

The Indomitable Biotech IPO Window— What’s Keeping It Open?

By Mark G. Edwards

There’s a longstanding adage in the biopharma industry that biotech initial public offering (IPO) windows creak open but slam shut. After seven years of capital markets being receptive to biotech public financings, one might have predicted that the industry’s IPO window would be a casualty of the COVID-19 pandemic. Way wrong!

As shown in Figures 1 and 2, the 53 biotech IPOs on U.S. exchanges year-to-date (YTD) have just surpassed all of 2019 in quantity, and have roughly doubled the aggregate amount raised last year. Even more impressive is that the median IPO proceeds of \$178 million per IPO are more than double the highest level seen in prior years (Figure 3 on page 56), and the median post-IPO market capitalization of \$658 million per biotech is more than 50 percent higher than previously seen (Figure 4 on page 57).

To understand what is keeping this IPO window open, we took a look back at the approximately 450 companies that have successfully gone public since January 2013. As listed in Table 1 on page 57, we tested three hypotheses: (1) Insider participations in IPOs are motivating bankers with outsized transaction fees;

(2) Public concerns with infectious diseases, most recently the COVID-19 pandemic, are provoking a flurry of new entrants in these areas; and (3) Substantial collaborations (of more than \$100 million corporate alliances) and acquisitions are providing sustained resources to augment product development and commercialization.

Methodology. For purposes of this analysis, we looked at all biotech IPOs on U.S. stock exchanges since January 2013 (“the 2013-20 IPO Class”).

We found 447 through August 21, 2020, the date that Kymera Therapeutics became the 53rd biotech IPO of 2020. The key financial and other elements (*e.g.*, most advanced stage, technology, therapeutic area) for each offering are shown in the Biotech IPOs spreadsheet <https://www.lesi.org/publications/les-nouvelles/edwards-march-2021-article-links>. This spreadsheet also has links to each IPO offering document on the SEC’s EDGAR (Electronic Data Gathering Analysis and Retrieval) website.

In addition, the “Alliances” tab of the Biotech IPOs spreadsheet lists the most significant \$100 million plus corporate alliance (as measured by total potential alliance payments) announced by each biotech company before (pre-IPO) or after (post-IPO) the pricing of its IPO. This tab also lists the acquirer and acquisition valuation of the 40 companies from the 2013-20 IPO Class that have been acquired since going public. Subscribers to *BiosciDB.com* may also access the deal press release, financial notes disclosures and/or full deal contract(s) by following the “Deal” link for each alliance or acquisition.

Insider Participations. In January of 2018 we published an article

■ Mark G. Edwards,
Managing Director,
Bioscience Advisors, Inc.,
Walnut Creek, CA
E-mail: medwards@
biosciadvisors.com

Figure 1. \$12 Billion Has Been Raised By 2020 IPOs So Far, Twice As Much As Was Raised In All Of 2019

