

United Kingdom: Lack of cash is annoying investors

Choppy Seas

Two prominent British biotech companies are confronted with severe problems.

The British drug developer Vernalis (located in Winnersh, Berkshire, West of London) has announced plans to lay off more than half its staff (only 90 people out of 210 will remain) and put significant parts of its business on sale. Since last October the neurology and CNS specialist has lost more than 80 percent of its share price, after the FDA rejected Vernalis' application for another indication on Frova (which is already marketed as a treatment for migraine headache).

Vernalis is in difficulties because it has had to forgo future US royalties on Frova. In addition, they have to meet debt obligations to their US marketing partner, Endo Pharmaceuticals, which are valued at €38 million (the information service Thomson Financial referred to it as a "sword of Damocles for Vernalis"). Money is now running out. Vernalis' current cash resources are something around €20 million. Given total losses for the fiscal years 2006 and 2005 (€56 million and €44 million, respectively), the British are resigned to a col-

lapse no later than summer 2008. In fact, it was high time for Vernalis to restructure its business. In addition to their staffing cut-backs, the company fired its CEO, Simon Sturge, will close its clinical development



Simon Sturge (middle), Chief Executive of Vernalis, rang the Nasdaq Stock Market Closing Bell on May 18, 2006 in New York City. He's no longer CEO.

operations in Canada and has put its current lead drug Apokyn (for Parkinson's disease) on sale. Now speculation is rife as to whether a wholesale buyer might step up and take control in Winnersh, or if it will

operate as before as a self-sufficient biotech company.

Ardana Bioscience, an Edinburgh-based biotech firm which develops and markets hormone drugs for human reproductive health, faces similar challenges. The company currently has no more than €7 million in the bank. Given that it burnt over €1 million per month in 2007 it is likely to run out of money in August 2008.

As a counter measure, Ardana's management announced a restructuring programme to reduce the company's cash commitments in February. They also disclosed that Ardana was seeking to sell itself or to merge with another company. Employees (Ardana has around 30 staff) are nervous, fearing that their pink slips are already in the post.

Unfortunately, they could be right. Although the restructuring measures "were unlikely to affect staff numbers", Ardana's Chief Executive, Huw Jones, said that job security would be less certain in the event of a company sale.

WINFRIED KOEPELLE

Sweden: AstraZeneca spins off gastrointestinal disorders

Bride gets Handsome Dowry

Strategic change results in a newly founded biotech company in Mölndal near Gothenburg.

Albireo, an emerging Swedish spinoff, has received a nice dowry from her parents, the pharmaceutical group AstraZeneca. With several gastrointestinal (GI) programmes, inherited from AstraZeneca's GI disorder research department, and €18.2 million of funding (raised by "a syndicate of growth capital firms"), Albireo should be off to a good start. The spinoff is counting on researchers with extensive experience in AstraZeneca's GI research and on an additional €27 million in the upcoming financing round. The young company's name is derived from a star in the constellation Cygnus, 385 light years away from Earth.

The spinoff is a result of AstraZeneca's strategic change. Besides its remaining GI



A more prominent Swedish bride (left).

research, focussed on Gastroesophageal Reflux Disease (GERD), the Anglo-Swedish company has recently concentrated on cancer, respiratory and infectious diseases while outsourcing non-core projects. Other pharmaceutical companies have also made

successful forays down this road, such as Roche (Switzerland), which spun off its subsidiaries Basilea and Actelion.

Albireo will be situated at AstraZeneca's previous research and development facility in Mölndal (south of Gothenburg, Sweden), where over 2,700 researchers focus primarily on diseases of the gastrointestinal and cardiovascular systems (the blockbuster drug Omeprazole/Prilosec was developed here). AstraZeneca didn't let on how many of them will jump ship to Albireo with immediate effect. The company's executive chairman will be David Chiswell, founder of Cambridge Antibody Technology (which was bought by AstraZeneca in June 2006).

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