



Licensed by Copyright Agency. You may only copy or communicate this work with a licence.

# Drugs worth hundreds of millions snapped up for a pittance

**Biotechs**  
**Brian Robins**

They only cost \$500,000, but Dror Ben-Asher has turned the drugs he bought from a failing Australian drug company a few years ago into valuable assets that underpin the \$US150 million worth of the drug company he runs.

Of the three drugs he bought from Giaconda, majority owned by Sydney gastroenterologist Julius Borody, Mr Ben-Asher reckons two could be blockbuster drugs that could result in shareholders in the company recouping some of their money even though the company collapsed five years ago with its shares long delisted from trading on the sharemarket.

Investors in local biotech stocks rarely make any money since it can take decades of work and hundreds of millions of dollars to develop and obtain the approvals to begin selling a drug. The rate of research failure is high, typically with the millions of dollars spent on developing a drug wasted. But Mr Ben-Asher has adopted a conservative approach, limiting the downside of his investment by taking control of drugs that are well advanced in clinical trials, so they are much closer to getting approval to sell.

Typically, companies run out of money and investors out of interest making it difficult for cash-starved biotech outfits to continually raise the money they need to stay afloat, which provides him with the entre to pick up assets on the cheap. And, unsurprisingly, the inventor is rarely the person best placed to get the product to market.

"We are an unusual company," says Mr Ben-Asher, who set up biotech company RedHill Biopharma. "Most biotechs never get to start a study, let alone finish it or complete a phase III study," he says. "It is almost a rare event.

"Over-dependence on one product or one product platform,

sometimes management, sometimes the inventors are not the right ones to continue to manage the company - you see that very often."

Also companies can spend years on research, he says, "going in circles without actually executing a plan towards eventual approval".

"You see a constant lack of access to financing or the ability to raise financing; you see a lot of over-promising and under-delivering - in almost all cases that happens - and investors get hurt again and again.

"The way to address that is by pursuing a model that provides an attractive risk profile - 'multiple shots on goal' with sufficiently advanced clinical study programs with relatively high likelihood of success, funding with no debt, a 'lean and mean' management

team, a small highly effective team with an outsourcing model with not much fixed costs."

Mr Ben-Asher came across Dr Borody when he was running Giaconda. It had raised \$6 million but by 2008, in the middle of the global financial crisis, with no funds left and no prospect of raising more money, it did a deal with Mr Ben-Asher in 2010, selling a suite of drugs for \$500,000 but with the

promise of a return if the drugs were commercialised, which now may become a reality.

Gaining control of the drugs late in the development stage has limited RedHill's drug research and development costs so that if they are licensed for sale it can generate a quicker payback on its investment

since it will also have fewer research failures. Additionally, about a third of the company's sharemarket worth is in cash, as it looks to bulk up in the US as it prepares to market its own drugs there, which will help maximise margins.

Outside the US it is looking for partners to commercialise its drugs. RedHill is confident that the impressive research results from de-

veloping RHB-105, a treatment for *Helicobacter pylori* infection which is a cause of gastric cancer, show it is more effective than existing drugs. Mr Ben-Asher anticipates that it may emerge as the first choice for doctors when treating the disorder.

And if it does emerge as the standard of care in a global market that has been estimated to be as large as \$US6 billion then the profits could be sizeable.

Mr Ben-Asher said Dr Borody was clever enough to let go of the assets - but keep a very significant upside for [Giaconda] shareholders, which could occur if the drugs do succeed in their end markets.

**'Most biotechs never get to start a study, let alone finish it.'**

**Dror Ben-Asher**



**High hopes:**  
**Dror Ben-Asher.**  
Photo: Steven Siewert