



Sandlewood grower to buy US-based pharmaceutical firms

Australian sandalwood grower TFS Corporation will acquire US-based pharmaceutical companies ViroXis Corporation and Santalis Pharmaceuticals for a minimum combined price of \$US23.4 million (\$30.1m).

TFS will pay \$US1.5m in cash and issue shares worth \$US21.9m as consideration. The deal will enable the timber grower to benefit from the distribution of value-added Indian sandalwood products in the global pharmaceutical market.

Perth-based TFS grows Indian sandalwood at plantations across the northern parts of Australia, and last year signed a contract to supply pharmaceutical-grade oil to Nestle-owned dermatology company Galderma. The endangered Indian sandalwood is in demand as timber but is also highly prized for its fragrant properties and is used in religious ceremonies, perfumes and pharmaceuticals.

As part of the acquisition, TFS will secure all royalty and licence fees from the development and sale of pharmaceutical products containing Indian sandalwood oil by ViroXis and Santalis. The two companies partner with TFS and since 2010 have invested \$US17m in the development and commercialisation of pharmaceutical products containing sandalwood oil. TFS currently owns 50 per cent of Santalis.

“While TFS previously benefited from pharmaceutical product development through oil sales, with these acquisitions we will also capture all future product earnings generated by ViroXis and Santalis, thereby significantly enhancing our own earnings,” TFS chief executive Frank Wilson said.

The deal will not impact the previous guidance for fiscal 2015 net profit of at least \$90m and cash earnings before tax and depreciation write-offs is expected to continue growing at 10 per cent a year. The acquisitions are expected to be earnings-dilutive in fiscal 2016.

The transaction involves TFS issuing 12.6 million shares in July 2015 and another 2.7 million shares between September 2015 and July 2016, at an issue price of \$1.85 a share.

Source: <http://www.theaustralian.com.au/business/sandlewood-grower-to-buy-us-based-pharmaceutical-firms/story-e6frg8zx-1227404750966>

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