Evaluate Vantage

October 08, 2020

# Mapping the transatlantic divide for biotech flotations

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**A look at how drug developers fare after floating in Europe suggests why many tread a path to the US and a Nasdaq listing.**

The huge pools of capital available in the US have long provided a pull for European drug developers, and for very good reasons. But if a decent biotech company based in, say, London or Copenhagen decides to list locally, will its fortunes be capped?

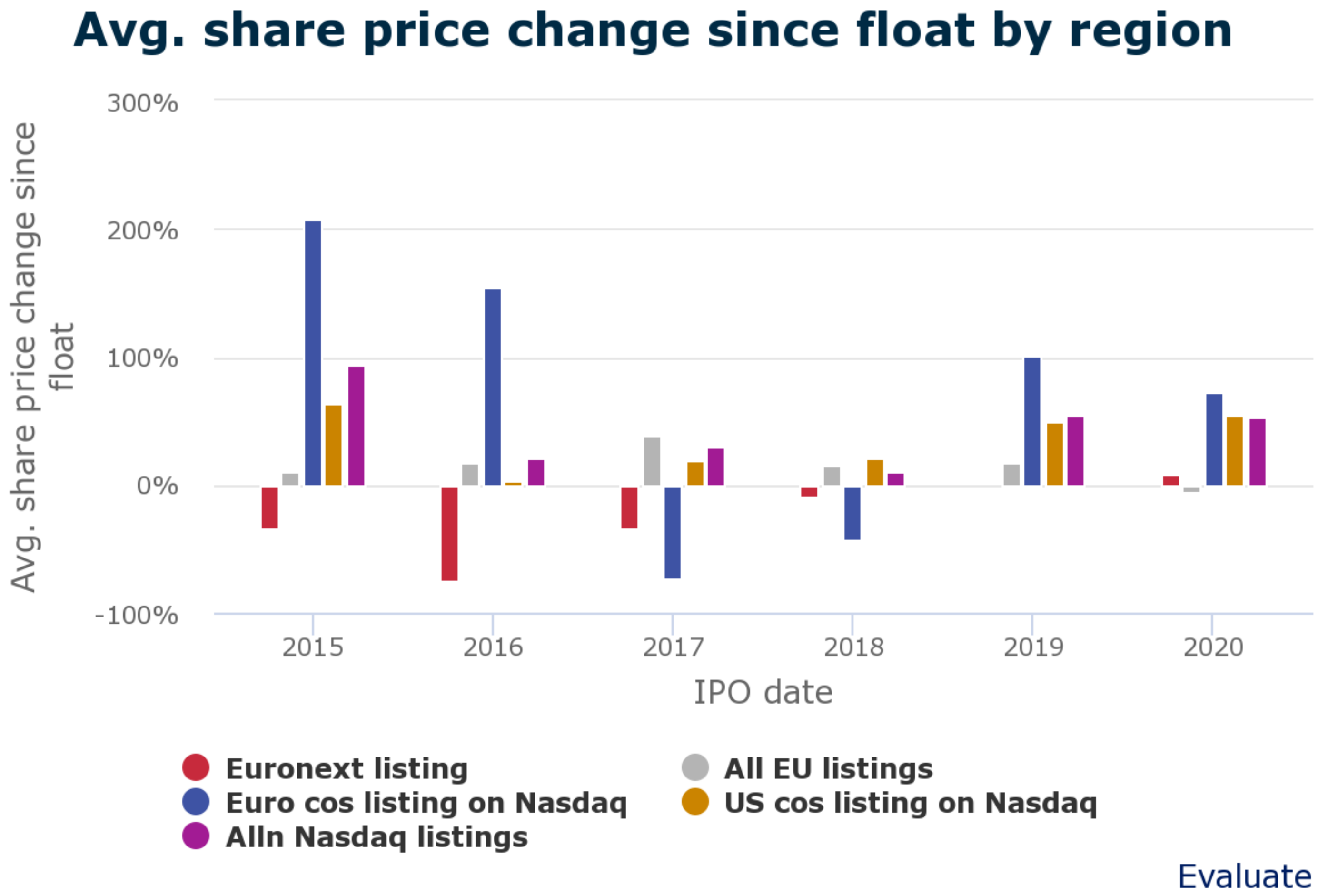
Possibly: the share price performance of biotech IPOs on Euronext is starkly different from those companies that crossed the Atlantic to list, according to *Evaluate Vantage*'s analysis. There are of course exceptions, with a handful of flotations of successful European drug developers on local markets. But the message to investors seems pretty clear: back new issues on the continent with caution.

