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RESEARCH

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Editor's Note

The third quarter of 2026 was the first of this cycle in which the cost of capital reasserted itself at the margin of the life sciences market. On 16 September the Federal Reserve raised its policy rate by 25 basis points, to a range of 3.75 to 4.00 percent, its first increase since 2023, and the Committee's own projections now point to a further increase before the year is out. The ten-year Treasury yield reached 5 percent. Behind both lay the renewed escalation of the conflict involving Iran in the Gulf: the interim truce broke down in July, the Strait of Hormuz was declared closed again, and Brent crude rose from approximately 72 dollars a barrel at the start of the quarter to approximately 107 dollars at its close. For an asset class whose value lies in cash flows many years distant, that is not background noise.

Yet the quarter's more instructive lesson is that the biotechnology market no longer moves as one. Large-capitalisation biotechnology, measured by the iShares Biotechnology ETF, rose 10.7 percent in the quarter. The SPDR S&P Biotech ETF, home of the clinical-stage small- and mid-capitalisation cohort, ended the quarter fractionally lower, and the Russell 2000 fell 7.5 percent. Upfront merger and acquisition value fell by more than half from the second quarter's record, and venture deployment fell by a third. The initial public offering window nonetheless remained open: nine biotechnology companies priced in the United States, and seven of them were trading above issue at the quarter's close.

Three subjects receive particular attention in this edition. The first is a question many of our counterparts have put to us directly: whether the largest technology listings in market history are drawing capital away from life sciences. We set out the hypothesis, test it against the record of the quarter, and report what we find. The second is Hong Kong, where the general listing market is on course for its strongest year since 2010 while the Chapter 18A channel for pre-revenue biotechnology companies recorded no listings in the quarter. The third is Korea's KOSDAQ, where biotechnology valuations built on headline licensing values have undergone the most violent correction of any major venue this year. All three developments matter for the companies we advise and for the allocators who fund them.

We open, as our inaugural edition undertook to do, by testing our earlier positions against the evidence. Not all of them have held in the form in which we stated them, and we say so plainly. A research publication that reports only the theses that succeeded is not a record; it is a brochure.

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Dr George Syrmalis
Founder and Chief Executive Officer
Bioscience Equity Partners

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The Q3 2026 Theses

Each edition of The Lambda Quarterly opens with the positions we are prepared to defend on the record. Before setting out this quarter's, we test those already published. A summary of every thesis and inflection point carried in this series, with its current status, is set out in Appendix D.

The record: testing our prior positions

The reopened IPO window is structural, not cyclical (Q1) — holding, with a qualification

Through 30 September, 22 biotechnology offerings raised approximately 7.5 billion dollars in the United States on J.P. Morgan's count, more than in any full year from 2022 to 2025. The third quarter added nine offerings and approximately 2.7 billion dollars, seven priced at or above their ranges, eight were upsized, and the window stayed open through a Federal Reserve tightening. The compositional discipline we described in our inaugural edition has also held: eighteen of the year's 22 drug-developer issuers carried assets in Phase II or later. The window, in other words, has behaved structurally. The qualification is that structural access has not meant structural returns. Of the thirteen drug developers that listed in the first half, ten lost ground during the third quarter, with a median decline of 13.5 percent. The window rewards issuers at pricing; it does not protect them afterwards. We examine this in Section 2.

Sovereign capital is displacing US crossover syndicates (Q1, Q2) — unproven in the quarter's data

We are obliged to be candid here. The public record for the third quarter does not allow this thesis to be measured with the precision we would require. Syndicate composition is not systematically disclosed; William Blair counts eleven crossover financings raising 1.7 billion dollars in the quarter but does not attribute them by investor type; and the Saudi Capital Market Authority's stated 2026 review of foreign ownership limits had not concluded by the quarter's end. The quarter was also one in which Gulf sovereign allocators faced the most direct regional disruption of this cycle, with oil export volumes, shipping, and fiscal planning all affected by the conflict in the Gulf; a slower cadence of new external commitments in such a quarter would be prudence rather than a reversal of strategy. The direction of travel we described remains visible in individual transactions, most notably the participation of Gulf and Asian sovereign vehicles in the largest private financing of the year in AI-enabled drug discovery. But a thesis that cannot be evidenced should not be asserted. We retain it, with reduced confidence, and will report on it only where the record supports a finding.

Greater China licensing will consolidate, not fragment (Q1, Q2) — partly right

The value side of the thesis has held. J.P. Morgan's data show Greater China-originated assets accounting for 51 percent of large-pharma in-licensing deals with at least 50 million dollars upfront in 2026 to date, up from 39 percent in 2025, and for 65 percent of the upfront value, up from 36 percent. The count side has not. Eighteen such deals had been signed by the end of September against nineteen in the whole of 2025, and the third quarter's eleven China out-licensing transactions with headline values above 1 billion dollars were predominantly early-stage, platform, and discovery arrangements

with modest upfront payments. The wave has not narrowed to fewer counterparties; it has broadened into earlier assets at disciplined prices. We restate the thesis accordingly below.

Capital formation can be read independently of monetary policy (Q2) — refuted at the small end of the market

Our second edition argued that life sciences dealmaking was running on a different clock from monetary policy. The third quarter is the first evidence against that view, and it is concentrated precisely where theory says it should be. Following the September increase, the equal-weighted biotechnology index retreated from a five-year high of close to 170 dollars in August to 157.68 dollars at the quarter's close; first-time venture financings fell to 1.7 billion dollars, the lowest quarterly figure since the third quarter of 2025; and total venture deployment fell 33 percent from the second quarter. Large-capitalisation biotechnology, by contrast, rose by more than a tenth. Monetary policy has not stopped the market. It has divided it.

Thesis One — The biotechnology market has divided in two, and the hiking cycle is the dividing line

For most of the past three years, the distinction between large- and small-capitalisation biotechnology has been one of degree. In the third quarter of 2026 it became one of direction. The iShares Biotechnology ETF, weighted toward commercial-stage companies with earnings, gained 10.7 percent. The SPDR S&P Biotech ETF, equal-weighted and dominated by clinical-stage issuers, fell 0.4 percent. Venture capital concentrated further in later-stage, de-risked programmes, with Series B and later rounds accounting for roughly 72 percent of capital deployed this year, and the median upfront value paid in mergers and acquisitions declined from 765 million dollars in the second quarter to 661 million dollars in the third.

Our position is that this is not a passing rotation but the first expression of a regime in which the price of time has risen. Commercial-stage companies fund themselves; clinical-stage companies must return to the market, and a higher discount rate falls most heavily on cash flows that are longest dated. The implication for issuers is that runway now carries a premium that valuation alone does not capture: a company with eighteen months of cash in a hiking cycle is a different credit from the same company in an easing cycle. The implication for allocators is that the opportunity lies precisely in the dislocation, because quality clinical assets are being priced alongside weak ones. We expect the divergence between the two indices to persist for as long as the Federal Reserve's projections point upward.

Thesis Two — The mega-listing cycle has not drained life sciences capital; the risk lies in the supply that follows

The largest initial public offering in market history priced in June and entered the Nasdaq-100 on 7 July. The concern that such listings, and those expected to follow, would draw institutional capital away from smaller sectors is reasonable in principle. Our examination of the third-quarter record, set out in Section 5, does not support it. Biotechnology issuers priced and upsized offerings in the same week as the largest lock-up release of the quarter; the biotechnology index rose 10.5 percent in that month; and the 2026 biotechnology IPO class has materially outperformed the year's largest technology listings since pricing.

Our position is that the first-order effect has been differentiation rather than drain: biotechnology has traded as a diversifier from the artificial intelligence trade rather than as a source of funds for it. The

second-order risk is different and has not yet been tested. Lock-up releases continue through December; index weightings for newly listed technology companies can be expected to rise as free float expands; and further large technology listings are expected. When that supply coincides with a tightening cycle, it is the small-capitalisation end of every sector that is sold first. We will monitor this in each subsequent edition against four indicators set out in Section 5.

Thesis Three — Hong Kong is now a two-speed venue: a record general market and a deliberately narrowed biotechnology gate

Hong Kong completed the first nine months of 2026 with 116 listings raising more than 388 billion Hong Kong dollars, according to KPMG, ranking second globally behind Nasdaq and on course for a record year. Within that total, eleven Chapter 18A biotechnology companies listed in the first half and none in the third quarter. The Hang Seng Biotech Index, measured through an exchange-traded fund that tracks it, rose 30.9 percent in the quarter. Demand for listed Chinese biotechnology is therefore not the constraint. Supply is.

Our position is that the pause reflects deliberate regulatory tightening of sponsor diligence on core-product eligibility, signalled by the Securities and Futures Commission in January and reinforced through the year, rather than any failure of investor appetite. The implication is that the 18A route will reopen, but for fewer and better-evidenced issuers, and that the quality bar for Greater China-origin assets, whether they seek a Hong Kong listing or a Western licensing partner, is converging on the same standard. For sponsors of cross-border transactions, a counterparty's 18A eligibility is now a diligence question in its own right.

