Evaluate Vantage

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Molecular Partners' second try at floating in Europe's tepid waters

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It says a lot about the state of the European market for biotech that, in a year where all kinds of US companies have been warmly received and IPOs there have broken records, a European business of the calibre of Molecular Partners ditched its float last month.

However, Molecular remains undeterred, and this morning resumed IPO bookbuilding, albeit at a much reduced price. Other European floats have got away, though in smaller numbers and generally raising less than their US counterparts, and the lack of fast success stories has been a key recurring theme.

Recent European market entrants include arGEN-X, Abzena and Ergomed, though the amounts that these groups have been able to raise are small relative to those that attracted by US firms (*IPOs surge in Q3 as investor enthusiasm shows no sign of waning, October 2, 2014*).

Indeed, were it not for one company – the UK's Circassia, which raised a huge £200m ($320m) in March – it could be argued that the European IPO window barely opened, despite the untempered surge of investor enthusiasm raging on the other side of the Atlantic.

That said, even Circassia has found the post-float environment difficult, and after a rollercoaster ride its stock sits 6% below its IPO price – a likely result of the lack of generalists willing to invest in biotechs that do float.

Against this background the plight of Molecular becomes a little more understandable, and the fact that its proposed flotation coincided with a surge of deflation-fuelled market jitters did not help either.

The group had initially sought to raise up to SFr151m ($157m) on the Swiss stock exchange, but pulled the float on October 21 citing adverse market conditions. Today it fought back, moving to sell the same number of shares at SFr22.40 each – below the initial SFr28-35 range – to raise SFr96.5m and give it a SFr423m market cap.

Ripe for listing

Certainly Molecular seems more than ripe for a public listing, so the tepid enthusiasm of European investors is unfortunate. It claims to be the only company working commercially on DARPins (designed ankyrin repeat proteins), which attempt to capture antibody-like binding affinity – sometimes against multiple targets – in a smaller molecule.

The group already boasts three key partners in Allergan, Johnson & Johnson and Roche – the last focusing on DARPins' oncology applications. Allergan has heavily touted abicipar pegol, Molecular's most advanced DARPin, which should enter a phase III trial against Lucentis in wet age-related macular degeneration in early 2015.

If any criticism can be levelled against Molecular's management it is that the signing of multiple non-exclusive alliances has reduced the likelihood of a trade sale. More likely to blame for last month's IPO cancellation is the presence of only a few specialist funds, combined with the flight of generalists after failures like Addex Therapeutics.

Just one European company stands out as having enjoyed a surge of investor popularity since recent market entry – the UK's GW Pharmaceuticals – but this represents US sentiment towards an additional Nasdaq listing and could be an isolated case. Since the ADR programme went live last year GW stock has risen 716%.

It is not even as though there are many European companies filing to list and then pulling out – according to data collected by *EP Vantage* over 30 biotech IPOs have been withdrawn this year, but Molecular and Rottapharm are the only two European ones. The depressing conclusion is that either the interest is not there to begin with, or the funds have already been allocated.

The lack of strong interest in the market after an IPO is troubling, and if most of the available specialist money already went into Circassia then Europe has a big problem indeed.

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