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Imperial marches against the tide with big funding round

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The £100m ($146m) fund raising Imperial Innovations announced today is significant not just because of the amount but also because it got away at all in such a tumultuous biotech market.

The 8% premium on yesterday's close is a sign that in spite of investors' general flight from biotech there is still appetite for the venture-style approach taken by Imperial. Indeed, this is the second closing in a week for a UK-based early-stage investor, indicating that the market implosion has not discouraged those financiers willing to be patient with young companies (*Interview – Medicxi emerges from Index Ventures with life science focus, February 2, 2016*).

No doubt preparations for this were laid well before the market tailspin began in earnest at the beginning of 2016. But as a biotech investor rather than a developer itself, it could be that Imperial is viewed as a safer harbour in that the risk is spread throughout a large portfolio.

Against trend

Indeed, if anything, Imperial seems to be going against trend when it comes to biotech spending.

While investors in public companies knocked $644bn from biopharma valuations in the opening month of 2016, Imperial spent more than £49m in ventures ranging from a series A round for the diagnostics company Inivata to an investment in University College London's technology fund (*No safe haven as January crash wipes $644bn off biopharma, February 3, 2016*).

January's activity alone nearly matches the £60.8m in investments Imperial made in portfolio companies in the 12 months ended July 31. The company's investment in its portfolio companies in the first five months of this fiscal year has been £21.2m, with an addition of five companies to the stable, bringing the total to 103 companies.

The new funding is to be used to expand Imperial's stake in existing portfolio companies, invest in new groups and in technologies emerging from the UCL collaboration.

Imperial appears to be weathering the storm, and indeed seems to see the current market tumble as a buying opportunity. However, it has its own catalyst later this year. Circassia, one of Imperial's bigger investments, is due to report phase III data for its ToleroMune cat allergy vaccine in the second quarter. In a market driven by sentiment Imperial's 9% stake in Circassia could weigh heavily on its shares in the event of failure.

Nevertheless, the fact that biotech has come off the boil should not necessarily deter investment in early-stage research. It could be that a patient approach like Imperial's, with many of the catalysts of its portfolio companies beyond the window of the current market crash, could be a safer one in uncertain times.

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