Myriad pulls IPO from inhospitable market

Just 10 days after it filed for a follow-on public offering of 1.7 million shares of common stock, Myriad Genetics, Inc. (Salt Lake City, UT) pulled the offering, citing poor market conditions. Myriad's stock, despite a market that had turned sour for the biotechnology sector in June, was performing well, hovering at about 28 at the time of the offering announcement. By the November 25 withdrawal, the stock had dropped nearly 18% to 23, a sign of investor skepticism and uncertainty.

"A surefire way to find out what your shareholders and potential shareholders are thinking is to file a follow-on offering," comments David Stone, managing director of Cowen & Company (Boston, MA), which together with UBS Securities (New York) served as underwriters for the offering. Citing Myriad's comfortable financial position, with nearly $67 million in cash, Stone offers a simple explanation for the pull-back: "Price was up, deal was filed; price went down, deal was pulled."

The reasons why Myriad filed an offering during a market slump, with a planned road show in December, and with enough cash to wait for more bullish times, remain unanswered. And why such a cool reception to the offering? Anticipating sales figures that were well below company forecasts for its newly introduced *BRCA1* and *BRCA2* tests for genetic mutations associated with early-onset breast cancer and ovarian cancer, Myriad may have decided to approach the public market before releasing the sales numbers and while its stock price was high, speculates Elizabeth Silverman, a biotechnology analyst at Punk, Ziegel & Knoell (New York). "I think that they made a strategic error," says Silverman. "They underestimated the impact of how people would look at this and say, well hold it, let's take a look at your sales figures first."

Silverman questions the short-term popularity of the test, based on her observations that physicians lack sufficient data to draw useful therapeutic and prognostic conclusions from a positive or negative test result. Stone concedes that Myriad should "adopt a more conservative guidance of the market," and particularly temper expectations in the short run. Standing by his $100 million expectations for the test in fiscal 1999, Stone attributes the slow acceptance of the test to a misperception of its applicability by the public, and the slow pace at which insurance companies, doctors, and cancer centers have begun to implement the test. Newly diagnosed breast cancer patients will drive the market for the *BRCA1/2* test, predicts Stone. They will demand whatever information is available on which to base decisions about therapy, prevention, followup, and screening.

"The straw that broke the camel's back was the SEC [Securities and Exchange Commission, Washington, DC] review," says Marc Ostro, biotechnology analyst at UBS Securities. In what Ostro describes as an "arbitrary" decision, the SEC announced its plans to review Myriad's secondary offering, delaying the company's marketing and closure of the deal by at least 30 days. "Their stock was just going to get beat up," says Ostro. He sees an equally large market for the test in screening the general population as in determining the genetic status of women already diagnosed with breast cancer.

Myriad was not alone in backing away from the public markets during the second half of 1996. When it returns, Stone is hopeful that investors can put the *BRCA* tests in perspective as only one component of Myriad's portfolio, and can recognize the value of Myriad's overshadowed gene discovery programs. Silverman is optimistic that the markets will once again be receptive to biotechnology companies in early 1997, prompting a rush of offerings. "In our view," says Ostro, "this is a grossly undervalued stock. It has the same business component as the other positional cloning genomics companies, and yet it's getting no credit for that."

Vicki Glaser

Experts attempt to redefine principles for treating HIV

Officials at the US National Institutes of Health (NIH, Bethesda, MD) Office of AIDS Research (OAR) convened a group of experts late in 1996 to define—really, to redefine—principles for treating individuals infected with HIV. The panel report, expected later this month is intended to provide improved "guidance" to physicians and patients on appropriate uses of antiviral therapy, as well as new methods for monitoring the course of such infections, says OAR director William Paul. "NIH regards this process as very important."

Several recent developments are pivotal to this new "defining of principles" effort and, taken together, help explain why experts are shifting their basic strategy for dealing with HIV infections. First is the notion that the virus turns over rapidly and voluminously in infected individuals and that the balance struck between viral replication and destruction is crucial to clinical outcome.

Second, but closely related, viral levels now can be monitored with reasonable accuracy and much greater sensitivity than ever before by using one of several assays based on nucleic acid amplification techniques. Most AIDS experts now favor these new procedures for quantifying HIV RNA or viral copy-DNA levels over measures of $CD4^+$ T lymphocytes in blood or other more frankly clinical outcomes in following HIV-infected individuals.

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Third is the arrival of several HIV protease inhibitors (PIs), a new class of drugs that inhibit this key viral enzyme that releases essential proteins from a larger precursor molecule (*Nature Biotechnology* **14**:427, 1996). Used in combination with agents directed specifically to other viral enzyme targets, these protease inhibitors can reduce HIV levels in blood of infected individuals below the detection limits of the most sensitive nucleic acid-based assays—maintaining those reductions for extended periods while providing a mix of clinical improvements. Several new PIs soon may join the three now on the US market, namely indinavir from Merck (Whitehouse Station, NJ), ritonavir from Abbott (Abbott Park, IL), and saquinavir from Hoffmann-La Roche (Nutley, NJ).

Meanwhile, the data from clinical trials and other studies evaluating these developments are piling up—some published, but much still in the pipeline and thus not fully accessible. Hence, NIH officials say, many physicians outside research circles who are treating AIDS patients may be bewildered by the constantly changing picture, as well as frustrated because new test procedures either are unavailable or typically are not yet cov-