

Good Medicine: Biotech IPOs Hold their Own in 2016

By Greg Kramer | October 31, 2016

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Initial public offerings in the United States for biotechnology and medical device companies remained resilient in 2016, based on research showing 31 deals consummated for aggregate gross proceeds to issuers of approximately \$1.4 billion. So far, biotech and med device IPOs comprised approximately 33 percent of all U.S. IPOs for 2016, which totaled 94. While there were fewer biotech IPOs in 2016 than in 2014 (71 IPOs for aggregate proceeds of \$5.2 billion) and 2015 (59 IPOs for aggregate proceeds of approximately \$5 billion), these numbers do not look all that bad considering market conditions could hardly have been worse with a year-to-date negative return on the Nasdaq Biotechnology Index of approximately 21 percent and overall market volatility. The question for issuers looking to come to market and investors, of course, is whether the market for biotech IPOs can hold up in 2017 or even improve.

A closer look at how 2016's biotech and med device IPO issuers are doing today suggests that the market just might hold up. Of the 31 biotech and med device IPO issuers, our research shows that just over half of them are trading at or above their respective IPO prices as of October 20, 2016. Investors are apparently seeing value in young companies with promising technologies.

There could be headwinds, however. Politics may play a role in 2017 with both presidential candidates proposing major shake-ups of current healthcare markets and regulations. The extent to which either the Democrat or Republican candidate can achieve his or her agenda remains to be seen, but uncertainty alone, if it does not completely chill the market, may at a minimum adversely affect valuations. Negative effects from unforeseen macroeconomic shocks, from the U.S. or abroad, on markets generally cannot be discounted, either.

In our experience, all headwinds aside, issuers with strong management teams, promising technology and seasoned advisers tend to get deals done even under adverse conditions.

To learn more about Haynes Boone's experience representing emerging biotechnology and medical device companies please contact one of the lawyers listed below.