



EXCERPTS OF RECENT MEDIA COVERAGE

TECHNOLOGY & LIFE SCIENCES PRACTICE

A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q3 2011

► XCONOMY

(Syndicated to *Fortune's* Term Sheet and the *Wall Street Journal's* "Venture Capital Dispatch" blog)

INNOVATE OR CONSERVE CASH? THE GROWING DILEMMA FOR BIOTECH FIRMS

By Aftab Jamil



There's no doubt that managing a biotech company is an enduring challenge, even during less tumultuous economic times.

Now, entrepreneurs are contending with

resources that are incredibly tight, an economy that is unsettled, a stock market on a roller-coaster ride, and research and development budgets that are being slashed.

So how are biotech companies handling the pressure? At BDO USA, our analysis of the 10-K SEC filings of publicly traded companies listed on the NASDAQ Biotechnology Index (NBI) over the last four years provides a window into the impact of the economic turmoil on biotech's operations, and strategies that management teams are using to remain financially viable. The good news is that despite two consecutive years of R&D cutbacks in 2009 and 2010, biotech

companies still managed to achieve double-digit growth in average revenue.

But if R&D spending is dropping, it's logical to ask whether the biotech sector is suffering a decline in its desire to pursue new drugs, and what this will mean for product development...

A word of warning. As big pharma cuts back on their R&D spending due to significant pressure to show a return on their R&D spending, management teams of biotech companies should expect to see a higher level of diligence and scrutiny from pharma companies before they fund collaboration deals. Under such a scenario, a careful and objective analysis will be critical in determining which projects and R&D efforts have the best chances of success in getting through all stages of the multi-year product development cycle...

► REUTERS

SMALL BIOTECHS WARY OF SPENDING EVEN AS LIQUIDITY IMPROVES: STUDY

By Esha Dey

An air of caution among small U.S. biotechnology firms and their investors post-recession has made these companies tighten spending even as liquidity improved, a study by accounting and consulting firm BDO USA found...



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► Read more on page 2

"The economy is recovering, but probably slower than what some would like, and that requires companies to continue to focus



on maintaining cash on hand," **Ryan Starkes, a partner at the Life Sciences practice of BDO USA**, told Reuters in an interview...

"The ability to attract funding has become

more challenging in some respects. Investors who are willing to provide liquidity may be getting in at a later stage and want to see more proof of concept," Starkes added. "Companies may not be seeing those large upfront investments or the initial milestone payments as they may have in the past."

In 2010, just 13 percent of biotech companies with revenue between \$50-\$300 million raised equity financing, indicating that larger companies rely significantly more on cash generated from operations to fund their activities.

► LIFE SCIENCE LEADER

NEW STUDY FINDS BIOTECHS CUT R&D SPENDING WHILE STILL SECURING FINANCING

By Ryan Starkes

R&D expenditures in the biotechnology industry have declined for the second straight year as companies narrow their focus to only the most promising products and initiatives. On average, biotech companies in the NASDAQ Biotechnology Index (NBI) spent \$54 million on R&D in 2010, reflecting a 7% decline from 2009. This follows the 9% decline in spending seen in 2009 and is consistent with the global drug industry, which cut research spending for the first time ever in 2010, according to Thomson Reuters...

Despite R&D cutbacks, the biotech sector enjoyed a robust 2010. Average revenues for all companies rose 11% to \$77 million, up from \$69 million in 2009. Small biotechs



with less than \$50 million in revenues took the lead in this jump, reporting a healthy 42% increase. The demand for more innovative products has helped smaller, more flexible biotechs increase average revenue to \$41 million, a notable jump from \$24 million in 2009. Larger biotech companies, however, reported average revenue of \$124 million, a 3% decline from 2009. The overall increase in revenue has been spurred by strategic partnerships with large pharmaceutical companies who increasingly rely on biotechs to fill potential gaps in the pipeline of drugs. These partnerships have afforded biotech companies additional product and licensing revenue opportunities...

► INTERNATIONAL BUSINESS TIMES

GOOGLE-MOTOROLA MOBILITY DEAL: THE IMPACT AND RAMIFICATIONS

By Palash R. Ghosh

Google agreed to buy Motorola Mobility Holdings Inc. for \$12.5-billion, one of the largest hardware supporters for Google's Android mobile operating system...



International Business Times spoke with **Hank Galligan, Director and Leader of the Software Practice at BDO USA LLP**, to discuss some of the ramifications of the deal...

IBTIMES: Motorola Mobility is a hardware supporter for Google's Android mobile operating system. Does this help Google to better position itself against Apple?

GALLIGAN: It will depend what Google decides to do with the Hardware business. Assuming they keep it, then it may allow them to compete more directly with the iPad, as to date they only compete from an operating system standpoint. However, that may not mean they are better positioned. If Google's hardware partners turn out to be unhappy with the deal, it may actually result in less hardware running Android and less competing with Apple...

IBTIMES: This is Google's biggest acquisition to date – do you expect them to make more aggressive acquisitions in the near-term?

GALLIGAN: Google is acquisitive -- if this is a signal in a change in business strategy then I expect to see them making similar acquisitions in the future.

► **INFORMATION WEEK**

IS SOCIAL MEDIA'S INVESTMENT BUBBLE READY TO POP?

By David F. Carr

A survey of investment bankers shows 75% of them believe the valuation of pre-initial public offering (IPO) Internet and social media companies are inflated, and 62% say a repeat of the late 1990s stock bubble is at least somewhat likely.

The results come from a survey conducted by accounting and consulting firm BDO USA, looking at the effect of private markets such as SecondMarket and SharesPost, where U.S. law allows only a limited amount of trading in shares that are not available to the public. Sellers may be early investors or employees seeking to liquidate some fraction of the shares they have been granted.

"These firms facilitate transactions among private buyers, but because there are not



enough sellers in the market, it creates a bit of a frenzy when the company finally does go public," said **Lee Duran, a partner in the capital markets and technology**

practices at BDO. The effect is particularly exaggerated with respect to consumer social media companies because that's where the greatest interest lies, Duran said.

Recent social media firm IPOs, such as LinkedIn, have ignited fears of a new Internet stock bubble, but the hunger for equity in these companies is reflected as much if not more in private markets...

Duran said many of the companies receiving high valuations today look more like real businesses than those Internet firms that imploded at the end of the 1990s. "Unlike the early dot-com era, these guys actually have good business plans and ideas about creating net income," he said. On the other hand, only a few like Facebook are so deeply entrenched that potential competitors face a high barrier to entry, he said, contrasting that with a more easily replicated business model such as that of Groupon.

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