Pappas picks likely heir, prepares for more IPOs

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As Art Pappas makes plans for his eventual retirement, he's counting on the recent stock-market rebound to help some of the promising young companies he backs gain favor on Wall Street.

Pappas Ventures, a Research Triangle Park investment firm with more than $350 million under management, announced Monday that Eric W. Linsley has been promoted to managing partner. That puts Linsley, 47, in line to succeed Pappas, 62, down the road.

Pappas founded the firm in 1994 and has become one of the Triangle's most prominent venture-capital investors. Although he won't discuss details, he says his firm has performed well for its investors, despite the downturn.

But it has been a long dry spell for Wall Street debuts by companies Pappas owns stakes in. He predicts that's poised to change.

One company Pappas backs, Anthera Pharmaceuticals of California, filed for an initial public offering of stock this month. And Pappas said he expects to see three more portfolio companies become IPO candidates soon.

Venture-capital firms invest in fledgling companies and then make money sometimes years later when there is an IPO or the companies are acquired.

But there has been little appetite for IPOs during the past two years, as Wall Street investors shied from risky ventures, especially from pharmaceutical or biotech companies. The stock-market rally since March is reviving demand.

"Are the public markets going to open up to allow these companies to raise public funds" and move ahead with experimental medicines? Pappas asked. "We're all kind of watching that."

Pappas Ventures owns stakes in dozens of pharmaceutical, biotechnology and medical-technology companies. Its portfolio includes investments in local companies such as Liquidia Technologies of Durham, LipoScience of Raleigh and Argomed of Cary.

In his expanded role, Linsley will take a more active role in setting the firm's strategy and finding new investment opportunities.

"This doesn't diminish Art's role at all," Linsley said, who added that he brings an "appropriate level of skepticism" as the firm seeks new places to invest.

Pappas Ventures raised a new fund worth $102 million in February. The firm recently contributed to a $7 million venture-capital infusion for Liquidia, a nanotechnology company developing a vaccine and other products using tiny particles.

Linsley joined Pappas in 2000 and served as a partner. The Pappas partners also are expecting more interest in their portfolio companies as large pharmaceutical companies that want to bolster their pipelines of promising drugs hunt for smaller firms to buy.

On the IPO side, one indicator of demand will come this week. Talecris Biotherapeutics, an RTP-based company that makes medicines from blood plasma, is expected to begin trading as soon as Thursday. If it does well, it could bode well for other biotech and pharmaceutical IPOs.

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