

Tough IPO scene continues in first half 2011



While Endocyte shows what can be achieved through a successful IPO, the prospects for pharma and biotech companies going public in the US and Europe continue to be challenging ([No post-IPO blues for Endocyte, July 12, 2011](#)).

Although 11 IPOs in the first half of 2011 is an improvement on nine public listings in the same period last year, 'haircuts' remain severe, and the fact that six companies aborted their IPOs and another two opted for a trade sale instead suggests the barrier to entering the public markets remains high. The last couple of weeks have seen two ambitious IPO filings by Merrimack Pharmaceuticals and Clovis Oncology, seeking to raise \$173m and \$150m respectively, and it will be intriguing to see how these well-backed companies fare (see tables below).

Short back and sides

Just two companies, Tranzyme Pharma and Sagent Pharmaceuticals, went public on the US markets in the second quarter, adding to five in the first quarter of the year ([Another tough quarter for biotech IPOs, April 26, 2011](#)).

US Pharma/Biotech listings on Nasdaq in H1 2011

Company	IPO Date	Raised (\$m)	Float Price (\$)	Filed Price (\$)	'Haircut'	Latest share price (\$)	YTD share performance
Endocyte (ECYT)	04 - Feb - 11	86	\$6	\$13 - \$15	-57%	\$14.12	+135%
Pacira Pharmaceuticals (PCRX)	03 - Feb - 11	42	\$7	\$14 - \$16	-53%	\$11.42	+63%
Sagent Pharmaceuticals (SGNT)	20 - Apr - 11	92	\$16	\$14 - \$16	+7%	\$25.30	+58%
BG Medicine (BGMD)	04 - Feb - 11	40	\$7	\$13 - \$15	-50%	\$8.46	+21%
Tranzyme Pharma (TZYM)	01 - Apr - 11	54	\$4	\$11 - \$13	-66%	\$4.38	+10%
AcelRx Pharmaceuticals (ACRX)	11 - Feb - 11	40	\$5	\$12 - \$14	-62%	\$4.31	-14%
Tibet Pharmaceuticals (TBET)	25 - Jan - 11	16.5	\$5.5	\$5 - \$7	-8%	\$2.00	-64%
<i>Average</i>		<i>53</i>			<i>-41%</i>		<i>30%</i>

Tranzyme, a development stage company with a reasonably mature pipeline of candidates for gastrointestinal

disorders, had to take a severe 'haircut', slashing two-thirds off its originally filed price - in keeping with the overall 'haircut' trend which sees a 40% average discount so far this year.

Conversely, Sagent surprised the market by hitting the top range of its asking price and the shares have continued to gain ever since, although the profitable and specialist developer of injectable generic products is very different from most biotechs in the IPO class.

Although share prices have been improving across the board since flotation, this is only relative to the 'haircuts' taken - only Endocyte and Sagent shares trade within or above the original filed price.

Meanwhile the average \$53m raised at IPO is dwarfed by some impressive late-stage financing rounds so far this year, including Merrimack's \$77m series G and Radius Health's \$66m series D.

Swedes to the fore

While the US continued to be the place spawning the highest number of IPOs in the first half of the year, outside of the US it seemed the best chance of getting an IPO away this year was to be Swedish.

Explaining the paucity in IPOs this year Kevin Johnson, a partner at Index Ventures, said in terms of an exit for venture capital funds, "an IPO remains an exception rather than the rule." For it to happen, "the company needs to be late stage, and you need to pick the right time. Some jurisdictions are more tolerant than others at the moment." he added.

Sweden appears to be one of those tolerant jurisdictions. Although it may only claim nine million inhabitants, Sweden topped the list as the most prolific European country for IPOs, laying claim to three of the four companies that managed to struggle to the markets in the first half of this year.

Europe Pharma/Biotech listings in H1 2011							
Company	IPO Date	Raised	Float Price	Filed Price	Exchange	Latest share price	YTD share performance
Kancera	25 - Feb - 11	Skr27m	Skr7	SKr7	Nasdaq OMX (Stockholm)	Skr4.12	-41%
Redhill Biopharma	07 - Feb - 11	NIS52m	NIS305	NIS258	Tel-Aviv Stock Exchange	NIS278	-9%
Karolinska Development	15 - Apr - 11	Skr608m	Skr42	Skr 37 - 42	Nasdaq OMX (Stockholm)	Skr32.1	-24%
Moberg Derma	26 - May - 11	Skr74m	Skr29	Skr29	Nasdaq OMX (Stockholm)	Skr22.30	-23%

The dominance by the Swedes mirrors that of French companies this time last year when they were overrepresented, with Neovacs, IntegraGen and AB Sciences all listing in the first half of 2010. The Gallic effect in 2010 was partly as a result of the French government putting in place measures to support its fledgling biotech industry, which included tax breaks and incentives to conduct research.

What seems to have helped the Swedes this year is the relatively modest amounts of money that they have sought, with the exception of Karolinska Development, a conglomerate of research companies spun out of the Karolinska Institute.