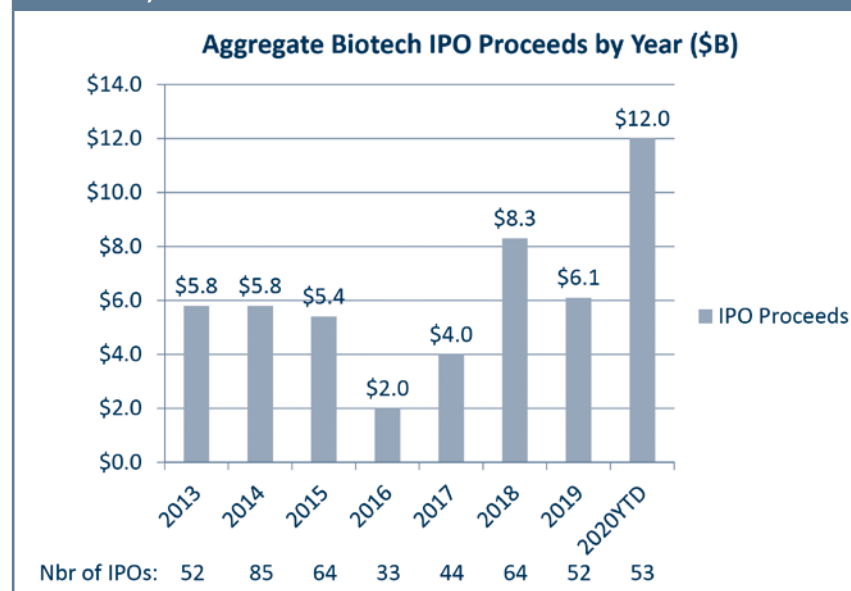


Figure 2. 2020 IPO Biotechs Vs. 2019 IPO Biotechs*

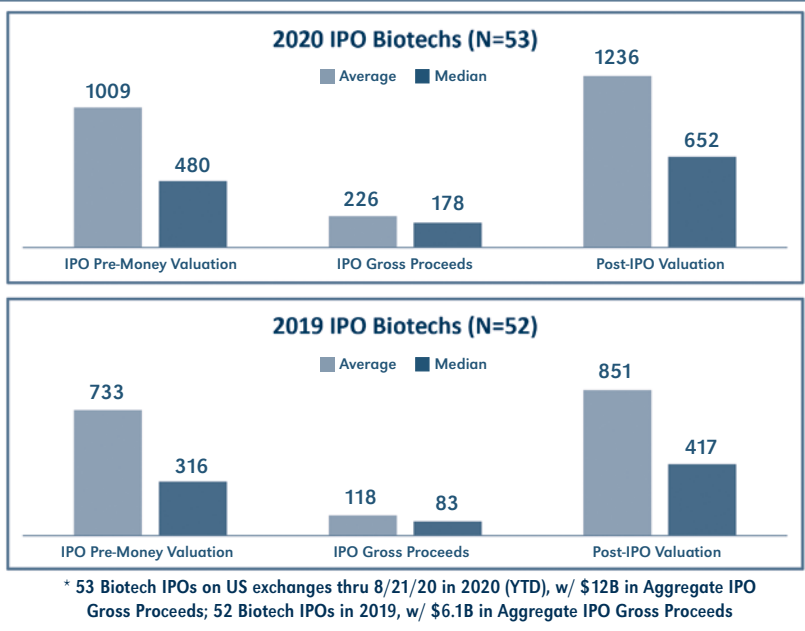
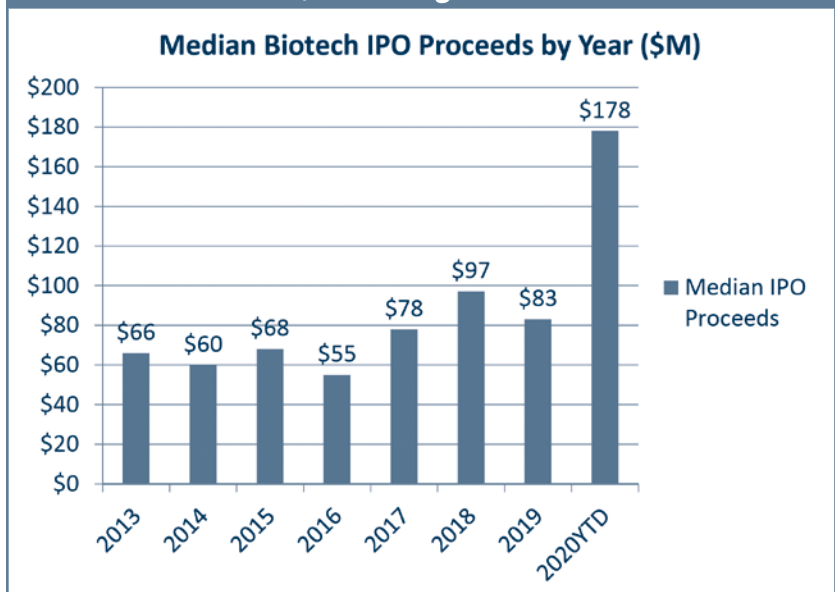


Figure 3. 2020 Median Biotech IPO Proceeds Have Doubled Over 2019, And Larger Gains Over Prior Years



entitled “The Best Biotech IPO Window...that Money Can Buy.” Visit: <https://bioscibd.com/best-biotech-window/#1>. This analysis suggested that the prevalence of insider participations in biotech IPOs might well account for the longevity of the biotech IPO window, then entering its sixth year. However, as shown in Figure 5 on page 57, over the past two years biotech IPOs have become far less reliant on insider participations. For IPOs in 2020, for example, only 10 of 53 offer-

ings had insider participations, and these accounted for only \$300 million of roughly \$12 billion in aggregate IPO proceeds.

