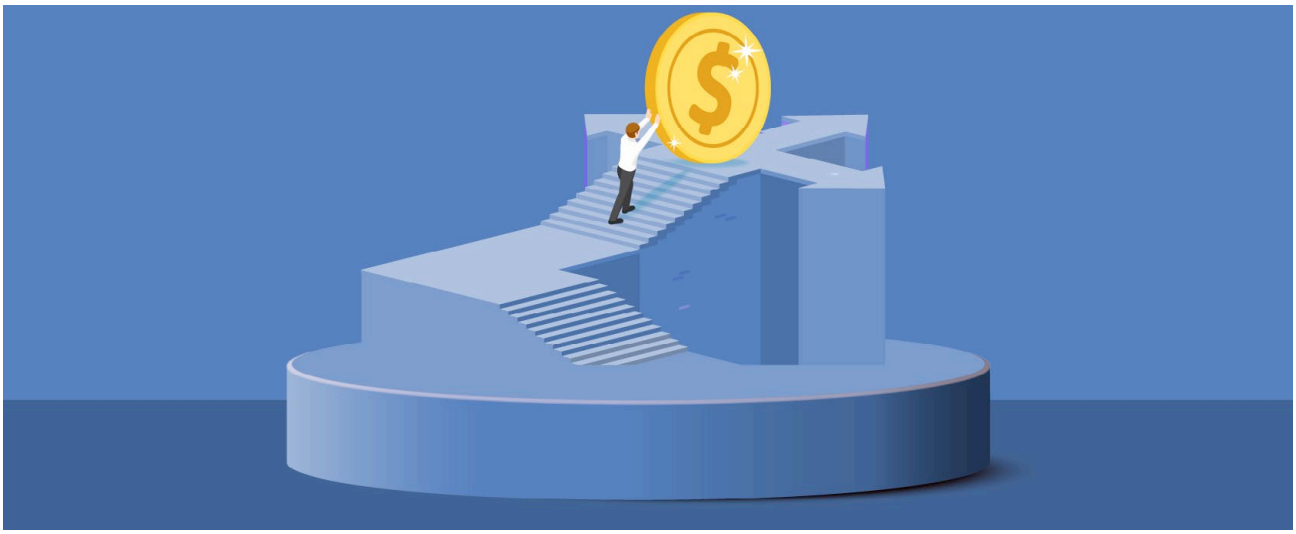
BIOCENTURY

FINANCE | REPRINT FROM MAY 18, 2022

SwanBio's $56M series B reflects hard choices in venture rounds

BY PAUL BONANOS, ASSOCIATE EDITOR



BIOCENTURY & GETTY IMAGES

Syncona-backed gene therapy company SwanBio tapped its insider investors for a $56 million series B round that provides the biotech with runway for its first clinical study of a lead program to treat the rare disease adrenomyeloneuropathy.

The deal reflects the trade-offs faced by biotechs and their investors as the downturn grinds on. SwanBio CEO Tom Anderson acknowledged to BioCentury that the biotech preferred not to syndicate its series B round with a new lead investor at the risk of accepting a diminished valuation from an outsider in a challenging market.

SwanBio Therapeutics Inc. has drawn the first $19 million tranche of the series B, which builds on $77 million in series A cash raised in two installments in 2018 and 2020. Syncona Ltd. (LSE:SYNC) has provided the vast majority of the funding in both rounds, with small contributions from Mass General Brigham Ventures. SwanBio originated as a spinout from Massachusetts General Hospital.

Syncona Chief Investment Officer Chris Hollowood said current valuations reflect "a decoupling of what biopharmas think about gene therapy's fundamental promise to deliver drugs to patients, and what the capital markets are saying right now."

That echoed his remarks on the subject in December 2021, when Novartis AG (SIX:NOVN; NYSE:NVS) acquired Syncona portfolio company Gyroscope Therapeutics Holdings plc for $800 million up front a few months after Gyroscope scuttled plans for a listing amid an increasingly choppy IPO environment.

