

## **From Human Tissue Supplier to R&D Contractor to BioBank Builder, Asterand Seeks Its Future**

Thomas Lee 3/16/11, Xconomy Article

When Asterand acquired BioSeek last year, the company wasn't just buying another fast growing San Francisco area startup. **Asterand** was buying a big chunk of its future.

Faced with slowing growth in its core business of supplying drug makers with human tissue, the Detroit-based company has been trying to position itself as a full scale research partner to pharmaceutical makers trying to cut costs while speeding development of new therapies.

With **BioSeek**, Asterand could now offer pharma customers sophisticated software that can predict the efficacy of drug compounds based on disease models culled from human tissue samples prior to clinical testing.

Buying BioSeek was "the logical next step," says chief financial officer and board member John Stchur. "Its prospects are incredible."

The BioSeek deal has already paid off.

Excluding revenue from a one time university contract in 2009, Asterand said revenues for the first half of 2010 jumped 29 percent compared to the same period in 2009, thanks to the BioSeek acquisition. Without BioSeek, revenues would have been flat. (Asterand, which trades under the London Stock Exchange, will release complete fiscal 2010 results next month.)

Founded in 2002 by Randal Charlton, now executive director of TechTown, and the venture firm Oxford Bioscience Partners, Asterand's original purpose was to provide human tissue samples to drug companies in Oxford's portfolio.

Over time, Asterand became the largest private supplier of clinical human tissue in the United States. To procure the tissue, the company established relationships with about 100 donor sites, usually universities and research institutions.

Stchur says Asterand was the first company to establish standardized protocols in procuring the tissue, so customers can use the materials "right out of the box." For example, Asterand tests the RNA quality of the samples while collecting 100 data points on the donors, including race, sex, age, geography, and type of disease.

"Asterand is a terrific company," says Koleman Karleski, managing director of Chrysalis Ventures in Kentucky, which invested in Asterand in 2006. Chrysalis loves companies that can help others lower costs and boost efficiencies, Karleski says. Asterand boasts a "global logistical network to procure tissue samples, [a business] in which you don't need to be a scientific expert," he says.

Yet with BioSeek, it seems Asterand is betting more on science. After the global financial crisis in 2008, pharmaceutical firms start to cut spending, prompting Asterand to diversify its businesses and customers.

"Last Autumn, it became clear that many of our clients at large pharmaceutical companies were changing their purchasing patterns due to economic pressures," CEO Martyn Coombs recently told investors.

"Typically these customers delayed larger purchases or parceled them into smaller amounts to be made over time...In response to this climate, we decided to expand our product offerings and selling strategy with large pharmaceutical companies."

That's where BioSeek comes in. The company says its core BioMap **Systems technology** allows Big Pharma to predict whether experimental therapies will work before they conduct large expensive human clinical trials that can ultimately fail. That's especially appealing to its customers, because faced with empty pipelines and the enormous cost of bringing a product to market, pharmaceutical makers are increasingly willing to partner with outside companies like Asterand to perform early stage research and development work, experts say.

"The current business climate is challenging pharmaceutical and biotech companies to rethink their approach to outsourcing and how best to build alliances with external service providers as part of a long term drug development strategy," according to a panel of pharmaceutical and biotech industry leaders recently convened by the Tufts Center for the Study of Drug Development (CSDD).

Over the past decade, CSDD estimates annual growth in drug sponsor spending for contract clinical services grew 13.4 percent compared to 9.1 percent for new drug development.

"The market is ripe for outsourcing," is how Stchur puts it. Nevertheless, he still sees plenty of room in Asterand's core tissue business. The company controls less than five percent of the \$700 million to \$1 billion global market, Stchur estimates. About 75 percent belong to academia, he says.

Stchur envisions Asterand helping government agencies, hospitals, and research institutions build large "biobanks" of human tissue.

The company recently completed a contract with the U.S. Department of Defense to evaluate and value the military's vast stores of human tissue samples. That collection is easily worth "billions of dollars," Stchur says.

In October 2010, the National Cancer Institute awarded Asterand a five year, \$24.3 million contract to supply tissue for its Cancer Genome Atlas Project. About \$5.4 million is guaranteed upfront.

"That was a big win for us," Stchur says.

*Thomas Lee is Detroit Editor and National Med Tech Editor for Xconomy. He can be reached at tlee@xconomy.com.*