

INTERVIEW-Money slowly returning to Canada's biotechs

By Scott Anderson and Pav Jordan

TORONTO, Feb 12 (Reuters) - Canada is seeing life return to its life sciences industry after a long drought as money flows into the biotechnology sector from venture investors and drugmakers eye equity issues on U.S. markets, according to a lawyer who specializes in the sector.

Cheryl Reicin, who leads the technology and life sciences practice groups at Toronto legal firm Torys LLP, said 2010 will not be a banner year for the industry, but it will be a major improvement over last year.

"Everybody wants back in," said Reicin, whose practice at Torys gave her a hand in Canada's largest life sciences acquisition ever: the \$800 million purchase of American Instruments Holdings by Vancouver-based Angiotech Pharmaceuticals in 2006.

"The companies in the life science area are desperate for the cash and the bankers want to get the deals done because it (the sector) has been closed for a long time," Reicin said in an interview.

She said a number of Canadian companies are planning to raise cash through equity issues on U.S. markets this year, as Canada's battered biotech sector catches up with a recovery that has already begun in the United States.

With economies around the world on the mend, global biotech is recovering and big pharmaceutical companies are looking to stock their pipelines with new products.

"There is a lot of talk right now and a lot of conversations among Canadians who are public here also going public in the U.S.," said Reicin.

Canadian-listed companies raised more than C\$64 billion (\$61.2 billion) in funding in 2009, but only C\$366 million of that was directed towards biotechs, the lowest amount in a decade. That's a fraction of the record \$55 billion raised by the U.S. biotech sector last year in partnerships and financings.

In Canada, most major banks shut down biotech industry coverage altogether during the financial crisis, as they shifted to the booming resource sector. Some dedicated bankers had to move from larger shops to smaller ones to stick with the industry.

"There are deals going out right now, but the market is still uncertain," Reicin said.

The deals are expected to spark merger and acquisition activity anew as companies look to fill their depleted pipelines with treatments well along the development path.

VENTURE CAPITAL

Last year is described by some in the industry as the worst this century for venture capital financing in Canada, and private health and life sciences was no exception.

Reicin said there are signs that may be changing, and predicted the closing of some major venture capital investment funds in Canada, freeing up hundreds of millions of dollars in investment in the sector.

"In the next few months, you are going to see some nice closings of some very good venture capital funds," Reicin said.

Among those near to closing a new fund is Lumira Capital, a Toronto-based firm that invests in North American companies producing medical devices and biopharmaceuticals, people familiar with the industry said.

Lumira manages more than C\$350 million in three funds and is currently near to closing a fourth that will invest in later-stage companies.

The firm declined comment on the size of the fund it is raising, but later-stage funds tend to range in size between C\$200 million and C\$300 million, with disbursements of between C\$10 million and C\$15 million per company.

"Biotech is just an exaggeration of where the markets are. When the markets are not good, biotech is poor. When the markets are hot, biotech is super, super hot," Reicin said.