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Biotech lovefest: Life Science Investment Summit

CRITERION: Tim Boreham

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IT was a neat idea and one that worked: get 40 biotechs to spruik their merits to an audience of investors, with a strict time limit of five minutes.

Those hankering for more info could then adjourn to a side room for an intimate discourse with the presenting companies.

So yesterday's Life Science Investment Summit was a cross between speed dating and a 1960s key party. As with such carnal encounters, it's amazing how participants can cut the guff and get to the basics when the clock is ticking.

Criterion's brain space couldn't accommodate all 40 presentations, but he caught up on the bite-sized offerings from 17 advanced stage plays, four of which (CSL, Biota, Cochlear and Resmed) are not so much late-stage as healthcare mainstays with hefty market caps.

Presenters included leukemia treatment play ChemGenex (CXS, 75c), acute respiratory disorder drug developer Pharmaxis (PXS, \$2.75), diabetes diagnoser Universal Biosensors (UBI, \$1,71) and Starpharma (SPL, 57.5c), which has developed a microbicide to protect against HIV and genital herpes.

A common feature is they all have products in phase-three developments and enough cash (or deep-pocketed partners) to complete the trials.

Rather than being drug developers, many have focused on diagnostic devices or reusables. For instance, Universal Biosensors has devised a simple blood-prick test for diabetics that produces an accurate result within seconds. Ongoing revenues are derived from the millions of single-use strips needed for the tests.

Tyrian Diagnostics (TDX, 1.8c) is also in the "selling shovels" category: its DiagnostiQ device, which analyses blood, sputum and other bodily secretions, is already being used for agricultural applications.

Others are improving on time-honoured applications, such as opiates in pain management. Hence, QRX Pharma's (QRX, \$1.15) late-stage testing of MoxDuo, which effectively eases the pain of knee-replacement patients.

"Our central theme is old drugs, new tricks," chief finance officer Chris Campbell says.

The approach of the Myer family-backed CogState (CGS, 31c) differs yet again: the company sells cognitive testing software for brain functions, so is more an IT stock. CogState chief executive Brett O'Connor likens the gambit to "selling picks and shovels to the goldminers". CogState last year made a profit of \$1.4 million on revenue of \$8.4m.

"We continue to see the same growth in 2010," he says.

"We have had a record first quarter in terms of sales contracts."

In the wound-care sphere, Tissue Therapies (TIS, 17.5c) reports "exceptionally good" results from trials on patients suffering venous ulcers. Tissue Therapies is in the same sphere as Avita Medical, made famous for Australian of the Year Fiona Wood's artificial skin graft techniques. Tissue's method differs in that it uses protein formulation to enhance skin cell growth.

Having listened for two hours about potential multi-billion-dollar markets, imminent regulatory approvals and lucrative partnerships, your columnist was almost willing to believe that investing in these stocks is a no-brainer.

But the truth is, the sector has run hard this year and much of the potential is factored in. In any event, no investors should act on the euphoria of a first date.

In terms of the stocks we've looked at before, we had Universal Biosensors as a speculative buy at 50c in February, when the company planned to register the product by the June quarter of 2009. However, the company (and partner Johnson & Johnson) then delayed the launch in favour of building a better mousetrap. Chief executive Mark Morrison now expects first product to market by "some time next year". Until then, we'll maintain a speculative buy.

Criterion had Starpharma as a spec buy at 33c on July 28. The stock has had a stellar run so we'll back off to a hold.

We had CogState as a spec buy at 20c in January. Unless our cognitive faculties are impaired, which is quite possible, we sense there's more to come with this one and maintain the call.

Finally, we haven't covered Tyrian Diagnostics before, but with \$6m of cash and a \$9m market cap, it's surely worth a spec buy punt. Traffic Technologies (TTI) 6.5c

THE acrimonious battle for control of the road-sign and traffic-light supplier has ended in an anti-climax, with chairman Ray Horsburgh and two other directors surviving a challenge to remove them by a margin of about two to one.

As usual, the warring parties had their own version of the result. To the victors, it vindicates Traffic's turnaround strategy. According to challenger Con Scrinis, it wasn't a good look that 37 per cent of holders voted to oust the trio.

"When the vote was read out at the packed meeting it was greeted with silence," he says.

Horsburgh told holders the company's main challenge was to reduce its \$44 million debt load by selling non-core assets and raising equity within 12 months. He admitted that more encouraging quarterly results were needed before this was possible: "One quarter does not win a game alone."

Scrinis now plans to throw his energies into his privately owned Traffic Group and generally be a competitive pain for Traffic Technologies. Here's hoping the competitive tension is a force for good for long-suffering Traffic holders. Speculative buy.

borehamt@theaustralian.com.au

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