

## Second-quarter biotech IPOs stagnate as outlook worsens



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The biotech IPO market limped onwards in the second quarter of the year, with 14 drug developers going public in the US and Europe, raising an average \$42m each. Several companies had to carve big chunks out of their valuations to get away, however, and the scene is undoubtedly a shadow of its former self (see tables below).

Unfortunately for those still hoping to brave a public life this picture is unlikely to improve in the second half of the year, given that already jittery markets now have Brexit to worry about as well. Those tracking the IPO scene should brace themselves for more news on scaled back and cancelled offerings.

Companies including BioCardia, GenSight and PLx Pharma scrapped plans to list in the US - GenSight instead floated in Europe, raising less than half it was originally aiming for. They will no doubt be followed by others in the coming months, as investors continue to flee to lower-risk propositions ([Scuttled IPOs cast pall on struggling biotech sector](#), April 20, 2016).

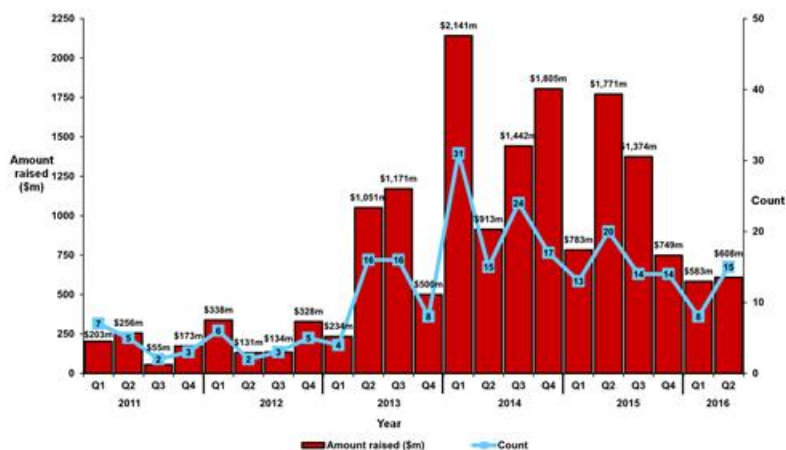
Biotech IPO market by year				
Year	No. of IPOs	Amount raised (\$bn)	Avg. amount raised (\$m)	No. raising >\$100m
H1 2016	23	1.19	54.1	1
2015	61	4.68	76.7	17
2014	87	6.30	72.4	18
2013	44	2.96	67.2	7
2012	16	0.93	58.2	2
2011	17	0.69	40.4	2

A look at the table above raises the question of whether 2016 will be able to match 2013, when biotech companies raised almost \$3bn in the IPO market. The average amount raised over the last six-month period is running historically low, with only one \$100m-plus float.

That was conducted by the CRISPR specialist Intellia Therapeutics; its fund raising success is perhaps not surprising given the huge excitement around the gene editing field ([Genome editing attracts big bucks from Bayer and Baxalta](#), February 29, 2016). With no other big IPOs on the horizon, it seems likely that 2016 will see a big drop in the number of these sizeable flotations compared with last year.

Still, as the graph below shows, at least the second quarter managed to rake in a touch above the first quarter, in terms of the amount raised and number of flotations. Only eight companies got away in the first three months of the year - the Nasdaq biotechnology index plunged 23% in January alone - and those that did were relatively big offerings able to weather the storm.

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



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In the second quarter a few smaller offerings managed to creep out as the markets settled, although several had to slice their offer price. Both Clearside Biomedical and Oncobiologics had to accept half the valuations they had originally targeted, while the situation for Aeglea Biotherapeutics and Merus was not much better.

No company managed to upsize – Intellia and Moloculin stand out as the best performers in this regard, both pricing at the top of their range. Both have fared relatively well on the stock market since.

Aeglea stands out as a very poor performer on this measure. After having to slash its valuation and sell more shares than originally planned, the stock has slumped since its debut. Shares of the company, which is working on a treatment for the rare inherited disorder arginase deficiency, are trading at \$4.65 – the IPO was initially pegged at \$16-18.

**Q2 biotech IPOs on Western exchanges (all Nasdaq unless stated)**

Company	Amount raised (\$m)	Offering price	Premium/ (discount)	2016 Q2 chg since float
Intellia Therapeutics	113	\$18.00	6%	19%
Selecta Biosciences	70	\$14.00	(7%)	(0%)
Reata Pharmaceuticals	61	\$11.00	(27%)	80%
Merus	55	\$10.00	(33%)	(20%)
Clearside Biomedical	50	\$7.00	(53%)	0%
Aeglea Biotherapeutics	50	\$10.00	(41%)	(51%)
Syros Pharmaceuticals	50	\$12.50	(17%)	45%
GeNeuro (Euronext)	37	€13.00	(9%)	(32%)
Oncobiologics	35	\$6.00	(50%)	(43%)
ASIT biotech (Euronext)	27	€7.00	(13%)	(9%)
Mereo BioPharma (LSE)	21	£2.21	-	33%
PhaseRx	19	\$5.00	(17%)	(16%)
Spring Bank Pharmaceuticals	11	\$12.00	(8%)	(21%)
Moloculin	9	\$6.00	9%	33%
<i>Average</i>	<i>42</i>		<i>(20%)</i>	<i>(0%)</i>

Of course any period will contain leaders and laggards, and the fortunes of these early-stage drug developers can shift dramatically and quickly. However, in terms of overall trends it is clear that a dip in activity is under way; it will take a few more quarters to determine whether companies across the board must now accept lower valuations.

A look at the IPO queue yields little to get excited about. News is awaited from Gemphire Therapeutics, which was targeting a \$45m IPO, while Switzerland's AC Immune filed for a \$50m float at the end of May, a few weeks after beefing up its balance sheet with a \$44m private series E round.

With evidence mounting of a retrenchment in venture financing to echo the rout on the equity markets, life is undoubtedly getting tougher for cash-hungry biotechs.

<b>Nasdaq premium/(discount) to IPO price range</b>	
<b>Period</b>	<b>Average</b>
Q1 2012	(26%)
Q2 2012	(31%)
Q3 2012	(21%)
Q4 2012	(17%)
<b>FY 2012</b>	<b>(24%)</b>
Q1 2013	(23%)
Q2 2013	(12%)
Q3 2013	(6%)
Q4 2013	(31%)
<b>FY 2013</b>	<b>(15%)</b>
Q1 2014	(9%)
Q2 2014	(18%)
Q3 2014	(16%)
Q4 2014	(9%)
<b>FY 2014</b>	<b>(12%)</b>
Q1 2015	(7%)
Q2 2015	(5%)
Q3 2015	6%
Q4 2015	(17%)
<b>FY 2015</b>	<b>(5%)</b>
Q1 2016	(11%)
Q2 2016	(20%)

*This story has been updated to note that GenSight went on to conduct an IPO in Europe.*

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