HEALTHCARE FINANCING

BIOTECH IN FULL BLOOM AT COAST CONFERENCE

SAN FRANCISCO—A mixture of pragmatism and optimism imbued the Hambrecht & Quist Seventh Annual Health Care Conference held here January 9–11. Among the 140 presenting companies numbered 40 biotechnology companies and two major pharmaceutical firms—Glaxo (London) and Squibb (Princeton, NJ). Their audience, a record 1,200 financial and healthcare industry executives. Although currently investors are cautious about biotechnology and somewhat skeptical about prospects for significant product introductions in 1989, attendees found an abundance of new technologies and financing arrangements to whet their appetites. The specials of the week: licensing strategies for biotech companies and the growing contributions of separations technologies.

Hambrecht & Quist (H & Q, San Francisco, CA) managing director in health care, David MacCallum, described his firm's perspective on biotechnology. Although the market value of all major U.S. healthcare companies approximates \$140 billion, biotechnology's piece is only \$5 bil-

lion. "To date," he remarked, "the power of the technology of molecular genetics and genetic engineering broadly has not yet had a meaningful impact on the market value of the life sciences industries. The power of the technology is considerably greater than its contribution." However, he cautions that, for the industry generally, "the reality is that products and profits won't be coming in by 1990."

Understandably, that lack of a product portfolio makes investors cautious. Sarah Gordon, biotechnology analyst for H & Q, thinks that the key issue for biotech companies is time. Although six biotechnology products have been approved, and most of them have sales significantly in excess of \$100 million annually, "It takes more than one or two successful products to build a pharmaceutical company," she said. "The reality of the industry is that it doesn't have enough history yet—enough products on the market...to build a base of revenues from which it can then develop second- and third-generation products."

As a result, Gordon foresees a

change in corporate strategy for the companies. Acknowledging that, despite the proclamations of many business plans, very few will become classical pharmaceutical companies, she sees most future revenues "coming from licensing and manufacturing. That's a change in perception that is beginning to take place in the industry."

The impact of separations technologies also is being felt in medical care. According to MacCallum, "if biotechnology is to become a major industry, it will do so using, to an important extent, the techniques of the purification and separations companies." Kurt Kruger, H & Q's medical products specialist, sees these technologies being applied to healthcare in increasingly large volumes. He looks for companies whose separations technologies play a role in biotechnology scale-up as well as in biomolecular instrumentation, and their ability to use that kind of technology in therapeutics. "Look for the companies that supply the instrumentation and media to do that."

—Mark Ratner

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