

Nordic VC Firms Expand to Listed Biotechs in Hunt for Bargains

- HealthCap, Sound Bioventures shift focus from private markets
- Bear market made biotech valuations attractive, investors say

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Two Nordic early-stage biotech investors are warming to the idea of buying into listed companies that have become too cheap to ignore.

Venture capital firms HealthCap and Sound Bioventures are shifting from a playbook mostly based on finding targets in the private sphere after the bear market made valuations of some publicly traded firms very appealing.

“There are many companies that are incredibly attractively valued,” said Bjorn Odlander, managing partner and founder of Stockholm-based HealthCap. “We can draw on the current environment, where the market has plunged, to be more opportunistic.”

HealthCap has raised more than 1.2 billion euros (\$1.2 billion) since 1996 across eight funds, while Sound Bioventures just closed its first fund at 110 million euros earlier this year. Sound Bioventures is in discussions with “several” listed Swedish biotechs, Managing Partner Johan Kordel said in an interview. The firm is backed by a group of investors that include Novo Holdings and Ramsbury Invest, the investment vehicle of the Persson family, founders of fashion giant Hennes & Mauritz AB.

Global biotechnology stocks have been under pressure for more than a year as investors have turned increasingly wary of riskier assets amid rising interest rates. The sector’s riskiness comes from steep development costs and a high failure rate, though discoveries can bring spectacular returns.

Still, there are signs of a nascent recovery in the industry as acquisitions and positive clinical data have boosted sentiment. Attesting to that are trial results for Biogen Inc.’s Alzheimer’s drug, which showed a significant slowing of the disease’s progression. The therapy was originally licensed from Sweden’s BioArctic AB, whose shares more than doubled on the news.

Biotech Bounce

A gauge of biotechnology stocks rose for the first quarter in seven



Kordel of Sound Bioventures says negotiations are mainly focused on the possibility of spinning off assets into a private company, with the seller keeping a stake alongside a group of venture capitalists. Some of the companies he's interested in are traded on smaller exchanges, such as the Nordic Growth Market, a unit of the Boerse Stuttgart GmbH, and on Nasdaq Inc.'s Nordic venues.

The assets in question are such parts of publicly traded companies that "the market or analysts currently don't attach any value to," he said. In some "extreme cases" the company may "even only be valued to its cash," Kordel said.

Both Sound Bioventures and HealthCap say that while the Nordic region offers a world-class ecosystem for biotech companies, there's also a lack of capital to support all the research that could lead to potential breakthrough treatments.

That situation may however be mitigated by growing foreign interest in the sector, Kordel said, predicting further inflow "if valuations remain this low." One such example is Dutch Forbion Capital Partners' investment in BioInvent International AB this summer.

“It’s a fantastic time to invest in biotech,” he said. “There’s a lot of innovation and a steady flow of new projects.”