

Venture Capital IPO Report 1st Half 2016

During the first six months of calendar year 2016, 17 venture capital-backed North American technology companies went public on US stock markets, raising a total of \$1.26 billion in gross offering proceeds. This result represented a 78% sequential decrease in gross proceeds when compared to the second half of 2015.

The number of technology companies going public also dropped precipitously, from 29 in the second half of 2015 to 17 in the current period, a reduction of 41%.

IPOs by quarter totaled five in Q1 2016 and twelve in Q2. This was in line with my [prediction in a previous article](#) that the 2nd quarter would show an uptick in IPO activity, mostly due to seasonal factors.

Life Science companies continue to dominate IPO market activity. Eight Biotechnology and five Pharmaceutical companies secured a combined total of \$805 million during the period, representing 62% of all IPO proceeds and accounting for three-quarters of all technology companies going public. No medical device companies went public during the period.

The remaining companies floating their shares were represented by the following industries:

- Security \$112 million
- Networking \$103.5 million
- IT \$91 million
- Communications \$150 million

With respect to pricing, only one IPO priced above its expected range, that of Communications company [Twilio](#) (NYSE: TWLO). Nine companies priced within the expected original or revised range and the remaining seven companies priced below the original range sought. This represents a significant deterioration in pricing activity vs. the previous half-year period, with far fewer IPOs pricing above or within their expected range than in the previous period.

The overall stock market exhibited a sharply downward trend during Q1 2016, which set the tone for the first half of the year and caused far less visibility into market demand for new issues or outright reductions in offerings. The half-year period ended on a down note with the Brexit vote to leave the EU casting a long shadow just after the Twilio IPO.

As of 6.30.2016, 9 of the 17 IPO share prices were higher than their initial flotation price, reflecting middling demand in the wider stock market for technology shares.

BIOTECHNOLOGY

There were eight biotechnology IPOs during the first half of 2016, slightly fewer than the previous six-month period, the most activity of any single industry. Gross proceeds totaled \$521 million, with six of the eight IPOs pricing within their original range and two pricing below the expected range.

Cambridge, Massachusetts-based [Intellia Therapeutics](#) (NASDAQ: NTLA) raised \$108 million at \$18 per share, at the high end of its estimated range of \$16 - \$18. Intellia is a genetic editing company that is developing gene treatments based on the CRISPR/Cas9 system. The company was backed by a large syndicate of venture capital firms and had raised \$85 million in only two rounds of institutional investment before going public. Intellia's stock price since the IPO has since risen by 19% to close at \$21.35 as of 6.30.2016.

PHARMACEUTICAL

Five venture capital-backed Pharmaceutical companies went public in the first half of 2016, raising \$284.2 million in aggregate gross proceeds, versus the four companies that went public in the second half of 2015 raising \$358 million.

Pharmaceutical IPOs were not characterized by a single large IPO event. Burlingame, California-based [Corvus Pharmaceuticals](#) (NASDAQ: CRVS) raised \$70.5 million in gross proceeds at \$15 per share, the only Pharmaceutical company to price with its expected range of \$15 - \$17 per share. The company is developing agents that target the immune system to treat patients with cancer. Its share price has since dropped by 5% to close at \$14.26 as of 6.30.2016.

OTHER INDUSTRIES

There were four IPOs covering the remaining technology sectors of Security, Networking IT and Communications. Aggregate gross proceeds totaled \$456.5 million.

[Dell](#) spin-out [SecureWorks](#) (NASDAQ: SCWX) floated its IPO, raising \$112 million in gross proceeds. The security services vendor IPO went out below its estimated range, pricing at \$14 per share versus an original expected range of \$15.50 - \$17.50 per share. Since the IPO, the company's stock has risen by 1%, to close at \$14.10 per share as of 6.30.2016.

Networking company [Acacia Communications](#) (NASDAQ: ACIA) based in Maynard, Massachusetts raised \$103.5 million in gross proceeds for its IPO that priced shares at \$23, the high end of its expected range of \$21 - \$23 per share. The company was backed by US-based venture capital firms. Acacia's stock price has risen dramatically since the IPO, closing at \$39.94 on 6.30.2016, representing an increase of 74% over the IPO flotation price.

Table 1



Venture Capital IPOs - 1st Half 2016

Company Name	Ticker	Industry	IPO Date	IPO Amount	IPO Price	6.30.2016 Price	% Change
Editas Medicine	EDIT	Biotechnology	2/2/2016	\$94,400,000	\$16.00	\$24.40	53%
AveXis	AVXS	Biotechnology	2/10/2016	\$95,000,000	\$20.00	\$38.02	90%
Proteostasis Therapeutics	PTI	Biotechnology	2/12/2016	\$50,400,000	\$8.00	\$12.13	52%
Syndax Pharmaceuticals	SNDX	Pharmaceutical	3/2/2016	\$52,800,000	\$12.00	\$9.85	-18%
Corvus Pharmaceuticals	CRVS	Pharmaceutical	3/23/2016	\$70,500,000	\$15.00	\$14.26	-5%
Aeglea BioTherapeutics	AGLE	Biotechnology	4/7/2016	\$50,000,000	\$10.00	\$4.86	-51%
SecureWorks	SCWX	Security	4/22/2016	\$112,000,000	\$14.00	\$14.10	1%
Intellia Therapeutics	NTLA	Biotechnology	5/6/2016	\$108,000,000	\$18.00	\$21.35	19%
Oncobiologics	ONS	Biotechnology	5/13/2016	\$34,800,000	\$6.00	\$3.40	-43%
Acacia Communications	ACIA	Networking	5/13/2016	\$103,500,000	\$23.00	\$39.94	74%
PhaseRx	PZRX	Biotechnology	5/18/2016	\$18,500,000	\$5.00	\$4.18	-16%
Reata Pharmaceuticals	RETA	Pharmaceutical	5/26/2016	\$60,500,000	\$11.00	\$19.75	80%
Clearside Biomedical	CLSD	Pharmaceutical	6/2/2016	\$50,400,000	\$7.00	\$7.01	0%
NantHealth	NH	IT	6/2/2016	\$91,000,000	\$14.00	\$12.50	-11%
Selecta Biosciences	SELB	Biotechnology	6/22/2016	\$70,000,000	\$14.00	\$13.99	0%
Twilio	TWLO	Communications	6/22/2016	\$150,000,000	\$15.00	\$36.50	143%
Syros Pharmaceuticals	SYRS	Pharmaceutical	6/30/2016	\$50,000,000	\$12.50	\$18.15	45%

Total Venture Capital IPOs **17**

\$1,261,800,000

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