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COMMENTARY

A TOUR THROUGH THE FILES

Perhaps spring fever hit a little early this year—in the middle of March, during an unusually warm weekend when the New York Yankees were already hard at work playing baseball in Florida. It was time for spring office cleaning, and for *Bio/Technology's* senior editors that meant catching up on the filing. (We have often said that our corporate files probably contain more relevant biotechnology information than just about anywhere—save, perhaps, those belonging to Linda Miller, Peter Drake, and the rest of that strange, data-hungry breed known as biotech stock analysts.)

Though an odious chore that makes up in paper cuts what it lacks in intellectual stimulation, filing gives the unfortunate organizer time to pause and muse about the progression of the industry being pigeon-holed. Why it requires five large drawers to accommodate the companies whose names begin with the letters A through I, but only three such containers to hold J through Z, remains a mystery. But it is clear why we have been deluged with information from Genetics Institute (whose file now measures 27 mm across). This “quiet,” private biotechnology company went public last summer, and the barrage of press releases closely followed the firm’s SEC-imposed “quiet period.” It also coincided with a lagging stock price, and, indeed, the stock was soon revived—though it remains unclear whether by press releases, top-notch science, or a generally energetic market.

On the other side, news from Vivotech—the joint venture between cell-culture specialist Damon Biotech (107 mm across) and vaccine-maker Connaught Laboratories—once so regular in its optimism, has ground to a halt. In point of fact, the venture has been dissolved and its technology cruelly abandoned to development within each firm. (Which company, do you think, has a better shot at commercialization?)

Actually, filing gives one a reasonably good perspective on the time period being tucked away. For example, optimistic information from Endotronics (68 mm across), dated last September, is quickly eclipsed by upheavals in top management and allegations of fraudulent financial statements. During the same period, however, erythropoietin blooms from relative obscurity into biotech’s number two therapeutic hopeful. And along with EPO, Amgen (53 mm) soars into the number two position among biotech companies in the eyes of many analysts (nestled not-all-that-closely, however, behind Genentech). Perhaps most enthusiastic in this respect was the *Business Week* article that appeared in mid-March—right at the beginning of Amgen’s quiet period following its filing with the SEC for a 2-million-share stock offering. The prospectus and the article are now filed away safely alongside each other.

And then there is Genentech (84 mm). It used to be a veritable public relations factory, cloning press releases almost as fast as genes. Now, with Genentech acting more and more like the secretive pharmaceutical house it yearns to be, most of the paperwork on this biotech superstar comes from the analysts trying to cover it and explain its stock success in rational terms: Genentech announces a \$365-million write-off to buy out its first two R&D limited partnerships, and the stock shoots up \$12. (That was prior to the company’s latest February 2-for-1 stock split—an annual event that is becoming as traditional as the ball dropping in Times Square on New Year’s Eve). Hewlett-Packard buys out Genentech’s 20-percent stake in the HP Genchem joint venture, and again the biotech company’s stock does well. Thus, the closest thing that biotech has to a religion continues to gather followers.

Converting piles (arranged chronologically) into files (alphabetically) makes one pause to ponder what next year’s piles will hold. Who will be soaring on Cloud 9 and who will be nose-diving toward the bottom line? For example, by then, Genzyme (33 mm and growing), recently added to just about every biotech analyst’s “Buy” list, will either have developed into a solidly respected company or have disappointed many an investor. The current springtime question is “How long can the biotech stocks continue to rise?” Here’s hoping that next year’s spring cleaning won’t provoke the lament of how long the stocks will continue to fall.

—Arthur Klausner