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### Small Pharma Insiders Make Big Buys

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**Insider Tables:** [Buyers](#) | [Sellers](#)

**INSIDERS AT A HANDFUL** of small-cap pharmaceutical companies are aggressively snapping up shares, even as some of these companies have yet to turn a profit and are working on their very first drug.

Buying has picked up over the past two months at [MannKind](#), [Arena Pharmaceuticals](#), [Par Pharmaceuticals](#), [NeoPharm](#) and [Memory Pharmaceuticals](#).

Par Pharmaceuticals is the only one of the companies to post positive earnings last quarter.

The insiders at these five companies are "risking money and not making one dime yet," says Mark LoPresti, a senior quantitative analyst with Thomson Financial. "They feel very confident of their prospects, and they are backing it up with money."

MannKind's Chief Executive Officer Alfred Mann kicked off the buying spree by purchasing 8.6 million shares for roughly \$87 million last month, according to Securities and Exchange Commission filings. This represented about 17% of the company's outstanding shares, notes Harris Hall of Singular Research.

This is coming from an insider who has made a fortune founding and then selling biotechs, such as MiniMed and Advanced Bionics for \$4 billion each.

Meanwhile, Hakan S. Edstrom, chief operating officer, and Kent Kresa, a director serving on the compensation committee, each picked up roughly 10,000 shares.

These transactions took place under a private placement that raised \$175 million, half of which came from institutions, says David Thomson, general counsel at MannKind. The money was raised to help fund Phase III trials for an inhalable insulin product, which will be the company's first marketed drug.

Shares of MannKind have fallen 43% since hitting their high a year ago at 21.86.

In the past week, two board members purchased 11,000 shares for \$18,000 at Arena Pharmaceuticals. This is the first purchase made by an insider since March 2003, though there was quite a bit of selling a few months after that.

This activity "makes me more optimistic" about Arena, says Cory Kasimov, senior biotech analyst at Oppenheimer & Co. But the "key data" he is waiting for are Phase II results for a prescription obesity drug, which targets brain receptors to reduce hunger.

The company's stock has coasted higher over the past year, rising 127% since hitting a low of \$4.19 last October.

Kasimov initiated a Buy rating on the stock at the beginning of September with a target price of \$14. He bases his valuation on the company's net present value, rather than the negative earnings.

At Par Pharmaceuticals, CEO Scott Tarriff has been snapping up company shares since August. This month, he purchased 10,000 shares for about \$240,000.

Michael Painchaud, managing director of research at Market Profile Theorems, says he started recommending Par Pharmaceuticals as a Buy based on these transactions, though analysts have not yet turned positive on the company.

Investors "should become more sensitized to earnings numbers" to confirm what insiders are seeing through any improvements in analyst estimates, he says.

In July, the generic drug maker reported second-quarter earnings of 13 cents a shares, missing analysts' estimates for the third quarter in a row. The stock has tumbled 41% since hitting a high of \$43 in January.

Last Friday, Frank Becker, chairman of NeoPharm, bought 28,000 shares for \$333,489, thereby doubling his equity holdings in the company.

The stock rocketed to a one-year high of \$15.47 earlier this month, after reporting a narrower-than-expected earnings loss. Shares are flat for the year.

Meanwhile, eight insiders at Memory Pharmaceuticals, which develops drugs for diseases of the central nervous system, purchased nearly 4.5 million shares for \$8.5 million last week. They exercised right-to-buy warrants at \$1.90, and were split between personal and family holdings, and those made on behalf of a fund.

Memory launched as a public company in April 2004 at around \$10 and then fell to less than \$2 this month. The stock has bounced back a bit this week after Memory announced it completed Phase I dosing and toxicity trials for its Alzheimer's disease and will soon begin initial Phase II trials.

LoPresti says the impact of scientific developments by these companies will be felt over the next 10 years and the insider purchases could signal long-term investments.

"They really do know what they are doing here and they feel very optimistic; however, it may be a longer-term process than they initially thought," he says.