Edison healthcare quarterly

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The Edison healthcare team

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.

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.

Franc Gregori

Franc is a pharmacist who started his career with Boots, Eli Lilly and Pfizer before moving into the City as an analyst. He has worked with Robert Fleming, BZW and BNP Paribas, where he was involved in a number of major transactions. He joined Edison's healthcare team from Charles Stanley, where he focused his coverage on small- and mid-cap life sciences stocks. Franc gained his pharmaceutical qualifications from the Welsh School of Pharmacy and King's College London.

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.

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.

Chris Kallos

Chris has 14 years' experience as an equities research analyst in both Australian and US stocks. He has covered small-, medium- and large-cap stocks across a number of sectors with a focus on healthcare/biotech, mining, recruitment and telecommunications. Chris holds a BPharm (Sydney), an MBA from the Australian Graduate School of Management (UNSW), and a Masters in Applied Finance (Macquarie). He is a CFA charterholder and graduate of the Australian Institute of Company Directors.

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.

Dr Mike Aitkenhead

Michael is a qualified physician with over 12 years' experience in the healthcare industry, including five years in clinical medicine and seven years in biopharmaceutical equity research. He was formerly a European pharmaceuticals analyst at the Royal Bank of Scotland (RBS) in London, and prior to this was a European biotechnology analyst with Piper Jaffray. Michael received his medical degree from the University of Otago, New Zealand, and subsequently completed an MBA at Judge Business School, University of Cambridge.

Dr Jason Zhang

Jason joined Edison's healthcare team in October 2012, after working as a biotech analyst at many investment banking firms, most recently Burrill & Company, and previously BMO Capital Markets, Prudential Equity Group and Stephens.

Pooya Hemami

Pooya is a licensed optometrist with over five years of experience in life sciences equity research. Prior to joining Edison, he covered the Canadian healthcare sector as a research analyst at Desjardins Capital Markets. He holds a doctor of optometry degree from the University of Montreal, and an MBA (finance concentration) from McGill University. He received his CFA charter in 2011.

Boom times for US biotech

Christian Glennie

Discrepancies in valuation and finance between the European and US healthcare markets has long been marked, but 2012 has seen the gap grow ever wider. While the NASDAQ Biotechnology Index now matches the highs of the dot.com boom in 2000, European equivalent indices show modest gains. The European pharma/biotech sector has often lagged the US, but with opposing trends in drug prices, IPOs and venture/public equity financing, a significant turnaround is required while European economic shackles will be tough to break. Yet with the US likely to build further on an encouraging year in 2012, we remain hopeful the European market will benefit from the US biotech boom.

Diverging drug prices

Recent reports of significant rises in US branded drug prices contrasts starkly with increasing talk and evidence of the detrimental impact of austerity measures on the price and volume of medicines in Europe. This is most keenly affecting the roll-out of new drugs in Europe and investors need to focus on those companies with products that provide the most compelling benefits.

Diverging valuations

While both the US and EU healthcare sectors continue to outperform the overall markets, the US gains are significantly more pronounced. The NASDAQ Biotechnology Index is up over 30% so far this year, while European equivalent indices are up 10%. Just two EU stocks (AB Science and Newron) feature in the top 20 biggest biotech gainers in 2012.

Diverging financing trends...

The past three years in the US have seen significant improvements in venture and public equity financings, while confidence in the IPO market continues to strengthen. In contrast, European private/public financings are flat-to-declining.

...but comparable new drug approvals offer hope

The number of new drug approvals in both the US and Europe are comparable and show encouraging signs of recovery: ~30 NMEs approved in each of 2012 and 2011 is significantly higher than the prior 10-year average of 23. Talk of a terminal decline in R&D productivity may be premature.

7 December 2012

Christian Glennie

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Prices as at 23 November 2012

Boom times for US biotech

2012 has certainly been a boom year for US pharma and biotech, kicking on from a decent showing in 2011. This trend is at odds with doom and gloom reports about a perfect storm of declining R&D productivity, the biggest 'patent cliff' for a generation and increasing pressures on drug prices.

