

April 07, 2022

## Flotations tank in the first quarter



[Edwin Elmhirst](#)



Initial public offerings 

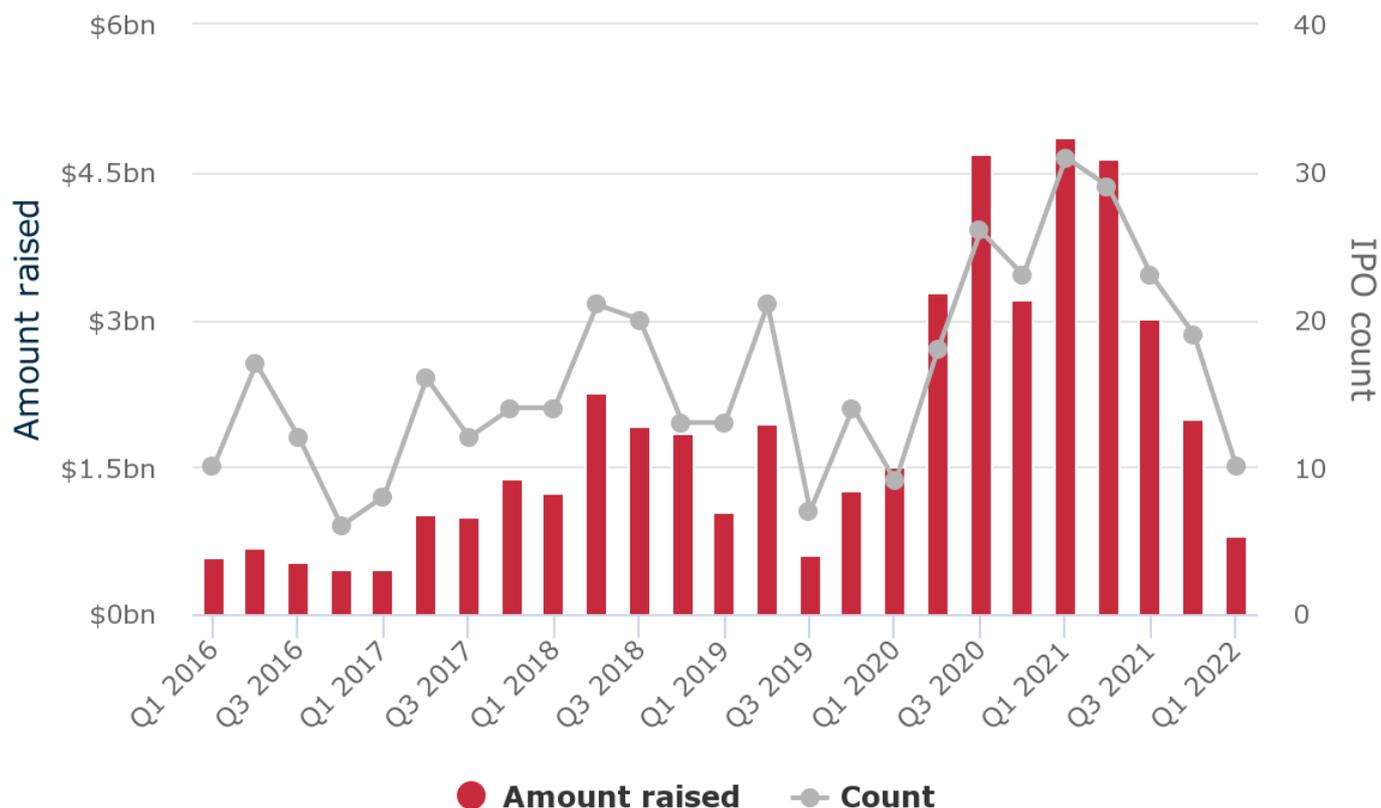
Biopharma - Q1 2022

**A correction - as long as it is not too severe - might not be a bad thing for the sector.**

After a couple of years in which biotechs had seemingly unfettered access to the public markets it's official: the IPO window is closing. The latest analysis of *Evaluate Pharma* data shows a marked drop in public offerings in the first quarter, with the fewest flotations since early 2020, when the pandemic hit.

However, unlike in 2020, this does not look like a blip. Sentiment around biopharma is dismal, and there are broader fears about the impact of war and inflation. Things look set to get worse before they get better; the question now is how low IPOs can go.

