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Institutional investors 'wary' of early stage biotech firms

RICK WALLACE THE AUSTRALIAN FEBRUARY 23, 2015 12:00AM



Biotech chief executive Peter French in Sydney. Picture: James Croucher Source: News Corp Australia

AUSTRALIAN institutional investors risk missing out on the next wave of medical breakthroughs — and huge potential profits — because of their unwillingness to invest in early-stage biotech companies.

That's the view of Peter French, the chief executive of gene-therapy hopeful Benitec Biopharma, which has just raised more than \$30 million to fund trials in the US but has struggled to generate investment in Australia, where the company is based.

Dr French, who has led a revival of the ASX-listed company, said strict investment rules here prevented fund managers investing even small amounts of capital into companies until they were almost ready to have a product approved.

“For nine months we have tried to raise money in Australia and struggled to bring in \$800,000 —

and most of that has been from our board and management,” he said. “It’s hard to get fund managers on board: ‘it’s too early, too risky’, they say.

“You almost have to de-risk it totally before they will come in, but by then most of the upside is gone. It’s also tough for analysts here to understand, especially compared to the US, where they often have PhDs and have worked in the area.”

Benitec aims to use a patented method of DNA-directed RNA interference — a form of gene silencing — to shut down the hepatitis C virus then apply that approach in the future to other high-profile viruses and diseases.

Dr French, a cell biologist and immunologist, said the cautious approach from funds tended to force Australian biotech hopefuls offshore or into premature listings, as there was very little venture capital funding in Australia.

The conservatism of local institution investors meant they would miss out on future blockbuster technologies, he said.

The appeal of gene silencing to fight diseases set markets alight a few years ago, but with major companies bailing out of the space amid problems with deliverability it became in Dr French’s words an “impossible sell” in some quarters.

“But the wheel has turned now. (US firm) Alnylam has solved the delivery problem and we are all getting great interest from US investors,” he said.

A small 14-patient phase I/II trial of Benitec’s TT-034 injectable is being done at Duke University and the University of California San Diego. The company hopes it can advance through phase III trials and have a product within three to five years. “One injection can provide months or years of protection,” Dr French said.

Benitec has had a chequered history of legal disputes over its patents, funding shortfalls and a languishing share price, although that has started to improve and now stands at 93.5c

Dr French joined the company at the behest of shareholder Chris Bremner, who injected \$1 million to save it in 2009.

A former CSIRO scientist, Dr French has been involved in a string of health sciences companies — some of which have succeeded and some of which have struggled. “In the US that’s almost seen as a plus — having had a baptism of fire in the commercial world. But here it is seen as another risk.”

Benitec, which has a market capitalisation of about \$100m, now has \$27m in the bank and 19 staff, according to Dr French.

“We have one program in clinical trials and four others in the pipeline,” he said.

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