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# Drug trials revive interest in biotechnology sector

Tim Boreham | *August 20, 2008*

**THE biotechnology sector is showing tepid signs of life, having outperformed the overall market in recent months. Of course that isn't saying too much and the trends are patchy, but at least the sector doesn't rival the Gaza Strip as a no-go zone any more.**

Such is the improving sentiment that a few of the minnows are muttering about a capital raising. For instance, vaccine champion Avantogen (ASX code: ACU) might have a chequered history, but this hasn't stopped new management from doing the broker rounds ahead of an equity raising of up to $8 million.

If anything, the established players have been doing it toughest. Biota, for instance, abandoned its monstrous damages action against Glaxo, while CSL's share price took a hit after US partner Merck revealed disappointing sales of its Gardasil cervical cancer vaccine.

Elsewhere, some interesting clinical trial results have maintained patchy interest in the sector.
There's always a sane reason not to get too carried away by early-stage results from thinly capitalised companies, but there's a few to which warm-hearted Criterion will extend the benefit of the doubt. Take Living Cell Technologies (LCT), the Kiwi outfit working on a diabetes cure based on the pancreatic islets of specially bred pigs.

In July, Living Cell reported the first five diabetes sufferers implanted with the said porcine cells showed no adverse side-effects but also displayed better than expected benefits.

The Moscow-based trial saw a reduction of daily insulin requirements of 23 per cent to as much as 100 per cent, while four out of five maintained "good control" of blood sugar levels. Living Cell has a $10 million and (probably) the capacity to raise equity, so it's at least one to watch.

Then there's our skin disorder friend Clinuvel (CUV), which gained US fast-track approval for one of its key compounds.
Clinuvel announced the US regulator, FDA, had granted "orphan drug" status to afamelotide (formerly CUV1647), aimed to treat a rare sun allergy called EPP.
Clinuvel's next step -- and there's always a next step -- is to apply to undergo a commercial trial in the US. Still, it's backed by $25 million and has a legitimate seat in the "most likely" camp.

Investors in regenerative medicine pioneer Mesoblast (MSB) are having a blast after nine patients had their broken legs healed with the use of their own stem cells. The ground-breaking trial took place at Royal Melbourne Hospital, with Mesoblast holding the right to commercialise the know-how. It's all very promising, but any revenues of course are years away.

On a more downbeat note, cancer drug Progen (PGI) has benched its experimental liver cancer drug PI-88 after years of attempts to develop the drug. It's a major disappointment in that Progen has raised almost $100 million over 18 months, with nothing to show but $77 million of change.

On a more modest scale, Biosignal (BOS) is headed for a spell in the naughty corner after disappointing your columnist about thrice too often.

The bacterial slime buster is working on an extract from seaweed that prevents the bugs from multiplying on surfaces by impeding their ability to communicate.
The trouble is, the company lacks focus in terms of developing end-uses for the extract, with a number of collaborations -- including one with Californian New Age squillionaire Paul Hawkens -- falling through.

Recommendation-wise, it's hard to be too proscriptive across what's a highly eclectic sector. As a general rule, your columnist leans to cashed-up advanced-stage prospects.

Candidates include Clinuvel, Avexa (targeting HIV), Chemgenex (leukemia), Neuren (neuroscience), Novogen (cancer) and Pharmaxis (bronchiectasis and cystic fibrosis)

According to Biotech Daily analyst Marc Sinatra, Chemgenex's drug "looks the most likely to generate big returns for investors".
He adds that any could surprise. "One thing for sure is that at today's prices all of them look like good value," he says.