

Nabi's demise and cash could attract IPO hopefuls



Evaluate Vantage

Up for sale after the failure of a second pivotal study of its smoking cessation vaccine, Nabi Biopharmaceuticals' chances have been stubbed out ([NicVax failure casts shadow over Nabi's GSK partnership and nicotine vaccines, July 19, 2011](#)). However with a stock market listing and \$100m in the bank the Maryland company should have no problem attracting interest.

That healthy cash pile could well make Nabi an attractive candidate for a reverse merger. Even though the IPO window is barely open – only one life sciences company floated in the US in the third quarter – private enterprises still prefer not to gain a stock market listing through the back door if possible. However, with nine drug developers with active SEC filings eyeing a life on the public markets, Nabi's funds could yet be spent on experimental medicines (see table below).

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Although the trend for reverse mergers – particularly popular in the height of the financial crisis in 2008 and 2009 – has dwindled somewhat, gaining a public listing in this manner remains a decent and viable option.

So far this year six reverse merger deals have been struck, including Allozyne moving into long suffering Poniard Pharmaceuticals and Synageva BioPharma reversing into Trimeris.

Year	Reverse Merger Count
2011 (YTD)	6
2010	4
2009	11
2008	10
2007	6
2006	8

A number of high profile reverse merger deals were struck in 2008 and 2009, and aside from the fact the IPO window was nailed shut, gaining a decent cash pile was a key driver as well – for example Transcept Pharmaceuticals saw Novacea's \$90m as too good an opportunity to pass up ([EP Vantage Interview - Transcept capitalising on Novacea's cash opportunity, April 7, 2009](#)).

Meanwhile the IPO market remains a tough and daunting proposition for many private life sciences companies – only Horizon Pharma managed to go public in the US in the third quarter, bringing the total for the year to just eight new listings ([Tough IPO scene continues in first half 2011, July 12, 2011](#)). On the slightly positive side, Horizon only discounted their share offering by 18%, compared to the average 'haircut' of over 40% for previous IPOs. The company managed to raise \$50m to fund the commercialisation and development of its pain and arthritis pipeline.

As such, the companies listed in the table below may regard Nabi as an attractive alternative to their IPO plans. Of the eleven companies with active S-1 document filings, NewLink Genetics and Clovis Oncology are on the verge of going public, so the Nabi opportunity will have passed them by.

Should Clovis raise the \$130m it is hoping for, it will easily rank as the biggest biotech IPO of the year. Only Merrimack Pharmaceuticals has more ambitious public plans, aiming to raise up to \$173m, and as such would probably rule out a move for Nabi which would be a step down in its aspirations.

However, the \$100m potentially on offer would exceed or meet the expectations for the remaining eight companies considering a public listing. Indeed the last month alone has seen four private biotechs file for an IPO – Cempra, ChemoCentryx, Verastem and Tvax.

Although the banks advising these companies will not like it, Nabi’s demise may just turn one or two heads of the managers and investors in these private companies with public aspirations.

US companies with active S-1 filings in preparation for IPO						
	Company	S-1 Filed	Seeking to Raise	Stock exchange	Lead Underwriters	Comment
1	NewLink Genetics (NLNK)	21 - Dec - 10	\$61m	Nasdaq	Stifel Nicolaus Weisel, Canaccord Genuity, Baird	Plans to sell 5.5m shares at \$10 to \$12 / slated to go public this week 7 Nov
2	Supernus Pharmaceuticals (SUPN)	23 - Dec - 10	\$100m	Nasdaq	Citi, Barclays Capital	
3	Insys Therapeutics (INRX)	30 - Mar - 11	\$55m	Nasdaq	Wells Fargo Securities, JMP Securities	
4	Clovis Oncology (CLVS)	23 - Jun - 11	\$130m	Nasdaq	JP Morgan, Credit Suisse	Plans to sell 9.3m shares at \$13 to \$15 / slated to go public next week 14 Nov
5	Merrimack Pharmaceuticals (MACK)	08 - Jul - 11	\$173m	Nasdaq	JP Morgan	
6	Coronado Biosciences	28 - Sep - 11	\$48m	OTC Bulletin Board	-	
7	Argos Therapeutics (ARGS)	29 - Jul - 11	\$86m	Nasdaq	Lazard Capital Markets, Canaccord Genuity	
8	Cempra Pharmaceuticals (CEMP)	12 - Oct - 11	\$86m	Nasdaq	Stifel Nicolaus Weisel, Leerink Swann, Cowen & Co	
9	ChemoCentryx (CCXI)	14 - Oct - 11	\$69m	Nasdaq	JP Morgan, Citi, Cowen & Co	Originally filed in S-1 in 2008 but withdrawn due to unfavourable market conditions
10	Verastem (VSTM)	03 - Nov - 11	\$50m	Nasdaq	UBS, Leerink Swann	
11	Tvax Biomedical (TVAX)	07 - Nov - 11	\$40m	Nasdaq	Roth Capital	