Genset sets tone for global biotechnology financing

One of the largest European biotechnology initial public offerings (IPO) was completed by Genset (Paris) at the beginning of June. Replete with Daniel Cohen as director of research, the French genomics company raised $86.4 million in a dual listing on the Nouveau Marché (Paris)—the new French exchange—and NASDAQ. Genset's market capitalization is now over $400 million. Genset CEO Pascal Brandys is confident that the IPO underwriters will exercise their over-allotment options to bring the total raised to nearly $100 million.

Genset's IPO not only demonstrates that European biotechnology companies with a strong story can attract investors, but also that companies, wherever they are based, now have a real choice of public financial markets. Four years ago, for companies like Cantab Pharmaceuticals (Cambridge, UK) and the French company Sangstat (registered now in Menlo Park, CA), NASDAQ was the only real option for raising capital. But biotechnology companies have now raised money in financial markets in London, Paris, Copenhagen, and Vienna. And the European NASDAQ clone, EASDAQ (European Association of Securities Dealers Automated Quotation), which is scheduled to open in September, has attracted its first biotechnology IPO—the diagnostics company, Innogenetics (Ghent, Belgium). Several US companies are now looking to raise money in Europe.

NASDAQ will remain a vital financial market, particularly for the larger offerings, says Genset's CEO Pascal Brandys: "The US market. . .can make a clear value judgment on the quality of the company. And if you want to raise these kind of sums you need to look at NASDAQ." However, 22% of the funds Genset raised came through the Nouveau Marché, and this success will probably silence the skeptics who have questioned the market's relevance.

It will also probably reassure the gene therapy company, Transgene (Strasbourg, France). Transgene, is hoping to raise some $50–60 million, and the company's chairman Alain Mérieux had been under pressure to launch Transgene on the Nouveau Marché (Mérieux is on the market's founding committee). The Transgene management had also been courted by officials at the London Stock Exchange (LSE) to float there. It now looks likely that Transgene will follow Genset's dual listing route on the Nouveau Marché and NASDAQ.

There are signs that other European firms, too, are shunning what have been Europe's most active financial markets—those in London. Innogenetics, for instance, had planned to raise $15 million through an IPO on London's Alternative Investment Market (AIM) in mid-July, but it now looks likely to be the first entrepreneurial bioscience company on the new EASDAQ exchange. Paul Appermont, Innogenetics' vice chairman, revealed that a Belgian bank that is part of EASDAQ had offered the company an attractive $15 million mezzanine financing deal. "Our decision not to choose London was nothing to do with the various pros and cons of the competing markets," said Appermont. "We were ready for a mid-July launch on AIM but we received a number of alternative and unbeatable offers that provided us with the sums we were looking for straight away and the option of floating as one of the first firms on EASDAQ."

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The neuropharmaceutical firm, NeuroSearch (Glostrup, Denmark), has also shelved its plans to access public equity capital in London. The company had been investigating the option of a dual listing on the Copenhagen Stock Exchange and the LSE. However, the company has unveiled details of a global offering of 1.45 million shares at DKK135-170 ($23-29) per share to raise at least DKK175 million ($30 million) of new funds. Application has been made for the ordinary shares to be listed on the Copenhagen Stock Exchange.

The Vienna Stock Exchange (Vienna, Austria) has recently emerged as a potential location for biotechnology company flotations. Nearmedic (Nicosia) is a Cypriot company that runs the nonRussian and hard currency businesses of the Nearmedic Group (Moscow)—a Russian–British, health-care joint venture that is developing diagnostics and a potential AIDS therapy. It also owns 49% and has management control of AO Nearmedic (Moscow), a private Russian joint stock company. The company is planning to file an application to trade global instruments of certificates in the third tier (Sonstiger Handel) of the Vienna Stock Exchange. Its historical connections have made Vienna a focus for companies related to the former Soviet Union and Eastern Europe. Nearmedic is not raising money via the listing: It completed a $4.25 million private placement with Eastern Europe-focused funds in London in May.

London has not, of course, lost all its allure as a financial center. For UK biotechnology companies, either the LSE or AIM are natural choices. Vanguard Medica (Guildford), PPL Therapeutics (Edinburgh), and Cortecs (Isleworth) have, between them, raised nearly $200 million in initial and secondary offerings since April. And the newest gene therapy kid-on-the-block, Oxford Biomedica (Oxford), announced its intentions to float on the AIM as soon as it came into being in June.

But most of the nonBritish companies currently looking toward London for money have identifiable, strong, Anglo-Saxon connections. The CEO of MorphoSys (Munich, Germany), which is expected to seek a London listing within the next two years, is Simon Moroney (a New Zealander). Peptide Technology (Sydney, Australia), which has stated its ambition to list in London, has divested its Copenhagen-based subsidiary, PepTech A/S (formerly Carlbiotech), and is becoming a predominantly British company. The same is true, too, of US companies such as Microbics (Carlsbad, CA) and Therapeutic Antibodies (Nashville, TN).

Microbics is headed by Tony Martin, an Irishman who has been CEO of Cambridge (UK)-based Celsis and is looking to move its headquarters to the United Kingdom and has long-term plans to float in London. Therapeutic Antibodies has, to date, been backed by $45 million of US funds, but around 90% of its research assets are in the United Kingdom. The company is expected to raise around $45 million on the LSE within the next few weeks.

Other US biotechnology companies are also said to be seriously looking at the United Kingdom as a potential wellspring of public equity, especially in the light of the generous market valuations that investors there give biopharmaceutical companies at the moment. Sugen (Redwood City, CA), which has a British CEO, Stephen Evans-Freke, and which pulled back from a US offering in May, is thought to be a likely candidate.

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