

Choice newcomers piggyback on 2012's IPO successes



[Jacob Plieth](#)

You wait ages for an IPO and then three come along at once. Ambit Biosciences, Quintiles Transnational and Sophiris Bio might not all be typical biotechs, but their proposed listings, announced in the past week, suggest that appetite remains for the right floats at the right time.

After all, judging by the performance of the IPO class of 2012, the omens are good. Although only 16 companies braved the public markets last year, 11 of them stood in the black at the end of December, and the last five to float were sitting on especially healthy gains (see table below).

In numerical terms alone there is no way that 2012 can be seen as a bumper year for IPOs – even before considering the number of companies that had had to cut offering prices to get them away. But there can be no denying the recent successes or their stark contrast to what had gone on before ([2011 IPO vintage goes sour](#), November 21, 2012).

No strangers

Interestingly, neither Quintiles nor Sophiris is a stranger to the public markets. The former, the world's largest contract research and services outsourcing company, had been listed until being taken private in 2003 by its CEO, Dennis Gillings. It underwent a shareholder reorganisation five years later in a \$3.8bn deal backed by private equity.

Sophiris, meanwhile, has maintained a relatively illiquid listing on the Toronto stock exchange since 2004. The company is seeking to raise \$74.8m on the Nasdaq, which compared with its current valuation of C\$41m (\$40m) means that the IPO is effectively a recapitalisation.

Ambit on the other hand is a bona fide newcomer, though not for want of trying. The company, developing an early-stage pipeline focused on oncology and inflammation, had tried to go public in an \$86m IPO back in 2010, but had to scrap it the following year citing poor market conditions.

It seems to have scaled back ambitions somewhat the second time around. This time Ambit wants to raise \$57.5m to develop its Astellas-partnered acute myeloid leukaemia project, quizartinib, as well as advancing JAK2 and CSF1R inhibitor programmes.

Sophiris is a one-shot bet on its lead project, PRX302, in phase II for benign prostatic hyperplasia. The indication might be less than thrilling, but as the recent lean years have shown it is not always the high-risk biotechs that succeed at IPO; Sophiris has \$9.7m in cash, and recently appointed a new CEO, Randall Woods.

Quintiles is proposing to raise \$600m, though it has yet to reveal how much of this relates to existing shareholders selling out. Last year it generated net income of \$177m (down 27%) and it is carrying \$1.9bn of net debt – part of the proceeds will go towards paying this down.

High-risk biotech

While of the three only Ambit looks like a typical high-risk biotech investment there are likely as many reasons for listing as there are floats. Many must be eyeing Intercept Pharmaceuticals with envy: the stock finished last year as the best-performing IPO, and it had priced at the top of its range to boot.

The chronic liver disease-focused company is more representative of the types of businesses that get IPOs away in the boom years. A more surprising 2012 success story is Kythera Biopharmaceuticals, which also floated at the top of its price range – on the same day as Intercept – but whose therapy focus is somewhat more outlandish: double chins. Intercept and Kythera finished last year up 128% and 90% respectively.

Company	Date	Range	Offering price	Amount raised	Exchange	December 31, 2012 close	Change since float
Verastem	January 27, 2012	\$9-11	\$10.00	\$55m	Nasdaq	\$8.79	-12%
Cempra	February 3, 2012	\$11-13	\$6.00	\$50m	Nasdaq	\$6.40	7%
ChemoCentryx	February 8, 2012	\$14-16	\$10.00	\$45m	Nasdaq	\$10.94	9%
Adocia	February 13, 2012	€13.00-15.88	€15.88	€25m (\$34m)	Paris	€10.00	-37%
DBV Technologies	March 29, 2012	€8.86-10.82	€ 8.86	€41m (\$54m)	Paris	€8.20	-7%
Merrimack Pharmaceuticals	March 29, 2012	\$8-10	\$7.00	\$100m	Nasdaq	\$6.09	-13%
Supernus Pharmaceuticals	May 1, 2012	\$12-14	\$5.00	\$50m	Nasdaq	\$7.17	43%
Tesaro	June 28, 2012	\$12-15	\$13.50	\$81m	Nasdaq	\$16.95	26%
Durata Therapeutics	July 19, 2012	\$11-13	\$9.00	\$68m	Nasdaq	\$7.64	-15%
Hyperion Therapeutics	July 26, 2012	\$11-13	\$10.00	\$50m	Nasdaq	\$11.28	13%
Clinigen	September 19, 2012	NA	164 pence	£10m (\$16m)	AIM	214 pence	30%
Regulus Therapeutics	October 4, 2012	\$10-12	\$4.00	\$45m	Nasdaq	\$6.30	58%
Kythera Biopharmaceuticals	October 11, 2012	\$14-16	\$16.00	\$70	Nasdaq	\$30.34	90%
Intercept Pharmaceuticals	October 11, 2012	\$13-15	\$15.00	\$75m	Nasdaq	\$34.24	128%
Puma Biotechnology	October 19, 2012	NA	\$16.00	\$120m	NYSE	\$18.75	17%
Nanobiotix	October 24, 2012	€5.04-6.16	€6.00	€14m (\$18m)	Paris	€6.70	12%

Indeed, as far as IPO investors are concerned, last October seemed to be the time to put your money into new biotechs. The three other floats of that month, Regulus Therapeutics, Puma Biotechnology and Nanobiotix, also finished 2012 comfortably in positive figures.

Meanwhile, an early candidate for best-performing 2012 IPO, the Shire spin-out Supernus Pharmaceuticals, has fallen back of late, but still finished the year up 43%. With two versions of established drugs now approved – Oxtellar XR and Trokendi XR – 2013 will be the year for it to prove itself, and its decline since late November must be down to some element of profit taking.

Although the IPO class of 2012 has yet to see any major duds, it does contain notable underperformers, namely Adocia, Merrimack Pharmaceuticals and Durata Therapeutics. Merrimack is surprising in that its irinotecan formulation has been given a new lease of life after Celgene's Abraxane failed to blow the competition away in its phase III pancreatic cancer study.

Durata's lone pipeline project, dalbavancin, has failed to excite investors after barely proving non-inferior to vancomycin in a phase III bacterial skin infection study; a filing is due this year. Adocia's slide on the Paris exchange probably signifies that Europe, in contrast to the US, has yet to fall back in love with biotech.

And that, perhaps, is a theme to watch in 2013. The IPO window might be experiencing one of its sporadic openings, but biotech mania has yet to cross the Atlantic.

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EP Vantage would like to apologise to subscribers for the absence of yesterday's news alert. This was caused by an electrical fault and subsequent power loss at the London office.

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