

Biotech Sell Side Research: A Retrospective Analysis

January 2013

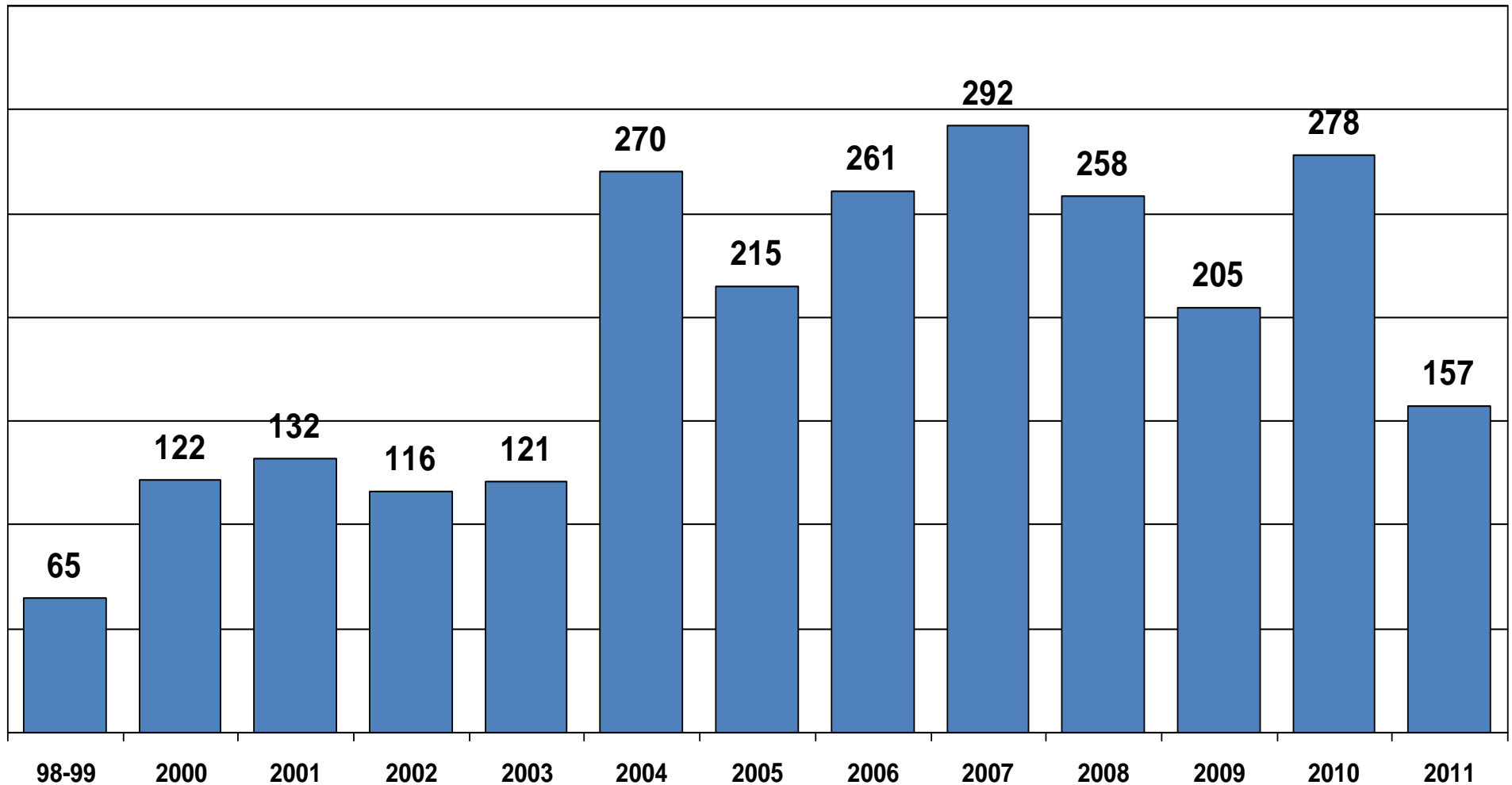
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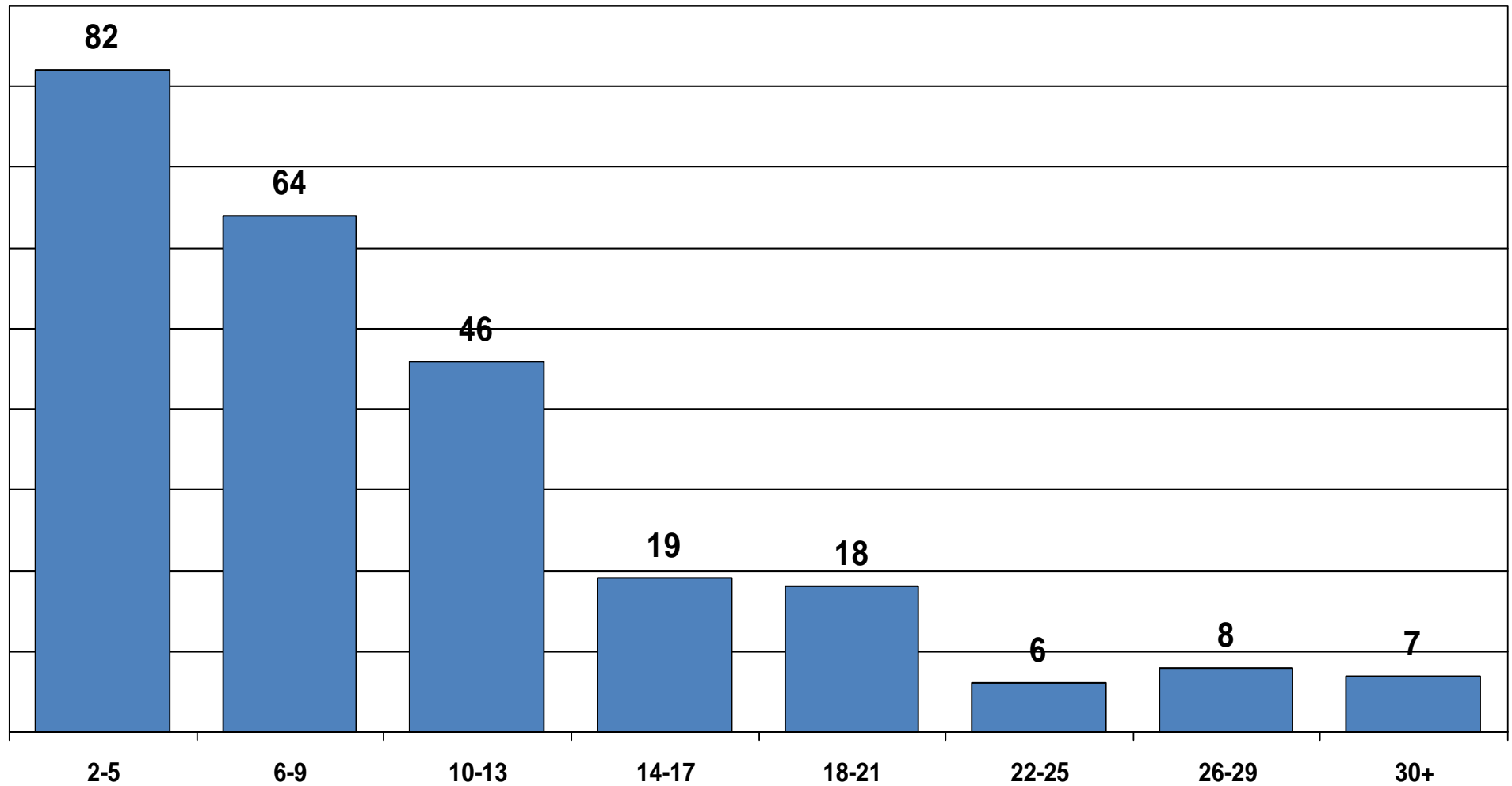
Biotech Sell Side Research: A Retrospective Analysis

- 250 Public Biotech Cos (2+ Reports per Co)
- 2,492 Sell Side Reports over 14 years
 - Initiation of Coverage (IOC) Reports only (10+ pages each report)
 - All reports between 1998 and 2011
- Key Question: Which of These Biotech Initiation of Coverage Reports Reached Their Target Stock Price Within a Year?