1. Macro and Sector Backdrop

The Federal Open Market Committee raised the federal funds target range by 25 basis points to 3.75 to 4.00 percent at its meeting of 15 and 16 September 2026. The decision was unanimous and widely anticipated. The statement retained its description of an economy expanding at a solid pace, but removed the earlier attribution of elevated inflation to energy supply shocks and stated that the action would support a timelier return to the Committee's 2 percent objective. The median participant projected a year-end policy rate of approximately 4.1 percent, implying one further increase in 2026, with the same level projected for the end of 2027. Core PCE inflation was projected at 3.4 percent for 2026. Chairman Kevin Warsh said he would be hard-pressed to describe broad financial conditions as restrictive.

The Gulf conflict and the oil shock

The macro backdrop of the quarter cannot be separated from the conflict involving Iran, which began on 28 February 2026 and which our inaugural edition noted as a source of risk premium. After a temporary ceasefire in April and an interim memorandum in June, the interim truce broke down on 8 July following attacks on commercial shipping. Between 12 and 14 July the Strait of Hormuz was declared closed again and the United States reinstated its blockade of Iranian ports. The United States reported on 25 August that it had cleared mines from the shipping lanes, but strikes escalated again in late August and early September. On 25 September Iran proposed at the United Nations to reopen the strait in exchange for the release of frozen funds, the lifting of sanctions, and an end to the blockade; the proposal was rejected on 27 September.

Brent crude rose from approximately 72 dollars a barrel at the start of July to approximately 107 dollars on 28 September; the United States Brent Oil Fund, which tracks Brent futures, gained 47.7 percent in the quarter. The transmission to life sciences runs through three channels. The first is monetary: an energy shock of this size feeds headline and then core inflation, and it is the principal reason the Federal Reserve tightened in September. Notably, the Committee's September statement no longer attributed inflation to energy supply shocks, signalling that it now regards price pressure as more broadly based. The second is sovereign: Gulf producers face reduced export volumes, higher shipping and insurance costs, and repair bills for damaged energy infrastructure, even as the oil price rises, and their external investment programmes are being managed accordingly. The third is strategic: with the Gulf states dependent on the strait for the great majority of their food imports, the case for domestic pharmaceutical and biomanufacturing capacity, long argued on industrial-policy grounds, is now argued on grounds of national resilience. We return to each in Section 8.

The ten-year Treasury yield stood at approximately 5 percent in mid-September. For long-duration assets the arithmetic is unforgiving: a rising discount rate reduces the present value of distant cash flows disproportionately, and clinical-stage biotechnology is the longest-duration equity there is. This is consistent with what the indices show. The cycle that began with 175 basis points of easing from September 2024, which our inaugural edition credited with compressing the discount rate applied to clinical-stage assets, has now partially reversed.

The sector's year-to-date performance nonetheless remains strong. Measured by exchange-traded fund prices, the SPDR S&P Biotech ETF rose 29.3 percent between the end of 2025 and 30 September

2026, against 11.8 percent for the SPDR S&P 500 ETF and 20.4 percent for the Invesco QQQ Trust. The gains, however, were made in the first half. In the third quarter the equal-weighted biotechnology index traced a round trip: down 7.1 percent in July, up 10.5 percent in August to a five-year intra-month high of close to 170 dollars, and down 3.0 percent in September as the rate increase arrived.

Index performance

Instrument (price return)	July	August	September	Q3 2026	YTD 2026
iShares Biotechnology ETF (IBB)	-2.0%	+12.1%	+0.7%	**+10.7%**	+24.7%
SPDR S&P Biotech ETF (XBI)	-7.1%	+10.5%	-3.0%	**-0.4%**	+29.3%
iShares Russell 2000 ETF (IWM)	-3.1%	+0.9%	-5.5%	**-7.5%**	+12.9%
SPDR S&P 500 ETF (SPY)	0.0%	+2.7%	-0.6%	**+2.1%**	+11.8%
Invesco QQQ Trust (QQQ)	-6.6%	+4.2%	+3.2%	**+0.5%**	+20.4%
ChinaAMC Hang Seng Biotech ETF (3069.HK)	+8.8%	+11.8%	+7.6%	**+30.9%**	+17.6%

Month-end closing prices, 31 December 2025 to 30 September 2026, price return excluding distributions. The Hong Kong instrument tracks the Hang Seng Biotech Index and is used as a proxy for it; returns are in Hong Kong dollars.

Two features of this table deserve emphasis. First, the eleven-point gap between large- and small-capitalisation biotechnology in a single quarter is the clearest expression of the dispersion described in Thesis One. Second, the biotechnology index outperformed the broader small-capitalisation market by seven points: whatever pressure the hiking cycle placed on small companies, clinical-stage biotechnology was not singled out.

Fund flows

Fund-flow evidence is consistent with a sector that has recovered in price without yet recovering institutional sponsorship. BlackRock's iShares review of the third quarter records nearly 500 billion dollars of inflows into US-listed exchange-traded funds in the quarter, with technology gathering more than four times as much as the next sector, healthcare. Bloomberg data reported in early September showed the iShares Biotechnology ETF had taken in only 361 million dollars in 2026, and Bloomberg Intelligence described healthcare as having endured three consecutive years of outflows. Generalist capital, in short, has not left healthcare in 2026, but neither has it returned at scale. The rally has been carried by specialists, by acquirers, and by the transactional premium that mergers and licensing continue to place on clinical assets.

2. Capital Markets Activity

Initial public offerings

Nine biotechnology companies completed initial public offerings in the United States in the third quarter, raising approximately 2.7 billion dollars, according to William Blair. Seven priced at or above the marketed range, eight were upsized from launch, and seven were trading above their offer price at the end of September. J.P. Morgan records 22 offerings raising 7.5 billion dollars in the first three quarters, already more than in any full year from 2022 to 2025, with an average offering size of approximately 339 million dollars. The largest of the year remains Parabilis Medicines, whose June offering raised more than 770 million dollars including the underwriters' option.

The third-quarter cohort was led by ADARx Pharmaceuticals, which priced a 446 million dollar base offering on 24 September for a Phase III siRNA programme in hereditary angioedema, and Braveheart Bio, which raised a 382.5 million dollar base offering on 5 August for an oral cardiac myosin inhibitor licensed from Hengrui Pharmaceuticals. Electra Therapeutics raised 350 million dollars on 17 September for a Phase II/III programme in secondary haemophagocytic lymphohistiocytosis. The first full week of August was the busiest of the quarter: Attovia Therapeutics, Braveheart Bio, Latigo Biotherapeutics, and BlossomHill Therapeutics together raised approximately 1.17 billion dollars, every one of them upsized.

Braveheart deserves a further observation. Its lead asset originated in China and reached the American public market through an offshore vehicle co-financed by Western investors. That is the NewCo structure described in our inaugural edition completing its full arc, from licence to listing, within a single cycle. It will not be the last.

The 2026 class after listing

Because a listing is a beginning rather than an end, we have measured every US drug-developer IPO of 2026 to date against its offer price at the quarter's close. Of the 22 drug developers that priced between 8 January and 24 September, fifteen were trading above issue on 30 September. The median return from offer was 14.4 percent and the simple average 42.3 percent; weighted by base offering size, the class had gained 33.1 percent. Independent work by PricewaterhouseCoopers, which places the average 2026 biotechnology IPO return at approximately 42 percent against approximately 2 percent for all 2026 US IPOs, is consistent with our own figures.

The averages require one immediate qualification. Veradermics, which priced at 17 dollars in February for an extended-release oral treatment for androgenetic alopecia, closed the quarter at 121.23 dollars, a gain of 613 percent. Excluding that single issuer, the class's dollar-weighted return falls from 33.1 percent to 10.7 percent, and its median from 14.4 to 12.2 percent. The class is profitable without Veradermics, but it is Veradermics that makes it exceptional.

The second qualification concerns seasoning. Of the thirteen drug developers that had listed by 30 June, ten declined during the third quarter, with a median fall of 13.5 percent. Kailera Therapeutics, the largest biotechnology IPO in Nasdaq history at its pricing in April, fell 48.2 percent in the quarter and closed 28.6 percent below issue. Aktis Oncology, Eikon Therapeutics, and Kardigan each fell by more than 38 percent in the quarter. The pattern is familiar to anyone who has taken a company

public: the market pays for a narrative at pricing and demands data thereafter, and the first two quarters as a listed company, before the first material readout, are the period of greatest vulnerability.

