



Biotech Daily

Friday September 25, 2009

Daily news on ASX-listed biotechnology companies

- * **ASX UP, BIOTECH DOWN: OPTISCAN UP 24%; PHYLOGICA DOWN 8%**
- * **HALCYGEN (\$30m) BUYS BACK THE MAYNE PHARMA (\$300m+)**
- * **BIOGUIDE BRIEF: WHY IS HALCYGEN BUYING MAYNE PHARMA?**
- * **AGENIX FILES 2007-'08 ACCOUNTS**
- * **DISSENT OVER DIRECTOR SHARES AT BIODIEM AGM**
- * **USCOM UK LAUNCH SET FOR OCTOBER 1**
- * **PRIMA PLEADS SCHULTZ TO ASX 27% PRICE JUMP; LOSS UP**
- * **FERMISCAN MAJOR INVESTOR LEON CARR RESIGNS AS DIRECTOR**

MARKET REPORT

The Australian stock market climbed 0.26 percent on Friday September 25, 2009 with the S&P ASX 200 up 12.1 points to 4713.3 points.

Eleven of the Biotech Daily Top 40 stocks were up, 19 fell, six traded unchanged and four were untraded. All three Big Caps were down.

Optiscan was best for the second day in a row, up two cents or 23.5 percent to 10.5 cents with 804,252 shares traded, followed by Psivida up 6.9 percent to \$5.15.

Benitec climbed 4.2 percent; Bionomics and Prana rose two percent or more; with Nanosonics and Starpharma up one percent or more.

Phylogica led the falls, down one cent or 8.3 percent to 11 cents with 157,300 shares traded.

Living Cell and Mesoblast lost more than six percent; Uscom fell 5.1 percent; Antisense, Cellestis, Genetic Technologies, Labtech, Novogen and Viralytics were down more than three percent; Tissue Therapies and Universal Biosensors shed more than two percent; with Acrux, Cathrx, Chemgenex, Cochlear and Impedimed down more than one percent.

HALCYGEN

Halcygen says it will acquire Mayne Pharma International from Hospira Inc for \$US15 million and a share of the next six years' profits.

At the time of publication Halcygen had a market capitalization - according to ASX data - of \$28.9 million and cash as at June 30, 2009 of \$7.9 million.

Halcygen said Mayne Pharma had revenue for the year to December 31, 2008 of \$63.2 million and earnings before tax, depreciation and amortization of \$31.2 million.

A rough guide to company valuation using a five-fold price-to-earnings ratio values the acquisition at about \$300 million.

Halcygen chairman and chief executive officer Dr Roger Aston told Biotech Daily that part of the deal was Halcygen acquiring rights from Mayne Pharma for global manufacturing and Australasian distribution of the company's lead compound, SUBA-itraconazole (BD: Aug 28, 2009).

Dr Aston said Mayne Pharma acquired the iconic Australian brand Fauldings and in turn was acquired by Hospira for \$2.5 billion.

He said the acquisition included a series of new intellectual property, new drug formulations of existing generics.

Dr Aston said that super-generics was a term coined for Halcygen but it was "what Fauldings always did".

At a media lunch Dr Aston defined super-generics as a "reformulation to be safer, more effective or easier to use".

He said Halcygen would acquire Mayne trademarks including Eryc, Doryx, Astrix and Betadine.

He said that Halcygen would acquire manufacturing facilities approved by both the US Food and Drug Administration and the Australian Therapeutic Goods Administration and would be interested in contract work from biotechnology companies.

Dr Aston said that the reason Halcygen was able to make such an unusually lucrative bid for a company estimated to be worth more than \$300 million for just \$US15 million and a share of profits was that Hospira wanted to divest its non-core assets that were not in its cancer and injectable space.

He said that Halcygen had been involved with Mayne Pharma for three years and this deal had been in negotiation for the past six months.

"It's not the first opportunity of this type that has come up," Dr Aston said.

"Hospira wanted Mayne Group fully integrated and the rest spun out," he said.

"For us, this is a very sweet deal," Dr Aston said.

He said the funding for the acquisition would come from a \$US10 million (\$A11.5 million) loan from the National Australia Bank repayable over two years, as well as a \$4.5 million share plan and \$9 million private placement at 20 cents a share, fully underwritten by Patersons Securities and requiring shareholder approval.

Dr Aston said that following the acquisition Halcygen would have \$13.0 million in cash.

The share plan has a record date of October 7, 2009 and closes on October 26, 2009.

The resultant company will have Dr Aston as chairman and chief executive officer, with Halcygen chief operating officer Craig Bottomley and chief financial officer Aaron Finlay continuing in those roles.

