

After a bumper year, biotech flotations remain on the cards



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Initial public offerings

Biopharma - Q4 2018

The buoyant biopharma IPO scene set several new records in 2018, a notable achievement given the stock market turmoil of the fourth quarter.

Anyone fearing that the IPO window is swinging shut should take comfort from the healthy queue of private drug developers hoping to achieve a stock market listing in the coming months. Add to this the impressive records that the biopharma sector set in 2018, and when it comes to new issues is hard to find reasons for serious gloom.

A look at *EvaluatePharma's* annual tally of new issues – an analysis that comprises developers of human therapeutics floating on Western stock exchanges – reveals an unequivocal picture of health. Last year, new arrivals tapped investors for a record \$7.23bn, with the average amount raised tipping over \$100m for the first time.

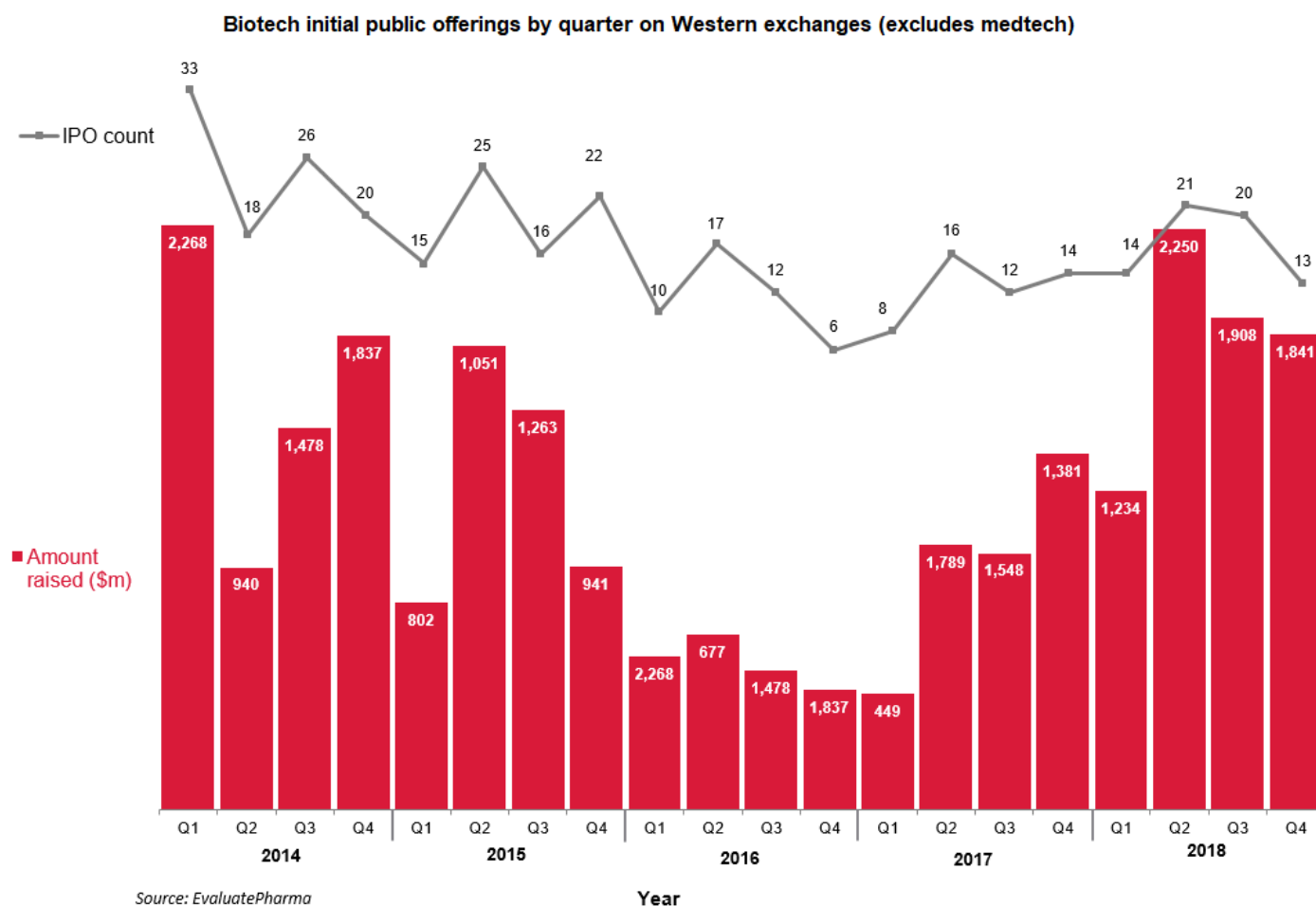
Biotech IPO market by year