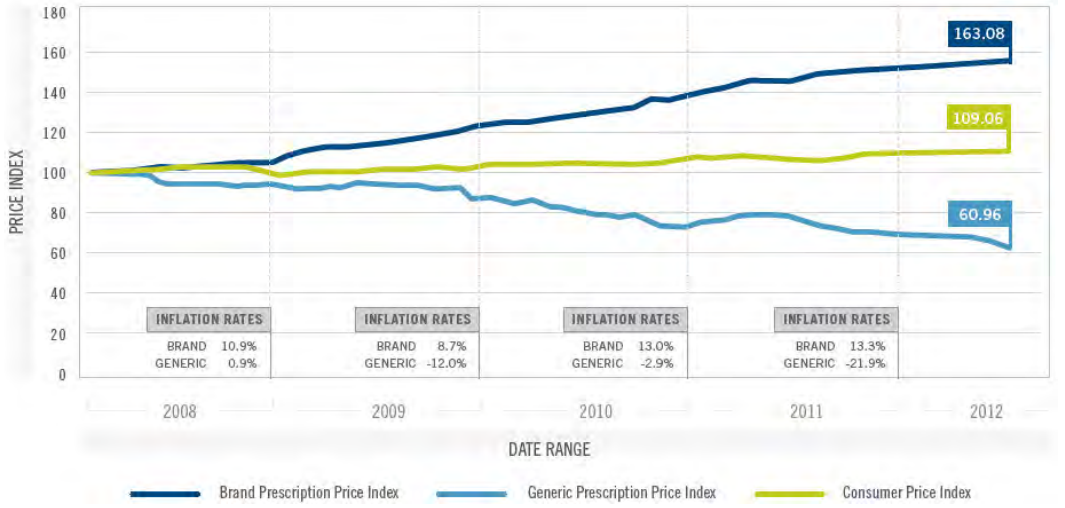
Approaching the end of the harshest year of the patent cliff (an estimated $33bn[1] sales could be lost in 2012 due to patent expirations) and the biosimilar threat fading somewhat, investors can draw comfort that the worst (on the patent cliff front) may almost be over. As analysts re-base five-year CAGRs at the start of 2013, earnings forecasts will look a lot more encouraging. Couple this with another bumper crop of new drug approvals in 2012 (30 and counting), which includes potential blockbusters such as Kalydeco (cystic fibrosis), Xtandi (prostate cancer) and Xeljanz (rheumatoid arthritis), and the light at the end of the tunnel appears ever brighter.

Of course, gaining regulatory approval in the US or Europe is not the endgame for risk that it once was. Commercial execution risk is increasingly significant, in the context of governments and payers attempting to drive down prices (particularly in Europe) and placing greater demands on new drugs demonstrating a clear cost-benefit outcome. Meanwhile the binary nature of clinical trial results remains as acute as ever, and is ultimately what keeps most biotech CEOs awake at night. Should the worst happen, and there have been a fair share of negative outcomes in 2012, the trick is to have further shots on goal lined up. As we demonstrated in our recent initiation report on ArQule, a number of high-profile oncology drugs (Nexavar, Sutent, Tarceva) failed in one or more cancer indications before succeeding in others.

US brand prices continue to rise

The Q312 drug trend report by Express Scripts shows a 13.3% increase in the price of branded drugs, over six times higher than overall economic inflation in the US of 2%, driven by the high prices being achieved by recently launched products (Exhibit 1). Meanwhile, prices of generic medications declined 21.9%, a dramatic decline that bears testimony to the impact of the patent cliff.

Exhibit 1: Express Scripts Prescription Price Index



Source: Express Scripts' *2012 Q3 Drug Trend Quarterly*

1 EvaluatePharma World Preview 2018

Strong growth in the uptake and price of recently launched specialty branded products, such as for hepatitis C (Incivek, Victrelis), MS (Gilenya) and cystic fibrosis (Kalydeco) is offset by genericisation of many primary care, traditional therapy classes of drug. As a recent example, blockbuster asthma drug Singulair ($4.6bn annual sales) went off-patent in Q3 and sales of the branded product fell 87% in the first month that a generic became available. The 35.2 percentage point net inflationary effect is the largest widening of brand and generic prices since Express Scripts began calculating its Prescription Price Index in 2008. The net effect is that the price and utilisation of drugs in the US was up 3.5% for the first nine months of 2012.

This contrasts starkly with the picture in Europe where government-led austerity measures throughout the region are causing significant declines in drug prices and volumes. German and French governments have targeted ~€2bn in annual savings from significant cuts to their healthcare budgets, while economic value bodies such as the UK's NICE, Germany's IQWiG and France's Commission d'Evaluation des Médicaments continue to put the onus on companies demonstrating a compelling cost-benefit case for new drugs. Bloomberg recently reported that 33% of 79 drugs approved by the EMA between January 2010 and August 2012 were rejected by NICE.

With austerity measures unlikely to relent in 2013, investors need to focus on companies with products with robust clinical data, addressing significant unmet medical needs and presenting a persuasive cost-benefit argument.

