Edison healthcare quarterly

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The Edison healthcare team

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Robin Davison

Robin is the head of the biotech, med-tech and life science team at Edison Investment Research. He has over 15 years' experience covering the biotech, pharmaceuticals and healthcare sectors both as an investment analyst and as a journalist on specialist industry and financial publications. He was formerly biotech analyst for Durlacher Corporation, a contributor to Financier Worldwide, a co-founder and editor of Biopoly and editor of Scrip World Pharmaceutical News.

Lala Gregorek

Lala joined Edison's healthcare team in January 2010 from Canaccord Adams, where the focus of her coverage as a life sciences analyst was on UK and European biotech stocks. Before graduating with an M.Phil in bioscience enterprise from Cambridge University, she worked in risk management as a credit analyst covering European financial institutions and hedge funds at Dresdner Kleinwort and Lehman Brothers. Lala also holds a BA (Hons) in biological sciences from Oxford University.

Mick Cooper

Mick joined Edison's healthcare team in January 2010, after working for three years at Blue Oar Securities as the pharmaceuticals & biotechnology equity analyst, where he covered a wide range of healthcare companies. He holds a doctorate from Cambridge University and completed an MBA at INSEAD business school in France after working as a parliamentary researcher. Mick is also a CFA charterholder.

Jacob Plieth

Jacob joined Edison's healthcare team in April 2007 and has 11 years' experience covering the global biotech/pharmaceutical sector as an analyst and a journalist. He came to Edison having been deputy editor of Scrip World Pharmaceutical News, and spent almost two years as an opinion writer at Dow Jones/Wall Street Journal. He is a biochemist by training, and has spoken about pharmaceutical and other topics on the BBC World Service and News 24.

John Savin

John is an analyst working on biotech, pharma, medical device and diagnostics companies. As founder CEO of Physiomics plc, he devised the strategy, raised funds and took the company to AIM in 2004. At Greig Middleton, John was director in charge of the pharma and biotech analyst team and worked with corporate finance on fund-raising, IPOs and corporate restructuring. He has an industry background in sales and marketing with GE Healthcare and AstraZeneca and is a co-author on a number of scientific publications. He has a PhD in organic chemistry as well as MBA degrees.

Christian Glennie

Christian joined Edison's healthcare team in January 2012 and has 11 years' experience covering the global biotech/pharmaceutical sector as an analyst and a journalist. He came to Edison having held senior analyst and editorial roles at EvaluatePharma and EP Vantage. Christian also has prior experience as a marketing analyst at Zeneca Agrochemicals.

Emma Ulker

Emma has a strong background in broking, having worked for five years as an equity sales assistant at Société Générale on the European sales desk. After this she worked for Thomson Financial where she helped to ensure the integrity of financial data across all instruments. Emma is a qualified linguist with an MA in technical and specialised translation in Spanish and French. In addition, Emma recently earned the Investment Management Certificate, CFA level 4.

Wang Chong

Wang is a physician with over 21 years of experience in the healthcare industry. He is also experienced in M&A transactions and has helped negotiate multi-million-pound out-licensing deals with Unilever and Schering-Plough. His previous roles include CFO of Phytopharm, life sciences analyst at Canaccord Capital (Europe), CEO of Osmetech, leader of UK healthcare initiatives at management consultants Arthur D. Little, and commercial roles at Glaxo Wellcome and SmithKline Beecham.

Andrew Fellows

Andrew is a qualified medical doctor with over 20 years' experience in healthcare research, including pharmaceuticals, biotech and medical technology companies. He was formerly head of research in London for MainFirst Bank AG as well as analyst on European healthcare companies, and prior to that worked as an analyst on European pharmaceuticals and biotech at Pictet & Cie in London.

How to please some of the people some of the time

Jacob Plieth

There's just no pleasing some people. Take AstraZeneca's investors, for instance. A $1.3bn acquisition, an innovative risk-sharing deal with the world's biggest biotech company, Amgen, and the departure of an unpopular CEO – all within the space of four weeks – was still not enough to stem a haemorrhaging share price and prevent over £2bn being wiped off the UK company's market cap in a day.

In fairness, though, AstraZeneca's troubles probably run too deep for them to be solved by a couple of smart business transactions and a CEO defenestration – irrespective of much of a hate figure David Brennan had become in the eyes of some shareholders. The problem is neither novel nor unique to AstraZeneca: severe generic erosion and a dearth of new drugs emerging from the company's pipeline have put a strain on revenues – the UK firm's first-quarter sales slumped by 11% – and, ultimately, threatened dividends.

Of course, big pharma's pain is biotech's gain. Or rather, it could be. In the last healthcare quarterly we argued that M&A would continue to play a key role in biotech, especially as far as US companies are concerned, pointing to the way last year's surge of interest in hepatitis C and resulting takeout premiums had caused biotech's appeal to spread to generalist investors. True, on the downside this can create bubbles that leave behind a nasty mess when they pop, but the fact remains.

Ardea Biosciences, the US biotech just bought by AstraZeneca, is a case in point. When we wrote on the company in a December 2011 note we highlighted the impressive Phase IIb data reported with its gout project, while cautioning that additional cash would be needed to complete the pivotal programme. Less than four months later AstraZeneca has stepped in, giving Ardea investors a 54% premium overnight. Ka-ching!

28 May 2012

Jacob Plieth

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Prices as at 18 May 2012

Lost revenues

There's nothing new in the long-term rationale behind the Ardea takeover: replacing revenues lost to generic erosion by a new suite of products. It is too late in the day to help AstraZeneca in the near term, but the trend will continue as the generic tsunami sweeps across the sector. And let's not forget that 2012 promises to be a peak year for patent expiries.

An even bigger premium – 81% to be precise – was offered by the UK's other pharma giant, GlaxoSmithKline, to buy out its depressed partner, Human Genome Sciences (HGSI), along with its underperforming lupus drug Benlysta and key Phase III asset darapladib (also co-developed with GSK). Although the premium was massive the bid was distinctly low-ball, coming at a level at which HGSI's stock had traded just last October, and was, not surprisingly, rejected.

None the less, GSK has its target by the short and curlies, and as if to prove the point it has taken its offer straight to shareholders. It already co-promotes Benlysta, has rights to late-stage R&D projects under a longstanding research and commercialisation alliance dating back to 1993 and probably knows the company better than anyone. With Benlysta sales underwhelming spectacularly since the drug's launch last year and darapladib yet to cross the regulatory line, now is a smart time to bid for HGSI, and it's hard to see which way the US biotech can turn for an alternative. True, a biotech can be bought by someone other than its key partner – as ImClone Systems proved in 2008 – but this is the exception rather than the rule.

Close followers of UK biotech will already have noted an important read-across for Immupharma, which is trying to find a partner for its own lupus project, Lupuzor, when this was returned after its initial partner Cephalon was bought by Teva. On the one hand it's positive that Benlysta, a key potential future competitor, is struggling. But on the other, if the bargain-basement price for which HGSI looks likely to be sold is indicative of GSK's view of the overall market for lupus it will be very difficult for Immupharma to repeat its 2009 Cephalon licensing deal.

Will GSK raise its bid? Probably, but not by much. Is there any chance of HGSI finding a white knight? Very, very little. As Roche has just shown in abandoning its hostile $6bn bid for the gene-sequencing company Illumina, big pharma will remain disciplined, and the days of silly money flying around are probably over. Well, perhaps with the exception of hepatitis C...

M&A spotlight

Also under the M&A spotlight last month were Amylin Pharmaceuticals and Onyx Pharmaceuticals, both of which are logical takeover targets. However, the former is far more likely to be taken out than the latter, given that it has regained full rights to its diabetes franchise from Lilly and that its stock resolutely refuses to recover from a slump that has now lasted for over three years.

Add to the mix the billionaire financier Carl Icahn, its third-largest shareholder, who continues to call for the company to be sold, and it's a no-brainer that Amylin will be acquired, although likely for

more than the $22 per share from Bristol-Myers Squibb that was reportedly rebuffed in April. It's only a matter of time, as Amylin's stock (currently trading above $25) suggests.

Talk of Onyx being bought by Bayer surfaces with astonishing regularity, so the latest rumour is no surprise. Like GSK and HGSI the two companies have an alliance that is one of the longest-standing in the sector (theirs dates back to 1994). It makes perfect sense for Bayer to acquire its partner, in the process gaining full rights to Nexavar and other oncology projects; this is especially the case now that a lawsuit between the two, relating to the important Nexavar follow-on regorafenib, has been settled in what is largely seen as Onyx's favour.

That said, a takeover is unlikely. The rationale for it was much stronger two years ago, when it became obvious that Nexavar was a future blockbuster and that an acquisition was the clear solution to the spat over regorafenib, and when Onyx's stock had slumped to a three-year low; the shares now trade at more than double that level. If Bayer – a notoriously conservative company – didn't pull the trigger then, why should it do so now?

Private equity

Another spotlight fell on the women's health company Warner Chilcott, which admitted to exploring a sale after rumours surfaced of a purchase by several possible acquirers, including private equity. A $5bn+ takeover of Warner would represent the first major foray into healthcare by private equity – reportedly flush with cash – for several years. If it comes off let's hope it goes better than the ill-timed 2007 purchase of the generics maker Actavis, which has just been sold to Watson Pharmaceuticals for €4.5bn.

Still, much as investors love an acquisition-driven payout, it wasn't all M&A in the first quarter. Deal-making continued to play an important role in the biotech universe, and companies with the right assets at the right stage – like Endocyte, which licensed its Phase III anticancer project vintafolide to Merck & Co for $120m up front plus $880m in milestones – will continue to reward investors with pleasant surprises.

In December we had highlighted Endocyte's 68% share price crash due to mixed data with vintafolide as an attractive buying opportunity. Four months on the stock price has doubled.

On the other hand, S*BIO managed to secure – wait for it – $15m up front from Cell Therapeutics for its JAK2-inhibitor myelofibrosis project pacritinib. The JAK mechanism of action was a massive hit with pharma a couple of years back, so on the face of it the anaemic deal struck by S*BIO could be seen as a worrying sign for this space. But in truth pacritinib's efficacy data have underwhelmed and its side-effect profile is extremely poor, and the project had been ditched by the previous licensee, Onyx; it was effectively dead in the water, so even the tiny value that it did generate was probably more than some had expected.

Certainly Canada's YM Biosciences, which in CYT387 has one of the few remaining unpartnered JAK2 inhibitors, will be hoping for more.

Catalysts

Apart from M&A and licensing deals, which will continue to occur sporadically, what catalysts will drive the sector over the coming quarter? The most obvious is ASCO, the oncology conference that takes place in Chicago on 1-5 June.

Aveo Pharmaceuticals, for instance, due to present full data from a Phase III trial comparing tivozanib against sorafenib in renal cell carcinoma, will be hoping to stem a recent share price decline. Johnson & Johnson should cause a stir when it presents data with abiraterone in chemotherapy-naive, metastatic, castration-resistant prostate cancer patients from a Phase III trial that was unblinded in March because of a strong efficacy signal, and this will be an obvious catalyst for abraterone's originator, BTG.

And don't forget Celldex Therapeutics, the US biotech that had its abstract relating to long-awaited Phase IIb breast cancer data rejected from ASCO owing to what it termed a "clerical error". The data have instead been presented in a company-sponsored webcast, and the mistake has caused such a buzz that the results could, ironically, generate even more interest than they would if they were being presented at ASCO; the stock is up 60% since the start of this year.

Away from ASCO, the long race to bring the first new obesity treatment to the US market for 13 years is coming down the finishing straight, with Arena Pharmaceuticals' lorcaserin securing the backing of an advisory panel on 10 May and awaiting FDA action by the PDUFA date of 27 June. Its competitor, Vivus, currently has a market value of $2.4bn – double Arena's market cap – likely thanks to its own obesity project, Qnexa, being far more efficacious than lorcaserin as well as having also received strong advisory committee backing, and a separate project, avanafil, having recently been approved for erectile dysfunction. The PDUFA date for Qnexa was recently put back by three months to 17 July.

Advisory panel backing or not, FDA approval is still by no means a given for any weight-loss drug, and obesity companies' stock prices will continue to fluctuate; were Qnexa to receive approval Vivus would find itself squarely in the transaction frame, given that its drug is the only one of three late-stage obesity projects not to have been partnered yet.

For some large companies a deal, albeit risky, could be just what the doctor ordered. For others it would be too little, too late.

Upcoming newsflow

Exhibit 1: Expected near-term newsflow catalysts for pharma/biotech

June		
ASCO conference	1-5 June	Chicago
PDUFA date for ridaforolimus (Ariad)	5 June	Metastatic soft-tissue or bone sarcomas
PDUFA date for crofelemer (Salix)	5 June	Diarrhoea in HIV/AIDS patients on antiretroviral therapy
EULAR conference	6-9 June	Berlin
American Diabetes Association conference	8-12 June	Philadelphia
Consort Medical	14 June	Results for year ended April 2012
European Haematology Association conference	14-17 June	Netherlands
American Society for Mocrobiology conference	16-19 June	San Francisco
BIO international convention	18-21 June	Boston
US advisory panel on semuloparin (Sanofi)	20 June	Prophylaxis of venous thromboembolism in chemo patients
US advisory panel on carfilzomib (Onyx)	20 June	Relapsed and refractory multiple myeloma
The Endocrine Society conference	23-26 June	Houston
Zealand Pharma R&D day	26 June	Copenhagen
PDUFA date for lorcaserin (Arena)	27 June	Obesity
PDUFA date for aclidinium (Forest)	June (unspecified)	COPD
Allergy Therapeutics	Q2 (unspecified)	Pollinex Quattro Grass decision in Germany and launch
Astex Pharmaceuticals	Q2 (unspecified)	SGI-110 to enter Phase II in ovarian cancer
GSK/Theravance	Q2 (unspecified)	Data from Phase IIb COPD trial of GSK-961081
Vectura	Q2 (unspecified)	Final VR632 development milestone (€1.1m)
July		
PDUFA date for vismodegib (Roche)	12 July	Advanced basal cell carcinoma
Wilex	12 July	2nd-quarter results
PDUFA date for Qnexa (Vivus)	17 July	Obesity
Novartis 2nd-quarter results	19 July	Read-across for GW Pharma and Vectura
PDUFA date for AMR101 (Amarin)	26 July	Treating patients with very high triglycerides
PDUFA date for Lodotra (Horizon)	26 July	Rheumatoid arthritis
PDUFA date for carfilzomib (Onyx)	27 July	Relapsed and refractory multiple myeloma
PDUFA date for Arcalyst (Regeneron)	30 July	Gout flares in patients initiating uric acid-lowering therapy
Almirall 1st-half results	30 July	Read-across for GW Pharma and Vectura
Agennix	31 July	2nd-quarter results
BTG	July (unspecified)	Interim management statement
Morphosys	July (unspecified)	2nd-quarter results
Oxford BioMedica	July (unspecified)	Phase II (TRIOC) study of TroVax in metastatic ovarian cancer to start
Vectura	July (unspecified)	Interim management statement
August		
Biotie	3 August	2nd-quarter results
PDUFA date for aflibercept (Regeneron)	4 August	Metastatic colorectal cancer previously treated with oxaliplatin
ProMetic Life Sciences	15 August	2nd-quarter results
Algeta	16 August	2nd-quarter results
Ark Therapeutics	22 August	1st-half results
European Society of Cardiology conference	25-29 August	Munich
Topotarget	29 August	2nd-quarter results
Evotec	August (unspecified)	2nd-quarter results
Oxford BioMedica	August (unspecified)	1st-half results
Paion	August (unspecified)	2nd-quarter results
SkyePharma	August (unspecified)	1st-half results
Vernalis	August (unspecified)	1st-half results