Year	No. of IPOs	Amount raised (\$bn)	Avg. amount raised (\$m)	No. raising >\$100m
2018	68	7.2	106	31
2017	50	3.9	77	15
2016	45	2.3	51	3
2015	78	5.1	65	17
2014	97	6.5	67	18
2013	54	3.3	60	7
2012	19	1.0	51	2

Source: EvaluatePharma.

An examination of quarterly trends also shows few signs of the turmoil on the markets in the fourth quarter. Many assumed that the October sell-off spelled the beginning of the end for the biopharma IPO bubble, but notably two of the year's biggest flotations – Moderna and Allogene – got away in the final months of the year.

True, the fourth quarter did dip compared with the prior quarters, and a handful of companies did shelve flotation plans citing market conditions. It should also be remembered that the Moderna IPO accounted for a third of the \$1.8bn raised in the fourth quarter; had this company not got away, the picture would look somewhat weaker.



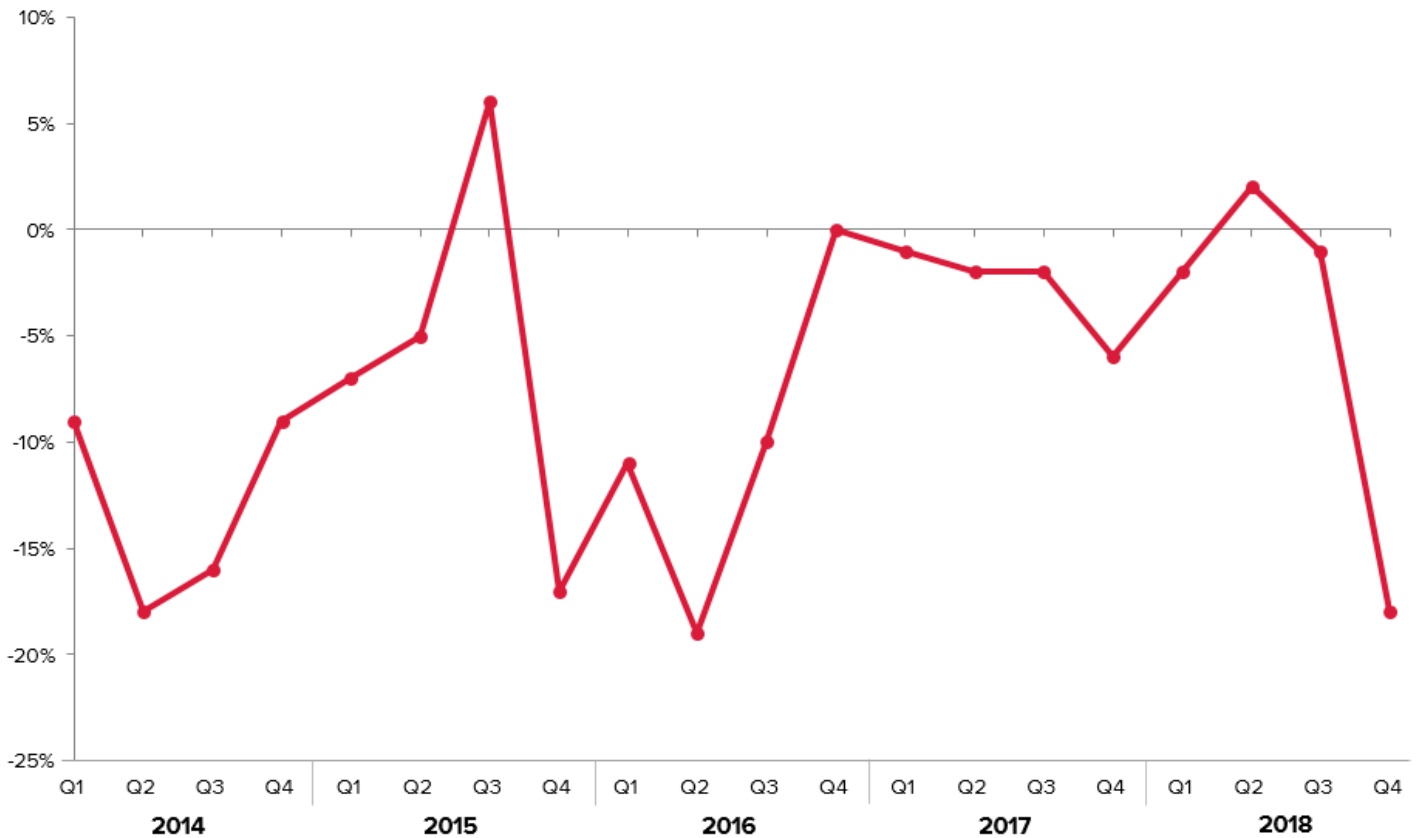
The burning question is what awaits those hoping to brave the markets in 2019.

