

FOR IMMEDIATE RELEASE

Biotech posts strong first quarter gain

--Industry market cap climbs to \$400 billion for first time in over two years

SAN FRANCISCO - Value is returning to biotech. For the first time since late February 2009 the industry's collective market cap has risen above \$400 billion. "At that time Genentech was contributing close to \$100 billion of that total," said G. Steven Burrill, CEO, Burrill & Company, a diversified global financial services firm focused on the life sciences industry. "A few weeks later Roche completed its acquisition of the biotech powerhouse and effectively dropped the industry's market cap by about 25 percent. Despite the ensuing tough financial climate, it has taken just two years to recoup this loss. It is even more remarkable given that in the interim Big Pharma has been nibbling at the valuation by acquiring large biotech companies. This is a great 'good news' story for the industry."

Valuation has been boosted thanks to biotech companies' recording impressive gains for the month of March and the first quarter of 2011. The Burrill Biotech Select Index rose 4.1 percent in March and gained 7.9 percent in the first quarter of 2011. First quarter performance of the Dow Jones Industrial Average was also positive, closing up 6.4 percent. A weaker March gain of just 0.7 percent in the Dow reflected investor caution in the wake of ongoing uncertainty in the Middle East and the concomitant increase in the price of oil challenging the world's recovery, and the earthquake, tsunami, and nuclear disaster in Japan. The NASDAQ Composite Index mirrored the performance of the Dow, dropping marginally in March but posting an almost 5 percent gain for Q1 2011.

"Like the first quarter of 2010, biotech has gotten out of the gate quickly once again," added Burrill. "There has been plenty of positive news to keep investors engaged. The closing of the Sanofi-Genzyme deal certainly helped to create a surge of interest and a great deal of speculation about other blue chip biotech companies that might be in Big Pharma's crosshairs."

"The predicted M&A activity in biotech land is now upon us as evidenced by the pace of deals taking place in the first quarter," noted Mr. Burrill. "Companies that are doing the purchasing have plenty of cash on hand and are encouraged to pull the trigger on deals by an economy that continues to stabilize and borrowing costs that remain at all-time lows."

Headlining the deal flow was the announcement, coming at the end of March, that Canadian-based Valeant Pharmaceuticals had made a hostile takeover offer for Cephalon. The cash offer of about \$5.7 billion, or \$73 a share, represents a 24 percent premium to Cephalon's pre-offer closing price of \$58.75.

Valeant presented its offer privately to Cephalon management in early March. But when Cephalon followed by announcing two acquisitions in short order to beef up its cancer pipeline-- Montreal-based Gemin X Pharmaceuticals and Australian biotech ChemGenex Pharmaceuticals—it triggered Valeant going public with its offer. Valeant felt these acquisitions diluted Cephalon’s value to the Canadian pharma.

Last year Cephalon paid \$590 million for Swiss generics firm Mepha and also acquired U.S. biotech Ception Therapeutics for its experimental asthma drug.

Other deals of note in the quarter included:

- Forest Laboratories/Clinical Data (\$1.2 billion)
- Amgen/BioVex (\$1 billion)
- Daiichi Sankyo/Plexxikon (\$935 million)
- Gilead Sciences/Calistoga Pharmaceuticals (\$375 million)

Investors reward companies for positive news

It wasn’t only deal making that kept investors engaged. Pharmasset was March’s biggest gainer as shares vaulted almost 60 percent (81 percent in the quarter). Investors were encouraged by the company’s positive hepatitis-C data, from the European Association for the Study of the Liver (EASL) annual meeting held in Berlin late March. The company reported that its candidate hepatitis C drug PSI-7977, a nucleotide analog polymerase inhibitor, was effective when added to standard therapy in 98 percent of patients in a 121-person clinical trial. Pharmasset also announced that screening had begun in a Phase 2b study of PSI-7977.

Depomed’s share value jumped 57 percent in the first quarter (20 percent in March) on their announced partnership with Boehringer Ingelheim, which has licensed worldwide rights to their Acuform gastric retentive drug delivery technology to develop and commercialize certain fixed dose combination products.

The U.S. Food and Drug Administration gave the green light to Benlysta, the first new lupus medicine to be approved by the agency in 56 years and drug with blockbuster potential. Human Genome Sciences (HGSI) and GlaxoSmithKline have collaborated on the drug’s development since 2006. HGSI shares rose 66 percent in the quarter (10 percent in March).

Debt financing robust in the first quarter

Debt financing in the first quarter of 2011 represented almost 60 percent of the \$8 billion that US biotechs raised. “All other financing instruments such as IPOs, follow-ons, PIPEs and venture capital were comparable to the totals raised in the year earlier quarter,” said Burrill.

Converting waste to renewables gets VCs fired up

Venture capital continued to flow to U.S. biotech companies. *The Burrill Report* analysis of the approximately 100 venture deals in the first quarter of 2011 found that investors

showed a lot of interest in waste-to-renewables companies with several large financings that included a \$75 million round for Fulcrum Bioenergy for its waste-to-ethanol process, \$45 million for Genomatica for its waste-to renewable chemicals technology, and \$51.7 million for Harvest Power, which converts organic waste to renewable energy and fertilizer products.

Biotech IPOs

Bookended by a quiet period in January and March, several biotech companies made their U.S. market debut in February. “With the exception of renewable fuels and chemical developer Gevo and mobile health apps company Epocrates, all other biotech companies had to significantly lower their pricing expectations to get their IPO deals done,” said Burrill. “The average aftermarket performance of the seven new biotech IPOs at the end of the March was 11.6 percent.”

