.0**.

COVID-19 has significantly accelerated the use of telehealth and telemedicine solutions, and it seems that this MedTech trend will continue

In the CEE region, the healthcare market with telemedical services has developed most strongly in Poland (e.g. *Luxmed, Medicover, Enel-Med, Polmed*) and Romania (e.g. *Regina Maria, MedLife*).

In terms of recent investment developments in the CEE region:

- Romanian telemedicine solution *Telios Care* has raised over EUR 1 million from investors in order to finance expansion across the region. Further,
- *HomeDoctor*, a Polish digital healthcare provider of **online medical consultations** and delivery of healthcare services to patients' homes announced an EUR 3,7 million Series A funding round led by *Cogito Capital Partners* with participation from the company's founders.
- Additionally, Polish startup *Jutro Medical* has raised EUR 6 million for its hybrid telemedicine & in-person health platform.

Various **devices and mobile apps** have come to play a critical role in tracking and preventing chronic illnesses for many patients and their doctors .

By combining IoT development with telemedicine and telehealth technologies, a new Internet of Medical Things has emerged.

Philips, GE Healthcare, and Medtronic are the leading players in IoMT technology worldwide, in CEE the IoMT firms include *Horizen* (Higo telemedical system) and *RespMedical* (BreatherOne – Pulmonary rehabilitation system).

An increasing number of medical devices incorporate **artificial intelligence (AI)** capabilities to support therapeutic and diagnostic applications. Machine learning algorithms for instance can be used to help improve the accuracy of the diagnosis. Additionally, surgeons can now leverage AI tools to perform **less invasive and more accurate operations** on their patients. On top of this, AI also offers better insights for doctors with regards to their chosen method of treatment.

Recent CEE transactions in this new developing area include investment into *Mostly AI*, an Austrian-based data privacy start-up that built a unique synthetic data platform that unlocks personal data for privacy-friendly AI and big data innovation, by *Earlybird Venture Capital* as lead investor. Lithuanian-based *Biomatter Designs* raised funds to develop AI for generative protein design.

Bioprinting (a combination of 3D printing with biomaterials to replicate parts that imitate natural tissues, bones, and blood vessels) represents another example of a new technology used in Medtech. In this sector, Wolf Theiss advised *CELLINK AB*, a Swedish 3D bioprinter manufacturer, on the acquisition of the in-vitro technology specialist *MatTek Corporation*, a life

sciences company specialising in lab-engineered human tissue production, for a value of USD 68 million.

Nanotechnology is a promising Czech development sector, recently expanding from the traditional chemical structures to biological materials (hyaluronic acid), such as with the recent *Contipro* launch of a patented multi-nozzle system. *Contipro* is one of the world's leading nanotech manufacturers. The group is involved in the rapidly developing field of nanobiopharmacy. It focuses on **tissue engineering** (e.g. scaffolds for cartilage and skin replacement, differentiation of stem cells into chondrocytes), wound healing, gene therapy and targeted drug delivery (using above mentioned polysaccharides and their conjugates). Another example is *Elmarco's* Nanospider technology, a process for producing a range of organic and inorganic nanofibers.

ANIMAL HEALTH has grown in demand due to the pandemic

Due to the regulations imposed by many governments during the pandemic, the companionship of pet animals was valued and sought after, and the companion animal segment has been growing, thereby **pushing the overall Europe animal healthcare market share**.

In the CEE region, Wolf Theiss as lead counsel advised *Royal DSM*, a global science-based company in Nutrition, Health and Sustainable Living listed on Euronext Amsterdam, on the acquisition of *ERBER Group* for an enterprise value of EUR 980 million. Wolf Theiss also participated in advising on the sale of the Animal Health Business unit from *Bayer AG* to US-based *Elanco Animal Health Inc.* for EUR 6.6 billion.

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