



Another huge quarter for biotech flotations



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Initial public offerings 
Biopharma - Q3 2020

Drug developers raised a record \$4.5bn in IPOs in the third quarter, and investor support for biopharma shows little sign of waning.

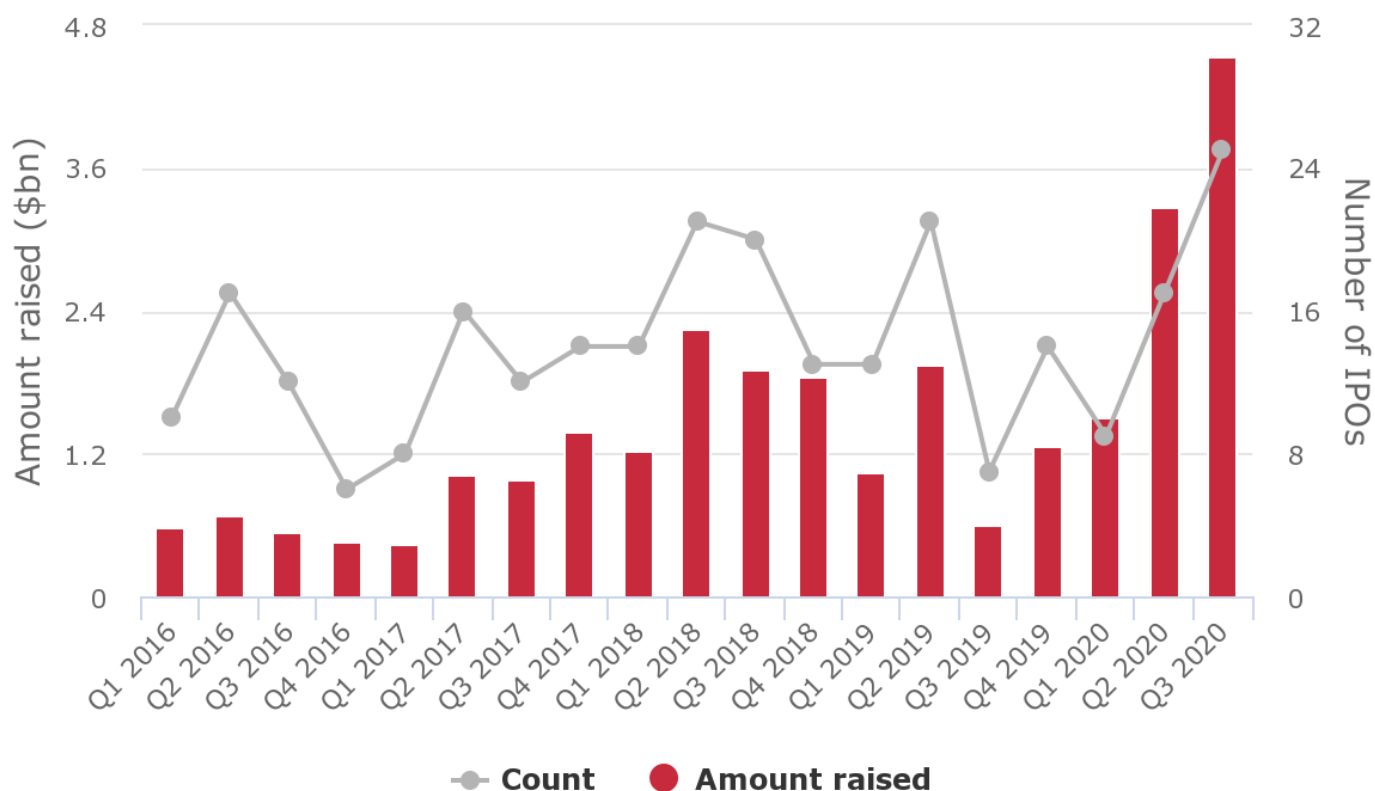
Those who were impressed by biotech IPOs in the second quarter of 2020 will be blown away by what came next. Both the number of new listings and the amount raised broke records in the third quarter, according to *EvaluatePharma*, setting the scene for year that will be hard to forget.

Surging demand for all things biotech means that the financing climate is surely as good as anyone can remember, though the implications of equally buoyant valuations are not all positive. But companies are understandably raising money while they can, to the tune of \$4.5bn over the past three months, almost equalling the total banked from IPOs over the entire course of 2019.

The number of new arrivals, 25, makes the past three months the biggest quarter since 2015 on this measure. 2014 and 2015 were the last biotech IPO boom years, when a respective 97 and 78 young biotechs made a debut.

With 51 flotations so far in 2020 it seems unlikely that those tallies will be beaten. But the really remarkable part of this story is the amount of money being raised at the moment.

Biotech IPOs by quarter on western exchanges



Vantage analysis of Evaluate data

Evaluate Vantage has been tracking IPOs since 2011, and our analysis is restricted to research-stage drug developers, omitting medtech, diagnostics or digital health, for example. The past two quarters have easily surpassed any other period for this very highest-risk end of the biopharma sector.

Before this year the first quarter of 2014 held the record, with \$2.3bn raised. 2020's third quarter is almost double that figure.

