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Biotech listings shows few signs of cooling



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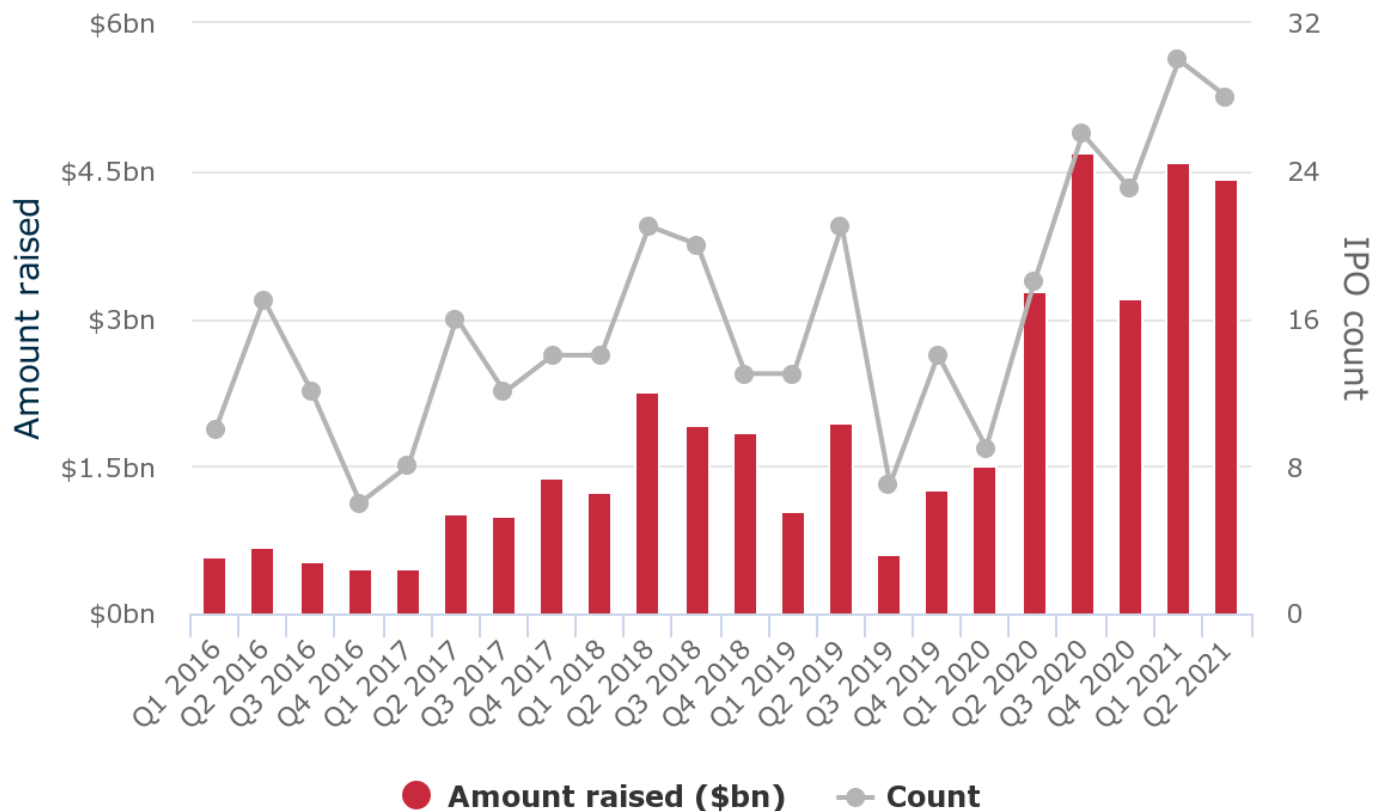
IPOs of drug developers raised \$9bn in the first half of 2021, a record amount that is hard to square with talk of moderation.

Biotech remains in huge demand – that much is clear from the latest stats on the IPO market. Another huge second quarter takes the tally raised by young drug developers to \$9bn, putting 2021 on track to break [last year's record-setting haul](#).

There are some signs of cooling: bumps to proposed price ranges are no longer the norm, for example, and the average amount raised has nudged down a touch. But these must be read within the context of a financing climate that continues to be incredibly supportive of life sciences.

With the IPO queue also looking healthy, it seems that the IPO window remains wide open. This analysis covers only pure-play drug developers – medtech or digital health are excluded – and listings on Western stock exchanges.

