Biotech Daily

Friday February 27, 2009

Daily news on ASX-listed biotechnology companies

*** ASX EVEN, BIOTECH DOWN: PEPLIN UP 19%, IMPEDIMED DOWN 30%**

*** STEM CELL CENTRE REVIEW: SCIENCE, STAFF OK; REST NEEDS WORK**

*** CEPHALON'S ARANA TAKEOVER OFFER: UP TO $1.45 PER SHARE**

*** CYTOPIA TO FORCE PROGEN-AVEXA ADJOURNMENT**

*** VENTRACOR FUNDING, TGA TALKS; ASX ACCOUNTS SUSPENSION**

*** RESONANCE H1 PROFIT UP 218% TO $294k ON REVENUE UP 28%**

*** COMPUMEDICS H1 PROFIT UP 52% TO $2.5m ON REVENUE DOWN 15%**

*** PHARMAUST H1 LOSS REDUCED 94% ON REVENUE UP 57% TO $2.6m**

*** ITL H1 LOSS DEEPENS ON REVENUE UP 39% TO $22m**

*** SOSEI AGREES NEURODISCOVERY PAIN PROGRAM MAY BE DILUTED**

*** NORWOOD ABBEY REQUESTS MERGER TRADING HALT**

MARKET REPORT

The Australian stock market was even on Friday February 27, 2009 with the S&P ASX 200 down one point to 3,344.5 points. Eight of the Biotech Daily Top 40 stocks were up, 10 fell, eight traded unchanged and 14 were untraded.

Peplin was best, up eight cents or 19.1 percent to 50 cents with 3,200 shares traded, followed by Alchemia up 15.4 percent to 15 cents and Tyrian up 13.6 percent to 2.5 cents.

Avexa and Starpharma climbed more than five percent; Biota and Cochlear rose more than two percent; with Pharmaxis up 1.3 percent and Sirtex up 0.9 percent.

Impedimed led the falls, down 21 cents or 29.6 percent to 50 cents with 5,100 shares traded, followed by Prana down 14.3 percent to 18 cents.

Cellestis lost 9.1 percent; Viralytics was down five percent; Clinuvel and CSL fell more than four percent; Heartware and Resmed shed more than three percent; Genetic Technologies was down 2.78 percent; with Acrux, Chemgenex and Novogen down less than one percent.

AUSTRALIAN STEM CELL CENTRE
A summary of the 2008 Review of the Australian Stem Cell Centre says the science and staff are good, but the management, board and strategy need a great deal of attention.
The executive summary was tabled in the Economics Committee estimates session last night. Below are edited highlights of the 22 page report:
The report provides the results of the recently concluded review of the Australian Stem Cell Centre undertaken by biotechnology management consultancy Growing Your Knowledge.
The purpose of the review was to consider the Centre's progress in meeting its Objective under the Biotechnology Centre of Excellence (BCE) Deed of Agreement.
Through the BCE Deed the Australian Government undertook to contribute almost $100 million over the period 2002 to 2011 and $5.5 million was provided through the Major National Research Facility scheme. The Victorian Government contributed $11.4 million and stakeholders have provided cash and in-kind funding, with contributions from Monash University and the University of Queensland.
The outcomes of the May 2008 Science Review have been incorporated into this Report.
The Science Panel considered that 'a well funded centre of research excellence in the stem cell arena is essential to Australia's future competitive position in health, science and commercial research'.
The Science Panel identified four major issues for the ASCC:
i) An absence of a clearly enunciated strategy from research to commercialization
ii) The poor morale of principal investigators due to their marginal role in the strategic direction of the Centre and the lack of transparency in decision making
iii) The lack of due diligence in the Centre's approach to commercialization and translational research
iv) The inappropriate limitation of options for generating and exploiting intellectual property, including a rigid view about ownership.
The review said further issues included:
1) the lack of a clear understanding by scientists and staff of the Centre's identity and purpose
2) weakness in strategic management, financial planning and modeling, business and commercialization planning
3) potential financial difficulties over the next three to five years, with the possibility of insolvency
4) a declining level of investment in research
5) poor management of stakeholder interests, resulting in the Centre becoming isolated from its member stakeholders, limiting its collaborative capacity and risking its reputation
6) high staff turnover and difficulty in attracting scientists to the Centre
7) ineffective performance management of the CEO
8) a poor record of achieving the Centre KPIs
9) failure to accept and apply previous advice and to effectively implement the recommendations of the 2006 Review.
The ASCC has made progress in establishing a world-class research capability.
The ASCC has had difficulty in:
* successfully commercializing stem cell research
* becoming globally recognized as an ethical best-in-class biotechnology centre of excellence and
* attracting and retaining international expertise to build capacity and sustainability.
The executive summary will be available next week on-line at the Australian Parliament at:
http://www.aph.gov.au/hansard/senate/commttee/s-news.htm

