

IPO numbers stall as 2013 gets under way



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When making your debut on the markets, it seems like last year's fashion for sporting a short back and sides has remained on-trend into 2013. Of the four companies that have so far listed in 2013, all have had to take substantial haircuts to make themselves vaguely attractive to investors, with KaloBios Pharmaceuticals reducing its price the most, by a hefty 38%.

Additionally, the encouraging signs seen late last year that the IPO window could be opening have stalled a little as only four companies floated compared with six a year ago. Unfortunately for VCs outside the US the European shutout of listings continues, with no European companies making the grade. But 2013 is still young and it would be unwise to draw hard conclusions about the future from this quarter's numbers.

In the black

The performance of the four companies since listing has been largely positive, with three remaining in the black by the end of the quarter, with the last to market, Enanta Pharmaceuticals, reporting a 30% gain.

The Massachusetts-based company also had the smallest discount to its offer range, but was bound to attract investor attention with its focus on the white-hot topic of hepatitis C and collaborations with two big pharma partners already in the bag. It is these factors that help get companies away in these lean economic times.

Enanta's lead product, the protease inhibitor ABT-450, is in phase III trials as part of its partner AbbVie's interferon-free combination. And in February 2012 the group cashed in on continued industry interest in coming up with an interferon-free combination by striking a \$440m deal with Novartis for its preclinical NS5A inhibitor EDP-239. The agreement included \$34m up front.

Biotech IPOs on western stock exchanges in Q1 2013

Company	Date	Amount raised	Offering price	Range	Discount/premium	Exchange	Q1 change since float
Stemline Therapeutics	January 29, 2013	\$33m	\$10	\$10-12	(9%)	Nasdaq	14%
KaloBios Pharmaceuticals	January 31, 2013	\$70m	\$8	\$12-14	(38%)	Nasdaq	(24%)
Tetraphase Pharmaceuticals	March 20, 2013	\$75m	\$7	\$10-12	(36%)	Nasdaq	1%
Enanta Pharmaceuticals	March 21, 2013	\$56m	\$14	\$14-16	(7%)	Nasdaq	30%
Average		\$47m			(23%)		5%

Mature products

The second biggest gainer since listing, Stemline Therapeutics, has also managed some de-risking by having two phase II products, but the company is working on a very novel technology that targets both cancer stem cells and tumours.

The approach has seen some success, albeit in very small populations, and most recently reported a complete response for a second patient with drug-refractory and recurrent blastic plasmacytoid dendritic cell neoplasm (BPDCN) treated with a lead compound, SL-401. The blood cancer project is also being developed for acute myeloid leukaemia.

Fashion can play a part in success. Tetrphase, which is in the deeply unfashionable but very necessary anti-infectives space, also struggled to get its IPO away, and what is worse it has since seen little movement in its share price.

The company, which has a phase II antibiotic in the clinic, was forced to take a 36% haircut when it dropped its initial price range from \$10-\$12 to \$8-\$10 and eventually listed at \$7, despite reporting positive results in September for its lead compound, TP-434.

Tetrphase's stock performance might not be much to write home about, but it is better than KaloBios's. The antibody specialist is the only one of the four listed companies to see a share price decline since floating; the stock has fallen heavily, losing 24% of its value.

KaloBios's valuation had already taken a battering when the company listed at \$8; this was 38% below its mid-price range. With few catalysts on the horizon – topline results from its asthma and cystic fibrosis drugs, KB003 and KB001, are not expected before the first and second quarter of 2014 – KaloBio is unlikely to win the crown of the most successful stock debut of 2013.

Others considering listing this year might learn from KaloBio that you have to have enough in the pipeline to keep investors interested. And judging from the dearth of European companies entering the exchanges, it helps to be American.

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