**Mesoblast lining up partners for stem cell trials**

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Mesoblast Ltd said it is lining up potential partners to fund further trials of its stem cell therapies, after releasing promising results from a phase II study into its treatment for diabetes-related kidney disease.

Silviu Itescu, the pharmaceutical company's founder and chief executive, said the condition is a large unmet medical need with the potential to generate $US1 billion to $US2 billion in annual revenue.

"We are in active discussions with a number of strategic partners who have significant interest and already have products targeting diseases of inflammation," Prof. Itescu said in an interview.

An estimated 29 million people have diabetes in the U.S. alone, of which 6 million patients are expected to develop kidney disease. Diabetes is the leading cause of end-stage kidney disease -- when the kidneys stop working well enough for a patient to live without dialysis or transplant.

Mesoblast's 30-patient trial found an injection of the company's MPC-300-IV product, an allogeneic mesenchymal precursor cell, was safe and improved organ function. The Melbourne-based company presented the results in poster form at the annual American Diabetes Association meeting in Boston.

"It's a small trial but the results are promising and it's been presented at a major conference, so they are trying to maximize the exposure and try and identify potential partners," said Morningstar analyst Chris Kallos.

Mesoblast is now waiting for results from a study into the use of the same product for rheumatoid arthritis.

"The breadth of the applications of this intravenous product is very large," said Prof. Itescu. "Over the next couple of months, as the results come to hand from rheumatoid arthritis, I think we will seek a strategic partner to partner with a phase III development and commercialization of this product."

The treatment will join three others that Mesoblast has in Phase III trials  --  a treatment for congestive heart failure, which it's developing in partnership with Teva Pharmaceutical Industries Ltd., and treatments for back pain and graft versus host disease, a complication of bone marrow transplants. None of its products is at a stage where it is generating any revenue.

"We have enough cash for the next 18 months. I would expect that as we execute one or more strategic partnerships over the next few months, that will come along with a cash infusion in relation to both an upfront payment and also an equity component," Prof. Itescu said.

In April, Celgene Corp. agreed to buy about 4 per cent of Mesoblast's stock for around 58.5 million Australian dollars ($US44.9 million) in a deal that also gave it a six-month right of first refusal to various Mesoblast product candidates.