

FOR IMMEDIATE RELEASE

### **Volatile Markets in August Take a Toll on Life Sciences IPOs**

*Burrill & Company says poor performance for new issues, depressed stocks, could fuel surge in M&A*

SAN FRANCISCO – September 1, 2011 – Market volatility in August battered life sciences companies that went public this year, wiping away nearly \$1.3 billion in market capitalization as tumultuous trading activity hit them harder than the broader market, IPOs in general, and biotech stocks as a whole, a Burrill & Company analysis shows.

The market's gyrations, triggered by the United States' debt ceiling fight, worries about the nation's creditworthiness, the debt crisis in Europe, and the stalled economic recovery, threw U.S. life sciences IPOs into a dramatic reversal. As a group, the return from the 13 U.S. life sciences IPOs completed in 2011 on U.S. markets had moved into negative territory by the end of August, down an average 7.4 percent from their IPO price compared to the 17.2 percent gain they had realized by the end of July. The group in August fell 18.9 percent, with 3 advancers and 10 decliners compared to 9 advancers and 4 decliners at the end of July.

In all, the life sciences IPOs had actually outperformed broader market indices by the end of July, but now are significantly underperforming the Dow Jones Industrial Average, the Nasdaq Composite Index, the Burrill Biotech Select Index, and the AMEX Biotech Index. As a class, they have also failed to match the performance of U.S. IPOs overall, which as a whole were down 3 percent at end of August, according to Renaissance Capital.

“Investors took flight from risk in the recent market turmoil and that does not bode well for life sciences companies hoping to complete public offerings,” says G. Steven Burrill, CEO of San Francisco-based Burrill & Company, a diversified global financial services firm focused on the life sciences industry. “If the volatile market activity that characterized August persists, it could cause private life sciences companies to turn away from the IPO market and seek financing elsewhere.”

Life sciences companies demonstrated a willingness to seek funding outside the United States, going where they felt they had the best chance of raising money in difficult markets. Two U.S. companies did manage to go public in August, but on exchanges

outside the United States. EcoSynthetix, a renewable chemicals company, completed a \$101.6 million offering on the Toronto Stock Exchange on August 4. GI Dynamics, a medical device company commercializing non-surgical treatments for diabetes and obesity, closed an \$85 million offering on the Australian Securities Exchange on August 30, planning to list on September 7. That's a trend that's likely to continue. Genomatica, a renewable chemical company, added itself to the IPO queue, raising the total to 36 life sciences companies in registration globally.

#### Performance of 2011 U.S. IPOs In August

COMPANY	TICKER	IPO PRICE (USD)	AMOUNT RAISED (USD M)	RETURN FROM IPO 7/29/11	RETURN FROM IPO 8/31/11	ONE-MONTH CHANGE	MARKET CAP (USD M) 8/31/11	PRICE 8/31/11
Endocyte	ECYT	6	86.3	122.20%	82.70%	-17.80%	394.8	11
Sagent Pharmaceuticals	SGNT	16	105.8	74.20%	43.70%	-17.50%	614.6	23
Pacira Pharmaceuticals	PCRX	7	42	43.10%	9.40%	-23.60%	143.6	7.7
Horizon Pharma	HZNP	9	50	0.40%	-11.10%	-11.50%	156.2	8
Fluidigm Corporation	FLDM	13.5	86.3	25.60%	-0.10%	-20.50%	261.5	13.5
BG Medicine	BGMD	7	40.3	7.60%	-13.70%	-19.80%	120.5	6
Tranzyme	TZYM	4	54	-1.30%	-22.50%	-21.50%	76.4	3.1
Solazyme	SZYM	18	227.2	26.90%	-22.20%	-38.70%	831.8	14
Gevo	GEVO	15	123	10.20%	-28.90%	-35.50%	271.3	10.7
KiOR	KIOR	15	150	-3.70%	-8.00%	-4.50%	1377.3	13.8
Epocrates	EPOC	16	85.8	2.80%	-33.60%	-35.30%	254.4	10.6
AcelRx Pharmaceuticals	ACRX	5	40	-18.00%	-32.00%	-17.10%	60.6	3.4
Kips Bay Medical	KIPS	8	17	-65.90%	-60.00%	17.20%	49.9	3.2

IPOs were not alone in being punished within the life sciences sector. Dendreon had the misfortune of reporting disappointing sales for its groundbreaking cancer vaccine Provenge as markets tumbled in response to the Congressional fight over raising the debt ceiling. The company saw nearly two-thirds of its value wiped away as its shares closed at \$11.69 on August 4, down from \$35.84 the previous day. Dendreon's problem in ramping up sales spilled over to other companies as investors grew concerned about the pace at which other recently approved drugs will be able to realize their market potential.

Overall, the life sciences sector in August saw nearly 6 decliners for each advancer for stocks trading over \$1 at the end of month. With values depressed throughout the sector, it could fuel increased M&A activity among cash rich pharmas looking to expand their pipelines.

