WEEKLY INSIGHT

Biotechnology in Nasdaq 100
The latest Nasdaq 100 Composite, an index that includes the hundred most capitalized emerging companies, shows signs of reconfiguration. Among the entering values there are eight related to biotech, pharmacy and medicine. There are several losing importance related to the Internet, computing and to telecommunications; Palm, the popular handheld vendor, is amongst them. [Full Story]

Highlights
- Despite the stock exchange crash, Nasdaq has accumulated a percentage of growth superior to 1.100 during the last six years. Biotech value account only for 72% of the 750 companies listed.
- In 2001, the second year in investment on biotech of US history, biotechnology reached 13,4 billion dollars.
- According to ASEBIO (Spanish Biotech companies association) biotechnology reached 4,8 billion euros in 2001 and employed 24.850 people.

Press Review

From Emarketeer.net
"These 'chips' departure will be compensated with the entry of several 'molecules', that is, companies belonging to the emerging world of biotechnology. (...) Biotechnology appears as a space where investors see a real need in an awaiting market of new drugs, compounds, insecticides, industrial genes and hundreds of service. Contrary to what happened with online economy, there is no need of creating a new demand but only of answering countless needs already raised. This implies that biotech business has a promising future". [Full Story]

From Business 2.0
"If you're looking for huge potential markets, this is a good place to start. 'The surest trend around is the aging of the global population', Leeb says. 'That's great news for biotech'. What's more, biotech isn't just for wild-eyed speculators anymore. Brian Clifford, portfolio manager of the SunAmerica BioTech/Health 30 fund, notes that industry profits have climbed sixfold since 1995, to an estimated $3 billion in 2001. Better, the group's earnings should rise 25 percent annually during the next three to five years as new drugs come to market. 'This is the one sector where fundamentals have gotten better in recent months', he says". [Full Story]

From Efe
"The rapid series of mergers and acquisitions between biotechnology companies during the last weeks of 2001, including the recent purchase of Imnunex by Amgen Corporation, gives some important evidences about who will be the principal agents in the new scenario. On the other hand, the unprecedented number of biotechnological drugs ready to come out into the market during this year has only started.(...) Analysts expect market income will grow over the 11% stablished in 1995. Investors, used to bigger losses in this
sector, have now major expectations, but this confidence has not arrived easily.

**Commentary by...**

Joaquim Vilà, IESE Assistant Professor

**Will Biotechnology follow the example of the dotcoms?**

Since their entry into the market at the beginning of the 80s, the biotechnology companies have been making new capitalization records in the markets. The attractiveness for the investor does not lie strictly in the criteria of generating managerial results in the short term but rather in its great future potential. The thing is that in the market there is explicit demand for solutions to determined problems that can be apparently solved only with biotechnological applications, but whose implementation is slower than general public expects (when considering disorders related to cancer, infectious illnesses, environmental issues, food production, etc.).

This uncertainty characterizes emerging sectors such as biotechnology but also IT enterprises, mistakenly denominated as "technological" (who says that biotechnology companies do not belong into this group?). However, the period that biotechnology projects need for maturing is much longer than the one that producers of chips or software require. In the case of biotechnology, there is a demand for incubation processes which can take between five and fifteen years without any commercialization involved, while other businesses, such as those based on the Internet, which have now lost their leading positions on the Nasdaq index, have been launched on the market in under a year or two, or even in months.

Biotechnology (still a technological field rather than a sector) will experience a more important fall considerably effecting the economic sector, food industry, pharmacy, animal health sector or environment. The scientific base as well as the plentiful governmental controls related to it make us see only the tip of the iceberg. We cannot compare the stock-exchange behavior of Internet companies with that of biotechnological enterprises. Sadly, many experts from the sector agree that Wall Street, who proved not to understand much about software knows even less about biotechnology.

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**EBCENTER ARTICLE**

**Copyrights enforcement, the big pending affair**

By Neus Palomeras, IESE PhD student

Software, music, art books or films are the most attractive products to be electronically traded, since they can be digitized and sent through the Internet without time or space limitations. However, technological effortlessness to copy them and the existing legal void greatly enhance piracy on these products, a phenomenon that is stirring a boom in both the offer and the demand in the short-run, but is deterring investment in the long run. [Full Story]

**Internet content control spurs enterprise spending**

By Elisabet Garriga, IESE PhD student

The Information Society's Services Law (LSSI, Spanish Internet law) draft forces ISP to adopt a bunch of mechanisms to control illicit content that, for its high cost, are difficult for enterprises to assume. IESE's professor Domènec Melé appeals to personal and business ethics when managing online content, whereas Javier Ribas, Landwell PwC e-business chief, believes that online content responsibility lies determined by its acknowledgement. [Full Story]

**REPORTS**

**What's right with the US economy**
Source: McKinsey  
Date: January, 2002  
Abstract: Companies wonder whether the long-term health of the US economy will be undermined. The answer depends on what happens to the productivity growth rate. According to McKinsey, and contrary to conventional wisdom, the widespread adoption of information and communications technology was not the most important cause of the acceleration in productivity after 1995. In rare cases, IT can deliver truly extraordinary productivity improvements, expanding labor capacity by an order of magnitude. To understand why IT is not a panacea, we looked at three sectors that invested heavily in IT but experienced no improvement in productivity growth: hotels, the long-distance data portion of the telecom sector, and retail banking.