Source: Edison Investment Research

Company coverage

Company	Note	Date published
4SC	Update	14/05/2012
Aastrom BioSciences	Review	23/03/2012
Abcam	Outlook; Update	07/07/2011; 21/09/2011
Ablynx	Update	14/03/2012
Addex Pharmaceuticals	Update	26/03/2012
Adventrx Pharmaceuticals	Outlook	25/05/2012
Agennix	Update	03/02/2012
Algeta	Update; Update	28/02/2012; 14/05/2012
Allergy Therapeutics	Update	11/04/2012
AmpliPhi Biosciences	Outlook	09/08/2011
Animalcare Group	Review	13/10/2011
Ark Therapeutics	Outlook	23/03/2012
Astex Pharmaceuticals	Outlook; Update	05/01/2012; 17/02/2012
BioInvent	Review	03/05/2012
Biotie Therapies Corp	Review	07/03/2012
BTG	Update	14/03/2012
Circadian Technologies	Update	14/03/2012
Clavis Pharma	Outlook	28/02/2012
Consort Medical	Update	01/05/2012
Deltex Medical	Update	23/04/2012
e-Therapeutics	Update; Update	28/10/2011; 30/03/2012
EpiCept	Update	02/03/2012
Epigenomics	Update	04/04/2012
Epistem Holdings	Update	31/03/2011
Evolva	Outlook	04/04/2012
Evotec	Update	05/04/2012
Exonhit	Outlook	21/05/2012
GW Pharmaceuticals	Outlook; Update	13/12/2011; 29/03/2012
Hybrigenics	Update	28/03/2012
ImmuPharma	Update	26/10/2011
Lombard Medical Technologies	Update	11/05/2012
Medcom Tech	Outlook	12/12/2011
Medigene	Update	10/05/2012
MorphoSys	Update	12/12/2011
Omega Diagnostics	Review; Update	02/03/2012; 03/05/2012
OncoGenex Pharmaceuticals	Update	03/04/2012
Oncolytics Biotech	Update	07/03/2012
Oxford BioMedica	Update; Update	09/03/2012; 14/05/2012
Paion	Update	16/03/2012
Pharming Group	Update	17/05/2011
Phylogica	Update	11/05/2012
Phytopharm	Review	23/01/2012
ProMetic Life Sciences	Update	03/02/2012
Proteome Sciences	Outlook	03/04/2012
SkyePharma	Update	27/04/2012
Sunesis Pharmaceuticals	Update	04/04/2012
Synta Pharmaceuticals	Update	23/03/2012
TiGenix	Review	02/04/2012
TopoTarget	Update	12/04/2012
Transgene	Update; Update	28/03/2012; 23/05/2012
Vectura	Update	09/05/2012
Vernalis	Update	19/04/2012
Wilex	Update	06/03/2012
YM BioSciences	Update	01/03/2012

Investment Trusts

BB Biotech	Investment Trust Review	08/05/2012
Biotech Growth Trust (The)	Investment Trust Review	10/11/2011
International Biotechnology Trust	Investment Trust Review	25/10/2011; 16/04/2012
Worldwide Healthcare Trust	Investment Trust Review	24/06/2011; 10/02/2012

QuickViews

To view the following QuickViews see the healthcare sector profile on our website

AB Science	06/02/2012
Achillion	12/03/2012
Active Biotech	21/02/2012
Agennix	22/03/2012
Alnylam Pharmaceuticals	10/02/2012
Ariad Pharmaceuticals	05/03/2012
Array BioPharma	09/02/2012
Anthera	24/02/2012
Arrowhead Research	04/01/2012
AVEO Pharmaceuticals	08/05/2012
AVI BioPharma	07/03/2012
Basilea	12/01/2012
BioCryst Pharmaceuticals	20/02/2012
BioLineRx	20/02/2012
Biota Holdings	11/04/2012
Celldex Therapeutics	12/03/2012
Clinuvel	05/01/2012
Curis	31/01/2012
Dechra Pharmaceuticals	23/02/2012
Endocyte	18/04/2012
EKF Diagnostics	23/03/2012
Galapagos	05/03/2012
Genfit	09/02/2012
Genmab	12/03/2012
GW Pharmaceuticals	29/03/2012
Idenix	11/01/2012
Imperial Innovations	12/03/2012; 30/04/2012
Infinity Pharmaceuticals	06/01/2012; 30/01/2012
Keryx Biopharmaceuticals	05/03/2012
MagForce	03/02/2012
Neovacs	22/02/2012
NicOx	22/03/2012
Orexo	01/02/2012
Pharmaxis	30/01/2012
Photocure	16/01/2012; 22/02/2012
QRxPharma	28/03/2012
Sangamo BioSciences	03/02/2012
Source Bioscience	27/03/2012
Stratec Biomedical	02/04/2012; 17/05/2012
Sucampo Pharmaceuticals	11/05/2012
ThromboGenics	21/03/2012
United Drug	14/05/2012
Vivus	23/02/2012
Zeltia	26/04/2012

Alternext stocks covered

Biosynex
CARMAT
Cellectis
Cerep
ExonHit
Genfit
GenOway
Hybrigenics
IntegraGen
Ipsogen
MEDICREA International
Neovacs
Tekka
Visiomed Group

Company profiles

Edison investment research

Sector: Pharma & Healthcare

Price:	€2.10
Market cap:	€88m
Forecast net cash (€m)	0.5
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)

Company description

4SC is a Munich-based drug discovery and development company focused on the development of small-molecule compounds for treating cancer and autoimmune diseases. Its R&D pipeline has six NCEs, five of which are in clinical trials.

Price performance

%	1m	3m	12m
Actual	(12.9)	(24.4)	(42.1)
Relative*	(6.5)	(17.4)	(32.6)

* % Relative to local index

Analyst

Jacob Plieth

4SC (VSC)

INVESTMENT SUMMARY

4SC remains focused on finding an ex-Japan partner for resminostat, the oral pan-HDAC inhibitor that could - funding permitting - enter a Phase III trial in hepatocellular carcinoma next year. 4SC reported a reduction in first-quarter R&D spending, and ended the period with cash of €12m. With a projected monthly burn of €1.2m this will last only until early 2013 in the absence of licensing or other forms of fund raising. We have made small changes to our financial model, and continue to project a cash shortfall of some €20m to the end of 2013.

INDUSTRY OUTLOOK

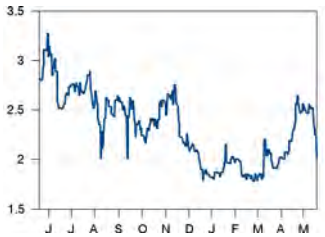
In 2012/13 4SC is due to report results of a second Phase I/II resminostat trial (SHORE), in second-line metastatic colorectal cancer. The earlier-stage projects 4SC-202 and 4SC-205 should yield Phase I data this year. 4SC's cash reach has been extended thanks to a near-term focus only on vidofludimus, resminostat and 4SC-202.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	1.0	(18.5)	(18.9)	(48.9)	N/A	N/A
2011A	0.8	(17.1)	(17.3)	(43.1)	N/A	N/A
2012E	1.0	(14.2)	(14.4)	(34.3)	N/A	N/A
2013E	0.9	(17.8)	(18.1)	(43.0)	N/A	N/A

Sector: Pharma & Healthcare

Price:	US$2.01
Market cap:	US$78m
Forecast net cash (US$m)	9.9
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)



Company description

Aastrom Biosciences uses autologous cell therapy to process and inject the patient's own cells. The lead Phase III product aims to reduce the amputation rate in patients with blocked leg arteries: this has $1.25bn sales potential.

Price performance

%	1m	3m	12m
Actual	(12.6)	9.2	(31.2)
Relative*	(6.5)	14.8	(28.7)

* % Relative to local index

Analyst

John Savin

Aastrom Biosciences (ASTM)

INVESTMENT SUMMARY

In Q1, Aastrom started the REVIVE Phase III study with Ixmyelocel-T, a key event. The company aims to market directly in the US; we assume an EU partnering deal and a 2013 upfront payment. The Q112 $40m funding gave cash of $36.7m as of 31 March. Q1 R&D was $6.8m, with $1.8m in administration. There was a non-cash loss of $0.9m on warrants.

INDUSTRY OUTLOOK

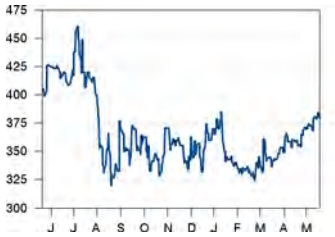
Phase II RESTORE CLI data showed a statistically significant reduction in the combined amputation and amputation-related risk factor endpoint (p=0.0032). The pivotal REVIVE Phase III in 594 patients has an FDA SPA; the first patient enrolment was announced on 9 May. If it meets its 12-month REVIVE endpoint, Ixmyelocel-T should be the first marketed cell therapy for CLI and the only US treatment option for 100,000-150,000 potential amputees per year. In ischaemic dilated cardiomyopathy, a Phase IIa indicated good safety and some responses. Aastrom is planning a Phase IIb study. Ixmyelocel-T has c 25% M2 macrophages, which may be critical for efficacy.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.3	(11.4)	(11.6)	(39.7)	N/A	N/A
2011A	0.0	(28.4)	(29.0)	(75.1)	N/A	N/A
2012E	0.0	(32.5)	(37.1)	(96.0)	N/A	N/A
2013E	0.0	(35.4)	(41.1)	(106.4)	N/A	N/A

Sector: Pharma & Healthcare

Price:	379.0p
Market cap:	£751m
Forecast net cash (£m)	45.0
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)



Company description

Abcam produces and sells antibodies and other protein tools for use in research via its website. Its main clients are universities, research institutes and pharmaceutical companies across the world.

Price performance

%	1m	3m	12m
Actual	5.3	15.4	(5.2)
Relative*	14.9	28.6	6.7

* % Relative to local index

Analyst

Mick Cooper

Abcam (ABC)

INVESTMENT SUMMARY

Abcam reported a sharp slowdown in H112 revenue growth to 13.8% (vs 20.2% H111) to £44.7m. This mainly occurred due to slower US growth, which generates 43% of sales. To sustain its strong growth in a challenging market, it bought Epitomics for $155m (6x FY11 sales). The acquisition makes Abcam a leader in rabbit monoclonal antibodies, the fastest growing area of the research antibody market. It should also help Abcam penetrate the pharmaceutical market. So in our view, Abcam has paid a fair but full price for Epitomics and the acquisition is strategically important to protect Abcam's position as the market leader in research antibodies.

INDUSTRY OUTLOOK

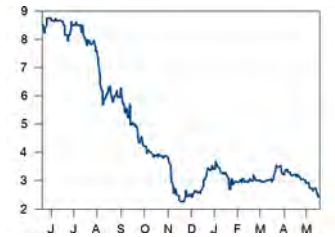
More biological research is conducted into proteins, increasing the demand for protein research tools. However, the funding of academic research is coming under greater pressure as governments look to reduce their debts. Abcam is the market leader for research antibodies but has a limited market position in the wider protein research tools market.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	71.1	27.2	26.0	10.9	34.8	27.1
2011A	83.3	33.3	32.3	13.4	28.3	20.8
2012E	97.9	37.0	36.6	14.9	25.4	20.7
2013E	126.7	44.3	43.6	16.5	23.0	17.3

Sector: Pharma & Healthcare

Price:	€2.44
Market cap:	€107m
Forecast net cash (€m)	54.7
Forecast gearing ratio (%)	N/A
Market	Euronext Brussels

Share price graph (€)



Company description

Ablynx is a drug-discovery company with a proprietary technology platform. It is developing a novel class of therapeutic proteins called Nanobodies to treat a range of indications; seven products are in clinical development.

Price performance

%	1m	3m	12m
Actual	(24.2)	(18.1)	(71.1)
Relative*	(17.5)	(10.0)	(62.4)

* % Relative to local index

Analyst

Mick Cooper

Ablynx (ABLX)

INVESTMENT SUMMARY

Ablynx has developed a broad pipeline using its Nanobody technology in many disease areas. These therapeutic proteins have the specificity of monoclonal antibodies and many of the benefits of small molecules. Its lead Nanobody, ozoralizumab (ATN-103 for the $21bn TNF market), successfully completed a Phase II study in RA and Ablynx is looking for a new partner (Pfizer previously had the rights). Two other Nanobodies are in Phase II trials, ALX-0081/0681 in TTP and ALX-0061 in RA. Ablynx is increasing its business development activities, which should be helped by Boehringer Ingelheim's and Novartis's advancing Nanobodies into Phase I. More flexible about the terms of potential partnerships and when it will partner programmes, Ablynx should have enough cash to operate beyond 2014.

INDUSTRY OUTLOOK

There is a strong demand for novel pharmaceutical products. The characteristics of Ablynx's Nanobodies and initial clinical trial results mean they have considerable commercial potential in many indications.

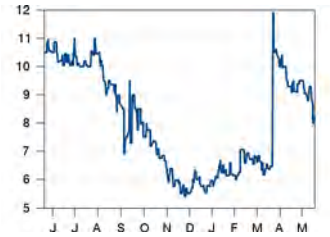
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	31.4	(23.0)	(24.0)	(56.9)	N/A	N/A
2011A	21.9	(42.8)	(43.3)	(99.1)	N/A	N/A
2012E	26.2	(36.9)	(39.1)	(89.6)	N/A	N/A
2013E	36.7	(28.1)	(30.8)	(70.4)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	CHF8.21
Market cap:	CHF64m
Forecast net cash (CHFm)	14.4
Forecast gearing ratio (%)	N/A
Market	Swiss Stock Exchange

Share price graph (CHF)



Company description

Addex Therapeutics is a Swiss biotech company with a proprietary allosteric modulator discovery platform and a pipeline in CNS, inflammatory and metabolic disorders. It has a partnership with J&J (Ortho-McNeil-Janssen).

Price performance

%	1m	3m	12m
Actual	(13.0)	18.3	(19.9)
Relative*	(7.4)	27.3	(9.7)

* % Relative to local index

Analyst

Robin Davison

Addex Therapeutics (ADXN)

INVESTMENT SUMMARY

J&J has recently disclosed plans to conduct a Phase II study on the Addex-licensed mGluR2 PAM, JNJ-40411813, in anxiety co-morbid with depression. J&J is concurrently completing its Phase II study of the compound in schizophrenia, with data expected in early/mid Q3. Meanwhile, Addex has cut back its workforce as a means to extend its cash reach while it seeks a partner for dipraglurant, for which positive Phase II data in PD-LID were recently reported. We are maintaining our risk-adjusted NPV of $232m/CHF214m, which when adjusted for forecast end 2012 cash is equivalent to CHF29.4/share.

INDUSTRY OUTLOOK

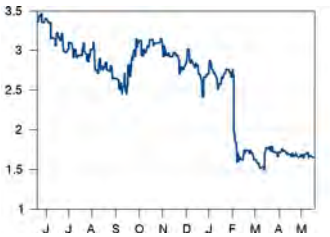
Addex Therapeutics has established the industry's leading position in allosteric drug discovery and is generating a stream of high-value novel small molecule products in CNS, metabolic, inflammatory and other diseases. Dipraglurant is fast catching up with Novartis's mavoglurant (AFQ056), also an mGluR5 negative allosteric modulator, in the PD-LID indication.