Epocrates raised \$86 million after pricing 5.4 million shares at \$16, above the initial \$13 to \$15 range. Gevo sold 7.15 million shares at \$15 - the top of its pricing range.

To complete their deals, Endocyte, BG Medicine, Pacira Pharmaceuticals and AcelRx were forced to drop their offer prices considerably. AcelRx, for example, which is developing a candidate drug for the treatment of acute post-operative pain, raised \$40 million by offering 8 million shares at \$5 per share; they originally planned to sell 5.8 million shares at \$12-\$14.

Reflective of the tougher biotech IPO conditions in the first quarter only one biotech company added itself to the IPO queue - Solazyme, a renewable oil company.

Performance of Biotech IPOs completed in 2011

Company	TICKER	IPO Price	Amount Raised (\$M)	Price 3/31/11	% Change
AcelRx	ACRX	\$5.00	40	\$3.43	-31.40%
Fluidigm	FLDM	\$13.50	75	\$14.31	6.00%
Gevo*	GEVO	\$15.00	107	\$19.70	31.33%
BG Medicine	BGMD	\$7.00	35	\$7.71	10.14%
Epocrates	EPOC	\$16.00	86	\$19.80	23.75%
Endocyte*	ECYT	\$6.00	75	\$8.57	42.83%
Pacira Pharmaceuticals	PCRX	\$7.00	42	\$7.10	-1.43%

*Burrill & Company is an investor in the company

Partnering still remains hot

Following on from the record amount of partnership dollars generated by U.S. biotechs in 2010, the quarter saw a further \$7.5 billion being raised through partnership deals.

The two deals with the largest announced values were made between U.S. biotechs and Japanese pharmaceutical companies. Aveo Pharmaceuticals signed a major cancer drug licensing deal with Astellas Pharma that netted the biotech \$125 million upfront and could be worth more than \$1.3 billion if all milestones are met.

The deal involves Aveo's experimental drug, tivozanib, currently in a late stage trial as a treatment for advanced renal carcinoma, and in other studies as a treatment for other solid tumors. It is designed to optimally block the VEGF pathway by inhibiting all three VEGF receptors, for the treatment of a broad range of cancers.

Takeda Pharmaceuticals is teaming up with Intra-Cellular Therapies in a worldwide collaboration worth up to \$750 million. The companies will develop and commercialize Intra-Cellular Therapies' preclinical selective phosphodiesterase type 1 (PDE1) inhibitors for the treatment of cognitive impairment associated with schizophrenia. ITI's PDE1 inhibitors are orally available and have potential to be treatments for a variety of psychiatric and neurological diseases.

Industry market cap

The industry closed the month with a collective market cap of \$405 billion (up 5.4 percent for the month and 8.6 percent for the quarter)

Burrill Biotech Indices

INDEX	12/31/09	01/29/10	02/26/10	03/31/10	% CHANGE (MONTH)	% CHANGE (QTR/YR)
Burrill Select	312.47	316.49	325.48	337.48	3.69%	8.00%
Burrill Large Cap	461.85	470.96	481.52	516.89	7.35%	11.92%
Burrill Mid-Cap	166.01	159.41	161.7	171.22	5.89%	3.14%
Burrill Small Cap	88.12	85.1	85.71	95.50	11.42%	8.37%
Burrill Genomics	159.87	151.88	161.74	179.72	11.12%	12.42%
Burrill Diagnostics	147.96	143.23	144.61	150.20	3.87%	1.51%
Burrill Personalized Medicine	91.71	89.25	91.98	94.90	3.17%	3.48%
NASDAQ	2269.15	2147.35	2238.26	2397.96	7.14%	5.68%
DJIA	10428.05	10067.33	10325.26	10896.63	5.53%	4.49%
Amex Biotech	941.92	964.34	1040.76	1227.55	17.95%	30.32%
Amex Pharmaceutical	309.21	305.76	302.64	308.15	1.82%	-0.34%

US biotech financings for Q1 2011

	2010 1Q	2011 1Q
Public		
IPO	\$339	\$418
Follow-on	\$1,030	\$1,461
PIPEs	\$308	\$318
Debt	\$55	\$4,753
Private		
VC	\$1,044	\$1,092
Total Financing	\$2,756	\$8,032
Partnering	\$6,139	\$7,552
Total	\$8,995	\$15,584

About Burrill & Company

Founded in 1994, Burrill & Company is a diversified global financial services firm focused on the life sciences industry. With more than \$1 billion in assets under management, the firm's businesses include venture capital, private equity, merchant banking and media. By leveraging the scientific and business networks of its investment team, Burrill & Company has established unrivaled access and visibility in the life sciences industry. This unique combination of resources and capabilities enables the company to provide life sciences companies with capital, management expertise, insight, market intelligence and analysis through its investments, conferences, and publications. Headquartered in San Francisco, the company oversees a global network of offices throughout the United States, Latin America, Europe and Asia. For more information visit: www.burrillandco.com.

Upcoming Burrill & Company Events

The 2nd Annual Burrill Pan-Asia Life Sciences Meeting
June 26, 2011, The Grosvenor Auditorium at National Geographic Museum
Washington D.C.

http://www.burrillandco.com/pan_asia_2011/

The Burrill Latin America Life Sciences Conference
May 19-20, 2011 in Rio De Janeiro, Brazil
http://www.burrillandco.com/Latin_America_2011/

The Burrill Personalized Medicine Meeting
October 03, 2011 - October 04, 2011
The San Francisco Airport Marriott
Burlingame, CA
http://www.burrillandco.com/personalized_medicine_2011/

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