

## SUPPLY AND DEMAND

**INSTITUTIONS LIKE FIRST-TIER COMPANIES**

NEW YORK—Major financial institutions dominate the U.S. stock market. They're players in over 75 percent of stock trades. And they invariably hold over half of the stock of companies with more than 20 million shares.

Surprisingly, financial institutions hold a greater percent of the stock of first-tier biopharmaceutical companies than of established pharmaceutical companies (table). *Bio/Technology's* survey of institutional holders shows that 53.5 percent of the stock of 11 U.S. biotech firms with market capitalizations over \$500 million is institutionally owned, on average. In comparison, institutions own an average of 45.6 percent of the stock of 12 major drug companies.

Financial executives put this in perspective. Jack Catterall, treasurer of Biogen (Cambridge, MA), points to supply and demand. "More institutions are chasing fewer first-tier biotech stocks," says Catterall. And David Stone, a biotech analyst at Cowen & Co. (Boston), emphasizes the individual investor's traditional love of pharmaceutical stocks. "As investments, the Mercks and Lillys are safe, non-cyclical, and constantly profitable," Stone says.

Drug companies, of course, financially dwarf biopharmaceutical firms. Merck (Rahway, NJ) weighs in with a \$49.1 billion market capitalization and 390 million outstanding shares, while Eli Lilly (Indianapolis, IN) has a \$23.7 billion capitalization and 293 million shares. This compares to Amgen's (Thousand Oaks, CA) \$6.2 billion capitalization and 40 million shares, as well as Centocor's (Malvern, PA) \$1.1 billion capitalization and 27.8 million shares.

Among biotech companies, Centocor has the highest percent of institutionally owned stock, at 78.2 percent. "Some big blocks of stock recently moved into institutions," says a Centocor spokesman. In June, for instance, Centocor issued about 2 million shares to buy Tocor (Malvern, PA), a 1989 spinoff targeting autoimmune diseases. Institutions received most of the shares, since they owned nearly all of Tocor.

Institutions are less enamored of second-tier and third-tier biopharmaceutical companies. Institutions own an average of 27.5 percent of the stock of 12 biotech companies with market capitalizations between \$500 million and \$100 million. Among these companies, Gensia Pharmaceuticals (San Diego, CA) has the high-

est percent of institutionally owned stock, at 50.3 percent. Furthermore, institutions hold just 14.8 percent of the stock of 13 biotech firms with capitalizations below \$100 million, on average. Cell Technology (Boulder, CO) is the leader among these companies, with 41.8 percent of its stock institutionally held.

Institutional ownership has drawbacks, though. Institutions generally expect stocks to appreciate 15 percent to 25 percent over 18 months. Such expectations can force companies to focus on near-term payoffs,

discouraging prudent risks that could prove beneficial over the long run. Also, institutions—which often control stock prices since they control so much stock—typically act in concert when a company falls out of favor. "Everyone running to the exit at the same time can make a stock drop like a rock," says Jeffrey Casdin, a biotech analyst at Oppenheimer (New York). In contrast, individual investors generally hold stocks for over three years. So the more of a company's shares owned by individuals, the more likely stock price stability. —**B.J. Spalding**

**BIOTECH INSTITUTIONAL HOLDINGS**

Company*	Number of Institutional Holders	Percent of Stock Institutionally Owned
<b>BIOPHARMACEUTICAL COMPANIES</b>		
<b>Tier 1 (Market Capitalizations Over \$500 Million)</b>		
Centocor	161	78.2%
Synergen	98	70.7
Amgen	322	68.5
Biogen	135	67.1
Genzyme	166	67.1
Chiron	179	66.2
Immunex	109	59.2
Xoma	111	38.3
Genetics Institute	82	34.7
Cetus	74	20.0
Genentech	152	18.6
<b>Average</b>	<b>145</b>	<b>53.5</b>
<b>Tier 2 (Market Capitalizations From \$500 Million to \$100 Million)</b>		
Gensia Pharmaceuticals	44	50.3
Liposome Company	56	39.9
Cytogen	83	37.8
ImmunoGen	39	36.4
California Biotechnology	62	35.0
Diagnostic Products	62	26.1
Immune Response	29	26.0
Enzon	41	23.6
Repligen	42	18.0
Cambridge Biotech	34	15.6
Nova Pharmaceutical	29	11.1
Immunomedics	20	9.6
<b>Average</b>	<b>45</b>	<b>27.5</b>
<b>Tier 3 (Market Capitalizations Below \$100 Million)</b>		
Cell Technology	9	41.8
MGI Pharma	27	28.5
Agouron Pharmaceuticals	20	20.4
Vestar	18	15.2
T Cell Sciences	20	13.8
NeoRx	16	13.7
Ribi Immunochem Research	12	11.7
Synbiotics	10	11.2
Enzo Biochem	13	10.8
Liposome Technology	13	10.2
Procyte	13	8.0
Oncogene Science	11	6.6
Neurogen	3	0.0
<b>Average</b>	<b>14</b>	<b>14.8</b>
<b>ESTABLISHED PHARMACEUTICAL COMPANIES</b>		
Pfizer	802	70.2
Eli Lilly	760	66.4
Bristol Myers Squibb	1166	59.0
Schering-Plough	694	57.9
Syntex	597	57.3
Merck	1004	55.6
Abbott Laboratories	794	50.2
SmithKline Beecham	391	48.1
Upjohn	483	47.3
Rhone-Poulenc	139	21.5
Glaxo	399	13.8
Wellcome	4	0.0
<b>Average</b>	<b>603</b>	<b>45.6</b>
*Some information is up to 90 days out of date. Source: Vickers Stock Research (Huntington, NY)		