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Achillion Hook-Up Brings Billion Dollar Plus Deal

Success of Hepatitis C Treatment Drives Big Pharma Collaboration

By Mitchell Young

NEW HAVEN: **Achillion Pharmaceuticals, Inc.** (Nasdaq:ACHN) has signed a deal worth well more than one billion dollars with **Janssen Pharmaceuticals, Inc.**, a unit of **Johnson & Johnson**, [NYSE:JNJ] to develop and commercialize one or more of Achillion's lead Hepatitis C virus drug candidates.



ACHILLION

Johnson & Johnson's \$225 million stock purchase brings immediate cash to the \$1 billion plus deal.

Only a few weeks ago, we reported on the \$434 million dollar deal between **Merck Pharmaceuticals** [NYSE: MRK] and New Haven biotech startup **Arvinas**. That deal was the largest collaboration for a New Haven biotech since 2001 when **Bayer** and **Curagen** inked a potential \$1.5 billion dollar pact in 2001. That effort was apparently premature; Curagen wasn't able to make the science happen and eventually sold its assets.

This new generation of New Haven bio-techs and pharma giant partnerships appear to be on a much different track. The Achillion and Janssen match up is for what presumably is close to a proven technology, with solid results in Phase 2 clinical trials and a strong expectation for commercialization within two years.

Continued on page 11

A NEW RIDE MAY BE COMING SOON...



A New Generation of Three Wheeled Cycles is Poised to Take to Connecticut Roads

Page 18

Getting Our Power On!

Connecticut Companies Partner To Build Largest Fuel Cell Generation Facility In the World

BEACON FALLS: The tiny New Haven county town of 6,000 residents is about to become the home of one of the largest and most advanced energy generating facilities in the world.

Danbury's Fuel Cell Energy [NASDAQ: FCEL] will build and manage a 63.3 Megawatt Fuel Cell facility. The fuel cell "park" proposed by **CT Energy and Technology LLC**, will be located on an 8 acre former gravel and sand mine.

Continued on page 22

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Motorcycle Sellers Talk Price, Inventory and Style

A Long Winter Delayed Seasonal Business, But Sales Get Roaring Again.

By Derek Torellas

Motorcycle sales are seasonal in places like Connecticut, with warm summers and snowy winters. This past winter in particular, sales were driven by the weather according to Robert Paoella Sr., president of Brothers' Harley-

Davidson in Branford.

"We did pretty good in January," Paoella said. "February was really, really slow because of the extreme cold weather and snow, and into March. A late start."

What hurt the motorcycle industry more than a harsh winter was the economic recession that began in 2007-2008. Like most markets, sales dropped off sharply at the onset of the recession.

Harley's revenue from motorcycles and related products was more than \$5.73 billion in 2007, but declined over the next few years to a low of \$4.18 billion in 2010.

From 2011 onward, Harley-Davidson's revenue steadily increased, and in 2014 stood at \$5.57 billion. Total revenue, including income from their financial services, was \$6.22 billion in 2014 – a number surpassing the 2007 total revenue of \$6.14 billion.

Overall, motorcycle sales in the U.S. are up 8.2% in the first quarter of 2015 compared to the same time last year. From January through March, 102,300 new motorcycles were sold. Bikes of U.S. and European manufacture drive this year's growth, while sales of their Japanese counterparts are down.

The "Big Four" – Honda, Kawasaki, Suzuki, Yamaha – imported 27,754 motorcycles (engine size 250cc and up) during the first quarter. This compares to a figure of 38,204 imported at the same time last year in 2014, a reduction of almost 25%.

Damon Libby of Libby's Motoworld in New Haven says Japanese motorcycle sales have been steadily declining over the past few years.

One factor is the prices, which in some cases doubled since 2001. Young men are the core market for the Japanese bikes, and they can't afford them anymore, he says. This problem is only compounded when college-aged males have a harder time finding jobs as well.

Libby uses one motorcycle as a clear example. The sporty Yamaha R6 costs around \$12,000 "out the door," but in the model's sales heyday, over a decade ago, they sold for under \$7,000.



Photo: Derek Torellas

Brandon Cooper of Meriden tests out the fit and feel of a new bike parked on the showroom floor at Brothers' Harley-Davidson in Branford. As one of six Harley dealers in Connecticut, founder Robert Paoella Sr. says his dealership's coverage lies in the large gap between New London and New Rochelle, NY, and extends northward as well.

"Years back, we'd sell 30 to 40 R6s," Libby says regarding a year's worth of sales. "Now we'd be lucky to sell two."

First quarter 2015 hasn't been entirely smooth sailing for domestic powerhouse Harley-Davidson, either.

According to data provided on the Harley-Davidson website, sales are down from the first quarter of 2014, though only by -.7%, slightly behind the aforementioned 8.2% increase in total U.S. sales.

Paoella attributes Harley-Davidson's slower first quarter to an unfavorable winter, while investor data on the Harley-Davidson website also points to "aggressive price discounting" by competitors. The competing brands are not named in the slide, but visible model names identify the price discounts as coming from Suzuki, Yamaha, and Star Motorcycles (a division of Yamaha).

Harley-Davidson still owns a commanding position in the motorcycle industry in the American market, though. Of the 67,791 motorcycles (601cc and up)

registered in the first quarter of this year, 35,488 are estimated to be Harleys, accounting for their sales over the same time period.

Of course, the number of 601cc bikes omits motorcycles with smaller engines and scooters, of which the Japanese manufacturers make up a large part of the market.