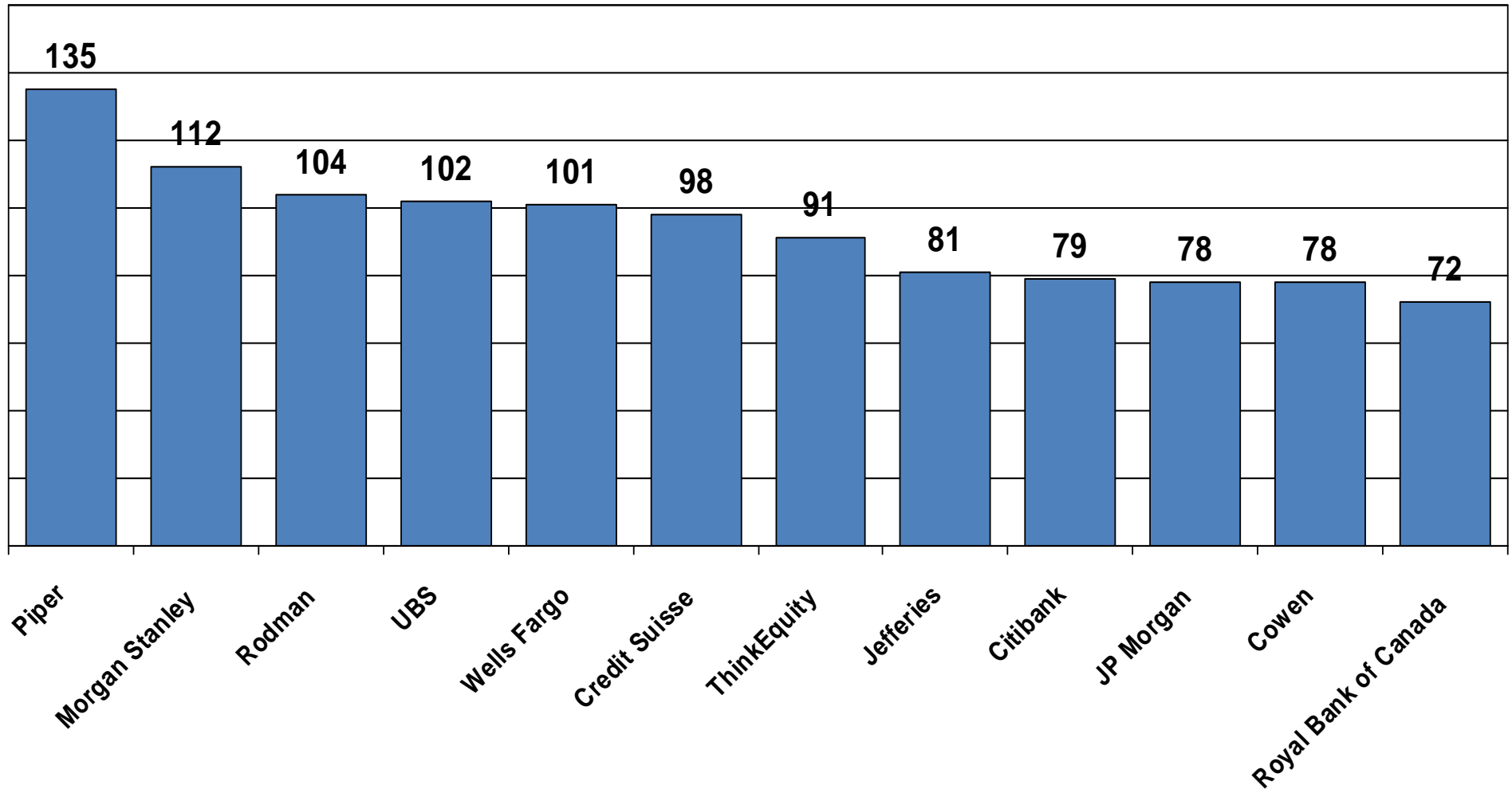
Biotech Initiation of Coverage Reports by Year (N=2,492)



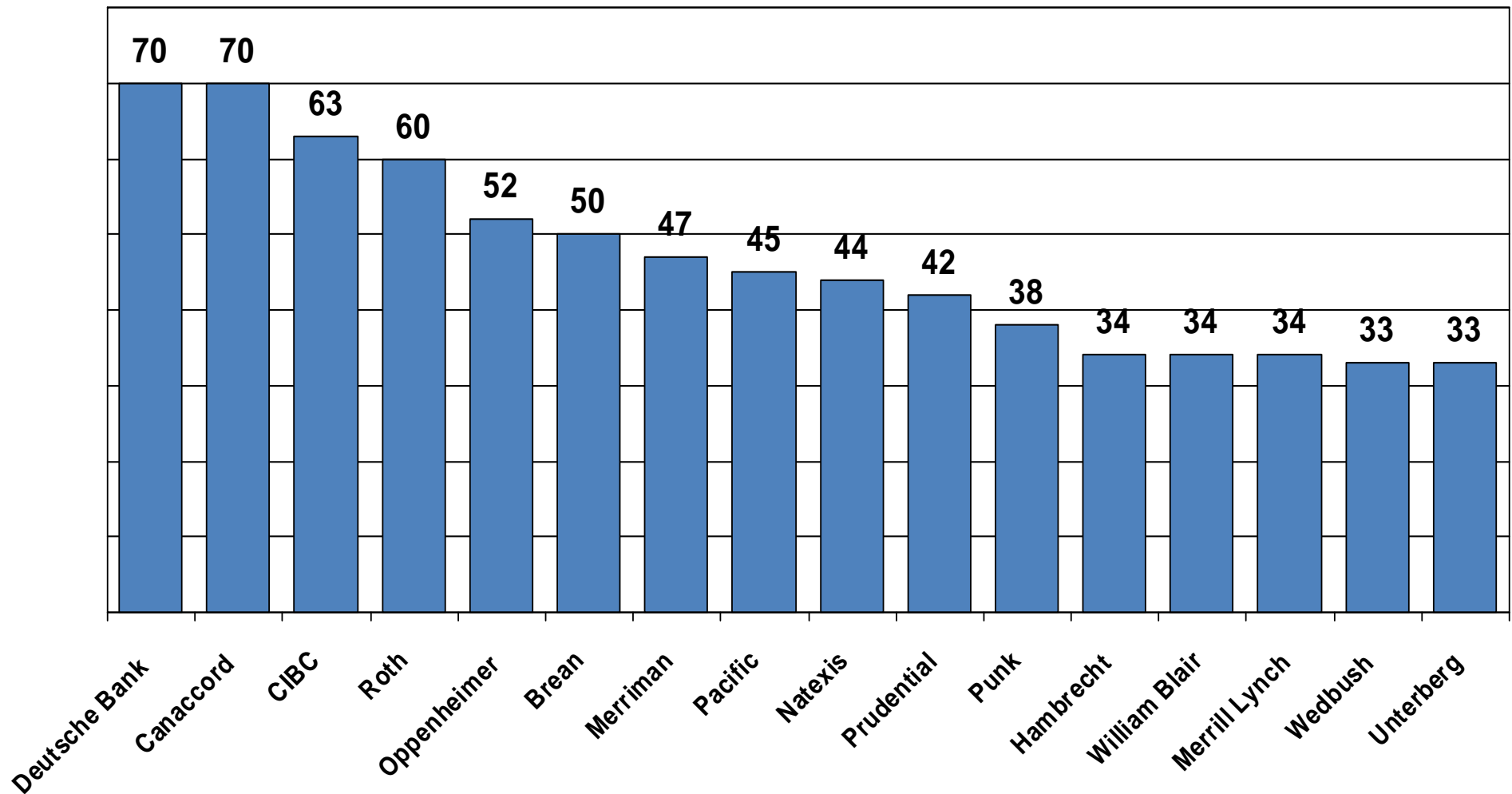
of Initiation of Coverage Reports for Each Biotech Company (N=250 biotech cos.)