Pricing cohort	Issuers	Above issue	Median vs offer	Dollar-weighted vs offer
Q1 2026	6	3	+1.0%	+81.8%
Q1 2026, excluding Veradermics	5	2	-6.1%	-12.2%
Q2 2026	7	5	+23.4%	+24.3%
Q3 2026	9	7	+16.5%	+8.5%
All 2026 to 30 September	**22**	**15**	**+14.4%**	**+33.1%**
All, excluding Veradermics	21	14	+12.2%	+10.7%

US biotechnology IPOs of 2026: performance to 30 September

Company	Ticker	Priced	Offer (USD)	Close 30 Sep (USD)	vs offer	Q3 change
Aktis Oncology	AKTS	8 Jan	18.00	19.47	+8.2%	-39.6%
Veradermics	MANE	3 Feb	17.00	121.23	+613.1%	-1.4%
Eikon Therapeutics	EIKN	4 Feb	18.00	8.04	-55.3%	-38.4%
Agomab Therapeutics	AGMB	5 Feb	16.00	11.10	-30.6%	-14.5%
SpyGlass Pharma	SGP	5 Feb	16.00	26.00	+62.5%	+16.8%
Generate Biomedicines	GENB	26 Feb	16.00	15.02	-6.1%	-11.0%
Kailera Therapeutics	KLRA	16 Apr	16.00	11.42	-28.6%	-48.2%
Avalyn Pharma	AVLN	29 Apr	18.00	28.49	+58.3%	-13.5%
Hemab Therapeutics	COAG	30 Apr	18.00	30.84	+71.3%	-16.0%
Seaport Therapeutics	SPTX	30 Apr	18.00	20.17	+12.1%	-7.1%
Odyssey Therapeutics	ODTX	7 May	18.00	22.22	+23.4%	+18.8%
Parabilis Medicines	PBLS	9 Jun	20.00	32.29	+61.5%	+18.0%
Kardigan	KARD	17 Jun	16.00	14.75	-7.8%	-38.2%
Scribe Therapeutics	SCTX	23 Jul	15.00	18.41	+22.7%	Listed in Q3
Apnimed	APMD	30 Jul	16.00	21.91	+36.9%	Listed in Q3
Attovia Therapeutics	ATTO	4 Aug	17.00	17.14	+0.8%	Listed in Q3
Braveheart Bio	BRVE	5 Aug	18.00	20.20	+12.2%	Listed in Q3
Latigo Biotherapeutics	LTGO	6 Aug	18.00	16.70	-7.2%	Listed in Q3
BlossomHill Therapeutics	BLSM	6 Aug	16.00	18.64	+16.5%	Listed in Q3
Vogenx	VOGX	11 Aug	13.00	22.79	+75.3%	Listed in Q3
Electra Therapeutics	ETRA	17 Sep	15.00	11.25	-25.0%	Listed in Q3
ADARx Pharmaceuticals	ADRX	24 Sep	17.00	19.94	+17.3%	Listed in Q3

Drug-developer IPOs on US exchanges, 1 January to 30 September 2026. Closing prices from exchange data; price return only. "Q3 change" is from 30 June to 30 September for issuers listed by 30 June; for issuers that listed during the quarter, the whole period since listing falls within Q3 and is shown under "vs offer". Dollar-weighted figures weight each issuer by its base offering size. Alamar Biosciences, a proteomics tools company that listed on 16 April and closed the quarter 100.4 percent above issue, is excluded as it is not a drug developer.

Hong Kong

Hong Kong is on course for its strongest listing year since 2010. KPMG records 116 listings raising more than 388 billion Hong Kong dollars in the first nine months of 2026, more than double the prior-year period, placing Hong Kong second globally by funds raised behind Nasdaq and ahead of Shanghai, New York, and Shenzhen. On our derivation from KPMG′s half-year and nine-month figures, the third quarter alone contributed approximately 31 listings and 178 billion Hong Kong dollars. KPMG now expects full-year proceeds potentially approaching 500 billion Hong Kong dollars, which would exceed the 2010 record. More than 600 applicants were active at the end of September.

The engines of that growth are the dual-listing of mainland companies and the specialist technology regime. Thirty-eight A-and-H share listings accounted for nearly 70 percent of nine-month proceeds. Nineteen companies listed under Chapter 18C, the specialist technology chapter, raising 36.2 billion Hong Kong dollars, against eight across the previous three years combined.

Chapter 18A: an empty quarter

Biotechnology tells a different story. Eleven companies listed under Chapter 18A in the first half, three in the first quarter and eight in the second, raising approximately 12.5 billion Hong Kong dollars. In the third quarter, on the evidence available to us, none did. This was not for want of applicants: twelve 18A application proofs filed between February and May remained in the queue, ten of them refilings, and at least 27 further biotechnology filers were reported between late May and the end of August. On 21 August the Exchange granted a temporary waiver extending the validity of listing applications from six to twelve months, a measure that speaks to a backlog rather than a shortage.

The more likely explanation is regulatory. In January the Securities and Futures Commission issued a circular identifying deficiencies in sponsor work, including a lack of evidence demonstrating the listing eligibility of certain biotechnology and specialist technology companies and their core product development, following a joint letter from the Commission and the Exchange to thirteen sponsors in December 2025. It warned that deficient applications may be returned or suspended. The effect has been to slow the 18A conveyor while the rest of the market accelerated.

Aftermarket and secondary market

The twelve Hong Kong biotechnology listings of 2026, eleven under Chapter 18A and METiS TechBio under Chapter 18C, raised approximately 1.8 billion US dollars. Their median first-day gain was 103 percent; by late September their median return from offer had settled at approximately 14 percent, with seven of the twelve above issue. Dispersion was wide. Hangzhou Diagens, an artificial intelligence imaging company, traded more than 300 percent above its offer price and was added to the Hang Seng Biotech Index with effect from 14 September, replacing HUTCHMED. Guangdong True Health and TenNor Therapeutics were also well above issue, while HJ Science, IMPACT Therapeutics, and Mabwell traded between 26 and 53 percent below.

The secondary market was strong. The ChinaAMC Hang Seng Biotech ETF, which tracks the index, rose in each month of the quarter and gained 30.9 percent overall, recovering a first-half decline of 10.2 percent. Licensing announcements continued to act as catalysts, Simcere′s 1 September agreement

with Roche among them, and on 18 September mainland authorities issued a five-year plan for the pharmaceutical industry, reported to target average annual growth of at least 20 percent in the innovative drug sector to 2030. Several recently listed biotechnology companies, among them LongBio, TenNor, and Alebund, were added to the Hang Seng Composite Index with effect from 7 September, broadening their institutional reach.

The mainland′s own Shanghai STAR Market also reopened its fifth listing standard for pre-revenue biotechnology. Evopoint Biosciences, developing a Claudin18.2 antibody-drug conjugate, raised 1.8 billion renminbi on 16 September, and Zhuhai Trinomab raised approximately 1.0 billion renminbi on 21 July. Hong Kong therefore no longer holds a monopoly on the listing of Chinese pre-revenue biotechnology.

Follow-on and structured issuance

Follow-on and registered direct offerings by US biotechnology issuers numbered 26 in the third quarter, raising 5.9 billion dollars, a moderation from the first half that William Blair attributes to the market becoming more selective as the quarter progressed. Reverse mergers have become a material channel in their own right: twelve were completed in the quarter with 1.9 billion dollars raised in concurrent private placements, and J.P. Morgan counts 27 in 2026 to date, nineteen of them accompanied by private placements, against twelve in the whole of 2025. For companies without a ready route to an underwritten offering, the reverse merger with a concurrent PIPE has become the default alternative.

United Kingdom and continental Europe

European biotechnology venture financing reached 1.1 billion dollars across 31 rounds in the third quarter, almost double the 584 million dollars of the third quarter of 2025, according to J.P. Morgan. The United Kingdom accounted for 380 million dollars, or roughly a third, followed by Switzerland at 185 million dollars. The largest European rounds were Vaderis Therapeutics′ 152 million dollar Series B, Kynexis′ 110 million dollar Series A, and R1 Therapeutics′ 81 million dollar Series A. European companies were also targets: Novartis completed its acquisition of the London-based antibody-drug conjugate developer Myricx Bio for up to 1.5 billion dollars, and Telix Pharmaceuticals agreed to acquire the Munich radiopharmaceutical company ITM. The pattern described in our inaugural edition, of European science funded and acquired by non-European capital, continued.

3. Mergers, Acquisitions, and the Pharma Reload

After a record second quarter, biopharmaceutical mergers and acquisitions paused. J.P. Morgan, measuring upfront cash and equity, records 31.1 billion dollars across 32 transactions in the third quarter, against 66.8 billion dollars across 51 in the second. William Blair, measuring announced value, records 39 billion dollars across 15 transactions. The two series measure different things and are presented side by side. Both point in the same direction for the year as a whole: 138.9 billion dollars of upfront value across 113 transactions by the end of September, already above the full-year 2025 total of 122.1 billion dollars, and, on William Blair's count, 40 transactions above 1 billion dollars, surpassing the previous full-year record with a quarter to spare.

The quarter's median upfront value fell to 661 million dollars from 765 million dollars. Targets remained overwhelmingly de-risked: approximately 69 percent of biopharmaceutical acquisitions this year have been of companies with assets in Phase II, Phase III, or on the market. Eli Lilly remained the most acquisitive buyer, with aggregate disclosed consideration this year above 30 billion dollars on J.P. Morgan's count.

