



Biotech Daily

Marc Sinatra's Bioguide

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CIRCADIAN CHANGES ITS RHYTHM

Evolution, survival of the fittest, Charles Darwin; it doesn't just apply to living organisms, it applies to businesses, as well.

Two days ago, Australia's oldest listed biotechnology company or "incubator", as more modern terminology would have it, Circadian Technologies ceased to exist as we have known it for so many years (see Biotech Daily, June 11, 2008). It is now a biotechnology company in the more modern sense.

It wasn't a surprise. The change had been well flagged. Apparently, it wasn't news either. I hear about Biotech Capital's share buy-back every morning, but I haven't seen anything in the press about the demise of the "old" Circadian since the announcement to the stock exchange made it official. Absolutely amazing.

The reason for the change is really very simple, not rocket science nor a stroke of business genius. Circadian, similar to most listed investment funds, has traded for years at a significant discount to net tangible assets. The vast majority of standard biotechnology companies, on the other hand, trade at a premium. Change the focus of the company to that of your standard biotech and the share price should rise. Mayne Group became Mayne Pharma for essentially the same reason, when their plan of becoming a fully, vertically integrated, healthcare company failed to reap the expected benefits for shareholders.

Will the plan work? Theoretically, it should. The market at this stage, however, indicates otherwise, with Circadian's announcement doing nothing to raise the share price, so far. More likely, however, is that current investor sentiment towards the biotechnology sector is simply over-riding everything else.

The plan is that Circadian will focus its efforts on developing drugs based upon the extensive vascular endothelial growth factor intellectual property portfolio held by its majority-owned subsidiary, Vegenics. The management looks pretty good.

In addition, they have added a product development review group that seems to have every significant Australian expatriate pharmaceutical executive on it. Interestingly, only one member of the group has also joined Circadian's board, so far. Given the board still lacks the look of a true drug development company, more changes may well be on the way.

Evolution favors the fittest and according to the biotechnology forces the old Circadian is no longer the fittest. That's life. It isn't good, it isn't bad, it just is.

We all owe the old Circadian and its founder Leon Serry our gratitude. Biotechnology in Australia would not be where it is today without them.

Of the many things we have learned from Circadian over the years, two stand out: the first is that you can create a biotech industry where there was none and the second is that evolution is not sentimental.