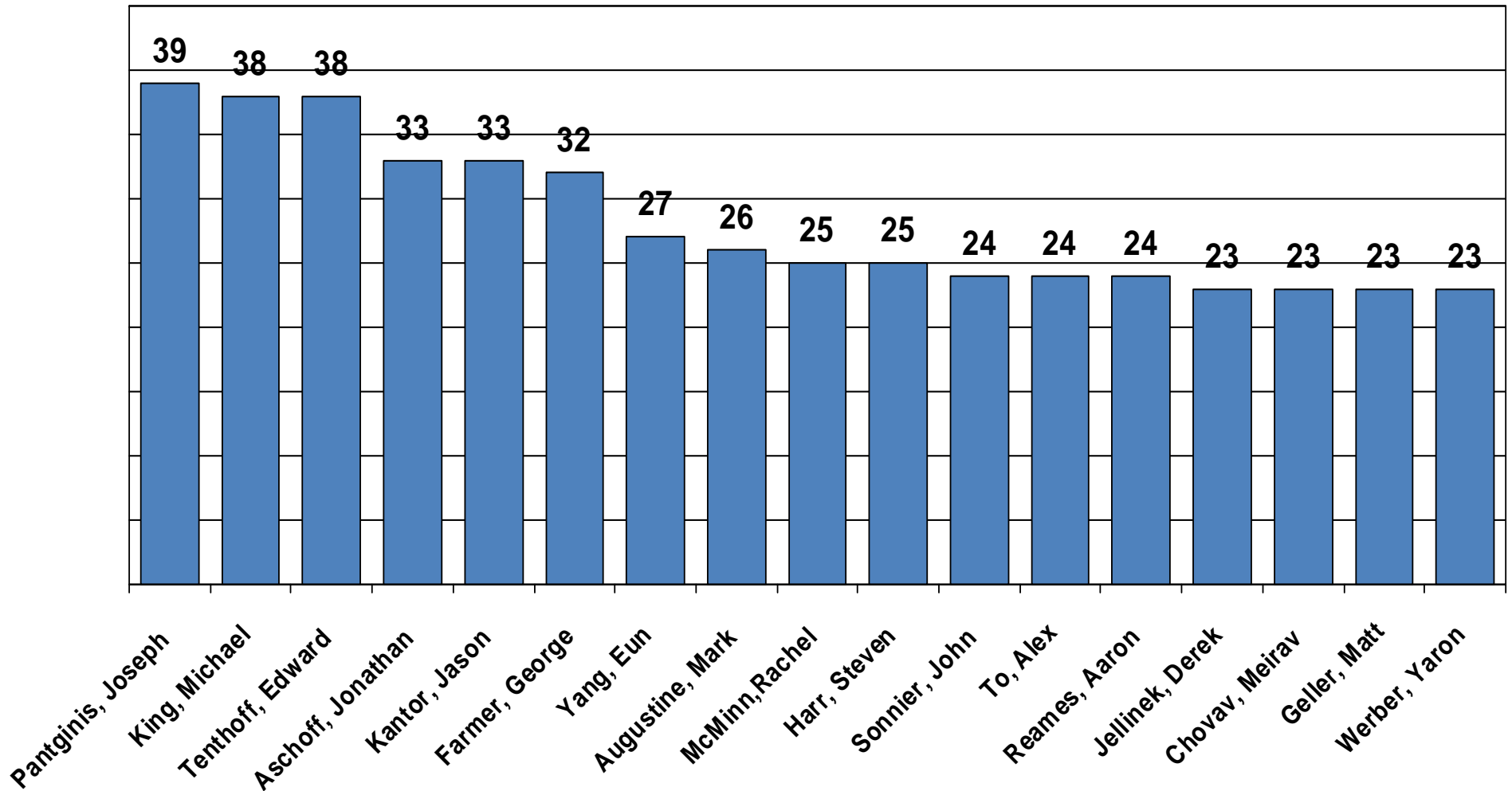
Top 12 Most Frequent Issuers of Biotech Initiation of Coverage Reports



Other Frequent Issuers of Biotech Initiation of Coverage Reports

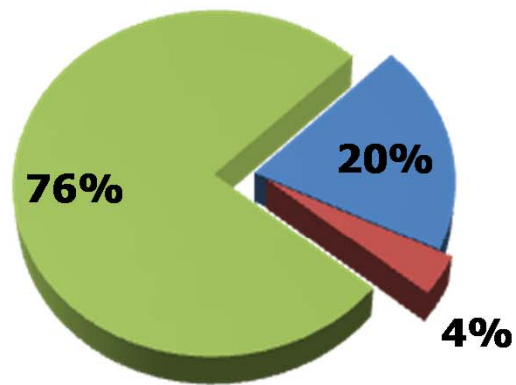


Most Prolific Authors of Biotech Initiation of Coverage Reports



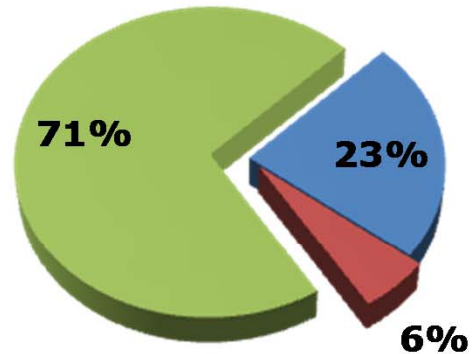
Distribution of Stock Ratings by Period of Biotech Coverage Initiation

Pre-2005 (N=826)



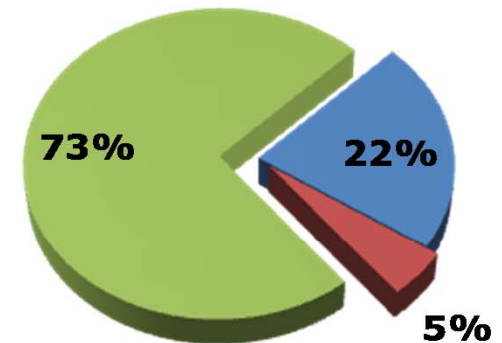
■ Neutral ■ Sell ■ Buy

2005 – 3Q08 (N=938)



■ Neutral ■ Sell ■ Buy

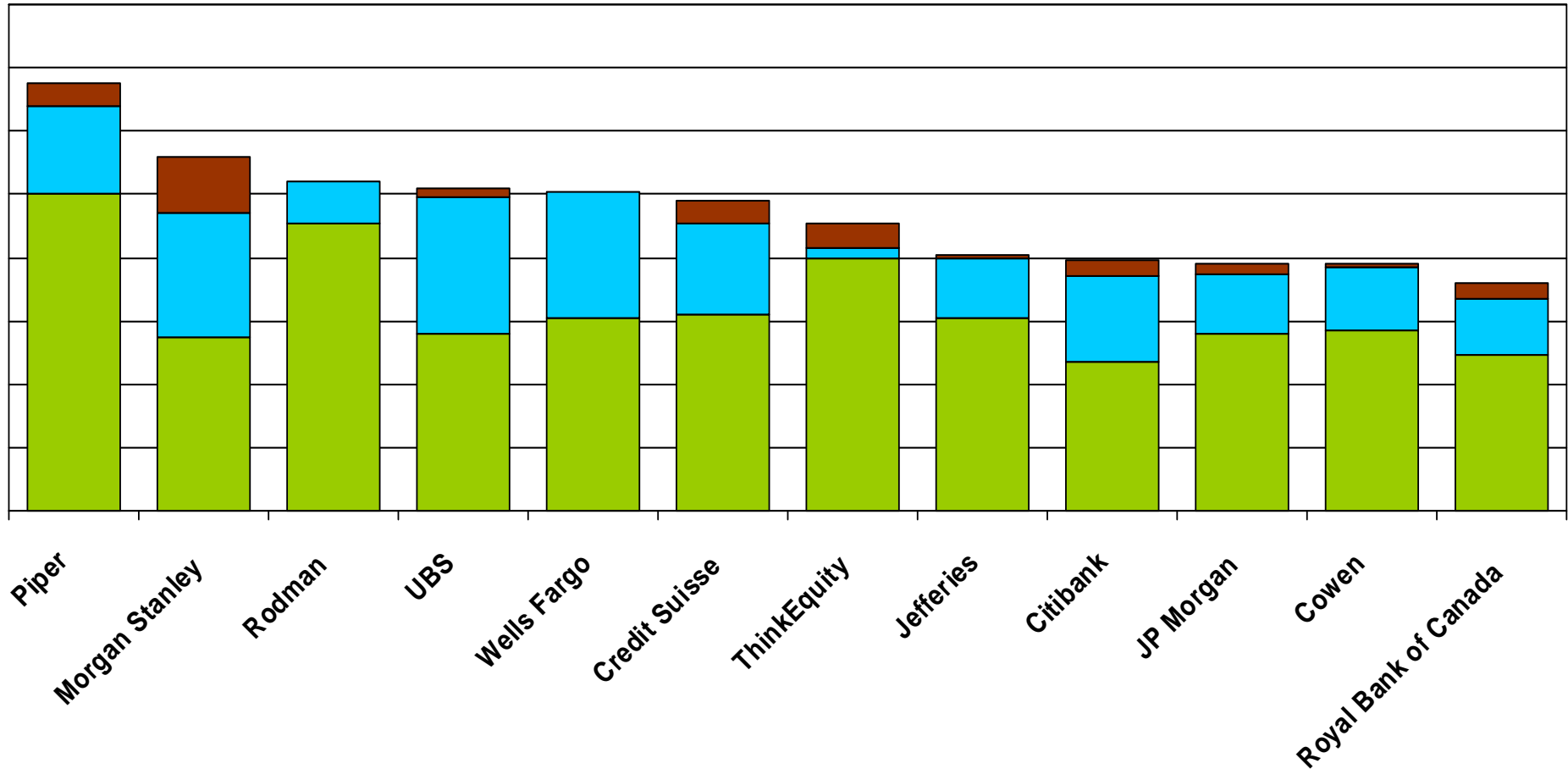
4Q08 - 2012 (N=728)