The defining transactions of Q3 2026

Acquirer	Target	Announced	Headline value (USD)	Therapeutic focus	Status at 30 Sep
Vertex	Crinetics Pharmaceuticals	6 Jul	10.0bn	Endocrinology (acromegaly, CAH)	Completed 1 Sep
Curium	Lantheus	3 Aug	Up to c. 8.0bn incl. CVRs	Radiopharmaceuticals and imaging	Pending
Eli Lilly	AtaiBeckley	16 Jul	Up to 3.8bn incl. CVR	Psychiatry (depression)	Completed 11 Sep
Eli Lilly	Merida Biosciences	31 Aug	Up to 2.875bn	Immunology (Graves' disease, TED)	Pending
Telix	ITM	21 Sep	Up to 2.35bn	Radiopharmaceuticals	Pending
argenx	Forte Biosciences	27 Jul	2.2bn	Immunology (vitiligo, coeliac disease)	Completed 27 Aug
Novartis	Myricx Bio	6 Jul	Up to 1.5bn	Oncology (ADC)	Completed 28 Aug
Jazz	Actio Biosciences	10 Aug	Up to 1.32bn	Paediatric epilepsy	Completed 15 Sep

Two of the quarter's largest transactions were in radiopharmaceuticals, the subject of our second edition's therapeutic deep dive: Curium's agreed combination with Lantheus, valued at up to approximately 8 billion dollars including contingent value rights, and Telix's agreement to acquire ITM. Both are consolidations of manufacturing and isotope supply as much as of pipelines, which accords with the view in that edition that supply rather than science is the gating factor for the

modality. It is also worth noting that nuclear medicines are among the categories identified for potential exemption from the new US pharmaceutical tariffs discussed in Section 7.

Second-quarter transactions completed

Several of the second quarter′s defining transactions closed within the period. GSK completed its 10.6 billion dollar acquisition of Nuvalent on 15 July, and the FDA approved Nuvalent′s ROS1 inhibitor zidesamtinib a week later. AbbVie completed its 10.9 billion dollar acquisition of Apogee Therapeutics on 3 September. Sun Pharmaceutical′s acquisition of Organon remained pending, with completion expected in early 2027, and the tender offer by the CVC Capital Partners and Groupe Bruxelles Lambert consortium for Recordati, since raised to 53 euros per share, remained open at the quarter′s end.

The patent cliff arithmetic

Nothing in the third quarter altered the structural driver. The loss of exclusivity facing the largest pharmaceutical franchises between 2026 and 2032 is fixed by patent expiry dates, not by sentiment, and the pause in announced value after a record quarter is better read as digestion than retreat. The more significant signal is in price rather than volume: a falling median upfront value in a rising-rate quarter suggests acquirers are exercising pricing discipline on a population of targets whose own funding alternatives have narrowed. That is a buyer′s market forming at the small end, consistent with Thesis One.

Licensing economics and the China overlay

Announced licensing value reached 221.1 billion dollars by the end of September, approximately 81 percent of 2025′s record 274.3 billion dollars, according to J.P. Morgan. Upfront cash represented just 6 percent of headline value, tied with 2022 as the lowest share since 2017, and 35 licences carried upfront payments of at least 100 million dollars, against 46 in the whole of 2025. Headline values continue to overstate committed capital by an order of magnitude, and should be read accordingly.

Greater China remains the centre of gravity. Eleven China out-licensing transactions with headline values above 1 billion dollars were announced in the third quarter, with aggregate headline value of approximately 19.7 billion dollars and disclosed upfront payments of approximately 1.7 billion dollars, or about 8.5 percent. One transaction accounts for more than a third of those upfronts: AstraZeneca′s 600 million dollar upfront payment to Dizal for its approved EGFR inhibitor sunvozertinib. The remainder were predominantly preclinical or discovery-stage. The counterparties are also changing. Alongside Merck, Roche, GSK, Eli Lilly, and AstraZeneca, the licensees now include US-formed vehicles such as Avere Therapeutics and Sentivera, and an artificial intelligence company, Pathos AI, which took global rights to Alphamab′s Phase III bispecific antibody-drug conjugate.

Date	Licensor	Licensee	Asset and stage	Upfront (USD m)	Headline (USD bn)
2 Jul	CSPC Pharmaceutical	AstraZeneca	siRNA, two renal targets; preclinical	30	c. 1.77
14 Jul	Dizal Pharmaceutical	AstraZeneca	Sunvozertinib (EGFR exon 20 NSCLC); approved	600	1.5
14 Jul	Hansoh Pharmaceutical	Avere Therapeutics	Oral IL-23R antagonist (psoriasis); Phase 1b	120	c. 2.3

Date	Licensor	Licensee	Asset and stage	Upfront (USD m)	Headline (USD bn)
14 Jul	Innovent Biologics	Spero Therapeutics	Anti-CD40L antibody (IgG4-RD, Sjögren's); Phase 2-ready	Undisclosed	c. 1.1
3 Aug	Alphamab Oncology	Pathos AI	TROP2/HER3 bispecific ADC; Phase 3 (China)	125	c. 2.22
25 Aug	Haisco Pharmaceutical	Sentivera	Small molecule (type 2 inflammation); preclinical	c. 76	>1.5
28 Aug	DualityBio	Genentech (Roche)	Novel-payload ADCs; discovery	45	>1.045
1 Sep	Simcere Zaiming	Roche	CD79a/CD19/CD3 trispecific T-cell engager; early clinical	75	1.53
3 Sep	HUTCHMED	GSK	KRAS-EGFR antibody-targeted conjugate; preclinical	110	c. 1.3
24 Sep	InnoCare Pharma	Eli Lilly	Research collaboration, up to five targets; discovery	Up to 100	c. 3.35
28 Sep	SciBrunch Therapeutics	Merck & Co.	Oral KRAS G12D inhibitor; preclinical	400	2.13

China-headquartered licensors; transactions with disclosed headline value of at least 1 billion dollars announced 1 July to 30 September 2026. Headline value comprises upfront and disclosed milestone payments, excluding royalties. Upfront figures may include near-term payments or equity where so disclosed.

4. Venture and Private Capital

Biopharmaceutical venture deployment fell to 6.7 billion dollars in the third quarter, a decline of 33 percent from 9.9 billion dollars in the second quarter and broadly in line with the third quarter of 2025, according to J.P. Morgan. Year-to-date deployment reached 23.9 billion dollars across 385 rounds, and J.P. Morgan's full-year estimate of approximately 33 billion dollars, above the 30.5 billion dollars of 2025, requires a stronger fourth quarter than the third. William Blair's narrower count records 58 private financings raising 5 billion dollars and eleven crossover rounds raising 1.7 billion dollars.

The composition of that capital matters more than its total. First-time financings fell to 1.7 billion dollars, the lowest quarterly level since the third quarter of 2025. Series B and later rounds accounted for 17.3 billion dollars across 215 rounds this year, roughly 72 percent of capital, against 6.6 billion dollars across 170 seed and Series A rounds. Sixty-eight rounds of 100 million dollars or more have been completed in 2026. The median round for a Phase II company was 57 million dollars, against 23 million dollars for a platform or discovery-stage company. Capital continues to follow clinical evidence, and the threshold of evidence required to attract it is rising.

Company	Amount (USD m)	Round	Focus / note
Encoded Therapeutics	275	Series F	Genetic medicine
Solstice Oncology	225	Series A	Oncology
LifeMine Therapeutics	188	Series E	Discovery platform
Vaderis Therapeutics	152	Series B	Europe
Claris Biotherapeutics	118	Series B	n/d
Expedition Therapeutics	115	Series B	COPD
Kynexis	110	Series A	Europe

Largest disclosed biopharmaceutical venture rounds, Q3 2026, from J.P. Morgan and DealForma. n/d: not disclosed in the sources consulted.

Geography and the sovereign question

Capital remains concentrated geographically. Since the start of 2025, the United States has accounted for approximately 68 percent of venture capital deployed, with the San Francisco Bay Area at 12.8 billion dollars and Boston at 10.2 billion dollars. Europe's third-quarter recovery, noted in Section 2, is significant in percentage terms but remains small in absolute terms.

As noted in our review of prior theses, the quarter's disclosures do not permit a reliable measurement of sovereign participation in private biotechnology rounds. What can be observed is the pattern of sovereign capital in the adjacent field of AI-enabled drug discovery, where the largest private financing of 2026, Isomorphic Labs' 2.1 billion dollar Series B in May, included Abu Dhabi's MGX, Singapore's Temasek, and the United Kingdom's Sovereign AI Fund alongside Alphabet. Sovereign allocators have shown they will take very large positions in life sciences where the asset is framed as strategic

technology. Whether that appetite extends to conventional clinical-stage biotechnology at the same scale remains, on the present record, an open question.

5. Special Feature: The Mega-IPO Test

A question has been put to us repeatedly by allocators and by the boards of companies preparing to raise capital: will the largest technology listings in history draw money away from life sciences? It is a fair question, and it deserves an answer from the evidence rather than from intuition. This section states the hypothesis, tests it against the record of the third quarter, and sets out what would change our view.

