

First quarter sees 27 firms raise \$649.7 million

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NEW YORK—Last year public financing of U.S. biotech companies soared from peaks to valleys. Yet the year—which saw 75 companies raise \$2 billion and which followed 1991's record of 85 companies taking in \$3.7 billion—ended on a high note, with fully 36 companies waiting to conduct stock offerings.

But this year's first quarter—though it got off to a fast start—saw public financing take another tumble. Indeed, in late February, when Synergen (Boulder, CO) reported disappointing results from phase III clinical trials of its high-profile sepsis product, public financing bottomed out, as the biotech sector lost an immediate 10 percent of its market value. Overall, the sector's valuation dropped 33 percent during the quarter. Amgen's (Thousand Oaks, CA) disappointing first-quarter sales and earnings also contributed to the sector's fall, as did the growing fear that the Clinton administration will attack not only the high prices of me-too drugs but also the astronomical prices of innovative biopharmaceuticals.

So with the stocks of established companies trading at discounts, investors closed the quarter choosing to invest—or not invest—in them, instead of initial public offerings (IPOs) or even secondary offerings.

In all, the first quarter saw 27 companies raise \$649.7 million (Table 1). Without a doubt, the quarter's first month was a prosperous one, with eight secondaries taking home \$215 million and five IPOs bringing in \$180.5 million. In fact, January saw biotech companies raise more money than they had raised in the preceding eight months combined. The quarter was particularly generous to IPOs, as at least four companies priced their offerings at the high end of their filing range and offered more shares than they anticipated. These firms included AutoImmune (Lexington, MA), BioSurface Technology (Cambridge, MA), Cell Genesys (Foster City, CA), and Shaman Pharmaceuticals (San Carlos, CA).

Yet even in January, the financing window showed signs of weakness.

At least five of the companies that conducted secondary offerings priced their shares at a lower price, compared to their previous stock offerings. "Even before Synergen hit, the window was cracking, forcing companies to do secondaries on less favorable terms," says Mark Edwards, managing director of Recombinant Capital (San Francisco, CA).

February, for its part, found six secondaries capturing \$132.2 million and two IPOs netting \$21.5 million. Signs of weakness continued, though, with three of the companies floating secondaries pricing their shares lower than in their prior public financings. March's performance—coming in Synergen's wake—was dismal, as four secondaries raised \$82.1 million and two IPOs took in \$17.4 million.

As the quarter ended, 25 companies were in process, including 17 IPOs and eight secondaries. "Actually, a lot of these companies have already withdrawn their registrations," says Edwards.

—B.J. Spalding

TABLE 1.
Biotech's 1993
first-quarter
offerings.

Company	Target	Date	Money Raised (\$ Millions)	Post-Money Valuation (\$ Millions)
Initial Public Offerings				
Shaman Pharmaceuticals	Plant screening	1/93	45.0	159.0
Cell Genesys	Cell transplants	1/93	44.0	121.0
AutoImmune	Autoimmune therapies	1/93	39.0	136.5
BioSurface Technology	Skin substitute	1/93	30.0	100.8
CoCensys	CNS therapies	1/93	22.5	80.1
Molecular Dynamics	Analytical equipment	2/93	16.5*	100.1
Vical	Gene therapy	3/93	10.0	51.5
Zonagen	Contraceptives	3/93	7.4	18.7
Hemagen Diagnostics	Autoimmune diagnostics	2/93	5.0	15.0
Subtotals			219.4	782.7
Secondary Public Offerings				
Liposome Company	Drug delivery	1/93	60.0	322.5
COR Therapeutics	Cardiovascular therapies	1/93	43.1	220.5
CellPro	Stem cell therapies	2/93	41.3	189.8
PerSeptive Biosystems	Analytical equipment	3/93	36.0	189.0
Telios Pharmaceuticals	Wound healing	1/93	24.0	141.0
ImmuLogic Pharmaceuticals	Autoimmune therapies	2/93	23.8	138.7
Magainin Pharmaceuticals	Antibiotics	1/93	23.3	65.9
Cytel	Recombinant vaccines	2/93	21.0	117.0
Enzon	Drug delivery	1/93	19.5	148.9
Emisphere Technologies	Drug delivery	2/93	19.5*	97.5
Isis Pharmaceuticals	Oligonucleotides	1/93	19.4	116.3
ProCyte	Wound healing	2/93	18.0	84.6
Seragen	Cancer therapies	3/93	17.6	123.4
Genetic Therapy	Gene therapy	1/93	15.0	108.0
Interneuron Pharmaceuticals	CNS therapies	3/93	15.0	172.3
Athena Neurosciences	CNS therapies	3/93	13.5	113.4
Viratek	Antivirals	1/93	10.7	120.1
Biocircuits	Biosensors	2/93	9.6	53.9
Subtotals			430.3	2,522.8
Combined totals			649.7	3,305.5

IPOs in process: Biovail International, Erox, GenDerm, GenPharm International, Gliatech, Home Diagnostics, Hybridon, Neurex Pharmaceuticals, Oclassen Pharmaceuticals, Procept, Synaptic Pharmaceutical, Tanox Biosystems, Therion Biologics, Trinity Biotech, Triplex Pharmaceuticals, United Biomedical, Viagene.

Secondaries in Process: Amylin Pharmaceuticals, Argus Pharmaceuticals, BioChem Pharma, Cephalon, Chantal Pharmaceuticals, Genta, RIBI Immunochem, Univax Biologics.

* Doesn't include component of offering associated with sales by selling shareholders.

Source: Recombinant Capital (San Francisco, CA).