■ Neutral ■ Sell ■ Buy

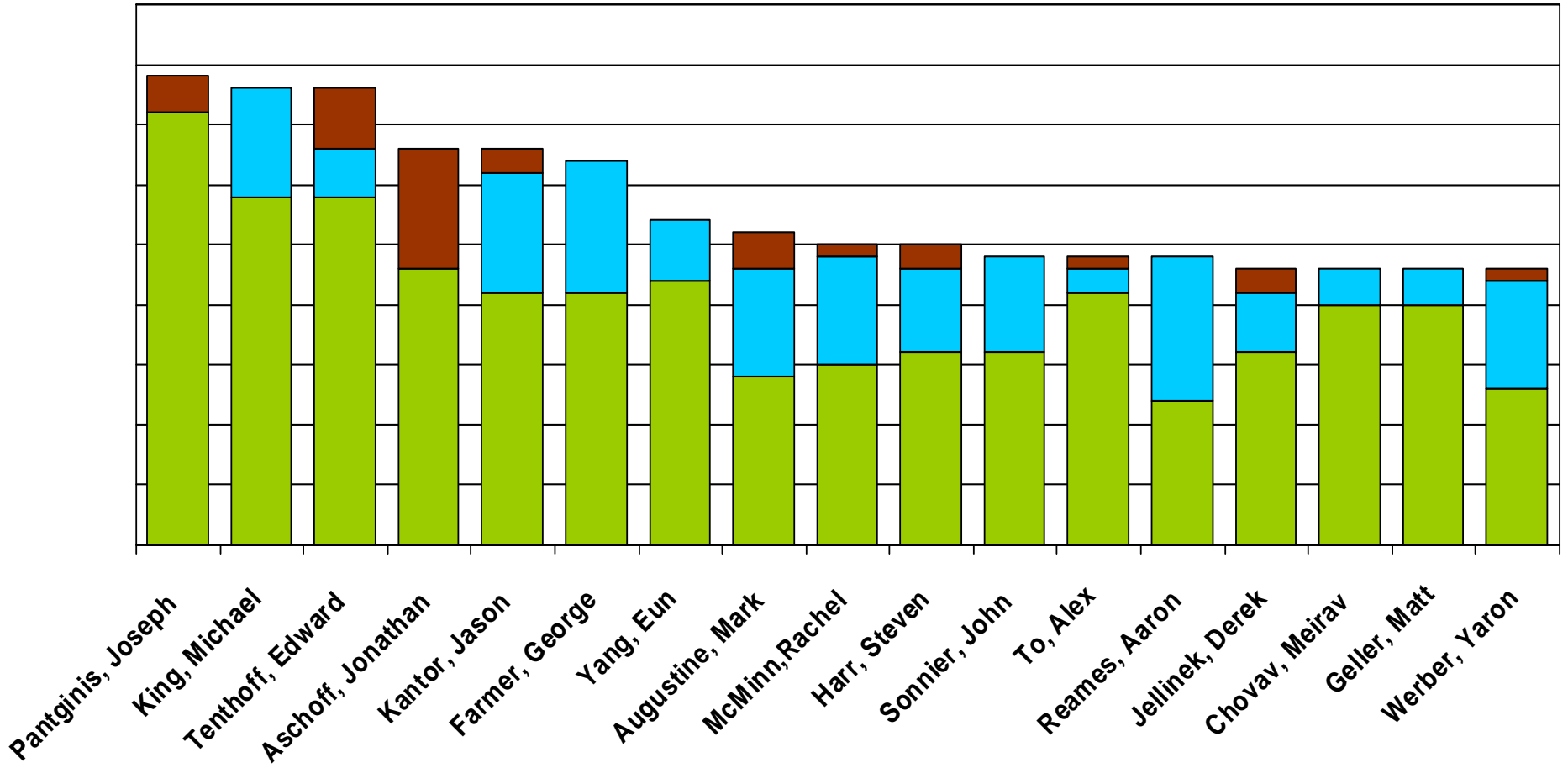
Distribution of Stock Ratings by Top 12 Most Frequent Issuers of Biotech Initiation of Coverage Reports

Buy Neutral Sell



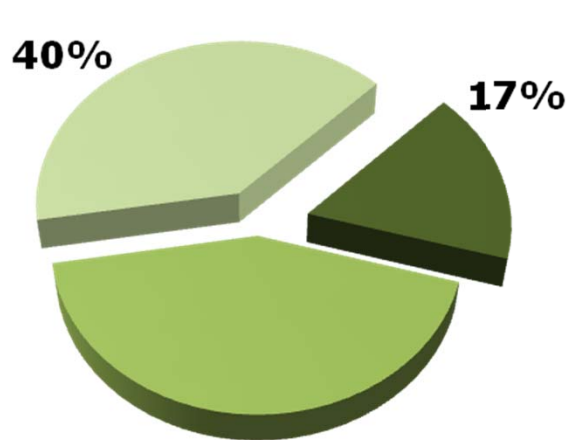
Distribution of Stock Ratings by Most Prolific Authors of Biotech Initiation of Coverage Reports

Buy Neutral Sell



Predicted % Change in \$/Share Over 12 Month Period

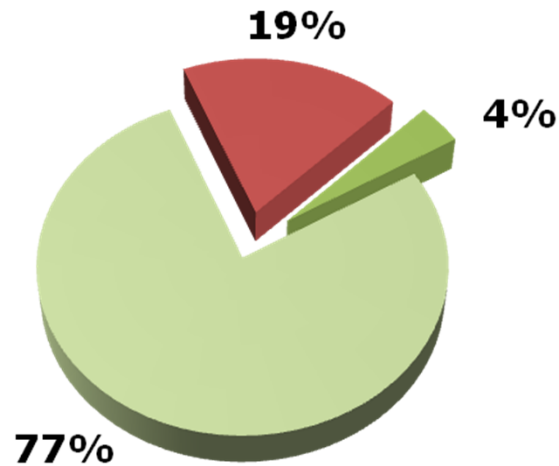
Buy Rating (N=1,835)*



- > +99%
- +40 to +99%
- < +40%

* 99 w/o Target Price

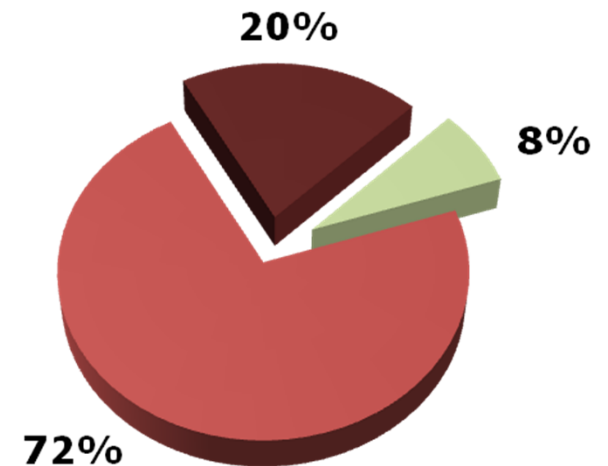
Neutral Rating (N=537)**



- > +40%
- 0 to +40%
- < 0%

** 128 w/o Target Price

Sell Rating (N=120)***

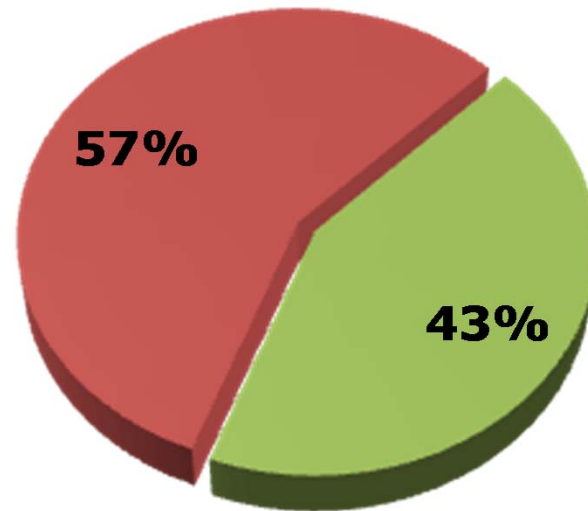


- > 0%
- 0 to -40%
- < -40%

*** 12 w/o Target Price

What Percentage of Biotech Initiation of Coverage Reports Reached Their Target Stock Price Within a Year?