ARANA

The Pennsylvania based Cephalon Inc has offered up to $1.45 a share to acquire Arana.
Arana chairman Robin Beaumont told Biotech Daily that Cephalon acquired 19.9 percnet of Arana late on Wednesday afternoon from the then two largest shareholders Rockwell Securities and Start-up Ventures, which retain a total of about five percent of Arana.
Start-up Ventures is a company associated with director George Jessup.
Rockwell Securities is associated with Lim Sen Yap of Malaysia.
The company's two independent directors Mr Beaumont and Chris Harris recommended Arana shareholders accept the offer in the absence of a superior offer.
Cephalon is offering $1.40 a share if it receives acceptances for more than 50 percent of the company's shares and $1.45 if it achieves acceptances above 90 percent of the company's shares - allowing it to move to compulsory acquisition.
Mr Beaumont said the lower offer was a 70 percent premium to the company's last traded price of 83 cents and the $1.45 represented a 75 premium.
The Cephalon offer values Arana at $318 million or $329 million if more than 90 percent of shareholders accept the offer.
Mr Beaumont said Cephalon was a $5.8 billion company focused on small molecules and wanted exposure to Arana's expertise in biologics.
"They are very concerned to assure all staff they are keen to keep staff," Mr Beaumont said. "They are not a biologics company but can see the attraction and growth potential of biologics."
"All staff have a secure future at their current locations in Sydney, Melbourne and San Francisco," Mr Beaumont said.
He said the appointment of a new chief executive officer was yet to be decided and Dr Steffan Nock would continue as interim chief executive officer.
Arana last traded at 83 cents.

CYTOPIA, PROGEN, AVEXA

Cytopia's chief executive officer Andrew Macdonald has told Biotech Daily that he believes an adjournment of the Progen-Avexa merger meeting cannot be prevented.
Cytopia has previously said it would propose a motion from the floor to adjourn the March 11, 2009 Progen-Avexa merger meeting until after the March 27 Cytopia board spill meeting (BD: Feb 25, 2009).
Cytopia, which holds shares in Progen, asked Progen to hold both meetings at the same time, but Progen has said it was unable to do so.
Unlike the Biota constitution, the Progen constitution is silent on the response to a motion from the floor.
Biota chairman John Grant used a previously unknown provision of his company's constitution to prevent the hearing of a resolution from the floor of the annual general meeting calling for his stepping aside as chairman of the meeting (BD: Oct 29, 2008).
The Biota constitution specifically says "no person may move at any meeting either any resolution … or any amendment of any resolution" without support from the board, permission of the chairman or under the law.
It appears that the Cytopia Progen shareholders group will be able to move the adjournment resolution and test whether or not they "have the numbers" to defeat the Avexa merger.
Cytopia was untraded at nine cents.
Progen was unchanged at 80 cents.
Avexa was up 0.4 cents or 5.63 percent to 7.5 cents.

VENTRACOR

Ventracor is in an ASX suspension pending the filing of accounts as talks continue with two parties to either acquire its assets or take a strategic stake in the company.
Ventracor said either potential transaction would require initial short term funding in the form of a private placement or bridging facility.
The company said it was continuing discussions with the Australian Therapeutic Goods Authority about the Model LVA4 Ventrassist left ventricular assist device, catalogue number VA166, which was subject to a Field Safety Notice on February 6, 2009.
Ventracor said an investigation showed that in all confirmed cases of lead conductor fracture a contributing factor was not wearing the recommended lead support belt, or the fracture was caused by accidental damage.
Subject to regulatory approvals, the company plans to reintroduce the LVA4 in all markets with reinforced warnings and additional training, but is unable at this time to determine the timetable for the reintroduction.
Ventracor said it was “exploring alternative methods for lead support and protection which could be introduced after validation and regulatory approval”.
Sales of the LVA3 Ventrassist have continued and physicians continue to implant the heard pump.
Ventracor said it was “not in a position to release financial statements for the half-year period ended December 31, 2008 by the due date of today”.
The company said it was “working to obtain sufficient further funding from one of the parties referred to above to enable the financial statements to conform to applicable accounting standards”.
The company said it expected it would be in a position to confirm before March 31, 2009 whether the matter had been finalized.
Ventracor said trading in its securities would not be reinstated by ASX until the half year financial statements were lodged and it was in a position to provide material information relating to the financial and operational impact of the Field Safety Notice, any reintroduction of the LVA4 Ventrassist device and to clarify the intentions of the parties in discussions to either acquire its assets or take a strategic stake in the company.
Ventracor has reduced its US operations by 13 staff and will close its Budd Lake, New Jersey facility on March 31, 2009.
Ventracor last traded at 8.3 cents.