Polaris Industries Inc., which owns the Victory and Indian motorcycle brands, made a large gain in the first quarter, up some 74% from first quarter 2014.

The gain stems from the fact that the brands are relatively new, Libby says.

Indian was once the largest motorcycle manufacturer in the world during the early part of the 20th century. Its fortunes fell and it changed ownership several times, and was eventually acquired by Polaris in 2011. Indian only began selling new models last year.

He can imagine a future with electric Harleys, but they won't force the gasoline-powered bikes from his showroom.

Because people's fathers and grandfathers remember the history and legacy of the name, Libby calls Indian a "nostalgic brand."

Polaris's other brand, Victory Motorcycles, was launched as a direct challenger to Harley-Davidson in 1997. Libby says they've cut into some of Harley's market, but lack the history of sister company Indian.

He also says the quality of both Indian and Victory is better than Harley-Davidson, and people are buying them who ride with value in mind.

Sales of Triumph motorcycles, built across the pond in Britain, are steady, according to Libby. It's another brand that provides value for the dollar, he says, but Triumph lacks name recognition.

Brand recognition is something that Harley-Davidson doesn't have a shortage of, and Libby credits their corporate marketing.

Harley is known for its dedicated customers.

**Indian
MOTORCYCLE**

Indian Motorcycles, a popular brand once built in Springfield, Mass., has been brought back to full life by Polaris.

"Think about this," Paoella says, "how many people will actually tattoo a different brand of motorcycle other than Harley-Davidson on their body? You see Harley-Davidson on men, women, children – every walk of life."

Motorcycle apparel sales are strong, and at its highest in the fourth quarter, Paoella said, with Christmas as the peak. General merchandise buyers this time of year are typically friends and family of riders looking for a gift.

T-shirts are always good sellers, especially with travelers who are Harley riders or fans.

Trikes occupy a unique segment of the motorcycle market apart from their two-wheeled brethren. Normally thought of as a ride for older men who now need the stability of three wheels, Paoella says that isn't necessarily the case.

"We have men and women as young as mid-30s buying them," he says. This is in addition to the baby boomers that may have hip or knee replacements and still want to feel the wind in their faces.

Paoella himself hopped on a trike last year after shoulder surgeries.

Fully electric cars have gained a modest presence in dealer showrooms and on American roads in the last few years. Electric motorcycles, however, are further behind. Most big automobile manufacturers produce some model of electric car, compared to electric bikes that are still something of a niche market.

Smaller American companies Zero Motorcycles and Brammo offer bikes that range from commuter use to sport bikes, and have taken the lead over Harley in bringing the bikes to market. Perhaps seizing the advantage, Polaris purchased Brammo in March of 2015.

Harley-Davidson is doing a touring demonstration of its Project Livewire electric motorcycle. There are no promises that the bike will be produced and sold, though. The company states that the project is an evaluation, and with all the feedback will then decide whether an electric bike will come to fruition.

Paoella says that he can imagine a future with electric Harleys, but they won't force the gasoline-powered bikes from his showroom.

"I think Harley's future is still based on our V-twin engine," he says.

Libby isn't too familiar with the electric bikes. Instead, he says the future lies in an unconventional three-wheeler categorized as an autocycle.

He emerged from his office holding a spec sheet and pointed at the Polaris Slingshot. It's not quite a car, but not much like a motorcycle, either.

Connecticut is one of four states where the Slingshot can't be legally sold because it doesn't fit the definition of a motorcycle. Libby says he expects that to change with legislation that is cur-



The Polaris Slingshot is a new approach to three wheel cycles, and is picking up traction. Damon Libby of Libby's Motoworld in New Haven, says, "if he can get some in the showroom, the Slingshots will sell out faster than he can get them in."

rently waiting on the State Congress. If all goes well, he'll know if he can sell the autocycles by June.

Libby says of the new three wheelers, "just one dealer alone in Massachusetts sold 150. Do you know how much that is in sales tax? Over a million dollars. It's good for the state."

Libby says if he can get some in his showroom, the Slingshots will sell out faster than he can get them in.

Three-wheeled autocycles and electric motorcycles aside, the two dealers see some developing trends.

Through the recession's economic adversity, some manufacturers like Harley-Davidson emerged fitter and stronger, Paoella says.

Harley-Davidson has put a greater focus on meeting customer needs and reaching out to demographics outside their core buyers, he says. The company's outreach includes two new motorcycles that are unlike the usual lineup they've offered in the last few decades. The Street 500 and 750 bikes have an appearance and riding style that is more reminiscent of those from Europe or Japan, while still maintaining a bit of the Harley look. Both are supposed to appeal to newer riders and customers of other brands.

Another change is the adjustability of features on new bikes, features that previously needed to be made in the service department.

Three weeks ago, Paoella says, a woman came into his showroom and sat on a Dyna Low Rider, one of the

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larger motorcycles. She told him it was like the bike was built for her.

"They did," he says, "they had her in mind when they made this design change. Harley is really looking to be more accommodating to the customer who might be a little bit shorter-legged or –armed."

One positive trend that Libby sees is the manufacturers trying to recapture sales by coming out with affordable commuter bikes with good gas mileage.

However, manufacturers have also started to make dealers buy merchandise accessories (clothing racks, branded shelving, etc.) and signage that take up floor space. Dealers won't get the full reserve from manufacturers if they don't comply, and Libby says the practice is not favorable because it takes away valuable areas where they can display new bikes.

"The manufacturers are sometimes their own worst enemy," Libby says.