

Third quarter sees 10 firms raise \$152.4 million

NEW YORK—Biotech's 1991-1993 U.S. public-financing window—which saw some 187 companies raise a record \$6.4 billion—has seemingly slammed shut. Indeed, this year's second quarter

initial public offerings (IPO)—Neurex Pharmaceuticals' and MicroProbe's (Bothell, WA) netting of \$16.3 million apiece—were just about half of the size of the 1991-1993 window's typical IPO

istration will rein in sky-high biopharmaceutical prices. Amgen's (Thousand Oaks, CA) success has also played a role, according to Frederick Frank, senior managing director at Lehman Brothers (New York). "Amgen is now being capitalized as a pharmaceutical concern. At its current stock price, it sells at roughly 13 times estimated 1993 earnings, about the same as pharmaceutical firms," says Frank. "So when biotech companies become successful, they're going to sell like pharmaceutical companies. Yet analysts and investment bankers still expect most early-stage biotech companies to eventually sell at 20 to 35 times earnings. But based on Amgen, they should expect these companies to sell at 15 to 20 times earnings. That means that, for these companies, today's stock prices are much more correct than when they were 70 to 100 percent higher." When biotech-company stock prices were higher, of course, was when the 1991-1993 public-financing window was wide open. Without access to public financing, firms turned to private financing during the third quarter, with at least 17 firms raising \$206.2 million. Moreover, several public companies conducted private offerings,

Company	Focus	Date	Money Raised (\$ Millions)	Post-Money Valuation (\$ Millions)
Initial Public Offerings				
Neurex Pharmaceuticals	CNS therapies	9/93	16.3	49.5
MicroProbe	Oligonucleotides	9/93	16.3	44.9
Genzyme Transgenics	Transgenic production	7/93	12.0	44.0
Innovir Laboratories	Ribozyme therapeutics	9/93	9.4	15.2
Houston Biotechnology	Ophthalmics	8/93	3.3	19.5
Subtotals			57.3	173.1
Secondary Public Offerings				
Regeneron	CNS therapies	8/93	44.1	277.3
Quadra Logic	Cancer therapies	7/93	19.0	174.8
Vical	Gene therapy	7/93	16.0	89.5
Embrex	Animal health	7/93	12.2	37.8
Matritech	Cancer diagnostics	8/93	3.8	10.2
Subtotals			95.1	589.6
Combined totals			152.4	762.7
IPOs in process:	Aprogenex, InSite Vision, Procept.			
Secondaries in process:	Amylin Pharmaceuticals, Cortech, Roberts Pharmaceutical, Somatogen.			
Source:	Recombinant Capital (San Francisco, CA).			

TABLE 1. Biotech's 1993 third-quarter offerings.

saw just three companies raise \$56.3 million, while the third quarter saw only 10 companies bring in \$152.4 million (Table 1).

"Compared to the 1991-1993 window, companies are now raising far less money at far lower valuations," says Mark Edwards, managing director of Recombinant Capital (San Francisco, CA). For instance, the third quarter's biggest

of about \$30 million. And in the quarter's biggest secondary offering, Regeneron Pharmaceutical (Tarrytown, NY) took in \$44.1 million, less than half of the \$99 million it raised in its record 1991 IPO.

The window closed because biotech stock prices fell. Setbacks to high-profile products have contributed to this fall, as has continuing concern that the Clinton admin-

Kemira sheds European micropropagation units

HELSINKI—Kemira Oy (Helsinki)—the state owned Finnish biotechnology and chemicals corporation that, despite \$2 billion in revenues, lost \$67 million last year—has accelerated its restructuring program with several key divestments in its biotechnology division. Kemira is one of five state enterprises earmarked for whole or partial privatization by 1994 or 1995.

The prospect of Kemira's sale has generated much international interest, although government sources say that foreign ownership may be limited to 40 percent of the company or group divisions. Kemira is also considering a scheme whereby stocks in key divisions could be listed in Helsinki and stock exchanges in London and New York.

The aim of Kemira's restructur-

ing is to shed noncore businesses, among which are its European micropropagation operations.

- In August, Kemira sold its Dutch micropropagation subsidiary, Terra Nigra (Alsmeer), to the subsidiary's senior management in a management buy out (MBO).

- A month earlier, Kemira Biotech sold its 50 percent stake in Hiljo (Amsterdam), a micropropagation and flower-exporting operation, to Kirin Brewery (Tokyo). The deal gave Kirin complete ownership of Hiljo, which had 1992 sales of \$35 million.

- In 1991, Kemira used MBOs to divest Kemira Bioteknik (Stockholm), which focuses on micropropagation and industrial enzymes, and Hortus Oy (Helsinki), a micropropagation operation.

Yet Kemira is actually expanding

its micropropagation operations in Eastern Europe and the U.S. It recently completed a micropropagation project—under contract from the Academy of Sciences (Moscow)—to improve Russian strains of wheat and grain. It also acquired a U.S. micropropagation outfit, Michigan Bulb (Detroit, MI).

Overall, Kemira Biotech—which, along with Kemira's agricultural operations, accounts for over 40 percent of the group's annual sales—has invested \$35 million in research and development (R&D) since 1990 and expects to spend a further \$10 million on R&D in the current year. The lion's share of this spending has gone toward development of Mycostop, a biopesticide to counter fungal diseases in plants. Based on the bacterium

though their stock generally sold at a 10 to 35 percent discount from the public-market prices.

