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# FINANCE<sub>AND</sub>COMMERCE

Perception vs. reality: Dramatic growth of biopharmaceutical companies across Midwest  
by Adam Johnson  
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MINNEAPOLIS, MN -- According to a recent survey of venture capital firms, many investors aren't yet aware of the dramatic growth of biopharmaceutical companies across the Midwest.

BioEnterprise, a Cleveland-based bioscience advocacy and recruitment group, conducted an annual survey of 45 health care investors from across the country to gauge which kinds of health care companies in major Midwestern cities represent the best investment opportunities in the coming year.

The survey revealed that investors view "medical devices" as the strongest sector of the Midwest region's health care industry, with 94 percent indicating a strong interest in future investments in that sector.

The second-strongest sector was biopharmaceuticals, commonly known as drug research and development, with 65 percent of respondents expressing interest in investing with companies in that field.

But those results stand in stark contrast with the actual investment dollars venture firms spent last year, according to a venture investment report compiled by BioEnterprise.

Investment in Midwest biopharmaceutical companies in the first three quarters of 2007 amounted to \$591 million, more than twice the \$251 million venture capitalists spent on medical device companies.

Annette Ballou, director of strategic marketing at BioEnterprise, said the number of biopharmaceutical companies has been growing rapidly in the Twin Cities and other areas for a few years, but it takes time for the broader investor community to associate the Midwest with drug research.

"Perceptions always lag a little bit behind reality," Ballou said. "What's happening is that there is more and more expansion occurring here in stem cells and biopharmaceutical research, but the perception hasn't changed yet."

That doesn't mean medical device companies are in trouble. Venture investments in that sector rose 12 percent over the same period in 2006.

While some investors may not be up to speed on where growth is occurring, they appear to be well aware of the cities where most health care dollars are flowing.

Minneapolis and St. Paul came out on top once again as the Midwest metro area with the best reputation, followed by Cleveland and Pittsburgh. And that closely mirrors real investment dollars spent in the first three quarters of the year by location: The venture investment report showed that Twin Cities health care companies took in approximately \$212 million in the third quarter of 2007, more than double the amount raised in any other Midwest metro area except Cleveland, which trailed only slightly behind the Twin Cities in total health care investment.

Ballou also noted that 23 percent of the health care investors surveyed believe Midwest deals perform better than in other areas of the country.

"Perception is interesting, because everybody thinks that everything happens on the coasts, but the reality is that a lot of the big health care work is happening in the Midwest. And because of that a lot of the deals that happen here are undervalued," Ballou said. "A lot of the people we talk to have found that they get better deals in the Midwest because they can find companies that are, in fact, so undervalued."