

Global biotech industry not yet out of woods

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Ernst & Young has been producing annual reports on the state of the biotechnology industry for 27 years, and through most of that time, the industry has been unprofitable in the aggregate.

In any given year, the earnings of the relatively small number of profitable companies were overshadowed by the net losses of the much larger pool of emerging, R&D-phase enterprises. This began to change in the early-to mid-2000s, when high double-digit revenue growth and the overall maturation of the industry began to move the sector closer to aggregate profitability. While largely symbolic, the industry's move to aggregate profitability was an indicator of its strength and stability.

All of that changed when the global financial crisis hit in late 2008. As companies reacted with extensive cost-cutting measures, the industry moved firmly into the black for the first time. Yet, there was little to celebrate in this historic achievement. Biotech had become profitable almost overnight not because of a huge uptick in product sales or the rapid maturation of scores of new leaders, but because large numbers of companies had been forced to slash costs simply in order to survive.

Rather than being a sign of the industry's strength and stability, biotech's overall profitability had become a by-product of uncertainty and weakness says the report.