State of the biotech sector—2006

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Last year, the biotech sector was less profitable than in 2005, with the total net loss expanding by more than one-third. Revenue grew by 14% to \$73.5 billion but R&D expenses also jumped 33% to ~\$28 billion. About one-third of US public firms have solid financial posi-

tions, with more than five years of cash. Deal making and mergers accelerated, with high premiums for early-stage technology. The number of biotech firms reached 4,275, with public companies accounting for only 17%.

Number of biotech companies

European biotechs continued floatations from the previous year, expanding the number of European public companies by >25% in 2006.

Source: Ernst & Young

Cash in the bank at US public biotechs

Although the number of biotechs with more than five years of cash grew, fewer biotechs have 2-5 years of cash.

Percent change 10% -26% -21% 17% 5%

Source: Ernst & Young

2006 US public company data by region

Region	Number of public companies	Market cap (\$ millions)	Revenue (\$ millions)	R&D (\$ millions)	Net loss (income)	Cash and short-term investments (\$ millions)	Total assets (\$ millions)
San Francisco Bay Area	69 (0%)	145,553 (-10%)	17,668 (15%)	7,485 (65%)	860 (-307%)	11,348 (-10%)	31,768 (-7%)
New England	60 (3%)	62,936 (5%)	10,384 (16%)	3,919 (31%)	1,386 (36%)	7,063 (8%)	26,216 (4%)
San Diego	38 (3%)	20,916 (6%)	3,252 (18%)	1,432 (32%)	1,069 (37%)	3,673 (17%)	8,589 (8%)
New Jersey	28 (-3%)	28,556 (71%)	1,747 (23%)	802 (10%)	344 (-28%)	1,895 (-4%)	3,196 (-13%)
Mid-Atlantic	23 (15%)	17,111 (13%)	2,061 (8%)	1,270 (11%)	542 (-17%)	2,861 (22%)	7,210 (10%)
Southeast	19 (0%)	5,301 (-25%)	544 (-64%)	271 (-34%)	232 (-2%)	650 (-45%)	1,423 (-53%)
New York State	17 (13%)	8,893 (25%)	1,373 (97%)	685 (6%)	413 (5%)	1,964 (17%)	3,533 (4%)
Midwest	8 (-11%)	1,161 (-28%)	121 (16%)	90 (-10%)	94 (-24%)	238 (8%)	342 (7%)
Pacific Northwest	15 (0%)	4,928 (22%)	196 (17%)	521 (19%)	479 (2%)	793 (-13%)	1,245 (-9%)
Los Angeles/Orange County	11 (0%)	81,585 (-18%)	14,692 (14%)	4,898 (94%)	2,667 (-24%)	6,011 (6%)	32,946 (9%)
North Carolina	9 (0%)	2,017 (-2%)	326 (-11%)	191 (-14%)	61 (-47%)	360 (10%)	735 (2%)
Pennsylvania/Delaware Valley	12 (0%)	7,140 (4%)	2,078 (41%)	603 (-35%)	98 (-73%)	1,332 (18%)	4,094 (8%)
Texas	11 (0%)	1,495 (-33%)	175 (-16%)	226 (-13%)	217 (19%)	188 (-61%)	402 (-46%)
Colorado	6 (-14%)	1,847 (-22%)	296 (6%)	195 (60%)	121 (-18%)	484 (-23%)	716 (-18%)
Utah	2 (0%)	1,454 (42%)	160 (68%)	170 (-4%)	176 (-16%)	386 (2%)	499 (2%)
Other	8 (0%)	1,526 (4%)	384 (21%)	107 (-55%)	42 (-72%)	142 (-2%)	511 (-3%)

Percentages indicate change from 2005. New England includes CT, ME, MA, NH, RI; Mid-Atlantic includes MD, VA, DC; Southeast includes AL, AR, FL, GA, KY, LA, TN, SC; Midwest includes IL, MI, OH, WI; Pacific Northwest includes OR, WA; Other includes HI, MN, MO, NE, NV, OK and SD. Source: Ernst & Young.

Global overview of biotech companies

	2005	2006	Percent change
Revenues (\$ billions)	64.2	73.5	14%
R&D expense (\$ billions)	20.9	27.8	33%
Net loss (\$ billions)	4.0	5.4	35%
Public companies	673	710	5%
Private companies	3,590	3,565	-0.7%

Source: Ernst & Young

Alliances and mergers

Valuations were boosted in a seller's market; M&As had strongest showing since 2002. Pharma's appetite for alliances leaped.

Source: Ernst & Young, BioWorld, Recombinant Capital. Alliance value includes potential, including milestones; mergers include announced and completed mergers.

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