Y/E Dec	Revenue (CHFm)	EBITDA (CHFm)	PBT (CHFm)	EPS (CHFc)	P/E (x)	P/CF (x)
2010A	4.0	(29.4)	(32.2)	(5.3)	N/A	N/A
2011A	3.7	(27.2)	(29.8)	(4.0)	N/A	N/A
2012E	0.6	(21.7)	(22.7)	(2.9)	N/A	N/A
2013E	0.6	(17.2)	(17.9)	(2.3)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€1.64
Market cap:	€84m
Forecast net cash (€m)	2.7
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)



Company description

Agennix is a drug development company based in Germany and the US. Its lead product talactoferrin is being developed for the treatment of cancer.

Price performance

%	1m	3m	12m
Actual	(3.5)	(5.9)	(50.6)
Relative*	3.6	2.8	(42.5)

* % Relative to local index

Analyst

Mick Cooper

Agennix (AGX)

INVESTMENT SUMMARY

Agennix is developing talactoferrin for the treatment of non-small cell lung cancer (NSCLC) and potentially other cancers. There are two Phase III trials underway in NSCLC. The most advanced is FORTIS-M in third-line+ NSCLC, data from which are due July/August. In a Phase II study (n=100) in second-line+ NSCLC, patients receiving talactoferrin had a median overall survival of 6.1 months vs 3.7 months for those on placebo. Agennix has signed manufacturing agreements with Lonza and DSM for the potential commercial launch. Talactoferrin was also being developed for severe sepsis, but a Phase II trial was terminated and further development in this indication is unlikely. There is no read across from this study to FORTIS-M as sepsis and cancer are very different indications. Agennix has enough cash to operate into Q113.

INDUSTRY OUTLOOK

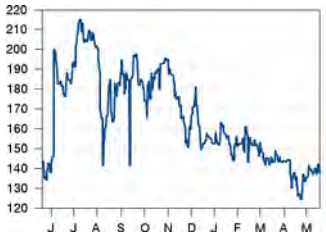
Efficacious oncology products can enjoy premium pricing and be sold by relatively small sales forces, but there is significant competition. Talactoferrin has the potential to become complementary to the current treatments in oncology.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.2	(35.5)	(36.4)	(106.7)	N/A	N/A
2011A	0.0	(41.6)	(42.6)	(98.3)	N/A	N/A
2012E	0.0	(41.7)	(42.3)	(82.5)	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price:	NOK137.70
Market cap:	NOK5855m
Forecast net cash (NOKm)	632.6
Forecast gearing ratio (%)	N/A
Market	OSE

Share price graph (NOK)



Company description

Algeta is a Norwegian biotech company with the leading position in alpha-emitting pharmaceuticals for oncology. Its lead product Alpharadin is in development as a potential new treatment for cancer patients with bone metastases.

Price performance

%	1m	3m	12m
Actual	5.0	(9.4)	(7.2)
Relative*	17.4	1.2	9.8

* % Relative to local index

Analyst

Robin Davison

Algeta (ALGETA)

INVESTMENT SUMMARY

Having exercised its option to co-promote Alpharadin, Algeta is set to enter the commercialisation process with Bayer on a 50/50 basis in the US. The project is on track to be filed with the FDA in mid-2012 – an event that will trigger a €50m milestone payment from Bayer. Launch is possible early next year, triggering a second €50m milestone. While the specific claims sought in the US label have yet to be confirmed, we believe that Alpharadin will become a standard of care in metastatic castration-resistant prostate cancer. Bayer is expected to reveal its future study plans for Alpharadin around the middle of this year.

INDUSTRY OUTLOOK

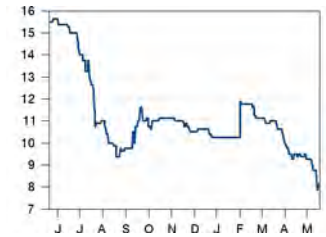
Algeta is the world leader in the development of alpha-pharmaceuticals. Interest around Alpharadin is growing after positive Phase III data and the approvals for metastatic castration-resistant prostate cancer of Dendreon's Provenge, Sanofi's Jevtana and J&J's Zytiga.

Y/E Dec	Revenue (NOKm)	EBITDA (NOKm)	PBT (NOKm)	EPS (öre)	P/E (x)	P/CF (x)
2010A	270.9	26.1	23.1	58.47	235.5	N/A
2011A	250.4	23.7	19.9	49.75	276.8	N/A
2012E	641.3	338.5	333.8	791.37	17.4	36.8
2013E	711.8	257.0	251.1	590.64	23.3	45.0

Sector: Pharma & Healthcare

Price:	8.1p
Market cap:	£33m
Forecast net debt (£m)	2.0
Forecast gearing ratio (%)	14.0
Market	AIM

Share price graph (p)



Company description

Allergy Therapeutics is a European-based speciality pharmaceutical company focused on the treatment and prevention of allergy.

Price performance

%	1m	3m	12m
Actual	(13.3)	(30.1)	(48.8)
Relative*	(5.5)	(22.1)	(42.4)

* % Relative to local index

Analyst

Lala Gregorek

Allergy Therapeutics (AGY)

INVESTMENT SUMMARY

Allergy's debt restructuring follows a $13.6m fund-raise, providing greater flexibility to focus on executing business development objectives (products, infrastructure, new geographies, European consolidation) and pursuing its three-part growth strategy. Allergy has a medium-term aim of becoming a sustainable, cash-flow positive business and a top-three global allergy immunotherapy (AIT) player. Two key catalysts (expected by mid-2012) should boost revenue and profit: German regulatory feedback on Pollinex Quattro (PQ) Grass and FDA approval of PQ clinical trial protocols, followed by the lift of the US clinical hold. The core European business is profitable and Latin American market entry is underway; the US AIT opportunity could further boost growth after FY13, but is contingent on a partnership.

INDUSTRY OUTLOOK

Pollinex Quattro (c 50% of revenues) is an ultra short-course allergy vaccine given as four shots over three weeks, which has comparable efficacy to existing vaccines (typically requiring 16-50 injections under specialist supervision pre hay-fever season).

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	40.8	3.0	0.3	0.3	27.0	22.6
2011A	41.6	2.0	(1.7)	(0.7)	N/A	N/A
2012E	43.0	3.9	1.2	0.4	20.3	6.5
2013E	47.1	4.5	2.6	0.5	16.2	9.1

Edison investment research

Sector: Pharma & Healthcare

AmpliPhi Biosciences (APHB)

Price:	US$0.21
Market cap:	US$4m
Forecast net debt (US$m)	2.2
Forecast gearing ratio (%)	73.0
Market	OTC

Share price graph (US$)

Company description

AmpliPhi Biosciences is a US/UK biotech company focused on developing of bacteriophages (viruses that infect bacteria) for therapeutic applications. Its lead development product, BioPhage-PA, has potential in treating chronic ear infections.

Price performance

%	1m	3m	12m
Actual	(6.7)	5.0	0.0
Relative*	(0.2)	10.4	3.5

* % Relative to local index

Analyst

Christian Glennie

INVESTMENT SUMMARY

AmpliPhi is seeking to launch new studies of its bacteriophage approach to treating a range of bacterial infections, mainly for human use, and will require additional funding to progress its R&D portfolio. It earlier completed a £2.7m credit loan note fund raising from the prominent financiers Jim Mellon and Gwynn Williams, who are presumed to be key cornerstone investors. The US company Celladon recently raised $53m to advance its Mydicar project, on whose progression into Phase III AmpliPhi stands to receive $5m. However, it seems that Mydicar's next study will be designated a Phase II, so the milestone payment is a few years away.

INDUSTRY OUTLOOK

The growth of resistance to antibiotics is a serious problem, and pharma companies look likely to shift increasingly away from chemical antibiotics and towards new methods of combating bacterial infections. AmpliPhi's pioneering development of bacteriophages, which specifically target bacteria, might benefit from a faster and less expensive path to market.

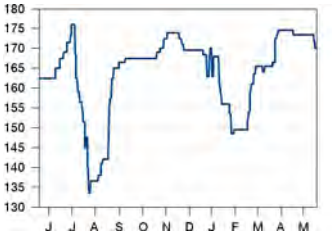
Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	12.2	2.4	2.1	10.2	2.1	N/A
2010A	2.1	(2.1)	(2.2)	(10.2)	N/A	N/A
2011E	0.4	(5.2)	(5.2)	(11.6)	N/A	N/A
2012E	0.4	(12.1)	(12.2)	(27.0)	N/A	N/A

Sector: Pharma & Healthcare

Animalcare Group (ANCR)

Price:	170.0p
Market cap:	£35m
Forecast net cash (£m)	3.4
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)



Company description

Animalcare markets and sells licensed veterinary pharmaceuticals, animal identification products and animal welfare goods for the companion animal market across the UK. Its products are sold in Europe through distributors.

Price performance

%	1m	3m	12m
Actual	(2.0)	10.4	4.6
Relative*	6.9	23.0	17.8

* % Relative to local index

Analyst

Mick Cooper

INVESTMENT SUMMARY

Animalcare's revenues fell by 10% to £5.4 during H112, largely because a supplier stopped making the drug Buprecare (5.5% of FY11 sales) in July 2011 and there were weak pet identification sales. This also led to an 18% fall in underlying operating profit to £1.2m. However, Animalcare should return to growth in H212, despite the challenging market conditions. It has started selling a new version of Buprecare, launched four new products in the last six months, has a robust pipeline and has upgraded its database, which should increase cross-selling opportunities from its identity chips. The company has a strong balance sheet (net cash of £1.75m at H112) and has signalled its confidence by increasing its interim dividend by 50% to 1.5p.

INDUSTRY OUTLOOK

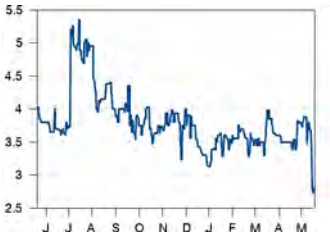
The companion animal market, which was previously growing at c 5% in the UK, is now flat. Future market growth will probably depend on the development of innovative treatments and products to offset the impact of the government's debt reduction measures.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	11.2	3.2	2.8	10.6	16.0	12.3
2011A	11.8	3.5	3.3	13.1	13.0	11.2
2012E	12.2	3.5	3.5	13.3	12.8	10.0
2013E	13.1	3.9	3.9	14.7	11.6	9.5

Sector: Pharma & Healthcare

Price:	2.8p
Market cap:	£6m
Forecast net cash (£m)	4.9
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)



Company description

Ark Therapeutics specialises in developing products for treating vascular disease and cancer. The company has core expertise in the field of gene-based therapies and has established a biological manufacturing services business.

Price performance

%	1m	3m	12m
Actual	(16.9)	(20.4)	(29.4)
Relative*	(9.3)	(11.3)	(20.5)

* % Relative to local index

Analyst

Christian Glennie

Ark Therapeutics (AKT)

INVESTMENT SUMMARY

Ark Therapeutics is focused on generating revenues by securing manufacturing service contracts for its Finnish GMP biological manufacturing facility and attracting partners for its pipeline of gene therapies and small molecules. The first programme likely to be partnered is Ark's pre-clinical small molecule NRP-1 antagonist with potential to treat multiple solid tumours - recent work has focused on functional characterisation and synthesis scale-up, with a deal expected in 2012. A Phase IIa portion of a Phase I/II trial with EG011 (VEGF-D gene therapy) in refractory angina is to start in Q312.

INDUSTRY OUTLOOK

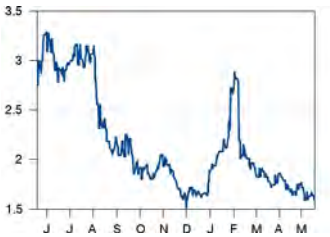
The field of gene therapy remains relatively active despite a number of late-stage failures. This suggests a number of opportunities for Ark in terms of potential pipeline development partners, as well as companies and academic institutions requiring manufacturing expertise and capabilities. The sole clinical-stage NRP-1 antagonist, Roche's RG7347 (MNRP1685) antibody, has been discontinued.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	3.1	(13.2)	(15.1)	(6.7)	N/A	N/A
2011A	7.1	(1.7)	(4.1)	(1.5)	N/A	N/A
2012E	3.6	(6.2)	(8.5)	(3.7)	N/A	N/A
2013E	5.5	(4.9)	(7.0)	(3.0)	N/A	N/A

Sector: Pharma & Healthcare

Price:	US$1.59
Market cap:	US$148m
Forecast net cash (US$m)	141.0
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)



Company description

The newly renamed Astex Pharmaceuticals was formed by the merger of SuperGen and Astex earlier this year. The company is now a UK-US focused oncology drug discovery and development company.

Price performance

%	1m	3m	12m
Actual	(2.9)	(20.8)	(40.8)
Relative*	3.8	(16.8)	(38.7)

* % Relative to local index

Analyst

Robin Davison

Astex Pharmaceuticals (ASTX)

INVESTMENT SUMMARY

Astex is focusing on the results of the European regulatory review for Dacogen due in H2. EU marketing exclusivity on Dacogen could provide significant royalty streams from J&J if the drug is approved. Catalysts this year include top-line data from Phase II studies with AT13387, SGI-110, amuvatinib and AT7519. AT13387 and SGI-110 will each see two new solid tumour study initiations; one of the SGI-110 trials will be in ovarian cancer. Our base-case valuation of $384m provides potential for significant upside. Astex will present ASCO posters on studies of AT13387 in advanced solid and refractory tumours and for AT9283 in paediatric solid tumours.

INDUSTRY OUTLOOK

Astex offers a low-risk, oncology play with multiple study read-outs in 2012. Although the potential approval of Dacogen in AML offers a material near-term catalyst, we see the investment case in the longer term being centred on Astex's ability to exploit its strong financial position (cash, royalties etc) to generate value from its R&D pipeline and fragment-based discovery technology.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	53.0	18.6	17.9	29.2	5.4	6.0
2011A	66.9	11.4	9.8	17.0	9.4	22.1
2012E	68.5	16.3	13.9	15.0	10.6	8.9
2013E	73.3	20.5	18.1	19.4	8.2	7.0

Edison investment research

Sector: Pharma & Healthcare

Price: SEK14.05
Market cap: SEK1039m
Forecast net cash (SEKm) 104.0
Forecast gearing ratio (%) N/A
Market NASDAQ OMX Mid Cap

Share price graph (SEK)

Company description

BioInvent is a human therapeutic antibody company based in southern Sweden. It has four clinical candidates: two cardiovascular and two cancer.

Price performance

%	1m	3m	12m
Actual	(15.4)	(8.7)	(41.0)
Relative*	(7.8)	4.6	(27.8)

* % Relative to local index

Analyst

John Savin

BioInvent International (BINV)

INVESTMENT SUMMARY

BioInvent's successful rights issue raised SEK104.8m at SEK15.6 per share. The funding gives sufficient cash until Q413, before projected deal upfront payments of at least SEK69m. Pre-rights Q112 cash was SEK138m; post-rights SEK235m. In Q212, Phase II hip surgery (TB-402) reports; this data is crucial for a deal. Phase I multiple myeloma (BI-505) trials and the expanded Phase II BI-204 trial in atherosclerosis report in Q3.

INDUSTRY OUTLOOK

Edison expects TB-402 to show a VTE of 4-5% and be comparable with Xarelto – although this study is not powered to show statistically significant non-inferiority. Phase II knee data showed superiority over Lovenox, but there are three strong oral competitors in the venous market. BI-204 is a novel antibody, with Genentech targeting atherosclerotic plaque. In Q3, data might demonstrate reduced inflammation; partnering outside North America is still open, allowing a potentially lucrative deal. BI-505 is a major value source as BioInvent could market it directly.

