

Tanks for the raise

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LIFE science experts from Pricewaterhouse Coopers have observed a sharp drop in capital raised in the March quarter, as listed companies asked for smaller amounts and gathered even less.

PwC's *BioForum* report for the third quarter noted a sharp drop in secondary financing – or raisings by listed life science companies.

It noted secondary financing fell sharply in the quarter, particularly after excluding major ResMed's \$A70 million cap drive, which pulled in only \$22 million.

PwC partner Craig Lawn told *BTN* said the sector had a "sleepy start" to the year with only one initial public offering, CBio, and a sharp drop in the level of secondary raising.

"Capital raising for companies already listed were significantly down on the quarter, which is consistent with prior quarters," the life science-focused partner said.

Lawn said the result was unsurprising and consistent with other March quarters, as third quarters tend to be quieter times.

AusBiotech chief executive officer Dr Anna Lavelle told *BTN* the trend was significant.

"The end of 2008 was a horror time for raising capital," she said.

However, in 2009, the biotech sector emerged better than anyone had expected, Lavelle said.

The \$673 million of capital raised for the year showed a strong healthy recovery when compared to 2008's \$180 million result.

Yesterday CathRx revealed it had raised \$6.3 million with an entitlement offer. For more details, see today's Capital Briefs.

The sector gains

Pricewaterhouse Coopers' two indexes measure the performance of Australian Securities Exchange-listed biotechnology, pharmaceutical and medical device companies each quarter, and profiles these in the *BioForum* report.

The PwC Life Sciences index examined the performance of 110 listed companies in the March quarter.

The sector overall experienced a 9.2% gain in share price on the December quarter – a solid result driven by CSL's 12.1% price rise in the quarter, PwC said.

PwC partner Craig Lawn told *BTN* the life science sector had placed another positive quarter under its belt.

Gains to the PwC Life Sciences index reinforced the positive mindset of the sector's CEOs, he said.

"There have been companies exiting the life sciences through natural attrition,



through a tough year, but the ones that are around have really stuck to their strategies," he observed.

"They have been extremely careful with their cash and, for those that are performing, they have been rewarded and that is reflected in the market."

AusBiotech's chief believes the maturity of boards and senior management played a part.

"One of the things that characterised the recovery was that the CEOs stayed the course, did not get alarmed by the changes in the external financial environment."

Those senior executives went overseas and continued to raise capital, communicate with investors, and do what was required to reach their next value inflection point, Lavelle observed.

"That demonstrates to me that we now have a cohort of senior managers and boards who are experienced, who have been in the sector for more than a decade – many of them – and we are seeing that they have that level of sophistication, the maturity that may not have been there ten years ago."

Lavelle said there was no doubt the sector was maturing, not only in terms of technology but also the people working in the sector.

"They are getting more sophisticated," she said.

Smaller caps follow

PwC has a second index which it uses to measure sector performance.

Called the PwC Life Sciences ex-majors index, it excludes CSL, ResMed and Cochlear from its analysis, and in doing so looks at the performance of companies with smaller market capitalisation.

These delivered a solid performance and kept on par with the ASX during the March quarter, staying a fraction below, Lawn told *BTN*.

"On a year-on-year basis, the ex-majors showed a gain of some 82 per cent," he said.

Medical device companies gain ... again

While medical device companies' share prices tend to fluctuate, this life science sector made good gains during the quarter, PwC found.

"In the recent quarter, and on a year basis, the medical devices sector has been a standout performer," Lawn said.

It gained 10.3% on the December quarter, and 60% in the three quarters since June 2009.

Medical devices companies have a different rhythm to biopharmaceutical companies and tend to be closer to market, making them an attractive option for investors, Lavelle observed.

"Most of the medical devices in Australia are produced for exports so they are good revenue raisers."

Getting hold of the report

The full *BioForum* report is due out in 4-6 weeks.

It will include a 15-page detailed analysis, information on partnership and licensing deals, focus features on industry topics, and interviews with companies.

To view past *BioForum* reports and sign up to receive new ones, go to pwc.com.au/bioforum.