

From NJBiz
2/8/2010

Upbeat biotech firms finding favor from financiers

But some observers are wary of lower valuations, sustainability of recovery



By Shankar P.



Elizabeth Posillico, president and chief executive of Elusys Therapeutics, says the company's contract to market a treatment for anthrax with the Biomedical Advanced Research and Development Authority, in the federal Department of Health and Human Services, will add eight people to its staff of 18. [Christina Mazza]

The mood in New Jersey's biotechnology industry is distinctly upbeat compared to a year ago, with several companies securing venture capital funding with better valuations, winning lucrative contracts and striking partnerships.

Despite the good news, not all are satisfied with the level of recovery — or sure that it's sustainable.

Valuations recovered from 2008, but are not nearly as good as they were in 2006, said **James Sapirstein**, chief executive of **Tobira Therapeutics**.

For instance, a company with a drug in Phase 3 trials with a potential market size worth \$2 billion may have been valued at \$600 million in 2006 and \$200 million in 2008, he said. Today, it may be valued at between \$300 million and \$350 million.

PTC Therapeutics "is very pleased" with the terms of its latest financing, said **William Baird III**, its chief financial officer. PTC has an enviable record in raising money with minimal equity dilution. More than half the \$485 million it has raised in the past 12 years has come through collaboration agreements and research grants, he said. These include collaborations with **Roche** and **Genzyme**, and grants from the Muscular Dystrophy Association and the Cystic Fibrosis Foundation, he said.

"We are getting better valuations [than a year ago], for sure," said Sapirstein, whose Princeton-based Tobira is developing cures for HIV.

David Mazzo, president and CEO of Regado Biosciences, in the Basking Ridge section of Bernards, felt his company got "much better terms" in its latest financing round.

Regado's lead product, an anticoagulant for patients with acute coronary syndrome, is expected to launch commercially in 2015; detailed studies estimate its U.S. market to be \$955 million.

Fluctuations in the economy are less important for **Elusys Therapeutics** — its fortunes are driven more by Al Qaeda's machinations.

"Al Qaeda is much more sophisticated in bioweapons than might have been previously believed," said **Elizabeth Posillico**, Elusys president and CEO. "Anthrax is the number-one bioterrorism threat, along with smallpox."

That's created the market for Anthim, which seeks to treat anthrax. Elusys, in Montville's Pine Brook section, won a five-year, \$143 million contract from the Biomedical Advanced Research and Development Authority, in the U.S. Department of Health and Human Services.

Each of those deals may owe more to its specific fundamentals than an improvement in market sentiment, but the psychological boost was palpable at Bio NJ's awards dinner last month. The state's biotech association said the event drew a record of more than 500 attendees.

James Greenwood, president and CEO of Bio NJ's parent — the Biotechnology Industry Association, in Washington, D.C. — said the industry's distress level has fallen. One-third of all biotechs are on pace to run out of money in six months, down from last year, when he said half of biotechs would go broke in six months.

But it's too soon to cheer, said **Michael Becker**, president and CEO of **MD Becker Partners**, of Newtown, Pa. The former Bio NJ chairman said deal flow has resumed, and biotechs have been able to secure better terms, but "the quality [of terms] is not where we want it to be."

Many financing deals dilute promoters' equity at beneficiary companies as they are at discounts to market prices, and include warrants that investors can exercise later, Becker said.

Becker said he would feel comfortable about a sustained recovery if one or two biotech companies go public and their stocks trade without volatility. "Show me a biotech company that can go out the door, have an IPO, trade sideways for a period of time and not go up 300 percent like **Google** rose when it had its IPO," he said. "Then, I will feel better about the strength of the recovery in the life sciences industry."