

# Biotech in decline in Q3

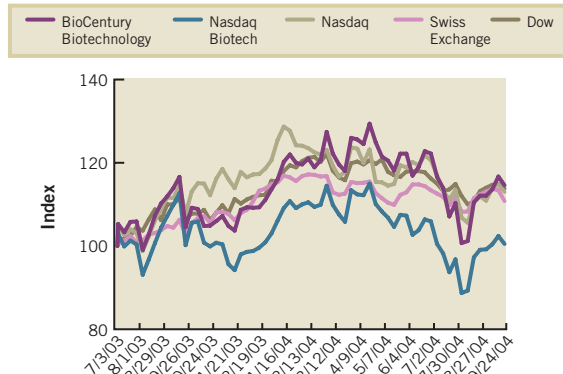
Stacy Lawrence

There was bad news almost across the board for the biotech sector in the third quarter. Amounts raised via initial public offerings and venture capital firms were down from first quarter highs by 46% and 41%, respectively. Overall, biotech financing is down by about a third

from the same quarter in the previous year. The BioCentury and Nasdaq biotech stock market indices diverged this quarter, probably indicating that the biggest biotechs are still doing well whereas smaller ones are suffering.

## Stock market performance

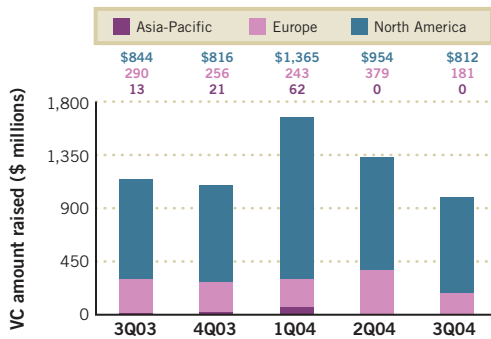
All the financial market indices tracked were up since the beginning of the third quarter last year.



Source: Mulex, BioCentury, Swiss Exchange

## Biotech venture capital investment

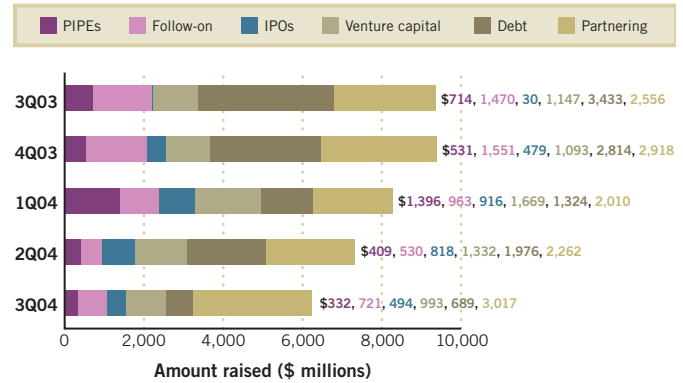
Venture capital funding fell by one-quarter in the most recent period, now below levels for the same period last year.



Source: BioCentury

## Global biotech industry financing

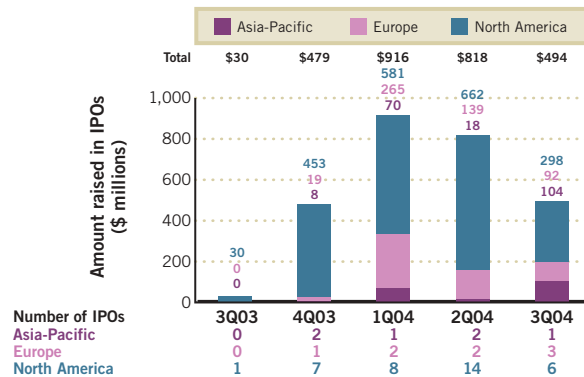
Only funds from partnering and follow-on financing rose. Overall, biotech financing has fallen by one-third since the same quarter last year.



Source: BioCentury, Burrill & Company

## Biotech initial public offerings

In the third quarter, the amount raised by biotech IPOs fell by almost 40% compared with the previous quarter.



Source: BioCentury

## Notable third quarter biotech deals

| Company (lead underwriter)                   | Amount raised (\$ millions) | Percent change in stock price since opening <sup>1</sup> | Date launched |
|--|-----------------------------|--|---------------|
| <b>IPO</b> Sosei (N/A)                       | 104                         | -50  | 20-Jul        |
| Mankind (UBS Securities)                     | 88                          | 43   | 28-Jul        |
| Idenix Pharmaceuticals (Goldman Sachs)       | 64                          | 14   | 21-Jul        |
| Epigenomics (Morgan Stanley/Lehman Brothers) | 52                          | -11  | 19-Jul        |
| Phase Forward (Thomas Weisel)                | 42                          | -8   | 15-Jul        |
| Auxilium Pharmaceuticals (Deutsche Bank)     | 41                          | 14   | 23-Jul        |
| New River Pharmaceuticals (W.R. Hambrecht)   | 34                          | 24   | 5-Aug         |

| Researcher  | Investor             | Value (\$ millions) | Deal type            |
|---|----------------------|---------------------|----------------------|
| <b>Licensing/collaboration</b> Dov Pharmaceutical | Merck                | 455                 | Research partnership |
| Medarex   | Pfizer               | 400                 | Research partnership |
| Nastech   | Merck                | 346                 | Licensing deal       |
| Vernalis  | Endo Pharmaceuticals | 340                 | Promotion agreement  |
| Palatin Technologies                              | King Pharmaceuticals | 260                 | Research partnership |
| Glenmark  | Forest Laboratories  | 190                 | Research partnership |
| Protein Design Labs                               | Roche                | 188                 | Research partnership |

| Company (lead investor)                           | Amount invested (\$ millions) | Round number | Date closed |
|---|-------------------------------|--------------|-------------|
| <b>Venture capital</b> SkinMedica (Perseus-Soros) | 56                            | 4            | 14-Jul      |
| Arakis (Novo A/S)                                 | 52                            | 3            | 7-Sep       |
| Enanta Pharmaceuticals (BioVentures Investors)    | 52                            | 5            | 31-Aug      |
| Avera Pharmaceuticals (Perseus-Soros)             | 48                            | 3            | 3-Aug       |
| Sopherion Therapeutics (TL Ventures)              | 47                            | 2            | 23-Sep      |
| MediciNova (Essex Woodlands Health Ventures)      | 44                            | 3            | 3-Sep       |
| Metaphore Pharmaceuticals (HealthCare Ventures)   | 40                            | 4            | 24-Aug      |
| Pharmasset (Burrill & Co.)                        | 40                            | 4            | 10-Aug      |

| Target   | Acquirer                   | Value (\$ millions) | Date announced |
|--|----------------------------|---------------------|----------------|
| <b>Mergers and acquisitions</b> King Pharmaceuticals | Mylan Laboratories         | 4,000               | 24-Jul         |
| Inveresk Research Group                              | Charles River Laboratories | 1,500               | 5-Jul          |
| Upstate Group  | Serologicals               | 205                 | 7-Sep          |
| Epoch Biosciences                                    | Nanogen                    | 58                  | 7-Sep          |
| Zyco   | MGI Pharma                 | 50                  | 1-Sep          |

<sup>1</sup>Price as of October 1. Source: BioCentury, VentureOne, PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association, Thomson Financial, Burrill & Company, Hoovers

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