Booming US biotech

While both the US and EU healthcare sectors continue to outperform the overall markets, the US gains are significantly more pronounced (Exhibit 2). The NASDAQ Biotechnology Index is up over 30% so far this year – vs S&P500 (+10%) and DJIA (+5%) – while European equivalent indices are up 10% – vs FTSE 100 (+4%) and DJ Europe (-5%). The NBI reached1,533 index points in early October, just shy of the record of 1,596 points set in the dot.com boom in early 2000.

Exhibit 2: US and EU stock indices for pharma/biotech and benchmark, year-to-date 2012

Source: Bloomberg

This discrepancy is further illustrated by the fact just two EU stocks (AB Science and Newron) feature in the top 20 biggest biotech gainers so far in 2012 (Exhibit 3).

This list bears testimony to the age-old power of positive clinical trial results, with the majority of companies seeing share price surges on the back of positive pipeline developments. Unsurprisingly, oncology players (such as Sunesis, Threshold and Pharmacyclics) feature prominently, as well as orphan drug plays (Sarepta and Insmed), and obesity companies (Arena and Orexigen) in what has been a breakthrough year in terms of the FDA's opinions on obesity drugs.

Intriguingly, no hepatitis C players feature in this list, whereas a similar snapshot in 2011 would likely have included several hepC companies. There are many twists and turns yet in the still rapidly evolving development field of hepC, but at this stage it looks like Gilead's game to lose, assuming sofosbuvir (GS-7977) continues to deliver strong Phase III results.

Exhibit 3: Top 20 biotech share price gainers, ytd 2012

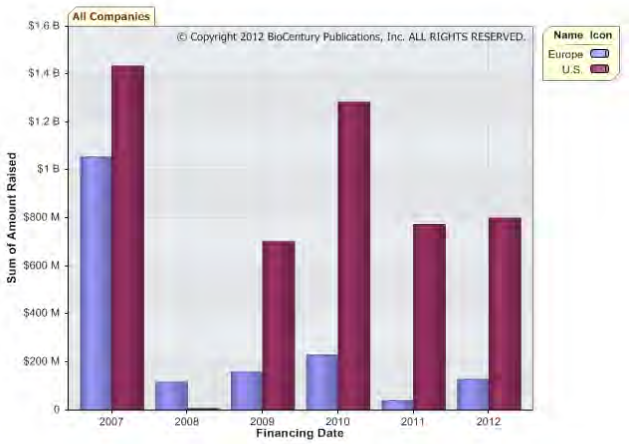
Company name	Currency	31-Dec-12	27-Nov-12	ytd price change %	Market cap
Sarepta Therapeutics	$	4.47	28.75	543	$745m
BioDelivery Sciences	$	0.81	4.23	425	$130m
Acadia Pharmaceuticals	$	1.08	5.43	403	$305m
Arena Pharmaceuticals	$	1.87	9.31	398	$2.02bn
Celsion	$	1.7	7.58	346	$265m
Sunesis Pharmaceuticals	$	1.17	4.82	312	$255m
Threshold Pharmaceuticals	$	1.22	4.59	276	$255m
Newron Pharmaceuticals	CHF	2.2	8.05	266	CHF70m
Pharmacyclics	$	14.82	53.48	261	$3.75bn
Affymax	$	6.61	23.81	260	$885m
Tekmira Pharmaceuticals	$	1.5	5.28	252	$75m
Galena Biopharma	$	0.47	1.58	237	$110m
Regeneron Pharmaceuticals	$	55.43	174.7	215	$16.9bn
Medgenics	$	2.5	7.75	210	$97m
Santarus	$	3.31	9.91	199	$630m
Repros Therapeutics	$	4.82	14.3	197	$250m
AB Science	€	5.92	17.42	194	€560m
Orexigen Therapeutics	$	1.61	4.73	194	$385m
Infinity Pharmaceuticals	$	8.84	25.19	185	$985m
Insmed	$	3.05	8	162	$250m

Source: BCIQ: BioCentury Online Intelligence

Public and private finance strength returns

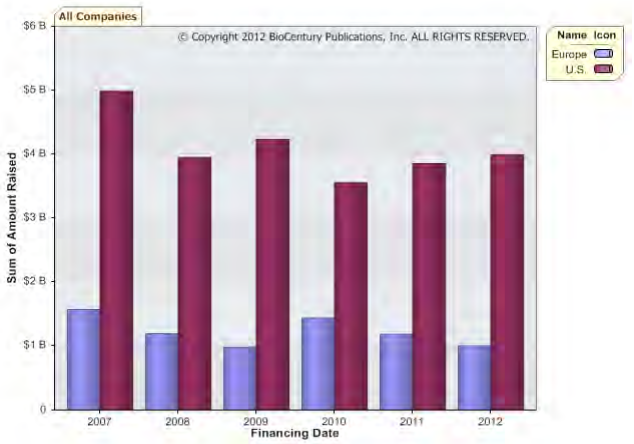
In terms of access to finance, again the trend in the US is significantly more encouraging than in Europe. For IPOs (Exhibit 4), 12 US companies have made debuts on the NASDAQ so far this year, raising $800m, compared to 11 IPOs in 2011, which generated $775m. In contrast, five European companies have listed in 2012, raising $128m, albeit up from just three IPOs for $40m in 2011.

