

ADVANCED MAGNETICS: Hard lessons in drug products



Jerome Goldstein says his company will apply for Feridex next year.

GLOBE STAFF PHOTO / DAVID RYAN

Last March, Advanced Magnetix Inc. delivered 639 pounds of paperwork and some of its highest hopes to the Food and Drug Administration in Washington. It was the company's new drug application for ferumoxsil - the first pharmaceutical the company hoped to market in the United States.

Three months later, the FDA asked that the ferumoxsil application be withdrawn because the agency had changed the application rules for such drugs.

The company plans to try again, but the episode was a painful lesson. "It's always a setback when your first major product is dealt a blow," says Christopher Wright, an analyst at Laidlaw Holdings in New York. "I had them earning significant revenues in 1994 from that product."

Advanced Magnetix of Cambridge is a leading company in the emerging field of magnetic particle technology.

The company makes tiny particles comprising a new breed of drug known as magnetic resonance image contrast agents. Taken orally or injected, the particles act like tiny magnets, dramatically enhancing the images of MRI scans. As the use of MRI scans grows, analysts expect the demand for MRI contrast agents to grow similarly.

The annual market is potentially "several hundred million dollars," says Regina Wiedenski, an analyst with Adam, Harkness, and Hill in Boston.

Now, following its first FDA disappointment, Advanced Magnetix is punching back with a second product in clinical trials, which analysts say has a much larger potential market, trademarked Feridex. Feridex is targeted specifically towards detecting liver cancer.

AMI president Jerome Goldstein says he expects the company to file its new drug application for Feridex "in the next year."

The \$12 million company has been profitable every year since its inception in 1981 except last year, when it took a \$6.2 million charge to repurchase its early research from ML Technology Ventures, which had earlier provided capital to the company. Besides making biopharmaceuticals, the company earns revenue from the sale of test kits and contract research for other corporations.

Advanced Magnetix raised \$24 million in February by offering a million shares of stock at \$24 a share. Since then, its stock price has fallen by half, closing Friday at \$12.

Analysts attribute its fall to the general biotech slump. A Paine Webber report in April upgraded the stock from "attractive" to "buy," saying shares are "significantly undervalued relative to the company's growth prospects and asset base."

Says Goldstein: "I did too good a job on a road show convincing people we were a biotech company."

Ups and downs

Annual earnings (losses) for Advanced Magnetix, Inc. of Cambridge

| In millions of dollars | | | | | |
|------------------------|--------|--------|--------|--|--------|
| \$1.07 | \$1.00 | \$1.06 | \$0.48 | | \$0.09 |
| '87 | '88 | '89 | '90 | | '92* |

*2nd quarter
Fiscal year ends Sept. 30

SOURCE: The company

BOOK BRIEFING

An incomplete portrait

HIGHLY CONFIDENT:

The case of the conviction of Michael Milken by Judge Jesse Kornbluth, Wall Street Journal, p. 10, pp. 12-13.

By Michael Zuckoff

It is hard to wonder how different this book might have been written if Michael Milken had allowed, say, Joe McGinniss to hear his side of the story.

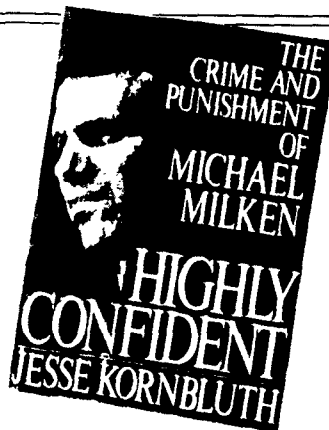
McGinniss, author of "Fatal Vision," became the confidant of Jeffrey MacDonald, the Green Beret accused of killing his family. MacDonald was sure the author would be part of the defense team. Instead, McGinniss became convinced that MacDonald was, in fact, guilty. And that's how the book reads.

In contrast, "Highly Confident" author Jesse Kornbluth, a contrib-

utor concerned about the well-being of his family, friends, colleagues and clients.

Kornbluth tries to paint a picture of a man victimized by a "proptan" (a term coined by Ivan Boesky) and an average, financially unsophisticated band of prosecutors and securities regulators. A man guilty only of poor judgment and technical infractions that, until Wall Street came to the attention of self-promoting dogooders like former U.S. Attorney Randolph Giuliani, were common business practices.

It's quite an undertaking to prove that, especially considering what has come before. The most recent example is "Den of Thieves," the best-seller written by Wall Street Journal editor James Stewart. Stewart makes the case that Milken was the venal, controlling, greedy leader of "the greatest criminal enterprise in the financial world



Benjamin Stein, who had unsuccessfully sought a job from Milken before savaging him in repeated articles for Barron's. Kornbluth is less successful, however, in countering the extensive reporting of Stewart and other top-flight financial journalists.

But the biggest disappointment of this book is that it fails to deliver enough true insight into the "real" Milken, despite unprecedented access to the man and thousands of

fast TRACK

News in the workplace

The Worcester Foundation for Experimental Biology, a biotech research group based in Shrewsbury, is trying to attract biotech firms to build facilities on land adjacent to its laboratories. But a new report by the foundation notes that eastern Massachusetts biotech companies are having a tough time getting bank financing for such new labs. The main problem, says the report, is that banks won't alter their rules for lending real estate developers money to "build out" facilities for fledgling biotech companies. "Financing real estate development in today's market is almost impossible," the study concludes, adding that the cost of laboratory space is pricey for both developers and young biotech companies. Noting that biotech companies often have substantial cash from an initial