Media Coverage

Company: AusBiotech
Date: 26 October 2009
Publication: Scoop.co.nz
Page: Online

BusinessSpectator

Our infectious biotechs
Commentary
6:42 AM

Robert Gottliebsen

Key executives of most of the world's largest pharmaceutical groups are flying into Melbourne this week to meet with the cream of Australian junior pharmaceutical companies.

The giants will be looking over our companies deciding which ones to attempt to buy; which ones to try and do a licensing deal with; and which to pass over.

The occasion is the three-day AusBiotech 2009 conference. This year's AusBiotech conference is like no other. Australian junior pharmaceutical companies have been making world breaking discoveries. A year ago many Australian juniors were doing well in the laboratory but financially most were on their knees. The giants must have thought that if they waited they would pick them up for a song.

But in the nine months to September 30 the Intersuisse index of Australian biotech companies has risen 93.6 per cent, or three times the Australian All Ordinaries index. By contrast the NASDAQ has risen just 15 per cent and in Australian dollar terms has shown very little gain.

According to Geoff Brooke, managing director of biotech fund manager GBS Venture Partners, most junior Australian biotech stocks are still valued at about one third of the value the NASDAQ puts on similar US stocks.

But in the last nine months not only have Australian biotech shares closed some of the NASDAQ gap but, according to Brooke, the sector has also raised $350 million in equity capital, most which was raised in the six months to September 30.
A lot more Australian companies are now able to deal with the global giants from a position of financial strength. And the smarter Australian biotech groups have learned the so-called 'Woodside lesson'. (After Woodside obtained the leases over the northwest shelf it stayed Australian by raising money when it was available, not when it was needed.)

Most of the giant biotechnology companies have not been as successful with their research as was expected. Rather it has been the focused, smaller businesses that have done much better.

But the giants bring marketing clout and the ability to fund the long haul. Although some industry superannuation funds and a few other funds have been big supporters of the biotech sector, they are now looking for some profits. But it would be a national tragedy if Australian companies sold out for a fraction of their value on world markets.

Geoff Brooke has supplied Business Spectator with a list of Australian companies that are undergoing Phase III trials – which means human beings are involved. In the past there were very few Australian companies who made it this far. Here is the Brooke's list which he admits may not be comprehensive:

-- Acrux (ACR) AXIRON Phase III Hypogonadism (testosterone deficiency in men)

-- ChemGenex Pharmaceuticals (CXS), Omacetaxine mepesuccinate, is currently in phase 2/3 clinical trials for chronic myeloid leukemia (CML).

-- Clinuvel Pharmaceuticals (CUV) CUV1647 Phase III Absolute sun intolerance

--Peplin (PLI) PEP005 Gel Phase III Non-cancer skin lesions

--Pharmaxis (PXS) Bronchitol [CF302] Phase III Cystic fibrosis

--Pharmaxis (PXS) Bronchitol [B305] Phase III Bronchiectasis

--Biota (BTA) CS-8958 Phase III Influenza
infection

-- Avexa (AVX) Apricitabine [301 & 302] Phase III
HIV
--Novogen (NRT) NV06 [0039] Phase III Ovarian carcinoma

Last month Peplin entered a merger agreement with the privately owned Danish pharmaceutical company Leo Pharma. The Leo bid was in US dollars and was valued at $350 million when it was made which represented a 75 per cent gain to shareholders, which included GBS Venture Partners. The bid level confirmed that our many of our biotech stocks are valued at around one third of NASDAQ listed bio-stocks and added further excitement in the sector. And make this week's AusBiotech 2009 one of the more significant conference/presentation events in Australian biotech history.