Exhibit 4: IPO s - US vs EU (2007-12)



Source: BCIQ: BioCentury Online Intelligence

Exhibit 5: VC finance - US vs EU (2007-12)

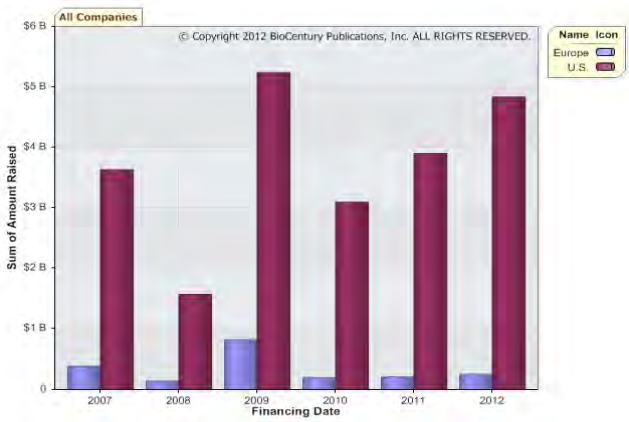


Source: BCIQ: BioCentury Online Intelligence

Similarly, venture capital money (Exhibit 5) appears to be holding up fairly well in the US, the $4bn raised so far this year the most since 2009. Conversely, $1bn of venture capital money raised in Europe so far this year is one of the lowest in recent xx.

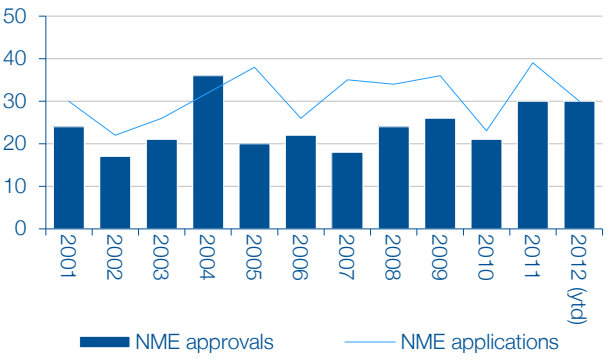
Perhaps the most pronounced difference is in follow-on public equity finance (Exhibit 6), where the amounts raised in the US dwarf those in Europe, with the last three years showing an encouraging trend in the US, and $4.8bn has been raised so far in 2012. Meanwhile European follow-on finance has almost flat-lined around $200m.

Exhibit 6: Public equity finance - US vs EU (2007-12)



Source: BCIQ: BioCentury Online Intelligence

Exhibit 7: FDA data on NME approvals/applications



Source: FDA

What is certainly encouraging is the approval rate for new drugs in the last couple of years. With the FDA approving 30 new drugs so far this year, matching the 30 NMEs approved in 2011, talk of a terminal decline in R&D productivity, ultimately the lifeblood of the industry, may be premature. Only the 36 new drugs approved in 2004 was a more productive year over the last 12 years.

And while the EMA does not classify new drugs in quite the same way, making like-for-like comparisons more problematic, our review of EMA approvals in the last two years indicates a new drug approval rate in Europe of 28 in 2011 and 29 so far in 2012.

Greater numbers of new drugs reaching the market, and in the US still attracting high prices, is a clear driver in boosting investor sentiment to the biotech sector; particularly as 18 of the 30 NMEs approved so far in 2012 originated at a biotech company.

While new drugs reaching the European market may have more of a battle to earn premium prices and government reimbursement throughout the region, the primary focus for most European biotechs is to gain regulatory approval for their new drugs and technologies in the US. And with the uncertainty from potentially significant changes to healthcare policies in the US removed by President Obama winning a second term, we remain hopeful that current sentiment is maintained and investors reinvest their winnings. This should ultimately be of benefit to both US and European companies.

