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Aurora throws light on Vertex's aspirations

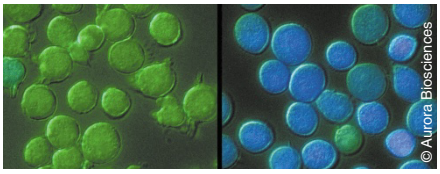
At the end of April, genomics-based drug discovery and development company Vertex Pharmaceuticals (Cambridge, MA) announced that it would acquire leading bioassay provider Aurora Biosciences (San Diego, CA) in an all-share deal valued at $592 million. Aurora's battery of high-throughput cell-based assays will complement Vertex's expertise in chemogenomics and rational drug design. Vertex's decision to acquire Aurora outright is unusual; traditionally, biotechnology companies have formed collaborations with platform technology companies or acquired firms with late-stage products. But Vertex believes its decision to buy Aurora's drug discovery services will give it a competitive edge.

Aurora is the first acquisition for the 12-year-old company and the decision to buy, rather than build (or rent), was easy. "We needed to have a close relationship with the company in order to drive the business forward," says Vicki Sato, Vertex president. In this case, one-off service contracts would not provide the flexibility Vertex needed.

Vertex agreed to pay a hefty 44% premium for Aurora, offering 0.62 Vertex shares for each Aurora share held. Bill Tanner, biotechnology analyst at SG Cowen (New York), says that it is difficult to say whether Vertex overpaid: "Technology companies are generally undervalued, so the premium could well better reflect the true value [of the technology]."

However, Tanner says that the acquisition will not make investors "dance for joy." Shareholders prefer companies to make strategic moves that add obvious immediate value to a company—usually a company with at least one product in advanced development. Indeed, Vertex share price dropped slightly following the news. But unlike most biotechnology companies, Vertex already has an approved drug—an HIV protease inhibitor, Agerenase, marketed by GlaxoSmithKline (Greenford, UK)—as well as eight products in clinical development, including five in phase II and one in phase III. This puts Vertex on a more than equal footing with other genomics-based drug discoverers such as Millennium Pharmaceuticals (Cambridge, MA), which also has one newly approved product (Campath) and six undergoing trials, and Human Genome Sciences (Rockville, MD), which has three products in the clinic.

The acquisition of a technology platform company is perhaps a surprising decision from a company that has long touted its superior drug discovery engine. However, Michael King, life science analyst at Robertson Stephens (San Francisco, CA), says that the acquisition offers Vertex tremendous additional capacity for high throughput drug discovery.



Aurora's fluorescence-based bioassays caught Vertex's eye.

The deal also offers Vertex extensive experience in two gene families—G-protein coupled receptors and ion channels—which it has lacked to date. Sato adds that Aurora high-throughput muscle will revolutionize Vertex's approach of parallel identification of families of genes and the rational design of small molecule ligands for the encoded proteins—or chemogenomics. "What Aurora does for us is to provide a means of carrying out these assays at a scale unprecedented in the industry," says Sato.

Vertex expects Aurora to continue generating revenue through new business deals, operating as an independent subsidiary. As one of the leading developers of high-throughput bioassays, analysts believe that this relationship will not hamper Aurora's ability to attract new clients. "If they have a technology that people want then they will come and get it," says SG Cowen's Tanner. Aurora shareholders were pleased with the deal and shares rose around 40% to $23.20 on the news. Doug Farrell, Aurora's senior director of investor relations, says that Aurora had been developing its own drug discovery programs, but realized that it lacked key components—medicinal chemistry and mass spectrometry. Expensive to buy, these skills were exactly what Vertex offered.

Genomics companies are under scrutiny from the investment community, which now sees that their value lies in medicines. Many genomics companies (e.g., Curagen) are following the lead taken by Millennium Pharmaceuticals, which evolved from a pure genomics play to a company offering an irresistible package of automated high-throughput drug discovery technologies for its pharmaceutical partners (*Nat. Biotechnol.* **18**, 1817, 2000; **19**, 186, 2001). The Vertex–Aurora liaison has greatly enhanced its drug discovery "assembly line," improving its chances of winning in an increasingly competitive post genomics arena.

Liz Fletcher, New York

US biotech policy issues remain in limbo

National policy-related activities subsided during the first 100-plus days of US President Bush's administration, leaving a number of issues far from settled—ranging from bioethics and stem cell research to several far-reaching agricultural and food matters. And what lurks below the calm surface is a mixture of rumor, mystery, and long-established routine.

Operating with low visibility, Bush administration appointees working under the direction of White House Assistant for Economic Affairs Larry Lindsey, are beginning to influence biotechnology policies—albeit more obviously on the international rather than the domestic side, according to industry sources. For example, during meetings in April of the United Nations Food and Agriculture Organization's Codex Committee, US delegates forcefully argued against reliance on the precautionary principle as a basis for evaluating food safety—a tack that is sure to be favored by biotech companies, but will certainly roil biotech critics.

Meanwhile, in terms of the more visible top-level positions that affect biotechnology policies, several major posts remain open, including that of presidential science advisor, who would head the Office of Science and Technology Policy (OSTP, Washington, DC), a commissioner for the Food and Drug Administration (FDA; Rockville, MD), and a director for the National Institutes of Health (NIH; Bethesda, MD). But in terms of filling top posts at the Environmental Protection Agency (EPA; Washington, DC), the administration moved more quickly—in January appointing former New Jersey governor Christine Whitman as agency administrator, and more recently naming Linda Fisher as deputy administrator (see p. 499).

"It looks like these folks in the Bush administration are trying to do the right thing, but they need to get some key deputies in place," says Val Giddings of the Biotechnology Industry Organization (Washington, DC). On the other hand, says Gary Barton of Monsanto (St. Louis, MO), "it's pretty early, and 100 days in the new administration is [brief compared with] the multiyear process for launching agbiotech products."

Still, the outset of the second 100 days of the Bush administration has some people worrying about missing appointments in key areas affecting biotech-related policies. "There's not

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