1991/1992 STOCK OFFERINGS

RECORD FINANCING WINDOW CLOSING

NEW YORK—As this year's second quarter ended, the record-shattering 1991/1992 public-financing window for U.S. biotechnology companies seemed to slam shut. So far, 132 biotech companies have raised $5.2 billion through stock offerings, including $2 billion through 64 initial public offerings (IPOs) and $3.2 billion through 68 secondary offerings.

The public-financing window is closing because biotech stock prices have dropped an average of 50 percent, after reaching all-time highs early this year. Even Amgen (Thousand Oaks, CA) saw its share price fall 28 percent, from $78 in January to $56 near the second quarter's end. "With so many companies trading at substantial discounts to their recent highs, it's extremely difficult to convince investors to invest in an IPO instead of an existing company," says Denise Gilbert, a biotech analyst at Smith Barney (San Francisco, CA).

Biotech stocks have plunged for a couple of reasons. Expecting the economy to rebound, investors have cashed out of biotech stocks, shifting to cyclical stocks like banks and automobiles that typically do well during economic recoveries. Also creating selling pressure on biotech stocks are expiring provisos from the field of mid-1991 biotech stock offerings. Such provisos had prevented inside investors from selling shares for six months.

A recent series of biotech setbacks has also contributed to the stock plunge. The Food and Drug Administration (FDA, Bethesda, MD) refused to approve the high-profile sepsis products of Centocor (Malvern, PA) and Xoma (Berkeley, CA). An FDA advisory committee nixed U.S. Bioscience's (W. Conshohocken, PA) chemoprotectant product. MGI Pharma (Minneapolis, MN) halted phase III clinical trials of its chemoprotectant. And weak sales of Immunex's (Seattle, WA) granulocyte macrophage-colony stimulating factor depressed the company's earnings.

BIOTECH'S 1992 SECOND-QUARTER OFFERINGS

Company	Target	Date	Money Raised ($ Millions)	Post-Money Valuation ($ Millions)
Initial Public Offerings				
PerSeptive Biosystems	Drug purification	5/92	17.5	58.8
Affinity Biotech	Diagnostics	4/92	13.0	31.2
Biocircuits	Biosensors	5/92	10.0	36.0
TheraTech	Drug delivery	5/92	9.4	64.7
Subtotals			**49.9**	**190.7**
Secondary Public Offerings				
Idexx	Animal health	4/92	30.8	147.6
Icos	Cell adhesion	4/92	27.0	222.3
Cygnus Therapeutic Systems	Drug delivery	5/92	22.5	196.5
Noven Pharmaceuticals	Drug delivery	4/92	17.5	106.4
ProCyte	Wound healing	5/92	6.9	39.9
Syntro	Animal health	4/92	6.5	50.0
Subtotals			**111.2**	**762.7**
Combined Totals			**161.1**	**953.4**

IPOs in process: Alamar Biosciences, Alpha-Beta Technology, Biovail Corp. International, British Bio-technology, Cantab Pharm, Carntech, Cell Genesys, Creative Biomolecules, Envirogen, Enzymatics, GenDerm, GenPharm International, Gliatech, Home Diagnostics, Hybridon, LifeCell, Ligand Pharmaceuticals, Molecular Dynamics, Neurex Pharmaceuticals, Oclassen Pharmaceuticals, Procept, Saliva Diagnostic Systems, Spectral Diagnostics, Synaptic Pharmaceutical, Tanox Biosystems, Therion Biologics, Triplex Pharmaceuticals, Viagene, Watson Pharmaceuticals. *Secondaries in process*: BioChem Pharma, Carrington Labs, Chantal Pharmaceuticals, DynaGen, Medarex, Quadra Logic Technologies.

Source: Recombinant Capital (San Francisco, CA)

The dollars raised while the 1991/1992 window was open dwarfed previous record public-financing years. In one such year, 1986, 37 biotech companies raised $900 million through stock offerings, with $400 million netted through 22 IPOs and $500 million coming through 15 secondary offerings. In another, 1983, stock offerings brought 29 biotech companies $500 million, including $300 million through 20 IPOs and $200 million through nine secondary offerings.

This year's second quarter, for its part, saw 10 biotech companies raise $161.1 million, with four IPOs bringing in $49.9 million and six secondary offerings capturing $111.2 million (Table 1). No offerings occurred in June, however, the quarter's last month, though 29 IPOs and six secondary offerings were in process as the quarter ended. "Just about all of these companies realize their offerings are dead," says Mark Edwards, managing director of Recombinant Captial (San Francisco, CA).

Another public-financing window probably won't open for three or four years, according to biotech executives. First, investors must regain confidence in biotechnology. FDA approvals of high-profile biopharmaceuticals would help, but such approvals aren't expected until 1994 or 1995. —B.J. Spalding

Neupogen and Epogen erythropoietin (EPO).

But what about the other 15-20 percent? Therein lies a key distribution question for biotech companies looking forward to the day when they'll launch their first products. Traditional wholesalers already are vying with smaller, more specialized distributors to distribute those products yet in development.

Traditional wholesalers

For Amgen, traditional wholesalers are the perfect way to reach hospitals and health maintenance organizations. Those big institutions usually prefer to buy everything they can in bulk and at a discount from wholesalers that deliver everything from bedpans to biopharmaceuticals. But there are other, more specialized customers for sophisticated drugs. When they order Neupogen, they're not buying aspirin and ace bandages in the same bundle. This is the other 15-20 percent of Amgen's market, which the company serves directly.

These buyers offer out-of-hospital medical care at alternate sites, beyond the large wholesalers's usual sphere of business. They include medical professionals who conduct chemotherapy, dialysis, drug infusion, and other ser-