



Biotech Daily's CEO interview

Thursday March 15, 2012

Why Dr Richard Treagus Is Leaving Acrux

Acrux chief executive officer Dr Richard Treagus likes a challenge.

Five years ago - in one of Biotech Daily's first CEO interviews - Dr Treagus spoke enthusiastically about the thrill of the chase and sealing the deal for Acrux's transdermal platform (BD: Apr 20, 2007).

(http://www.biotechdaily.com.au/media/ceo/Acrux_Richard_Treagus_20_April_07.pdf.)

Following enquiries from readers about recent changes at Acrux, including Dr Treagus retirement on June 30, 2012, along with uninformed speculation about the company's future, Biotech Daily decided to set the record straight and end the industry gossip.

Today, Dr Treagus said that Acrux "has largely been de-risked" and that he had primarily completed the project he began in 2006.

"It's about seeking out the next personal challenge to build another company and doing it at a time when Acrux is well-positioned for the future," Dr Treagus said.

Under Dr Treagus' stewardship, Acrux has two products approved and on sale in the US, the Axiron testosterone treatment for men and the Evamist estradiol spray for women. The company has signed a major deal with Eli Lilly for Axiron and is in profit, paying dividends and expects revenues to increase significantly.

Dr Treagus said that Acrux expected \$US7 million to \$US8 million in Axiron royalties for the year to June 30, 2012 with additional revenue from the estradiol spray and from animal products.

But he said there would be a steep increase in Axiron royalty and milestone income as market penetration increased, with the company forecasting about \$US40 million for the year to June 30, 2013, in a market growing at 24 percent a year by volume.

Dr Treagus said the reason for the dramatic increase was a combination of ageing population, greater awareness of men's health and greater accessibility of treatments.

He said that Eli Lilly had invested in 60-second television commercials screening in 10 US capital cities, marketing the Axiron product developed in the West Melbourne laboratory.

Dr Treagus said that Eli Lilly was increasing Axiron's market share by one percent a month and the revenues would increase as the US "insurance plans were kicking-in".

He said revenues would increase further when Axiron received approvals in Canada, Europe and Australia. The Australian Therapeutic Goods Administration has refused approval for the estradiol spray, despite US Food and Drug Administration approval and the product being on sale in the US for more than three years (BD: Nov 12, 2009).

Acrux decided not to conduct a TGA-required trial and concentrate on other matters.

One issue raised about the future of Acrux was the reduction in staff from 27 to 21 people in 12 months, with four science and technical staff members departing.

Dr Treagus says this was primarily due to completing the research and development work required for the company's products.

He said that the 12 staff members continuing in the science and technical division were primarily support for Eli Lilly and working on a new technology.

Another issue that Acrux has repeatedly sought to communicate with its shareholders, analysts and commentators has been the nature of the pooled development fund and how it affects shareholders.

Dr Treagus said that Acrux was an investment fund, which owned and invested in subsidiaries, which developed and commercialized products.

He said the benefits to shareholders were that dividends and share price gains were tax-free and should be treated as such on tax returns. Shareholders cannot claim tax losses from share sales.

There are some restrictions on the nature of investments, the main practical restriction on the company is that it cannot invest off-shore, but it is free to create or buy-in new technology, if it chooses to do so.

Dr Treagus said the current core technology of a combination of sun-screen esters with alcohol and a drug, acquired from Monash University, had patents running to 2017.

"We are evaluating new technology and have been for six months, but have chosen not to disclose details at this stage," Dr Treagus said.

"We have learnt a lot about US men's health and the technology is our own idea."

Dr Treagus would not discuss whether the technology was a drug or device other than if the company could demonstrate that it was technically feasible that it would have significant commercial potential.

"We will know by mid-year if it has technical and commercial viability," Dr Treagus said.

The new technology is being created in Acrux's West Melbourne laboratory.

"It's early stage, there's a lot we don't know about," Dr Treagus said.

"We worked backwards from the commercial opportunity to technical feasibility.

"We are pretty focused on this technology at the moment. It is mapped out right the way through to commercial availability and it is costed. We are looking to remove risk as much as possible and we will know by the middle of 2012 whether it's a goer.

"I am very comfortable with where the company has got to," Dr Treagus said.

Dr Treagus said he had not turned his mind to what he would do next, but confirmed that it would be biotechnology and in Melbourne.

"This is home. I like this city. I like the sector. A friend of mine described the move as 'You are re-potting yourself' and I think that's right."

Dr Treagus leaves the company in the hands of chairman, founder and former chief executive officer Ross Dobinson, along with chief financial officer Jon Pilcher and the director of technical affairs and product development Dr Clive Blower, but will remain a consultant.

With "a couple of million" Acrux shares in his portfolio he is likely to retain an ongoing interest in the company.

Dr Treagus is keen to conclude the US patent grant for the Axiron axilla applicator as well as find a European distributor for the estradiol spray.

"There are a few things keeping us busy, which is good, and we are on track for a profit at June 30, which is three years in a row, and a dividend in August."

Acrux has increased its market capitalization from \$79 million when Dr Treagus took over, to \$631 million at February 29, 2012, a modest 698.7 percent increase.

Given the glacial timelines of biotechnology, from burning cash to dividends in six years is a great deal of de-risking.

Dr Richard Treagus is looking for the next big risk.

Acrux was up two cents or 0.5 percent to \$3.77 with 2.1 million shares traded.

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