

FINANCE

PICKING BIOTECH STOCK WINNERS GETS TRICKIER

NEW YORK—Peter Drake's ratings of biotech stocks are on a slow-but-steady decline: Two years ago the Kidder, Peabody vice president rated the group a "1" (*buy*). Last year he dropped it to a "2" (*accumulate*). And then recently he demoted the group to a "3" (*hold*, meaning that he expects biotech stocks to perform in-line with the rest of the market). Even as Drake has been lowering his overall group ratings, the biotech companies themselves have been maturing. Now, the analyst notes, 13 of the 17 companies he follows are profitable, whereas two years ago only three of them were.

Does all this mean that it's finally time to get out of biotech stocks? Not at all, said Drake at a meeting here in March on "Biotechnology Strategic Management," sponsored by *Business Week* and *Biotechnology Newswatch*. Rather, as he suggested in a recent report: "Keep on dancing—but choose partners carefully." The key, he stresses, is to focus on companies with high-visibility products that have a "high probability of success and a low probability of downside surprises." Four stocks currently make

up Kidder's model biotechnology portfolio: Amgen (rated 1), Applied Biosystems (1), Genentech (2), and, recently added, Genzyme (rated 1). Other stocks that Drake is particularly enthusiastic about are Cetus (rated 1 based on expected positive news about interleukin-2), DNA Plant Technology (2), Molecular Genetics (2), and Immunex (2). Stock price surges on the parts of Biogen,



Chiron, and Centocor recently caused Drake to lower their ratings from 2s to 3s, where they join other "neutral stocks" like Bio-Technology General, Ribic ImmunoChem, and Xoma. Finally, Drake considers two biotech stocks to be 4s (suggesting that the investor should lighten up his or her holdings): Genetics Institute and California Biotechnology.

Perhaps the most important influence on biotech stocks over the coming months is the tissue plasminogen activator (t-PA) guessing game. Kid-

der, Peabody is projecting that Genentech will receive marketing go-ahead from the U.S. Food and Drug Administration for this blood clot dissolver in June or July. If approval comes on time, says Drake, look for an upside movement of the group as a whole. If approval is delayed, there could be a major slide in stock prices.

Another meaningful parameter that Drake follows is institutional ownership. Last June, he says, institutions controlled some 40 percent of the stock in the 25 companies that comprise Kidder, Peabody's biotechnology index. This figure dropped to a low of 15 percent in December, and has since rebounded to 22-25 percent. Since the beginning of the year, the index itself has rocketed over 40 percent to a record high around 226 — easily eclipsing last summer's record of 204. And Drake foresees institutional ownership rising further in 1987. What's the significance of this? "When the institutions are buying," he says, "the stocks are going up. And when they're selling, the stocks are going down."

—Arthur Klausner

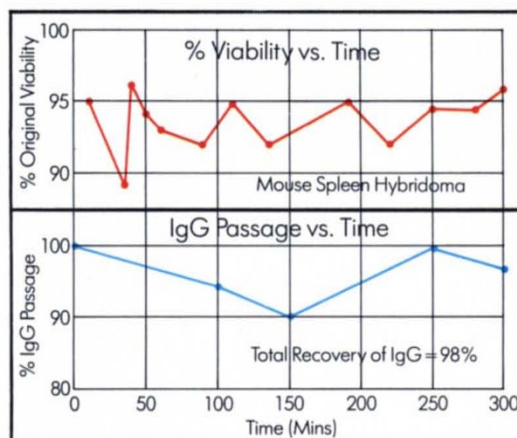
Get the most out of cell processing.

New Prostak™ Cell Processing Systems can help you maximize yields of mammalian cells and cell products. The gentle tangential flow membrane technique is ideal for shear-sensitive biologicals, and involves no high pressures or cell-deforming g-forces. The separation is reproducible, straightforward and considerably faster than traditional methods.

Bench top and pilot configurations use the same separations module as larger production systems, for direct, predictable scale-up from cell batches of one to thousands of liters. All Prostak units are built to withstand heavy use with minimum maintenance, and can be cleaned in place or steam sterilized.



The open channel design of the Prostak module lets you process even the most difficult cell cultures with minimum cell lysis and maximum recovery. Modules are bonded for maximum containment, and have no gaskets or O-rings.



Performance tests demonstrate high cell viability and maximum product yields.

See a Prostak system in action. Our cell processing specialists can arrange an on-site demonstration. Call toll-free 800-225-1380; in Massachusetts, 617-275-9200. Systems Division, Millipore Corporation, Bedford, MA 01730.

Write in No. 129 on Reader Service Card

MILLIPORE

"Downstream Processing Workshop Series II, April 2-June 24th, 1987. For Details, Call (800)225-3384, Ext. 2178