

BayBio gathering assesses economic damage to biotech

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SOUTH SAN FRANCISCO — The economic crisis has hit Bay Area biotech companies so fierce the last few months that many have struggled to stay afloat.

But there are others that are still hopeful that a bright future is around the corner.

On Thursday non-profit group BayBio held a conference, "Navigating the Storm," for about 700 representatives in South San Francisco.

"We've had a couple of companies shut down, but overall there is definitely a guarded optimism here," said Matt Gardner, president of BayBio. "There is a lot of focus this year on partnering and venture marketing."

Because the biotech industry is so dependent on cash to fund projects for the future, many companies have been forced to take a hard look at key decisions.

Just because the doors are open to many biotech companies does not necessarily mean they have not taken some damage. It's only when you look "under the hood" that you can see how the economy has hurt them.

"While companies will survive, many programs and projects will not," said Nancy Pecota, chief financial officer of Hayward-based Aradigm Corp. "What most people won't see is the number of internal projects that have to be thrown overboard."

One ray of hope discussed Thursday was that pharmaceutical companies still are looking to acquire biotech companies.

This was underscored by news Wednesday that Brisbane-based BiPar Sciences was bought by pharmaceutical company Sanofi-Aventis for \$500 million.

BiPar is focused on research into a new cancer treatment that blocks tumor cells from repairing their own DNA, causing the cancer cells to die. BioPar was scheduled to be one of the presenters at the conference in a late afternoon session.

"Pharma has a lot of money and they are still on a buying spree, so there are still a lot of great opportunities out there," said George Scangos, president and chief executive of South San Francisco-based Exelixis Pharmaceuticals.

One concern Scangos and others worry about is that the need to preserve cash might tempt companies to cut corners in the product development process and the chance of failure increases.

"Everyone has to take a hard look at what they are doing because we are in a very deep and very broad trough," Scangos said. "If you don't execute well in every aspect of your business and miss key milestones that your board and investors are expecting, you are going to get crushed."

If the economy does turn around though, many agree that the Bay Area is the place for biotech companies to be for quick recovery.

"The great thing about the Bay Area is the talent pool is second to none compared to anywhere in the world," said Ken Haas, partner at Abingworth Management Inc. "If someone leaves or something changes for a company, it doesn't have to look far for talent that will keep them ahead of the pack."