Y/E Dec	Revenue (SEKm)	EBITDA (SEKm)	PBT (SEKm)	EPS (fd) (öre)	P/E (x)	P/CF (x)
2010A	83.0	(135.0)	(124.0)	(2.08)	N/A	N/A
2011A	125.0	(66.0)	(67.0)	(1.00)	N/A	N/A
2012E	25.0	(170.0)	(171.0)	(2.37)	N/A	N/A
2013E	26.0	(172.0)	(174.0)	(2.35)	N/A	N/A

Sector: Pharma & Healthcare

Price: €0.39
Market cap: €151m
Forecast net debt (€m) 30.7
Forecast gearing ratio (%) 66.0
Market OMX

Share price graph (€)

Company description

Biotie Therapies is a Finnish/US biotech company with a focus on clinical programmes in CNS and niche inflammatory diseases. Its lead project nalmefene, for the treatment of alcohol dependency, is partnered with Lundbeck. UCB is a strategic partner.

Price performance

%	1m	3m	12m
Actual	(17.0)	(20.4)	(43.5)
Relative*	(8.2)	(3.0)	(18.0)

* % Relative to local index

Analyst

Lala Gregorek

Biotie Therapies (BTH1V)

INVESTMENT SUMMARY

Positive data disclosures connected with two partnered programmes (SYN120 and Selincro) bring Biotie closer to potential milestone trigger points. Payments from partners should help secure Biotie's funding beyond early FY13, although the company may explore other options. Potential summer opt-in by Roche on SYN120 development (coupled with a pre-agreed milestone) and the upcoming EMA approval decision for Selincro (partnered with Lundbeck) in alcohol dependence (around year-end) should catalyse its share price. Biotie is focused on progressing its clinical pipeline of differentiated CNS drugs and on business development. Potential out-licensing of unencumbered assets may also unlock value, while late-stage in-licensing/M&A is critical to achieving Biotie's strategic growth objectives.

INDUSTRY OUTLOOK

Biotie's focus is on neurodegenerative and psychiatric diseases, and niche inflammation indications. It is an active consolidator; it completed the €94m purchase of private company Synosia in February 2011.

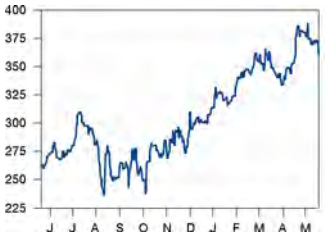
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	2.0	(7.3)	(8.5)	(5.2)	N/A	N/A
2011A	1.0	(28.3)	(20.8)	(3.5)	N/A	N/A
2012E	0.1	(27.2)	(28.0)	(6.7)	N/A	N/A
2013E	0.1	(28.6)	(29.6)	(7.5)	N/A	N/A

Sector: Pharma & Healthcare

BTG (BGC)

Price:	359.5p
Market cap:	£1177m
Forecast net cash (£m)	141.1
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)



Company description

BTG is a UK-based biopharmaceutical company with a direct commercial presence in US acute care medicine and interventional oncology. It has a number of internal and partnered R&D programmes.

Price performance

%	1m	3m	12m
Actual	(4.4)	4.7	39.9
Relative*	4.3	16.7	57.5

* % Relative to local index

Analyst

Robin Davison

INVESTMENT SUMMARY

BTG enjoyed a strong run of positive clinical and financial news in the run-up to its financial results for the 2012 financial year. Group revenue grew by 77% to £197m - beating recently increased guidance - and year-end cash was £107m. In April the company reported positive results in VANISH-1 study of Varisolve, and Phase III data on Lemtrada were recently presented by Sanofi. Revenue guidance for the current year has been set at £180-190m, and exchange rate adjustments yield a valuation of £1,407m or 430p per share.

INDUSTRY OUTLOOK

BTG presents a defensive growth business, whose valuation is largely underpinned by the DCF valuation of its core US speciality pharma and interventional activities, its cash and predictable royalty streams. Some 60% (or £910m) of the valuation is underpinned by the DCF value of BTG's core business (US speciality pharma/interventional oncology activities, royalties on approved products) and cash.

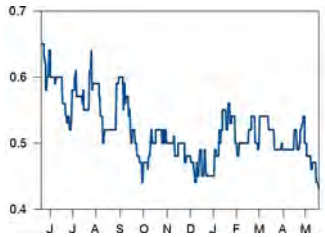
Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011A	111.4	16.0	16.6	13.6	26.4	N/A
2012A	197.0	57.3	57.2	14.9	24.1	24.3
2013E	190.0	39.2	39.2	11.9	30.2	37.7
2014E	223.5	53.0	53.5	15.2	23.7	33.0

Sector: Pharma & Healthcare

Circadian Technologies (CIR)

Price:	A$0.43
Market cap:	A$20m
Forecast net cash (A$m)	13.2
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)



Company description

Circadian's focus is on its VEGF-C and VEGF-D portfolio, with a receptor blocking antibody (IMC-3C5) in Phase I trials with ImClone (Lilly), and a VEGF-C targeting antibody (VGX-100) due to enter glioblastoma trials in late 2011.

Price performance

%	1m	3m	12m
Actual	(17.3)	(17.3)	(31.7)
Relative*	(10.7)	(13.8)	(20.6)

* % Relative to local index

Analyst

John Savin

INVESTMENT SUMMARY

Circadian is focused on developing VGX-100, a VEGF-C inhibitory monoclonal antibody for anti-cancer therapy. Preclinical data suggests synergistic action with Avastin in glioblastoma. The US-run Phase I trial has now recruited its first patient. If this trial is successful, exploratory Phase IIa studies in several cancers could start in 2013. A dry-eye disease indication shows preclinical promise and VGX-300 (against VEGF-D) is in preclinical development. There are also two diagnostic products, one of which (to identify unknown cancers) has just reported excellent evaluation data.

INDUSTRY OUTLOOK

The weak clinical results from Avastin (but commercial success), with the strong preclinical models using both Avastin and VGX-100, show that this is a fertile area for development. On a DCF basis to March 2012, Edison estimates a revised indicative value of A$100m (A$2.16 per share). We expect value to develop strongly as the pipeline develops and as new VGX-100 indications become clearer.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.6	(10.2)	(8.5)	(19.1)	N/A	N/A
2011A	0.4	(11.5)	(10.1)	(20.9)	N/A	N/A
2012E	0.5	(8.7)	(7.7)	(14.1)	N/A	N/A
2013E	1.1	(11.2)	(10.8)	(23.3)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	NOK53.00
Market cap:	NOK1724m
Forecast net cash (NOKm)	146.6
Forecast gearing ratio (%)	N/A
Market	OSE

Share price graph (NOK)

Company description

Clavis has two Phase III cancer therapies. CP-4126 (improved gemcitabine) targets pancreatic cancer; Elacytarabine (improved ara-C) targets refractory AML.

Price performance

%	1m	3m	12m
Actual	(17.2)	(21.5)	23.3
Relative*	(7.4)	(12.3)	45.9

* % Relative to local index

Analyst

John Savin

Clavis Pharma (CLAVIS)

INVESTMENT SUMMARY

Clavis develops cancer therapies with improved delivery characteristics that also overcome low hENT1, a widespread drug resistance mechanism to effective therapeutics like gemcitabine and cytarabine. There are two late-stage compounds. CP-4126 for metastatic pancreatic cancer is globally partnered with Clovis (as CO-1.01). The potentially pivotal LEAP trial reports Q412. Elacytarabine, for acute myeloid leukaemia, is in Phase III. Results are due in Q113. Most value is in CP-4126. Capital markets days are planned (New York and Oslo) on 23 and 30 May.

INDUSTRY OUTLOOK

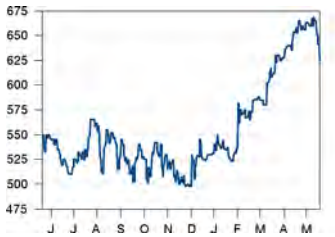
If LEAP data is pivotal, CP-4126 might launch in H114. With recruitment complete, 64% of patients are low hENT. There is US protection till 2021 and to 2024 in the EU. Currently, Clavis plans to sell elacytarabine direct in the EU, maximising profitability; a US partner is expected. Elacytarabine US protection runs to 2021; 2024 in the EU. We estimate the 2013 value to Clavis of the milestones and royalties on CO-1.01 would be NOK6.2bn.

Y/E Dec	Revenue (NOKm)	EBITDA (NOKm)	PBT (NOKm)	EPS (öre)	P/E (x)	P/CF (x)
2010A	29.6	(108.7)	(105.3)	(411.92)	N/A	N/A
2011A	43.5	(149.7)	(144.1)	(470.03)	N/A	N/A
2012E	42.7	(157.1)	(156.1)	(466.11)	N/A	N/A
2013E	39.1	(173.2)	(178.2)	(531.98)	N/A	N/A

Sector: Pharma & Healthcare

Price:	625.0p
Market cap:	£181m
Forecast net debt (£m)	43.6
Forecast gearing ratio (%)	50.0
Market	LSE

Share price graph (p)



Company description

Consort Medical is an international medical devices company. It operates through two divisions: Bespak (inhalation and injection technologies) and King Systems (airway management products).

Price performance

%	1m	3m	12m
Actual	(4.2)	9.1	13.6
Relative*	4.5	21.6	28.0

* % Relative to local index

Analyst

Lala Gregorek

Consort Medical (CSRT)

INVESTMENT SUMMARY

Bespak's first proprietary integrated dose counter, incorporated into Teva's QNASL nasal aerosol, has been FDA approved. It is the first of six Bespak pipeline programmes (including valves, autoinjectors and a DPI) expected to be approved and launched in 2012. Bespak's pipeline has the potential to significantly boost Consort Medical's revenues over the next five years, contributing to targeted double-digit profit growth in the medium term. The March IMS confirmed encouraging Bespak trading, with launch stocks for three projects in manufacture ahead of scheduled 2012 launches. Underlying demand at King Systems is consistent with FY11, with King Vision revenue growth in line with expectations; although a new non-exclusive distribution agreement with Bound Tree should expand market access in the ER setting.

INDUSTRY OUTLOOK

Consort designs, develops and manufactures high-margin disposable medical devices through its Bespak (drug delivery technologies) and King Systems (airway management) divisions. These have leading positions in strong defensive, but relatively fragmented, markets.

Y/E Apr	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2010A	118.6	25.4	16.9	41.7	15.0	8.6
2011A	126.8	26.6	17.4	44.7	14.0	8.4
2012E	134.4	27.9	18.8	48.9	12.8	7.8
2013E	140.3	29.4	20.6	52.0	12.0	6.3

Sector: Pharma & Healthcare

Deltex Medical Group (DEMG)

Price:	28.9p
Market cap:	£43m
Forecast net debt (£m)	1.6
Forecast gearing ratio (%)	164.0
Market	AIM

Share price graph (p)

Company description

Deltex is a UK medical device company that manufactures and sells the CardioQ-oesophageal Doppler monitor and disposable probes for haemodynamic monitoring to reduce recovery times after high-risk and major surgery.

Price performance

%	1m	3m	12m
Actual	0.4	35.9	14.4
Relative*	9.6	51.5	28.8

* % Relative to local index

Analyst

John Savin

INVESTMENT SUMMARY

The £1.5m raised by Deltex in April provides additional working capital, given the 40% rise in NHS orders experienced in Q1. NHS hospitals are under pressure to start adopting Goal Directed Fluid Managment (GDFM) in major surgery by March 2013. This is likely to drive an acceleration in probe and monitor sales, particularly over autumn and winter. Q1 sales continued the 40% growth trend of late 2011.

INDUSTRY OUTLOOK

The Intraoperative Fluid Management Technologies Adoption Pack issued 8 May allows comparable products to CardioQ, but only CardioQ can be bought off the shelf as it already approved by the NHS supply chain. Only CardioQ has NICE validation for GDFM. Most other systems, like LiDCO rapid, need a full tendering process; Deltex could enter, and would also need to prove they met NICE GDFM criteria. As competing systems, such as from LiDCO and Edwards do not have this data and will not achieve it in general surgery due to technical constraints, Deltex has a clear run at the NHS market.

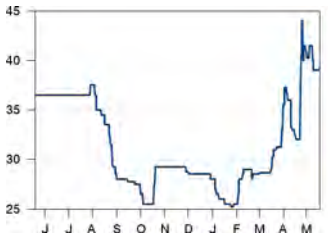
Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	6.3	(0.7)	(1.0)	(0.72)	N/A	N/A
2011A	6.3	(0.8)	(1.1)	(0.71)	N/A	N/A
2012E	7.1	(0.5)	(0.8)	(0.57)	N/A	212.9
2013E	8.6	0.0	(0.3)	(0.20)	N/A	225.6

Sector: Pharma & Healthcare

e-Therapeutics (ETX)

Price:	39.2p
Market cap:	£54m
Forecast net debt (£m)	N/A
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)



Company description

e-Therapeutics is a drug discovery and development company with a proprietary network pharmacology drug discovery platform and a clinical pipeline (potentially to be out-licensed post-Phase II).

Price performance

%	1m	3m	12m
Actual	22.7	35.3	7.5
Relative*	33.8	50.9	21.1

* % Relative to local index

Analyst

Lala Gregorek

INVESTMENT SUMMARY

Protocols for two Phase I trials of cancer candidate ETS2101 in brain cancers (US) and in solid tumours (UK) have been approved by the regulators. Enrolment is imminent, with first data expected by end-2012. Discussions with regulators and specialist CROs are on track to enable two other core R&D assets to start new clinical trials this year. In addition to its core pipeline, e-Therapeutics has a proprietary network pharmacology discovery platform. End-January cash of £13.9m provides funds into 2014 to exploit its platform fully, build a broader in-house pipeline of NCEs and secure licensing partners.

INDUSTRY OUTLOOK

Network pharmacology could potentially revolutionise drug discovery and, in the process, shorten the path to market by minimising technical risks (failure on safety or efficacy grounds) and drug development costs. e-Therapeutics is well positioned with limited direct competition and growing industry acceptance of, and interest in, systems biology-based multi-target approaches to drug discovery.

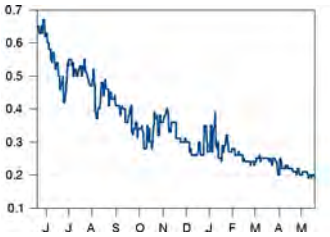
Y/E Jan	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011A	0.0	(2.5)	(2.7)	(3.5)	N/A	N/A
2012A	0.0	(4.0)	(3.9)	(2.5)	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A
2014E	N/A	N/A	N/A	N/A	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	US$0.19
Market cap:	US$16m
Forecast net debt (US$m)	3.8
Forecast gearing ratio (%)	15.0
Market	OMX, OTCQX US

Share price graph (US$)



Company description

EpiCept is a specialty pharmaceutical company focused on the development and commercialisation of pharmaceutical products for cancer treatment and pain management.

Price performance

%	1m	3m	12m
Actual	(11.6)	(20.8)	(70.8)
Relative*	(5.5)	(16.8)	(69.7)

* % Relative to local index

Analyst

Wang Chong

EpiCept (EPCT)

INVESTMENT SUMMARY

EpiCept's investment case is based on the the FDA SPA approval and the licensing of AmiKet (recently designated fast-track by the FDA), the EU sales growth of lead product Ceplene and the relicensing of Azixa. AmiKet completed Phase II trials for peripheral neuropathy with positive results, Ceplene is being launched in Europe by Meda for acute myeloid leukaemia, Azixa had encouraging interim Phase II data for glioblastoma multiforme and Crolibulin is in Phase I/II trials for anaplastic thyroid cancer. EpiCept has a current market cap of c $16m, a senior secured loan of $8.3m and cash of $5.1m as at 31 March 2012 resulting in an EV of c $20m. In comparison, we calculate a risk-adjusted NPV of $79m based on prudent assumptions of the four products' probability of success in each indication.

