



THE PRICE OF TECHNOLOGIES, PATENTS
AND PROMISING PRODUCTS

PDLI IS ONLY THE BEGINNING

The season of financial results is in taking its toll (milder this time) on the biotech firms that have yet to put a product on the market and on those that do have marketed products, but are ambitious enough to continue spending on their pipelines, more than what they are generating.

This season, though, has been extraordinarily good this time for the top-tier firms like **Amgen (AMGN)**, **Genentech (DNA)** **Biogen Idec (BIIB)**, **Genzyme (GENZ)**, and others that fit in the same category, or have a little one star less. The performance of these firms increases the enthusiasm towards the development-stage companies that are racing at, or towards the finish line with products that are almost equal to those of the top-tier and in most cases, more advanced products.

Our eyes are wide open, yes, and our patience is profound, deep, protected and sustained as it is nourished with a lot of a mounting hope emanating from new discoveries that are promising far-reaching products and approaches. In the middle of the confusion that the quarterly financial announcement usually stir, came this time excellent news of the collaboration between two biotechs, the big brother **Biogen Idec (BIIB)** and the **small, but big in technology Protein Design laboratory (PDLI)**, whose declaration of intension about its technology was sufficient for us to classify the firm as a five star since the firm's inception.

Besides the lucrative agreement, Protein Design's financial report was great, telling us that the firm has narrowed its losses during the second quarter. This is not all. PDL offered a forecast that beats street estimates for the next year. It expects the full-year earnings to be between a 5-cent loss and a **2-cent gain**. Several of its antibody products are selling better and more firms are coming to develop their drugs at this firm's labs. From losing \$12.5 million, or 13 cents a share in the past year the firm posted a loss of only \$3.42 million, or 3 cents a share this year. Revenues were \$77.8 million up from \$25.8 million last year. Under non-GAAP, Protein Design would have reported **earnings of 9 cents a share**, beating analysts' expectation that predicted much wider losses. The company predicts revenues between \$255 million to \$271 million, also beating by-far analysts' forecasts.

What about the collaboration with Biogen Idec?

The millions of dollars to be paid to PDLI, in addition to the equal partnership on the drugs illustrate what we keep reiterating that the **market caps of many biotechs do not consider the values of their technologies and patents**, let alone their pipeline products. Time has come for investors to have a clue about the real intrinsic values of the development-stage firms, which include, besides money in the safes of the firms, their engines of growth. This rule also applies to those firms that have products on the market that generate revenues, but not sufficient enough to bring them earnings. Another reality is that Big Pharma and the big biotech brothers – all need to fill their pipelines with promising products that exist in small biotech firms. These needs are equal to demands in the supply/demand equation. This demand should be represented by a premium to be added to the value of those firms having great technologies and promising products in mid- and late-phase trials.

All the big biotech brothers need to embark on products that are in their small brothers' pipelines and the **Biogen Idec/Protein Design deal will be repeated between other brothers**, Big and small. We do expect



the small firms' revenues to tremendously increase as a result of collaborations that benefit both parties equally.

Biotechnology companies that have promising technologies and products will be the most beneficiaries.

Who are these firms?

Many exist that fit that description. We did mention a large number of these firms in our Prohost Newsletters and Faxletter, but we will bring many in the next **Special Issue of the **Prohost Newsletter** and the Newsletters that follows.**

The Next Prohost Newsletter is a Special issue that will be published in two complete issues separated by one week.

Expect the Newsletter to be posted in the next few days. It is great. It summarizes the evolution of technologies and medical practice from the 19th Century until the last Quiet Revolution that will induce the great change towards perfection.

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