

## BUSINESS AND REGULATORY NEWS

# Centaur abandons US for European IPO

Centaur Pharmaceuticals (Sunnyvale, CA) is the first US biotechnology company to go public abroad; it began listing on the Swiss exchange SWX (Zurich, Switzerland) on August 27, hoping to raise at least CHF80 million (\$54 million). The opportunity for biotechnology initial public offerings (IPOs) in the US this year has been very limited, prompting biotechnology companies to look to Europe to raise money: The novelty of biotechnology for European investors has created a more favorable climate for biotechnology IPOs, which is resulting in higher valuation for biotechnology stocks.

Centaur, which was founded in 1992 and currently has around 80 employees, is developing a novel class of small molecules called NRTs (nitrore-related therapeutics) for the treatment of diseases involving oxidative stress. The initial therapeutic targets are neurodegenerative conditions such as Parkinson's disease, acute cerebral stroke, AIDS dementia complex, and Alzheimer's disease. Centaur plans to start a phase II trial by the end of this year for AIDS dementia, Parkinson's disease, and stroke. "Our technology is high potential, and the medical need is large," asserts the scientific founder, John Carney. According to an analyst at Bank J. Vontobel & Co. AG (Zurich, Switzerland), the global coordinator for Centaur's IPO, the marketing of Centaur's first drug—for the treatment of AIDS dementia—is expected in two or three years.

Centaur has invested \$28 million for research on NRT-related drugs to treat stroke, Alzheimer's disease, traumatic brain injury, and multi-infarct dementia in a collaboration with Astra (Sodertalje, Sweden). However, a second collaboration, entered in October 1996 with the pharmaceutical company Lundbeck (Valby, Denmark) for the development and marketing of drugs to treat Parkinson's disease, could prove expensive for Centaur. Lundbeck terminated the agreement in March, claiming that Centaur had used the same compound in the Parkinson's disease trial as it had used in its AIDS trials. "The worst case scenario," says Centaur CFO Joseph Turner, "is the repayment of seven million dollars."

"Centaur was not unable to go public at Nasdaq," says Turner, "we experienced strong support from US investment banks, and the US capital market is available to us, but for Centaur the Swiss exchange is right." High liq-

uidity, a lot of experience in the valuation of pharmaceutical firms, and local institutional and private investors, as well as Centaur's Swedish pharmaceutical alliances, make the Swiss exchange more attractive for an IPO than the Nasdaq, he explains.

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**Centaur's John Carney (left) and Joseph Turner think the high liquidity of the Swiss exchange is more attractive for an IPO than Nasdaq.**

At one time, the need for biotechnology companies to raise money before having earnings meant that Nasdaq was their only IPO option; 85% of all publicly held biotechnology companies are still traded there. The recent upsurge in stock prices in general over the summer seems not to have impacted the primary investment market in biotechnology stocks. There have been very few biotechnology listings on Nasdaq this year. As a result, according to Eric Bernhardt, biotechnology analyst at Clariden Bank (Zurich), "Going public abroad makes sense. European biotechnology stocks get a higher valuation than US stocks."

Because there are relatively few biotechnology companies in Europe, investors in Europe turn to the United States to invest in

biotechnology. "Swiss investors are more patient and they put a lot of money into the US biotechnology industry's stock market," says Turner, "part of the money could also go into the local market."

A couple of months ago, the Swiss exchange listed its first "biotechnology" company, Bachem (Bubendorf), which produces fine chemicals. In contrast to many biotechnology companies, however, Bachem's pattern of growing revenues and earnings is similar to that of Swiss pharmaceutical companies—such as Novartis (Basel), Roche (Basel), and Ares-Serono (Geneva)—that together represent 50% of the Swiss market capitalization. The novelty value of being classed as a biotechnology company on the Swiss exchange led to a higher visibility than listing on Nasdaq would have, where hundreds of shares are traded. As a result, Bachem's stocks are overvalued and could prevent the company from later listing on Nasdaq (*Nat. Biotechnol.* 16:226, 1998).

Overvaluation could be a problem for Centaur—the first genuine biotechnology company quoted in Switzerland—unless the Swiss private investors quickly grasp the intangible and volatile nature of the biotechnology stock market. "As the Swiss exchange meets the capital needs, a second listing on Nasdaq is not necessary," insists Turner.

Another biotechnology company that was previously concerned with overvaluation is Morphosys (Martinsried, Germany). The company develops antibody libraries and had been widely expected to debut on Nasdaq or its European equivalent Easdaq, but is now seeking its market debut on the Neuer Markt (Frankfurt, Germany).

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## Pharming seeks public support

Pharming, a Dutch life sciences company, raised \$60 million on the EASDAQ exchange during its initial public offering (IPO) on July 2, 1998. With subsidiaries in Finland, Belgium, and the United States, the company may be prompted to spend most of the money abroad, particularly because the Dutch Committee for Animal Biotechnology (Commissie Biotechnologie bij Dieren) and

the former Dutch Minister of Agriculture rejected Pharming's application to use nuclear transfer technology to increase its founder herds.

There was considerable investor enthusiasm for Pharming: Its IPO was more than 10 times oversubscribed, and the company raised an additional \$9.3 million in the permitted overallotment, which sold before July 17. Investors are attracted to the company's US patents covering lactation expression proteins and other transgenic technologies, which Pharming uses to breed ani-

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