The average IPO raise this year is tracking at \$186m; again, this is substantially higher than in previous years. This total breached three figures for the first time in 2018, with the average raise topping out at \$106m in that year.

Massive offerings are now commonplace, of course – 39 of this year's flotations raised more than \$100m, 12 have raised more than \$250m, and two have raised more than \$400m. These sorts of sums were unheard of even last year.

Biggest IPOs by amount raised in the third quarter of 2020

Company	Amount raised at IPO (\$m)	Pre-IPO market cap (\$m)	Share price to end Sep
Relay Therapeutics	460	1,800	115%
Allovir	318	1,100	63%
Nkarta	290	584	65%
Dyne Therapeutics	268	913	6%
Annexon Bioscience	251	640	82%

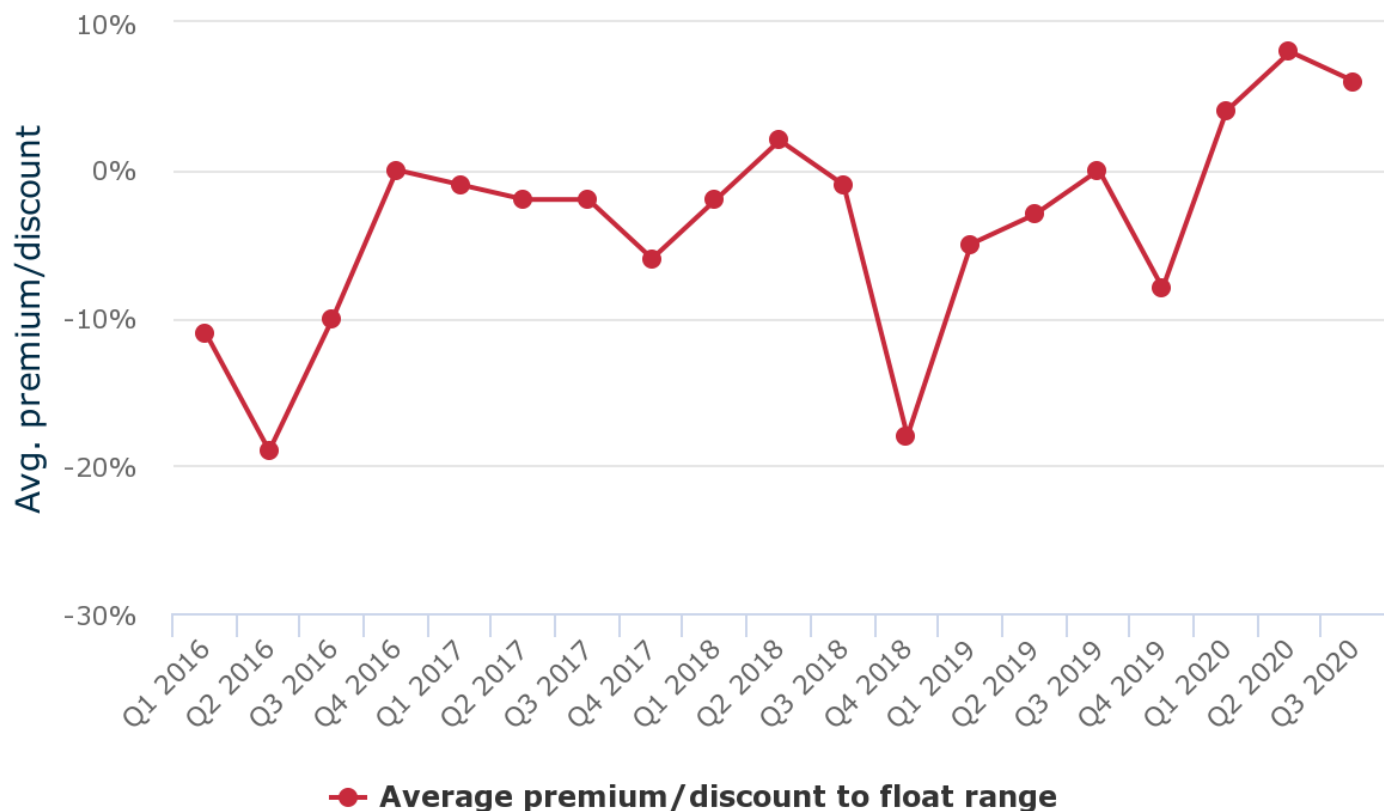
Source: EvaluatePharma, SEC filings.

The latest gluttonous valuation was achieved by Relay Therapeutics, which debuted in July with a market cap of \$1.8bn, raising \$400m. The stock promptly doubled. With a focus on cancer and a novel small-molecule drug discovery technology described as "motion-based drug design" – one project has made it into phase I so far – big things are apparently expected from Relay.

The analysis below helps to explain how these huge sums are coming about, with IPOs on average being priced above the initial range proposed. And, while the equity markets are buying, private investors will keep delivering these companies.

But make no mistake: it is demand that is driving these valuations, which are looking ever more divorced from the realities of high-risk drug development.

Tracking demand for IPOs



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