Infectious Disease Focus. Table 2 on page 58, shows the primary therapeutic focus of companies in the 2013 to 2020 IPO Class at the time of their IPO. Fully 124 companies (28 percent) were in the clinic with cancer compounds or developing such compounds on the basis of mechanism of action (MOA). An additional 94 companies (21 percent) were similarly engaged in clinical or MOA-based drug development with respect to CNS, hematologic or genetic/orphan diseases.

Thirty biotechs (7 percent) were primarily focused on anti-infectives at the time of IPO. If one adds those companies in autoimmune, inflammatory and respiratory diseases, any of which might easily pivot to infectious diseases, plus 28 diagnostic companies, that still only accounts for 19 percent of the total 2013 to 2020 IPO Class.

Substantial Collaborations & Acquisitions. Figure 6 on page 58, shows the aggregate, average, and median deal values of pre-IPO, post-IPO and acquisition deals involving the 2013 to 2020 IPO Class. The individual deals are listed in the Alliances tab of the Biotech IPOs spreadsheet. As an example, Figure 7 on page 58, is a snapshot of the most recent such alliance—the \$2.3 billion pre-IPO deal between Kymera and Sanofi. (We’ve attached deal snapshots for the dozen most recent such pre-IPO alliances here, <https://www.lesi.org/publications/les-nouvelles/edwards-march-2021-article-links>.)

To put the aggregate amounts in context, the aggregate amount of IPO proceeds raised between 2013 and 2020 YTD is \$49.4 billion. The \$85.9 billion in aggregate pre-IPO potential alliance payments plus \$113.2 billion of such payments for alliances commenced post-IPO are collectively 300 percent more than all IPO proceeds over the past seven-and-a-half years. Similarly, the \$83.8 billion in acquisition payments for 40 of the 2013 to 2020 IPO Class members represent aggregate cash returns to investors of 70

Figure 4. 2020 Median Biotech Post-IPO Valuations Are 50%+ Higher Than In Most Recent Years

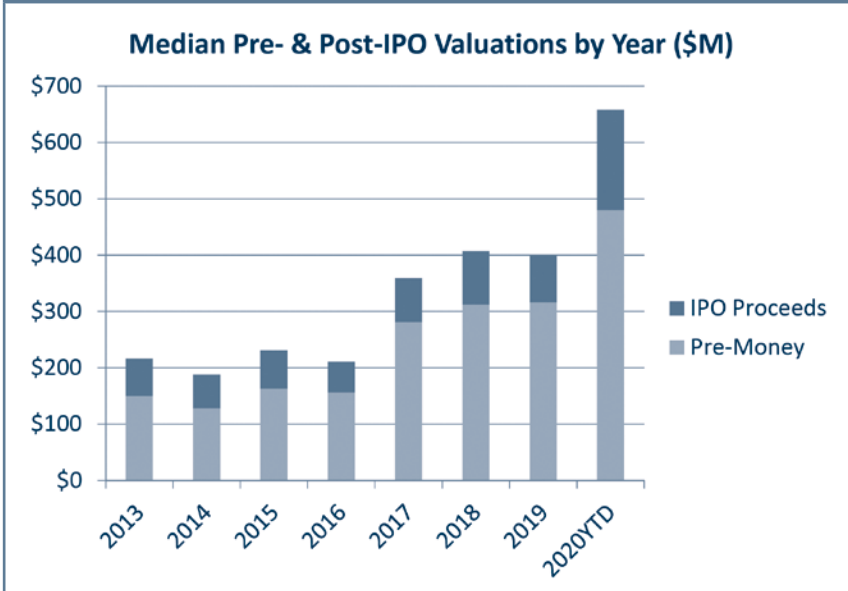


Figure 5. Over The Past Two Years, The Biotech IPO Window Has Become Far Less Reliant On Insider Participations

