


Biotech listings show signs of a slowdown



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Initial public offerings
Biopharma - Q3 2021

2021 is on track to beat last year's monster haul, but the IPO window could finally be closing.

First, the good news for biotech IPO watchers: 2021 is on track to smash records set last year in terms of the number of flotations and the amount of cash raised.

But there are signs that investor interest is cooling, which could bode ill for companies hoping to take the plunge onto the public markets. Furthermore, the class of 2021 is already off to a bad start, with most newly listed groups trading below their offer price.

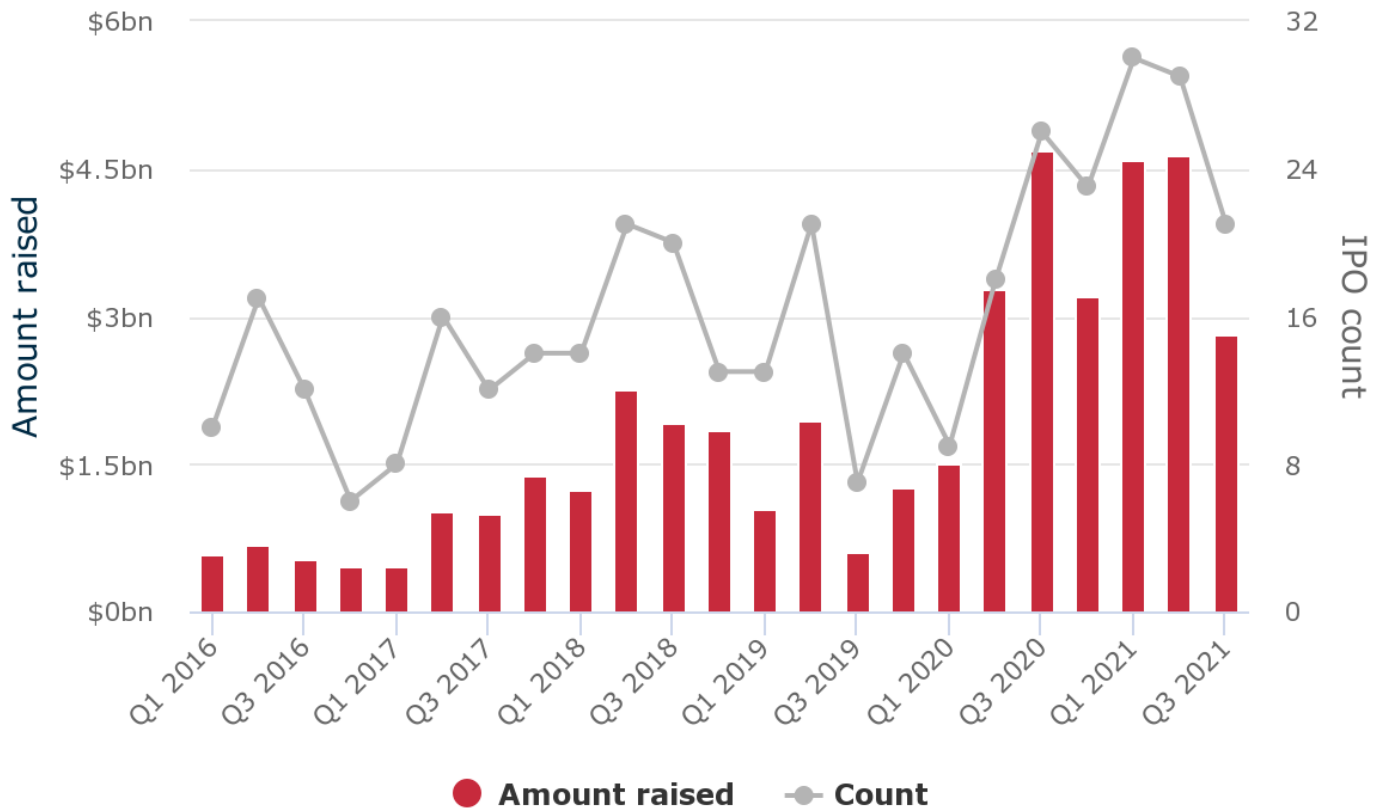
Breaking records

2020 was a huge year for biotech IPOs, with 76 companies raising \$12.7bn ([After a big year, biotech flotations have much to do, January 13, 2021](#)).

In terms of the number of flotations, 2021 has already outstripped that record, with 81 offerings in the first nine months of this year. And 2021's running total, \$12.2bn, is not far behind 2020 either.

However, the chart below shows a marked slow down during the third quarter. The average amount raised also dipped, to \$134m during the most recent period from \$157m in the first half of this year and \$167m in 2020.

