

Research Note

Geography of Early-Stage Life Science Investments in Pennsylvania

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C O N S U L T I N G

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I've previously written about trends in regional clustering of life science investment both by the federal government and VCs, and have underscored how important geography is to start-up activity.[1-3] As a recent migrant to Philadelphia, I read with interest the recent update on life science investment activity from the folks at Crunchbase.[4] Anyone visiting the city can't miss the amount of life science R&D construction underway in West Philadelphia and the suburbs. In this week's Research Note, I've looked more carefully at geographic clustering of early-stage (Series A or earlier) life science investment in the Commonwealth, especially beyond the two tech hubs of Philadelphia and Pittsburgh.

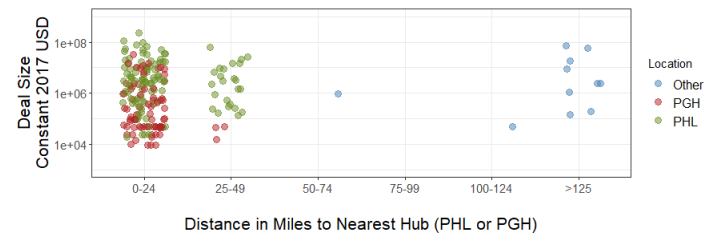
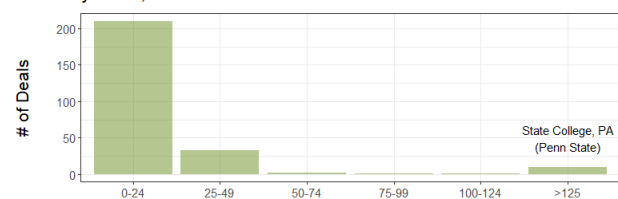
The plots at right review 5 years of investment data from Crunchbase, our primary source for such information.[5] Included here are 27 Angel and Convertible Debt rounds, 20 Pre-Seed and Seed investments, and 72 Series A's. I've plotted the number and size of deals as a function of each start-up's driving distance to either Pittsburgh or Philadelphia, the main economic hubs in the state. *The influence of location is striking – 82% of*

investments were made less than 25 miles from the two cities, and 95% were within 50 miles. Philadelphia and its suburbs saw larger deals, reflecting greater numbers of very capital-intensive therapeutic start-ups in that region ($p < 0.01$). Furthermore, no investments into pharma companies were reported outside of Penn State's neighborhood or the PHL and PGH hubs. Rather, the exurbs supported engineering firms without need for wet lab facilities associated with drug discovery and pre-clinical testing. Examples include the DTC wearable start-up ActiveProtective and the bioreactor and fermenter manufacturer New Horizon Biotech. As always, because of the very early stage, these data are likely incomplete; you may be aware of other start-ups that support or refute this trend.

Like previous national data, these results raise several questions for me regarding ecosystems beyond major R&D hubs. Primarily, would infrastructural and public-private early-stage investments be most effective by going 'all in' on engineering firms in these regions? Alternatively, could wet lab space and vivarium facilities be transformational far from of major hubs? I'm inclined to believe the former is the best route – both because of the flexibility and adaptability of engineering facilities for various uses, the availability of local technical talent, and a growing role for remote working that may be more suitable for device developers than for bench-intensive discovery and early R&D companies. I'll look at that in future notes.

1. Younger, J., *Where Medical Devices Come From*, in *Bioeconomy.XYZ*. 2021.
2. Younger, J., *Mapping the Medical Device Start-Up Ecosystem*, in *Bioeconomy.XYZ*. 2021.
3. Younger, J., *America's Biggest Biotech Angel*, in *Bioeconomy.XYZ*. 2021.
4. Glasner, J. *Philly is not the underdog for life sciences (or football)*. Crunchbase News, 2023.
5. Younger, J., *Life Science Deal and Valuation Data Completeness in Crunchbase*. 2023, ArgoPond: Research Note.

Geographic Dependency of Early-Stage Life Science Investment in Pennsylvania, 2017-2022



Source: ArgoPond | Crunchbase