

MGRC to tap growing bio-informatics industry

BY Jenny Ng

Making its debut on Bursa Malaysia's ACE Market this Tuesday, Malaysian Genomics Resource Centre Bhd, a contract genomics services company, is confident of capitalising on the emerging global bio-informatics industry.

According to its prospectus, bio-informatics is the use of computational methods to identify and

analyse the bases in a biological organism.

"Due to the massive volume of bases present in DNA and the numerous computations that need to be carried out to identify the bases, biology has combined with computer science and IT to form the science of bio-informatics," it says.

Given the high volume of sequence data, bio-informatics analysis is needed to extract meaningful biological information. Often this analysis is outsourced to bio-informatics service providers such as MGRC.

Frost & Sullivan Malaysia Sdn Bhd expects the global bio-informatics industry to grow from an estimated US\$19 billion (RM59 billion) in 2009 to US\$50.1 billion by 2014.

The group's IPO involves the issue of 17.1 million new ordinary shares and an offer for sale of two million existing shares at an issue/offer price of RM1.08 per share. Of the 19.1 million shares, 16.5 million have been earmarked for private placement, two million for balloting and 600,000 offered to eligible directors.

The IPO will raise RM18.5 million, of which RM6.9 million will be used for capital expenditure, RM4.6 for working capital and the rest for marketing, research and development and listing expenses.

According to its prospectus, MGRC was set up in 2004, as an online bio-informatics application services provider offering bio-informatics applications services via its portal www.mgrc.com.my. The portal allows users to compare their genomic sequences with online databases of genomic data.

MGRC has two core business divisions — contract genomics services and genomics data access services. Its portal service is classified as genomics data access services while contract genomics services involve the analysis of large volumes of genomic data using proprietary analytical pipelines. It supports customers with a full range of services from project design and scoping to sequencing, assembly, mapping and validation of data to intensive bio-informatics analysis and data mining.

COMPANY PROSPECTUS

MGRC Bhd

IPO details

ACE market
Issue price: RM1.08
Par value: 10 sen
Paid-up share capital (after IPO): RM9.4 million
Estimated free float: 30%
Controlling shareholders:
Synamatix Sdn Bhd (64.3%), Neuramatix Sdn Bhd (5.1%)
Subscription rate: 28.7 times
Listing date: Oct 5

Financial highlights:

FY END MAY RM MIL	FYE 2007	FYE 2008	FYE 2009	10 MONTHS TO MARCH 31, 2010
Turnover	2.0	6.2	17.1	14.3
Net profit	0.005	1.8	12.0	9.3
EPS (sen)	0.01	2.3	15.6	12.05
EPS based on share capital of 94.1 million shares upon listing (sen)	0.005	1.9	12.7	9.9

The end result of genomics sequencing and analysis is used by researchers and scientists to develop solutions for the healthcare, agriculture, industrial and environmental sectors.

MGRC's focus is currently on contract genomics services to provide customised bio-informatics analysis solutions to customers. The segment contributed 72% of revenue in FY2009 ended May 31.

It has provided analysis services for a wide range of customers, including Brigham & Women's Hospital, a teaching affiliate of Harvard Medical School, and the Australian Genome Research Facility Ltd. MGRC's holding company Synamatix Sdn Bhd undertook the assembly and analysis of the oil palm genome for Sime Darby Bhd, as well as yeast and bacterial genomes for Universiti Kebangsaan Malaysia.

The company sees growing potential for its contract genomics services due to a large and expanding demand for computational analysis of DNA sequence data. This is driven by advances in sequencing technology, availability of DNA sequence data and growth in outsourcing.

The company lists first-mover advantage, its ability to adapt to market needs, and bio-informatics expertise as its competitive advantages. The risk factors include the ability to recruit talent, dependency on software programmes and systems, dependence on key management, limited customer base and fluctuation in revenue.

Note that MGRC enjoys pioneer status as a BioNexus company. As such, income from qualifying business activities is fully tax exempt for 10 years from July 23, 2007.

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