



# Biotech Daily

Thursday November 19, 2015

*Daily news on ASX-listed biotechnology companies*

## Mesoblast, The Nasdaq & Comparative Valuations

The mantra that “Australian investors don’t know how to value life sciences companies” appears to have been discredited by Mesoblast’s foray to the Nasdaq.

Or maybe the mantra is right and the Americans do know their valuations.

Either way, to list on the Nasdaq to increase a cash runway from eight months to 13 months, while cutting the total market capitalization in half and killing the Australian share price, seems to be yet another disaster for Australian biotechs who think they need a US listing.

Mesoblast joins the ranks of Alchemia, Benitec, Biota and several others who have listed or attempted to list on the Nasdaq, to the detriment of their shareholders.

According to its last Appendix 4C Quarterly Report, Mesoblast spent \$US28.1 million for the three months to September 30, 2015 and had \$US77.8 million in cash.

With net proceeds of \$US58.8 million, the company has a 13 month runway, but the price was high with its total market capitalization slashed from \$1.2 billion at October 31, 2015 to \$658 million today and even lower if you convert the Nasdaq valuation.

Apart from causing the Australian share price to go into free-fall from \$3.41 a share before the American adventure, it appears that at least some of the wise, knowledgeable and experienced US life science investors bought the shares at \$US8.00 each and were more than happy to dump some of them at prices as low as \$US6.51 each, an 18.625 percent loss in two days.

Either that, or a number of these excellent investors were always intending to short the stock.

It conjures up a vision of Mesoblast chief executive Prof Silviu Itescu being ushered into the lead brokers board room and being invited to have a whiskey and a cigar while the last details of the \$US68.3 million raising were being finalized.

“We’ll be back in a minute. Jest you set yourself there and enjoy the view of Manhattan.”

“... okay, we had a word with the key investors and it’s all hunky dory, Silviu. We’ve got your \$68 mill... but the price has dropped from \$12 to \$8. Hope you don’t mind partner. You better hurry or you’ll miss your flight home.”

“Nice doing business with you.”

The take home messages for ASX-listed biotechs are extremely clear: If you can’t raise funds in Melbourne or Sydney – or even Perth – there’s a reason for it and it is not Australian valuations. And if the price is not right, be prepared to walk away.

Mesoblast fell a further 12 cents or 6.15 percent to \$1.83 with 2.6 million shares traded.

David Langsam  
Editor

(who bought his Australian Mesoblast shares at \$6.74 each)