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In this edition...
Antisense Therapeutics has been patiently working in the antisense technology space for more than a decade. It suffered a setback when Teva handed back ATL's MS drug candidate ATL1102 in March 2010. Now the company is moving forward with the development of ATL1103 in the niche indication of acromegaly, with a key milestone expected before year's end.
In selected coverage of annual results announcements we report on Mesoblast, Acrux and Patrys. Wound healing company Tissue Therapies may be a beneficiary of the failure of Dermagraft in a pivotal venous leg ulcer trial. And Middleton's lawyer Andrew Gaffney commences a discussion on the pros and cons of cross border listings.
The Editors
Companies Covered: ACR, ANP, MSB, PAB, TIS

	Bioshares Portfolio
Year 1 (May '01 - May '02)	21.2%
Year 2 (May '02 - May '03)	-9.4%
Year 3 (May '03 - May '04)	70.0%
Year 4 (May '04 - May '05)	-16.3%
Year 5 (May '05 - May '06)	77.8%
Year 6 (May '06 - May '07)	17.3%
Year 7 (May '07 - May '08)	-36%
Year 8 (May '08 - May '09)	-7.3%
Year 9 (May '09 - May '10)	49.2%
Year 10 (May '10 - May'11)	45.4%
Year 11 now commenced	-21.0%
Cumulative Gain	**232%**
Av Annual Gain (10 yrs)	**21.2%**

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Delivering independent investment research to investors on Australian biotech, pharma and healthcare companies.

Extract from Bioshares 422"Results Round Up"–

Mesoblast – Affirms Strategy and Direction

Mesoblast (MSB: $7.65) reported an accounting profit of $90.6 million for the year ending June 30, 2011. The company recorded revenue of $86 million. The revenue included the revaluation of its investment in Angioblast which followed its acquisition by Mesoblast, less the write-back of equity-based losses incurred in that same entity.

The merger with Angioblast was based on a valuation US$506 million, recorded in the FY2011 accounts at $504 million, the difference owing to exchange rate differences. Of the $504 million, $116 million was recognized as goodwill and $388 million was recognized as intellectual property acquired.

Just prior to the merger of Mesoblast with Angioblast, **Cephalon** acquired 26.5% of the shares of Angioblast from other shareholders for US$134 million. Mesoblast retained its 38.4% stake and other shareholders retained a 35.1% stake, until the merger took place. [Mesoblast has licensed CNS and cardiovascular product rights of its pre-cursor mesenchymal stem cell technology to Cephalon.]

Mesoblast has elected to amortise revenue of $130 million from its licensing transaction with Cephalon over the next 4 ½ years, with just $14 million accounted for in the reporting period ending June 30, 2011. This amortisation is aligned with the clinical-through-to-registration timeline of the programs licensed to Cephalon.

Mesoblast's retained a cash balance of $263 million at June 30, 2011 compared to $32 million at June 30, 2010. Payments to suppliers and employees were $22.5 million for the year ended June 30, 2011.

In discussing the Mesoblast's full year results CEO Silviu Itescu said its substantially improved cash resources are being used to add staff with clinical, regulatory and manufacturing expertise. Mesoblast has established new strategic business units.

The increased funding base will allow Mesoblast to move into new indications including Type 2 diabetes and immunologic conditions including lung diseases, inflammatory joint diseases and eye diseases.

One of Mesoblast's areas of strategic importance is that of manufacturing. The company intends to develop a state of the art facility via a strategic alliance, which will be cost neutral to Mesoblast. The facility will provide tax efficiencies and use the latest technology. Controlling manufacturing (albeit through a third party) will enable Mesoblast to more directly manage cost of goods and product margins, manage product differentiation for different partners, and optimize pricing.

Cont'd over

Near term inflection points include the commencement of the Phase III heart failure trial, start of the Phase II intra-coronary heart attack trial, complete Phase II trials in spinal fusion and disc repair and initiate Phase II trials in diabetes and eye diseases. Mesoblast also is seeking to expand partnering arrangements.

Comment

Mesoblast is well placed to develop its adult stem cell technology and to do so across an ever broadening number of indications. Trials in diabetes and immune-based conditions will worth monitoring as details come to hand. It is worth noting that Mesoblast is now, generally speaking, moving into Phase II trials once pre-clinical studies are complete, saving time and money on the Phase I step in clinical development.

Although the publication of data from its Phase II heart failure trial at the American Heart Association conference in November will be worth monitoring closely, what may rank in importance is the company's securing of a strategic manufacturing partner. Mesoblast's goal of retaining rights over manufacturing is a crucial plank in the company's value creation strategy which cannot be underestimated.

Mesoblast is capitalised at $2.1 billion.

Bioshares recommendation: **Speculative Hold Class A**

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