

2011 IPO vintage goes sour



[Jacob Plieth](#)

Although the IPO window creaked open in 2011 for the first time since the credit crunch, the year now looks unlikely to go down as a biotech vintage. Floats tended to be scaled back sharply, and less than two years down the line several of those that did get away have unravelled.

Last Friday saw the most recent case of this syndrome when Tranzyme Pharma suffered this year's third clinical setback, compounding what had been a severe, 67% price haircut that it had had to endure to get its 2011 float away. Still, it is not all bad news. Yes, 2012 has seen more IPO price cuts, but the aftermarket performance – at least to date – has tended to better than that of the class of 2011 (see table below).

Tranzyme's triple whammy has practically wiped out the company's clinical development pipeline, and it is unknown how much longer it will be allowed to remain listed on the Nasdaq; the current share price of 73 cents gives Tranzyme a market cap of just \$20m – roughly equal to its third-quarter net cash balance.

Friday's failure concerned that of the ghrelin agonist TZP-102, which missed its primary efficacy endpoint in a phase IIb study in diabetic patients with gastroparesis. In March Tranzyme's other project, the similarly acting ulimorelin, failed to show a difference against placebo in a phase III study in postoperative ileus, and it flunked a second pivotal trial in May.

While Tranzyme has pinned its hopes on a phase IIb study of 10mg of TZP-102, which had done better in the failed trial than a higher dose, that paradoxical finding suggests a fluke result. Given the severe discount to expectations at which Tranzyme floated, those shareholders who lost money on the IPO can at least be thankful that they did not lose even more.

Biotech IPOs on western stock exchanges, 2011

Company	Date	Offering price	Range	Change vs range	Exchange	November 20, 2012 close	Change since float
Tibet Pharmaceuticals	January 25, 2011	\$5.50	NA	NA	Nasdaq	\$0.01	-99.8%
Pacira Pharmaceuticals	February 3, 2011	\$7.00	\$14 - \$16	-53.3%	Nasdaq	\$16.00	128.6%
Endocyte	February 4, 2011	\$6.00	\$13 - \$15	-57.1%	Nasdaq	\$8.50	41.7%
Fluidigm Corporation	February 10, 2011	\$13.50	\$13.50 - \$15.50	-6.9%	Nasdaq	\$14.13	4.7%
AcelRx Pharmaceuticals	February 11, 2011	\$5.00	\$12 - \$14	-61.5%	Nasdaq	\$4.24	-15.2%
Kancera	February 25, 2011	Skr7.00	Skr7	0.0%	Stockholm	Skr0.69	-90.1%
Tranzyme Pharma	April 1, 2011	\$4.00	\$11 - \$13	-66.7%	Nasdaq	\$0.73	-81.8%
Karolinska Development	April 15, 2011	Skr42.00	Skr 37 - 42	6.3%	Stockholm	Skr12.10	-71.2%
Sagent Pharmaceuticals	April 20, 2011	\$16.00	\$14 - \$16	6.7%	Nasdaq	\$15.16	-5.3%
Moberg Derma	May 26, 2011	Skr29.00	Skr29	0.0%	Stockholm	Skr38.10	31.4%
Horizon Pharma	July 28, 2011	\$9.00	\$10 - \$12	-18.2%	Nasdaq	\$2.49	-72.3%
NewLink Genetics	November 11, 2011	\$7.00	\$10 - \$12	-36.4%	Nasdaq	\$12.34	76.3%
Clovis Oncology	November 16, 2011	\$13.00	\$13 - \$15	-7.1%	Nasdaq	\$11.89	-8.5%

2012 better

Among the biotechs that have floated this year, none has blown up quite so monumentally, though a cynic would say it is only a matter of time before this happens. While most - including those that had to cut offering prices - are trading water, some have stood out.

Most important is Supernus Pharmaceuticals, a company spun out of Shire, which is the best-performing biotech stock of those floated over the past two years. The company is now within the \$12-14 range at which it had initially wanted to price, having secured first-pass US approval for its epilepsy drug Oxtellar XR ([Supernus hopes successful XR strategy will keep going, October 23, 2012](#)).

