Centocor Stops Trials of Flagship Drug

Stock Plummets After Firm's Action in Response to Centoxin Deaths

By Gail Fitzer-Schiller
Reuter

NEW YORK, Jan. 18—Centocor Inc. stopped testing its flagship drug in the United States and suspended sales in Europe today, saying increasing numbers of people have died after receiving the treatment.

Once-admiring investors dumped Centocor shares on the Nasdaq market, making it by far the most active stock.

The price dropped by $11.37½, or nearly two-thirds, to $6.37½, with more than 12.7 million shares changing hands.

Until recently one of the nation's most promising biotechnology companies, Centocor will be forced to scale back operations to survive without the drug, called Centoxin, analysts said.

The Malvern, Pa.-based company stopped U.S. trials of Centoxin, which was being tested as a treatment for septic shock.

Eli Lilly & Co., the drug's principal distributor, also will pull the drug off the market in Europe and wherever else it has been approved for sale, pending further analysis.

"This latest development may have material adverse consequences for the company and its financial condition," Centocor said in a statement.

But the company did not say how many patients died after taking the drug.

Centocor's chief executive, David Holveck, said the company will continue to seek Food and Drug Administration approval of Centoxin and hopes it will be able to re-enter the European market with the drug.

Centoxin is known in biotechnology circles as a monoclonal antibody product, which means it contains synthetically produced antibodies that destroy disease-causing proteins.

Centocor sold the rights to Centoxin to Eli Lilly for $100 million to finance clinical trials.

The tests were intended to provide the FDA with new evidence that Centoxin is effective against septic infections such as sepsis, which threatens patients who suffer from infectious, cardiovascular and autoimmune diseases.

Sepsis, a bacterial infection that affects about 500,000 Americans a year, is a leading cause of death among hospital intensive-care patients.

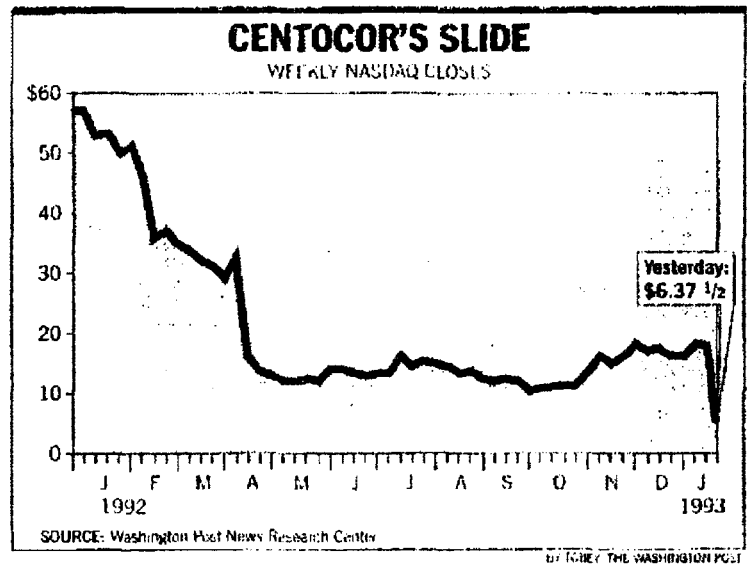
The FDA rejected Centoxin for marketing in the United States last April, saying it would not render approval without further testing.

But Centocor hoped it would still win approval by the end of 1993.

"It would appear that Centoxin is dead, but it's premature to conclude the same of Centocor. We think the firm will move on in some form," said Cowen & Co. analyst David Stone.

Analysts said Centocor probably will have to lay off workers, shut some facilities and start collaborating on earlier-stage drugs in order to stay in business.

Holveck said in an interview that Centocor still expected to be profitable in 1994 by establishing partnerships with pharmaceutical companies on other products under development, such as Panorex, a cancer drug.



"We're going to continue to try to gain approval in the [United States] and try to resolve this situation," Holveck said.

"I still believe that it is a viable product and I do believe this issue will be rationalized and allow us to still look at the European market. Even if the U.S. market is delayed, we're not planning to give it up," Holveck said.

Holveck did not rule out the possibility of a write-off in 1993 to cover Centoxin inventory, but he declined to provide specific numbers.

The plunge in Centocor's stock price also put pressure on shares of other biotechnology companies.

Eli Lilly stock fell $1.50 to $59.87½ on the New York Stock Exchange after Centocor's announcement.

Shares in Xoma Corp. and Chiron Corp., two biotechnology companies developing monoclonal antibody drugs for septic shock, fell in sympathy with Centocor.

Xoma stock lost $1.25 to $8, Chiron fell 87½ cents to $55.12½, and Synergen Inc. stock fell $1.75 to $59.50 a share.