

Outside Perspective

The worst of times – the best of times



FOR INVESTORS in the life sciences, the times couldn't be worse. But for the industry as a whole, this may be the best opportunity to re-examine and re-focus the business, re-align its priorities and position the life sciences as a truly global business – with diverse products, multi-national players and a global marketplace.

Investing in drugs has never been a short term proposition or an inexpensive exercise. In 2001, the Center for the Study of Drug Development at Tufts University reported that between the time research begins to develop a new prescription medicine until it receives approval from the Food and Drug Administration (FDA) to market the drug in the United States, a drug company typically spends \$802 million over the course of 10 to 15 years.

With the passage of time, neither the cost of development nor the time it takes to develop a drug has dropped.... But so has the patience of the investor. On March 10, the New York Times' Andrew Pollack reported that "financial frenzy has seized some small, struggling drug makers. Investors are demanding that stragglers close up shop and hand over any remaining cash." With cash scarce, credit tight and big drug companies like Merck, Pfizer and Roche even more urgently pressed to boost their biotechnology presence, "struggling start-ups may no longer get second and third chances to succeed," adds Pollack.

So, in 2009, in the midst of what many consider a prolonged recession, what is the prognosis for the life sciences?

For investors, who are heavily vested in the life sciences, the chance that they may recoup some of their capital soon, let alone profit, is remote. For whatever promise life sciences offer the world, investors are

not buying. And with increasing uncertainty over what health policies governments will adopt, life sciences resembles more and more of a "toxic" asset.

Still, the life sciences continues to be a dynamic industry. Genomics and gene mapping is producing a wealth of data that together with patient information has become the core of a vibrant bioinformatics business. R&D – although it hasn't yielded many major drugs – has laid the foundation for a diagnostic business. And the issues surrounding policy, regulation and intellectual property continues to be the cornerstone of a huge service business.

For a long time life sciences focused on the U.S., as the source of its ideas and the target for its products. It is a global industry. The ideas are global. The markets are global. It is up to us to create the mosaic.

In particular, the Nordic biotechnology clusters offer diverse possibilities for all stakeholders. Sweden, with its own research trove and its global business outlook, has the potential to play a key role in creating this global life science business.

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