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Biotech valuation more than doubling the day of an IPO



[Jonathan Gardner](#)

Newly floated biotechs have rewarded their IPO investors handsomely in the heat of the bull market, with 2014's class rising 37% on average by year end. Equally impressive, however, is the valuation step-up received by mere virtue of moving to the public markets.

Companies that have floated since the beginning of 2013 saw an average valuation rise of 150% the day of their public premieres, which should be a satisfying reward for the venture investors who provided the early support for many of these high-risk companies (see table). It may help explain the migration of "crossover" money into private biotech funding rounds as these backers go in search of speedy exits ([Where is the venture cash going? To the US and giant B rounds](#), April 23, 2015).

The table below shows that the jump in value is spread fairly broadly throughout the sector, with the usual suspects benefiting more than others. A surprise is that the performance of pre-clinical companies is not especially different from that of those with phase II or III candidates at IPO, which has been a sign of how groups with both attractive valuations and assets have been hunted nearly to extinction in the biotech boom ([No clinical assets? No problem](#), May 8, 2015).

Pre- and post-IPO valuation shifts, by stage and therapy area*						
	Average amount Raised by IPO (\$m)	Average Share Price pre-IPO	Average IPO Offering Price	Average % bump up at IPO	Average SP since IPO	No. of companies in analysis
All IPOs	81	7.46	12.22	150%	52%	100
IPOs that raised \$100m+	147	5.64	18.11	294%	96%	24
IPOs that raised \$80m+	125	6.68	16.44	222%	100%	39
IPOs that raised \$40m+	88	7.43	12.65	136%	62%	89
Phase III companies	94	8.25	12.70	158%	88%	23
Phase II companies	81	7.69	12.32	148%	39%	55
Phase III + II companies	85	7.85	12.43	151%	53%	78
Pre-clinical companies	87	6.08	13.00	132%	141%	4
Oncology companies	87	8.55	12.83	105%	48%	23
CNS companies	55	6.12	10.27	115%	15%	11
Systemic anti-infective companies	67	11.57	10.83	43%	31%	12

**Through end of Q1 2015. Source: EvaluatePharma and SEC documents*

Sweet spot

Of course, it helps to be in the industry sweet spot: an oncology company raising \$100m or more. On average the latter attribute is worth nearly a quadrupling in market valuation at IPO, while the former doubles it. But some groups even in the comparatively un-sexy CNS and anti-infectives spaces have benefited.

That is not to say there have not been some duds: Globeimmune, whose work spans both oncology and anti-infectives, saw its valuation shrink 70% at IPO and it has not come close to recapturing any of its previous glory. Another anti-infective group, Scynexis, dropped 68% in value with its IPO.

On the other hand, CAR-T play Kite Pharma has to be seen as the undisputed champion of the investor chase, its valuation rising 507% at IPO and shares rocketing another 239% afterward. Fellow CAR-T player Juno Therapeutics may be looking on with a tinge of jealousy, as it managed just a 411% increase in valuation at IPO and has eked out a 153% gain since.

What have you done for me lately?

Broadly, the post-IPO performance has been healthy, with a 52% rise in share price. *EP Vantage* has noted the comparative performance of the four pre-clinical groups in this analysis with their lower-risk, late-stage brethren. But as with the IPO step-up, all sectors have been broadly on the increase with oncology and the biggest IPOs pulling the train.

CNS groups stand out in this metric as the most disappointing – a relative term – with just a 15% average share price increase through the end of 2015's Q1. But double-digit increases are more the norm on this measurement than with the IPO bump-up, with only the \$80m-plus IPO and pre-clinical categories managing anything greater than a doubling in share price.

With performances like these, it is no wonder so many biotechs have fallen for the allure of the public markets. But as the debate rages over whether the sector is in a bubble, the question for those companies that have not jumped is whether they are already too late to capitalise – a question that stubbornly private groups like Intarcia Therapeutics need to consider.

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