

Doing business globally: cross-border financing and market opportunities

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The continuing growth of the biotech industry depends on a seamless continuum between academia, industry and capital markets. As a matter of fact, the creation over the past 30 years of many biotech companies that commercially exploit university discoveries has provided an alternative means of developing novel therapies, providing target, products and technologies for the discovery activities. A global economy requires biotech companies to move even faster in relation to the changing environment in which they operate. To achieve a full development potential, companies must be market savvy, make the optimal strategic alliance and maximise every market opportunity.

Today three main areas (North America, Europe and Asia Pacific) are characterized by different players and scientific and business opportunities.

North America (US and Canada) is widely regarded as the hotbed of biotechnology, the frontline of innovation and market opportunities, leaving other international governments (and organizations) wondering to attract similar biotechnology industry success. By 2010 Europe wants to become the world's most competitive economy by fostering novel technologies and notably biotechnology in all its applications but, really, this would be only a dream ... The Asia Pacific region has seen a tremendous growth of intellectual base, technological capability and human resource pool. Asia Pacific region is home of some of the fastest economies in the world, many of which have identified biotechnology as a priority industry, resulting in significant private and public commitment.

Given the spiralling R&D cost globally and new market opportunities, there is a tremendous potential for exploring new dimensions in new geographies. The dynamics of the industry and public and private initiative play a capital role of the recent development. States and regions around the globe are actively identifying and implementing strategies for an economic growth and focusing their efforts on life sciences. Venture capitalists, entrepreneurs and investment bankers are involved in this competitive arena that can offer many challenges and opportunities for investors and customers.

Therefore, does the ongoing new economic climate and consolidation in life science sector foster new ways of doing global business?

What are the keys to building a successful global business?

What is the new stream of emerging technologies for new business and market opportunities?

This speech would provide an insight of the new opportunities for investments and market strategies of successful biotech companies.

The global biotech industry demonstrated its dynamism in 2008. Companies responded to unique economic and socio-political challenges by refocusing on their core strength: creating innovative products to improve health, agriculture and quality of life. Governments worldwide, despite facing budget deficits, continue allocating resources to support biotech's efforts. New money is flowing into the industry again from the public and private equity markets. The commitment in biotechnology is never in doubt. Its innovation defines 21st century progress in health care, industrial production, agriculture and environmental management....

In this new economy, hospitals, universities and biotech, pharmaceutical companies form a network of innovation, working beyond borders through investments, data sharing and product/process development collaborations. The final goal is to improve the quality of life. We are beginning to live the post-genomic era. Our understanding of the principles of Science is ever-more fundamental. It will lead to a new level of scientific enquiry and generate increasing understand of illness and methodologies that fuel innovation. The biotech industry was born with the founding of Genentech in 1976: since then, the industry has grown from a lone start up to a global sectors that generates revenues, knowledge and economic growth. This is an industry that is coming of age, emerging from the volatility of a teenager and the uncertainty of early adulthood to the maturity, focus and rationality of an accomplished adult.

Even as it has come of age, the biotech industry has retained its youthful spirit. Partly out of necessity and partly because of their entrepreneurial toots, biotech companies have, over time, remained remarkable and resourceful. To survive, firm have learned to adapt quickly to rapidly changing market conditions. In the process, they have built countless bridges across new technologies, platforms, business models, industry segments, investor sentiments, laws and regulations. In doing so, they have given us tremendously diverse and innovative biotechnology industry we have today, spanning several continents and encompassing the best of cutting-edge science and technology.

This industry is truly global, and while biotechnology companies face significant issues, they can address those needs by drawing on the different strengths and resources of the developed and developing world.

While the United States (together with Canada) led the global industry, regions such as Europe and Asia-Pacific are making progress in their efforts to catch up.

