

BHC Equity Capital Markets Update

Week of April 27, 2020



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Market Observations: Trading on Fundamentals or Headlines?

- **Economic Data:** The one thing almost all of the data has in common is the bleakness. Thursday's PMI readings were no different. Additionally, there were 4.4 million initial jobless claims last week, bringing the number of people put out of work by the coronavirus crisis to 26 million.
- **Earnings Scorecard:** With ~14% of the companies in the S&P 500 reporting, total earnings are down -27.3% on 3.6% higher revenues (66.2% beating EPS estimates and 69.1% beating revenue estimates).
- **Market Performance:** Still, Thursday's move upward marked the 5th week in a row that the three major indexes have risen on the same day as a negative jobless claims report. And even as earnings season has predictably disappointed and we march towards double digit unemployment in the near term, markets have been resilient and come way off their March lows.
- **Valuation:** Valuations haven't shifted yet, but down rounds will likely become more common in the coming quarters as performance suffers and forecasts are revised.
- **SEC:** Issued a statement on April 8, 2020, reiterating the importance of public company disclosure during the COVID-19 pandemic and urging reporting companies to provide investors with as much information as is practicable regarding their current operating status and their future operating plans.

Fund Flows and Investor Sentiment

- **New equity listings have all but ceased** with only a handful of biotech IPOs making their debuts. The exchanges have deployed their technological capabilities in ensuring a fair auction process through virtual roadshows, pricing transparency and smooth trading.
- Most of the **banks have seen a bump in trading profits during the pandemic** while other typical profit centers have fallen off significantly.
- According to the FT - **investors withdrew \$33 billion from hedge funds in the first three months of 2020**, the biggest quarterly outflow since 2009. Directional bets in certain sectors have either forced massive withdrawals or made a rock star of the fund manager.
- There is **no shortage of capital formation for certain sector-focused funds**. Anecdotally, Venrock raised \$447 million this week to add to big new funds this month from Flagship Pioneering, ARCH Ventures, venBio and Deerfield yielding over \$4 billion in investment capital. As the world combats COVID-19, biopharma companies will be at the forefront of the innovation and seeking fresh capital.

Relevant Market Data