The hypothesis

SpaceX priced the largest initial public offering in history on 11 June 2026, at 135 dollars per share, raising approximately 75 billion dollars before the over-allotment option at an implied valuation of approximately 1.77 trillion dollars, and began trading on Nasdaq the following day. Strictly, the offering is a second-quarter event, and we flag it as such. Its consequences, however, fell in the third quarter. Nasdaq had amended its rules to permit fast entry into the Nasdaq-100, and the company joined the index on 7 July, obliging index-tracking funds to buy it and to fund those purchases by selling other holdings. On 6 August the first lock-up release made approximately 911.5 million shares eligible for sale, roughly 1.4 times the original public float. Further large technology listings are expected in the months ahead.

The mechanism by which such listings might drain capital from life sciences is threefold. Institutional investors may sell other holdings to fund allocations to new issues. Index funds are mechanically required to sell existing constituents to make room for new ones. And the steady supply of new shares from lock-up expiries absorbs incremental demand that might otherwise reach smaller issuers. If the hypothesis were correct, we would expect to see biotechnology issuers struggling to price, biotechnology indices falling when technology supply rose, and generalist flows moving out of healthcare.

The evidence

Instrument	July	August	September	Q3 2026
SpaceX (SPCX)	-36.6%	+32.6%	+5.0%	-11.7%
Invesco QQQ Trust (Nasdaq-100)	-6.6%	+4.2%	+3.2%	+0.5%
SPDR S&P 500 ETF	0.0%	+2.7%	-0.6%	+2.1%
iShares Russell 2000 ETF	-3.1%	+0.9%	-5.5%	-7.5%
SPDR S&P Biotech ETF	-7.1%	+10.5%	-3.0%	-0.4%
iShares Biotechnology ETF	-2.0%	+12.1%	+0.7%	+10.7%

Month-end closing prices, 30 June to 30 September 2026, price return. Key events: Nasdaq-100 inclusion of SPCX on 7 July; first SPCX lock-up release on 6 August; Federal Reserve rate increase on 16 September.

Primary issuance. Biotechnology issuers priced through the period without visible difficulty. Nine US biotechnology IPOs priced in the quarter and eight were upsized. Most tellingly, the week beginning 3 August, which contained the largest single supply event of the quarter in the SpaceX lock-

up release, was also the busiest week of the quarter for biotechnology offerings: four issuers raised approximately 1.17 billion dollars, every one upsized.

Secondary markets. July is the only month that superficially fits the hypothesis: the biotechnology index fell 7.1 percent in the month SpaceX entered the Nasdaq-100. But the Nasdaq-100 itself fell 6.6 percent, and SpaceX fell 36.6 percent from its June close. That is a broad unwinding of the technology and artificial intelligence trade, in which the new listing was the largest casualty, not a rotation out of biotechnology into it. In August, when the lock-up released the largest block of new supply, the biotechnology index rose 10.5 percent and large-capitalisation biotechnology 12.1 percent.

Relative aftermarket performance. By the end of September the 2026 biotechnology IPO class had returned approximately 42 percent on average since pricing, against approximately 2 percent for all 2026 US IPOs, according to PricewaterhouseCoopers. Bloomberg reported in July that the ten largest US offerings of the year, which include the technology and aerospace listings, were down a weighted 6.3 percent. Investors who bought biotechnology rather than the year′s headline listings were rewarded for doing so.

Flows and postponements. Technology dominated exchange-traded fund inflows in the quarter, but healthcare ranked second rather than suffering outflows. Six sizeable offerings were postponed or withdrawn in September across consumer health, nuclear energy, insurance, advanced manufacturing, and technology; PricewaterhouseCoopers attributes these to rising rates and yields, weak peer groups, and questions over artificial intelligence infrastructure spending. None was a biotechnology issuer, and none cited the large technology listings.

Where pressure is visible. The Russell 2000 fell 7.5 percent in the quarter, with the largest monthly decline, 5.5 percent, in September. Small-capitalisation equities as a whole were under pressure. The timing, however, points to the Federal Reserve rather than to technology supply: the September decline coincided with the rate increase, not with any lock-up event. Leerink′s Jack Bannister observed in July that biotechnology was trading independently of rates and counter to the artificial intelligence trade. The first half of that observation did not survive September. The second did.

Verdict

On the evidence of the third quarter, the hypothesis that the mega-listing cycle drained capital from life sciences is not supported. The first-order effect has been differentiation: biotechnology has behaved as a diversifier from the technology trade, and its issuers have accessed the market through the largest supply events of the period. We do not, however, regard the question as closed, and we would caution against complacency.

What would change our view

The supply calendar is front-loaded into the next two quarters. Further SpaceX lock-up tranches become eligible through December, with insider restrictions extending to mid-2027; index weights for newly listed companies rise as free float expands; eligibility for the S&P 500 is not expected before 2027; and further large technology listings are expected. That supply will arrive in a market in which the Federal Reserve is still tightening. We will report against four indicators in each edition: the share of biotechnology IPOs upsized at pricing; the performance of the biotechnology index relative to the Russell 2000; healthcare and biotechnology fund flows; and the number and size of crossover rounds. A simultaneous deterioration in all four, coinciding with a major supply event, would cause us to revise

this verdict. At the quarter's close SpaceX itself traded at 150.86 dollars, 11.7 percent above its offer price but a third below its June peak of 225.64 dollars.

6. Therapeutic Area Deep Dives

Our inaugural edition committed to rotating three therapeutic areas through this section. Having addressed oncology, cardiometabolic disease, and neurology in the first quarter, and radiopharmaceuticals in the second, we turn this quarter to immunology and inflammation, to genetic medicines and in vivo cell engineering, and to AI-enabled drug discovery. Each was selected for its weight in the quarter's capital deployment.

6.1 Immunology and inflammation — the immune reset

Immunology and inflammation was the most active therapeutic area for strategic capital in the quarter. DealForma records eight autoimmune research and development partnerships in the third quarter with total value of 5.0 billion dollars and upfront cash and equity of 899 million dollars, against 49 million dollars in the second quarter; seven acquisitions valued at 5.4 billion dollars including contingent payments; eleven venture rounds raising 525 million dollars; and two initial public offerings raising 639 million dollars.

The quarter's transactions cluster around two ideas. The first is the immune reset: the ambition to eliminate autoreactive B cells entirely rather than suppress inflammation indefinitely. Johnson & Johnson's 29 July collaboration with Sail Biomedicines on in vivo CAR-T programmes for autoimmune disease carried initial payments of 785 million dollars, including a 465 million dollar equity investment, and an option to acquire the company for 2.58 billion dollars. Roche's licence of Simcere Zaiming's CD79a, CD19, and CD3 trispecific T-cell engager for B-cell-mediated diseases, at 75 million dollars upfront and up to 1.53 billion dollars in total, pursues the same objective by a different route. The in vivo approach, which programmes a patient's own T cells inside the body and avoids the cost and complexity of ex vivo manufacture, has now attracted five pharmaceutical acquisitions in roughly twelve months with aggregate headline value above 7.3 billion dollars, among them AbbVie's acquisition of Capstan Therapeutics, Eli Lilly's of Orna Therapeutics, and Bristol Myers Squibb's of Orbital Therapeutics.

The second idea is the oral replacement of injected biologics. Hansoh's licence of an oral IL-23 receptor antagonist to Avere Therapeutics, at 120 million dollars upfront and approximately 2.3 billion dollars in total, follows the commercial logic that has driven the oral incretin race in obesity. Eli Lilly's agreement to acquire Merida Biosciences for up to 2.875 billion dollars, for a Phase I programme in Graves' disease and thyroid eye disease, and argenx's 2.2 billion dollar acquisition of Forte Biosciences complete the quarter's picture of acquirers willing to pay for early clinical assets in well-defined immunological niches.

The capital-allocation observation is one of timing. Pharmaceutical acquirers have paid platform premiums for in vivo cell engineering before durable clinical proof in autoimmunity has been published. That is a rational hedge for a large acquirer and a less forgiving position for a minority investor. The public market has been more sceptical: Electra Therapeutics closed the quarter 25 percent below its September offer price, and Attovia Therapeutics only fractionally above.

6.2 Genetic medicines and in vivo editing — from proof of concept to filing

The quarter's defining regulatory event in genetic medicine was the FDA's acceptance, on 8 September, of Intellia Therapeutics' Biologics License Application for lonvoguran ziclumeran in hereditary angioedema, with Priority Review and a target action date of 10 March 2027. In the Phase III HAELO study, a single infusion reduced attacks by 87 percent against placebo over the primary observation period. If approved, it would be the first in vivo CRISPR therapy to reach the market. The same company's experience in transthyretin amyloidosis is the necessary counterweight: clinical holds imposed after a grade 4 liver event in late 2025 were lifted in January and March 2026, and an analysis reported in August linked the most severe liver enzyme elevations to a single HLA allele.

