

FINANCIAL REVIEW

Market Wrap
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Mesoblast a bargain

Shares in adult stem cell company Mesoblast started trading below their initial public offering price of 50 ¢ for the first time recently. Analysts say this offers investors the opportunity to buy into world-class technology at relatively bargain basement prices.

Mesoblast was hovering around 39 ¢ for most of the week, giving the junior biotech a market capitalisation of under \$40 million.

Part of the slide can be attributed to one institutional shareholder selling down its stake, but other investors, such as Alex Waislitz's Thorney Holdings, remain loyal.

Taking into account that Mesoblast raised \$21 million in December and most of that cash should still be preserved it means the company's extensive portfolio of intellectual property is valued at close to zero.

Mesoblast is one of the few pure stem cell plays available to investors (another listed one is Cygenics) and is well advanced in developing novel treatments for bone- and heart-related problems.

Adult stem cell therapeutics promise scientific breakthroughs but without the ethical headaches linked to embryonic stem cells.

Mesoblast believes adult stem cells can be harvested and used to grow organs or sections of bone and cartilage.

The company is the brainchild of Silviu Itescu, who is based at New York's prestigious Columbia University and a biotechnology sounding board to packaging billionaire Richard Pratt and his son-in-law Waislitz's Thorney empire.

Mesoblast is using its funds to accelerate trials of adult stem cells for orthopaedic applications.

This could see lucrative treatments for fractures, breaks and a string of bone-related diseases and afflictions.

Investors also get exposure to an American company called Angioblast Systems, in which Mesoblast is a major shareholder.

The strategy is to allow Angioblast to chase cardiovascular applications such as growing new heart muscles and vessels, while Mesoblast investigates orthopaedic uses.

Mesoblast has an impressive board with international contacts. The company is chaired by Michael Spooner, the former chief executive of Ventracor, and includes directors sourced from leading pharmaceutical and biotechnology companies.