INDUSTRY OUTLOOK

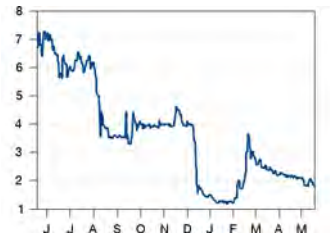
There are many products in clinical development for AML induction therapy; the main direct rivals for maintenance of remission and prevention of relapse include clofarabine and IL-2 monotherapy, although the IL-2 monotherapy has not been shown to be effective to date.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	1.0	(15.4)	(15.4)	(32.1)	N/A	N/A
2011A	1.0	(14.1)	(15.3)	(22.9)	N/A	N/A
2012E	0.4	(9.2)	(10.3)	(9.4)	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price:	€1.78
Market cap:	€16m
Forecast net cash (€m)	4.4
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)



Company description

Epigenomics is a German molecular diagnostics company focused on early detection of cancer. Its main product is Epi proColon, a blood-based DNA test for colorectal cancer that uses a sophisticated PCR assay to detect methylated copies of the septin9 gene.

Price performance

%	1m	3m	12m
Actual	(17.0)	(40.5)	(73.6)
Relative*	(10.9)	(35.0)	(69.2)

* % Relative to local index

Analyst

Jacob Plieth

Epigenomics (ECX)

INVESTMENT SUMMARY

Epigenomics finished its first quarter with cash and equivalents of €11.5m, having reported lower revenues owing to a one-off payment a year ago and lower R&D and administrative spending thanks to cost-cutting efforts. Two of four modules of a US filing for Epi proColon have been filed, with a third (analytical validation) due in Q2. The fourth (clinical data) hinges on the outcome of a 300-sample head-to-head study with the FIT assay that has started enrolment. While on current assumptions we see sufficient cash to last beyond 2013, the company cautions that lack of funding might pose a threat, and says it is evaluating all options, including a capital markets transaction.

INDUSTRY OUTLOOK

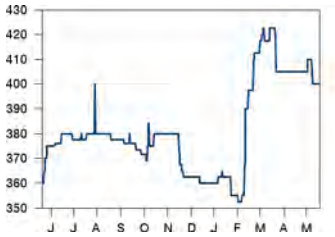
Epi proColon offers patients a simple and convenient alternative to faecal occult blood testing, and should increase compliance for colorectal screening by addressing those individuals who currently do not participate in screening programmes. Epi proLung is an aid in the diagnosis of lung cancer from bronchial lavage using the SHOX2 biomarker.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	1.8	(10.0)	(10.3)	(127.5)	N/A	N/A
2011A	1.4	(7.9)	(8.3)	(96.9)	N/A	N/A
2012E	1.0	(8.4)	(8.6)	(98.5)	N/A	N/A
2013E	6.8	(4.8)	(5.1)	(59.3)	N/A	N/A

Sector: Pharma & Healthcare

Price:	400.0p
Market cap:	£35m
Forecast net cash (£m)	2.6
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)



Company description

Epistem has a profitable contract services business and an emerging clinical biomarker technology with Sanofi as a big client. Novel Therapeutics is partnered with Novartis although the active collaboration has now ended.

Price performance

%	1m	3m	12m
Actual	(1.2)	0.6	11.1
Relative*	7.8	12.2	25.1

* % Relative to local index

Analyst

John Savin

Epistem Holdings (EHP)

INVESTMENT SUMMARY

Epistem reported H112 sales of £3.1m. The PBT loss (after £257k of capitalised R&D) was £536k. There was a £145k tax credit gain. A late 2011 funding boosted cash by £2.8m to £5.3m at the year end. Divisionally, CRO services were flat at £1.4m, helped by increased US biodefense work. Biomarker services grew to £1.7m due to Sanofi buying c £1m of genetic analysis tests for its R&D projects; this level may not be sustained into H2. Other sales were of GenDrive (£0.3m, c 60 units); other hair test projects were flat at £0.4m.

INDUSTRY OUTLOOK

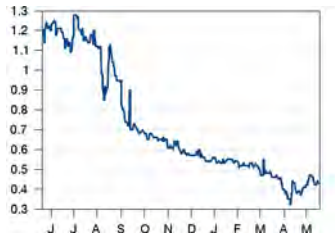
Epistem believes Genedrive (a DNA-based diagnostic system for a point-of-care use) will change the shape of the DNA diagnostics. The latest data on its TB test showed a respectable 90% sensitivity (true cases found) but a weak, 80%, specificity (false positive rate) means this test is mainly useful to confirm a probable diagnosis or test drug resistance (no data), not for 'wellness' screening. The TB market seems a good one as other tests are unreliable or expensive.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	5.7	0.5	0.4	3.8	105.3	N/A
2011A	5.8	(0.4)	(0.6)	(7.0)	N/A	N/A
2012E	5.3	(1.0)	(1.1)	(14.1)	N/A	N/A
2013E	5.6	(1.0)	(1.1)	(13.9)	N/A	N/A

Sector: Pharma & Healthcare

Price:	CHF0.43
Market cap:	CHF71m
Forecast net cash (CHFm)	5.8
Forecast gearing ratio (%)	N/A
Market	Swiss Stock Exchange

Share price graph (CHF)



Company description

Evolva is an international biosynthesis company. It has developed a technology platform which it uses to create new methods of making nutritional and consumer health products and novel drugs.

Price performance

%	1m	3m	12m
Actual	13.2	(18.9)	(68.1)
Relative*	20.5	(12.7)	(64.1)

* % Relative to local index

Analyst

Mick Cooper

Evolva (EVE)

INVESTMENT SUMMARY

Evolva has developed an innovative biosynthesis platform mainly focused on developing new production methods for nutritional and consumer health products. Its most advanced programmes in this field are for vanilla (at scale-up phase) and stevia (moving to pilot-scale); Evolva could find partners for both projects this year. It has also formed nutritional alliances with partners such as BASF, IFF (recently expanded) and Roquette. The platform is also used to develop pharmaceutical products. Evolva's lead pharmaceutical product, EV-077, is in a Phase IIa trial for complications associated with diabetes, results are due mid-2012 after when EV-077 could be out-licensed. Evolva also has a collaboration with Roche. It had cash of CHF23m at end-2011 and has a CHF30m equity line so it can operate to the end of 2013.

INDUSTRY OUTLOOK

The manufacturers of nutritional and consumer health products are always interested in cheaper production methods, especially if the product is natural and has health benefits. This is the market that Evolva is primarily targeting.

Y/E Dec	Revenue (CHFm)	EBITDA (CHFm)	PBT (CHFm)	EPS (CHFc)	P/E (x)	P/CF (x)
2010A	18.6	(20.7)	(23.5)	(16.7)	N/A	N/A
2011A	11.1	(24.6)	(26.5)	(14.0)	N/A	N/A
2012E	11.0	(20.4)	(22.7)	(12.7)	N/A	N/A
2013E	11.3	(20.3)	(22.4)	(10.9)	N/A	N/A

Sector: Pharma & Healthcare

Evotec (EVT)

Price:	€2.21
Market cap:	€261m
Forecast net cash (€m)	44.2
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)

Company description

Evotec is a drug discovery business that provides outsourcing solutions to pharmaceutical companies, including Boehringer Ingelheim, Pfizer and Roche. It has operations in Germany, India, UK and US.

Price performance

%	1m	3m	12m
Actual	(14.1)	(20.0)	(19.6)
Relative*	(7.8)	(12.7)	(6.4)

* % Relative to local index

Analyst

Mick Cooper

INVESTMENT SUMMARY

Evotec reported its second year of profit in FY11, after sales grew by 45% to €80.1m and net income by 123% to €6.7m. This growth continued in Q112 with revenues increasing by 33% to €20.1m, including a €3.9m milestone. However, its operating loss increased to €1.0m because of set-up costs for two major drug discovery contracts, and investment in its capabilities. It has established a high throughput screening process for monoclonal antibodies, EVOmAb, to develop biological products for clients. It is also developing its expertise in diabetes and kidney disorders through academic alliances. Evotec has maintained its guidance of >10% sales growth and improved profitability compared to FY11.

INDUSTRY OUTLOOK

Pharmaceutical companies are outsourcing their drug discovery activities as they look to improve their productivity and decrease the fixed costs associated with them. In this expanding market, Evotec's growth depends on it being able to provide a high-quality integrated service that cheaper service providers are unable to deliver.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	55.3	6.5	4.5	3.8	58.2	136.9
2011A	80.1	7.5	7.5	5.6	39.5	24.1
2012E	89.1	12.3	6.4	4.8	46.0	18.3
2013E	104.4	19.1	11.5	8.9	24.8	12.7

Sector: Pharma & Healthcare

GW Pharmaceuticals (GWP)

Price:	78.5p
Market cap:	£104m
Forecast net cash (£m)	26.3
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

GW Pharmaceuticals is a UK speciality pharma company focused on developing cannabinoids as pharmaceuticals. Lead product Sativex is marketed in a number of European countries for multiple sclerosis-associated spasticity.

Price performance

%	1m	3m	12m
Actual	(12.8)	(13.5)	(35.4)
Relative*	(4.8)	(3.6)	(27.2)

* % Relative to local index

Analyst

Lala Gregorek

INVESTMENT SUMMARY

GW received a £9.8m milestone in May from Almirall, in exchange for a reduced supply price until Sativex's EU cancer pain launch and grant of Mexico marketing rights, enabling GW to post a modest FY12 profit. GW's business is made up of Sativex Commercial, Sativex R&D and Pipeline R&D. Sativex Commercial is profitable, reflecting GW's commercial transition following EU Sativex launches in MS spasticity. Further EU approvals/launches and ex-EU filings are expected from end-2012. A second MRP has recommended approval in 10 additional EU countries. Both R&D segments provide significant further upside; Sativex R&D as Phase III cancer pain data (by early-2014) should enable US market entry.

INDUSTRY OUTLOOK

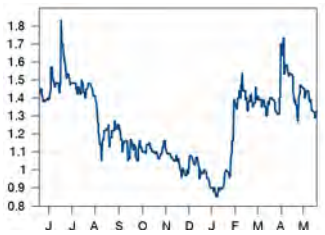
GW is a leader in the cannabinoid field (>70 in cannabis). These have the potential to become novel therapies for a broad range of diseases. We estimate Sativex will achieve 5-10% market share in its approved indications (MS spasticity in various EU countries, Canada, NZ; neuropathic pain in MS in Canada only).

Y/E Sep	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	30.7	5.9	5.2	4.1	19.1	25.9
2011A	29.6	3.7	3.3	2.7	29.1	48.5
2012E	30.6	2.0	1.3	2.3	34.1	N/A
2013E	25.7	(5.6)	(6.3)	(3.4)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€1.33
Market cap:	€23m
Forecast net cash (€m)	3.2
Forecast gearing ratio (%)	N/A
Market	Euronext Paris

Share price graph (€)



Company description

Hybrigenics is a French drug development company that also provides yeast two-hybrid services to companies and academic institutions. Its lead drug, inecalcitol, is in Phase II and is being developed for prostate cancer and severe psoriasis.

Price performance

%	1m	3m	12m
Actual	(3.6)	(3.6)	(5.7)
Relative*	3.8	9.0	21.9

* % Relative to local index

Analyst

Mick Cooper

Hybrigenics (ALHYG)

INVESTMENT SUMMARY

Hybrigenics is developing an analogue of vitamin D3, inecalcitol, for treating prostate cancer and severe psoriasis. The drug could be launched in 2017 and generate revenues of c $4bn across these two major indications. A Phase IIa trial in castrate-resistant prostate cancer with inecalcitol in combination with docetaxel (Taxotere) demonstrated its potential in this indication. A Phase II study in 60 patients with severe psoriasis has recently completed recruitment; data due in mid-2012 could lead to the out-licensing of inecalcitol. The company has funding to start its Phase II study of inecalcitol in chronic lymphocytic leukaemia and the indication contributes €11m of a total €15m increase in our valuation to €73m. Its revenues (up 43% in 2011) and €8.8m equity line with Yorkville could fund its operations until the end of FY14.

INDUSTRY OUTLOOK

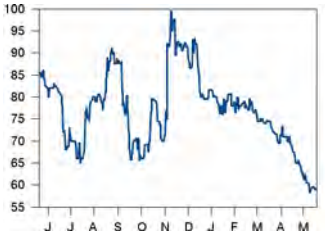
Inecalcitol is being developed in three major indications and faces much competition from existing drugs and those in development. However, its good safety profile could give it an advantage and allow its use in combination with other established therapies.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	4.6	(4.0)	(4.6)	(34.5)	N/A	N/A
2011A	6.6	(2.0)	(2.5)	(14.2)	N/A	N/A
2012E	6.3	(4.6)	(4.8)	(24.7)	N/A	N/A
2013E	6.8	(3.2)	(3.4)	(15.6)	N/A	N/A

Sector: Pharma & Healthcare

Price:	59.1p
Market cap:	£48m
Forecast net cash (£m)	7.4
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)



Company description

ImmuPharma is a UK drug development company linked to the leading French research organisation (CNRS). The lead project, Lupuzor for lupus, has completed a Phase IIb trial and a development partner is being sought.

Price performance

%	1m	3m	12m
Actual	(12.2)	(23.2)	(29.1)
Relative*	(4.3)	(14.4)	(20.1)

* % Relative to local index

Analyst

Christian Glennie

ImmuPharma (IMM)

INVESTMENT SUMMARY

ImmuPharma is seeking a development partner for its Phase III-ready lupus candidate, Lupuzor, having reclaimed global rights from Cephalon after Cephalon's acquisition by Teva in October 2011. A deal with a larger pharmaceutical/biotech partner, or a contract research organisation (CRO), will ideally be concluded in 2012. The FDA has agreed an SPA for a Phase III programme, based on ImmuPharma's Phase IIb study completed in 2009, and granted fast-track status. The Phase I/IIa escalating-dose study of N6L in cancer has completed and results are due in H112. ImmuPharma reported a net loss of £3.4m in FY11 and held £11.2m net cash, sufficient for three years at a projected annual cash burn rate of £3.5m.

INDUSTRY OUTLOOK

GSK has made an unsolicited $2.6bn bid to acquire HGSI, seeking full ownership of partnered lupus drug Benlysta (as well as albiglutide and darapladib). Q112 sales of Benlysta were $35.6m; sales uptake has been slower than expected due to high price and reimbursement issues.

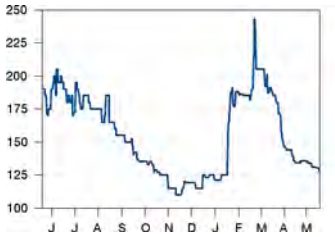
Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.0	(3.9)	(2.2)	(2.1)	N/A	N/A
2011A	0.0	(3.6)	(3.4)	(3.9)	N/A	N/A
2012E	0.1	(3.7)	(3.7)	(4.3)	N/A	N/A
2013E	0.1	(3.9)	(3.9)	(4.5)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	128.0p
Market cap:	£26m
Forecast net cash (£m)	12.3
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)



Company description

Lombard Medical Technologies is a manufacturer and supplier of cardiovascular implants. The principal product, Aorfix, is a flexible endovascular stent graft for the treatment of abdominal aortic aneurysm (AAA).