# Biotech IPOs by quarter on Western exchanges



Evaluate

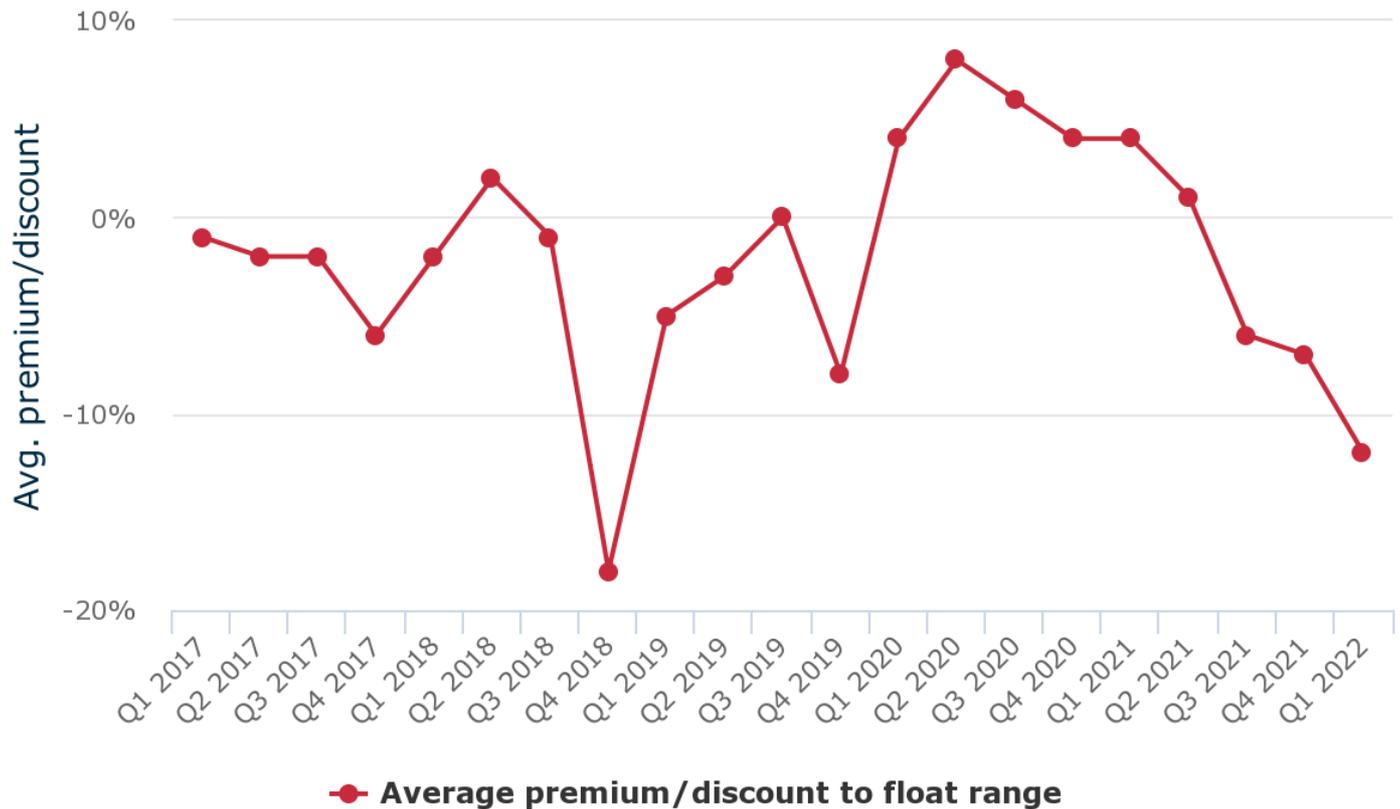
Still, for the biotech sector at least, a slowdown in public offerings might not be all bad. Some investors have long bemoaned a flood of low-quality companies onto the public markets, blaming this, at least in part, for dragging down biotech stocks in general (for more on this, see *Evaluate Vantage's 2022 Preview*).

Some groups did manage to get away in the first quarter, but the chart below shows that many of these have had to accept the harsh new reality: the average discount to a planned IPO price reached lows not seen since late 2018, another period marked by stock market turmoil.

And many of the big floaters have not done well on the markets since their public debuts. A case in point is Amylyx, whose shares plunged after an FDA adcom [raised doubts about the chance of its amyotrophic lateral sclerosis project AMX0035 gaining early approval](#).

Amylyx is an uncommon example of a late-stage company going public, but all of the first quarter's top five groups at least have projects in the clinic – unlike some recent periods that have been marked by preclinical IPOs, a trend that has attracted a lot of flak.

# Tracking demand for IPOs



Evaluate

The other big IPO last quarter involved the phase 2 player Cincor, which is in the somewhat unfashionable area of hypertension. Cincor and Amylyx have each pinned their hopes on one asset, so it should quickly become apparent whether either group has a future.

The CNS player Vigil, meanwhile, is tied not to one project but to a single target, Trem2. There are questions about this approach: the FDA has stopped the group dosing over 20mg/kg with its lead asset, VGL101, while Denali's similarly acting DNL919 is on clinical hold, and Alector/Abbvie's Trem2-targeting project AL002 has been linked with amyloid-related imaging abnormalities (Aria).

Of course, investing in biotech is always risky, and the current crop will be no exception. Ultimately, though, if an IPO reset leads to an improvement in the quality of companies reaching the public markets this would be a good thing. On the flipside, a complete closing of the IPO window would be a disaster for the sector, which relies on a pool of early innovation to feed the bigger companies.

Here, the omens here are not great: BioPharmCatalyst lists no upcoming biotech IPOs.

## Biggest IPOs by amount raised in the first quarter of 2022

Company	Primary focus	Amount raised (\$m)	Premium/(discount); float price to initial offer	Share price change since float to end Q4
Cincor Pharma	Cardio-renal diseases	194	0%	10%
Amylyx Pharmaceuticals	Neurodegenerative diseases	190	0%	-32%
Arcellx	T-cell therapies	142	-6%	-7%
Vigil Neuroscience	Neurodegenerative diseases	98	-13%	-50%
AN2 Therapeutics	Infectious diseases	69	0%	0%

Source: Evaluate Pharma & SEC filings.

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