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HEALTHCARE AI

RESEARCH NOTE · THESIS UPDATE

The Biotech AI Inflection Point

*A follow-up to our July 2026 note, "The Biotech AI
Valuation Gap"*

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PREPARED AUGUST 2026

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We said the gap would narrow when biotech AI proved itself in the clinic. On 19 August, it did.

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01

WHY NOW

Why We're Writing Again

In our July note, we argued that the valuation gap between general-purpose AI companies and healthcare-focused AI companies reflected a market inefficiency rather than a permanent structural discount, and that the gap could narrow meaningfully as the sector matured and execution risk declined.

Theses like this usually take years to play out. This week produced the first clear indication that the re-rating may be starting, and we wanted to flag it while it is happening rather than in hindsight.

02

THE
CATALYST

The Catalyst: Moderna and Merck's mRNA Cancer Vaccine

On August 19, 2026, Moderna and Merck announced that intismeran autogene (also known as mRNA-4157 or V940), an individualized mRNA cancer vaccine developed with Merck's Keytruda, met its primary and a key secondary endpoint in the Phase 3 INTERpath-001 trial. In patients whose high-risk melanoma had been surgically removed, the combination significantly extended recurrence-free survival and reduced the risk of the cancer spreading to distant organs, compared with Keytruda alone.

It is the first positive Phase 3 result ever recorded for an individualized neoantigen therapy, and the first for an mRNA-based cancer treatment of any kind, a category that has been in development for over a decade without a definitive late-stage win.

+177%

STOCK MOVE
MRNA, AUG 19, 2026

1st

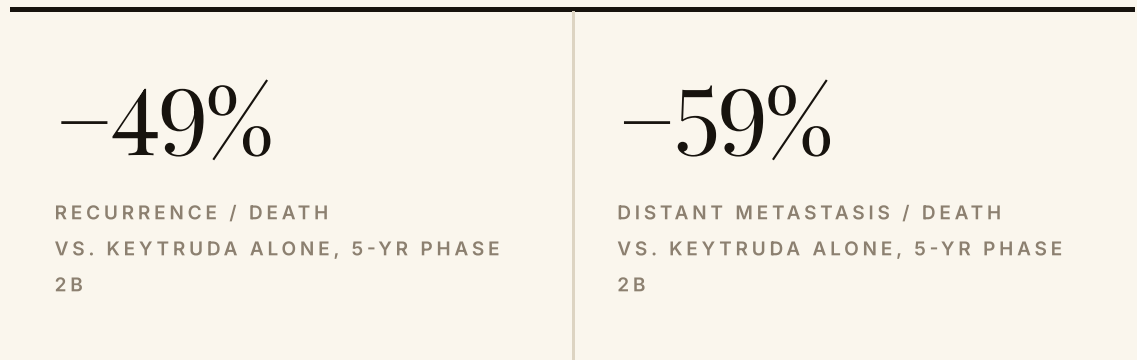
POSITIVE PHASE 3
MRNA CANCER
VACCINE

1,137

PATIENTS ENROLLED
PHASE 3

The market reacted immediately. Moderna's stock surged as much as 177% intraday, closing up 176.97% at \$174.38. Bank of America, Morgan Stanley, William Blair, and Brookline Capital all raised price targets and/or ratings within 24 hours of the announcement.

The result also builds on earlier Phase 2b data: at five years of follow-up, the combination of intismeran autogene and Keytruda had reduced the risk of recurrence or death and the risk of distant metastasis or death versus Keytruda alone by the following margins:



For our thesis, intismeran's neoantigen selection is powered by a proprietary computational pipeline: after a patient's tumor is sequenced, algorithms predict which mutated proteins (“neoantigens”) are most likely to trigger an immune response, and a bespoke mRNA vaccine encoding up to 34 of them is manufactured for that patient alone. This is precisely the category of AI-enabled biotech infrastructure we described in our July note: proprietary data and computation applied to a real clinical and commercial problem, rather than a general-purpose model competing purely on an AI narrative.

