

Asterand sees first yearly profit, wants acquisitions, partnership

By Tom Henderson, Crains Detroit Business, Feb 9, 2009

Asterand plc, a human tissue-bank company traded on the **London Stock Exchange** (LSE: ATD) but headquartered in Detroit's **TechTown**, has seen its stock price soar over the last year 12 months, from 6 pence (a bit less than 9 cents) last February to a close of 17 pence on Friday.

Final figures for 2008 won't be released until March 30, but CEO Martyn Coombs confirmed for *Crain's* last week that the company had the first profitable year in its history. Coombs said he expects to increase the bottom line again this year and is on the prowl both for acquisitions and for a partnership to break into the embryonic stem-cell market.

"We'd like to do the acquisitions sooner rather than later," said Coombs, who replaced founder Randal Charlton, now the executive director of TechTown, in 2007. On Dec. 31, the *London Daily Mail* ran its annual Hero and Zero feature to honor and dishonor the CEOs of the best- and worst-performing stocks on the London exchange for the year. Coombs was the hero, Asterand's stock having risen then by 150 percent, from a low of 5 pence at the end of 2007. Two English research firms rate the stock a buy — **Edison Investment Research Ltd.** and **Daniel Stewart & Co.**

"Asterand's transformation has been driven by a revamped senior management team, which is building on credibility and delivering on promises made a year ago," said a report Edison issued in September. The Stewart report, issued in August, projected a target price of 22 pence. Edison projected net income of 3.3 million pounds for 2008, following losses of 8.8 million pounds, 2.5 million pounds and 1.9 million pounds, respectively in 2005, 2006 and 2007. Currently, a pound is worth \$1.45. Daniel Stewart predicted an operating profit in 2008 of 3.1 million pounds.

Asterand nearly broke even for the first six months that ended June 30, with a loss of 61,000 pounds or 6 pence a share, compared with a loss of 971,000 pounds or 94 pence for the first six months of 2007. Revenue in the six months was 5.1 million pounds, compared with 3.6 million for the first half of 2007 and 7.6 million for the full year.

On Aug. 27, Asterand made an announcement that sent its price soaring, from 7.5 pence to 16 pence — a biotech in California, **Allergan Inc.**, had agreed to license a series of compounds discovered by Asterand that have promise in treating such eye diseases as glaucoma. Allergan agreed to an upfront payment of \$6.25 million with milestone payments that could boost the total licensing agreement to \$56 million. Coombs said he would like to eventually list Asterand on the **Nasdaq** exchange but needed to grow the company substantially, to make the membership fees and cost of Sarbanes-Oxley compliance worthwhile.

Asterand is growing. About two-thirds of its 90 employees are in Detroit, where Coombs hopes to add three sales reps, a human resources manager, two IT staff and a chief science officer this year. There are no plans to add to its UK operations. Coombs said he is also in negotiations with Charlton to expand Asterand's presence in TechTown, where it already takes up most of the fifth floor.

One driver for growth is the push for large pharmaceutical companies such as **Pfizer Inc.** to downsize, requiring them to outsource more of their work. Companies that used to maintain their own stockpiles of human tissue are more likely to order it from Asterand, or its competitors, which include German-based **Indivumed GmbH** and California-based **Cureline Inc.** "We should see 40 percent growth in our core business year this year," said Coombs. He hopes another driver could be stem-cell research in Michigan, buoyed first by the passage of Proposal 2 in November and by President Obama's approval of federal funding for research on expanded lines of embryonic stem cells. "That's complementary to what we do. We're looking at ways to expand there, and we're excited about the possibilities," said Coombs, who said collaboration with an existing company that does cell research is a likely way for Asterand to enter that business.

When asked if he was in talks with any such companies about a joint venture, he said: "We're in these discussions all the time." Coombs said he hopes to further drive revenue by a new line of business. Asterand recently finished a \$2.9 million **U.S. Department of Defense** contract to do an inventory and quality analysis of the extensive tissue bank at the **Armed Forces Institute of Pathology** in Washington, D.C.

Coombs said there are many biotech and pharma companies and university researchers that have tissue banks but aren't sure what tissues are still viable or even the extent of what they have stored, and having finished the DOD contract, Asterand has a template for doing that work. He said the company will make a presentation at a **National Cancer Institute** conference in Maryland in March and at other conferences elsewhere in the year to promote that business. "We hope to build a substantive business in that area," said Coombs.