

CORPORATE PLANNING

# SYNERGEN SUDDENLY A HIT WITH INVESTORS

NEW YORK—Not too long ago, Synergen (Boulder, CO) was thought to be a company about to run into trouble. As recently as the beginning of this year, rumors were flying that it was being shopped around. A series of agreements with major collaborators, announced over the past few months, and the initiation in May of Phase I clinical trials on its fibroblast growth factor (FGF), have changed things, however. While acknowledging that the products Synergen has under development have a long way to go, recent Wall Street analysts' reports reflect more confidence in the company's ability to carry out a long-term strategic plan.

Like many of the smaller biotech companies with a full plate of costly projects in the discovery stage (and a resulting potential high cash burn rate), Synergen has long advocated a mix of strategies. Products expected to make it to market in the shorter term are developed on a proprietary basis, while the company lines up partners for those with a longer time-frame for commercialization. In this way, so the argument goes, a combination of anticipated revenues and contributions from collaborators will keep the company solvent through a period of high R&D expenditures. At the end of the line—around 1993 for Synergen—one or more products would be approved and in commercial production, with the company holding a share of a large and profitable therapeutic market.

While events rarely work out as delineated in business plans and 10-Ks, Synergen's recent moves are in step. With the launch of FGF testing, "the company has demonstrated its leadership in tissue growth factor development for wound healing and answered those skeptical of its ability to bring a product to the clinical trial stage," says David Webber of Alex. Brown & Sons (Baltimore, MD) in a recent report. Similarly, its licensing agreement with Hoffmann-La Roche (Basel, Switzerland) to co-develop an interleukin-1 inhibitor discovered by Synergen a year ago shows the company will cede control for a needed influx of capital and (eventual) outside marketing expertise.

Despite the recent run-up in stock price—Synergen ran up nearly 35 percent in May to a yearly high, and has since settled near that price—Peter Drake of Vector Securities International (Chicago, IL) believes the company is "still fairly valued." He acknowledges, however, that ques-

tions remain over the ultimate potential of its major products and its cash position a year or two from now. There's also uncertainty because Larry Soll, a University of Colorado (Boulder) scientist who ran the company since its inception, has stepped aside. (That move can also be viewed positively: Synergen's Board believes that, as the company moves closer to commercialization, it will need a top manager with pharmaceutical industry experience.)

Webber agrees that the stock isn't overvalued. "The strategic elements that have fallen into place will buy Synergen the time it needs to develop its products, an element that differentiates the company from many other biotechnology firms with similar, lengthy lead times," he adds. Those words hark back to biotechnology's earlier days, where promise and potential, coupled with strong and competent management, carried more weight. —Mark Ratner

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