



# CEOCFO

## Interviews & News!

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### Epistem Is Focused On Discovering The Body's Own Key Protein Regulators Of Cell Growth And Developing Protein Therapeutics That Will Impact The Area Of Cancer Oncology

**epistem**

Healthcare  
Biotechnology  
(EHP-LSE)

Epistem Ltd.

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**Matthew Walls**  
Chief Executive Officer

#### **BIO:**

Matthew joined Epistem in February 2007 as Chief Executive Officer. Matthew is an experienced CEO most recently with Oxford BioSignals Limited where he led the strategic 'diagnostic' collaboration with Rolls Royce Plc and Covance Inc and completed the recent fundraising and repositioning of the medical diagnostic business to the United States. Matthew spent the early part of

his career with ICI plc progressing through the executive development programme and several senior management positions. Matthew headed up the corporate financial and commercial development of plant biotechnology at AstraZeneca plc prior to its merger with Novartis to form Syngenta plc. Matthew has led the growth and development of several technology and biotechnology companies as CEO including Internexus Limited and Zylepsis Limited. Matthew holds a non-executive role at Riyada Oxford Investments Limited and is a chartered accountant and a member of CIMA.

#### **Company Profile:**

Epistem is a biotechnology company commercialising adult stem cells in the areas of oncology and gastrointestinal diseases as well as cosmeceutical applications. Epistem develops innovative therapeutics and diagnostic biomarkers and provides contract research services to drug development companies. The Group's expertise is focused on the regulation of adult stem cells located in epithelial tissue, which includes the gastrointestinal tract, skin, hair follicles, breast and prostate. Epistem does not conduct research in the areas of embryonic stem cells or stem cell transplantation

Epistem operates two distinct business divisions, Contract Research Services and Novel Therapies provides specialized preclinical efficacy testing primarily for drug development companies on a fee for service basis. This division on a standalone basis is cash generative and profitable, with an established track record of providing testing services to

over 65 company clients primarily in Europe and the United States.

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#### **Novel Therapies**

Novel Therapies is focused on developing its own innovative therapeutics and diagnostic biomarkers. Through its discovery platform, Novel Therapies has identified 250 potential drug candidates, of which a subset will undergo further evaluation as stem cell regulators for the Company's emerging drug development pipeline. Novel Therapies is also conducting feasibility studies with two drug development companies using its clinical diagnostic biomarker technology

#### **Combined Business Model**

The Company is exploiting its combined business model to advance its own therapeutic candidates to late preclinical stage development. The business model integrates the discovery efforts of Novel Therapies with the efficacy testing assays of its Contract Research Services Division, to identify and characterized new drug candidates. Revenues generated by Contract Research Services will assist in offsetting Novel Therapies' investment requirements for the discovery and development of therapeutics

In February 2007, Epistem licensed its first drug candidate to a clinical development company. With the validation of the Novel Therapies discovery platform and the achievement of discovery milestones, the Directors believe that additional licensing partnerships will be forthcoming for therapeutics, diagnostics and cosmeceuticals starting in 2008

**Interview conducted by:  
Lynn Fosse, Senior Editor**

**CEOFCFO:** Mr. Walls, you have been CEO for a little more than a year; how has Epistem changed under your leadership?

**Mr. Walls:** “There has been quite a substantial change since I became CEO. When I joined the company, the company hadn’t been floated or admitted to the AIM Stock Exchange at the London Stock Exchange. So the first thing I did after joining the company a couple of months later was to take the company to the Stock Exchange. We have been one of the few companies over the last 12 months that have actually gone up 20 to 25% within biotech and healthcare. So there’s been quite a substantial change.”

**CEOFCFO:** What’s the vision for Epistem today?

**Mr. Walls:** “We have got three areas to the company but there is one main area, which is centered around novel therapeutic protein therapies. What we are doing is discovering the body’s own key regulators of cell growth. These are proteins that have both a proliferational and inhibition effect over the cell growth and we are aiming to discovering those with a view to applying them to the treatment of cancer, oncology and also for use under the oncology support care based disease therapies.”

**CEOFCFO:** What is the idea that your company has that might be a little different than others and how do you go about doing this? [I think there is an error here in the CEOFCFO question]

**Mr. Walls:** “It’s quite fundamental. Looking at the area of stem cell where the company is focused, we are looking at proteins the ‘building blocks of life’ and specifically those proteins that regulate cellular growth. Whether it’s keeping the body in balance and therefore repelling or fighting disease, or whether it is looking at anti-aging factors, we are looking for proteins that have a regulation and impact over that cellular growth. In terms of looking forward about the next generation of therapeutic based proteins and products, it’s very much at the front end of this area of research and development.

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**CEOFCFO:** Tell me about what you are working on now and why specifically you have chosen to work on the areas that you have?

**Mr. Walls:** “In terms of its heritage, 20 or 30 years ago, the company was founded by Professor Chris Potten, who is an established thought leader in the area of stem cells. He started by looking at the characterization of the small intestine and how that organ operates within the body.

