

The San Francisco Treat

*By John Carroll
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Randy Schatzman, the CEO of Alder Biopharmaceuticals, sometimes wonders just how many biotech companies didn't get started over the past two years. With the financial crisis pushing a slew of venture outfits into survival mode, he thinks it's a sure bet that there's a 'donut hole' effect at work now, with fewer bright biotech entrepreneurs out there coming up with the kind of development programs Big Pharma is hungry for.

"That could be an opportunity for us," says Schatzman, who has a pretty good track record when it comes to realizing opportunities. Last November Alder signed a \$1 billion-plus pact with BMS for a mid-stage antibody program. And Schatzman doesn't think that will be his last big deal, either. Not by a long shot.

There's been a lot of that kind of strategic thinking on display at the J.P. Morgan conference over the past few days. And after a year of risk reduction, reduced burn rates and shrinking ranks, it's been fun to come to San Francisco to see some aggressive companies clearly hungry to catch the next wave of IPOs.

"I think this company could be viable for going public," Steve Kaldor, the CEO at Ambrx told me. Ambrx, one of our 2005

Fierce 15 companies and one of the standouts in San Francisco, has been steadily expanding its scientific knowledge and growing its staff from 55 to 80 over the past two years as it has gleaned tens of millions of dollars of partnership money in lucrative deals. And Kaldor, an intense, driven Harvard grad, is acutely aware of what a biotech company with money in the bank and actual revenue--"we pay taxes," he says--could be worth.

Of course, he's not the only CEO to arrive in San Francisco with high hopes for the coming year. Ulrich Grau, the blunt CEO from Lux Biosciences, is days away from an NDA for the uveitis drug Luveniq, has a second-gen therapy in the pipeline and is ready to build a small marketing operation to sell the drug in the U.S.--if the FDA delivers an approval. And Lux has arrived at this juncture just three years after in-licensing the program.

"Lux would be a superb candidate" for an IPO, says Grau emphatically. In fact, if the IPO window had been open last year, he would probably have taken that leap already.

Few biotech companies can control their destinies in this business. With investors to feed, you can always end up in the hands of the highest bidder. And when you don't always get the chance to choose between an IPO and M&A, you

strive to make both appealing.

"We think the road to the biggest success is building a billion-dollar company," Schatzman says. When he gets to the fork in the road and has to choose, either direction can be good.

That's quite a metamorphosis from the

days when Schatzman and a few colleagues started out with nothing but personal credit cards and some borrowed office space. Not everyone makes the leap from start-up to standout. But it's good to see some real confidence creeping back into biotech.