Analyst Buy Recommendations (N=1,645)



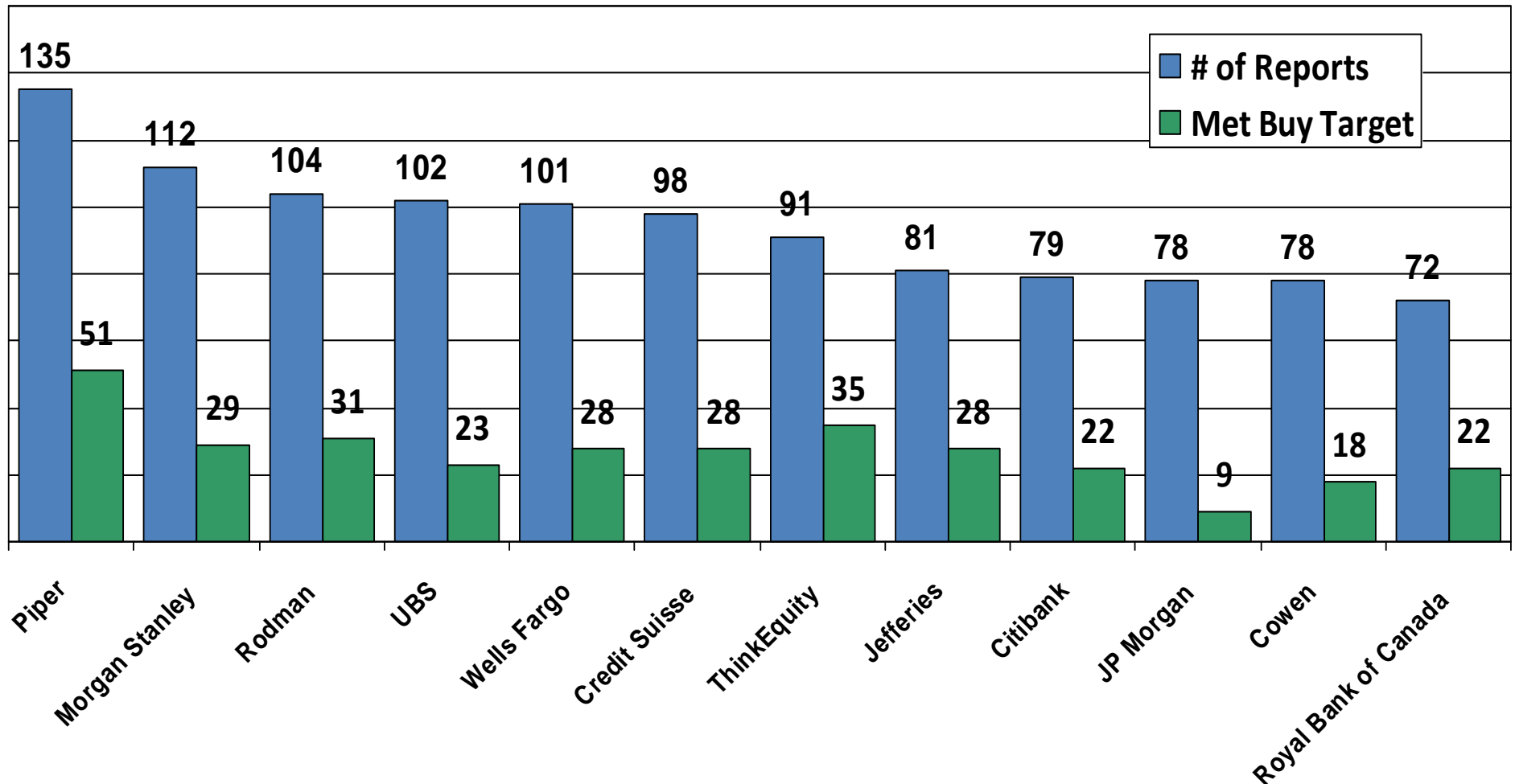
- Target Price Reached
- Target Price Not Reached

Key Question: Which of These Initiation of Coverage Reports Reached Their Target Stock Price Within a Year?

- Analysis of Buy Recommendations that met their Target Stock Price within a Year
 - by Investment Bank
 - by Research Analyst

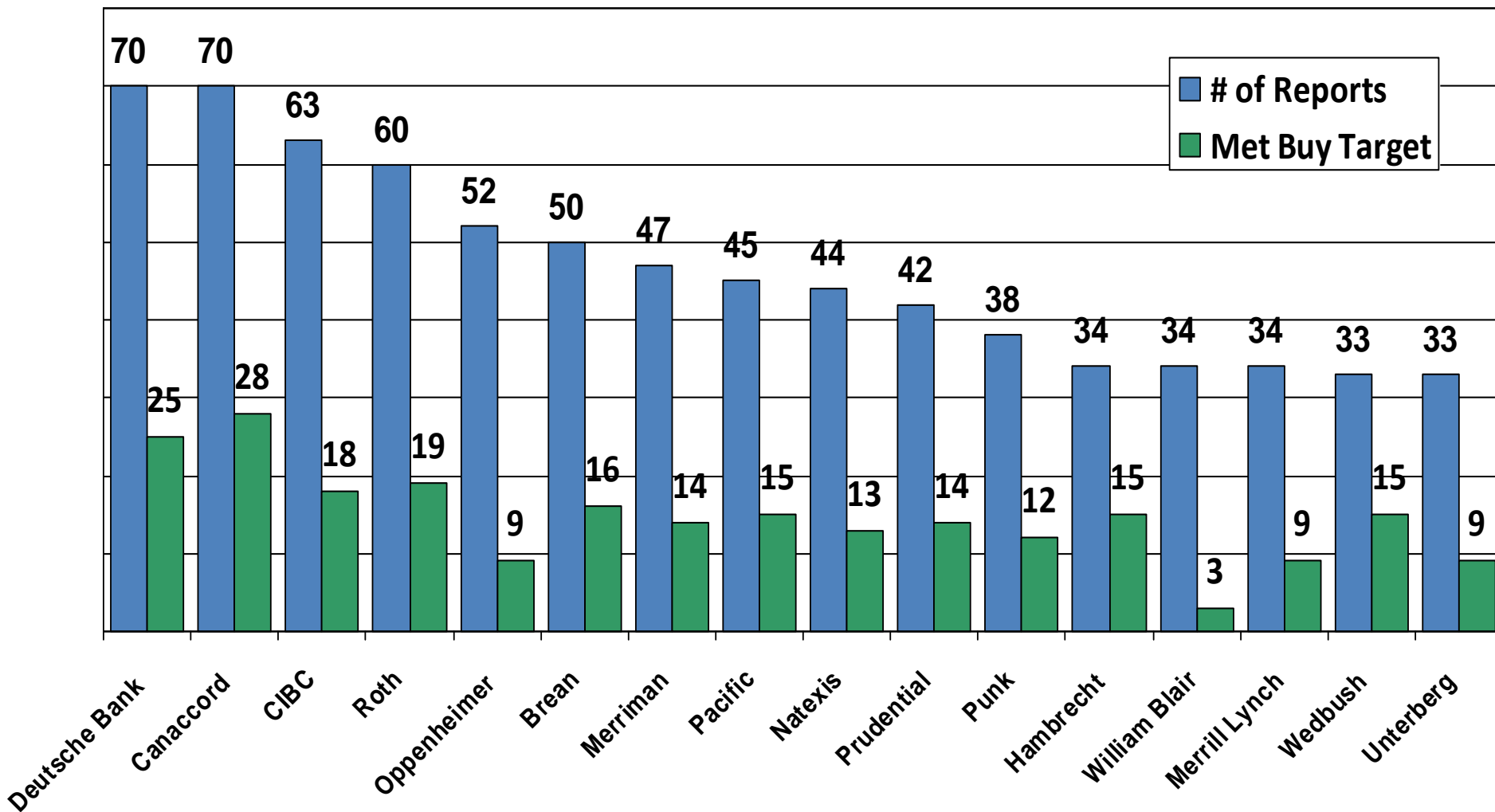
- Analysis of Buy Recommendations with a Target Stock Price at Least 40% Higher within a Year
 - by Investment Bank
 - by Research Analyst

How Often Did the Most Frequent Issuers Of Biotech IOC Reports Reach Their Buy Target Price?