This will come as no surprise to those involved in research-stage biopharma in Europe, of course. It is no secret that the US is much more welcoming of these high-risk companies. This acceptance translates into substantial benefits, financial and otherwise; ultimately, the US markets support much higher valuations than the disparate exchanges spread across Europe.

A large base of specialist investors concentrated on a single stock exchange, Nasdaq, is considered a major advantage for the US. Euronext is probably the closest equivalent Europe has to Nasdaq, although in terms of IPO volume the two are barely comparable.

Since 2015 Euronext has hosted 20 flotations of research-stage drug developers, to Nasdaq's 261. Of these 261, 17 were Europe-based companies that chose to list in the US instead.

There are several other exchanges that host biotech IPOs in Europe, including Nasdaq's own various Nordic markets, as well as the London stock exchange and its small-company market, Aim, and the SIX Swiss exchange. For this analysis *Vantage* captured a further 40 floats across 13 exchanges in Europe, taking the total number of biotech IPOs over the period, in Europe, to 60.




The chart above maps the share price performance of each year's IPOs, split by exchange and/or region where the company is based, from float to the end of last month. The analysis was restricted to those involved specifically in drug development; medtech or digital health are excluded, for example.

It should be remembered that the number of companies in each group varies widely. European companies listing on Nasdaq or Euronext are counted in low single digits each year; 2016 was Nasdaq's quietest year, but it still saw 22 IPOs.

Thus the small numbers of European companies are a major caveat to drawing conclusions from these relative performances.

But it is obvious how poorly Euronext listings appear (no biotechs listed on this exchange in 2019). European companies that travelled to the US to float fared better; the performance across all European exchanges also scrapes into positive territory each year, except, somewhat surprisingly, in 2020.

**Chicken or egg?**

This analysis seems to support a view that investing in biotech IPOs in Europe is a much riskier business than in the US. There are structural reasons at play here. Many European companies list with a very small free float of shares, for example, and low liquidity causes problems of its own.