Price performance

%	1m	3m	12m
Actual	(4.5)	(32.6)	(30.8)
Relative*	4.2	(24.9)	(22.1)

* % Relative to local index

Analyst

Jacob Plieth

Lombard Medical Technologies (LMT)

INVESTMENT SUMMARY

Lombard Medical has received 100-day feedback from the FDA in the approval process of Aorfix; additional analyses of the existing clinical dataset is required. The 180-day clock on the process will be restarted once the new analyses are submitted and a US decision on approval is awaited in the final quarter of 2012. While this is not seen as an indicator of additional regulatory risk, approval in 2012 is necessary to trigger a £14.2m tranche of equity funding from existing shareholders. Proceeds are destined for the cash settlement of a recent £3m convertible debt raise, financing of ongoing development of the device and recruitment of a US sales force.

INDUSTRY OUTLOOK

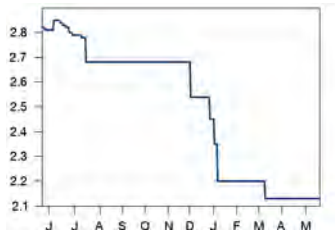
Lombard will compete with larger US corporations to achieve further penetration in the $1.2bn global AAA market on the basis of US FDA approval for Aorfix. The 0-90° label claim (above 60° would be unique) and clinical evidence provide a potential competitive edge for Aorfix in the endovascular aneurysm repair-receptive US market.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	3.0	(8.4)	(8.4)	(73.5)	N/A	N/A
2011A	4.0	(11.0)	(11.1)	(60.1)	N/A	N/A
2012E	4.9	(10.0)	(10.3)	(43.7)	N/A	N/A
2013E	12.3	(10.7)	(11.0)	(35.5)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€2.13
Market cap:	€21m
Forecast net debt (€m)	5.9
Forecast gearing ratio (%)	35.0
Market	MAB

Share price graph (€)



Company description

Medcom Tech distributes a wide range of innovative orthopaedic products across Spain, Portugal and Italy. Its portfolio includes knee and hip implants, plates and screws to repair bone and spine fractures, and advanced types of bone cement.

Price performance

%	1m	3m	12m
Actual	N/A	N/A	N/A
Relative*	N/A	N/A	N/A

* % Relative to local index

Analyst

Mick Cooper

Medcom Tech (MED)

INVESTMENT SUMMARY

Revenues grew by 18% to €14.5m in FY11. This marked a rapid return to growth after sales fell by 8% in H210, despite the market shrinking by over 10%. Growth was driven by a larger sales force and the quality of its portfolio. Despite the sales growth, net income fell by 88% to €0.18m. This was largely because of one-off costs of c €1m associated with the implementation of a SAP system and formation of Italian and Portuguese subsidiaries. Strong growth should continue and be increasingly profitable, as it benefits from its reps becoming more productive and working capital constraints being lifted. The central Spanish government should settle invoices worth c €9.5m in the coming months.

INDUSTRY OUTLOOK

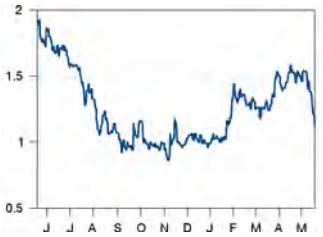
The Spanish orthopaedic market was estimated to be worth €350m in 2008. The market was growing c 5% each year, but it is currently falling by over 10% because deficit reduction measures. The growth drivers offsetting budget constraints are the ageing population, political pressure and technical innovations.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	12.3	2.5	1.7	16.3	13.1	N/A
2011A	14.5	1.5	0.3	2.0	106.5	N/A
2012E	17.9	3.7	2.6	20.7	10.3	9.0
2013E	21.4	4.8	3.4	27.0	7.9	5.8

Sector: Pharma & Healthcare

Price:	€1.12
Market cap:	€42m
Forecast net cash (€m)	10.6
Forecast gearing ratio (%)	N/A
Market	Deutsche Borse

Share price graph (€)



Company description

Medigene is a German biotech company with a focus on cancer and autoimmune diseases. It was floated in 2000, and has two marketed products: Eligard, for treating prostate cancer, and Veregen, for genital warts.

Price performance

%	1m	3m	12m
Actual	(27.2)	(12.5)	(39.2)
Relative*	(21.8)	(4.4)	(29.2)

* % Relative to local index

Analyst

Jacob Plieth

Medigene (MDG)

INVESTMENT SUMMARY

Medigene has received a €5m milestone payment from Astellas, having completed the transfer of European non-EU rights to Eligard to the Japanese company. Meanwhile, a clinical formulation study of RhuDex has been completed, with 10 volunteers undergoing six dosing rounds; a favourable safety profile was seen, and full data are expected around the mid-year. The genital warts ointment Veregen has been approved in Sweden, Norway and Poland, and Medigene ended the first quarter with cash of €10.1m (excluding the Astellas milestone, received in Q2). We expect current funds to last beyond 2013, not counting the effects of potential partnering activity on EndoTAG-1.

INDUSTRY OUTLOOK

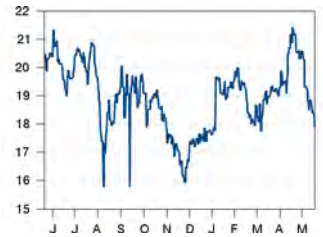
Medigene has a revenue line from Eligard (for hormone-resistant prostate cancer) and Veregen (genital warts), two projects it developed and licensed out for marketing. Partnering, the launch of Veregen in another 17 European markets and the use of cash for licensing activity or M&A underscore the investment case.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	2.3	(17.3)	(17.2)	(47.2)	N/A	N/A
2011A	4.7	(16.6)	(15.5)	(38.0)	N/A	6.2
2012E	6.7	(8.7)	(9.1)	(21.8)	N/A	N/A
2013E	8.0	(8.5)	(9.0)	(21.7)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€17.90
Market cap:	€414m
Forecast net cash (€m)	139.5
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)



Company description

MorphoSys is a German biotechnology company. It uses its proprietary technologies to develop human antibodies for therapeutic use across a range of indications. It also develops diagnostic antibodies and sells antibodies for use in research.

Price performance

%	1m	3m	12m
Actual	(16.4)	(2.7)	(11.6)
Relative*	(10.2)	6.2	2.9

* % Relative to local index

Analyst

Mick Cooper

MorphoSys (MOR)

INVESTMENT SUMMARY

MorphoSys is a profitable biotechnology company with a broad portfolio of products (18 antibodies in clinical studies) and partnerships based on its HuCAL antibody platform. In FY11 it generated revenues of €101m pa and net income of €8.2m, fully funding its proprietary pipeline. In FY12 revenues will fall by c 25% but MorphoSys should remain profitable. The company is approaching a key period for its own pipeline as data from the Phase I/II trial in rheumatoid arthritis with MOR103 (the most advanced of its three proprietary clinical antibodies) is due in Q312; these results could result in MOR103 being out-licensed. MorphoSys could also form major new alliances this year based on its new antibody platform, Ylanthia. MorphoSys had cash of €127m at the end of Q112.

INDUSTRY OUTLOOK

The pharmaceutical industry is out-licensing more drug discovery and developing more biological products, as it looks to increase R&D productivity and to create better products that are more resistant to generic competition. Both trends should benefit MorphoSys.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	87.0	16.0	17.9	59.2	30.2	88.9
2011A	100.8	18.8	21.9	72.3	24.8	14.4
2012E	75.3	6.8	5.5	21.2	84.4	56.7
2013E	79.7	7.9	8.3	30.5	58.7	40.7

Edison investment research

Sector: Pharma & Healthcare

Price:	12.2p
Market cap:	£10m
Forecast net debt (£m)	0.1
Forecast gearing ratio (%)	1.0
Market	AIM

Share price graph (p)

Company description

Omega is a UK-based company focused on developing and marketing in-vitro diagnostic products in infectious and autoimmune diseases and for food intolerance. Intolerance tests account for over 40% of revenues.

Price performance

%	1m	3m	12m
Actual	0.0	13.9	(7.5)
Relative*	9.1	27.0	4.1

* % Relative to local index

Analyst

John Savin

Omega Diagnostics (ODX)

INVESTMENT SUMMARY

In its FY12 trading update, Omega reported sales of £11.12m. Food intolerance yielded £3.9m; Genarrayt reagents were £1.59m, up 7% plus 13 instruments sold for c £80k. Food Detective added £981k, up 27%, sales slowed in H2; FoodPrint services were up 45% to £480k; and Allergy ELISA added £800k. Allergy at £3.87m had 6% growth with weak exports. Management are refreshing the offering. Autoimmune was up 3.5% at £600k making £4.47m for the segment, with infectious diseases dropping 2% to £2.75m. The new Indian subsidiary will make all Indian sales in H213 so headline sales should rise, although this will be a transitional profit year.

INDUSTRY OUTLOOK

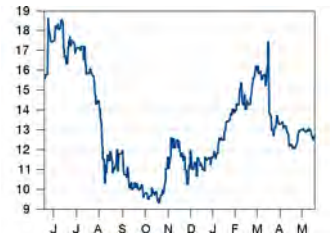
Omega's allergy division tests for IgE, the clinical basis of allergy, rather than IgG, as in food intolerance tests. The allergy test market is worth c $600m. Progress in moving the 40-50 launch test menu to the iSYS is steady. However, two of the eight proof-of-concept tests are not yet ready for validation. We now expect a launch in mid-March 2013 at the earliest.

Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	6.2	0.7	0.6	2.9	4.2	11.1
2011A	7.9	0.9	0.7	1.7	7.2	6.1
2012E	11.1	1.2	0.9	0.9	13.6	18.7
2013E	13.0	1.6	1.3	1.3	9.4	7.3

Sector: Pharma & Healthcare

Price:	US$12.73
Market cap:	US$185m
Forecast net cash (US$m)	72.3
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)



Company description

OncoGenex is a drug discovery and development company creating novel treatments for various cancers. Its leading products are antisense therapies which promote the programmed cell death of tumour cells.

Price performance

%	1m	3m	12m
Actual	5.6	(10.9)	(18.2)
Relative*	13.0	(6.3)	(15.3)

* % Relative to local index

Analyst

Mick Cooper

OncoGenex Pharmaceuticals (OGXI)

INVESTMENT SUMMARY

OncoGenex has two promising antisense therapies in clinical trials, both with the potential to treat many cancers. Its lead product, custirsen, is in a pivotal Phase III trial, SYNERGY, in castration resistant prostate cancer (CRPC); this study should report data in Q413. Two other Phase III trials should start in 2012, one in non-small cell lung cancer and one in CRPC (this will replace the SATURN trial, which is being terminated). Custirsen is partnered with Teva and increased median overall survival by 41% to 23.8 months in a Phase II study in CRPC. Its second clinical drug OGX-427 demonstrated promising anti-tumour activity in a Phase II in CRPC and Phase I in bladder cancer and was well tolerated. It had net cash of $110m at Q112 after raising $54m in equity.

INDUSTRY OUTLOOK

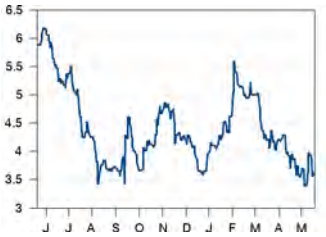
There remains a significant unmet need for efficacious oncology products, in particular for those that do not impair a patient's quality of life. Both OncoGenex's products appear to be highly efficacious and have limited side effects.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	13.6	(10.7)	(11.5)	(164.2)	N/A	N/A
2011A	5.5	(22.3)	(14.7)	(150.8)	N/A	N/A
2012E	18.7	(27.3)	(28.5)	(210.8)	N/A	N/A
2013E	0.0	(34.5)	(34.4)	(227.4)	N/A	N/A

Sector: Pharma & Healthcare

Price:	C$3.58
Market cap:	C$274m
Forecast net cash (C$m)	30.4
Forecast gearing ratio (%)	N/A
Market	NASDAQ, TSX

Share price graph (C$)



Company description

Oncolytics Biotech is a Canadian company focused on developing Reolysin, a pharmaceutical formulation of the oncolytic reovirus, for the treatment of a wide variety of human cancers (Phase III trial in head and neck cancer).

Price performance

%	1m	3m	12m
Actual	(9.4)	(27.5)	(38.5)
Relative*	(2.5)	(20.0)	(25.8)

* % Relative to local index

Analyst

Wang Chong

Oncolytics Biotech (ONC)

INVESTMENT SUMMARY

Oncolytics Biotech's investment case hinges on the outcome of Reolysin's pivotal Phase III trial in squamous cell carcinoma of the head and neck (SCCHN), which recently completed its first stage recruitment (80 patients). Oncolytics has 12 ongoing clinical trials including Phase II trials in non-small cell lung, pancreatic, melanoma and ovarian cancers, and a Phase I trial in colorectal cancer. Interim data from the pivotal Phase III trial in SCCHN, expected in Q212, could be the trigger to attract a major pharmaceutical licensing partnership that would be required for pivotal studies in the major cancer indications.

INDUSTRY OUTLOOK

Oncolytics's current rivals are the companies developing oncology products in the same therapeutic areas, but there are some interesting viral oncolytic companies, including Jennerex, Genelux and Viralytics, suggesting a new era in cancer treatment. Oncolytics is one of the two leaders in the area, with Amgen the other after its acquisition of BioViex for up to US$1bn.

Y/E Dec	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.0	(20.0)	(20.0)	(29.5)	N/A	N/A
2011A	0.0	(28.7)	(28.3)	(39.9)	N/A	N/A
2012E	0.0	(40.9)	(40.9)	(52.4)	N/A	N/A
2013E	0.0	(34.9)	(35.0)	(44.8)	N/A	N/A

Sector: Pharma & Healthcare

Price:	3.5p
Market cap:	£34m
Forecast net cash (£m)	1.4
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)

Company description

Oxford BioMedica is a UK-based company with a leading position in cancer immunotherapy and gene-based products. It is focusing its efforts on ProSavin, TroVax and its ocular collaboration with Sanofi. It has five products in clinical development.

Price performance

%	1m	3m	12m
Actual	(17.4)	22.4	(39.8)
Relative*	(9.9)	36.4	(32.2)

* % Relative to local index

Analyst

Lala Gregorek

Oxford BioMedica (OXB)

INVESTMENT SUMMARY

LentiVector's favourable safety profile is further supported by clinical data presented at ARVO 2012 from the ocular programmes. To date no adverse events related to the company's LentiVector platform (four products in the clinic), nor administration methods, have been seen. Positive initial data from the RetinoStat Phase I wet AMD trial bodes well for partner Sanofi potentially exercising its option to license later this year. Option exercise is expected to be the next major catalyst, triggering double-digit million-dollar milestones and securing Oxford BioMedica's cash position (£9m at end-April) beyond Q113. This would also provide funds to run at least part of the Phase IIa/b ProSavin trial planned for 2013, which should advance ongoing deal discussions.

INDUSTRY OUTLOOK

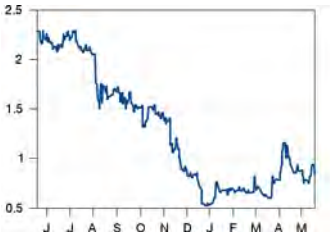
Gene therapy can correct dysfunctional cells and/or create endogenous therapeutic protein factories. Oxford BioMedica's LentiVector platform is well suited for ocular diseases, a novel area of unmet need supported by orphan drug pricing potential.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	11.2	(6.5)	(6.6)	(0.9)	N/A	N/A
2011A	7.7	(10.1)	(10.3)	(0.9)	N/A	N/A
2012E	7.1	(10.1)	(10.4)	(0.9)	N/A	N/A
2013E	0.5	(14.9)	(15.3)	(1.5)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€0.84
Market cap:	€21m
Forecast net cash (€m)	8.4
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)



Company description

Paion is a biopharmaceutical company specialising in the development of CNS products. The company has four NCEs in its R&D portfolio, with the lead programme, remimazolam, partnered with Ono Pharmaceutical in Japan.

