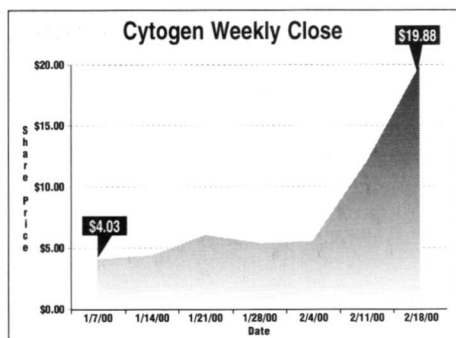


# BUSINESS NEWS

N E W J E R S E Y

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## STOCKS TO WATCH: BOOMING BIOTECHS



By Geeta Sundaramoorthy

**W**all Street goes through periods of infatuation with different industries. The Internet sector still reigns supreme, but biotech stocks are giving Internet firms some competition.

Since the beginning of the year, the Nasdaq Biotechnology Index has shot up 54.76%, making it one of the top performers among the various Nasdaq indices. During the same period, the Nasdaq composite index rose around 6.79%.

Some companies have even outperformed the highly bullish biotech index. Such New Jersey biotechs include Cytogen, Immunomedics, Celgene, Medarex and Integra LifeSciences. These firms share few similarities, other than that they are not-too-profitable biotech businesses. One thing, however, is strikingly similar. Their stock prices have registered steep increases since the beginning of the year. Here is a sampling:

**Cytogen (Nasdaq: CYTO)**, a Princeton-area company that deals with the hottest field in biotech—human genomics—saw its shares go up from \$2.75 on January 3 to a new high of \$19.88 last Friday, an increase of 623%. Last week alone, the stock rose 47.9% from \$13.44 at the beginning of the week, based on its upbeat quarterly earnings and speculation that it will make an important announcement related to the field of pro-

teomics, the discovery, analysis and manipulation of human proteins.

Warren's **Celgene (Nasdaq: CELG)**, maker of Thalomid, which is used for treating serious diseases such as malignant tumors, AIDS wasting and cancer, saw its share price go from \$67.69 on January 3 to \$137 last Friday, an increase of 102.4%. Last Wednesday, the company was up 17.8% to \$134 as one analyst reiterated a "strong buy" and J.P. Morgan initiated coverage on the stock. On February 10, the company priced a public offering of 3 million shares at \$101 a share with J.P. Morgan as one of the lead managers.

Last Thursday, Plainsboro-based **Integra LifeSciences Holdings (Nasdaq: IART)**, whose subsidiary Integra LifeSciences is known for its artificial skin product, announced that affiliates of Soros Private Equity Partners have agreed to invest \$5.4 million in the firm. The company's stock rose from \$10.09 last Monday to \$14.81 last Friday. The stock started the year at \$6.06.

Last week, **Immunomedics (Nasdaq: IMMU)** of Morris Plains announced it has received two patents covering novel therapeutic radiopharmaceuticals. The company's stock climbed from \$22 to \$29 last Friday. Since January 3, the stock has risen 364%, from \$6.25.

Some Wall Street players say much of the price movement is driven by momentum in a sector that is getting attention from investors who have profited from high-tech and Internet stocks. Analysts say investors see biotech as the next big thing.

Some analysts—like Stephen Flaks of Scottsdale, Arizona-based Flaks Partners, a manager of biotech hedge funds—openly admit they are buying biotech stocks because everybody else is doing it. In an interview with *Bloomberg News* last Monday (the day he bought 300,000 shares of Cytogen on a tip from a friend), Flaks said, "Normally, I would research and know what I am doing. In the

past Cytogen is not a company that I have looked strongly at or was particularly interested in," he said. "It is a new world out there and there is a lot of momentum. It doesn't look like it is ending."

**Some on Wall Street believe the biotech frenzy is about more than mere momentum and mob mentality. Michael Becker, an analyst with Chicago-based Wayne Hummer who also edits a newsletter, *Beck on Biotech*, says the industry is fundamentally sound, and more and more companies are turning profitable. He points out that biotech companies now have more products approved and in clinical trials than ever before.**

As for Cytogen, Becker says the firm is on top of its group, those dealing with proteomics. He says investors are particularly interested in companies working to identify 100,000-plus human genes that serve as the blueprint for human life. Companies like Cytogen analyze proteins that direct these genes. Cytogen's subsidiary, AxCell Biosciences, says Becker, has technology that maps these proteins in a very quick and efficient way.

Cytogen presented its technology at the second annual BIO CEO and Investor conference held in New York City early last week. At the same time, the company also announced its 1999 fourth-quarter earnings results, reporting profitability for the first time. Fourth-quarter net income was \$1.3 million or 2¢ a share compared with a net loss of \$486,000 or 1¢ a share last year. The company also turned profitable for the whole year with a net income of \$729,999 or 1¢ a share.

Becker believes that although the sector will be volatile, biotech stocks will continue to attract investors' attention. Says he: "Currently, there are only 80 approved products in the market. There are 350 products in Phase II and Phase III clinical trials that could come into the market in the next 12 to 18 months." ■

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