

State of the biotech sector—2007

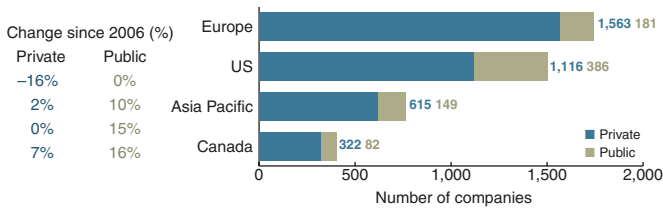
Stacy Lawrence

The biotech sector as a whole narrowed its loss by 64% to \$2.7 billion, according to consultants Ernst & Young. This is the closest the industry has come to breaking even (a trend that agrees with *Nature Biotechnology's* independent public biotech analysis, p. 753). The number

of public biotechs jumped by double digits in every region except for Canada. Cash reserves dwindled, however, perhaps foreshadowing a continued financing slowdown this year. Still, mergers and acquisitions and partnership valuations were at record highs in 2007.

Number of biotech companies

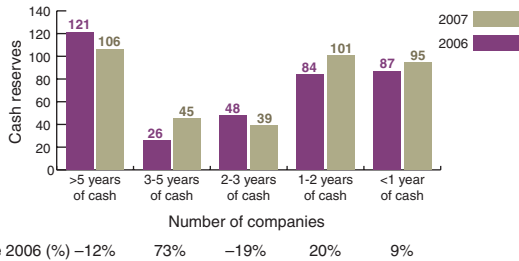
The European and Asian sectors both continued to grow; they were the only regions where private firms increased in number.



Source: Ernst & Young

Cash in the bank at US public biotechs

The number of the companies with >5 years of cash declined, and more biotechs now have <2 years of cash in the bank.



Source: Ernst & Young

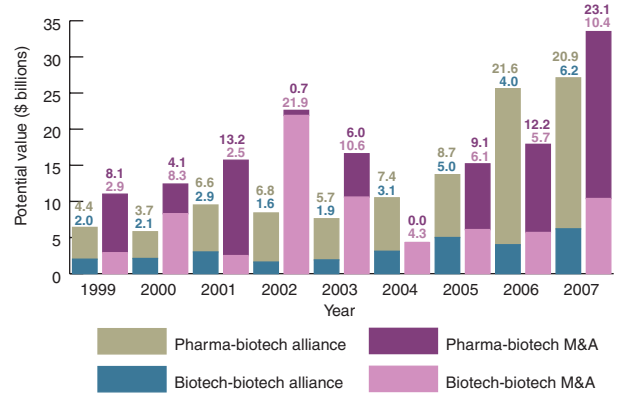
Global overview of biotech companies

	2006	2007	Percent change
Revenues (\$ billions)	78.4	84.8	8%
R&D expenses (\$ billions)	29.9	31.8	7%
Net loss (\$ billions)	7.4	2.7	-64%
Public companies	743	798	7%
Private companies	3,717	3,616	-3%

Source: Ernst & Young

Alliances and mergers

Last year, M&A shadowed the partnership value spike first seen in 2006.



Partnership data includes all potential value. Source: Ernst & Young

2007 US public company data by region

Region	Number of public companies*	Market cap* (\$ millions)	Revenue* (\$ millions)	R&D* (\$ millions)	Net loss or income* (\$ millions)	Cash and short-term investments* (\$ millions)	Total assets* (\$ millions)
San Francisco Bay Area	77 (5%)	148,649 (2%)	22,096 (20%)	6,097 (-18%)	2,654 (-298%)	13,534 (31%)	36,625 (15%)
New England	62 (7%)	65,153 (5%)	11,399 (17%)	4,572 (3%)	(755) (-44%)	8,554 (13%)	26,832 (1%)
San Diego	42 (5%)	23,695 (24%)	3,229 (18%)	1,975 (44%)	(1,468) (20%)	4,992 (30%)	9,330 (14%)
New Jersey	32 (7%)	29,668 (-7%)	3,248 (31%)	1,172 (23%)	(151) (-75%)	4,592 (25%)	9,172 (6%)
Mid-Atlantic	22 (5%)	6,762 (2%)	687 (-61%)	762 (-34%)	(604) (-4%)	1,452 (-8%)	3,345 (4%)
Southeast	23 (10%)	2,819 (-15%)	253 (0%)	773 (201%)	(769) (120%)	700 (-11%)	1,122 (-9%)
New York State	28 (0%)	12,106 (28%)	1,528 (0%)	3,635 (372%)	(309) (-57%)	2,695 (11%)	4,251 (4%)
Midwest	11 (22%)	1,331 (53%)	40 (-12%)	134 (76%)	(195) (91%)	337 (84%)	293 (31%)
Pacific Northwest	14 (0%)	2,876 (-11%)	149 (-12%)	567 (21%)	(607) (15%)	690 (-11%)	1,056 (0%)
Los Angeles/Orange County	21 (24%)	58,202 (-36%)	18,899 (5%)	4,558 (-22%)	2,935 (47%)	8,470 (14%)	41,068 (-1%)
North Carolina	9 (-10%)	1,772 (-9%)	428 (38%)	275 (30%)	(118) (23%)	557 (44%)	935 (27%)
Pennsylvania/Delaware Valley	5 (0%)	8,547 (12%)	2,250 (7%)	698 (3%)	(429) (201%)	2,170 (40%)	5,018 (14%)
Texas	13 (8%)	1,481 (-12%)	167 (10%)	233 (4%)	(278) (6%)	429 (73%)	695 (50%)
Colorado	4 (-20%)	919 (7%)	92 (-69%)	131 (-44%)	(102) (47%)	290 (181%)	365 (136%)
Utah	2 (0%)	2,219 (53%)	278 (71%)	142 (-7%)	(27) (-82%)	339 (-14%)	735 (47%)
Other	11 (-8%)	4,489 (90%)	443 (1%)	114 (-32%)	(38) (-55%)	175 (-41)	734 (3%)

*Percentages indicate change from 2006. New England includes CT, ME, MA, NH, RI; Mid-Atlantic includes MD, VA, DC; Southeast includes AL, AR, FL, GA, KY, LA, TN, SC; Midwest includes IL, MI, OH, WI; Pacific Northwest includes OR, WA; Other includes HI, MN, MO, NE, NV, OK and SD. Source: Ernst & Young

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