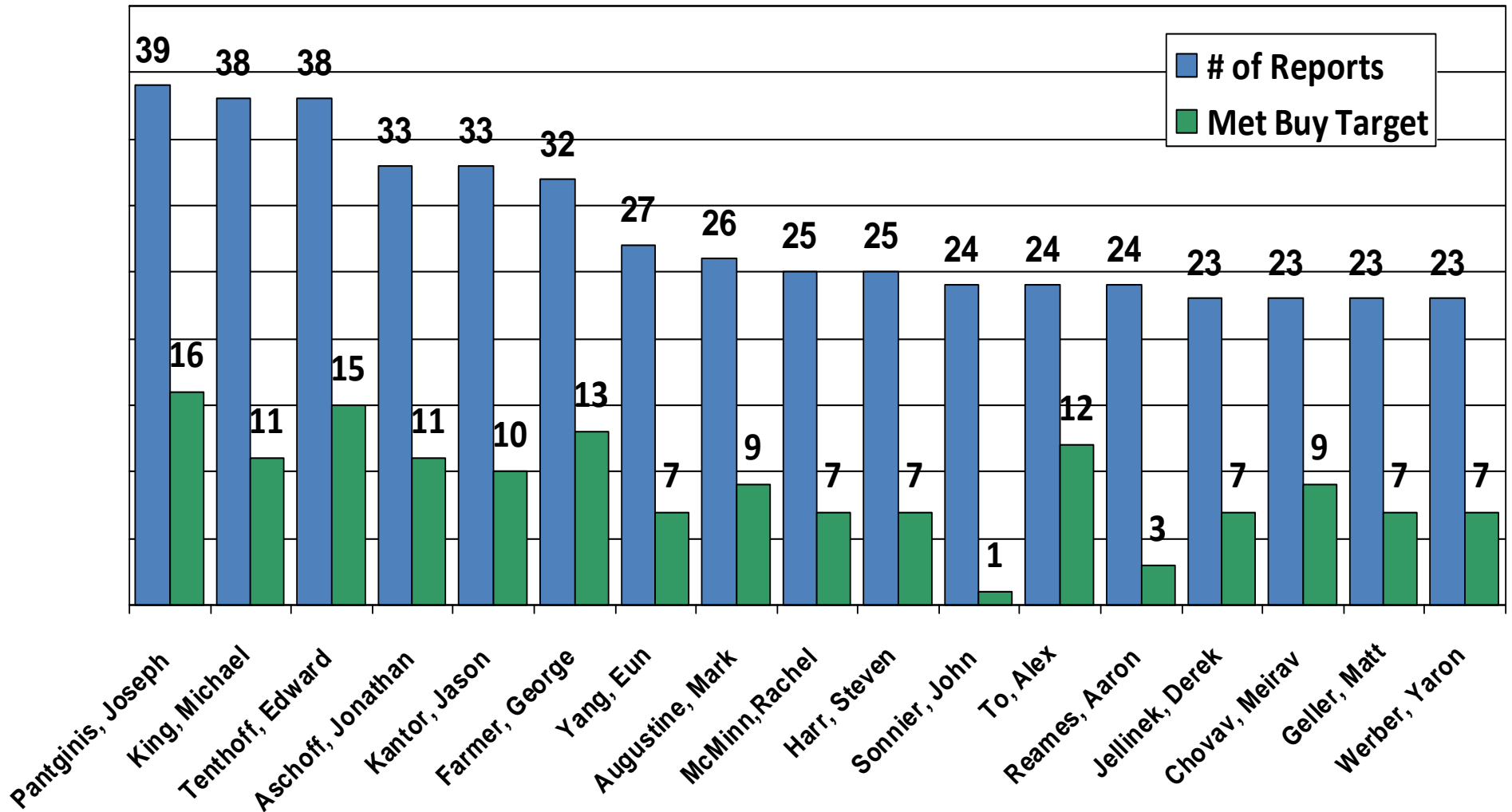
IOC = Initiation of Coverage

How Often Did Other Frequent Issuers of Biotech IOC Reports Reach Their Buy Target Price?



IOC = Initiation of Coverage

How Often Did the Most Prolific Authors Of Biotech IOC Reports Reach Their Buy Target Price?



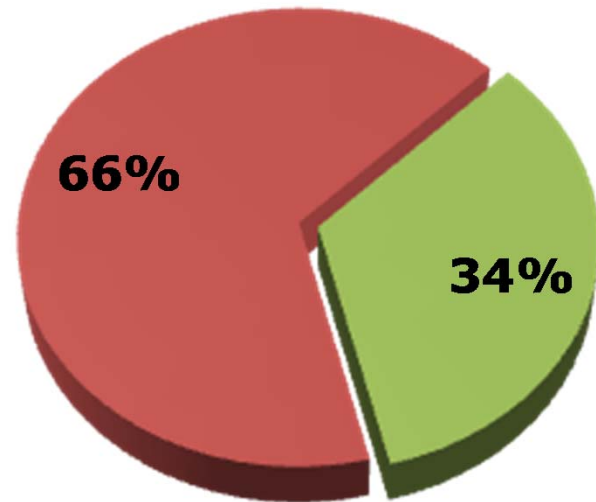
IOC = Initiation of Coverage

The Best Sell-Side Biotech Stock Pickers Over the Past Decade Are ...

- Among the Most Frequent Issuers of Coverage, Piper and ThinkEquity each met their Buy Target Price in 38% of their Biotech IOC Reports
- Among the Other Frequent Issuers of Coverage, Wedbush, Hambrecht and Canaccord met their Buy Target Price in at Least 40% of their Biotech IOC Reports
- Among the Most Prolific Authors of Coverage, Alex To (of Natexis, previously at Credit Suisse) met his Buy Target Price in 50% of his IOC Reports

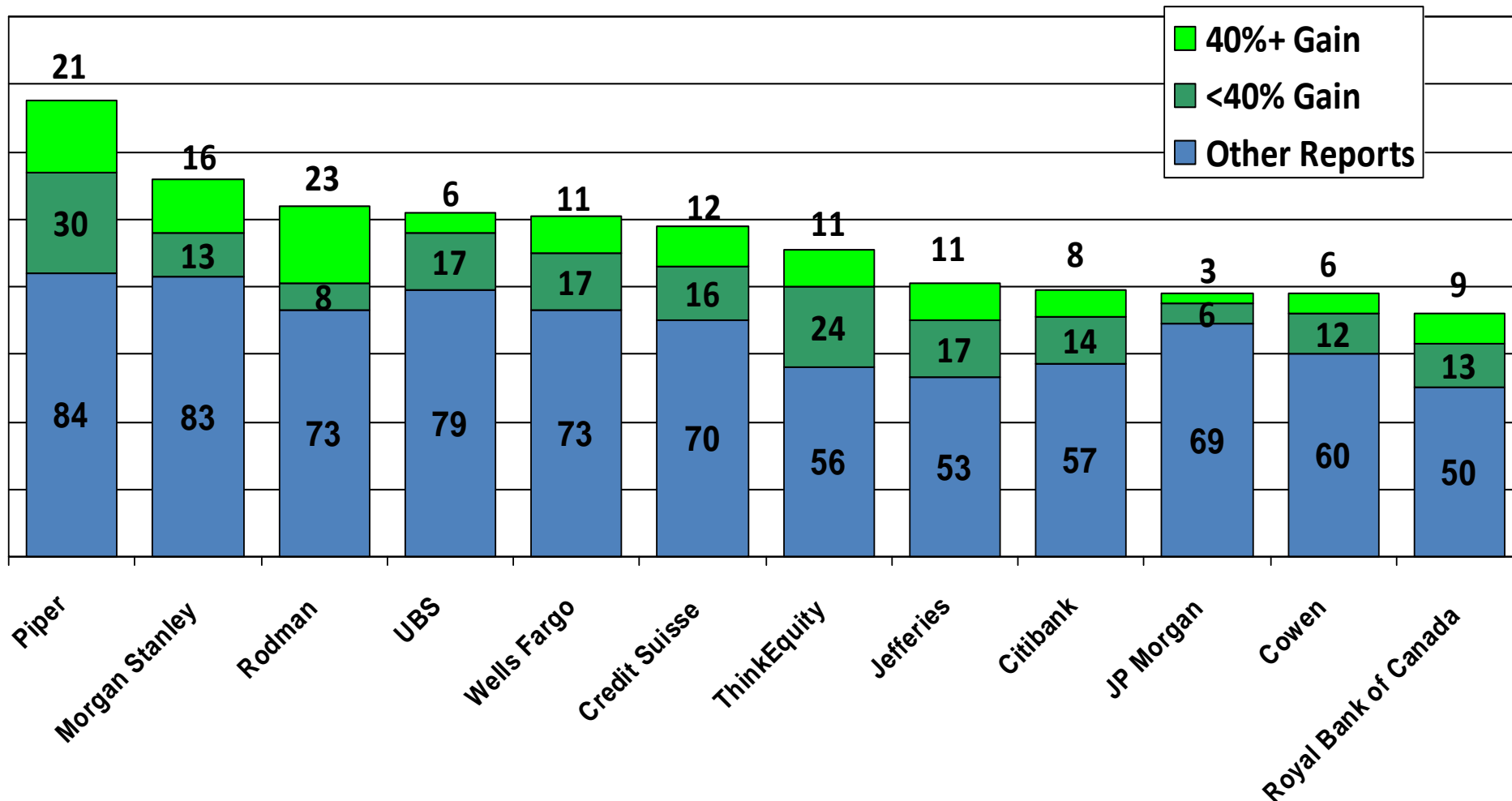
What Percentage of Biotech Initiation of Coverage Reports Reached Their 40+% Gain Target Stock Price Within a Year?

