

# Time to build biotech trust

Honesty about the potential of their products will ensure biotech firms receive the support of investors

**T**he growing diversity of the media and the increasing demand for headline-grabbing news is impacting all areas of the healthcare industry. While financial PR for biotechnology companies may seem to have little in common with broader issues in healthcare communication, there are important parallels. The most important of these are credibility and trust.

For pharma companies, trust is a constant issue and one that has heightened over the past two years since the Health Select Committee inquiry into the influence of the pharmaceutical industry. Since then, the industry has been the subject to an OFT inquiry into pricing and Health Secretary Alan Johnson has re-opened Pharmaceutical Price Regulation Scheme negotiations. The Association of the British Pharmaceutical Industry (ABPI) has also strengthened its code of practice in an attempt to increase transparency and has become more aggressive in 'naming and shaming' those who breach it.

This atmosphere of scrutiny and regulation is mirrored in the financial markets. The introduction of the Sarbanes-Oxley regulations in the US was described by George Bush as being the most 'far-reaching reform of American business practices since the time of Franklin D Roosevelt'. In Europe, the transparency directive has now begun to be felt fully. AIM has also been tightening its regulations. Its relatively light touch, compared with other markets, has led to a greater number of overseas listings. However, there has been a feeling – stirred by media comment – that the pendulum has swung too far, and quality is lacking.

Amid all this, biotech companies have to communicate with their investors and somehow strike the balance between excitement and realism. A recent UK example highlights the difficulty. A UK-listed US company issued a press release saying it had obtained an 'authorisation for use' for its brain cancer vaccine from Swiss authorities. Cue widespread headlines about the first treatment for brain cancer being



available for patients and a more than doubling (or tripling in the US) of the company's share price. However, on closer reading, what was described in headlines as 'approval' was an import/export licence that came with additional conditions. The company issued a clarification release and the share price fell back sharply. The company is now trading above where it was when it all began, but damage to its reputation is hard to quantify.

You get few chances to make your mark as a small biotech. The problem is compounded by the diverse media and the fact that companies with early stage products are finding the mainstream coverage hard to come by. Analyst coverage is also a challenge at the small end of the market – particularly for thinly traded stocks. Clients and agencies need to judge exactly what constitutes stepping over the line between enthusiasm and hype. The market is hard on those who over-promise.

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The biotech sector has huge potential and has delivered significant returns. It is clearly a source of genuine innovation, which is needed not only to drive pipelines but also, if the OFT recommendations are taken into account, potentially to support pricing. There is real value there. In April this year, Antisoma signed a global licensing agreement with Novartis for its AS1404 cancer drug, potentially worth \$890m, if all milestones are met. A month earlier, Oxford BioMedica had licensed its anti-cancer drug TroVax to Sanofi-aventis for up to \$690m.

If trust and credibility are placed at the heart of comms practices there is a greater chance this value will be better recognised, not only by specialists, but also by general investors, who need to be engaged to provide the liquidity for the biotech sector to truly flourish.

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