

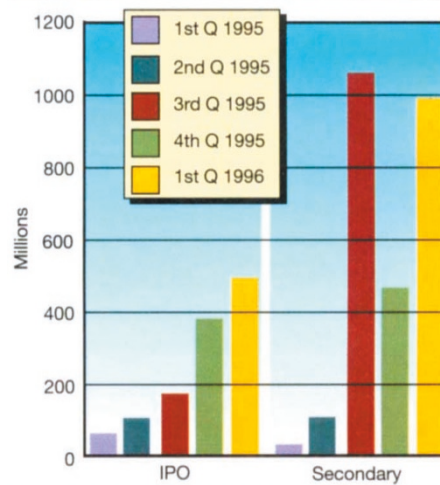
\$2 billion raised as biotech investment boom continues

If the upward trend continues, the amount invested in the biotechnology company sector through public stock offerings and private financing in 1996 could break all records. Biotechnology's previous boom year was 1991, when over \$4.5 billion of new money went into the sector. The first quarter took 1996 almost

halfway to that total, with \$1.955 billion raised in initial public offerings (IPOs), secondary public offerings, and venture capital, and other deals. The first quarter total for 1996 was \$600 million more than for the previous quarter (quarter 4 of 1995; \$1.306 billion), and nearly 10 times the total in the corresponding first quarter of 1995 (\$198 million). Indeed, the tally for the first quarter of 1996 exceeds any quarter of 1995.

Barry Blatt is a freelance writer working in Cardiff, UK.

IPOs are back, but can the trend be sustained?



It is only in the secondary public offerings that any quarter of 1995 exceeded the first quarter of 1996: The third quarter saw public companies opportunistically go back to the market and raise \$1.046 billion. The secondary offerings in quarter 1 of 1996 "only" totaled \$995 million. The value of the other deals—the scraps of private stock placements by public companies, and other small deals upon which companies have survived while biotechnology has been out in the cold—have consistently brought biotechnology companies \$300–350 million per quarter for the past year, much the same level as in the last 3 years.

Perhaps the most consistent trend over the past twelve months has been the steady rise in the value of IPOs. This has increased every quarter since the beginning of 1995. The IPO total of \$491 million in the first quarter of 1996 is nearly 10 times the amount raised in the same quarter of 1995 (\$49.7 million). Indeed, it is more that the value of IPO in the first 10 months of 1995. Not only are there more frequent IPOs in 1996 so far, but each one is more valuable—\$28.9 million in 1996 compared with the \$23.92 million average through 1995.

The rising market for biotechnology companies' stocks seems not to have been anticipated by most companies. The lag between the mid-1995 market recovery and the recent flurry of IPOs suggests that many companies have had to plan their market launch offerings from a standing start.

Mathematicians would urge caution in extrapolating too optimistically. Today's rising curve of investment may continue, or it may be at its peak. What really counts though, is that small corporate biotechnology enterprises already have \$2 billion "in the bag" this year.

Barry Blatt



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