The Americas (U.S. and Canada) biotech sector led the world's industry with its strong growth and stability and Europe's biotech industry is decisively back on track. After years of consolidation and relatively stagnant results, the European industry performance was markedly better on several fronts – from strong initial public offering (IPOs) to significantly stronger financial performance. Fueled by a stronger pipeline as well as higher number of companies with revenues, top-line growth accelerated significantly. As the biotech industry matures, distinct business areas have evolved with different market access and success factors: the biggest segment in the European biotech sector are therapeutics, followed by genomics, proteomics and enabling technologies: These major categories still represent the backbone of the industry, which started out from technologies platform based on molecular biology and leveraged resulting therapeutic innovations into promising drugs. New fields are emerging, including innovative industrial biotech that focuses on renewable resources, with closer links to agricultural biotechnology. Among the European, major countries UK, Switzerland and Scandinavian have a strong emphasis on therapeutics: In contrast Germany, France and the Netherlands are still more involved in technology platforms and have stronger positions in white and green biotech. To some extent, this reflects

different stages of maturity: It also be related to a stronger presence of big pharma in countries like the UK, Switzerland and Scandinavian area, whereas in countries like Germany and the Netherlands, big players in the chemical industry are boosting industrial biotech and renewable resources. Focusing our attention to Italy it seems that it could play a strategic role in therapeutics.

The real challenge is in Asia: biotechnology continues to grow rapidly in the Asia-Pacific area, as companies and governments across the region focus on this strategic and emerging sector.

Asian governments are making biotechnology a top strategic choice, recognizing the industry's tremendous growth and strategic importance. For Asian countries, the focus on biotech stems from several underlying trends. The first of these is economic liberalization. In the end 80's and 90's India and China started to liberalize their massive economies, enacting policies to encourage deregulation, privatization, intellectual property and international trade. Both countries (and India in particular) have had to boost intellectual property protections. As a consequence of that these measures increased competition for domestic countries and these countries are looking for areas where they might have a competitive advantage. India's prior patent laws had spawned a thriving generics industry, and these firms are now scrambling to find a competitive advantage under the new rules. Japan, an economy that has sometimes been accused of using relations as non-tariff barriers to shield its domestic economy (telling the truth like in Europe...) now is enacting regulatory reform to expose its sleepy drug industry to foreign competition and international collaborations.

Asian governments also see biotech as a natural fit because it is a technology-based industry with a tremendous growth potential. Over several decades, several Far-East Asian national economies including Taiwan, Singapore, South Korea experienced rapid growth by developing competitive strengths in high-technologies industries. On the contrary, in recent years, many of these sectors have seen shrinking margins due to commoditization and intense price competition with emerging countries like Vietnam, China... Biotechnology today is viewed as the next big thing, an industry with a tremendous growth potential in the decades ahead. While the strategy is risky, developing biotech products is a long, expensive proposition with no guarantee of success, the industry has much higher profit potential and creates high-education and well qualified jobs.

The ingredients for a thriving biotechnology industry have no secrets. Successful locations in the West (Europe and Americas) have prospered from a combination ("a magic recipe") of strong university research, experienced Venture Capital funds and management, a highly educated labour force, physical infrastructure such as laboratories, facilities and laws that support technology transfer (for instance a Bay-Dole Act).

To varying degrees, Asian governments strategic plans aim to replicate these success factors but But, while biotech in the West took three decades to come of age, companies in the Asia Pacific area face the all-to-real prospect of looming foreign competition in the near term. They will need to accelerate development, creating a unique solution that reflect their own particular strengths and challenges. In a increasingly competitive environment executives, decision and policy makers are looking for focused strategies and competitive market segments.

Asia's history as a manufacturing hub for industries has followed a similar pattern, the migration to higher-value, higher margin activities over time. While many Asian countries started out producing low-margin easily commoditized goods, they developed

the skills (human resources, technologies, know-how) and confidence to transition to more valuable activities. There is good reasons to think that Asian biotech companies would follow a path similar to cars and motorcycle industry phenomenon in Japan in '60 ... While outsourced manufacturing and research represent cash cows in the near future, many Asian companies will inevitably seek to move from the fee-for-service model to the more lucrative, more risky, innovation model. Globalization, foreign competition and patent protection are pushing Asian companies to become more innovative. For instance, in this scenario, India could follow this transition, moving from outsourced services for generic and innovative products and finally to a global competitive industry attracting funding from International agencies and International Merchant Banks.

Challenges remain, but the Asia-Pacific area is already well positioned to leverage emerging opportunities from biogenerics, biopharmaceuticals, agriculture, environmental and stem cell. There is every reason to expect that biotechnology will be a tremendous engine of global growth and Asia is well positioned in the competitive arena.