

## First-quarter floats see haves pulling away from the have-nots



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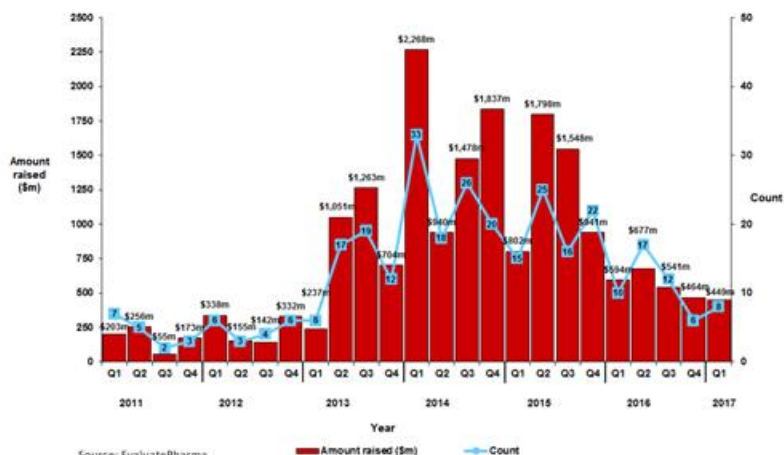
### Demand for new issues remains sluggish - only eight private biotechs managed to pull off an IPO in the first quarter of 2017.

Apart from providing yet more evidence that the times of plenty are over, the first quarter’s biotech flotations suggest an even greater split between companies enjoying the high life and those finding the going – both during and after IPO – tough.

On one end of the scale are the likes of Jounce Therapeutics and Anaptysbio, which have bucked the bearish trend that ensnared Beyondspring Pharmaceuticals, a biotech that managed to raise just a fraction of what it had been hoping for (see charts below). The odd success notwithstanding, there is no hiding the fact that the quarter was the most dismal for new issues for four years.

The total raised by biotechs floating on Western exchanges, \$449m, dipped below the final quarter of 2016. To find a three-month period during which less was raised you have to go back to the first quarter of 2013, a point when enthusiasm for new issues was just starting to match the biotech bull market getting under way.

Biotech initial public offerings by quarter on Western exchanges (excludes medtech)



Source: EvaluatePharma

With only eight biotechs listing on Western exchanges it is hard to draw many firm conclusions. But it is clear that Nasdaq has become a very unfriendly place to float; half the first-quarter IPOs took place on European exchanges, and one of the Nasdaq entrants – Beyondspring – is a group with a considerable China business that floated as a foreign issuer.

But Beyondspring's IPO was notable for nearly not happening at all. Back in November the group had filed to raise up to \$100m in new equity, yet after a long gestation succeeded in selling just \$3m in the open market.

True, it concurrently placed another \$51m of new equity with existing private Chinese investors, so overall the listing process ended up bringing it \$54m ([Beyondspring finds a vascular-disrupting niche](#), March 21, 2017). However, the tiny public float has resulted in Beyondspring stock being virtually illiquid.

| Q1 biotech IPOs on Western exchanges (Nasdaq unless stated) |        |                     |                     |                    |                      |                    |
|---|--------|---------------------|---------------------|--------------------|----------------------|--------------------|
| Company   | Date   | Amount raised (\$m) | Offering price (\$) | Premium/(discount) | First-day close (\$) | Q1 chg since float |
| Jounce Therapeutics   | 27 Jan | 102                 | 16.00               | 14%                | 17.25                | 37%                |
| ObsEva  | 26 Jan | 97                  | 15.00               | 0%                 | 11.65                | (31%)              |
| AnaptysBio  | 26 Jan | 86                  | 15.00               | 0%                 | 17.00                | 85%                |
| Oncopeptides (Nasdaq Stockholm)                             | 22 Feb | 73                  | 46.00               | -                  | 4.79                 | (8%)               |
| Inventiva (Euronext)  | 15 Feb | 51                  | 8.50                | (7%)               | 9.09                 | (12%)              |
| Lysogene (Euronext)   | 08 Feb | 32                  | 7.28                | (9%)               | 7.29                 | (18%)              |
| Initiator Pharma (Aktietorget)                              | 16 Mar | 5                   | 5.50                | -                  | 0.66                 | (13%)              |
| BeyondSpring Pharmaceuticals                                | 09 Mar | 3                   | 20.00               | (5%)               | 19.39                | (0%)               |

At the other end of the spectrum Jounce and Anaptysbio shone in the amount their IPOs brought in and their post-float performances – no mean feat in an uncertain market. Jounce, an oncology player that counts Celgene as a partner, managed to price above its indicative range, and raised \$27m more than it had initially intended.

Sweden's Oncopeptides led the way for non-US biotechs with a \$73m float in Stockholm. But it was not all oncology in the first quarter: Anaptysbio is an allergy player, while Obseva, the quarter's second-biggest IPO is active in women's health.

Bullish investors might seize on this variety in therapy areas as a reason for optimism. Another might be that the handful of floaters do not all represent risk-averse strategies; indeed, France's Lysogene is a gene therapy player, albeit targeting the popular area of rare genetic diseases.

| Biotech IPO market by year |            |                      |                  |                    |
|----------------------------|------------|----------------------|------------------|--------------------|
| Year                       | No of IPOs | Amount raised (\$bn) | Avg raised (\$m) | No raising >\$100m |
| Q1 2017                    | 8          | 0.45                 | 56               | 1                  |
| 2016                       | 45         | 2.28                 | 51               | 3                  |
| 2015                       | 61         | 4.68                 | 77               | 17                 |
| 2014                       | 87         | 6.30                 | 72               | 18                 |
| 2013                       | 44         | 2.96                 | 67               | 7                  |
| 2012                       | 16         | 0.93                 | 58               | 2                  |
| 2011                       | 17         | 0.69                 | 40               | 2                  |

A final positive aspect might be that the average raised per company has not fallen precipitously – though this assumes that an IPO manages to get away. Moreover, floats on average priced roughly within their planned range for the second quarter in a row, showing again that given a realistic outlook the IPO window is not shut.

But two high-profile IPO withdrawals in the quarter – by Braeburn Pharmaceuticals and Visterra, both citing adverse conditions – show that it is not plain sailing either. IPO investors in the current market are likely only to become more selective.

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