Hollowood said the firm's conviction in SwanBio's fundamental value proposition drove it to supply the bulk of the series B, rather than bringing in a new investor who might have benchmarked its valuation to the public markets in which dozens of biotechs are trading below cash. He said the firm "entertained the idea" of bringing in a series B leader and had "a couple of those conversations," but chose to lead the round itself.

Assuming that all the round's tranches are fulfilled, Syncona will maintain an 80% ownership stake in SwanBio. The firm provided $54 million of the series B and supplied $74 million

of the series A, adding up to all but $5 million of the $133 million total.

Neither Hollowood nor Anderson would say specifically how far the round would carry SwanBio in terms of time or milestones. But Hollowood said SwanBio's natural history study, CYGNET, is providing a baseline of data about the disease that could "allow us in a very sophisticated way to tease out a signal early" in the planned Phase I/II study of SBT101, which addresses a disease-causing mutation in ABCD1. That trial is to start next half.

Anderson said the planned study's primary endpoint will evaluate the therapy's safety. Secondary endpoints will measure six-minute walk time, balance and body sway, among other markers.

Adrenomyeloneuropathy is a progressive neurodegenerative disease that affects the spinal cord. Syncona estimates that it impacts 8,000-10,000 patients in the U.S. and Europe. There is no approved therapy; FDA has granted the program fast track and orphan drug designations.

Hollowood said that for the firm's first CNS gene therapy investment, Syncona sought a treatment for monogenic recessive disorder and determined that the best place for fairly uniform delivery within the CNS is in the spine. Mass General's adrenomyeloneuropathy program was a fit.

He added that SwanBio correctly estimated when it would reach the IND stage, and noted that FDA's remarks on the submission were "incredibly light, a testament to the quality of the team."

Behind SBT101, SwanBio is looking to develop at least three more candidates, Anderson said. Hollowood described SBT101 as the "cornerstone" of a pipeline that the company is building in the spine.

"In the beginning, we thought we'd go into the spine and then tackle the brain at some point," he said. "We don't think we need to do that in our near-term strategy, in any sense. There's a huge number of diseases in the spine, where we think gene therapy is the best approach."

Syncona's gene therapy portfolio

More broadly, Syncona has built a gene therapy portfolio with six investments, some of which have generated exits. Nightstar Therapeutics Inc. was the first to be acquired. It had gone public in 2017 before being taken out by Biogen Inc. (NASDAQ:BIIB) in 2019. In another ophthalmic play, subretinal delivery platform developer Orbit Biomedical Ltd. was merged into Gyroscope.

Syncona-backed Freeline Therapeutics Holdings plc (NASDAQ:FRLN), which is developing systemic gene therapies, went public in August 2020. The newest company, kidney therapy developer Purespring Therapeutics, remains private.

The firm's gene therapy portfolio had been designed to span CNS, systemic and ophthalmic companies. With Gyroscope's acquisition, Syncona lacks an ocular gene therapy holding. But Hollowood said, "If you look at our track record in the retina, we'd be silly not to get back into the retina."

Hollowood added that Syncona may choose for its portfolio companies to add new programs within their areas of interest or may form new start-ups around early-stage projects. The firm is increasingly interested in gene therapies for chronic degenerative diseases that affect larger patient populations, stretching beyond its initial moves in rare disorders.

BIOCENTURY

BIOCENTURY INC.

BioCentury's mission is to provide value-added business intelligence & analysis for life science companies, investors, academia and government on the strategic issues essential to the formation, development and sustainability of life science ventures.

NEWSROOM
news@biocentury.com

SAN CARLOS, CA
+1 650-595-5333; Fax: +1 650-595-5589

CHICAGO
+1 312-755-0798; Fax: +1 650-595-5589

WASHINGTON, DC
+1 202-462-9582; Fax: +1 202-667-2922

UNITED KINGDOM
+44 (0)1865-512184; Fax: +1 650-595-5589