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Biotech Industry Consolidates

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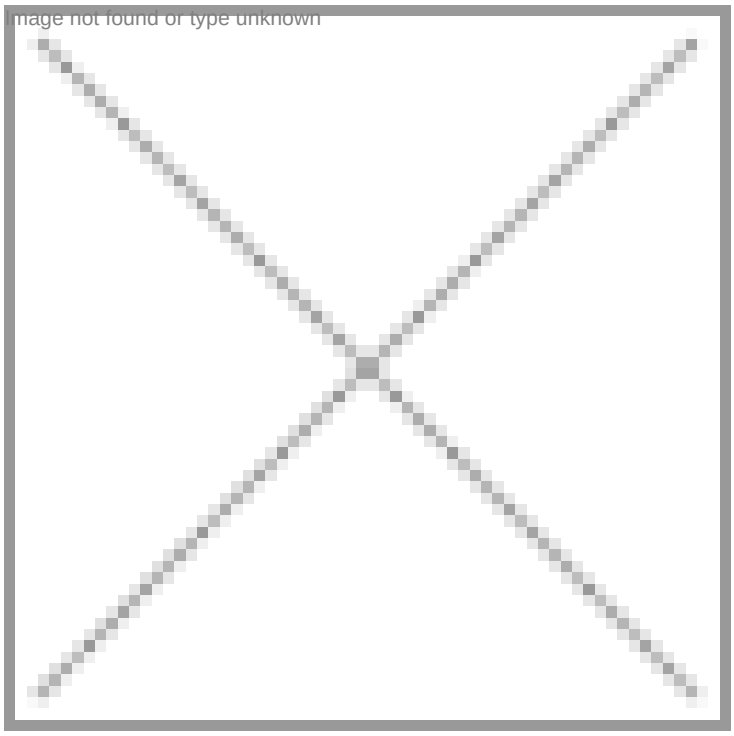
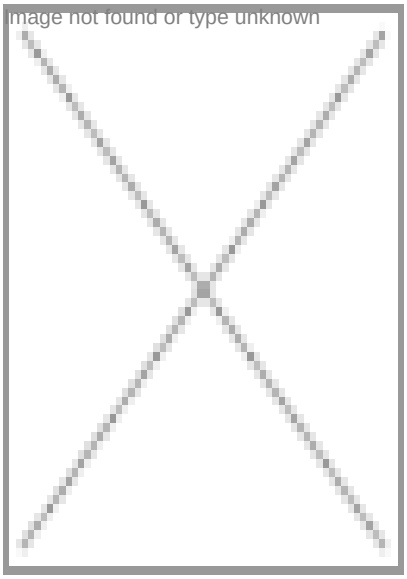


The UK leads in the European biotech race. The year 2003 saw consolidation of the industry for sustainable growth.



T he bioscience industry is a British success story, notes Prime Minister Tony Blair in his foreword to Bioscience 2015 report. Britain has a track of excellent scientific discovery, which is the major factor contributing to the success of the biotech industry. According to a recently published report, Comparative Statistics for the UK, European and US Biotechnology Sectors-Analysis Year 2003, prepared by independent consultants, Critical I Ltd, for the Department of Trade and Industry (DTI), the UK is more sustainable in future than elsewhere in Europe and that the UK remains the most attractive for large investment. The report had found a general fall across Europe in biotech business activity due to widespread waves of restructuring.

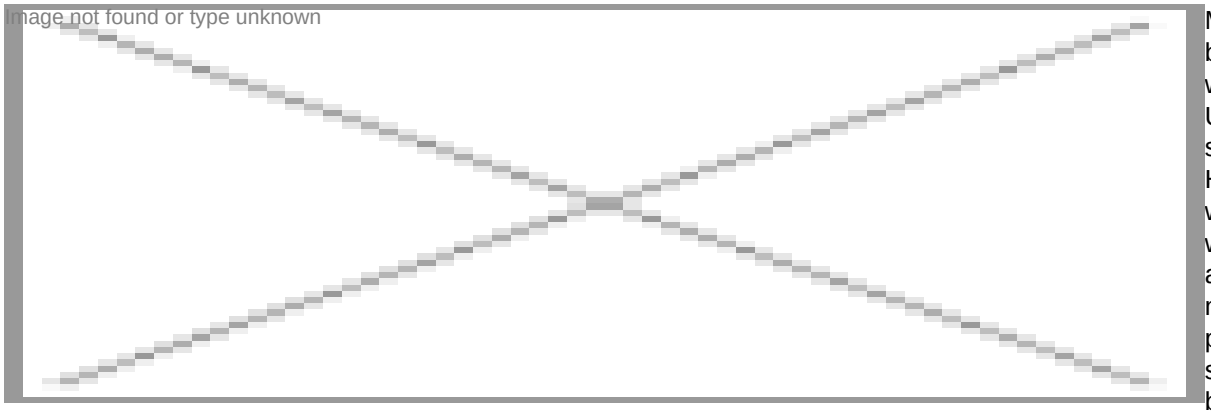
The study shows that at the end of 2003, Europe's biotechnology industry employed approximately 82,400 people and generated â,¬16.3 billion of revenue. Europe's biotechnology sector had over 420 new drugs in clinical development or awaiting approval. European companies raised â,¬1.3 billion of equity investment in 2003. And the UK was the single biggest contributor to these figures. In 2003, the UK sector's companies employed approximately 22,400 people and generated revenue of £3.6 billion. The UK companies had 224 new drugs in clinical development or awaiting approval-half of the European total. The UK companies raised £392 million of equity investment.