RESONANCE HEALTH

Resonance Health says its profit for the six months to December 31, 2008 was up 218 percent to $294,374 on revenue up 28 percent to $1,211,000.
Resonance said the quarter year to December 31, 2008 was its “fifth consecutive profitable quarter”.
Resonance said the net profit reported for the period increased to $294,374 from a loss of $249,359 in the previous corresponding period.
The company said its Ferriscan liver diagnostic revenue increased from $865,674 to $1,003,193 which was “largely attributable to the continuation of long term contracts and the re-imbursement for Ferriscan is several jurisdictions”.
Basic earnings per share was 0.08 cents compared to the previous corresponding period’s 0.07 cents loss per share.
No interim dividend will be paid.
Resonance was untraded at 0.9 cents.

COMPUMEDICS
Compumedics says its net profit after tax for the six months to December 31, 2008 was up 52 percent to $2,458,000 on revenue down 15 percent to $17,083,000.
Compumedics said it was the fifth consecutive half year of profits and the company's strongest financial position in five years.
Diluted earnings per share was 1.5 cents compared to the previous corresponding period's 1.1 cents per share. No interim dividend will be paid.
Compumedics was up 2.5 cents or 20 percent to 15 cents.

PHARMAUST
Pharmaust says its loss for the six months to December 31, 2008 fell 94 percent to $225,392 on revenue up 57 percent to $2,559,892.
Pharmaust sold its Commonwealth Biotechnologies business for more than $3.5 million in September 2008.
Pharmaust said its 100 percent subsidiary Epichem secured its largest single contract to date in August 2008, with the Swiss-based Drugs for Neglected Diseases Initiative.
The contract is worth about $3 million over three years.
Diluted loss per share was 0.1 cents compared to the previous corresponding period's 2.07 cents loss per share. No interim dividend will be paid.
Pharmaust director and company secretary Sam Wright told Biotech Daily: "This is our best half yearly result, ever."
Pharmaust was untraded at two cents.

ITL Ltd
ITL says its loss for the six months to December 31, 2008 deepened 381 percent to $1,936,000 despite a 39 percent increase in revenue to $21,829,000.
ITL said revenue for the half year was $21.8 million compared to $15.7 million in 2007.
The company said restructure initiatives were implemented in the first half of the year to reduce ongoing overhead and operational expenses, including the relocation of the corporate head office from Canberra to the Healthcare facility at Chelsea Heights, effective from March 2009.
The cost of these initiatives has been brought to account in the December results.
Impairment of capitalized project costs was brought to account in the first half of the year.
ITL said the operating profit for the half year was up 794 percent to $694,388 from $77,702 in the six months to December 31, 2007, before one-off restructure expenses of $1,598,934, impairment expense of $2,859,349, currency exchange gains of $1,021,214 and net finance costs of $289,155.
ITL said revenues from the innovative products division were $6.0 million, up from $4.6 million in 2007. Revenue from the hospital supplies division of $15.7 million was up by $4.9 million over 2007 due to increased sales in Malaysia resulting from small increases in capital project activity and the IVT acquisition.
Australian revenues were down eight percent to $7.5 million compared to $8.2 million in 2007, "as the business rebuilds customer confidence", ITL said.
ITL forecast annual revenue of $41 million to $43 million.
ITL said it would not provide year-end profit forecasts "in the current economic climate".
Diluted earnings per share was a 1.5 cent loss compared to the previous corresponding period's 0.3 cents. No interim dividend will be paid.
ITL fell 1.4 cents or 17.1 percent to 6.8 cents.

NEURODISCOVERY

Neurodiscovery says it has reached agreement with Japan's Sosei Co that its percentage ownership of the NSL-043 program may fall from 50 percent to 33.5 percent.

Neurodiscovery said it would "postpone the next clinical trial of NSL-043 for neuropathic pain until additional finance for the program can be secured" (BD: Dec 16, 2008).

Today, Neurodiscovery said the dilution would only occur if it was unable to raise additional funds prior to June 11, 2009 to contribute to its outstanding payments and to its 50 percent share of the costs set out in agreed milestone budgets to achieve the next milestone or continue the development program for the next twelve months.

The company said on-going financing discussions with parties in Australia, Europe and Japan "have not, as yet, been successfully concluded".

Neurodiscovery was untraded at 4.1 cents.

NORWOOD ABBEY

Norwood Abbey has requested a trading halt pending an announcement on a merger proposal.

Trading will resume on March 3, 2009 or on an earlier announcement.

Norwood Abbey last traded at 0.6 cents.