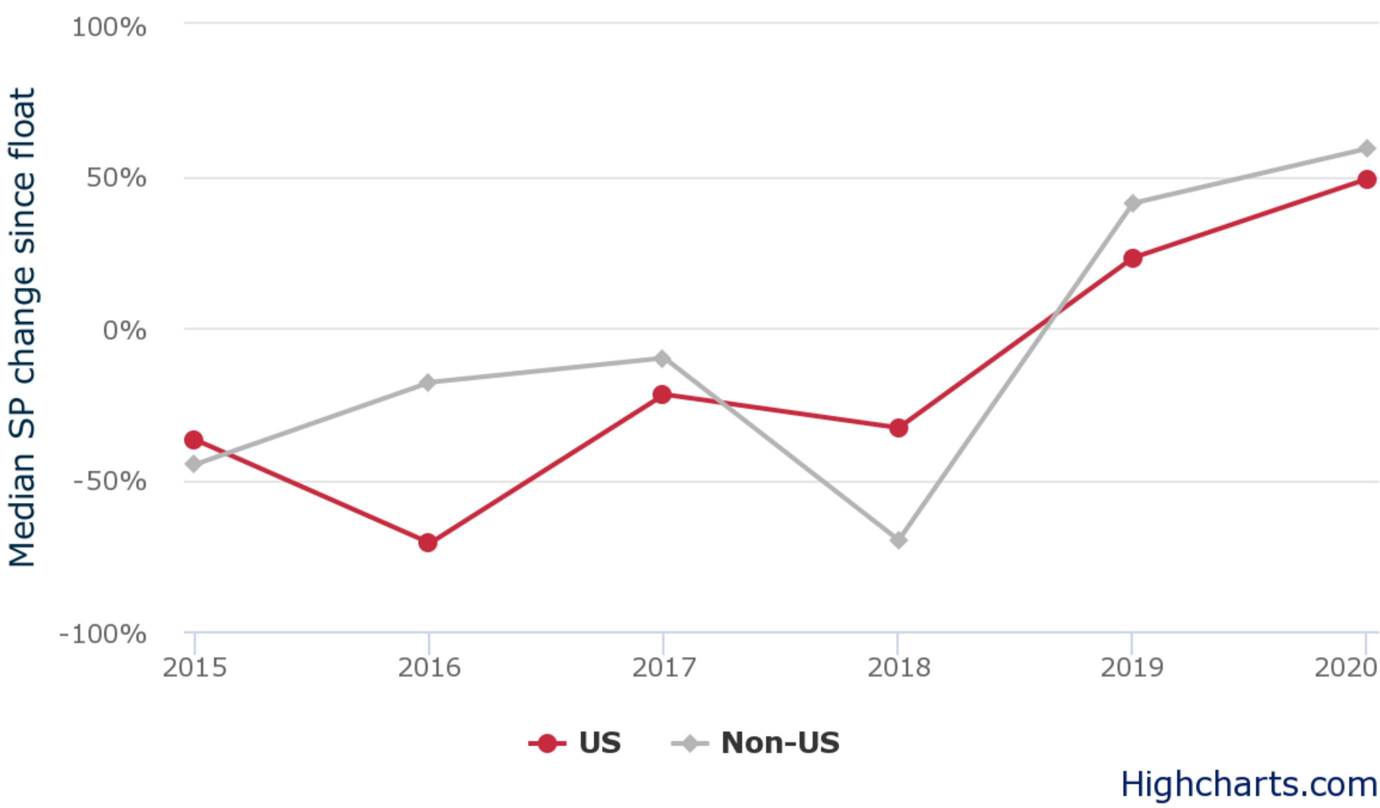
Another possibility that should be considered is whether companies that list in Europe have poorer prospects. A counter argument is that restricted access to financing has a lot to do with the capping of potential – the European biotech sector's equivalent of the chicken and egg question.

A further cut of the data, below, suggests that once European companies list in the US their performance is not dissimilar to domestic firms.

The financial climate for young drug developers is arguably the best it has been for years in Europe. Companies like Morphosys, Genmab and Argenx show that the continent can produce highly desirable start-ups, to both investors and partners; the quality of European science is not at question here.

But those companies took decades to get where they are today. Newly listed biotechs in Europe have to work a lot harder to prove their worth than those debuting on US markets. Little wonder that so many are fleeing to Nasdaq, while the window remains open.

## Median SP change since float - US exhange floats




| The best and the worst of European IPOs | | |
|---|---|---|
| **Company (year of float)** | **Amount raised ($m)** | **Share price change since float** |
| ***Euronext*** | | |
| Mithra Pharmaceuticals (2015) | 81 | 41% |
| Inventiva (2017) | 52 | 16% |
| Noxxon Pharma (2016) | 49 | -98% |
| Asit Biotech (2016) | 27 | -97% |
| ***Other European exchanges*** | | |
| Xspray Pharma (2017, Nasdaq First North) | 16 | 643% |
| Maxcyte (2016, LSE) | 14 | 417% |
| Verseon (2015, LSE) | 102 | -99% |
| Biophytis (2015, Alternext Paris) | 11 | -89% |
| ***Gone to Nasdaq*** | | |
| Ascendis Pharma (2015) | 108 | 744% |
| Crispr Therapeutics (2016) | 56 | 498% |
| Inflarx (2017) | 100 | -71% |
| Orchard Therapeutics (2018) | 225 | -70% |
| *Source: EvaluatePharma.* | | |

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