Kancera, an oncology specialist managed to raise SKr27m, or \$4.1m, and Moberg Derma added SKr74m, or \$11.3m, to its coffers through the issue of 2.55 million shares. However, it should be noted that this was Moberg's second attempt at an IPO, having decided to pull its initial listing in December 2010 due to lack of investor demand.

Redhill, the only non-Swedish company to IPO in Europe this year, also only raised \$13.6m in its float.

No haircut, but no growth

The small sums being asked for and the relatively low price for each share could also account for the fact that in contrast to their US counterparts all the European companies managed to float at or above their list prices, with many of the issues being oversubscribed.

However, unlike the US companies, none of the non-American companies, including Israeli company Redhill,

have managed to rise above their initial list price. This makes the US crop of IPOs look more like an attractive longer-term bet from an investor point of view.

Abort, abort

Six companies, three in the US and three in Europe, decided to pull their IPOs, mostly citing 'poor market conditions'. Although the precise reasons behind these aborted public attempts are not known, perhaps the US companies, which are not dissimilar in development stage profile to the likes of Tranzyme, AcetRx and Endocyte, were not prepared to take such severe haircut to go public.

Pulled Pharma/Biotech IPOs in H1 2011						
Company	IPO Pulled	IPO Filed	Seeking to Raise	Filed Price	Exchange	Reason
Clarus Therapeutics (CLRS)	11 - Feb - 11	19 - Nov - 10	\$60m	\$11 - \$13	Nasdaq	Market conditions
Philogen	15 - Feb - 11	07 - Feb - 11	€51m - €65m	€4.75 to €6.10	Milan Stock Exchange	Bayer cancelled key cancer collaboration
Aldagen (ALDH)	05 - Apr - 11	28 - Oct - 09	\$80.5m		Nasdaq	Market conditions
Quark Pharmaceuticals	12 - May - 11	24 - Sep - 10	\$20m		Tel-Aviv Stock Exchange	Market conditions
Ambit Biosciences (AMBT)	07 - Jun - 11	05 - Nov - 10	\$86m		Nasdaq	Market conditions
Agendia (AGDX)	20 - Jun - 11	06 - Jun - 11	€75m	€16.35 to €19.15	NYSE Euronext (Amsterdam)	Market conditions
Acquired over IPO						
Prometheus Laboratories (RXDX)	24 May 2011: Company acquired by Nestle Health Sciences for ~\$600m					
Advanced BioHealing (ABHB)	17 May 2011: Company acquired by Shire for \$750m					

Italy's Philogen was uniquely and somewhat bizarrely hit by Bayer's decision to pull the plug on its key research collaboration for two of Philogen's cancer products, radretumab and darleukin. Bayer terminated the deal just three days before the Italian group was about to list on the Milan stock exchange.

Elsewhere, Prometheus Laboratories and Advanced BioHealing opted for trade sales – Advanced BioHealing sold out to Shire the day before its planned IPO – over a public listing, although to be fair both these companies had significant issues which would likely have curtailed their offerings. Prometheus faced deal and patent uncertainty over its biggest product, Entocort EC, throughout its IPO process ([Prometheus' future lies in Astra's hands](#), May 18, 2010) while Advanced BioHealing struggled with manufacturing constraints for Dermagraft ([Shire finds its fourth way](#), May 18, 2011).

Big plans

Of the pending IPOs in the US, Merrimack and Clovis could pull off the biggest public listings since Pacific Biosciences racked up \$200m just under a year ago. Both companies have conducted headline-grabbing financing rounds.

In the last five years Merrimack has raised an impressive \$202m across three financing rounds, the biggest of which was the series G in April this year. Given this heavy and late stage investment and in the absence of a trade sale so far – one of its most promising pipeline candidates, anti-HER3 monoclonal antibody MM-121, has

been licensed to Sanofi – an IPO for Merrimack was inevitable. Perhaps its investors will be hoping somebody swoops Merrimack from the IPO altar, just as Shire did for Advanced BioHealing.

Clovis, a company created mainly around the management team of Pharmion, was only formed two years ago but with an impressive \$146m launch pad. Having licensed three cancer programs from pre-clinical to phase II, the company is seeking a fresh injection of cash through an IPO - perhaps a surprising move but one which was always in the plans of chief executive, Patrick Mahaffy ([EP Vantage Interview - Clovis up and running and seeking more deals](#), December 3, 2009).

Filed & Pending US IPOs		
Company	Filed	Seeking to Raise
Merrimack Pharmaceuticals (MACK)	08 - Jul - 11	\$173m
Clovis Oncology (CLVS)	23 - Jun - 11	\$150m
Insys Therapeutics (INRX)	30 - Mar - 11	\$55m
Supernus Pharmaceuticals (SUPN)	23 - Dec - 10	\$100m
NewLink Genetics (NLNK)	21 - Dec - 10	\$86m
Horizon Pharma (HZNP)	03 - Aug - 10	\$86m

[More from Evaluate Vantage](#)

Evaluate HQ
[44-\(0\)20-7377-0800](#)

Evaluate Americas
[+1-617-573-9450](#)

Evaluate APAC
[+81-\(0\)80-1164-4754](#)

© Copyright 2021 Evaluate Ltd.