

January 13, 2021

## After a big year, biotech flotations have much to do



[Edwin Elmhirst](#)



Initial public offerings 

Biopharma - Q4 2020

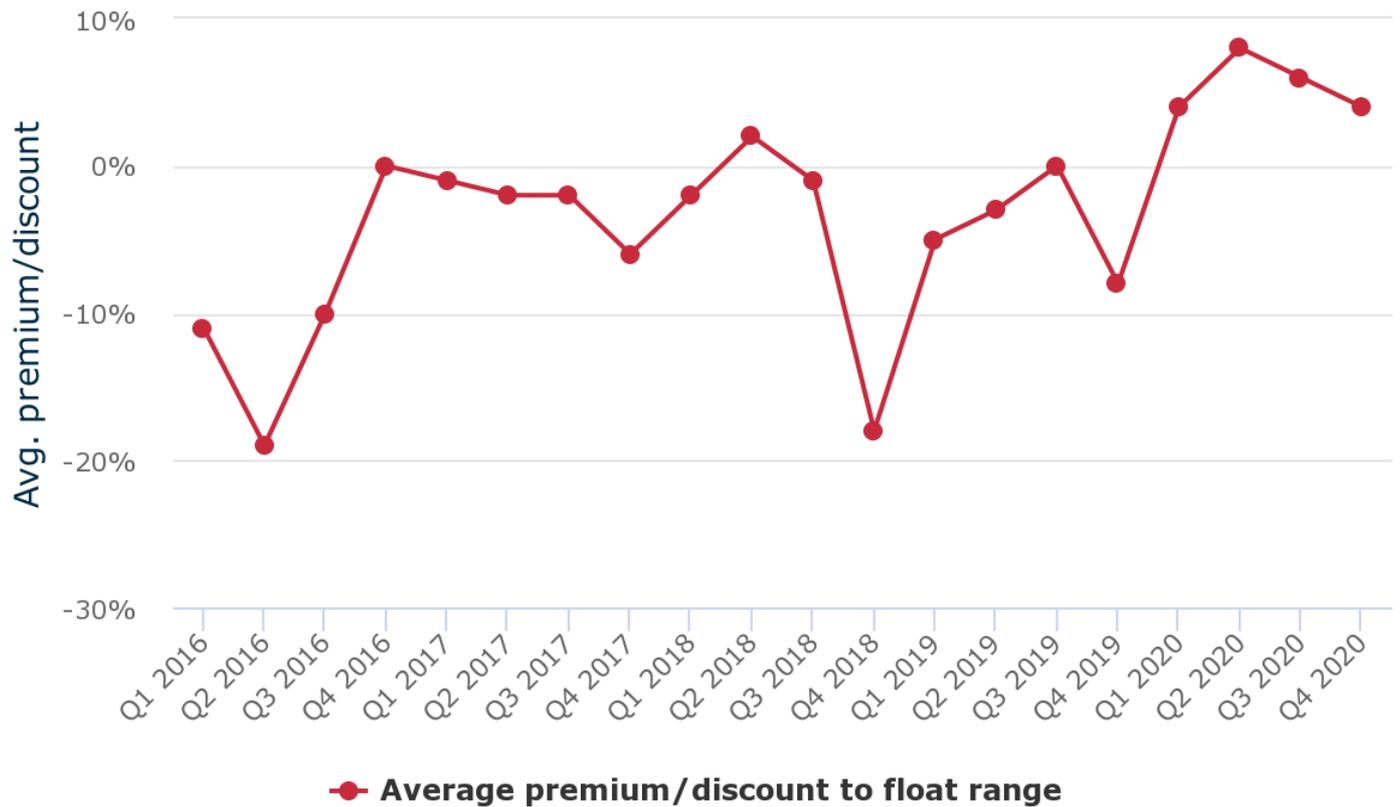
### **Whether investor enthusiasm for drug stocks holds up this year is the burning question for IPO followers.**

With the final numbers in, the excesses of 2020 are laid bare. An astonishing \$12.7bn was raised last year by young drug developers via IPOs, a figure that outstrips previous records by a long way.

The number of companies that went public is also high, although not remarkably so. But those that did float managed to amass huge sums, taking full advantage of the cash flowing into the sector. Whether this largesse continues in 2021 is the burning question for IPO investors, and for now there are few signs of diminishing appetites.

Biotech watchers will not have to wait long to find out, as [today Sana filed to go public](#). The Hans Bishop-backed company has an entirely preclinical pipeline, and will not be in the clinic before 2022 at the earliest, but having closed a \$700m series A round last year it will surely be seeking a multi-billion dollar valuation at IPO.

