

Another huge quarter in 2017 for biotech flotations



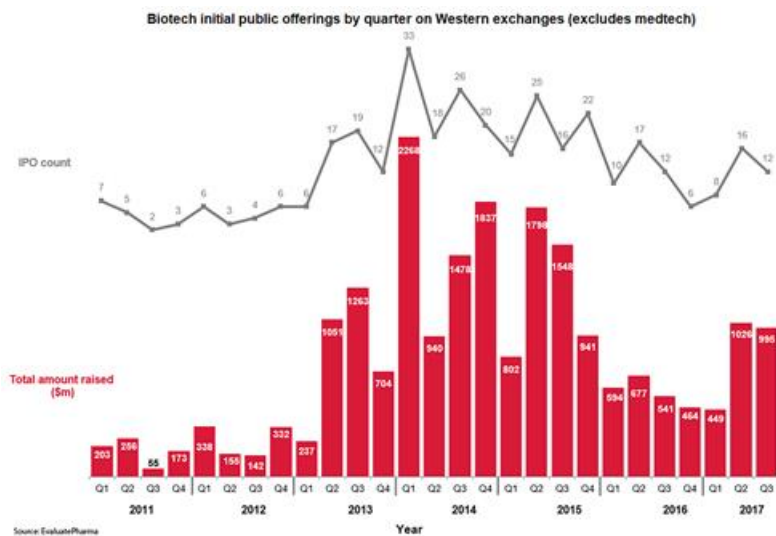
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Another billion dollar quarter for biotech IPOs signals that investor appetite for high-risk offerings is strong.

Another billion-dollar quarter for new issues confirms ongoing investor enthusiasm for all things biotech. The third quarter saw 12 new issues arriving on western stock exchanges, according to *EvaluatePharma*, in another show of strength from the sector.

While activity might be below some of the heights of the 2014-15 bull market, 2017 is still shaping up to be a very successful year for life science flotations. There are few signs of activity dipping in the final quarter, raising hopes that support can be maintained throughout 2018.



The chart above shows that investor appetite for these high-risk offerings has largely recovered from last year's dip. A look at stock market valuations confirms this: the Nasdaq biotechnology index exited the third quarter at levels not seen since 2015.

Hopes are high that enthusiasm will remain strong heading into 2018, and the queue of approaching IPOs suggests that early-stage drug developers are confident of continuing to attract public money. Much depends on broader stock markets remaining buoyant, of course, and encouragingly these are showing few signs of retrenchment.

Already in the fourth quarter the rare disease players Rhythm Pharmaceuticals and Allena Pharmaceuticals have been active: the former has raised \$120m, while the latter says it is seeking \$92m.

Of course, most of the action is taking place on Nasdaq, hence the ongoing emigration of promising European drug developers to tap US investor riches. Of the third-quarter debutants, the ophthalmic gene therapy player Nightstar and cancer researcher Nucana are based in the UK, while Clementia is a Canadian company.

Already-listed European biotechs are also keenly establishing ADS programmes – in the past few weeks the Belgian biotech Ablynx said it would seek to raise \$150m, while France's Erytech is after \$100m, through ADS offerings.

Q3 biotech IPOs on Western exchanges (Nasdaq unless stated)						
Company	Date	Amount raised (\$m)	Offering price (\$)	Discount/premium	First-day close (\$)	Q3 chg since float
Zai Lab	22 Sep	173	18.00	6%	27.93	50%
Akcea Therapeutic	19 Jul	144	8.00	-38%	11.11	246%
Deciphera Pharmaceuticals	26 Sep	128	17.00	6%	17.65	12%
Clementia Pharmaceuticals	2 Aug	120	15.00	7%	9.95	13%
Kala Pharmaceuticals	20 Jul	104	15.00	0%	10.95	52%
Nucana	26 Sep	100	15.00	0%	16.15	22%
Nightstar	26 Sep	75	14.00	0%	24.00	37%
Sienna Biopharmaceuticals	27 Jul	65	15.00	0%	19.25	48%
Krystal Biotech	22 Sep	40	10.00	0%	10.64	0%
Destiny Pharma**	4 Sep	20	2.03	-	2.82	3%
Xspray Microparticles*	28 Sep	16	2.70	-	3.86	-82%
Promore Pharma*	6 Jul	12	2.76	-	1.64	-92%

**Nasdaq First North; **LSE. Source: EvaluatePharma.*

Those remaining faithful to local exchanges are being punished for it – Destiny Pharma has just about managed to keep its head above water since its float on the London stock exchange, while the two Swedish minnows of the group, Promore and Xspray, have tanked since going public.

It is notable that these were the smallest of the IPOs, in terms of cash raised – the divergence in prospects for the haves and have-nots is another trend that seems to be strengthening this year.

It is also notable that the average amount raised is on the rise once again, after dipping in 2016. A strong final quarter is needed to keep 2017's stats up, but this is not out of the question. This measure is aided by the surge in companies raising more than \$100m – there were six in the third quarter, joining Biohaven and G1

Therapeutics in the second quarter, and Jounce in January.

All of these big beasts have subsequently advanced strongly, aside from Jounce; the relatively early-stage cancer researcher is due to unveil a critical first look at efficacy data on its lead compound by the end of the year.

To keep the IPO market alive into 2018, these new issues need to keep performing.

Biotech IPO market by year				
Year	No of IPOs	Amount raised (\$bn)	Avg amount raised (\$m)	No raising >\$100m
9M 2017	36	2.47	69	9
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

Source: EvaluatePharma.

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