Price performance

%	1m	3m	12m
Actual	(5.3)	29.8	(63.5)
Relative*	1.7	41.8	(57.5)

* % Relative to local index

Analyst

Jacob Plieth

Paion (PA8)

INVESTMENT SUMMARY

Paion ended the first quarter with €21.5m of cash and equivalents, helped by the recent sale of the ischaemic stroke project desmoteplase to Lundbeck, and reductions in R&D and administrative expenses (even if redundancy costs are included). It has also revealed that it signed an exclusive option agreement for remimazolam rights in China with the local firm Yichang in March; if this leads to a formal licensing deal, Paion will be entitled to a €3m signing fee plus undisclosed future payments. Separately, the haemophilia project Solulin should yield Phase Ib data this year. Our model continues to forecast enough cash to last into 2014.

INDUSTRY OUTLOOK

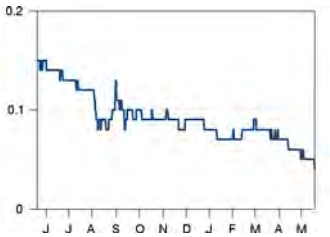
Remimazolam has important advantages over competing products, including fast onset and offset of action and the fact that a reversal agent exists if there is oversedation. Morphine-6-glucuronide has an interesting competitive profile, although Paion is funding only the maintenance of its patents at present.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	4.5	(7.7)	(8.4)	(32.1)	N/A	N/A
2011A	3.2	(6.2)	(6.9)	(25.9)	N/A	N/A
2012E	23.1	14.3	14.3	46.9	1.8	2.1
2013E	0.0	(9.6)	(9.4)	(35.7)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€0.04
Market cap:	€22m
Forecast net debt (€m)	9.5
Forecast gearing ratio (%)	67.0
Market	AMS

Share price graph (€)



Company description

Pharming, a Dutch company listed on Euronext, has focused on Ruconest/ Rhucin for angioedema, a rare hereditary disease. Ruconest is now EU approved and will be marketed by Sobi and Esteve. US kidney rejection trials have started.

Price performance

%	1m	3m	12m
Actual	(35.5)	(50.0)	(69.2)
Relative*	(30.7)	(43.2)	(62.8)

* % Relative to local index

Analyst

John Savin

Pharming Group (PHARM)

INVESTMENT SUMMARY

Q112 product revenues were €394k (annualised €1.6m but perhaps €2-3m if sales build from the low base). Q1 costs were €5.2m with a loss of €6.5m. Cash as of March 2012 was €7.6m; Pharming has been funded during H112 through a €8.4m convertible bond with the full conversion by 15 July. The US Phase III Rhucin trial is underway for a H212 reporting date and could trigger a 2012 $10m milestone plus a $5m fee on FDA acceptance of the BLA, probably in Q113. These are planned to provide H2 funding into 2013.

INDUSTRY OUTLOOK

Cinryze has approval for a combined acute and prophylactic use and is EU marketed, but FY11 EU sales have not been disclosed and may be very low. Cinryze total sales in 2011 were $251m. Dyax's Kalbitor US sales were $22.8m; Kalibitor failed to get approval from the EMA which removes a possible EU competitor. Shire's Firazyr sold $33m, mostly in the EU with US sales from August.

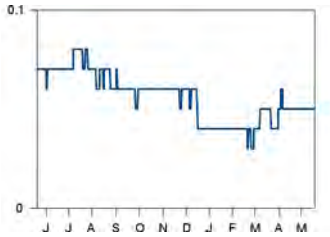
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	1.8	(3.7)	(20.7)	(3.9)	N/A	N/A
2011A	3.0	(15.0)	(15.5)	(3.3)	N/A	N/A
2012E	4.4	(12.8)	(13.4)	(2.6)	N/A	N/A
2013E	8.1	(9.9)	(11.2)	(2.2)	N/A	N/A

Sector: Pharma & Healthcare

Phylogica (PYC)

Price:	A$0.05
Market cap:	A$21m
Forecast net cash (A$m)	6.0
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)



Company description

Phylogica is a drug discovery company with a proprietary technology platform based on naturally derived Phylomer peptides. Its business model centres on drug discovery collaborations with large pharma partners, including Roche, MedImmune, Pfizer and Janssen.

Price performance

%	1m	3m	12m
Actual	(2.0)	33.3	(20.0)
Relative*	5.8	39.0	(7.0)

* % Relative to local index

Analyst

Lala Gregorek

INVESTMENT SUMMARY

The grant of two new patents broadens Phylogica's core IP portfolio and strengthens its potential to exploit its Phylomer peptide drug discovery platform. Phylogica's strategy is to become a preferred drug discovery partner for large pharma. Phylogica's investment case continues to rest on its ability to monetise its proprietary discovery platform, by both achieving milestones under its four existing collaborations and securing additional deals. Active discussions are ongoing for new discovery alliances and at least one, if not two, are targeted by end-June 2012.

INDUSTRY OUTLOOK

Peptides have some advantages of small molecules (stability, formulation flexibility and COGS) and the binding specificity of antibodies, but their key benefit is the ability to address intractable intracellular targets. Phylomer libraries are a source of novel peptide drug leads; which due to their diversity yield better quality and quantity hits vs random peptide libraries.

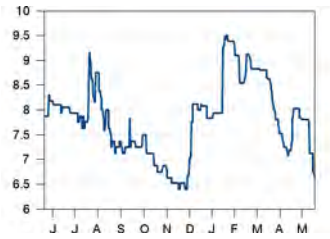
Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.6	(4.1)	(4.1)	(1.8)	N/A	N/A
2011A	2.4	(3.5)	(3.5)	(1.2)	N/A	N/A
2012E	5.2	(0.9)	(1.0)	(0.2)	N/A	N/A
2013E	5.7	(0.6)	(0.7)	0.0	N/A	N/A

Sector: Pharma & Healthcare

Phytopharm (PYM)

Price:	6.6p
Market cap:	£23m
Forecast net cash (£m)	9.9
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)



Company description

Phytopharm is a UK biotech company principally focused on the development of drugs for neurodegenerative disease.

Price performance

%	1m	3m	12m
Actual	(15.3)	(27.4)	(15.9)
Relative*	(7.6)	(19.1)	(5.2)

* % Relative to local index

Analyst

Jacob Plieth

INVESTMENT SUMMARY

Phytopharm's near-term focus is likely to fall on Cogane, which is being studied in a 400-patient Phase II trial (CONFIDENT-PD) in Parkinson's disease, and earlier demonstrated a positive effect in a preclinical model of ALS. Dosing into CONFIDENT-PD should be completed in December, with data read-out due in February 2013. The chemically related Myogane, which was being positioned as a project that could be licensed out separately, has failed in a preclinical glaucoma study owing to a design flaw: insufficient neuronal cell death had been induced in the treatment and control groups in an established rodent model.

INDUSTRY OUTLOOK

Potential partners could quickly advance the development of Cogane, an orally active agent, for neurodegenerative indications based on existing supportive data packages. The next steps for Myogane in glaucoma have yet to be determined, pending further analysis of the inconclusive trial.

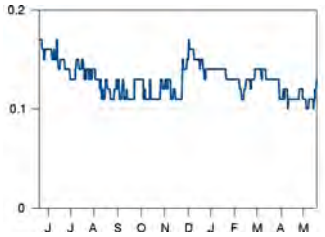
Y/E Sep	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.7	(4.3)	(4.1)	(1.3)	N/A	N/A
2011A	0.1	(8.4)	(8.0)	(2.2)	N/A	N/A
2012E	0.0	(8.9)	(8.7)	(2.3)	N/A	N/A
2013E	0.0	(9.3)	(9.2)	(2.4)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	C$0.13
Market cap:	C$53m
Forecast net debt (C$m)	N/A
Forecast gearing ratio (%)	N/A
Market	TSX

Share price graph (C$)



Company description

ProMetic Life Sciences is an international biopharmaceutical business, comprised of a group of companies focused on developing ligand-based technologies and therapeutics.

Price performance

%	1m	3m	12m
Actual	13.6	0.0	(34.2)
Relative*	22.2	10.4	(20.6)

* % Relative to local index

Analyst

Lala Gregorek

ProMetic Life Sciences (PLI)

INVESTMENT SUMMARY

ProMetic's investment case rests on deriving greater value from proprietary ligand enabling technologies by moving up the value chain and developing higher-value/less-commoditised technologies. 2012 should be a positive year financially: C$21m of base case revenues have already been secured, with potential for upside. Confirmed revenues include $3.5m of recurring orders, a $4.2m follow-on purchase order, $5.9m from Octapharma, $2m under the newly announced Hematech deal, a $1.9m US biopharma purchase order and $1.4m from a European biotech. Revenues will be more heavily weighted to H2 and should improve the funding requirement. The balance sheet has been improved by a secured loan restructuring, $1m strategic equity investment and achievement of final Celgene milestones (allowing deferred recognition of US$6m). Forecasts are under review.

INDUSTRY OUTLOOK

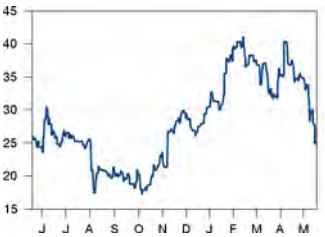
Business focus is on validating the plasma-derived therapies manufacturing subsidiary, boosting resin sales, and securing further partners for its novel oral small molecule drugs.

Y/E Dec	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	11.4	(8.4)	(10.4)	(3.3)	N/A	N/A
2011A	17.6	(0.2)	(1.9)	(0.9)	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price:	24.9p
Market cap:	£48m
Forecast net debt (£m)	2.1
Forecast gearing ratio (%)	67.0
Market	AIM

Share price graph (p)



Company description

Proteome Sciences is a protein biomarker contract research organisation. It has a broad patent portfolio covering isobaric mass-tagging in mass spectrometry and biomarkers for various neurological and oncology indications.

Price performance

%	1m	3m	12m
Actual	(32.1)	(32.3)	1.5
Relative*	(25.9)	(24.6)	14.3

* % Relative to local index

Analyst

Mick Cooper

Proteome Sciences (PRM)

INVESTMENT SUMMARY

Proteome Sciences has an broad IP portfolio covering mass spectrometry techniques and biomarkers, which is now being commercialised. The company earns royalties and manufacturing payments from Thermo Fisher Scientific, which sells Proteome's TMT products. PS Biomarker Services carries out protein assays and biomarker discovery for pharmaceutical companies, including Eisai and J&J. Proteome Sciences also out-licenses its proprietary biomarkers non-exclusively to diagnostic companies. The value of Proteome's technology platform has received further validation from GSK's acquisition of Cellzome, which has used Proteome's TMT products since 2008. Revenues are forecast to grow rapidly from £0.9m in FY11 to 3.2m in FY12, largely due to growth of PS Biomarker Services sales.

INDUSTRY OUTLOOK

Pharma companies are expanding their biomarker programmes due to pressure from regulators and to improve productivity. Protein biomarkers promise to be particularly useful as they provide a direct read-out of changes occurring in a person.

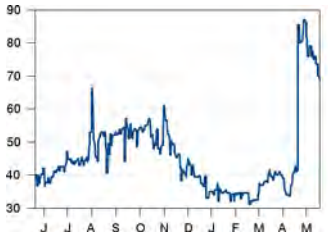
Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	1.3	(3.7)	(4.2)	(3.0)	N/A	N/A
2010A	0.5	(4.5)	(4.9)	(3.0)	N/A	9.9
2011E	0.9	(4.2)	(4.6)	(2.3)	N/A	N/A
2012E	3.2	(2.5)	(2.9)	(1.4)	N/A	N/A

Sector: Pharma & Healthcare

SkyePharma (SKP)

Price:	68.5p
Market cap:	£16m
Forecast net debt (£m)	92.2
Forecast gearing ratio (%)	127.0
Market	LSE

Share price graph (p)



Company description

SkyePharma is a drug delivery specialist. It uses its technologies and expertise to develop new formulations of established drugs and new chemical entities, bringing clinical and lifecycle management benefits.

Price performance

%	1m	3m	12m
Actual	67.1	121.0	89.0
Relative*	82.3	146.3	112.8

* % Relative to local index

Analyst

Jacob Plieth

INVESTMENT SUMMARY

Flutiform's lengthy regulatory process has at last met with a positive outcome, with the CHMP's positive opinion in favour of approval coming sooner than had been expected and marking the end of arbitration proceedings. SkyePharma's stock has reacted accordingly. Assuming that Flutiform is approved and launched - possible in Q3/Q4 - £83m of convertible bonds must be refinanced without unduly diluting equity holders. If SkyePharma were to achieve this, focus would at last revert to its operating activities, which the market cap should begin to reflect.

INDUSTRY OUTLOOK

Flutiform is an inhaled corticosteroid/long-acting beta-agonist combination of fluticasone and formoterol for treating asthma. With its EU approval now virtually a formality, the next key to boosting the equity value is the refinancing of SkyePharma's £83m of convertible bonds, which must be done before the first put date in November 2013.

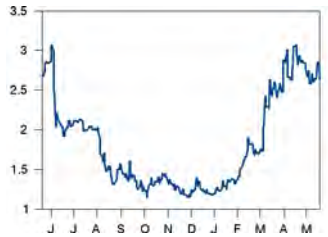
Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	58.1	18.9	8.3	33.8	2.0	0.6
2011A	55.2	12.6	(0.2)	(3.3)	N/A	1.3
2012E	54.4	19.0	6.3	25.1	2.7	0.9
2013E	65.0	22.4	9.7	37.3	1.8	0.9

Sector: Pharma & Healthcare

Sunesis Pharmaceuticals (SNSS)

Price:	US$2.63
Market cap:	US$123m
Forecast net cash (US$m)	5.7
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)



Company description

Sunesis Pharmaceuticals is US biotech company focused on the development of anticancer drugs. Its lead compound, vosaroxin, is in a Phase III study for relapsed/refractory AML.

Price performance

%	1m	3m	12m
Actual	(9.9)	44.5	1.5
Relative*	(3.7)	51.9	5.1

* % Relative to local index

Analyst

Robin Davison

INVESTMENT SUMMARY

Sunesis is moving closer to its key 2012 event, the interim analysis of its pivotal VALOR Phase III study of vosaroxin in relapsed/refractory acute myeloid leukaemia. The 187-event trigger point for the interim analysis is now projected in September. The VALOR study has enrolled 317 patients to date and should reach full recruitment of 450 in Q4. Sunesis's investment case rests entirely on the outcome of the VALOR study and so the interim analysis is of critical importance. Our revised model now indicates a valuation of $300m (of which AML contributes $270m). Sunesis offers a potentially highly geared upside linked to success in the VALOR study, albeit with a high single-product risk. A new $25m royalty funding deal should extend the company's cash reach. Q1 cash and equivalents stood at $34.9m.

INDUSTRY OUTLOOK

The range of alternative treatments for AML includes Dacogen - EU review results due H212, and Astellas's Quiztarnib - Phase II study results pending.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.0	(21.3)	(24.6)	(593.7)	N/A	N/A
2011A	5.0	(25.8)	(20.1)	(43.3)	N/A	N/A
2012E	0.0	(32.5)	(30.5)	(65.4)	N/A	N/A
2013E	0.0	(32.5)	(32.9)	(70.5)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	US$3.80
Market cap:	US$219m
Forecast net cash (US$m)	5.2
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)

Company description

Synta Pharmaceuticals is a US biopharmaceutical company focused on developing small molecules for treating cancer. It has two lead products: ganetespib (Phase IIb/III) and elesclomol (Phase II).

