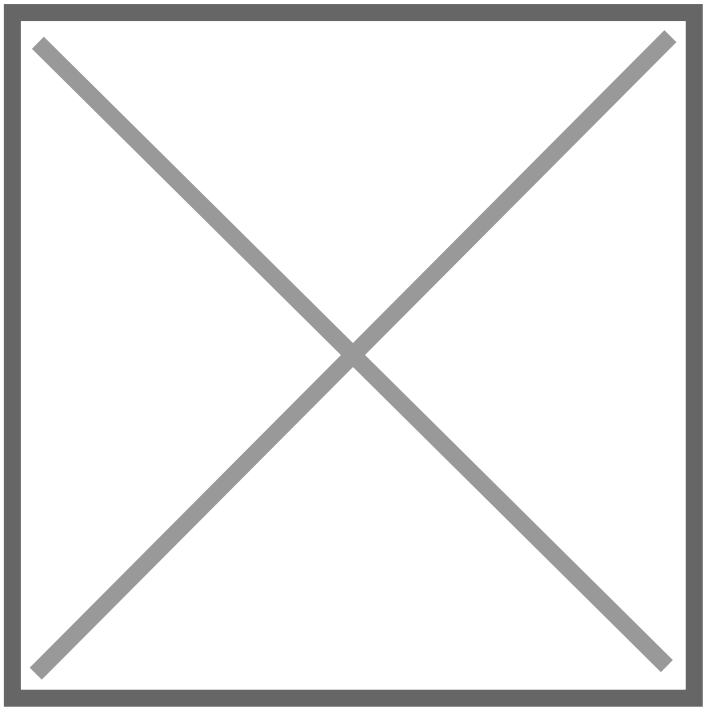
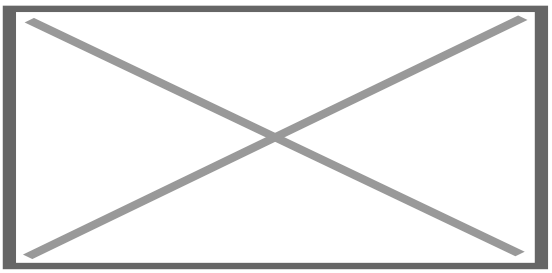


Global biotech $60 b APAC grows at 46 percent

14 July 2006 | News



Global biotech $60 b APAC grows at 46 percent



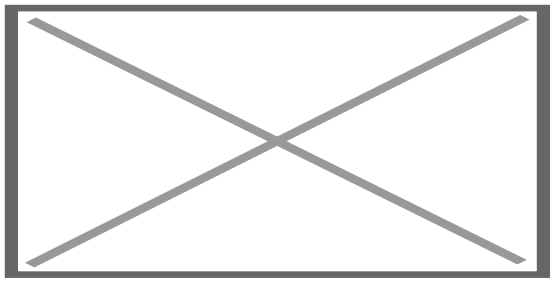
According to the Ernst & Young's 2006 Global Biotechnology Report, revenues of publicly traded biotechnology companies surpassed $60 billion for the first time in the sector's 30-year history.

In the 20th anniversary edition of Beyond Borders: The Global Biotechnology Report 2006, Ernst & Young has reported that the revenues of publicly traded biotechnology companies surpassed $60 billion for the first time in the sector's 30-year history.

"The global biotechnology industry's revenues are growing at strong rates, product approvals are bringing innovative drugs to market, and the long-elusive goal of profitability is quickly approaching," said Mr Donn Szaro, leader, Global Biotechnology and Pharmaceutical Sectors, Ernst & Young.

Global milestones

- Revenues of the world's publicly traded biotech companies grew 18 percent in 2005, reaching an all-time high of $63.1 billion.
- As revenues increased, the industry's net loss decreased by a dramatic 30 percent, to $4.3 billion. The United States, Canada and the Asia Pacific region collectively improved their bottom line by about $3 billion.
- The global biotech industry raised $19.7 billion in capital in 2005, its second highest total since the bubble of 2000.