Analyst 40+% Gain Buy Recommendations (N=987)



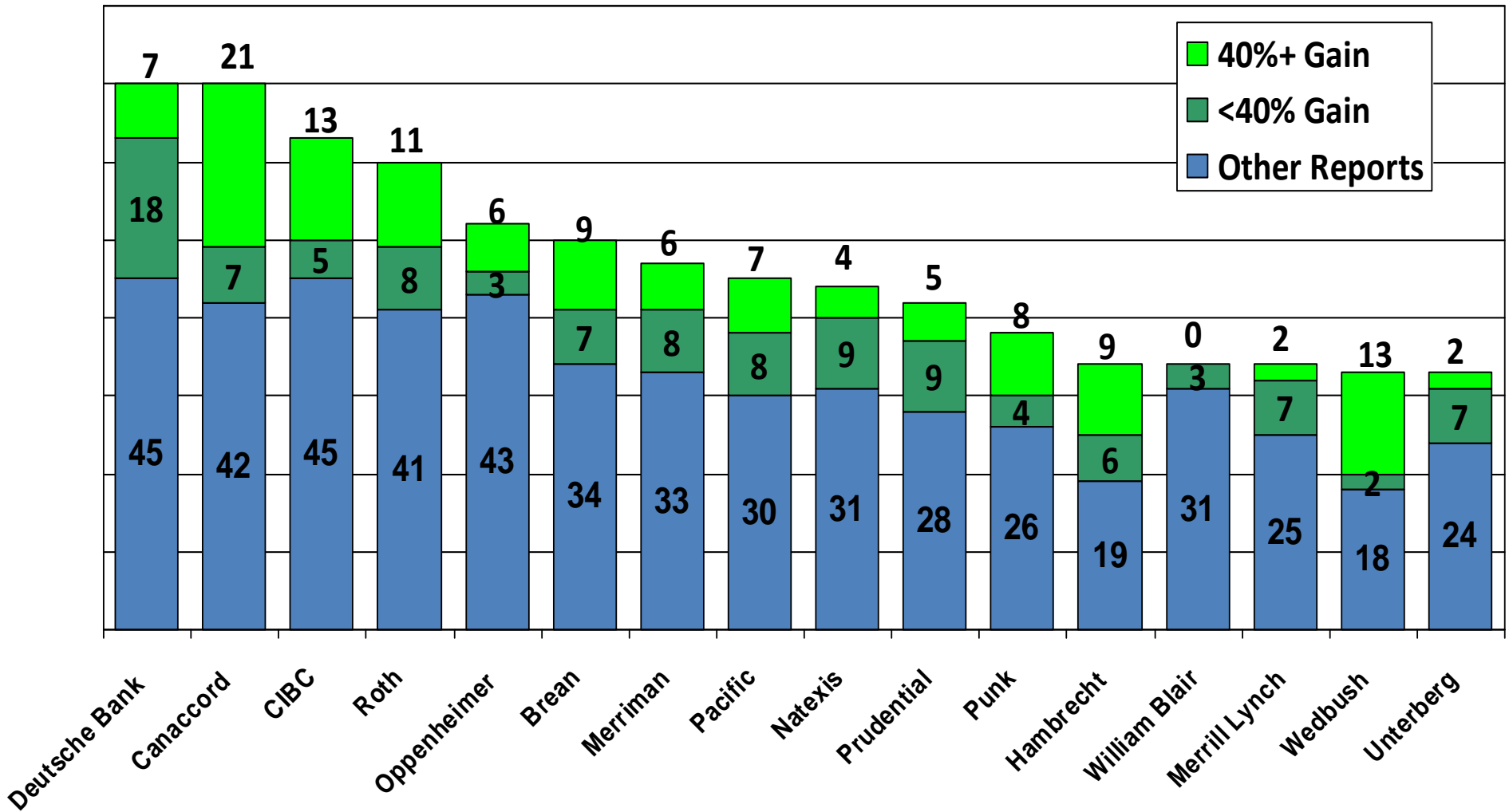
- Target Price Reached
- Target Price Not Reached

How Often Did the Most Frequent Issuers Of Biotech IOC Reports Reach a Target Price of 40%+ Gain?