Cardiovascular editing advanced in parallel. CRISPR Therapeutics presented one-year data for its ANGPTL3-targeting programme CTX310 at the European Society of Cardiology congress on 28 August, with simultaneous publication in The New England Journal of Medicine, reporting reductions of 53 percent in LDL cholesterol and 48 percent in triglycerides at the highest dose. Beam Therapeutics reported at the European Respiratory Society congress on 8 September that its base editor BEAM-302 raised total alpha-1 antitrypsin above the protective threshold in alpha-1 antitrypsin deficiency, and began dosing a pivotal cohort of approximately 50 patients in July. Eli Lilly's PCSK9 base editor, acquired with Verve Therapeutics, reported durable PCSK9 reductions earlier in the year.

The commercial question for one-time cardiovascular editing became sharper in the same quarter. On 15 July the FDA approved Merck's enlicitide, an oral PCSK9 inhibitor. A daily pill and a single infusion now compete for the same patients, and the case for permanent editing will rest on adherence, durability, and long-term safety rather than on efficacy alone. In the capital markets, RNA medicines were well represented: ADARx's siRNA programme in hereditary angioedema supported the quarter's largest biotechnology IPO, Scribe Therapeutics listed with an epigenetic silencing programme, and AstraZeneca licensed two siRNA renal programmes from CSPC.

6.3 AI-enabled drug discovery — premium in private markets, scepticism in public ones

The largest private financing in life sciences this year was Isomorphic Labs' 2.1 billion dollar Series B, announced in May and led by Thrive Capital. It sits within a wider pattern of large pharmaceutical commitments to AI-enabled discovery, including Isomorphic's collaborations with Eli Lilly and Novartis, with upfront payments of approximately 45 million dollars and 37.5 million dollars respectively against more than 1 billion dollars each in potential milestones. The private market is paying for the promise of the method.

The clinical record is, as yet, thin. Insilico Medicine began a Phase III trial of rentosertib, its TNIK inhibitor for idiopathic pulmonary fibrosis, on 7 July, with 320 patients at 47 centres in China; it is among the first molecules attributed to AI-enabled discovery to reach that stage. No such molecule has yet been approved by a major regulator. Published analyses suggest Phase I success rates for AI-derived molecules are above historical norms, while Phase II success rates are broadly in line with them, which is to say that the method appears to improve the chemistry more than the biology.

The most interesting development of the quarter may be the change in what AI companies buy. Pathos AI in-licensed global rights to Alphamab's Phase III bispecific antibody-drug conjugate for 125 million dollars upfront. An AI company acquiring a late-stage clinical asset from a Chinese originator inverts the original premise of the sector, that algorithms would generate the assets, and suggests that

platform companies are becoming asset aggregators. In the public markets the premium is less evident. Generate Biomedicines, an AI-driven protein design company, closed the quarter 6.1 percent below its February offer price, while in Hong Kong the AI imaging company Diagens traded more than 300 percent above its listing price. The lesson for allocators is the conventional one: underwrite the asset, not the algorithm.

7. Regulatory and Policy

United States Food and Drug Administration

The FDA approved 22 novel therapies in the third quarter of 2026, according to HCPLive′s quarterly review, the strongest quarter of the year and a marked increase on the ten and thirteen approvals recorded in the first and second quarters. Among them were Merck′s oral PCSK9 inhibitor enlicitide; Nuvalent′s ROS1 inhibitor zidesamtinib, approved within weeks of GSK completing its acquisition of the company; Celcuity′s gedatolisib in HR-positive, HER2-negative breast cancer; atacicept in IgA nephropathy; Otsuka′s centanafadine in attention deficit hyperactivity disorder; Takeda′s orexin agonist oveporexton in narcolepsy type 1, whose review our inaugural edition flagged; and Revolution Medicines′ daraxonrasib. The capacity concerns we raised in our first edition have, on this evidence, eased.

Not every decision was favourable. Elevar Therapeutics received a complete response letter on 10 July for its combination therapy in first-line hepatocellular carcinoma, which the company attributed to deficiencies identified during a manufacturing site inspection. As in our earlier editions, we note that manufacturing and chemistry findings, rather than efficacy, account for a meaningful share of recent rejections. Clinical-stage sponsors approaching registration should treat inspection readiness as a valuation item.

Pharmaceutical tariffs and most-favoured-nation pricing

The tariff regime announced by proclamation under Section 232 on 2 April 2026 began to take effect in the quarter. The headline rate is 100 percent on patented medicines, their active ingredients, and key starting materials. Products of the European Union, Japan, Korea, Switzerland, and Liechtenstein face 15 percent; companies with approved US onshoring plans face a reduced rate for a transitional period; and thirteen companies that have concluded most-favoured-nation pricing agreements with the US government, together with onshoring commitments, are exempt until 20 January 2029. Generic medicines and biosimilars are excluded, and categories including orphan drugs, nuclear medicines, plasma-derived therapies, cell and gene therapies, and antibody-drug conjugates are identified for potential exemption. Implementation was phased, with initial application from 31 July and broader application from 29 September; industry commentary in late September noted that detailed implementation guidance had not yet been issued.

For transaction structuring, the regime has three consequences. Tariff exposure is now a diligence item in every licensing and acquisition negotiation involving imported product. Mid-capitalisation companies without most-favoured-nation agreements bear the greatest relative burden, which strengthens the strategic logic for their acquisition by exempt large-capitalisation companies. And the NewCo structures through which Chinese-origin assets reach Western markets must now account for the location of manufacture as carefully as for the location of intellectual property.

Other jurisdictions and policy

In China, the policy signal of the quarter was the five-year plan for the pharmaceutical industry issued on 18 September by ten government departments, reported to target average annual growth of at least

20 percent in the innovative drug sector to 2030. In Hong Kong, the Exchange's temporary waiver extending application validity, and the continued emphasis by the Securities and Futures Commission on sponsor diligence, define the environment for Chapter 18A issuers. In the European Union, a regulation amending the Artificial Intelligence Act entered into force on 27 July, deferring the application of certain high-risk obligations, including for AI embedded in regulated products such as medical devices, to 2027 and 2028. In Saudi Arabia, the Capital Market Authority's stated 2026 review of foreign ownership limits had not, by the quarter's end, resulted in a change to the 49 percent aggregate cap.

8. Regional Lens

8.1 United States

The United States remained the centre of life sciences capital formation, accounting for roughly two-thirds of global biotechnology venture capital, the deepest IPO market, and the majority of acquisition value. The quarter's distinctive feature was the divergence between large and small companies described throughout this edition, combined with a new and still unsettled tariff regime. The FDA's approval tempo, by contrast, improved. For issuers, the quarter confirmed that the US market will fund quality at almost any point in the rate cycle, and will price everything else accordingly.

8.2 Europe and the United Kingdom

European venture capital almost doubled year on year, to 1.1 billion dollars in the quarter, with the United Kingdom contributing roughly a third. European companies continued to be acquired by non-European buyers, Myricx Bio by Novartis and ITM by Telix, and continued to look to US exchanges for public capital. The structural gap between European research output and European public-market capacity, noted in our inaugural edition, persists.

8.3 China and Greater Asia

Greater China remained the principal source of new clinical assets for Western pharmaceutical companies, with eleven billion-dollar headline licensing transactions in the quarter, while its capital markets reopened on two fronts. Hong Kong's biotechnology index rose by almost a third in the quarter, and the Shanghai STAR Market resumed listings of pre-revenue biotechnology under its fifth standard. The Chapter 18A pause in Hong Kong and the 18 September industry plan should be read together: policymakers are seeking a larger innovative drug sector with fewer and better-qualified listed participants.

8.4 Japan

Japanese pharmaceutical companies featured among the quarter's US approvals, with Takeda's oveporexton in narcolepsy type 1 and Otsuka's centanafadine in attention deficit hyperactivity disorder. Japan remains a preferred development and commercial partner for both Western and Chinese counterparts, and its large pharmaceutical companies remain disciplined licensees rather than headline acquirers.

8.5 Korea and the KOSDAQ

Korea's KOSDAQ has been the most volatile major venue for biotechnology in 2026, and it offers the clearest lesson of the year on how headline licensing values are priced. The KOSDAQ 150 index rose by a third in January alone, and the broader KOSDAQ composite reached an intraday high of 1,229 on 27 April. By late July it had roughly halved, to approximately 630. The pharmaceutical sub-index fell approximately 41 percent between the end of March and June, according to Kiwoom Securities, and on a single day in early June the sector lost 14.1 trillion won of market value.

The third quarter delivered the full cycle in miniature. The KOSDAQ 150 fell 27.0 percent in July, rebounded 18.9 percent in August, when the KOSDAQ was briefly the best-performing major index in the world, and fell a further 3.4 percent in September, ending the quarter 16.1 percent lower and 9.8 percent below its level at the start of the year. The August rally owed much to policy: new restrictions on retail investment in leveraged single-stock exchange-traded funds, effective 31 July, redirected retail money into individual shares, while domestic institutions bought approximately 1.22 trillion won of KOSDAQ stocks in the first ten days of August. Biotechnology leaders participated: Alteogen rose 29.6 percent in August after BlackRock disclosed a holding above 5 percent, but ended the quarter 8.4 percent lower; LigaChem Biosciences fell 46.8 percent over the quarter.

