

ORANGE COUNTY BUSINESS JOURNAL

Fastest-Growing Public Companies

NO. 1

PEREGRINE PHARMACEUTICALS INC.

■ VITA REED

Tustin-based Peregrine Pharmaceuticals Inc. has grown with contract manufacturing and government business as it works on developing drugs for fighting viral diseases and cancer.

Peregrine repeated as No. 1 on the Business Journal's 2010 list of fastest-growing public companies based in Orange County after topping last year's list.

Peregrine posted 359% revenue growth for the three years ended June 30. The drug developer went from \$6 million in revenue for the 12 months through June 2008 to \$27.9 million for the same period through this June.

Revenue Sources

The company's revenue comes from two major sources: producing drugs under contract from other drug makers, and government contracts.

"Essentially, our revenue has really grown out of opportunities that were created—decisions to turn our manufacturing facility into a contract manufacturing facility," Chief Executive Steven King said.

Avid Bioservices Inc., a Peregrine unit, serves various drug makers, including Switzerland's Roche AG, San Diego's Halozyme Therapeutics Inc. and Catalyst Biosciences Inc. of San Francisco.

Avid accounts for about 47% of Peregrine's yearly revenue.

Avid also makes all of Peregrine's compounds, which "allows us to prepare for commercialization of our own products," King said.

"That gives us a real value for our investors, that their investment dollars (are) really going as far as we can make them go," he said.

Peregrine has 140 workers, nearly all in Tustin.

Avid has a dedicated business development and sales team to drum up business, according to Paul Lytle, Peregrine's chief financial officer.

Government contracts, which make up about \$14.5 million in sales, account for the rest of

THE NUMBERS

Three-year growth: 359%
12-month revenue through June: \$27.9 million
Yearly loss through June: \$14.5 million
Market value: \$77 million
Employees: 140, 137 in OC
Company: Drug developer



King: "revenue has really grown out of opportunities that were created"



Lytle: "company got six-month government contract extension"

Peregrine's revenue.

Two years ago, Peregrine won a contract worth up to \$44.4 million from the Department of Defense's Threat Reduction Agency to develop and test its bavituximab compound and another antibody as a treatment for viral hemorrhagic fever, a type of infection that affects soldiers in the field.

The company recently received a six-month extension for the contract, according to Lytle.

Peregrine has said the deal could last for up to five years.

The company hopes its work on bavituximab could lead to a contract to produce the drug, according to King.

The company, which started in 1981, is in trials for bavituximab as a treatment for various diseases, including lung and breast cancer.

Other drugs being developed include Cotara, which targets particularly aggressive forms of brain cancer. According to Peregrine, Cotara works differently from other approved treatments for the disease such as Avastin, which is made by Bay Area biotechnology company Genentech Inc., and Temodar from



Peregrine's drug plant: customers include Roche, Halozyme

New Jersey-based Schering-Plough Corp.

Peregrine has taken a tumble on Wall Street after a surge last year.

This year, shares of the drug maker are down 50% with a market value of about \$77 million as of last week.

Peregrine is unprofitable, which isn't unusual for development-stage drug companies. The company lost \$14.5 million in the 12 months through June.

For the company's recently ended quarter through July, Peregrine lost \$7.7 million, compared to a loss of \$2.4 million a year earlier.

Expenses rose 20% to \$10.7 million in the period, which Peregrine attributed to higher research and development costs and general administrative expenses to support two of its bavituximab trials.

Analysts expect Peregrine to post a loss of \$23.9 million on revenue of \$22.9 million in the 12 months through next April.

Peregrine still is some years away from profitability, King said.

The company is starting to get some revenue through licensing deals.

Earlier this year, Peregrine signed a deal with Irvine's Stason Pharmaceuticals Inc. that gave the company development and commercialization rights to Peregrine's tumor necrosis therapy.