



West Australian Indian sandalwood oil producer purchases American drug companies

The global demand for skincare products has prompted an Indian sandalwood oil producer in Western Australia's remote Kimberley region to purchase two American pharmaceutical companies.

Sandalwood oil is typically used as an ingredient in perfume, but it is increasingly being used as a component of dermatological products to treat skin conditions like acne, psoriasis and eczema. Tropical Forestry Services, which has an Indian sandalwood plantation in Kununurra, announced yesterday it had purchased ViroXis Corporation and Santalis Pharmaceuticals.

The deal is initially worth \$23.4 million, rising to \$244.9 million, subject to certain milestones being met over the next eight years.

TFS chief executive Frank Wilson said the buyout would boost the company's earnings in the global skin care industry.

"We're very excited about it. We think the pharmaceutical industry is going to provide a very large market for our oil," he said.

"It's a premium market. It pays a very strong price and in that industry, once you manufacture a product and license it you also receive royalties on your product sales so you're getting several bites of the cherry, so to speak.

"Being a premium market, we see the potential for this to be almost unlimited."

Mr Wilson said the deal would allow TFS to work closer with pharmaceutical product development teams and speed up the establishment of a range of sandalwood-based dermatological products.

Santalis has already licensed a range of dermatological products that contain TFS-grown Indian sandalwood oil to Nestle-owned Galderma.

The acne product Benzac Acne Solutions - the first to have been commercialised by Santalis - debuted on US shelves earlier this year and is sold in around 25,000 stores across the country.

Mr Wilson said latest clinical trials continued to confirm sandalwood oil's medicinal qualities in treating skin disorders and this had reinforced TFS' conviction in investing more in the skin care industry.

"Fine fragrance remains a core industry for us, but I suppose it doesn't have the potential scale that the dermatological and pharmaceutical industry has," he said.

"We think the potential for these to expand, not only in the US, is omnipresent."

Turning to the company's Indian sandalwood plantation in Kununurra, Mr Wilson said TFS had just completed its second harvest and the primary processing plant was being "further refined and developed". "Our investment in Kununurra and northern Australia is only going to get bigger as we go forward," he said.

"Most of our development in this particular year and the next couple of years going forward is probably going to be in the Northern Territory.

"Really the only thing which we're seeking to find more of at the moment is land that we can use and expand, so we're obviously looking forward to Ord Stage 3 and also excited by some of the developments announced by the Federal Government with their (northern Australia) white paper."

Source: <http://www.abc.net.au/news/2015-06-19/australian-sandalwood-producer-buys-us-drug-companies/6559164>

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