



Biotech Daily

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Daily news on ASX-listed biotechnology companies

Biotech Daily Editorial: Doing The Deal

Biotech Daily has run this analogy so many times that we need to share it with all our readers as a warning.

There's a rock band with five women and men on bass, drums, guitars, keyboards and vocals. They record their first single and send it to Richard Branson in London.

The next day a telegram arrives with a telegraphic transfer for GBP1,000 each and the band squeals in delight that they have "a record deal" and can pay the rent and buy brown rice for the next couple of months – and even a bottle of Jack Daniels.

They sign the release for the cheques, neglecting to read the bit at the bottom that says "Acceptance of this cheque means the signatory relinquishes all rights to everything for the rest of their lives".

"But hey, we got a deal and \$2,500 – each!"

Biotech Daily has seen several companies face prolonged agony because the investors and directors have pounded the chief executive officer "to do a deal" - any deal. And the harassed chief executive officer has only one option: do a deal or be shown the door.

LBT extricated itself from Biomérieux, Optiscan departed Pentax-Hoya for Carl Zeiss and then Tissue Therapies chief executive officer Dr Steven Mercer patched together a European distribution deal which was not quite what the investors wanted.

Today, there are several companies with what appear to be under-performing distribution deals and some of them have technologies that are indeed world-leading.

Biotech Daily believes the core problems are the pressure to do the deal and the infamous Australian Cultural Cringe.

We are too small a country to invent polymer bank-notes, black-box flight recorders, Gardasil, the cochlear ear implant, cardiac pacemakers or Wifi, aren't we?

Biotech chief executive officers need to tattoo the following message inside their eyelids: "Don't do the first deal you can, because you are under pressure. Do the right deal".

This does not mean the deal with the biggest foreign pharma or the deal with the biggest value in "bio-bucks" (nothing upfront, but \$2 billion if the pre-clinical drug is approved).

It does mean the deal that adds the most to long-term shareholder value. That deal could be with a mid-size company, a moderate upfront fee and milestones, but a sizeable royalty on sales, and hence a low bio-buck value.

Go to a European or American heavyweight expert and get them to do it for you, or at least get their advice.

Never sell yourself, your company or this country short.

If you have the world's best technology, make it reward the inventors, the investors, the company and the country.

David Langsam
Editor