19 AUGUST 2026

+177%

*Moderna, intraday, on the first positive Phase 3
result ever recorded for an individualized mRNA
cancer vaccine.*

CLOSED +176.97% AT US\$174.38 · INTERPATH-001

“*Proprietary data and computation applied to a real clinical problem, rather than a general-purpose model competing purely on an AI narrative.*”

THE CATEGORY, VALIDATED IN THE CLINIC

03

THE READ

From Valuation Gap to Commercial Validation

The implications extend beyond Moderna's share price. Our July thesis rested on the premise that the market was assigning a substantially higher value to AI applied to general-purpose information than to AI applied to biology. For that valuation gap to narrow, however, biotech AI needed to demonstrate that its technological capabilities could translate into measurable clinical and commercial outcomes. The Moderna/Merck result provides an early indication that this may be happening. It does not prove that every AI-biotech company will succeed, but it demonstrates the potential value that can emerge when advanced computational and biological technologies successfully cross a major clinical hurdle.

04

THREE
REASONS

Why This Matters for the Thesis

We see this as one of several developments that could support the re-rating thesis over the coming quarters, rather than a one-off event:

01 Clinical execution risk is beginning to decline.

Real-world clinical validation directly addresses one of the “Key Considerations” flagged in our July note, that healthcare AI companies must demonstrate measurable clinical and economic value before achieving widespread adoption. That bar has now been cleared in a high-profile clinical setting.

02 The result also provides validation for the broader category.

This result provides evidence that AI-enabled biotech approaches can contribute to meaningful clinical outcomes, not merely incremental efficiency gains, strengthening the case for every company in our portfolio built on a similar model.

03 A broader group of investors is beginning to take notice.

Investors who had previously associated “AI” narrowly with frontier LLM labs are now being forced to price AI-driven biotech as its own, investable category, which could help narrow the valuation gap over time.

We do not expect the valuation gap to close overnight, and no single trial result de-risks the broader sector. However, developments like this can help narrow the gap over time as further evidence emerges.

05

ACROSS THE
BOOK

Not Limited to One Company: Partex & AllJoined

We believe this development has implications beyond a single company or modality, and we see this broader trend playing out across our portfolio.

Partex, our Frontier AI Large Medicine Model investment, is built on the same convergence of proprietary biological data and AI-driven drug discovery that the Moderna/Merck result validates, and could benefit if the market begins to place a higher valuation on this category.

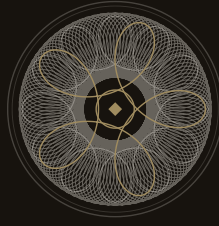
AllJoined extends the same thesis into neurotechnology, applying AI-driven neural decoding to proprietary brain-computer interface data, showing that this convergence of AI and biology is broadening beyond oncology and drug discovery into neuroscience as well.

Taken together, Moderna/Merck's result is the broader industry signal; Partex, Hologen, and AllJoined are how we believe our clients get exposure to this broader theme.

We are pleased to confirm that our investment in Hologen has now closed.

We are separately working to source a secondary opportunity in Hologen ahead of its next primary round. As detailed in our prior note, Hologen is a frontier medical AI company building Large Medicine Models that understand human biology, disease progression, and treatment outcomes. It is backed by Eric Schmidt, former CEO of Google, and the Wellcome Trust, and holds exclusive eight-year NHS data partnerships covering more than 8 million patient records.

Any secondary we are able to source would be priced at a premium to the last round but at an anticipated discount to the new round, offering exposure ahead of a potential step-up in valuation. Availability and final pricing will depend on timing. Clients interested in this opportunity should reach out to us directly.



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Set in Playfair Display and Inter. The engine-turned rules and the rosette are hypotrochoids, drawn from the equation a geometric lathe cuts. Printed for private circulation.



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