Biotech IPOs by quarter on Western exchanges



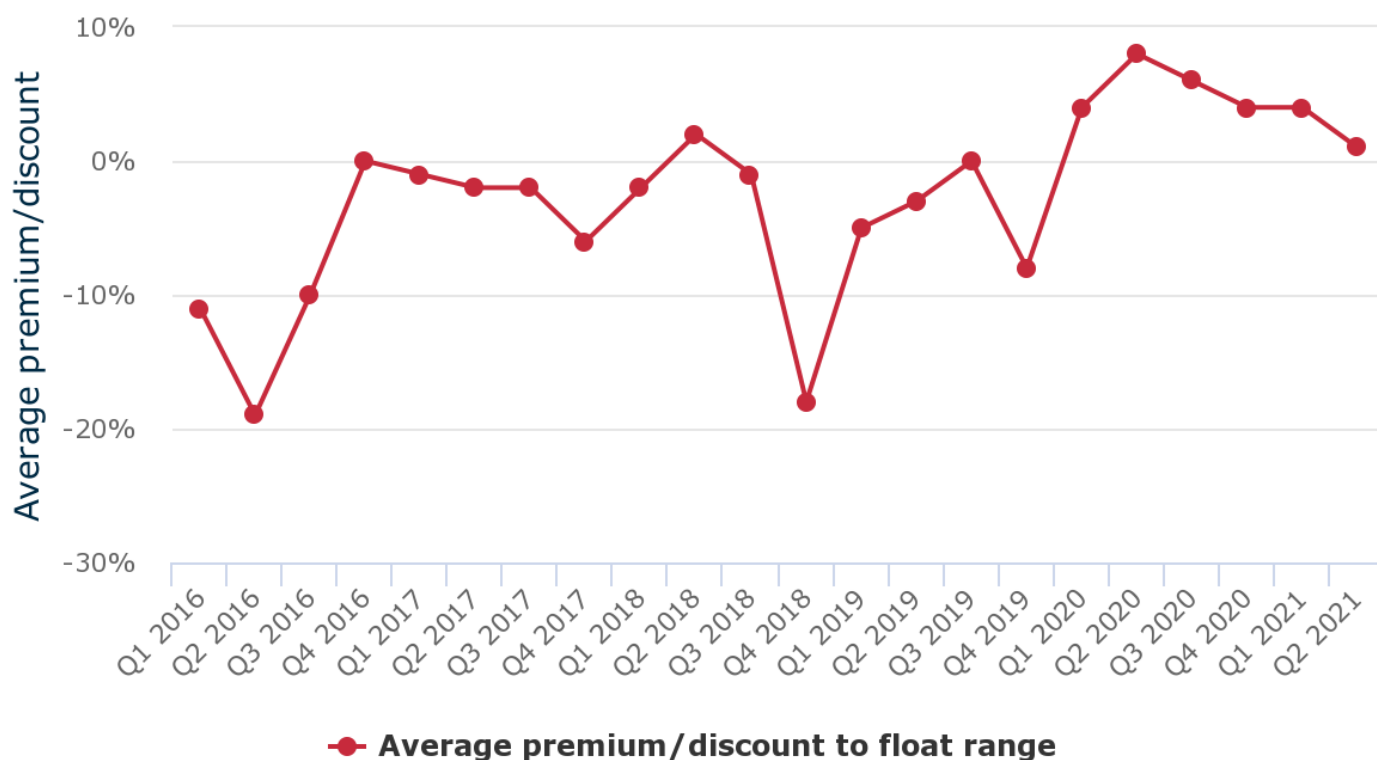
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This remains a Nasdaq story, however, with *Evaluate Pharma* capturing only one non-US listing so far this year. Car-T researcher Chimeric Therapeutics raised \$35m in Australia in January. European companies are going public, but they are doing so by travelling to Nasdaq. One to chose this route last quarter was Vaccitech, the vaccine spin-out from Oxford University that developed the Covid-19 vaccine being manufactured by AstraZeneca.

Companies are attracted by the deep pools of capital in the US, and a look at the quarterly sums being raised shows little retrenchment in availability.

Where a pullback can be seen is in the price that these news issues are achieving. Last year virtually every IPO managed to achieve an uplift on the initially proposed price range, and many upsized the offerings to raise more than first intended. The graph below suggests that investors are pushing back on sky-high valuations.

Average Nasdaq premium/discount to IPO price range



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The average amount raised over the first half also dipped on last year, from \$167m to \$158m. This is still way above historical averages, with around three-quarters of IPOs raising more than \$100m, a proportion unheard of before 2020.

The performance of these new issues post-float is another big indicator of investor support, and signs of dipping exuberance can be found here. The latest Hans Bishop vehicle, Lyell Immunopharma, is currently trading below its float price, for example.

The fact that the company managed to raise a huge \$425m despite being years from the clinic shows that the IPO window is far from closing. While bankers will be carefully monitoring such signals in the coming months, many would argue that restraint on valuations is long overdue.

Biggest biotech IPOs of the second quarter

| Company | Primary focus | Amount raised (\$m) | Premium/(discount); float price to initial offer | Share price change since float to end Q1 |
|---------------------------|---|---------------------|--|--|
| Recursion Pharmaceuticals | Technology-enabled drug discovery and development | 436 | 6% | 103% |
| Lyell Immunopharma | T-cell therapies for solid tumours | 425 | 0% | -4% |
| Centessa Pharmaceuticals | Various assets developed by subsidiaries | 330 | 5% | 11% |
| Verve Therapeutics | Gene editing for cardiovascular indications | 267 | 12% | 217% |
| Graphite Bio | Gene editing for rare diseases | 238 | 6% | 81% |

Source: Evaluate Pharma.

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