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NASDAQ: Investing in Biotechnology Companies

Investing in Biotechnology companies can be a great opportunity. Here are some considerations and rules for making a wise investment.

THE UNIVERSE OF THE BIOTECHNOLOGY COMPANIES IS LARGE.

There are 166 biotechnology companies currently listed on the Nasdaq, of a total of the approximately 3,000. Because of the complexity of this type of securities, it is essential, before investing, to understand the functioning of these companies and the process leading to the approval of a new drug and its marketing.

A biotechnology company produces its medicines on a biological basis, using living organisms, such as bacteria or enzymes. On the contrary, pharmaceutical companies produce their medicines with chemical-based drugs. Biotechnology has broader applications compared to traditional pharmacology and benefit from a term of 12 years for their patents compared to five years for pharmaceutical companies.

The following charts show the price trend of the biotech Alkermes.



THE PROCESS FOR THE APPROVAL OF A DRUG

The institution responsible for the approval of a new drug, is the Food and Drug Administration, FDA. The institution has 6 analysis centers in the US. The process leading to the approval of a new drug is divided into 3 phases. In short:

PRE-CLINICAL PHASE

Tests of tolerability and toxicity on animals

PHASE 1

It consists in testing the drug on a limited number of healthy volunteers, patients, in order to verify the safety and tolerability of the drug with the given dose.

PHASE 2

It consists in testing the drug on a limited number of patients, from 100 to 300, suffering from the disease to be cured. In this stage, the effectiveness of the drug, the tolerability, the optimal dosage and the possible side effects are tested.

PHASE 3

In this stage the number of patients is expanded, up to 3,000, distributed in different locations, divided by age, gender and ethnicity. Here the therapeutic effect and the risk / benefit ratio of the drug are definitely tested.

CONCLUSIONS

Before investing in a biotechnology company is necessary to study each case, the status of the testing of each drug and if complies with the FDA's requirements.

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