

II COMPANY WATCH

Akers of opportunity

Oliver Hail

New Jersey-based Akers Biosciences (ABI) has shrugged off its reputation as an R&D business short on commercial savvy to reveal itself as an up-and-coming diagnostic testing player. Having paid off all long-term debt, signed key deals and sharpened its focus on the commercialisation of its portfolio, the company is now on course to deliver first-ever annual profits.

Most of ABI's revitalisation is down to Thomas Nicolette, who was installed as chief executive last April. The straight-talking Nicolette, who previously guided Nasdaq-listed Knogo from float to a \$400 million takeover, first got involved with ABI as a consultant in 2005, helping conduct a 'kitchen sink job' on the company that left six proprietary technology platforms remaining.

All six technologies had been granted regulatory approval, though the previous management team had taken just two to market. These platforms have so far spawned 32 different products, which are in various stages of development, all patented or pending. The common themes of these testing technologies are their speed and ease of use, as well as flexibility, which means they are applicable to numerous markets.

To date, ABI's most lucrative platform has been its MPC (MicroParticle Catalyzed) biosensor technology – which detects particles in the subject's breath. The majority of revenues last year came from a disposable breathalyser test, BreathScan, which has been sold mainly to the US military. Furthermore, products to test for the drug Lithium and free-radical cells have both been licensed out to partners for cash and, looking forward, products in development include one to measure diabetic health and



CEO Thomas Nicolette expects further agreements like Akers' deal with Pulse Health

another to detect early signs of lung cancer.

ABI's other main product on the market is PIFA, a low-cost test for allergy to the anticoagulant heparin, which is used to ensure free-flowing blood in kidney dialysis and many other operations. Testing for an allergic

'MOST OF ABI'S REVITALISATION IS DOWN TO THOMAS NICOLETTE, WHO WAS INSTALLED AS CEO LAST APRIL'

reaction is a common surgical process and, in 2006, hospitals screened around four million people. The incumbent test on the market costs hospitals around \$170 each, while a single-use PIFA test costs them between \$50 and \$60.

'We see PIFA as becoming the gold standard,' says Nicolette, 'but it's a long cycle to change a lab test.' With only a single distributor in the US, PIFA is estimated to have generated around \$1.3 million (£720,000) of sales in 2008. This should increase considerably in 2009, with Akers having now signed up multinational Trinity Biotech as an additional distributor.

A major financial coup for Nicolette last year,

and making up the largest portion of revenues, was a \$3 million cash deal with Pulse Health to buy ABI's half of a jointly developed free radical enzymatic device, or FRED for short. On top of the lump sum, ABI will supply parts for three years at a fixed 'high-margin' price and Pulse has agreed to fund any future R&D projects that ABI undertakes on its behalf, with Nicolette adding that 'there will be other agreements like this'.

As well as these opportunities, ABI has other revenue-generating products with many more waiting in the wings. The balance sheet has been strengthened, with \$5 million of cash reported in the coffers, and the group is predicted to turn its historic losses into a tidy \$2.7 million 2008 pre-tax profit. For 2009, BreathScan revenues are forecast by house broker Arbuthnot to more than double to \$6 million, providing much of a large anticipated uplift in the company's fortunes.

As for the company's long-term future, Nicolette, who is paid almost entirely in shares, has previously mooted selling the company, but would only do so at a premium price that reflected its newly enhanced profitability and prospects. Whether he does or not, Akers's rating of less than six times 2009's forecast earnings is destined to be re-examined in coming months. Buy.



Client: Akers Biosciences
 Source: Growth Company Investor
 Date: February 2009

