

Biotech IPO market remains open but investors prove picky eaters



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The biotech IPO market staggered onwards in the third quarter of the year, with 10 new issues reaching western exchanges and raising \$525m, according to *EvaluatePharma*. Investor appetite for these propositions might have diminished significantly, but the market is far from closed.

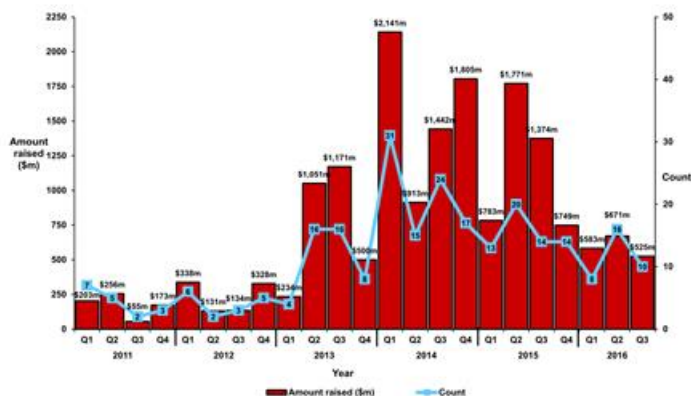
As Crispr Therapeutics demonstrates, however, investor enthusiasm is easily tested in the current climate. The third high-profile gene editing company to go public had to trim its price and downsize its offer to get away, which just about managed to prevent a tumble when the shares opened for trading today.

In its original SEC filing Crispr said it wanted to raise \$90m, but it has gradually whittled this down to \$56m. It finally floated today at \$14 a share after selling four million new shares – the range was previously pitched at \$15-17 with 4.7 million shares. The stock opened above \$15 today.

The post-IPO performance of rivals Editas Medicine and Intellia Therapeutics, which also went public this year, cannot have helped its case. These stocks are respectively 14% and 33% below their offer price. Crispr has raised half the amount of its predecessors, with concerns including IP protection and development timelines having taken the shine off this hot gene therapy approach for investors.



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



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Still, Crispr is not included in the analysis above, which runs until the end of September. This includes companies developing human therapeutics only – medtech and diagnostics are excluded.

Similar amounts were raised each quarter so far in 2016, and were noticeably below the levels seen in the past two years. Many investors have taken cash out of this high-risk sector since the beginning of 2016, exiting with the deflating biotech bubble, amid ongoing concerns about drug pricing.

It is also notable that of the 10 flotations identified this quarter, four occurred in Europe. With only six flotations in the US, activity in this region matches the rate seen in the first quarter, in the wake of the Nasdaq Biotechnology Index crash in January.

As such, flotations need to pick up in the final quarter of the year for 2016 to reach 2013 levels. It seems more likely that the average amount raised will be a touch lower, as this year has seen a notable lack of big offerings. The exit of crossover funds, which help prop up substantial flotations, is one reason for this.

Biotech IPO market by year				
Year	No. of IPOs	Amount raised (\$bn)	Avg. amount raised (\$m)	No. raising >\$100m
9M 2016	34	1.78	52.3	2
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

Next quarter could see at least one large offering: Myovant Sciences promises to be the biggest IPO of the year so far. The company has a novel GnRH receptor antagonist in mid-stage trials for uterine fibroids, endometriosis and prostate cancer and is seeking up to \$195m to run three phase III studies. Relugolix was licensed from Takeda, which retained domestic rights - the Japanese pharma company will report pivotal data on the compound next year.

Still, the looming US presidential election provides a good reason for companies to pause financing plans - to avoid any market volatility - so the end of 2016 could easily see a drop-off in activity. The data this quarter show that many companies had to take haircuts to get away, perhaps providing even more reason to delay, in the hope of a return to more buoyant times.

As always, however, investor appetite is also heavily influenced by the performance of recent IPOs, and on this measure the class of 2016 is struggling. Although there are success stories - like Novan and AC Immune in the table below - there are also a number of disappointments. Alongside the poorly performing Crispr stocks, the likes of Aeglea Biotherapeutics and Oncobiologics remain well below their offer prices.

They have not been helped by deflated biotech indices, of course. Should these struggle to hold up in the coming months - and there are plenty of potential events to trigger a downturn - the IPO market of 2017 could start to look even sorrier.

Q3 biotech IPOs on Western exchanges (all Nasdaq unless stated)					
Company	Amount raised (\$m)	Offering price	Discount/premium	First-day close	2016 Q3 chg since float
Synact Pharma*	9	SEK6.4	-	(19%)	11%
GenSight Biologics^	44	€8.00	(6%)	2%	11%
Pharnext^	34	€10.82	(10%)	(5%)	(4%)
Audentes Therapeutics	75	\$15.00	0%	1%	19%
Kadmon	75	\$12.00	(33%)	(19%)	(39%)
Gemphire Therapeutics	30	\$10.00	(17%)	(8%)	9%
Protagonist Therapeutics	90	\$12.00	0%	(3%)	76%
Novan Therapeutics	52	\$11.00	(8%)	65%	83%
AC Immune	66	\$11.00	(8%)	42%	50%
NOXXON Pharma^	49	€21.34	-	1%	1%

*AktieTarget; ^Euronext.

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