- July saw four companies take home \$27.8 million, as Chiro (Cambridge, U.K.) raised \$15 million, Cortecs International (London) netted \$6 million, RiboGene (Hayward, CA) took in \$4.8 million, and Exogene (Monrovia, CA) captured \$2 million.

- August saw seven companies raise \$84.8 million, with MedImmune (Gaithersburg, MD) taking home \$21 million, Titan Pharmaceuticals (S. San Francisco, CA) capturing \$19 million, Oxford GlycoSystems (Oxford, U.K.) netting \$13.5 million, Cibus (Redwood City, CA) taking in \$9.6 million, Cadus Pharmaceutical (New York) bringing in \$8 million, CV Therapeutics (Mountain View, CA) raising \$6.9 million, and Khepri Pharmaceuticals (Alameda, CA) snaring \$6.8 million.

- In September, six companies raised \$93.6 million, as Genta (San Diego, CA) netted \$22 million, Affymetrix (Palo Alto, CA) brought in \$21 million, Focal (Cambridge, MA) snared \$20 million, Cyto-Therapeutics (Providence, RI) grabbed \$18.8 million, GelTex Pharmaceuticals (Lexington, MA) took home \$6.8 million, and Neocrin (Irvine, CA) raised \$5 million.

—B.J. Spalding

Streptomyces actinomycetales, the product curbs *Fusarium* fungus in ornamentals and vegetables and is marketed in Europe and North America.

Another major R&D effort is Biopol, a process that converts waste water into recyclable sludge. The technique, which is being tested on chemically and biologically treated waste water, uses tree-bark extracts to accelerate waste water's conversion to sludge.

Yet another project involves a production facility in Harjavalta, Finland, to manufacture recycled fertilizers. The \$16 million unit will produce organic and mineral-organic fertilizers for the horticultural sector, with production set for January. It will first compost and then pelletize cattle manure and forest-industry sludge.

—Gerard O'Dwyer

Institutions lukewarm on U.S. agbiotech firms

NEW YORK—Financial institutions—players in over 75 percent of U.S. stock trades—own an average of just 25.5 percent of the stock of 15 U.S. agbiotech firms, reports *Bio/Technology's* survey of institutional holdings (Table 1). This low level is similar to that found in last month's *Bio/Technology* survey, which showed that institutions hold only 27.6 percent of the stock of 89 biopharmaceutical firms.

Without a doubt, uncertainty surrounding the biopharmaceutical sector has tarnished the agbiotech sector. Setbacks to high-profile products has fueled this biopharmaceutical uncertainty, as has concern that the Clinton administration's health-care reform will rein in astronomical biopharmaceutical prices. "When the Clinton health-plan discussion started, the toll on biopharmaceutical stocks took down the agbiotech sector as well. Wall Street doesn't appreciate, on either the downside or the upside, the fact that agbiotech has its own dynamics," says Richard Laster, chairman of DNA Plant Technology (Cinnaminson, NJ).

Of course, the agbiotech sector has its own set of uncertainties, as two of its flagship products continue to list in regulatory limbo. After Calgene's (Davis, CA) \$25 million investment, the firm's genetically engineered Flavr Savr tomato—though it has received marketing approval from the Department of Agriculture (Washington, DC)—is still awaiting such approval from the Food and Drug Administration (FDA, Bethesda, MD). And after a collective investment of \$500 million in bovine somatotropin (BST) by American Cyanamid (Wayne, NJ), Eli Lilly (Indianapolis, IN), Monsanto (St. Louis, MO), and Upjohn (Kalamazoo, MI), the four firms have watched FDA endlessly de-

bate BST marketing approval and the European Community (Brussels) recommend extending its existing ban on BST for seven years.

Yet these uncertainties haven't

Company*	Number of Institutional Holders	Institutionally Owned Stock (%)
Agbiotech Companies		
Idexx Laboratories	105	81.2
Mycogen	73	63.3
Ringer	26	57.0
Crop Genetics	30	26.0
Calgene	74	25.8
Biosys	25	20.8
Syntro	32	19.9
EcoScience	18	18.9
Agridyne Technologies	21	17.8
DNX	22	11.2
Ecogen	28	11.1
Escagenetics	16	9.2
Embrex	14	8.9
DNA Plant Technology	30	6.4
Neogen	6	5.6
Average	34.7	25.5
Pesticide and Seed Companies		
Monsanto	625	72.1
Rohm & Haas	274	68.9
American Cyanamid	554	67.5
FMC	267	65.7
Dekalb Genetics	64	61.7
Pioneer Hi-Bred	210	55.0
Dow Chemical	760	54.8
Du Pont	877	41.0
Average	453.9	60.8

* Some information is up to 90 days out of date.
Source: Vickers Stock Research (Huntington, NY).

impacted some agbiotech firms. Idexx Laboratories (Portland, ME) leads these firms, with 81.2 percent of its stock institutionally held. Runner-up Mycogen (San Diego, CA) has 63.3 percent of its stock owned by institutions.

In contrast to the agbiotech sector, institutions own a whopping 60.8 percent of the stock of eight diversified pesticide-and-seed companies, on average. Monsanto is the leader among these firms, with 72.1 percent of its stock institutionally held. Yet these companies—many of which also market chemicals and pharmaceuticals—financially dwarf agbiotech firms. Monsanto, for instance, weighs in with a \$7.6 billion market capitalization and 119.8 million outstanding shares, while Idexx has a \$354.2 million market cap and 7.7 million shares.

—B.J. Spalding

TABLE 1. Institutional holdings.