

Biotech Sector Scores Wins in November Despite Global Economic Turmoil, says Burrill & Company

Three US new drug approvals, two IPOs, and a major acquisition provide encouragement for the sector.

San Francisco, CA—Dec 1, 2011—Economic and political worries in Europe and the United States fueled another month of wild gyrations in the stock market, but biotech companies scored some notable victories with encouraging clinical developments, three drug approvals, two IPOs, and news that Gilead Sciences would buy Pharmasset* for \$11 billion.

Gilead said it would purchase Pharmasset, a clinical-stage company developing oral therapies for the hepatitis C virus, for \$137 a share in cash. That represented an 89 percent premium to Pharmasset's closing price the previous trading day. The deal marries Pharmasset's pipeline of three clinical stage HCV product candidates to Gilead's own pipeline of seven clinical candidates and may result in new oral combination therapies for the disease.

"The acquisition could lead to therapies that transform the way HCV is treated by bringing together the promise of Pharmasset's drugs with the depth of experience Gilead has in antiviral therapies and its own pipeline of HCV candidates," says G. Steven Burrill, CEO of Burrill & Company, a global life sciences financial services firm. "Many people have questioned the viability of drug development business models, but as this transaction shows, innovative companies are still capable of creating enormous value and rewarding investors for their patience."

Two life sciences companies went public in November. Clovis Oncology, a company founded by the former executives of Pharmion, completed a \$130 million offering at \$13, the bottom of its \$15 to \$13 target price range. It raised the size of its offering to 10 million shares, from a planned 9.3 million shares. Its lead product is in mid-stage testing for metastatic pancreatic cancer. New Link Genetics raised \$43 million. But to complete the offering, the company had to settle for \$7 a share, 30 percent below its target price of \$10 to \$12 and increase the size of its offering to 6.2 million shares from 5.5 million. Overall, the 16 life sciences companies that successfully completed initial public offerings on U.S. exchanges in 2011 are down an average of 14.2 percent from their IPO price with 5 advancers, 10 decliners, and one unchanged.

"IPOs will continue to get done, but companies will need to be both opportunistic and realistic," says Burrill. "Once we get into the new year and there is greater clarity on the situation in Europe and recent market pressures ease, we should see a pick-up in activity coming out of the annual JPMorgan Healthcare Conference."

November was a solid month for life sciences venture financings, but less so for life sciences venture capital firms. A total of \$690 million in U.S. venture funding occurred during the month, but the sector saw an increasing number of investors exit the life sciences space or announce plans to curtail their activity. Scale Venture Partners will exit the life sciences and the life science practices at Morgenthaler and Advanced Technology Ventures are breaking off from their IT counterparts to form a new firm. That followed news in October that Prospect Ventures would not raise a fourth healthcare fund and return committed capital to limited partners. A survey from the National Venture Capital Association has found that nearly 40 percent of life sciences venture capitalist firms plan to invest less in the sector during the next three years. That reflects both frustration with regulatory barriers and the weak market for initial public offerings that have made it difficult for venture investors to cash out of their investments.

“These are troubling developments that could constrain the availability of capital to promising young companies in the years ahead,” says Burrill. “It is vital that we address regulatory barriers and capital market constraints that ultimately may be choking off important sources of innovative medicines and new jobs.”

Life Sciences Capital Scorecard in USD M

	YTD Through November 30, 2011	YTD Through November 30, 2010	Change
Total Global Venture Capital	9,210	8,649	6.5%
U.S. VC	6,988	6,168	13.3%
Total IPOs (44 in 2011 v. 36 in 2010)	3,731	4,185	-10.8%
U.S. IPOs (16 in 2011 v. 17 in 2010)	1,385	1,487	-6.9%
Total Global PIPEs	3,179	3,161	0.6%
U.S. PIPES	1,394	1,869	-25.4%
Total Global Follow-ons	8,415	3,672	129.2%
U.S. Follow-ons	2,398	3,021	-20.6%
Global Debt Offerings	50,325	33,739	49.2%
U.S. Debt	30,719	26,678	15.1%
Global Other Financings	10,768	11,688	-7.9%
U.S. Other Financings	4,935	6,490	-24.0%
Total Global Public Financings	76,339	55,446	37.7%
Total U.S. Public financings	41,551	39,754	4.5%
Global Partnering	32,456	57,723	-43.8%
U.S. Partner/Licenser	18,725	32,071	-41.6%
Global M&A	154,537	135,224	14.3%
M&A, U.S. Target	92,557	65,744	40.8%

Three new drugs won U.S. Food and Drug Approval during the month raising the number of new drugs approved by the agency in 2011 to 29, significantly more than the 21 approved during all of 2010. The new approvals included Transcept Pharmaceuticals’ insomnia drug Intermezzo, Regeneron Pharmaceuticals’ eye disease drug Eyelea, and EUSA Pharma’s blood cancer drug Erwinaze. Alimera Sciences was not as fortunate. The FDA told the company it would not approve its experimental drug to treat a form of eye disease caused by diabetes because of insufficient data.

Notable developments in the clinic helped spur interest in two companies. Alynlam Pharmaceuticals, in an early-stage study, reported positive results for its experimental RNAi therapy for TTR Amyloidosis, a rare genetic disorder. The results are significant because it is believed to be the first time an RNAi therapy delivered systemically in man has been shown to be effective. Medivation said a late-stage study of its

experimental prostate cancer drug MDV310 prolonged life by 4.8 months. That sent the company's shares rocketing up 140 percent.

In other developments, pioneering stem cell company Geron said it is stepping away from its human embryonic stem cell therapeutics program to focus on its mid-stage cancer drugs. The company cited the scarcity of capital and economic uncertainties for its decision.

On the policy front, the U.S. Supreme Court said it will take up the question of whether the landmark healthcare reform legislation passed in 2010 is constitutional. At the heart of the case is the constitutionality of the law's individual mandate, which requires virtually every U.S. citizen to have health insurance by 2014 or face financial penalties.

November's passing also brings to an end Pfizer's patent on its statin Lipitor, the best-selling drug of all time. "We will probably never see another market success like Lipitor. In many ways the expiration of the patent marks an end to the blockbuster era of drugs," says Burrill. "We're now moving on to a future, one defined by targeted therapies and informed by an understanding of a patient's individual genetics, a future in which we'll be able to determine whether and for whom drugs such as Lipitor will provide any benefit."

BURRILL INDICES	12/31/10	10/31/2011	11/30/11	Month Change	Year Change
Burrill Select	365.12	407.48	420.54	3.21%	15.18%
Burrill Large Cap	526.55	485.41	509.77	5.02%	-3.19%
Burrill Mid-Cap	218.10	318.36	300.31	-5.67%	37.69%
Burrill Small Cap	94.97	88.40	87.64	-0.86%	-7.71%
Burrill BioGreenTech	152.78	150.66	146.72	-2.61%	-3.97%
Burrill Diagnostics	158.05	174.67	176.66	1.14%	11.78%
Burrill Personalized Medicine	106.26	98.87	98.33	-0.55%	-7.47%
Canadian Biotech	55.68	53.31	55.25	3.63%	-0.78%
NASDAQ	2652.87	2684.41	2620.34	-2.39%	-1.23%
DJIA	11577.51	11955.01	12045.68	0.76%	4.04%
Amex Biotech	1297.61	1171.49	1035.06	-11.65%	-20.23%
Amex Pharmaceutical	305.88	317.13	308.92	-2.59%	0.99%

*Burrill & Company is an investor in Pharmasset.

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.

Contact:

Daniel Levine
 Managing Director
 Burrill & Company
 dlevine@b-c.com
 415-591-5449

