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January 21, 2015

JP Morgan and the gift that keeps on giving

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First a frantic build-up, and now the windfalls. In the wake of a supercharged JP Morgan meeting last week, secondary equity offerings worth nearly $1.5bn were launched yesterday as US biotechs took advantage of what is undeniably the most important investor conference of the healthcare calendar.

It is remarkable how few of them actually need the money; but then if relatively insignificant news can make a stock surge – look no further than Arena Pharmaceuticals or Intrexon – then now is the perfect time to raise (see table below). After all, a JP Morgan meeting like this might not come around again for years.

Most amazing is Anlylam, whose proposed $450m secondary takes advantage of a resurgence of interest in RNA interference, and of a share price that resolutely defies gravity despite limited news on the R&D front. $60.7m of stock is being placed with Sanofi, and the pricing of $95 is virtually on a par with the market.

The enthusiasm can be seen in the case of Moderna Therapeutics, which completed a record-breaking $450m private round on January 5 and claims to have cracked the problem of RNA delivery and instability. Both Moderna and Alnylam will boast cash balances of around $1bn, and the latter must now be seen as a potential acquirer.

Moderna marked the flying start to which 2015 had got off in terms of fund-raisings of all sorts, with public biotechs including Cerus, Five Prime Therapeutics, Karyopharm, Ovascience and Synageva moving to raise $70m, $75m, $97m, $115m and $283m respectively.

Once JP Morgan came around Arena, Zafgen and Intrexon all reported positive news, though only Zafgen's seemed truly transformational (*Arena's loss is Zafgen's gain*, *January 8, 2015*). Arena was merely reporting initial data for an S1P1 receptor agonist for autoimmune diseases – a convenient distraction from the lamentable market performance of its obesity drug Belviq.

Yesterday's follow-on biotech financings

Company	Q3 2014 gross cash balance ($m)	Estimated proposed secondary ($m)
Alnylam Pharmaceuticals	590.6	450.0
Puma Biotechnology	153.9	216.0
Intrexon	123.1	150.0
Radius Health	68.5	135.0
Arena Pharmaceuticals	188.3	105.0
Keryx Biopharmaceuticals	118.2	100.0
Zafgen	127.0	95.0
Versartis	181.6	75.0
Vitae Pharmaceuticals	67.8	40.0
Verastem	93.4	40.0
Agile Therapeutics	2.1	20.0

Intrexon teamed up with Ziopharm to license the MD Anderson Cancer Center's less-than-stellar CAR-T technology (*Sleeping Beauty wakes up to $115m deal*, *January 14, 2015*). Since the share prices of all these players surged, it was natural that they should then seek to raise funds while they had the chance.

It is surprising, however, that Ziopharm has yet to reveal its hand in a secondary. Having finished the third quarter with just $46m in the bank Ziopharm clearly needs cash more than Intrexon does, and three years' committed $15-20m of annual funding for MD Anderson is to come from Ziopharm, not Intrexon.

Meanwhile, Radius and Agile are both topping up cash reserves after recently floating, having had to settle for raising around half of what they had wanted to according to their IPO indicative price ranges.

Vitae is another recent Nasdaq entrant – it floated at a 33% discount to its price range – and boasts a phase I BACE inhibitor for Alzheimer's disease, licensed to Boehringer Ingelheim.

Of the 11 companies that moved to tap the secondary market yesterday only Agile seems to have been in financial straits – with just $2.1m to its name at the end of last September. Its $20m private placing was secured to help fund a phase III study of its lead contraceptive patch, Twirla.

For the remainder the old biotech maxim holds true: raise cash not when you need it but when you can.

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