The underlying cause is valuation. Korean biotechnology valuations have been built on headline licensing values in which upfront payments are often less than 10 percent of the announced total. When disclosures have revealed the economics, the market has repriced abruptly: Alteogen fell 22 percent in a single session in January when a partner's filing indicated a royalty on its subcutaneous Keytruda formulation of approximately 2 percent, rather than the 4 to 5 percent the market had assumed, and ABL Bio fell nearly 20 percent when Sanofi described a partnered programme as deprioritised. Korean licensing activity has nonetheless continued, with headline milestone values by June already approximately 62 percent of the 2025 total. Recent KOSDAQ biotechnology listings showed the same dispersion, from Ingenia Therapeutics, which more than doubled from its August offer price, to healthcare listings trading more than half below issue.

Our reading is that the KOSDAQ is passing through the same discipline that Western markets imposed on headline licensing values after 2021, compressed into a single year and amplified by retail participation. For cross-border transactions the implication is direct: a Korean counterparty's listed valuation is not a reliable reference price, and term sheets should be anchored on committed consideration rather than on milestone totals. Korean contract manufacturing, meanwhile, continued to consolidate internationally, with Samsung Biologics agreeing to acquire the Swiss peptide manufacturer PolyPeptide in a transaction reported at approximately 1.8 billion dollars.

8.6 Australia

Australia's most consequential life sciences transaction of the quarter was outbound: Telix Pharmaceuticals, listed in Sydney and on Nasdaq, agreed on 21 September to acquire the German radiopharmaceutical company ITM for up to 2.35 billion dollars, subject to a shareholder vote on 1 December. Telix's progression from Australian clinical-stage company to international consolidator illustrates the pathway our inaugural edition described, from domestic development to international scale. Domestic listing activity remained modest in scale.

8.7 Gulf Cooperation Council

No region was more directly affected by the quarter's events than the Gulf. The renewed closure of the Strait of Hormuz in July, and the escalation of strikes in late August and September, constrained export volumes, raised shipping and war-risk insurance costs, and disrupted aviation and logistics across the region. Earlier in the conflict, Gulf producers had cut output sharply and redirected exports where they could, Saudi Arabia for example through its East-West pipeline to the Red Sea port of Yanbu. The effect of higher oil prices on Gulf public finances is therefore far from uniform: producers able to export around the strait gain from the price, while those that cannot bear lost volume, repair costs, and higher import prices.

Gulf equity markets were notably resilient. The iShares MSCI Saudi Arabia ETF fell 2.7 percent in the quarter and was broadly unchanged for the year to date, while the iShares MSCI UAE ETF rose 5.6 percent in the quarter. In Saudi Arabia, the opening of the Tadawul to all foreign investors from 1 February 2026 continued to bed in, with the 49 percent aggregate foreign ownership cap and the 10 percent limit for non-resident investors remaining in force pending the Capital Market Authority's review.

For life sciences, the conflict has sharpened rather than weakened the strategic case for domestic capability. With the Gulf states relying on the strait for the great majority of their imported food and much of their medicine, pharmaceutical and biomanufacturing self-sufficiency has moved from industrial ambition to national resilience. The Public Investment Fund's life sciences platform, Lifera, continued to build domestic capacity, including insulin manufacturing, a genomics laboratory targeted to open in October, a vaccines and biologics joint venture with Jamjoom Pharma, and a contract manufacturing facility in Jeddah scheduled for construction from early 2027. In Riyadh, the Life Sciences Innovation Forum, held from 14 to 16 September alongside the Riyadh Global Medical Biotechnology Summit, brought 23 companies from eight countries before investors, with organisers reporting expressed investor interest of more than 120 million dollars.

Gulf sovereign capital remained active where life sciences is framed as strategic technology, most visibly through Abu Dhabi's MGX in the Isomorphic Labs financing. Our expectation is that, in the near term, Gulf allocators will weight new commitments toward assets that combine global returns with domestic capability, such as manufacturing, technology transfer, and regional clinical development, and will be slower to commit to conventional offshore clinical-stage rounds until the status of the strait is resolved. For intermediaries, the opportunity lies in structuring transactions that meet both tests.

9. Forward View — The Next Two Quarters

The Lambda Quarterly closes each edition with a forward view across the immediately succeeding period. For the fourth quarter of 2026 and the first quarter of 2027 we identify six inflection points.

First — The second rate increase and the small-capitalisation discount

The Federal Reserve′s projections imply a further increase before the end of 2026. If it is delivered, we expect the divergence between large- and small-capitalisation biotechnology to widen, follow-on issuance to become more selective, and the share of reverse mergers and structured financings to rise. If it is not, the small end of the market has the most to recover. Either way, the December meeting is the single most important date in the calendar for clinical-stage issuers.

Second — The technology supply calendar

Further lock-up releases, index weight changes, and new large technology listings will test the verdict in Section 5. We will report against the four indicators set out there. Our base case is that differentiation continues, but the coincidence of heavy supply and tighter policy is the scenario in which that case is most likely to fail.

Third — The reopening of Chapter 18A

With a long queue of refiled applications and an extended validity period, the first 18A listings after the third-quarter pause will indicate the new standard of evidence the Hong Kong regulators expect. We expect fewer issuers, more mature assets, and a premium for companies with Western licensing partners already in place.

Fourth — Tariff implementation

Detailed implementation of the pharmaceutical tariff regime, and the conclusion of further most-favoured-nation agreements, will determine the relative economics of large and mid-sized pharmaceutical companies and the location of new manufacturing. We expect tariff exposure to appear explicitly in acquisition pricing in the coming quarters.

Fifth — The Strait of Hormuz

The status of the strait is the largest single external variable for the next two quarters. A negotiated reopening would ease oil prices and, with a lag, inflation and the pressure on the Federal Reserve to tighten further; it would also allow Gulf sovereign capital to resume external commitments at its earlier pace. A prolonged closure would do the opposite on each count. We will report on the strait, the oil price, and Gulf sovereign deployment in each edition while the conflict continues.

Sixth — The year-end deal tally

With upfront acquisition value already above the 2025 total, the fourth quarter will determine whether 2026 sets a record for biopharmaceutical M&A. The structural drivers are unchanged; the question is whether falling small-capitalisation valuations accelerate acquisitions or whether acquirers wait for further price discovery.

Post-period note

Consistent with our quarter-attribution standard, we note one development after the data cut-off without incorporating it into the analysis above: a further seven US biotechnology IPOs priced in October 2026, indicating that the window remained open in the weeks after the September rate increase.

Closing observations

The first quarter of 2026 was a quarter of simultaneity, in which every structural force advanced together. The second tested those forces against a turning monetary regime. The third has shown which of them bear weight. Patent expiries, Chinese origination, and the transactional premium on clinical evidence have held. The assumption that capital formation could ignore the price of money has not, at least not for the companies that most need capital. The market that emerges is more selective, more divided, and, for disciplined capital, more interesting. The Lambda Quarterly will return in the fourth quarter to test these positions against the year's full record.

Sources and Methodology

This publication has been compiled from sources considered reliable by Bioscience Equity Partners at the time of writing. Consistent with the institutional research register, The Lambda Quarterly does not include inline citations or hyperlinks. The categories of sources drawn upon for this edition are set out below.

Primary sources

Company press releases, offering documents, and regulatory filings for the named transactions and issuers; exchange data and listing documentation of Nasdaq, the New York Stock Exchange, Hong Kong Exchanges and Clearing, and the Shanghai Stock Exchange STAR Market; Federal Open Market Committee statements and Summary of Economic Projections (September 2026); the Presidential Proclamation of 2 April 2026 under Section 232 on pharmaceuticals and pharmaceutical ingredients; Hang Seng Indexes Company index review announcements; Securities and Futures Commission and Hong Kong Exchanges and Clearing circulars and waivers; Capital Market Authority of Saudi Arabia rules on foreign investment in listed securities; FDA approval and application announcements; Korea Exchange index data.

Industry data and analysis

J.P. Morgan Q3 2026 Biopharma Licensing and Venture Report (data curated by DealForma); William Blair, The Quarterly Rx: Q3 2026 US Biopharma Recap; DealForma Q3 2026 autoimmune review; PricewaterhouseCoopers US Capital Markets Watch Q3 2026; KPMG Chinese Mainland and Hong Kong IPO Markets 2026 Q3 Review; BlackRock iShares Q3 2026 flows review; Bloomberg and Bloomberg Intelligence as reported by The Daily Upside; BioPharma APAC analyses of Asia-Pacific biotechnology listings and the Chapter 18A queue; Synopulse and BioBucks IPO trackers; Life Science Daily News licensing and M&A trackers; Alacrita autoimmune pipeline review; HCPLive quarterly FDA approvals review; counsel publications by Crowell & Moring, EY, Gibson Dunn, and others on tariffs and Saudi market access; Korea Biomedical Review, KED Global, Edaily, and Kiwoom Securities on Korean markets; reporting on the conflict in the Gulf and the Strait of Hormuz by Al Jazeera, CNBC, and Reuters, and United Nations Development Programme assessments.