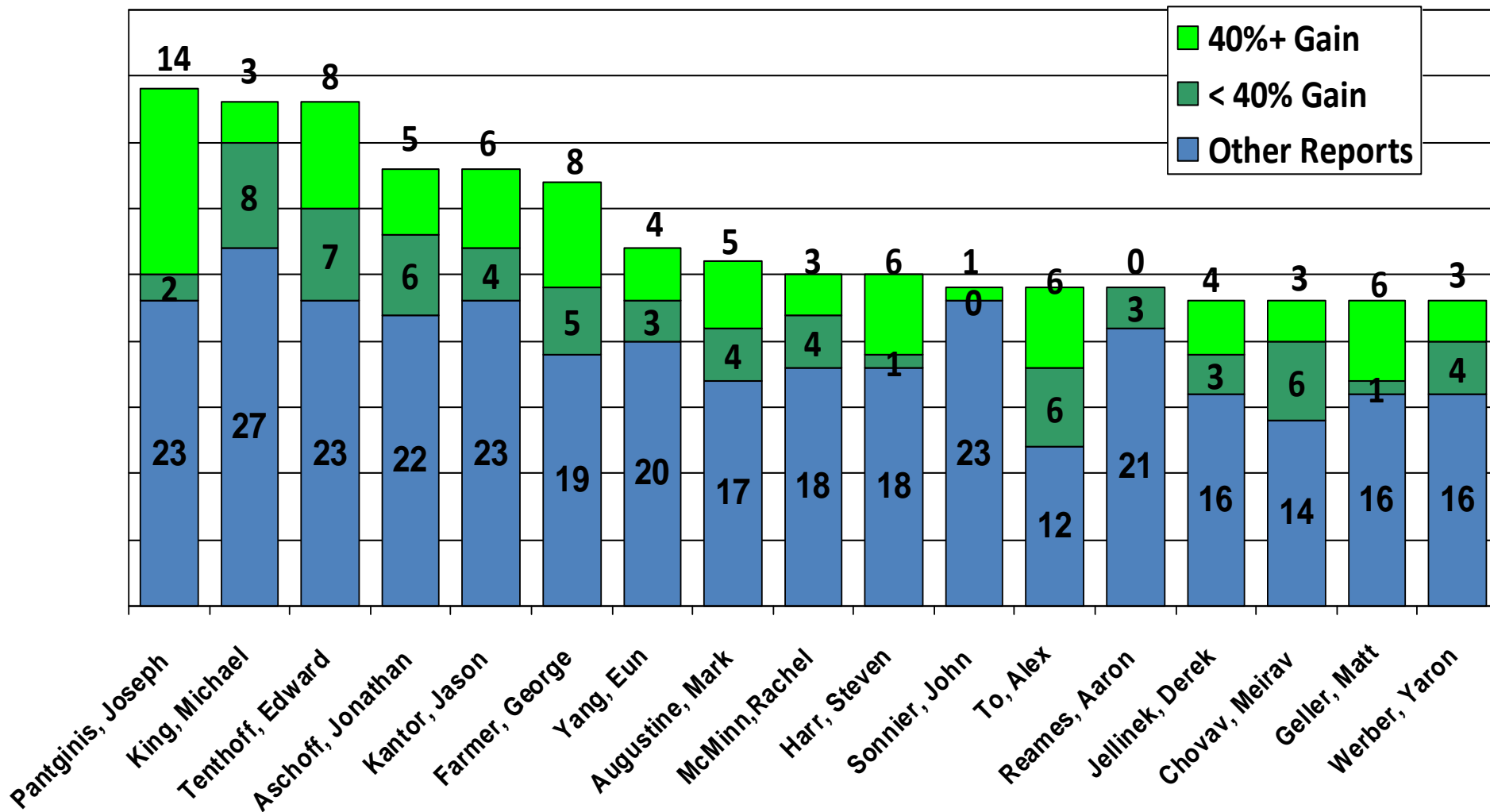
IOC = Initiation of Coverage

How Often Did the Other Frequent Issuers Of Biotech IOC Reports Reach a Target Price of 40%+ Gain?



IOC = Initiation of Coverage

How Often Did the Most Frequent Authors Of Biotech IOC Reports Reach a Target Price of 40%+ Gain?



IOC = Initiation of Coverage

... And When Swinging for the Fences, Best Sell-Side Biotech Stock Pickers Over the Past Decade Are ...

- Among the Most Frequent Issuers of Coverage, Rodman Predicted and Got a 40+% Gain in 22% of their Biotech IOC Reports
- Among the Other Frequent Issuers of Coverage, Wedbush & Canaccord Predicted and Got a 40+% Gain in 39% and 30% of their Reports, Respectively
- Among the Most Prolific Authors of Coverage, Joseph Pantginis (of Roth, previously at Merriman and Canaccord) Predicted and Got a 40+% Gain in in 36% of his Biotech IOC Reports

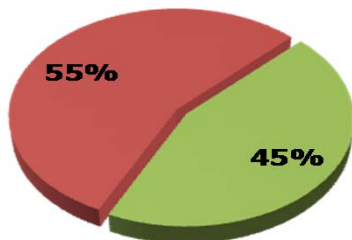
Next Question: What is the Sweet Spot for Biotech Analysts to Meet their Target Stock Price Within a Year?

- Analysis of All Biotech IOC Recommendations
 - by Biotech Stage of Development
 - by Biotech Therapeutic Area

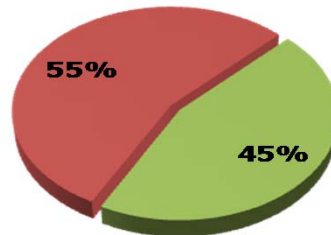
- Analysis of 40+% Buy Recommendations
 - by Biotech Stage of Development
 - by Biotech Therapeutic Area

Until a Biotech Product is on the Market, the Odds Are Against an Analyst Hitting their Stock Recommendation

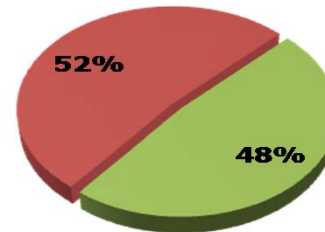
Phase II



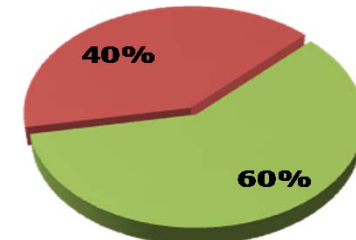
Phase III



NDA Filed



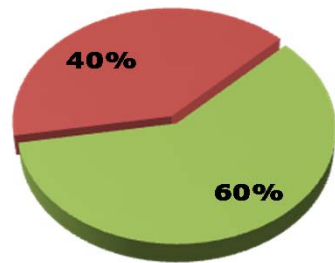
Market



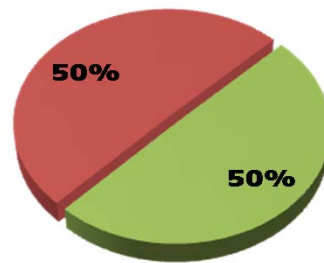
- Target Price Reached
- Target Price Not Reached

Infection is the Therapeutic Area Where Analysts are Most Likely to Hit their Stock Recommendation

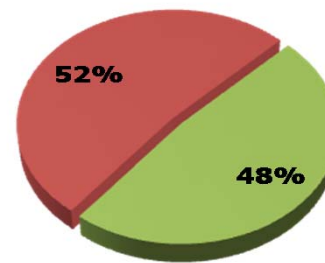
Infection



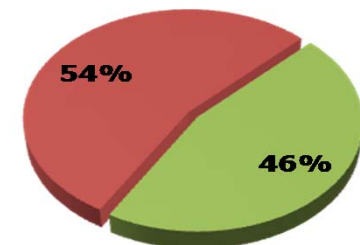
CNS



Cardiovascular



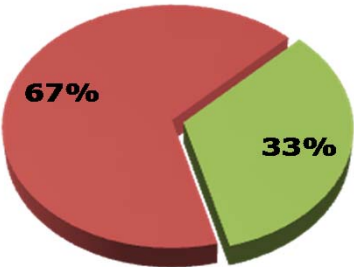
Oncology



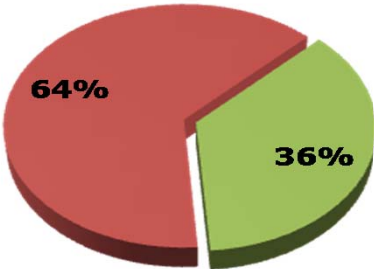
■ Target Price Reached
■ Target Price Not Reached

For Buy Recommendations of 40+% Price Gain,
Even Products on the Market Make for a One in Three Bet

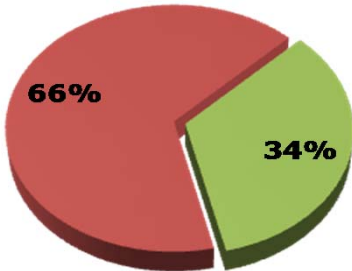
Phase II



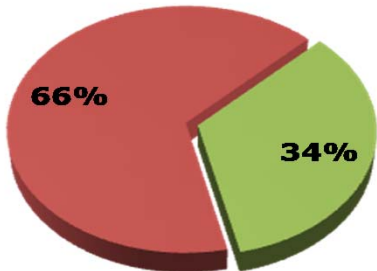
Phase III



NDA Filed



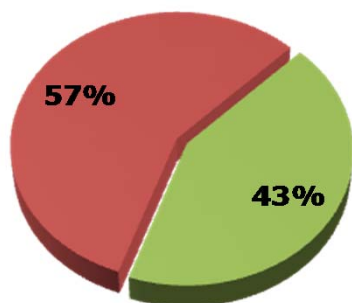
Market



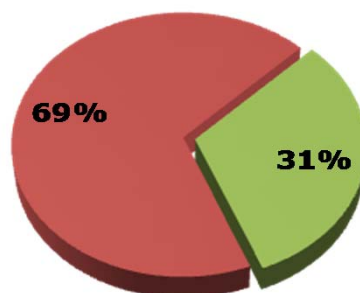
- Target Price Reached
- Target Price Not Reached

For Buy Recommendations of 40+% Price Gain, Infection is Still the Best Therapeutic Area Bet

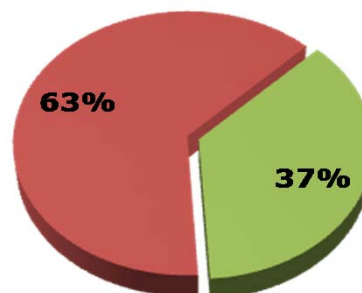
Infection



CNS



Cardiovascular



Oncology