## Tracking demand for IPOs



[Evaluate](#)

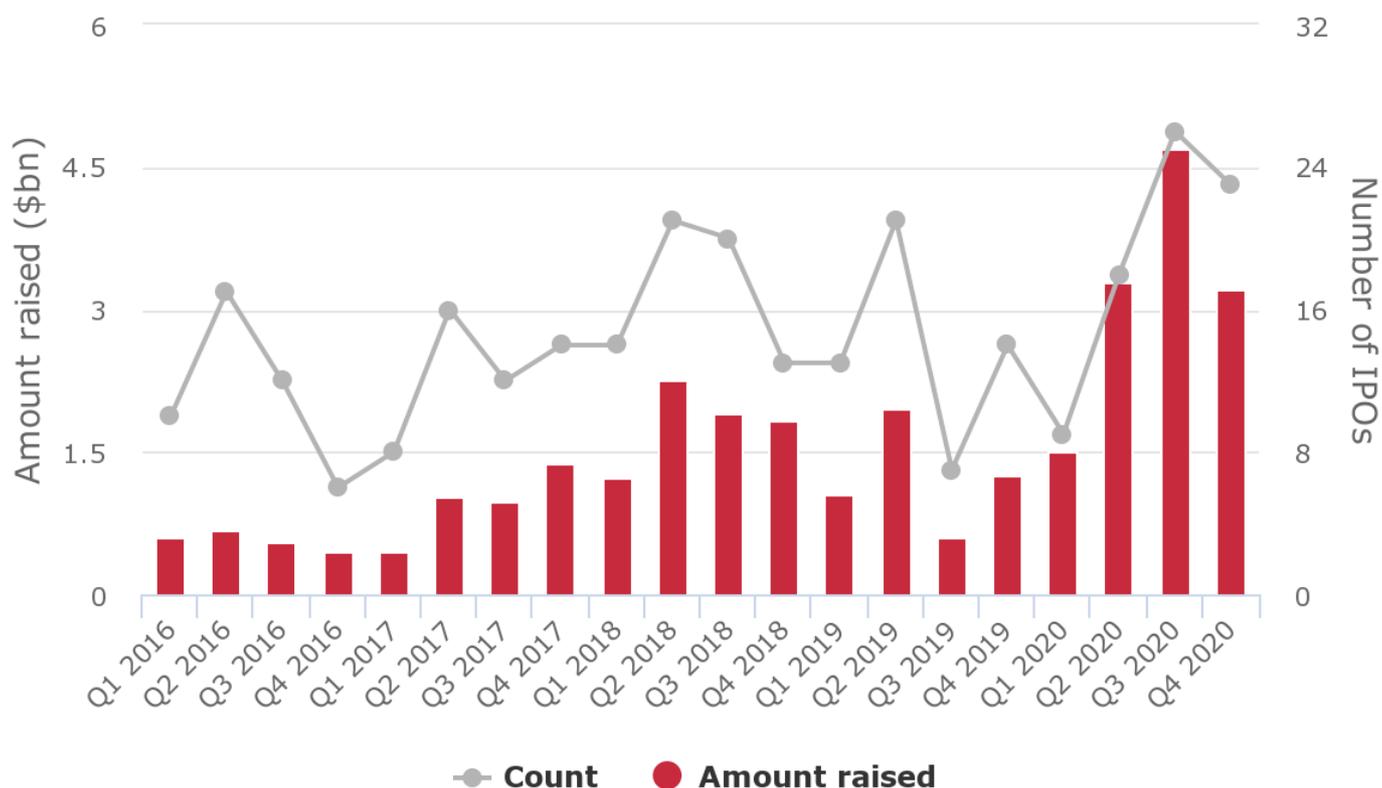
The chart above illustrates how investor interest in biotech soared last year, with all listing companies managing to float at or above the initial prices proposed by bankers. Many pulled off upsized offerings, selling substantially more shares than planned at valuations inflated by huge demand.

In turn this creates huge expectations, and the pressure is on for these new issues to perform this year. The track record of these freshly floated drug developers will be a major influence on investor appetite in the coming months.

The chart below suggests something of a cooling in the fourth quarter, though from a historical perspective this was far from a quiet period. And two well-received biotech IPOs in the first week of 2021 will raise expectations of a strong first quarter.

The Chinese Car-T play Gracell Biotechnologies bumped up its offering by 25% to raise \$209m, while the targeted oncology company Cullinan banked \$250m after upsizing its offering and pricing above range. Both companies now boast market caps in excess of \$1bn thanks to subsequent share price jumps.

# Biotech IPOs by quarter on western exchanges



Vantage analysis of Evaluate data

A more detailed look at 2020's stats show just how impressive last year was. The average amount raised per IPO easily sets a new record, with a staggering 55 companies raising more than \$100m, and 35 of these bringing in over \$200m.

These analyses concern pure-play drug developers only - fields like medtech, diagnostics and digital health are not included - thus this provides a snapshot of the very highest-risk end of healthcare.

With demand so high it is not surprising that these start-ups are raising what they can, while they can. But there are quite literally huge downsides to the valuations that are being set, and as experienced biotech investors know the failure rate in this industry is high.

## Biotech IPO market by year

Year	No. of IPOs	Amount raised (\$bn)	Avg. amount raised (\$m)	No. raising >\$100m
2020	76	12.7	167	55
2019	55	4.9	88	17
2018	68	7.2	106	31
2017	50	3.9	77	15
2016	45	2.3	51	3
2015	78	5.1	65	17

Source: EvaluatePharma.