



Biotech Crisis Puts Brakes on Pharma Research

- **The outsourcing of large pharmaceutical companies' research programmes encounters growing difficulties**
- **Pace of innovation in biotech and pharma could decline considerably**
- **Biotech SME platform offers support for financing**

The biotech industry is being hit twice as hard by the economic crisis. In addition to the general economic downturn, the largely dried-up equity market, which has massively complicated the usual equity financing through the stock exchange or venture capital, is causing problems for companies.

The problems in the biotech industry are now threatening to affect the classic pharmaceutical groups as well. At the European Health Forum Gastein (EHFG, 30 September to 3 October 2009), the leading health policy conference for decision-makers and experts in the European Union, experts warn that the crisis in financing at biotech firms could lead to a substantial restriction or slowdown in research activities in the pharmaceutical industry.

“In the last five years the large pharmaceutical groups have increasingly turned to outsourcing their research activities to smaller biotech firms,” explains Viola Bronsema, managing director of the industry association BIO Deutschland and member of EuropaBio’s National Association Council. “If the generally small- and medium-sized biotech companies fail to survive the current economic crisis, this will lead to a dramatic decline in the power of innovation in the entire pharmaceutical industry and ensure that important innovations do not appear on the market or do so with an enormous delay. The rapid medical advances from which patients have benefited in the recent past could soon be history.”

The extent of the financial crisis is, in fact, dramatic: in 2008 the capital raised through the IPOs of biotech firms in the EU declined by 89 per cent and there was 77 per cent less inflow of funds from capital increases. Even with venture capital, a relatively stable form of financing, there was a significant decline of 15 percent. Despite a slightly improved situation in 2009, the current inflow of funds is still far below the level of 2007.

The biotech industry intends to counter the negative development with an entire series of initiatives. Companies are placing great hopes in a platform for small- and medium-sized biotech companies. The “EuropaBio SME Platform” is to provide support for the solution to current financing problems as well as to develop new financing opportunities. It therefore demands European institutions such as the European Investment Bank develop short-term investment vehicles for this crisis period and in so doing increase the amount of risk capital for capital ventures. At least until the crisis is over the restriction on the amount of the credit facility per company should be suspended, Bronsema recommends.

Despite the current problems, however, Bronsema is very confident in the short term: companies expect new ideas, particularly from the trend toward “personalised medicine.”



Commissioned research for large pharmaceutical companies will provide further potentials for growth. Bronsema: “Those who survive the current dry stretch will find an extremely promising market environment later on.”

Press Service:

EHFG Press Office

c/o MB Dialog

Thomas Brey

Tel.: +43 1 917 51 18-15

E-Mail: ehfg@mbdialog.at