EDITORIAL CORRESPONDENCE:
BIO/TECHNOLOGY, 65 Bleecker St., New York, NY 10012. Telephone: (212) 477-9600. Telex: 668497UW. BIO/TECHNOLOGY, 4 Little Essex Street, London WC2R 3LF. Telephone: (01) 836 6633. Telex: 262024.

SOMETHING OF VALUE

It had to happen. Sometime over the past month we chanced on the ideal apothegm (known around here as "those pretentious quotes that kick off the First Word") for this month's column. It was a lofty rumination from some lofty eminence of Wall Street's leather-chesterfield-and-mahogany-paneling past. Here is what he said:

Wall Street is an engine for creating value from new ideas. This is its glory.

It sounded very high-minded, but we think he meant it anyway. With a little thrill of the forbidden, we dog-eared the gilt-edged page and tucked the volume away, like a squirrel caching nuts for the winter. Damned if we can remember what the book was or where we put it (a year's subscription to *Bio/Technology* for the first reader to identify the book, the speaker, or the quotation), but that's what the man said. Trust us. And that has always seemed to be the real genius of the U.S.'s wildly productive entrepreneurship: the spontaneous generation of value from the void, the conversion of understanding into utility, the Mickey Rooneys and Judy Garlands of business getting together and saying, "Hey, kids, let's put on a show."

In that light, we've been mulling over the bad rap the biostocks have been getting recently... over magazine headlines like "The Bust in Biotech" (from *Forbes*'s Halloween edition) and analysts' reports with titles like "The Emperor Has No Clothes"... over biotech executives' palpable resentment of the stockbreakers (a resentment evident during our October PaineWebber conference in San Diego)... over where we'll get the fiduciary Noxon to take the tarnish off the Biotech-Wall Street loving-cup.

Most of the analysts and investment bankers we know are truly excited about the technology and the good it can do. That's not sheer altruism—goodness has market value. That's what people will pay for, and that, we're proud to say, is why companies get put together. But something funny happens when companies find themselves between the rock of initial public offering and the hard place of second-round financing.

In San Diego, Cetus's Robert Fildes lambasted a group of surprisingly game analysts for not doing more to help this young and still struggling industry. The audience, full of biotech execs, rumbled with encouragement. It sounded more like a revival meeting than a financial conclave.

Well, folks, the analysts are *not* doing a whole lot to help the biotech industries. But that's not the analysts' job. Their job is to tell the managers of large investment funds which $100-million-plus company's stock is most likely to help the big-block traders squeeze out a few points' more performance this quarter. The size requirement alone excludes most biotech companies, but the problem goes further. The analysts have to stack their picks against *all* of the investment opportunities open to the big-block traders. That's their job, and it's an exercise not only in fundamentals of value, but of short-term economics and market psychology.

When two strings vibrate out of synch, they beat. The two waves regularly reinforce and cancel one another. The two opposed sounds create crescendos and then silence. That is what happens when the deep, strong, steady hum of biotechnology meets the dog's-ears-only screech of The Street.

The Pharmaceutical Manufacturers' Association estimates that it takes 9.6 years from the first Investigational New Drug (IND) filing to product approval by the U.S. Food and Drug Administration—and that doesn't include the research that precedes the first filing. The time required to develop a new chemical product is similar. Wall Street operates on a shorter wavelength: Sometimes, a fiscal quarter seems like an eternity.

The fundamentals are here. We are creating unheard-of value at an undreamt-of rate. And that is what will tell in the end.

—Douglas McCormick