Blood products and vaccine maker, CSL Ltd. has made a A$108 million (US$81 million) takeover bid for Zenyth Therapeutics Ltd. to strengthen its lineup of potential drug candidates for diseases such as cancer, asthma, and rheumatoid arthritis. This merger would be the biggest to date in the Australian biotechnology industry, and has garnered positive feedback from the investment community.

The offer, which has been developed by the two companies, is substantially higher than the market capitalization of Zenyth, which was valued at around A$67 million (US$50.5 million). Zenyth CEO Andrew Nash said it was great validation of the company and its portfolio. The board of Zenyth—which changed its name from Amrad Corp. late last year — has unanimously recommended the proposed merger to shareholders.

The acquisition will give CSL access to Amrad’s portfolio of preclinical programs, which include the IL-13 receptor asthma project that was licensed by Merck in 2003 for up to A$112 million (US$84.4 million) worth of milestone payments. Other programs include a GM-CSF antibody development program co-owned by Zenyth and Cambridge Antibody Technology, a G-CSF antagonist development program in collaboration with Murigen Therapeutics, and the collaboration with the Ludwig Institute of Cancer Research to develop the VEGF-B antibody for treatment of cancer and rheumatoid arthritis.

CSL chief executive Brian McNamee said the merger was consistent with CSL’s R&D strategy, which he has said is moving towards a focus on protein-based therapeutics including antibodies. CSL chief scientist Andrew Cuthbertson said that Zenyth’s portfolio would fit well with CSL’s field of research in cancer, immunology, and inflammation.

The merger would allow CSL to create a single group with the critical mass required to do recombinant antibody development in Australia. Under the deal, CSL will acquire 100% of Zenyth for a total consideration of 86 cents per Zenyth share through a scheme of arrangement, financing the deal through cash reserves. CSL has valued the offer price as representing a 59% premium to the 54 cents that was Zenyth’s last traded price on the Australian Stock Exchange on 14 July 2006.

An option arrangement will also be implemented to exchange cash for the 6.4 million Zenyth options currently on issue. Nash said that if everything goes smoothly during the merger process, it is likely to be completed in late October or early November. The agreement is subject to a number of conditions, notably that CSL may withdraw its offer if Zenyth receives a better offer from a third party.

The offer comprises 82 cents per Zenyth share and a pro-rata capital return to Zenyth shareholders, linked to its 21.1 million share stake in biotech Avexa Ltd. Avexa was demerged from Zenyth in September 2004. Zenyth shareholders will receive about one Avexa share for every six Zenyth shares held, representing an extra four cents per Zenyth share.
About CSL

CSL Limited is a global specialty biopharmaceutical company that develops, manufactures, and markets products to treat and prevent serious human medical conditions. Innovation and new product development for unmet medical needs continue to drive CSL’s growth. Headquartered in Melbourne, Australia, the CSL Group includes CSL Bioplasma, CSL Pharmaceuticals, CSL Biotherapies, and ZLB Behring incorporating ZLB Plasma Services. With major facilities in Australia, Germany, Switzerland, US, and Japan, CSL has over 7000 employees working in 26 countries.

About Zenyth

Zenyth Therapeutics Limited (Zenyth) is a publicly listed Australian biotechnology company primarily focused on the development and commercialization of antibody-based therapies in the areas of inflammation and cancer. Zenyth has intellectual property rights to a number of key molecules which have pivotal roles in cancer and inflammatory diseases including rheumatoid arthritis and asthma. Zenyth’s scientific team has expertise in antibody generation and engineering, and works closely with academic medical research institutes as well as local and international pharmaceutical and biotechnology companies to advance therapies from the discovery phase through to commercialization.

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