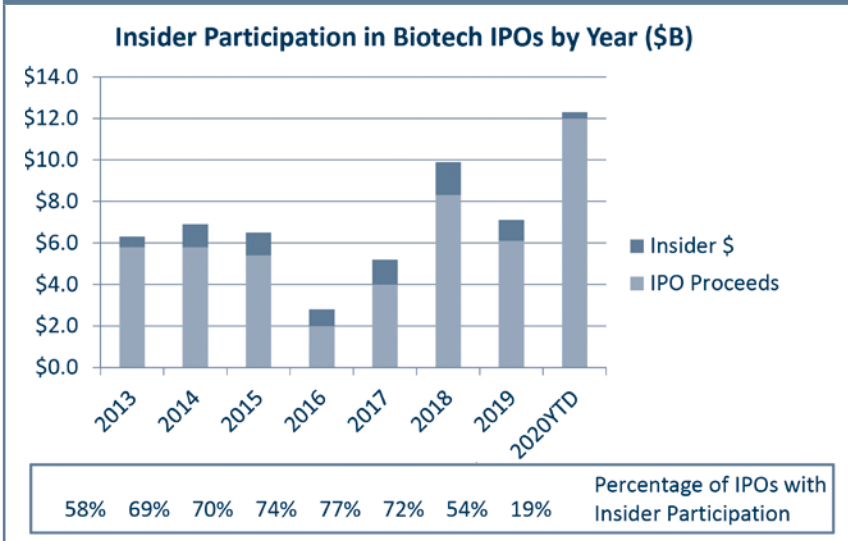


Table 1. The Indomitable Biotech IPO Window... Open For 90 Months And Still Going Strong

What Has Kept this Window Open ...
Insider Participation in the IPO?
COVID, Ebola, MERS, SARS, Zika, Avian Flu?
\$100M+ Corporate Alliances?

percent more than all biotech IPO proceeds since 2013.

Finally, as confirmation of the contribution of the \$100 million plus alliances to the sustained longevity of the biotech IPO window, we looked at the 2013 to 2020 IPO Class versus all other biotech companies' presence as licensors in \$100 million plus alliances over the past nine years. As shown in Figure 8, the 2013 to 2020 IPO Class companies have garnered roughly one-third of all potential alliance payments in major alliances announced within the entire biopharma industry since 2012.

Conclusion. While corporate alliances have always been integral to the growth of the biopharma industry, the size, number, and participation in such alliances by private and newly public biotech companies appears largely responsible for the creation of something that has eluded the industry over the past four decades—a sustainable path to investor liquidity via IPO. ■

Available at Social Science Research Network (SSRN): <https://ssrn.com/abstract=3771465>

Table 2. Therapeutic Focus Of Biotech IPOs Has Been In Traditional Disease Categories

49% of the 2013-20 Biotech IPO Companies were in Cancer, CNS, Blood & Rare Diseases

- 124 Companies in Cancer
- 49 Companies in CNS
- 45 Companies in Blood, Genetic or Orphan

19% of Biotech IPO Companies In/Near Infectious Diseases:

- 30 Companies in Anti-infectives & Vaccines
- 28 Companies in Autoimmune, Inflammation or Respiratory Diseases
- 28 Companies in Diagnostics

Figure 6. 2013-20 IPO Biotechs Have Garnered Significant Funding Via \$100M+ Alliances & Acquisitions

