



Cover Story



Mesoblast Limited Is Poised to Take Advantage Of Its Portfolio Of Stem Cell Products And Strategic Assets To Realise Value In FY2010.

Australian biotechnology company Mesoblast Limited (Mesoblast) is primarily focused upon the development of novel treatments for orthopaedic conditions, including the commercialisation of unique adult stem cells for the treatment and repair of fractures, conditions of the spine, including vertebral disc disease, and arthritis and related conditions of cartilage breakdown.

The ASX listed company (ASX:MSB) is strategically positioned via the worldwide exclusive rights for a series of patents and technologies that have been developed over more than 10 years and which relate to the identification, extraction and culture of adult Mesenchymal Precursor Cells (MPCs). These patents have recently been granted in the United States, the world's largest market for health-related products.

The unique and patented adult stem cell technology has two major advantages that facilitate a commercial pharmaceutical-like business model. These are that the cells can be easily expanded in a short period of time, and can be used to treat up to thousands of unrelated recipients from a single universal donor. This delivers to Mesoblast a manufacturing process that is scalable, with batched quality control, and products underpinned by low cost-of-goods and high margins.

The Company has also acquired a significant interest in United States-based company Angioblast Systems Inc. Mesoblast's American associate company is actively developing the platform MPC technology for the treatment of cardiovascular and other diseases. Mesoblast and Angioblast are jointly funding and developing the core technology.

To date this technology has achieved outstanding results in clinical and preclinical trials in the regeneration and repair of large bone fractures and cartilage with Phase 2 trials underway in the United States and Australia for spinal fusion and osteoarthritis.

Further highlighting Mesoblast's value and position as a stand out stock for calendar 2009, the company has reported successful interim results from Angioblast's two ongoing clinical trials in the United States, in patients with congestive heart failure and in patients requiring bone marrow transplantation.

Professor Silviu Itescu, Executive Director of Mesoblast Limited, stated, "The results we have received with the Angioblast allogenic MPCs were very positive. Angioblast is our sister company in which we have around a 40 per cent equity investment."

In the first 20 patients with heart failure enrolled in Angioblast's trial, those receiving the company's lowest dose of cells showed significant improvement in heart muscle function as early as three months after treatment, while those receiving placebo had deterioration.

In the bone marrow transplantation trial, all five patients treated showed bone marrow regeneration, within half the expected timeframe for engraftment.

"By significantly reducing the time to engraftment and increasing the overall success rate of an allogenic bone marrow transplant, the technology has the potential to lower the risk

of infections, bleeding and death in critically ill patients with hematologic malignancies following chemotherapy”, Professor Itescu said.

The company now intends to discuss with the US Food and Drug Administration plans to commence an accelerated Phase 3 program for bone marrow transplantation under its approved Orphan Drug Designation. This would facilitate a significantly shorter timetable to product commercialisation and earlier revenues.

Mesoblast has maintained a strong financial position in spite of the recent economic market turmoil. This comes following a \$10.8 million capital raising in the first quarter, where 15 million shares were placed to existing and new institutional investors.

This strengthened financial position is now expected to facilitate ongoing broadening and acceleration of the company's clinical program strategy.

Through proving up the clinical effectiveness of its platform technology across multiple indications, the company will accelerate its path to commercialisation in addition to increasing value for shareholders.

In line with FY2010, Professor Itescu explained that the key priorities for the company will be the rapid progression of its clinical programs toward Phase 3 registration trials, that mark the final step prior to generating revenue.

“We are committed to moving forward with our clinical trials and building a spinal franchise.” As the company proceeds with these trials, Mesoblast may consider collaborating with a major pharmaceutical company or progressing its products exclusively.

The option that yields the maximum value for the company and shareholders will drive this decision.

Professor Itescu concluded, “We are also very excited about our investment in Angioblast. We hope to realise value via Angioblast's ability to access an IPO in the public market or through large corporate relationships with pharmaceutical companies.”

Mesoblast expects to leverage from its strong market position to capitalise on its powerful technology as the company progresses through its clinical and commercial milestones during the new financial year.

Article written by <http://australianinvestor.com.au>

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