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Precision seeks \$80.5M in IPO

Move follows 2006 venture capital injection

Pittsburgh Business Times - August 31, 2007 by [Jennifer Curry](#)

Precision Therapeutics Inc. is planning an initial public offering aimed at raising up to \$80.5 million.

The South Side-based life sciences company announced its intention to go public in an Aug. 24 filing with the U.S. Securities and Exchange Commission. The filing did not disclose either an initial offering price or the number of shares of common stock Precision plans to sell.

The company plans to trade on NASDAQ under an as-yet unnamed symbol "as soon as practicable," according to the filing. Underwriters include JP Morgan and Piper Jaffray.

If successful, Precision would be the first therapeutics company in Pittsburgh and one of the first local life sciences companies to go public. Other local life sciences firms that have held public offerings include medical device firms Respironics Inc. and Medrad Inc. In 2000, biotechnology company Cellomics Inc. filed plans for an IPO but withdrew its registration in 2001. Cellomics was acquired by Fischer Scientific International Inc. in 2005.

"It can do nothing but good for the region to see them be successful," said John Manzetti, president and CEO of the Pittsburgh Life Sciences Greenhouse, a South Oakland-based public/private partnership that invests in and provides support to the region's emerging life sciences industry. "From my standpoint, when I go out to the conferences and talk to VCs, I'll point to them first. ... If they are filing an IPO, then you've created a strong business."

In addition, Manzetti hopes Precision's success will help to spur other success in the region. He said he hopes to see a few more life sciences IPOs in the next few years.

"Success brings more success in the future," he said.

Proceeds will be used to expand sales and marketing for the company's product, ChemoFX, to fund research and development programs and clinical studies, and for additional capital expenditures.

Precision is in the process of developing a test to help determine how a cancer patient would respond to various drugs a physician is considering for treatment. The company currently is focusing on the gynecological cancer market but plans to expand its product to other types of cancer, including breast, lung and colorectal cancers, according to the filing.

In 2006, Precision closed on a \$20 million venture capital round from a number of investors, including Philadelphia-based Quaker BioVentures Inc., North Side-based Birchmere Ventures, Sewickley-based Adams Capital Management, Downtown-based Draper Triangle Ventures, and Boston-based TVM Techno Venture Management.

Precision has yet to turn a profit, which is not uncommon for life sciences companies at this stage, according to Manzetti. In 2006, the company had a net loss of \$8.6 million and, for the first six months of 2007, the company had a loss of \$5.6 million. The company had revenue of \$846,000 in 2006 and \$926,000 for the first six months of 2007.

As all companies filing for an IPO do, Precision included a list of risk factors associated with investing in the company. The risk factors include the fact that the company has had a history of net loss and expects to incur net losses in the future, and also that ChemoFX is currently the company's only product.

Sean McDonald, president and CEO of Precision, could not be reached for comment. Per SEC rules, companies enter a so-called "quiet period" upon filing plans for an IPO.

Ned Renzi, a partner with Birchmere Ventures, said a number of companies are filing IPOs now after seeing the success several other companies have had with public offerings earlier this year.

"Precision is a good story," he said. "They can take them public now because there's an appetite (for life sciences companies)."

Yet, the recent subprime mortgage fallout has left large institutional investors jittery, making this a challenging time for companies interested in an IPO, said Peter Kern, a partner at Malin, Bergquist & Co. LLP, which served as the public auditors for a State College-based company, Rex Energy



Joe Wojcik
Precision Therapeutics
President and CEO Sean
McDonald is leading the
city's first initial public
offering for a therapeutics
firm.

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Corp., that went public on July 25.

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"It is a little more difficult to raise some of these funds," Kern said. "Some of these larger institutional investors are probably spooked and not as willing to put forth the money into these offerings."

jcurry@bizjournals.com | (412) 208-3820

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