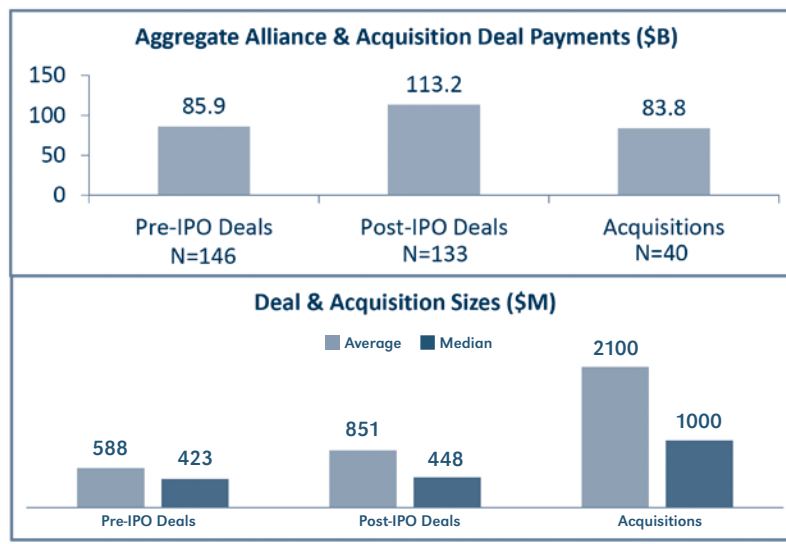


Figure 7. Kymera's Preclinical & Discovery Alliance For Small Molecule Protein Degraders To Treat Inflammation

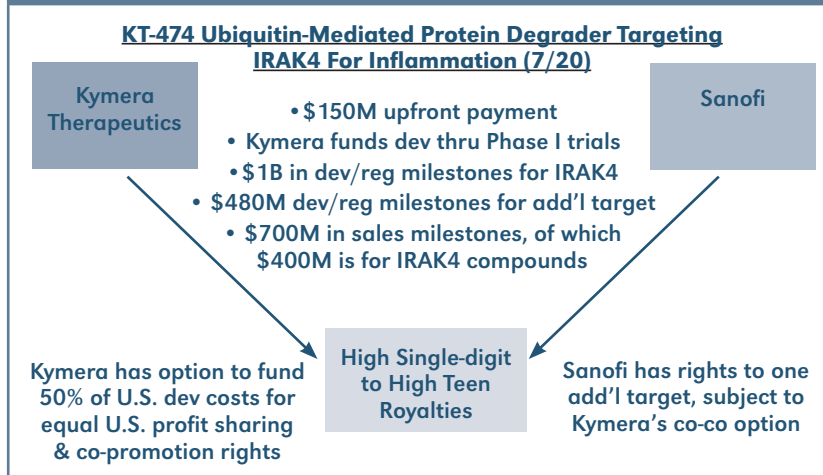


Figure 8. IPO Class of 2013-20 Companies Have Been Prominent Licensors Across All \$100M+ Alliances (\$B)

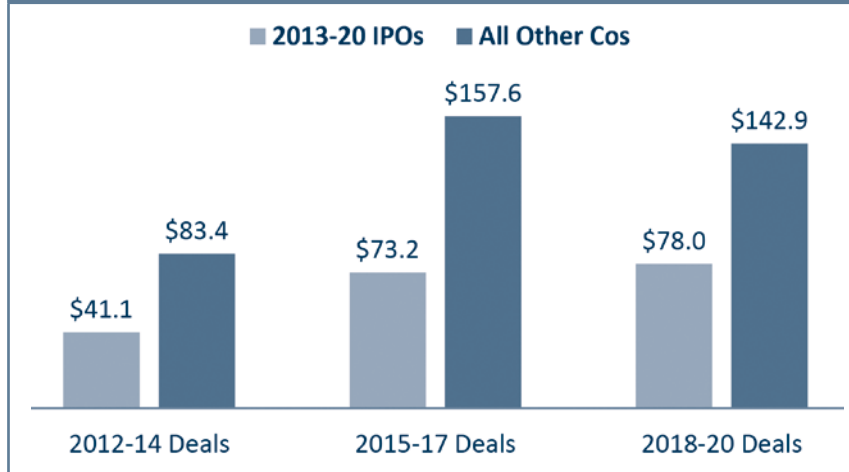


Table 3. The Indomitable Biotech IPO Window... Open For 90 Months And Still Going Strong

What Has Kept this Window Open ...
Insider Participation in the IPO? X
COVID, Ebola, MERS, SARS, Zika, Avian Flu? X
\$100M+ Corporate Alliances? !!!