"Big Pharma's problems have not gone away. The need to find new sources of revenue to replace income from sales of drugs going off patent continues to fuel dealmaking," says Burrill. "With values depressed, acquirers will likely find more bargains today when they go shopping. We could see a pick-up in activity between now and year-end."

The stock market's wild swings dampened activity in the capital markets for life sciences companies across the board. In August, the immunotherapeutics company Agenus was the only life sciences company to complete a follow-on offering. It raised just \$7 million. Only four companies in the United States completed PIPEs raising a total of \$83.6 million.

**LIFE SCIENCE FINANCINGS (USD M)**

	YEAR-TO- DATE THROUGH 8/31/11	YEAR-TO- DATE THROUGH 8/31/10	Change
Total Global Venture Capital	6,532	6,676	-2.2%
U.S. VC	4,881	5,339	-8.6%
Total IPOs (34) - 24 in 2010	3,250	1,458	122.9%
U.S. IPOs (13) - 11 in 2010	1,298	820	58.3%
Total Global PIPEs	2,659	2,620	1.5%
U.S. PIPES	1,148	1,415	-18.9%
Total Global Follow-ons	4,668	2,482	88.1%
U.S. Follow-ons	4,047	1,995	102.9%
Global Debt Offerings	32,105	23,156	38.6%
U.S. Debt	18,584	17,595	5.6%
Global Other Financings	9,160	7,318	25.2%
U.S. Other Financings	3,820	5,597	-31.7%
Total Global Public Financings	55,292	37,034	49.3%
Total U.S. Public financings	28,817	27,522	4.7%
Global Partnering	24,269	42,645	-43.1%
U.S. Partnering	20,845	24,580	-15.2%
Global M&A	130,222	107,128	21.6%
U.S. M&A	109,292	51,780	111.1%

Personalized medicine emerged in August as a bright spot for the sector with the U.S. Food and Drug Administration's approval of Roche's melanoma drug Zelboraf and Pfizer's non-small cell lung cancer drug Xalkori. Both drugs were approved for use with companion diagnostics to determine which patients would benefit from their use. The FDA also approved Seattle Genetics' lymphoma drug Adcetris, a drug that marries an antibody to a toxic chemotherapeutic payload to deliver a targeted therapy to a certain subgroup of lymphoma patients.

The approvals follow the announcement in July that pharmacy benefits manager Express Scripts reached an agreement to acquire its competitor Medco Health Solutions, a leader in integrating personalized medicine into healthcare. Although the deal must pass regulatory scrutiny, and will likely face opposition from drugmakers concerned about a concentration of buying power, it provides Express Scripts with a strategic position in personalized medicine that it had been lacking.

“There has been criticism of late about the slow progress in realizing the promise of personalized medicine,” says Burrill. “The recent activity, though, points to the very real changes that are underway to incorporate genomic medicine into standard practice of healthcare today.”

Burrill & Company will explore the challenges and opportunities for personalized medicine when it holds its 7<sup>th</sup> Annual Personalized Medicine Meeting October 3-4 at the San Francisco Airport Marriott in Burlingame, California. NIH Director Francis Collins, Life Technologies CEO Greg Lucier, and Illumina CEO Jay Flatley will be among the speakers sharing their perspectives at this year’s conference. More information is available at [http://www.burrillandco.com/personalized\\_medicine\\_2011/](http://www.burrillandco.com/personalized_medicine_2011/).

#### BURRILL INDICES

INDEX	12/31/10	7/29/2011	08/31/11	MONTH CHANGE	YEAR-TO-DATE
Burrill Select	365.12	415.2	398.26	-4.08%	9.08%
Burrill Large Cap	526.55	537.42	482.90	-10.14%	-8.29%
Burrill Mid-Cap	218.10	290.87	282.11	-3.01%	29.35%
Burrill Small Cap	94.97	106.04	97.91	-7.67%	3.10%
Burrill BioGreenTech	152.78	155.75	126.10	-19.04%	-17.46%
Burrill Diagnostics	158.05	184.05	175.60	-4.59%	11.10%
Burrill Personalized Medicine	106.26	111.82	104.47	-6.57%	-1.68%
Canadian Biotech	55.68	67.07	58.32	-13.05%	4.74%
NASDAQ	2652.87	2756.38	2579.46	-6.42%	-2.77%
DJIA	11577.51	12143.24	11613.53	-4.36%	0.31%
Amex Biotech	1297.61	1353.5	1194.27	-11.76%	-7.96%
Amex Pharmaceutical	305.88	324.48	315.95	-2.63%	3.29%

#### 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](http://www.burrillandco.com).

Download The Burrill Report, our free monthly, at [www.burrillreport.com](http://www.burrillreport.com)

Upcoming Burrill & Company Events

The Burrill Personalized Medicine Meeting

October 3, 2011 - October 4, 2011

The San Francisco Airport Marriott

Burlingame, CA

[http://www.burrillandco.com/personalized\\_medicine\\_2011/](http://www.burrillandco.com/personalized_medicine_2011/)

Contact:

Daniel Levine

Managing Director

Burrill & Company

[dlevine@b-c.com](mailto:dlevine@b-c.com)

415-591-5449