Within what we call the crypt cells of the small intestine, Chris started to identify those stem cells that were particularly sensitive to radiation and to understand how stem cells give rise to cellular growth. That was 20 to 30 years ago. In the 1990s, Chris put together models, which are now used by pharmaceutical development companies globally, to better understand how the drugs/compounds have an impact over epithelial stem cells. Five or six years ago the company started to look at its own drugs in terms of development and how we can bring forth our own proteins that will regulate cellular growth. It’s only in the last six months following the work that was started in 2002 that we have now started to see our first leads in emerge. The likelihood is that these will then be partnered with top tier pharma partners and these will then be developed into marketable drugs.”

**CEOFCFO:** You have worked with skin and hair follicles; tell me about that area.

**Mr. Walls:** “It’s a similar area. You are dealing with the epithelial stem cells, which is the area of competence for the company, the small intestine, the lungs, the prostate, but also your skin and your hair. All of these areas of the body are surrounded by epithelial tissue, which include epithelial stem cells. The company’s understanding in this area has given rise to

the growth that we have seen in over the last 12 or 18 months. Specifically in terms of hair and skin, we can grow our own skin and is what we call living skin equivalent. We build the layers of skin into a formed position of skin, rather than having to use human skin equivalents and so on. We have our own living skin equivalent. In addition, we also work with hair but by using the hair as a diagnostic as a measure of drug exposure in the tissue i.e a biomarker. This is looking at ways in which we can use the hair to give an indication of how a drug is impacting/targeting particular tissues of the epithelium. Again, it’s relatively technical but what we look at is the small bulb

of cells at the base of the hair follicle. We look at the RNA (Ribonucleic Acid) levels within that bulb of cells. We look at how RNA changes when we administer drug clinically or pre clinically. We are looking at what pathways are being impacted by a particular drug in order to establish a molecular biomarker.”

**CEO CFO:** What’s the strategy for Epistem over the next two or three years?

**Mr. Walls:** “We will be developing the three areas I have previously mentioned of CRO, Biomarker, and Novel Therapeutics from the core biology and research of the company. We expect to see further growth across each of these areas. We saw a 66% growth in the first half of this financial year in our CRO and that will continue to grow over the next few years. We have our hair biomarker markets that I have just talked about, and there are the diagnostics that we can use to measure the impact of a drug as it is administered in a particular system. The third area which is the most exciting area that will transform Epistem, is our protein therapeutics developments that are now emerging.”

**CEO CFO:** What’s the financial picture like for you today?

**Mr. Walls:** “We are pretty well placed. When we came into the market and were admitted in April last year, we raised just over to 2.6 million pounds so roughly \$5 million. As of the beginning of this year with the growth that we have seen we still have something in the order of 2.6 to 2.7 million Pound Sterling in the balance sheet so we are well funded. In addition to that we have seen revenues grow. We are in a strong position and this has also

been reflected in the stock price on the market as well.”

**CEO CFO:** As far as your contract research services, what accounts for the growth there and why are people choosing to use your company?

**Mr. Walls:** “It is primarily the knowledge now that people have about the uniqueness of the models that we have. The models are quite specific to the company. They are not models that you will find in other contract research companies. We have two particular areas that we have seen significant growth in; one is wound healing. These are models where we can see the impact of drugs that are treating wounds and also in the area of cancer stem cells. The latter are unique cancer stem cell models that measure the impact of drugs into regulating and inhibiting cancer stem cell growth.”

**CEO CFO:** Address the investment community; why should people be interested and why does Epistem stand out from the crowd?

**Mr. Walls:** “If you look at what Amgen and Johnson & Johnson did in the mid 1990s with a drug called Epogen and Procrit, those drugs account for something in the order of \$3 to 5 billion each for each of those companies. They regulate red blood stem cells in the bone marrow. We as a company are looking at regulating epithelial stem cells in the solid tumors as opposed to red blood stem cells. So we are looking at the solid tumor position which accounts for 80% of adult cancers and that’s the area that we are targeting. It’s a very exciting area, it’s certainly an area that we feel very well placed to operate in, and its already, to

some extent in commercial terms, been well trodden by Amgen and J&J albeit only in 20% of the market that we can see.”

**CEO CFO:** Will this be done in Europe first or in the United States?

**Mr. Walls:** “The appetite for growth and for what we are doing is particularly strong in the US. I spend one to two weeks a month here in the US at the moment. The appetite is very solid I think if anything, the likelihood is partners that we will work with will be US-based and they will be the first to see the leads that we have coming through into the market. I think it’s more likely to be a US-based to market for the products as opposed to European.”

**CEO CFO:** Final thoughts; what should people reading about Epistem remember most?

**Mr. Walls:** “There is excitement around where we are at the moment with stem cell regulators. These are the building blocks of life and are produced on a day-to-day basis throughout our lives to control how we grow and our cellular growth patterns. They go about it in a very simple way. We don’t know how it’s happening. What we are doing is discovering how those proteins impacts and regulates the body’s cell position so; it’s a very exciting area. We are at the leading edge of stem cell understanding and we hope to be a company that’s recognized in the US pretty powerfully over the next few years.”

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The logo for Epistem, featuring the word "epistem" in a lowercase, bold, sans-serif font. The letters are dark grey with a subtle gradient and a slight shadow effect, giving it a three-dimensional appearance. The logo is centered at the bottom of the page.

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