Biotech Daily

Monday March 9, 2009

Daily news on ASX-listed biotechnology companies

Marc Sinatra's Bio-Guide Brief: Progen Board Cops A Kicking

The board of Progen backed out of its deal to merge with Avexa today when it became clear that the merger would be voted down at the meeting scheduled for March 11, 2009.

Well, voted down is somewhat of an understatement. With 74 percent of the vote against and 22 percent for the merger, Progen's board received fewer votes than George W Bush would if he ran for the presidency of North Korea.

Their new plan is to give shareholders back $40 million dollars via a buy-back and concentrate on developing Progen's current non-cash assets. This is despite the fact that the board said late last year that if it could not find a suitable merger partner within 45 days they would wind the company down.

The shareholders have spoken: they did not find a suitable merger partner. And the promise to wind down the company implied the board saw little, if any value, in Progen's non-cash assets on a stand-alone basis.

But all of a sudden, the board seems to see value in Progen's non-cash assets. This is strange since nothing seems to have happened to dramatically alter their value.

All of this makes Progen's buy-back announcement look more designed to keep the current board in power, rather than a well thought-out strategy for Progen's future.

It is time for Progen's current directors to exit, stage left.

The resounding defeat of their Avexa merger proposal shows they really aren't "in-sync" with their shareholders at all and it is time for a new board with fresh ideas and the ability to formulate a workable plan to maximize the value of Progen's assets.

To be frank, given Progen's last 12 months, I would have thought the current directors would have been looking for a way off the board rather than fighting to stay on it.