The non-executive directors will be Victorian poker machine operator Bruce Matheison, former Victorian National Party Member of Parliament Ron Best and Merrill Lynch and National Australia Bank executive Ian Scholes.

Dr Aston said that having acquired the Mayne trademark and the broadening of its interests, the group would consider a change of name from Halcygen.

Halcygen was up 1.5 cents or 3.95 percent to 39.5 cents with 1.15 million shares traded.

MARC SINATRA'S BIOGUIDE BRIEF: HALCYGEN

I must admit, I struggle to understand why Halcygen is buying Mayne Pharma International. It seems akin to a bait fish deciding to turn around and swallow the tuna that has been feeding off its brethren.

I am also struggling to work out if it is a good deal for Halcygen shareholders.

At \$US15 million (\$A17.3 million), it sounds like a bargain for a company that is expected to report revenues of \$63.2 million and earnings before interest, tax, depreciation and amortization of \$42.4 million for the calendar year 2009.

It makes you wonder what sort of interest payments Mayne Pharma might be making. It also makes you wonder how much Halcygen have to hand over to Hospira under the "earnings sharing agreement" part of the deal?

Applying the revenue multiples that CSL, Cochlear and Resmed attract, Mayne Pharma could be worth up to \$300 million.

Given the paltry sum Halcygen is paying up front, the words "devil" and "detail" spring to mind.

**Marc Sinatra
Analyst**

AGENIX

Agenix says it is bringing its accounts up to date in order to resume trading on the ASX. The company has failed to lodge its reports saying that the unraveling of its takeover of China's Shanghai Rui Guang Bio-Pharma Development Co had caused significant accounting problems (BD: Aug 29, 2008).

At the time the company requested a voluntary suspension for "up to two months" to bring its accounts into order. Agenix remains in a voluntary suspension.

Agenix released its annual financial report for the year ended June 30, 2008, after the market closed last night, September 24, 2009.

In his chairman's report Nicholas Weston said the results "were substantially impacted by the debacle in China inherited by the current Board, resulting in a loss for the consolidated entity of \$23,283,000 which included an impairment of the investment in China of \$10,900,000 and a further \$1,209,000 out of a total of \$3,865,000 in relation to the alleged conduct of former CEO, Neil Leggett".

Mr Leggett has been charged with one count of fraud and is awaiting trial in Queensland (BD: Jan 23, 2009).

Police alleged in January that he dishonestly induced a company he was director of to give money to an outside investment company with which he was associated.

Agenix said the company's annual general meeting would be held in Melbourne before the end of October and a notice would be posted once the necessary regulatory approvals were received.

Financial reporting for the half-year ended 31 December 2008 and for the year ended 30 June 2009 is currently in the process of preparation and will be released in due course. A separate annual general meeting will be convened for the FY2009 financial report.

Agenix last traded at 1.7 cents.

BIODIEM

Biodiem annual general meeting saw significant dissent against the issue of shares and options to directors.

Three resolutions relating to the issue of stock to directors were passed with more than 810,000 proxy votes in favor and more than 350,000 proxy votes against.

Directors Hugh Morgan and Dr Larisa Rudenko were re-elected with more than one million and more than two million proxy votes in favor, respectively, and 45,715 and 44,115 proxy votes against, respectively.

Biodiem was up 4.5 cents or 29.0 percent to 20 cents.

USCOM

Uscom says Spacelabs Healthcare will launch the ultra-sonic cardiac output monitor in the United Kingdom on October 1, 2009.

Uscom said the Spacelabs product launch was important as the UK was "a sophisticated bio-device market already sensitized to the Uscom technology".

Uscom fell four cents or 5.1 percent to 75 cents.

PRIMA BIOMED

Prima has told the ASX that it was not aware of any information it had not announced which, if known, could explain recent trading in its securities.

The ASX said the company's share price rose from 10.5 cents on September 23, 2009 to 13.5 cents, a 28.6 percent increase, on September 24 and noted an increase in trading volume.

Prima said that due to increased expenditure in its cancer vaccine program it was "likely the operating loss before abnormal items and income tax for the half year ended December 31, 2009 will exceed the previous corresponding period by more than 15 percent".

The company said it was unable to quantify this at the present moment as the maximum level of expenditure for the half year is currently unknown.

Prima fell 1.5 cents or 10.7 percent to 12.5 cents with 23.4 million shares traded.

FERMISCAN

Fermiscan says major shareholder Leon Carr has resigned as a director.

Mr Carr was appointed a director on July 16, 2009 and holds about 30.7 percent of the company

Fermiscan was up 0.2 cents or 3.1 percent to 6.6 cents.