FINANCING

AILING I.P.O. SPELLS BAD NEWS FOR BIOTECH

NEW YORK—Never send to know for whom the bellwether tolls. It tolls for thee....

In this case, the initial public offering (IPO) of NeoRx (Seattle, WA) had been labeled the bellwether for biotech public financings. And, unfortunately, it's tolling pretty loudly.

According to NeoRx president Robert Abbott, the planned equity offering is now "on hold pending improvement in general market conditions." As to when the company may try to resume its IPO, the scientist/entrepreneur says the situation is "more a function of the market than the passage of time."

Meanwhile, biotech's overall bellwether, Genentech (South San Francisco, CA), is having stock-price problems of its own. Even though the firm's tissue plasminogen activator (t-PA) flagship product will probably rack up well over \$200 million in first-year sales for 1988, questions over medical insurance reimbursement and competitive products have driven Genentech stock down close to its post-market-crash lows.

Four-year-old NeoRx is widely con-

sidered one of biotech's up-and-coming stars. With seven cancer diagnostic and therapeutic products in human clinical trials—plus a Product License Application filed late last year on its "Oncotrak" melanoma imaging agent—the monoclonal antibody-based firm had been regarded by much of Wall Street as "the next Centocor." The company's original 3-million-share offering at \$10–13 per share had been oversubscribed, but by early May, the firm couldn't attract sufficient interest even at a price as low as \$8 per share.

"My feeling is that if they had carried off the deal as outlined, it would have been a miracle," says George Stasen of Bradley & Co. (Washington, DC). "Look what a dollar would buy elsewhere. You would have no trouble taking the same dollar and getting more bang for your buck."

Although the skittish stock market was certainly an important factor, NeoRx's troubles also stem from a somewhat unfavorable report about the firm that ran over the Dow Jones news service, and from nagging questions over technology rights. Specifi-

cally, negotiations recently broke down with Immunomedics (Warren, NJ) over NeoRx's possibly licensing some technology relating to immunoconjugates. And, at the same time, Cytogen Corp. (Princeton, NJ) received a U.S. patent on certain radio-immunoconjugates.

"With or without the NeoRx offering, I'm not sure there was a window of opportunity for biotechnology companies," says Denise Gilbert of Montgomery Securities (San Francisco, CA). "But we're in a period in which good, new stars in biotech that are reasonably priced still may have a chance to go public from time to time." The analyst notes that, at current burn rates, a number of biotech companies have two years or less before they will be forced to raise money again. These companies include Chiron, Biogen, Praxis Biologics, Bio-Technology General, Hana Biologics, Invitron, and Damon Biotech. In more immediate danger are Gen-Probe, with just over a year's worth of cash in the bank, and Monoclonal Antibodies Inc., with under one year.

—Arthur Klausner

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