The UK biotechnology sector had witnessed a restructuring process in 2002 and this process continued through 2003. The report indicates that the UK, post-restructuring, has the most robust biotechnology sector in Europe and remains the most likely national sector to attract the large equity investments necessary for growth. The report was published at a DTI led Science and Innovation Conference in Manchester that bought together key figures in business and academia in the North West to discuss the importance of driving forward innovation.

Speaking at the conference, Science Minister Lord Sainsbury said, "Innovation is key to our economic success, as we increasingly compete against countries with significantly lower labor costs and well-educated labor forces. British businesses will only be able to compete in the global economy if more resources are moved from low to high value-added areas. This is highlighted in the UK's biotechnology sector which, despite a general global slowdown, remains the most successful and sustainable in Europe, second in the world only to the US."

M&As dominate

During 2003, the UK was the focus of some very high profile mergers and acquisitions like the acquisition of PowderJect Pharmaceuticals' profitable vaccines business by Chiron and Celltech acquiring OGS. British M&A activity accounted for 15 companies disappearing from the country count in 2003. During 2003, 75 UK companies were removed from the UK company counts as a result of losing their discrete identity through being absorbed in to another business operation through merger or acquisition, going out of business, or by becoming dormant.



Meanwhile 36 new biotech companies were founded in the UK during 2003. Not surprisingly, the Healthcare group, with 20 foundings, was the largest, accompanied by 11 new companies planning to provide services such as bioprocessing, biomanufacturing and custom research activities and only four offering technology platforms. The UK also spawned with six companies planning to develop and sell healthcare diagnostics. No new companies emerged in the agricultural and marine biotechnology sector whilst the industrial and environmental sector saw only one new company formed in 2003.

Robust VC support

The UK sector raised more equity in 2003 than any other European country. And the venture capital support for the UK biotech sector remained relatively robust. The â,¬247 million raised was, however, 20 percent below that raised in 2002, a fall

pretty much in line with that across Europe as a whole. This sum was invested in 34 companies, all but two of which were in healthcare. Eighteen percent of this sum was raised by companies under two years old and 75percent by those between three and five years old.

In 2002, by comparison, â,¬335 million of venture capital was raised by 38 UK companies. A quarter of the companies were in the service provider and technology service provider categories.

R&D focused

According to the British high commissioner to India Sir Michael Arthur, the UK conducts 4.5 percent of the world's science and produces 8 percent of the world's scientific papers. And by 2008, the UK government will invest £5 billion per year. "Our government recently announced £2.5 billion budget allocation for biotech," Sir Arthur noted.

Critical I has analyzed the R&D effort in the biotechnology sector in two main ways. It used an extrapolation approach to calculate figures for R&D spending and the number of R&D employees across all companies in its survey. The UK biotechnology sector's 2003 R&D spend was â,¬1.76 billion (£1.24 billion). The healthcare sector with a total spend of â,¬1.53 billion (£1.08 billion) represented the most significant contribution to R&D spending.

More products developed

The UK is a dominant player in European therapeutic product development. In 2003, UK Healthcare sector companies had 132 approved compounds on the market, 10 more than in 2002. This is almost half of the 263 marketed compounds developed by European biotechnology companies covered in the Critical I study. At the end of 2003, the UK companies also had a further 24 products, 80 percent of the European total, awaiting approval.

Also in the drug development process, the UK accounted for 60 percent of the compounds among European companies surveyed in clinical phase III, 50 percent of those in clinical phase II, and around 45 percent of those in clinical phase I.

Not just that. The UK is also well-placed within the European context when it comes to the future value of its pipeline. At the end of 2003, the UK Healthcare sector had 200 compounds in clinical development, 35 of which were in phase III. Switzerland, with 12 compounds in phase III and 29 others in the clinic was the UK's nearest competition, the report pointed out. The US biotechnology companies at the end of 2003 boasted 740 products on the market compared with the UK and European totals of 132 and 261 respectively.

Robust revenues

The companies surveyed in the Critical I generated â,¬5 billion (£3.6 billion) in revenues. The UK agricultural and marine biotechnology revenues increased by 2.5 percent to â,¬543 million (£383 million) in the two years to 2003. The industrial and environmental sector revenues were £114.2 million (â,¬131m) compared to £99 million (â,¬162 million) in 2001, a 15 percent increase over the period. The healthcare companies generated revenues of â,¬12.4 billion in 2003, almost three-quarters of total European biotech revenues that year. UK companies accounted for â,¬3.5 billion of this sum. The service provider revenues increased â,¬800 million in 2003.

The future, according to the industry experts, is that the UK biotech is on a robust path. The sector, like that of the US, is relatively highly dependent on equity investment. It is particularly important for companies to be able to raise finance between â,¬10-30 million, a range that allows them to continue to tread the value-generating road to product development.

Information Source: Critical I Report on Comparative Statistics for the UK, European and US Biotechnology Sectors-Analysis Year 2003 and the Department of Trade and Industry (DTI).