



# Biotech Daily

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## Marc Sinatra's Bioguide Brief: Cytopia A Better Progen Party

Although not explicitly stated, Cytopia has announced a hostile merger with Progen.

After about a minute of consideration, I was able to come to the firm conclusion that Cytopia's proposal was vastly superior to Progen's current proposed merger with Avexa. The simple reason is that I think Progen's shareholders will do better to spend their cash on Cytopia than on Avexa.

Avexa essentially has one main project in apricitabine, which is closer to market than any of Cytopia's project's, but negative signals having been dripping off apricitabine for a while a now (BD: Dec 22, 2008) and Progen's cash still won't get apricitabine to market.

In contrast, Cytopia has a compound in a phase II trial for glioblastoma multiforme, an inhibitor of Janus kinase (JAK) 2 for which an investigational new drug application is about to be lodged and a licencing and research and development collaboration with Novartis covering JAK 3. The only real negative signal coming from these projects is a delay in Novartis' milestone payment, which was due in the second quarter of last year.

Another factor in Cytopia's favor is that merging two small molecule cancer companies is likely to create an awful lot more synergies than merging a cancer company with an infectious diseases company.

From a Cytopia shareholder's point view, the potential merger appears to be a no brainer pending the fine detail. But, even if applications for the share buy-back are dramatically higher than expected, a merged Progen and Cytopia should still have plenty of cash to accelerate Cytopia's very promising development projects while the vast majority of companies are scaling back their activities.

There is a lot of water to pass under the bridge before a Progen-Cytopia merger becomes a reality, but I think inclusion of the resolution allowing Progen shareholders unlimited participation in the share buy-back probably tips the scales in favor of a merger with Cytopia.

If I were a Progen shareholder, I wouldn't be selling any of my shares into the buy-back.

**Marc Sinatra**