As Supernus braces itself to launch an extended-release version of Topamax next year - after Johnson & Johnson's patent on the original drug expires - IPO investors can toast their gains, having pushed the company into cutting its float price to just \$5 and secured a 145% return within six months.

Another spinout riding the crest of a wave is Pacira Pharmaceuticals, a rare success story from the class of 2011. The company was founded five years ago from the investor syndicate buyout of SkyePharma's portfolio of injectables, and the breakthrough came in April with the US launch of the post-surgical pain drug Exparel.

Although Pacira also had to scale back its float price significantly, its subsequent rollercoaster performance showed that the caution was probably justified. Even after Exparel got US approval it took the company six months to launch it.

Other 2012 successes include Kythera Biopharmaceuticals and Intercept Pharmaceuticals, which both floated on October 11. The companies had priced at the top of their ranges, and, having provided a handsome return

within two months of IPO, with hindsight could perhaps have held out for an even higher float price.

Biotech IPOs on western stock exchanges, 2012 to date							
Company	Date	Offering price	Range	Change vs range	Exchange	November 20, 2012 close	Change since float
Verastem	January 27, 2012	\$10.00	\$9-\$11	0.0%	Nasdaq	\$6.91	-30.9%
Cempra	February 3, 2012	\$6.00	\$11-13	-50.0%	Nasdaq	\$5.47	-8.8%
ChemoCentryx	February 8, 2012	\$10.00	\$14-16	-33.3%	Nasdaq	\$12.04	20.4%
Adocia	February 13, 2012	€15.88	€13.00 - 15.88	10.0%	Paris	€8.50	-46.5%
DBV Technologies	March 29, 2012	€8.86	€8.86-10.82	-10.0%	Paris	€8.70	-1.8%
Merrimack Pharmaceuticals	March 29, 2012	\$7.00	\$8-\$10	-22.2%	Nasdaq	\$6.85	-2.1%
Supernus Pharmaceuticals	May 1, 2012	\$5.00	\$12-14	-61.5%	Nasdaq	\$12.72	154.4%
Tesaro	June 28, 2012	\$13.50	\$12-15	0.0%	Nasdaq	\$16.52	22.4%
Durata Therapeutics	July 19, 2012	\$9.00	\$11-13	-25.0%	Nasdaq	\$7.92	-12.0%
Hyperion Therapeutics	July 26, 2012	\$10.00	\$11-13	-16.7%	Nasdaq	\$10.37	3.7%
Clinigen	September 19, 2012	164p	NA	NA	AIM	204p	24.4%
Regulus Therapeutics	October 4, 2012	\$4.00	\$10-12	-63.6%	Nasdaq	\$4.35	8.7%
Kythera Biopharmaceuticals	October 11, 2012	\$16.00	\$14-16	6.7%	Nasdaq	\$24.09	50.6%
Intercept Pharmaceuticals	October 11, 2012	\$15.00	\$13-15	7.1%	Nasdaq	\$21.50	43.3%
Puma Biotechnology	October 19, 2012	\$16.00	NA	NA	NYSE	\$18.50	15.6%

Swedish slide

The same cannot be said for a duo of Swedish companies – the tiny Kancera and Karolinska Development, a conglomerate of research companies spun out of the Karolinska Institute – that have declined slowly rather than suffering major setbacks.

Both had priced within expectations; Kancera's modest \$4.2m raise allowed it to take over iNovacia, a neighbouring business, and the company was back to the market within five months with a rights issue. Meanwhile, Clovis Oncology's recent pancreatic cancer drug failure wiped out strong gains made after the US company's IPO a year ago.

Then there is Tibet Pharmaceuticals, a Chinese company selling traditional Tibetan medicines that floated on the Nasdaq in January 2011. After denying that Tibet's assets were being auctioned off to meet a loan repayment, its CEO tried to take the business private at 45% below the IPO price. The company currently retains a pink sheet listing having lost 99.8% of its float value.

None of 2011's flops can quite match that of Tibet, and the class of 2012 will be hoping that they do not even

come close.

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