



Biotech Daily

Monday April 4, 2011

Daily news on ASX-listed biotechnology companies

Cellestis: Playing The Ball, Not The Man, Pays Off

Well, there seems to be little doubt that foreign companies think Australian biotech is all right – and cheap, even given the strength of the Australian dollar.

First, Cephalon took a slice of Mesoblast and a slice of Chemgenex. They then came back for the rest of the Chemgenex pie. Now, Germany company Qiagen has decided to just skip the slice and go for the whole Cellestis pie.

Cellestis has been one of Australian biotechnology's quiet achievers, having toiled through two iterations of its Quantiferon test for tuberculosis before nailing it with the third "in-tube" version.

The \$3.55 offer per share seems okay, but is not great.

There are those who speculate Cellestis will eventually reach a tipping point in sales in the US and once this point is reached, it is thought sales will rapidly escalate as the majority of places testing for TB switch en-masse to Quantiferon.

If you are a believer in this scenario, than \$3.55 isn't a good offer at all. If you aren't a believer, than the offer price is pretty good. Will we see a rival bidder enter the fray? It seems possible.

The Quantiferon tests would be quite a good fit with the world's largest diagnostics company, Quest Diagnostics. With its reach, Quest could probably get Quantiferon sales to that "tipping point" much more quickly than Qiagen.

Quantiferon would also fit with several other large diagnostic companies.

At this stage, though, a higher offer is mere speculation. What is certain is that Australian biotechnology companies are in demand on the world stage and this bodes well for the future of the industry.

**Marc Sinatra
Analyst**

Biotech Daily can be contacted at: PO Box 5000, Carlton, Victoria, Australia, 3053
email: editor@biotechdaily.com.au www.biotechdaily.com.au