Biotech IPOs by quarter on Western exchanges



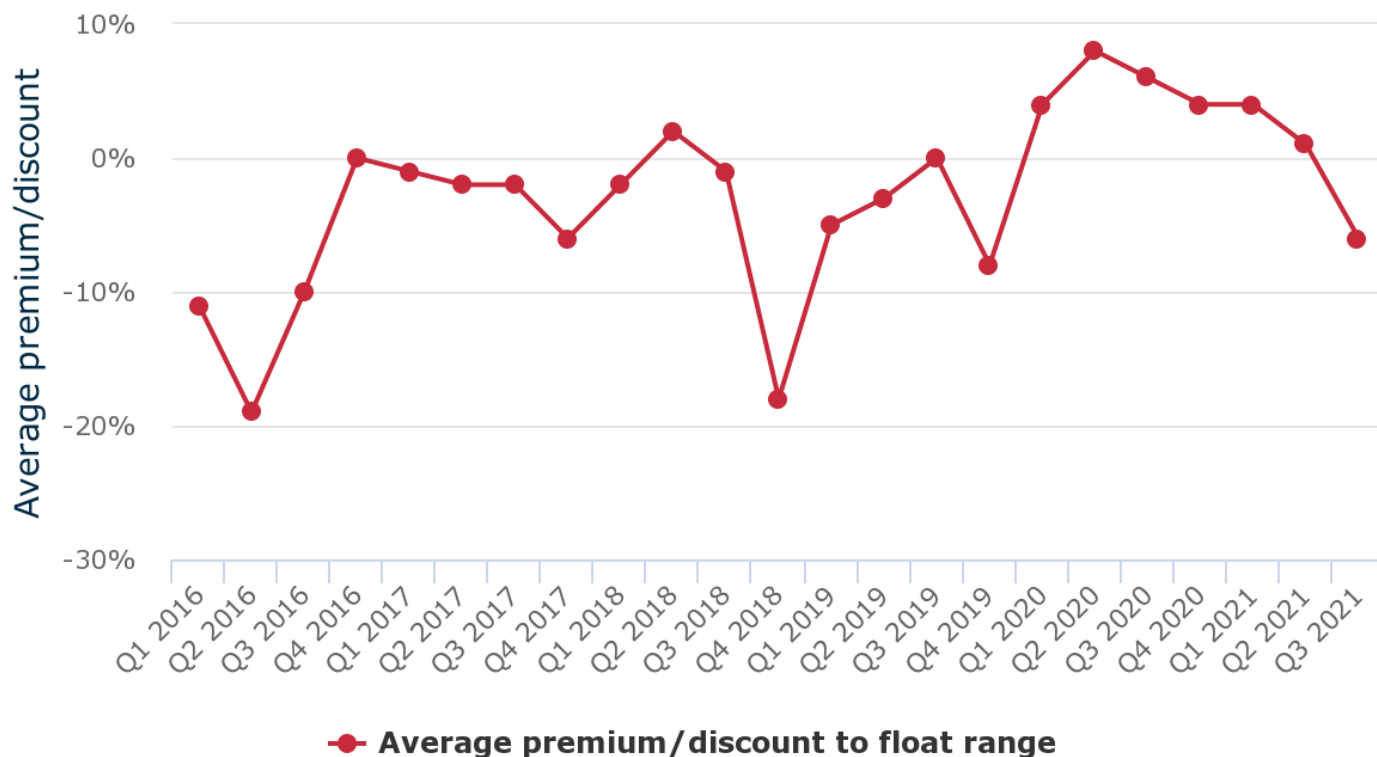
Evaluate

This could all be relative. The furious pace set in the past 18 months always looked hard to maintain, and the IPO market in the third quarter of 2021 is still very healthy compared with previous years in this analysis.

But there are other signs of a weakening market. In the most recent period companies were no longer able to achieve an uplift over their initially proposed price range. This had become the norm in 2020 and the first half of 2021.

These numbers concern only pure-play drug developers and listings on Western stock exchanges.

Average Nasdaq premium/discount to IPO price range



Evaluate

The performance of newly public companies does not provide much reassurance either: 60% of the drug developers that have listed this year were trading below their offer price at Monday's close.

This analysis only provides a snapshot in time, but it should also be noted that some of the big hitters of 2021 have suffered particularly badly. Two Hans Bishop-backed groups, Sana Biotechnology and Lyell Immunopharma, which raised \$676m and \$425m respectively, are both trading below their listing price.

With the companies still at the preclinical stage, it will be a while until they get meaningful data to give them a lift, neatly illustrating the perils of going public so early.

Breaking issue

Still, clinical data did not help Centessa Pharmaceuticals, another group that pulled in big bucks when it floated in May. That company's stock dipped below its issue price not long after the group reported [promising phase 2 results last month](#) with its haemophilia project, SerpinPC.

The groups that scored the largest IPOs, in terms of cash raised, in the third quarter have so far escaped this fate. Indeed, the table below shows healthy returns since these went public; but then again these players have not had long to make their mark.

Small company stocks are having a particularly torrid time right now, [a recent Evaluate Vantage analysis showed](#). Those that make it to market might be in for a rocky ride.

Biggest biotech IPOs of the third quarter

Company	Primary focus	Amount raised (\$m)	Premium/(discount); float price to initial offer	Share price change since float to end Q3
Adagio Therapeutics	Antibodies for Covid-19 and other viruses	309	0%	148%
Caribou Biosciences	Genome-edited allogeneic cell therapies	304	7%	49%
Erasca	Therapies for Ras and MAPK pathway driven cancers	300	7%	33%
Dice Therapeutics	Oral immunology therapies for chronic diseases	204	6%	93%
Icosavax	Computationally-designed vaccines for RSV and Covid-19	182	0%	97%

Source: Evaluate Pharma.

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