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The biotech whip-rounds start early

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It is typical of biotech companies to take advantage of enthusiasm around the JP Morgan conference to go cap in hand to investors for more money. The odd thing about the latest iteration of the annual whip-round is how early it has started.

This year's surge of companies announcing secondary offerings got under way even before the New Year's Eve party hangovers had had a chance to subside. And for good reason: with shares plummeting on turmoil in the Chinese stock market, never has the saying been more apt that you raise cash not when you need to but when you can.

Indeed, the past three days alone have seen just under $1.7bn of secondary offerings announced. Given how poorly the year has started on Nasdaq the likely explanation is that we are seeing a panic to raise cash at a sustainable price before the markets turn ugly in the run-up to the summer and the uncertain new world presaged by this year's US presidential elections.

Some of the offerings from before Christmas are an example of companies taking advantage of investor sentiment – such as it was – around ASH, the last important scientific meeting of the year. This was obviously the case for Kite Pharma, for instance, which completed a $287.6m offering in the week that ASH finished.

Still, Kite has one thing in common with many of the other secondaries, namely that it is not exactly in desperate need of this money; the group had $368.6m in the bank at the end of the third quarter.

The same theme was in play just under a year ago, when numerous biotechs completed significant raises despite already being flush with cash (*JP Morgan and the gift that keeps on giving, January 21, 2015*). The difference this year is that companies are not waiting for JP Morgan to get under way, suggesting that there are actually few catalysts to look forward to next week.

Recent biotech secondary offerings			
Company	**Amount being raised**	**Date announced**	**Share performance YTD***
Ardelyx	$86.3m	6 Jan 2016	-17%
Sage Therapeutics	$172.5m	5 Jan 2016	-15%
Otonomy	$115.0m	5 Jan 2016	-24%
Acadia	$345.0m	5 Jan 2016	-18%
Adamas	around $80.0m	5 Jan 2016	-17%
Epizyme	$138.0m	5 Jan 2016	-28%
Cempra	$201.3m	5 Jan 2016	-21%
Prothena	up to $137.1m	5 Jan 2016	-20%
TherapeuticsMD	$143.8m	5 Jan 2016	-19%
Akebia	$86.3m	4 Jan 2016	-26%
Acceleron	$172.5m	4 Jan 2016	-24%
Northwest Biotherapeutics	$12.6m	23 Dec 2015	-11%
Nanosphere	$10.0m	17 Dec 2015	-5%
Sunesis	$26.2m**	16 Dec 2015	-3%
Aeterna Zentaris	$16.7m	8 Dec 2015	-19%
Kite Pharma	$287.6m	8 Dec 2015	-7%
CTI Biopharma	$55.0m**	4 Dec 2015	-2%
Portola	$172.5m	4 Dec 2015	-11%
*Notes: *as at market close 6 Jan 2016; **preferred stock.*			

A quick scan of the recent offerings shows the carnage that has been inflicted on share prices as investors digest the effect of dilution on stocks already fading in a suddenly bearish market.

Hardest hit in the past few days have been Epizyme, Akebia, Otonomy and Acceleron. Like Kite, these groups' third-quarter reports reveal healthy cash positions: $229.9m, $157.5m, $199.2m and $115.9m respectively.

The worrying aspect is not only the perilous state of the markets – the Nasdaq biotech index is off 7% since the start of this month – but also that no company appears to be immune. Acceleron, for instance, has endorsement as a key licensing partner of Celgene's, while Adamas was basking in the clinical success of its Parkinson's dyskinesia project amantadine.

If what we are seeing is a general flight from risky assets then biotech could be in for the roughest year since the current bull market started in 2011. Hopes that JP Morgan will come to the rescue are fading fast.

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