- 

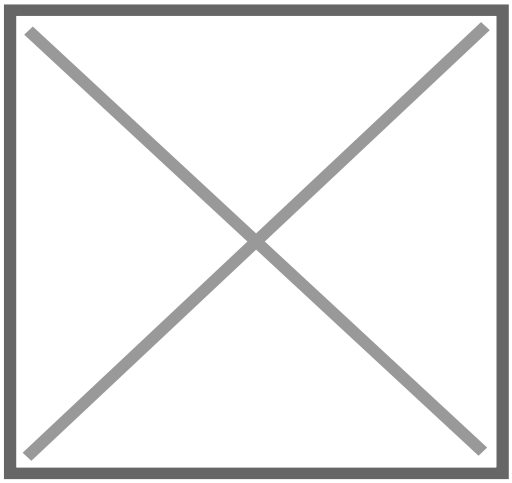
The year of deals

The year was marked by a dramatic increase in big pharma's acquisitions in the biotech space. Major pharmaceutical companies made several large acquisitions as they faced their biggest patent-expiration year ever, with $23 billion worth of pharmaceutical products losing protection, according to some estimates.

In the US, the lackluster performance of initial public offerings (IPOs) drove venture capitalists and their portfolio companies to look at deals for exits or sources of financing; in Europe, companies showed more confidence to partner within the region. Mergers and Acquisitions (M&As) there reached an all-time high of 66.

China and India continued to attract attention and deals, motivated by the desire to increase access to these large and growing drug markets, and by the need to lower the costs of drug development. The number of deals in vaccines was energized by concerns around the avian flu, SARS, and bio-defense products, while looming patent expirations led to increased deals in the generics segment.

"Deals were a key driver in Asia-Pacific, where companies formed partnerships to position themselves in an environment characterized by brisk growth, increasing competition, and sweeping regulatory changes," said Szaro.



"There was unprecedented consolidation among Japan's largest pharmaceutical companies, as well as noteworthy deals across the region."

Strong competition and aggressive growth drive Asia Pacific

The biotechnology sector's growth in the Asia Pacific region outpaces its performance in other parts of the world. The sector recorded a scorching 46 percent increase in revenues. Australia's CSL boosted the country's biotech revenues by over 60 percent, allowing the Australian biotech sector to reach profitability ahead of the US and Europe, and propelling the Asian sector to break-even point as well.

Competition is stiff, as Asian governments focus on biotech as a strategic priority, and foreign companies are attracted to the region by growing drug markets, economic liberalization, and stronger intellectual property protections.

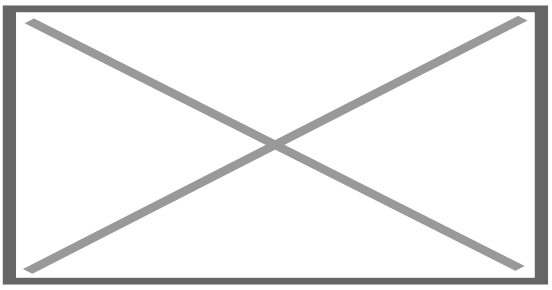
Countries are beginning to distinguish themselves by focusing on competitive niches in such segments as contract research and manufacturing, vaccines, information technology and bioinformatics, traditional medicines and stem cells.

"Asian biotechnology executives and policymakers are focusing strategies toward strategic niches in their efforts to remain competitive," said Mr Utkarsh Palnitkar, Industry Leader - Health Sciences, Ernst & Young India Private Limited.

"In a crowded field, such focused strategies can boost the odds for Asian countries, by giving them niches and revenue streams that can be leveraged for the ultimate, long term objective-developing innovative, globally competitive biotechnology companies."

US sector strong and stable

For the third consecutive year, the US biotechnology sector has delivered strong product approvals and solid financial results. The industry is showing signs of maturation, and continued focus could bring more product success, stable financial results, and predictable valuations.



In 2005, product success inevitably improved financial performance as stronger product sales boosted sector revenues, which grew by about 16 percent. The industry continues to approach profitability as net loss as a percentage of total revenue fell to four percent in 2005, the first time the ratio has dropped below five percent.

European market back on track

The year 2005 saw the European sector finally emerge from a lengthy restructuring period. Public company revenues increased by 17 percent in 2005, compared to a five percent decrease in the previous year on the financing front, 2005 was the best year ever for the European biotech sector, excluding the genomics bubble of 2000.

European biotech companies raised a total of Euro 3.2 billion ($4.0 billion) in capital. For the first time ever, the European biotech sector raised more than the US sector through IPOs. The number of IPOs increased to 23, up from eight in 2004, and the aggregate capital raised in 2005 reached $691 million, up from $359 million in 2004.