Price performance

%	1m	3m	12m
Actual	(5.2)	(30.4)	(36.2)
Relative*	1.3	(26.9)	(34.0)

* % Relative to local index

Analyst

Robin Davison

Synta Pharmaceuticals (SNTA)

INVESTMENT SUMMARY

Synta has confirmed plans to initiate a new, potentially pivotal, Phase II study of ganetespib in ALK-positive non-small cell lung cancer (NSCLC), based on as yet undisclosed interim data from the first stage, and a smaller study in metastatic breast cancer (mBC), following its recent $33m fundraising. This means Synta will soon have two registration-directed studies underway with its lead product, cementing ganetespib's position as the class leader in the HSP90 field. The two new company-sponsored Phase II trials will examine ganetespib as monotherapy in crizotinib-naïve, ALK-positive NSCLC and in mBC. Separate investigator sponsored studies (ISTs) will examine ganetespib in combination with standard chemo in the same settings. We maintain our valuation at $702m.

INDUSTRY OUTLOOK

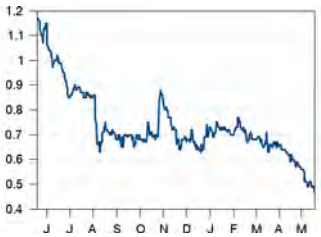
Ganetespib will be one of around 10 new agents in or entering Phase III trials specifically for second-line NSCLC. The most advanced are Pfizer's Dacomitinib and BI's Afatinib, which are both due to render Phase III results in 2012.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	14.8	(30.4)	(33.4)	(72.2)	N/A	N/A
2011A	7.6	(40.6)	(44.0)	(82.9)	N/A	N/A
2012E	1.3	(46.9)	(50.4)	(79.5)	N/A	N/A
2013E	0.0	(51.2)	(54.6)	(86.2)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€0.47
Market cap:	€43m
Forecast net debt (€m)	0.1
Forecast gearing ratio (%)	0.0
Market	Euronext Brussels

Share price graph (€)



Company description

TiGenix produces cell therapeutics. Its lead Phase III development candidate, Cx601, treats perianal fistulas in Crohn's disease. ChondroCelect is approved and sold direct in the EU for knee cartilage repair.

Price performance

%	1m	3m	12m
Actual	(21.7)	(29.9)	(60.5)
Relative*	(14.7)	(22.9)	(48.6)

* % Relative to local index

Analyst

John Savin

TiGenix NV (TIGB)

INVESTMENT SUMMARY

Q1 2012 results showed a very strong ChondroCelect performance with sales up 123% to €700k. Cash was solid at €16.7m. Cx601 is on schedule to start the ADMIRE-CD Phase III trial to treat perianal fistulas in mid year. Cx611 has passed its last safety hurdle and recruitment of the last cohort is underway; data is due in H113. The last patient has been treated in the Cx621 Phase I clinical trial which is evaluating intralymphatic injection safety; data by end June 2012. TiGenix is funded into 2013 but may need up to €4m from non-dilutive funding to realise Cx611 clinical goals.

INDUSTRY OUTLOOK

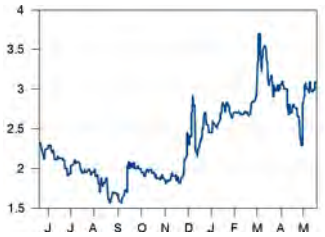
ChondroCelect sells for €18,000, so 1,670 implantations a year (85 in 2011; maybe 40 in Q1) could take TiGenix to profit. Private insurers are increasingly specifying use of only ChondroCelect. TiGenix now has 334 patient follow-up data. In Crohn's disease, about 120,000 patients in the EU and US have fistulas. With direct EU sales from 2016 plus an anticipated US partner, Cx601 could be highly lucrative.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.6	(13.8)	(13.8)	(43.6)	N/A	N/A
2011A	1.1	(15.1)	(14.6)	(21.4)	N/A	N/A
2012E	3.2	(12.8)	(13.3)	(14.6)	N/A	N/A
2013E	8.5	(9.6)	(10.2)	(11.1)	N/A	N/A

Sector: Pharma & Healthcare

Price:	DKK3.09
Market cap:	DKK410m
Forecast net cash (DKKm)	42.9
Forecast gearing ratio (%)	N/A
Market	OMX

Share price graph (DKK)



Company description

Topotarget is a Danish drug development company in the field of oncology. Its lead product is belinostat and it has out-licensed the North American and India rights to Spectrum Pharmaceuticals.

Price performance

%	1m	3m	12m
Actual	11.2	15.7	32.6
Relative*	16.9	16.5	48.4

* % Relative to local index

Analyst

Mick Cooper

Topotarget (TOPO)

INVESTMENT SUMMARY

Topotarget is only developing belinostat, which is partnered with Spectrum Pharmaceuticals. The drug is in a pivotal Phase II trial, BELIEF, for peripheral T-cell lymphoma (PTCL), which should render results in H112. If positive, this could lead to the drug's approval in the US in 2013. Belinostat is also being developed for cancer of unknown primary (CUP) and non-small cell lung cancer (NSCLC). Data from a Phase II study in CUP are expected in H112 and two Phase II studies in NSCLC are underway. Spectrum is buying another company with a drug for PTCL, but says it is still committed to developing belinostat. Topotarget's net cash position was DKK124m (c $22m) at FY11, which should enable the company to operate into Q213.

INDUSTRY OUTLOOK

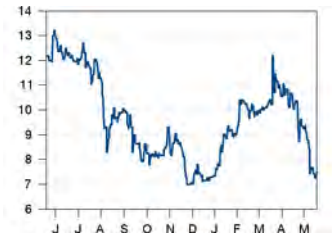
Topotarget's belinostat belongs to the class of drugs called histone deacetylase inhibitors (HDACi). Two such drugs have been approved and nine others are in clinical development. However, belinostat has a favourable safety profile and could be the first HDACi approved for the treatment of solid tumours in combination therapy.

Y/E Dec	Revenue (DKKm)	EBITDA (DKKm)	PBT (DKKm)	EPS (DKK)	P/E (x)	P/CF (x)
2010A	107.8	(3.8)	(6.7)	1.01	3.1	0.1
2011A	65.6	(28.0)	(31.4)	(0.25)	N/A	N/A
2012E	2.4	(79.5)	(82.8)	(0.62)	N/A	N/A
2013E	2.2	(73.5)	(78.0)	(0.59)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€7.51
Market cap:	€238m
Forecast net cash (€m)	57.4
Forecast gearing ratio (%)	N/A
Market	Euronext Paris

Share price graph (€)



Company description

Transgene is a French drug discovery and development company focused on the treatment of cancer and infectious diseases with immunotherapies. It has four products in Phase II development.

Price performance

%	1m	3m	12m
Actual	(26.2)	(24.4)	(38.7)
Relative*	(20.6)	(14.5)	(20.9)

* % Relative to local index

Analyst

Mick Cooper

Transgene (TNG)

INVESTMENT SUMMARY

Transgene has four immunotherapy products in Phase II clinical trials, which could lead to it to becoming a fully-integrated pharmaceutical company in five years. Its lead product, TG4010, a therapeutic vaccine, has just started a Phase IIb/III trial in non-small cell lung cancer, which could lead to Novartis exercising its option to in-license the drug in 2013. Its second drug, JX594, an oncolytic virus, is in a Phase IIb study in hepatocellular carcinoma (HCC, data due in Q113) after it significantly increased survival in a Phase II study in HCC. Initial Phase II data in HCV with TG4040 showed promising levels of efficacy; further data is expected this year. However, TG4001 now needs to be partnered for development in HPV-related cancers, following disappointing Phase II data in CIN. It has sufficient cash to operate into H214.

INDUSTRY OUTLOOK

There is currently considerable interest in immunotherapies, both therapeutic vaccines and oncolytic viruses, especially for the treatment of cancers after the approval of Provenge and Yervoy. They are generally well tolerated and are showing promising levels of efficacy.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	14.1	(32.2)	(33.8)	(122.5)	N/A	N/A
2011A	14.4	(42.1)	(42.9)	(137.1)	N/A	N/A
2012E	14.9	(50.3)	(52.3)	(164.9)	N/A	N/A
2013E	15.4	(53.0)	(55.1)	(173.9)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Vectura (VEC)

Price:	63.0p
Market cap:	£209m
Forecast net cash (£m)	68.0
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)

Company description

Vectura is a UK speciality pharmaceutical company developing a range of inhaled therapies and technologies, principally for the treatment of respiratory diseases such as asthma and COPD.

Price performance

%	1m	3m	12m
Actual	8.6	8.6	(8.0)
Relative*	18.5	21.1	3.6

* % Relative to local index

Analyst

Lala Gregorek

INVESTMENT SUMMARY

Positive top line results from the first four trials in the IGNITE Phase III programme for QVA149, and clarity on US regulatory filing timelines for NVA237 and QVA149 drove a c 30% rise in Vectura's share price over April. The Phase III data will support Europe and Japan QVA149 filings expected in Q412, while agreement between partner Novartis and the FDA on NVA237/QVA149 trial protocols means new Phase III trials will start in the near future, permitting US filings in 2014. These critical disclosures coupled with better than expected FY12 financial performance (net cash of £75.5m) put Vectura in a strong position ahead of further transformative news flow. Positive NVA237 Phase III GLOW-2 data were presented at ATS (18-23 May).

INDUSTRY OUTLOOK

Vectura offers exposure to potential generic ICS/LABA asthma combinations (despite US regulatory complexity) and a novel LAMA (NVA237) and LABA/LAMA combination (QVA149), which could become first-in-class therapies, at least ex-US, in the blockbuster COPD market.

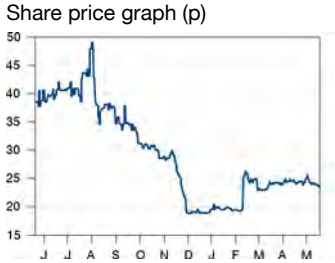
Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011A	42.9	3.0	1.7	1.9	33.2	75.9
2012A	33.0	(4.2)	(4.6)	1.3	48.5	N/A
2013E	28.8	(5.1)	(5.7)	(0.5)	N/A	N/A
2014E	20.5	(14.1)	(14.8)	(3.8)	N/A	N/A

Sector: Pharma & Healthcare

Vernalis (VER)

Price:	23.4p
Market cap:	£103m
Forecast net cash (£m)	80.2
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)



Company description

Vernalis is a UK speciality pharma company with a late-stage US cough/cold pipeline and an early to mid-stage R&D pipeline of CNS and cancer projects. Its latest fundraise will enable it to build a US-based sales force for the former.

Price performance

%	1m	3m	12m
Actual	(2.6)	(3.6)	(39.3)
Relative*	6.3	7.4	(31.6)

* % Relative to local index

Analyst

Lala Gregorek

INVESTMENT SUMMARY

Vernalis's £65.9m net equity raise and multi-product in-licensing of up to six novel late-stage ER cough/cold drugs for the US prescription market with Tris Pharma is a significant step in its strategy to become a diversified, profitable and sustainable speciality pharma company. While Vernalis has made clinical pipeline progress and balanced investment in research (adding Genentech and a third Servier deal to its collaborations in 2012), pipeline expansion via in-licensing was critical to its transformation strategy. The scope of the Tris deal and the size of the addressable market means Vernalis is one step closer to its goal.

INDUSTRY OUTLOOK

The Tris deal provides Vernalis with a fast clinical and regulatory path into the large and valuable $2bn US prescription cough/cold market. First launch is potentially in 24-36 months. 2012 should also bring Phase I V18444 data (Parkinson's disease) and new trial starts for tosedostat (Phase II/III in AML/MDS) and V15886 (Phase II in pain), although the latter may be partnered first, as may V158411.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	14.2	(2.0)	(3.4)	(1.0)	N/A	N/A
2011A	12.2	(6.0)	(6.3)	(3.4)	N/A	N/A
2012E	10.5	(8.4)	(8.6)	(1.9)	N/A	N/A
2013E	10.1	(9.4)	(9.7)	(1.9)	N/A	N/A

Sector: Pharma & Healthcare

WILEX (WL6)

Price:	€3.58
Market cap:	€89m
Forecast net debt (€m)	6.9
Forecast gearing ratio (%)	509.0
Market	FRA

Share price graph (€)

Company description

Wilex develops therapeutic and diagnostic products for cancer. Lead development programmes are Redectane (pre-registration), Rencarex (Phase III for adjuvant treatment of renal cancer) and Mesupron (Phase II for pancreatic and breast cancers).

Price performance

%	1m	3m	12m
Actual	(10.6)	5.2	(32.0)
Relative*	(4.1)	14.9	(20.8)

* % Relative to local index

Analyst

Jacob Plieth

INVESTMENT SUMMARY

Near-term catalysts for Wilex include a decision on the potential receipt of a $20m payment from Prometheus (Nestlé), the results of an FDA advisory panel on Redectane, Phase II progression-free survival data with Mesupron, final disease-free survival results from the ARISER trial of Rencarex, and the first Phase Ib/II data with oral WX-554. The company reported fiscal first-quarter gross cash and equivalents of €7.9m, largely thanks to a rights issue that raised €9.8m including costs. We continue to forecast sufficient cash until the end of fiscal 2013 assuming receipt of the $20m payment from Nestlé.

INDUSTRY OUTLOOK

Rencarex is targeted at adjuvant treatment of non-metastatic renal cancer following surgical removal of the kidney in patients with a high risk of recurrence and is the most advanced product in development for this specific indication, for which no drugs are currently approved. Wilex is also developing Redectane, a radio-labelled version of the same antibody used in Rencarex, which could become a companion diagnostic.

Y/E Nov	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	1.3	(22.4)	(22.5)	(134.4)	N/A	N/A
2011A	11.7	(12.8)	(13.6)	(65.8)	N/A	N/A
2012E	15.2	(11.3)	(12.2)	(50.4)	N/A	N/A
2013E	8.8	(12.1)	(12.9)	(52.0)	N/A	N/A

Sector: Pharma & Healthcare

YM BioSciences (YM)

Price:	C$2.03
Market cap:	C$319m
Forecast net cash (C$m)	120.5
Forecast gearing ratio (%)	N/A
Market	NYSE MKT, TSX

Share price graph (C$)

Company description

YM BioSciences is an oncology-focused business developing compounds licensed from academia and acquired through takeovers. Its stock is listed on Amex and the Toronto Stock Exchange.

Price performance

%	1m	3m	12m
Actual	20.1	(9.4)	(30.0)
Relative*	29.1	0.1	(15.6)

* % Relative to local index

Analyst

Jacob Plieth

INVESTMENT SUMMARY

A pivotal programme for CYT387 in myelofibrosis is being finalised, and subject to regulatory clearance could begin in the second half of 2012. YM BioSciences also says it is designing clinical studies of CYT387 in additional indications. 2012 should see final nine-month data from the compound's core Phase I/II study, interim results from an extension trial and interim data from a twice-daily dosing study. The company finished its fiscal third quarter with C$137m in cash and equivalents, and said it would weigh licensing discussions against the prospect of retaining CYT387's full commercial economics.

INDUSTRY OUTLOOK

CYT387 is one of the most advanced unpartnered JAK1/2 inhibitors in development, and has a potentially significant efficacy advantage. Incyte/Novartis's ruxolitinib (Jakafi) is the most advanced competing JAK inhibitor and has been approved in the US for myelofibrosis.

Y/E Jun	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	2.6	(17.3)	(17.3)	(26.8)	N/A	N/A
2011A	1.0	(24.4)	(24.0)	(25.7)	N/A	N/A
2012E	1.3	(31.5)	(22.5)	(15.7)	N/A	N/A
2013E	1.3	(35.4)	(35.3)	(22.5)	N/A	N/A

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