The value of Moderna has dropped considerably since its December IPO: shares in the mRNA researcher have fallen by almost a third and the company is now valued at a lower level than at its last private financing. This is arguably more a sign of Moderna's bloated valuation rather than of wider market sentiment. Allogene, for example, has added a third to its market cap since floating in October.

These two companies are also notable for the very early stage of their pipelines; Allogene was barely in the clinic when it floated. And 2018 also witnessed one of the largest preclinical flotations in the shape of gene-editing specialist Rubius.

A look at those hoping to IPO reveals other unproven candidates, which have probably been emboldened by companies like Allogene and Rubius. Poseida and TCR2 are hoping to tap investor demand for all things cell therapy; the former is in the clinic but the latter is some way away. The cancer space is well represented in the queue with bispecifics play Harpoon also gearing up to float – it too is only recently in the clinic – while Arog is more advanced with its targeted kinase inhibitor, crenolanib.

Average Nasdaq premium/(discount) to IPO price range



Source: EvaluatePharma

Still, an analysis of the discount or premium that recent flotations achieved compared to their initially proposed price range does suggest that these hopefuls will have to work harder to get investors on board. Prior to the fourth quarter of 2018, proposed valuations were pretty much accepted, but this all changed in October.

It will be interesting to see how this graph develops as 2019 progresses. Markets have recovered somewhat in the opening weeks, but overall investors are predicting a tougher period ahead. There is also the current US government partial shutdown, which is slowing the work of agencies like the SEC, and could impact first quarter IPOs.

Even so, the healthy queue of hopefuls indicates that those with public ambitions are rushing to get out the door while they still can. This could prove a wise strategy. The IPO window is still open, but windows can bang shut very quickly.

Top five 2018 biotech IPOs on Western exchanges (all Nasdaq)			
Company	Amount raised (\$m)	First-day close	2018 chg since float
Moderna Therapeutics	604	-19%	-34%
Allogene Therapeutics	373	39%	50%
Rubius Therapeutics	277	5%	4%
Orchard Therapeutics	225	0%	12%
Tricida	222	37%	57%
Top five Q4'18 biotech IPOs on Western exchanges (all Nasdaq)			
Company	Amount raised (\$m)	First-day close	2018 chg since float
Moderna Therapeutics	604	-19%	-34%
Allogene Therapeutics	373	39%	50%
Orchard Therapeutics	225	0%	12%
Synthorx	151	15%	58%
Kodiak Sciences	90	2%	-29%
<i>Source: EvaluatePharma.</i>			