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HAMBRECHT & QUIST LIFE SCIENCES CONFERENCE

TOP TIER STRONG ENTERING '91

SAN FRANCISCO, Ca.—The investment analysts at Hambrecht & Quist (H&Q, San Francisco, CA) had an easy time ringing in the new year. They trumpeted the success of the health care sector—Wall Street's best overall performer in 1990—before investors, fund managers, bankers, and corporate executives attending the firm's Ninth Annual Life Sciences Conference, held here in early January. What's ahead for U.S. biotechnology companies in the coming year includes an impressive array of anticipated marketing approvals and possibly a new round of collaborations.

Over 140 companies presented to an audience of 1,300 attendees that included 950 institutional investors and venture capitalists, according to H&Q. In a departure from prior policy, the 1991 conference was by invitation only, and seemed somewhat more private (media were at times banned from the post-presentation breakout sessions, even after securing the company CEO's permission to attend).

The top-tier biotech companies gave aggressive presentations: each year they sound more and more like their pharmaceutical brethren. In particular, Xoma (Berkeley, CA) went on the offensive against competitor Centocor (Malvern, PA). Both have filed for marketing approval for a monoclonal antibody to treat septic shock. At last year's conference, Centocor stole center stage when it tantalized investors with the first word of the release of data on its humanized product. But the company currently is in registration with the Securities and Exchange Commission (SEC), and so was precluded by SEC rules from "touting" its shares in public. As a result, Centocor did not challenge Xoma, or even mention the company directly.

Genentech (So. San Francisco, CA) received a cool reception. It is perceived as less dynamic since the announced merger with Hoffmann-La Roche a year ago (*Bio/Technology* 8:178, Mar. '90). But company president Kirk Raab was nonetheless forceful. Commenting on a recent agreement with Glycomed (see "In the News," this issue), he foretold an era of "promising development programs [accelerated] by obtaining complementary leading-edge technology in partnership with a development-stage company." Ironically, for the first time in recent years, Genentech chairman Bob Swanson could be seen in the audience, H&Q tote bag

in hand, leafing through the binder of company financial charts like any other venture capitalist shopping for a deal.

The formal H&Q view of biotechnology was bullish. Barney Hollingby, managing director of research, pointed to the outlook for stock price appreciation based on earnings growth: "The 96 public presenting companies had a price-earnings ratio 26 times 1991 projected earnings—twice that of the Standard & Poors 500...Yet their latest 12-month earnings growth has been 40 percent, compared with three percent for the S&P." Managing director of health-care, David MacCallum, commented that "Biotechnology product sales reached \$1 billion in 1990, could reach \$2 billion in 1992, and \$4 billion by the mid-'90s." And biotechnology analyst Jackie Siegel observed that "a trickle of products will become a river" soon.

Siegel also thinks biopharmaceutical firms will continue to maintain an identity "separate and distinct" from pharmaceutical companies. "The mode of research is different," MacCallum agrees. "The company formation process" has changed with the advent of biopharmaceuticals. While in the past 20 years only two new pharmaceutical companies have emerged (Marion Labs [Kansas City, MO] and Syntex [Palo Alto, CA]), already Amgen (Thousand Oaks, CA) and Genentech have made it, "and maybe eight or nine others" have a chance.

Will reimbursement dampen profits? Medical products analyst Kurt Kruger predicts "near-guaranteed growth...and high profit levels" in healthcare generally. Costs, he believes, can be passed along relatively freely. Siegel, too, sees therapeutics companies making healthy profits despite pressure to cut health-care costs. The alternative to biotech drugs, many of which target diseases with no equivalent treatment, is longer hospital stays, she maintains. "Where a hospital is committed to spend \$50-100,000, a price of \$2,000 for a drug is reasonable."

Siegel also noted that "roughly half of the public [biotech] companies presenting" alluded to some aspect of inflammation and/or autoimmune disorders as a key area. Immune system modulation is "a new area in terms of our ability to understand it or know how to attack it. A lot of approaches will be fruitful."

—Mark Ratner