Industry publications

BioSpace, BioPharma Dive, Endpoints News, Fierce Biotech, STAT News, Reuters, Bloomberg, CNBC, The New England Journal of Medicine, Nature Medicine, BioProcess International, Cell and Gene Therapy Review, Renaissance Capital, and The Asset.

Methodology

Currency: figures are in US dollars unless otherwise stated; Hong Kong and mainland Chinese figures are reported in local currency where so disclosed. Dates are in day-month-year format. References to Q3 2026 mean the calendar quarter ending 30 September 2026. Data cut-off: 30 September 2026; transactions or events after that date are excluded from the analysis, except where expressly flagged as post-period. Some source publications were issued in October 2026 with data to 30 September and are used on that basis.

Market data: index and share price returns are calculated by Bioscience Equity Partners from month-end closing prices on the primary exchange, as price returns excluding distributions. The Hang Seng Biotech Index is represented by the ChinaAMC Hang Seng Biotech ETF (3069.HK), which tracks it. IPO cohort analysis: the 2026 US drug-developer IPO class comprises 22 issuers priced from 8 January to 24 September 2026; dollar-weighted returns weight each issuer by its base offering size, excluding over-allotment options and concurrent private placements; Alamar Biosciences is excluded as a tools company. Hong Kong aftermarket figures are as reported by BioPharma APAC at late-September cut-off prices.

Transaction values: headline values comprise upfront and contingent consideration where disclosed; upfront values are reported separately where available. Where data providers diverge owing to differing methodologies, both figures are presented rather than reconciled. Quarter attribution is applied strictly, and transactions announced in one quarter and completed in another are identified as such.

Sources of error

Despite Bioscience Equity Partners exercising reasonable care in compiling and verifying the contents of this publication, residual risk of error remains in any document of this nature. Readers relying on specific figures or transaction details for investment or strategic decisions should verify them against original sources before acting. Bioscience Equity Partners welcomes correspondence identifying any factual errors so that they may be addressed in subsequent editions.

Appendix A — Selected Q3 2026 Capital Markets Transactions

Selected US biotechnology IPOs, Q3 2026

Issuer	Priced	Offer (USD)	Base offering (USD m)	Lead programme
Scribe Therapeutics	23 Jul	15.00	128.7	Epigenetic silencing (PCSK9, Lp(a))
Apnimed	30 Jul	16.00	192.0	Obstructive sleep apnoea
Attovia Therapeutics	4 Aug	17.00	289.0	Anti-IL-31 nanobody (pruritus)
Braveheart Bio	5 Aug	18.00	382.5	Oral cardiac myosin inhibitor (oHCM)
Latigo Biotherapeutics	6 Aug	18.00	345.6	Oral Nav1.8 inhibitor (acute pain)
BlossomHill Therapeutics	6 Aug	16.00	150.0	EGFR-mutant NSCLC
Vogenx	11 Aug	13.00	81.3	Oral SGLT1 inhibitor
Electra Therapeutics	17 Sep	15.00	350.0	Ipsoprubart (secondary HLH)
ADARx Pharmaceuticals	24 Sep	17.00	446.3	siRNA (hereditary angioedema)

Selected Q3 2026 collaborations and financings

Party	Counterparty	Date	Terms (USD)
Johnson & Johnson	Sail Biomedicines	29 Jul	785m initial incl. 465m equity; 2.58bn acquisition option
Roche	Simcere Zaiming	1 Sep	75m upfront; up to 1.53bn
AstraZeneca	Dizal Pharmaceutical	14 Jul	600m upfront; up to 1.5bn
Merck & Co.	SciBrunch Therapeutics	28 Sep	400m upfront; up to 2.13bn
Encoded Therapeutics	Venture investors	Q3	275m Series F
Solstice Oncology	Venture investors	Q3	225m Series A

Selection criteria: transactions announced 1 July to 30 September 2026 with publicly disclosed terms. M&A and China licensing transactions are listed in Section 3. Aftermarket performance for all 2026 US biotechnology IPOs is set out in Section 2.

Appendix B — Index Performance Summary

Instrument	Close 30 Sep 2026	Q3 2026	YTD 2026	Notes
iShares Biotechnology ETF (IBB)	USD 210.53	+10.7%	+24.7%	Large-cap weighted
SPDR S&P Biotech ETF (XBI)	USD 157.68	-0.4%	+29.3%	Equal-weighted; Aug high c. USD 170
iShares Russell 2000 ETF (IWM)	USD 277.89	-7.5%	+12.9%	Largest fall in September
SPDR S&P 500 ETF (SPY)	USD 762.63	+2.1%	+11.8%	
Invesco QQQ Trust (QQQ)	USD 739.77	+0.5%	+20.4%	Nasdaq-100
ChinaAMC Hang Seng Biotech ETF (3069.HK)	HKD 16.87	+30.9%	+17.6%	Proxy for Hang Seng Biotech Index
SpaceX (SPCX)	USD 150.86	-11.7%	Listed 12 Jun	Offer USD 135
KOSDAQ 150 Index	1,395.05	-16.1%	-9.8%	July -27.0%; August +18.9%
iShares MSCI Saudi Arabia ETF (KSA)	USD 36.32	-2.7%	-0.2%	
iShares MSCI UAE ETF (UAE)	USD 20.07	+5.6%	+5.0%	
United States Brent Oil Fund (BNO)	USD 60.09	+47.7%	+112.2%	Proxy for Brent crude futures

Price returns from month-end closing prices, excluding distributions. Real-time prices vary continuously.

Appendix C — Glossary of Abbreviations

Abbreviation	Expansion
A+H	Companies listed on both a mainland Chinese exchange (A shares) and in Hong Kong (H shares)
ADC	Antibody-Drug Conjugate
BLA	Biologics License Application
CAH	Congenital Adrenal Hyperplasia
CAR-T	Chimeric Antigen Receptor T-cell therapy
CMA	Capital Market Authority (Saudi Arabia)
CRISPR	Clustered Regularly Interspaced Short Palindromic Repeats
CRL	Complete Response Letter
CVR	Contingent Value Right
ETF	Exchange-Traded Fund
FDA	United States Food and Drug Administration
FOMC	Federal Open Market Committee
GCC	Gulf Cooperation Council
HKEX	Hong Kong Exchanges and Clearing Limited
HLH	Haemophagocytic Lymphohistiocytosis
IBB	iShares Biotechnology ETF
IPO	Initial Public Offering
KOSDAQ	Growth-company market of the Korea Exchange
MFN	Most-Favoured Nation (drug pricing)
NSCLC	Non-Small Cell Lung Cancer
PCE	Personal Consumption Expenditures (price index)
PCSK9	Proprotein Convertase Subtilisin/Kexin type 9
PIF	Public Investment Fund (Saudi Arabia)
PIPE	Private Investment in Public Equity
SFC	Securities and Futures Commission (Hong Kong)
siRNA	Small Interfering RNA
STAR	Shanghai Stock Exchange Science and Technology Innovation Board
TED	Thyroid Eye Disease
XBI	SPDR S&P Biotech ETF

Appendix D — Thesis Scorecard

The Lambda Quarterly records every thesis and inflection point it has published, with its status against the record of each subsequent quarter. Status is assessed by Bioscience Equity Partners and reflects the evidence available at the data cut-off.

Position	Edition	Evidence to 30 September 2026	Status
The reopened IPO window is structural, not cyclical	Q1	22 offerings, USD 7.5bn YTD; window open through rate increase; H1 cohort fell in Q3	Holding, qualified
Sovereign capital is displacing US crossover syndicates	Q1, Q2	Syndicate composition not systematically disclosed; CMA review pending; Gulf conflict affecting deployment	Unproven
Greater China licensing will consolidate, not fragment	Q1, Q2	China share of USD 50m+ upfront deals 51% by count, 65% by value; count not narrowing	Partly right; restated
Capital formation can be read independently of monetary policy	Q2	XBI flat vs IBB +10.7%; first-time financings lowest since Q3 2025	Refuted at small end
IPO window depth test	Q1	YTD proceeds exceed every full year 2022 to 2025	Passed
Patent cliff M&A tempo	Q1	YTD upfront USD 138.9bn above FY2025; Q3 paused	Holding
China licensing pricing discipline	Q1	Upfront 6% of headline value YTD	Holding
FDA capacity and consistency	Q1	22 novel approvals in Q3, strongest quarter of 2026	Improved
Sovereign capital deployment cadence	Q1	Visible in AI-enabled discovery; limited disclosure elsewhere	Open
Fed hikes in September and December	Q2	25bp increase on 16 September; one more projected	Partly confirmed
Biotech market divided by the hiking cycle	Q3	New	New
Mega-listing cycle has not drained life sciences capital	Q3	New; four indicators to be tracked	New
Hong Kong as a two-speed venue	Q3	New	New
Strait of Hormuz status and Gulf sovereign deployment	Q3	Standing monitor while the conflict continues	New
KOSDAQ repricing of headline licensing values	Q3	Standing monitor	New

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