

Biotech IPOs slow, but appetite for size remains unsatisfied



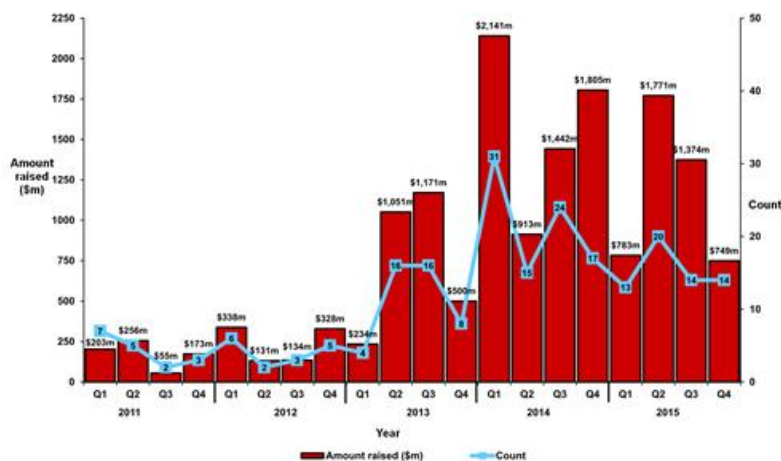
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Biotech flotations might have slowed last year, but considering the wider performance of jittery equity markets the sector can still be proud of its record. A total of 61 drug developers listed on Western exchanges raising \$4.68bn in 2015, by *EvaluatePharma's* calculations (see tables below).

While both of these tallies fell short of 2014's impressive output, the average amount raised edged 6% higher to \$76.7m. This suggests that investor appetite for substantial offerings remained strong last year, and raises the question of whether this interest can be sustained in 2016. There are good reasons to be cautious, such as the drop in the Nasdaq biotech index so far this year, and a notable absence of any biotech IPOs on the exchange in December.



Biotech initial public offerings by quarter on Western exchanges (excludes medtech)



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The sector's bellwether index hosted 11 flotations in the fourth quarter, one more than in the preceding period, although only one netted more than \$100m. Wave Life Sciences raised \$102m; the company has developed a synthetic chemistry drug platform, but has yet to take any candidates into the clinic.

This relative lack of sizeable IPOs – seven had raised more than \$100m in the third quarter – contributed to the quiet end to the year. The table above shows that in the last quarter of 2015 companies raised \$749m, the smallest amount since the same period in 2013. The data in this analysis are drawn only from companies developing human therapeutics – medtech, for example, is excluded – and those listing on exchanges in North America or Europe.

The table below points to some big fourth-quarter "haircuts" – when companies are forced to lower their valuation to persuade investors to jump on board. Mirna Therapeutics was the biggest casualty here, eventually floating in October at half the price it initially wanted. Admittedly drawing conclusions from these data on a quarterly basis is difficult, and a look across 2015 as a whole suggests that investors became more receptive than in previous years, or that valuations were pitched more realistically.

Nasdaq premium/(discount) to IPO price range	
Period	Average
Q1 2012	(26%)
Q2 2012	(31%)
Q3 2012	(21%)
Q4 2012	(17%)
FY 2012	(24%)
Q1 2013	(23%)
Q2 2013	(12%)
Q3 2013	(6%)
Q4 2013	(31%)
FY 2013	(15%)
Q1 2014	(9%)
Q2 2014	(18%)
Q3 2014	(16%)
Q4 2014	(9%)
FY 2014	(12%)
Q1 2015	(7%)
Q2 2015	(5%)
Q3 2015	6%
Q4 2015	(17%)
FY 2015	(5%)

Notwithstanding a potential hardening of the climate towards the end of the year, 2015 yielded a bumper crop of new issues in the context of the sector's performance over the last five years.

And with the number of IPOs raising more than \$100m steady on 2014 it is clear that investors remain keen to back big stories with big bucks. This "safety in numbers" strategy has also emerged in venture capital investment, and it is frequently the same companies that are receiving big investment rounds from private and then public investors. For example Adaptimmune, this year's third-biggest biotech IPO, received the fourth-biggest venture investment in 2014.

The gravitation of capital towards the chosen few is likely only to make life tougher for those without the pull of a trendy therapy area or well-known management team. The biggest haircuts are frequently taken by smaller offerings, and as 2016 progresses it will be interesting to see how this end of the market fares, particularly if equity markets remain volatile.

For 2014's bumper haul to be matched again, both large and small offerings need to get away in large numbers once again.

Year	No. of IPOs	Amount raised (\$bn)	Avg. amount raised (\$m)	No. IPOs raising >\$100m
2015	61	4.7	76.7	17
2014	87	6.3	72.4	18
2013	44	3.0	67.2	7
2012	16	0.9	58.2	2
2011	17	0.7	40.4	2

A look at the companies already filed to walk through the door this year should provide some comfort to those fretting about a slowdown. Notable prospects include the high-profile gene-editing specialist Editas with its CRISPR platform, orphan disease player Audentes Therapeutics, and Reata Pharmaceuticals, a long-established company working in kidney disease. Each of these is seeking to raise \$80-\$100m.

It seems safe to conclude that the frothy state of the sector in 2014 was unsustainable. The next question is whether the same can be said for 2015 – how new issues perform for investors in the coming months will be a big influence on future demand, and the progress of last year's crop is encouraging so far.

However, one thing is certain: while the markets allow, bankers will remain highly motivated to keep the IPO queue moving forward.

Company	Amount raised (\$m)	Offering price (\$)	Discount/premium	2015 YE chg since float
Axovant	315	15.00	(3%)	20%
NantKwest	208	25.00	16%	(31%)
Adaptimmune	191	17.00	6%	(29%)
Spark Therapeutics	161	23.00	10%	97%
Aimmune Therapeutics	160	16.00	7%	15%
Blueprint Medicines	147	18.00	0%	46%
Regenxbio	139	22.00	47%	(25%)
ProNAi Therapeutics	138	17.00	6%	(12%)
Seres Therapeutics	134	18.00	6%	95%
Global Blood Therapeutics	120	20.00	33%	62%
<i>Average across top 10 IPOs</i>	<i>171</i>	<i>-</i>	<i>13%</i>	<i>24%</i>
<i>Average across all 61 IPOs</i>	<i>79</i>	<i>-</i>	<i>(5%)</i>	<i>8%</i>

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