

Entrepreneur

Testing times are good news for university spin-out

BUSINESS PROFILE

The Binding Site has had great success creating diagnostic tools for serious diseases, writes Jonathan Moules

An intriguing business success story is hidden away in Kings Heath, Birmingham. The humdrum West Midlands suburb is home to The Binding Site, a university spin-out with a fast-growing test for cancer, that expects to increase sales in the year to September 2008 by £7m to £38m.

The low-profile company, which employs 440 staff worldwide, is likely to become better known as co-founder Jo Bradwell considers options for his majority stake.

Bradwell, a softly-spoken, bearded professor, is the only member of a group of Birmingham University employees who set up The Binding Site still actively involved in the company.

"I wanted to retire, but the others retired instead," he jokes.

At 62, Bradwell is cagey about what he plans to do with his shares, saying only that he wants to continue building up the business. "But I've got to get out before I die," he adds.

Bradwell, a physician specialising in immunology research, helped found The Binding Site in 1983. A small unit at Birmingham University had been making diagnostic tests for Unilever, which cancelled the contract because profitability was poor. Nor "could the university see any money in it", recalls Bradwell.

With hindsight that betrays a certain lack of vision.

The company's name refers to the part of an antibody that locks, key-like, into a foreign substance in the human body. Antibodies can be useful diagnostic tools in blood tests. If they lock into their target protein in a blood sample it can help a doctor to decide whether a patient has a particular disease or not.

The antibodies used in the more than 1,000 tests marketed by The Binding Site are produced by inoculating sheep, taking blood samples from them and purifying the antibodies from the blood samples.

A company executive proudly shows off a glass flask containing around a pint of this murky fluid. "That's worth around £250,000," he says, taking care not to knock the container over.

Freelite is the product that has generated the best growth for The Binding Site and promises the most for the future.

It is used for diagnosing multiple myeloma, a form of bone marrow cancer with a fearsome mortality rate. Freelite's name refers to the characteristic "free, light chain proteins" characteristically produced by some forms of blood cancer.

Paul Duncan, head of sales and marketing, explains that although multiple myeloma is an uncommon disease, testing for its presence is widespread.

This is because its symptoms, such as lethargy and a bad back, are shared with far more frequent and less serious complaints. Ruling out multiple myeloma is an important duty for doctors, who know that early diagnosis of cancer greatly increases survival rates.

The product is used in treatment as well as diagnosis, for monitoring the effectiveness

with which anti-cancer drugs are controlling and killing tumours.

Sales of Freelite have been growing at 50 per cent a year. They are expected to account for a third of company turnover this year, when The Binding Site is on course to make around £6m in "clean" profits (earnings before interest, tax, depreciation and amortisation). Duncan estimates the total potential market for Freelite at more than £100m.

When Birmingham University announced it would close its diagnostics unit in 1983, four staff members responded by taking over the business in lab space rented from the university.

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Almost a quarter of a century later, The Binding Site is based in a labyrinthine building in Small Heath that once housed a coathanger factory. The walls are decorated with brightly coloured pictures based on microscopy images. Hordes of staff in white lab coats work at long benches crowded with the expensive equipment needed to make the tests sold by The Binding Site.

The early years of The Binding Site sound as harum-scarum as at any start-up business. According to Duncan, when distributor Unilever severed its ties, two staff "went to the US, got a Yellow Pages and ran all over

the country asking [potential customers] 'if you bought our tests with a red label on would you buy them with a yellow label instead?' The reply was 'Yes'."

The US now accounts for 50 per cent of sales. There, patients who are covered by medical insurance are more likely to get access to relatively expensive blood tests than in some other countries. The cost of the test may be offset by better treatment and lower overall expenses.

The Binding Site makes two main groups of tests apart from Freelite. The first help doctors to diagnose patients with immuno-deficiencies. These were the original specialisation of the company. The second are used for spotting auto-immune diseases - for example rheumatoid arthritis, accounting for around half of turnover.

Growth has been funded entirely from cashflow. The only challenges Bradwell and his executive team mention are those posed by recent rapid growth, including deciding which products to prioritise. To the nosy outsider, succession planning appears to be an obvious issue, though not - as is the way with succession planning - one that anyone in the business is anxious to discuss.

What is most striking is finding a university spin-out prospering unremarked just two miles from Longbridge, home of the defunct volume carmaker MG Rover.

Biotech has produced more disappointments than pleasant surprises over the years, most notably the UK's flagship company British Biotech, which was embroiled in controversy over press releases concerning clinical trials in the late 1990s.

The Binding Site, in contrast, makes solid profits rather than exaggerated claims.