[Full Story]

Year End Shutdowns Report 2001  
Source: WebMergers  
Date: December, 2001  
Abstract: At least 537 Internet companies shut down or declared bankruptcy in 2001, more than twice as many as in the previous year, when 225 dotcoms failed. More than two thirds of all shutdowns in the past two years involved content or e-commerce properties, including entertainment sites, online news providers, e-tailers, B2B marketplaces and other commerce properties. However, the shutdowns rate is slowing dramatically; December’s death rate is less than half the last year’s one and is the lowest since August, 2000. Webmergers estimate that between 7,000 and 10,000 Internet companies have received some sort of "formal" funding, which suggests that at most, 10% of significant Internet companies have shut down or declared bankruptcy. According to analysts, it may be safer to say that the Darwinian process has left many fewer weak Internet companies.

[Full Story]

Network and Internet Security  
Source: Agile Equity  
Date: December, 2001  
Abstract: Agile Equity, an investment banking firm specializing in mergers and acquisitions in the technology sector, offers an overview of the Internet security market. According to the firm, Internet security spending is estimated to grow at a compound annual growth rate of 29 percent, from $6 billion in 2000 to over $20 billion in 2005. Several trends are taking off in the network and Internet computing markets are fueling an increase in security spending, such as the virtual corporation and the extended enterprise; augment in external traffic; security spending viewed as a business enabler; growth of broadband access; and the threat of cyber terrorism.

[Full Story]

E-Business Outlook: 2002  
Source: Line56  
Date: January, 2002  
Abstract: Line56 surveyed 259 e-business executives from a variety of industries regarding their e-business strategies and spending for 2002. Some of the major findings are that e-business will account for 18.2 percent of IT budgets in 2002, equating to over $240 billion of global spending. This means that e-business spending will grow at 10.6 percent in 2002, compared to overall IT spending growth of 4.4 percent. According to the report, web services is set to become a major method for interacting with trading partners in 2002. The need to increase sales and revenue and gain competitive advantage are the two biggest drivers of adoption, while implementation costs and budget constraints are the major barriers.

[Full Story] (A free subscription is required)
**COMPANIES**

**Bertelsmann, interested in Endemol**
The German media group Bertelsmann has approached Telefónica, the Spanish telecoms and media group, about buying Endemol Entertainment. People close to the companies, however, said the talks have stalled over price and that no breakthrough was expected in the immediate future. According to Telefonica, everything depends on price because they see no reason to sell an asset that has doubled its profits and tripled its sales in 2001. From TVInsite. [Full Story]

**Starmedia cuts costs**
Latin American Internet provider Starmedia has been forced to rent its offices located at One Hudson, NY, in order to alleviate its crisis. The financial situation got worse since officials acknowledged wrongdoings on its financial statements during the last two and a half years. Moreover, its NASDAQ stock has got its flotation suspended at 38 cts until new order. Starmedia, has come back to the former location that saw its inception, after traspassing its rental at One Hudson to a company that lost its offices during September 11th. From La Gaceta de los negocios. [Full Story]

**Microsoft, IBM and Dell, best technological brands in 2001**
These three technological companies are the most valued for their ability to maintain their brand power during the crisis. Hewlett-Packard, Compaq and Cisco are the worst valued in this category. These are some of the results of a Liquid Agency survey, answered by more than 700 marketing managers of technological companies in 17 countries. From ZDNet. [Full Story]

**WE RECOMMEND**

**Empty Promises**
In the period of prosperity that began in the mid-’90s appeared promises of technology and profits that weren’t materialized. Wired News, like other tech publications, doesn't claim innocence in this matter and to prove it created the Vaporware Awards. Each year, Wired guys award ideas promised that were not "productized". In the last edition, the prizes have gone to artificial intelligence, the personal scent synthesizer Digiscents iSmell, and 3G wireless networks. The second and first position have been Warcraft III and Nukem Forever video-games. From Wired. [Full Story]

**Spanish Video-games Also Grows**
Spanish video-games market accounts for 2% of this worldwide industry, that has forecasted a 100% growth until 2005. In the US, this industry already has gathered a momentum equal to the Hollywood industry and in Spain it is expected to raise sales up to 390,66 in 2002. Producers only rank online video-games since the future for the rest is poised to be unplugged. From El Pais. [Full Story]

**Management Tips to Minimize the Crisis**
It’s time to dust off a fundamental businesslike virtue: striving to do more with less. Business 2.0 magazine offers 12 management tips to help our company save money during this recession, such as charging for things that once were free, forming partnerships to share costs or cutting people, especially outside the core areas of direct production and sales. Other steps are get your numbers right, help people understand that thrift is a source of profit, eliminate the galling gewgaws of privilege and get everyone involved. From Business 2.0. [Full Story]
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