Upcoming newsflow

Exhibit 8: Expected near-term newsflow catalysts for pharma/biotech

December		
Astex Pharmaceuticals	8-11 Dec	SGI110 - Phase II data from Phase I/II Stand Up to Cancer trial in MDS and AML at ASH
MorphoSys	8-11 Dec	MOR208 - Phase I data in CLL at ASH
Biotie	14 Dec	Selincro (nalmefene) - EU CHMP opinion for alcohol dependence
BTG	15 Dec	Zytiga - estimated PDUFA date (assuming priority review) in chemo-naive HRPC
Q412 unspecified		
4SC		resminostat - Initial data from Phase I/II SHORE trial with FOLFIRI in second line KRAS mutant CRC
Aastrom Biosciences		Ixmyelocel-T - Potential SPA from FDA on the poor-option Phase III trial in critical limb ischemia
Adventrx		ANX-188 - Initiate Phase III trial in sickle cell crisis
Addex Pharma		Dipraglurant - potential licensing agreement
Algeta		Alpharadin - Phase I/IIa safety data + docetaxel in HRPC patients with bone metastases
Algeta		Alpharadin - US and EU regulatory filings in HRPC with bone metastases
Algeta		Alpharadin - completion of Japanese Phase I study
Allergy Therapeutics		Pollinex Quattro Grass - feedback on German MAA, potential approval
Arqule		ARQ 736 - Data from Phase I trial in melanoma
Astex Pharmaceuticals		AT13387 - Phase II data + imatinib in refractory GIST
Astex Pharmaceuticals		AT7519 - initial Phase II data from trial + Velcade in mutliple myeloma
Biotie		SYN115 (tozadenant) - Phase IIb Parkinson's Disease trial reads out (UCB option exercise)
Biotie		SYN117 (nepicastat) - Phase II data from US DoD trial in PTSD
BTG		DC Bead - initial dats from PARAGON exploratory studies in mCRC
BTG		Varisolve PEM - NDA filing for treatment of varicose veins
Consort Medical		DEV750 - DPI launch
Consort Medical		DEV200 (Oxette nicotine delivery device) - commercial manufacturing contract to be tendered
e-Therapeutics		ETX1153a – Phase I MRSA trial starts
GW Pharma		Sativex - Completion of German pricing/reimbursement discussions
Innate Pharma		IPH2201/NN8765 - Initiate Phase II trial in RA
MorphoSys		BYM338 - complete Phase II sarcopaenia trial
MorphoSys		MOR208 - Phase I data in CLL
MorphoSys		MOR208 - Initiate Phase II trial in NHL
MorphoSys		MOR208 - Initiate Phase II trial in ALL
Oxford BioMedica		TroVax - partnering update
Oxford BioMedica		UshStat - initial Phase I/II results in Usher's syndrome
Paion		GGF2 - top-line data from Phase I heart failure trial
SkyePharma		Lodotra - US launch in RA
Synta		Ganetespib - Complete enrollment of Phase IIb portion of Phase IIb/III GALAXY trial
Synta		Ganetespib - Initiate enrollment of Phase III portion of Phase IIb/III GALAXY trial
Synta		Ganetespib - Preliminary data from Phase II CHIARA trial in ALK+ NSCLC as monotherapy
Synta		Ganetespib - Preliminary data from Phase II ENCHANT trial of monotherapy in HER2+ and triple negative breast cancer
TopoTarget		Belinostat - Phase II data from BELIEF monotherapy for relapsed/refractory PTCL trial
TopoTarget		Belinostat - file rolling NDA as monotherapy for relapsed/refractory PTCL
Vectura		NVA237 - Initiate US Phase III studies in COPD
Vernalis		V18444 - results of receptor occupancy study
Vernalis		V158866 - initiate Phase II POC study in spinal cord injury neuropathic pain
Vernalis		RPL554 - Phase II anti-inflammatory study results
Vernalis		Cough/cold portfolio - preparations for US infrastructure build
YM Biosciences		CYT387 - potential partner and/or initiate pivotal Phase III trial in myelofibrosis
Conferences etc		
Atlanta	8-12 Dec	American Society of Haematology ASH
New York	12-13 Dec	Oppenheimer & Co Annual Healthcare conference
London	13-14 Dec	Genesis
January		
Optos	22 Jan	IMS
GW Pharmaceuticals	23 Jan	Sativex - Novartis FY12 results
Vectura	23 Jan	NVA237/QVA149/VR315 - Novartis FY12 results
Vernalis	23 Jan	AUY992 - Novartis FY12 results
GW Pharmaceuticals	23 Jan	AGM
Vectura	29 Jan	Respiratory pipeline - read through from FDA Adcom on Boehringer's Olodaterol
Topotarget	31 Jan	Q412 interim report
AstraZeneca	31 Jan	FY12 results
Alliance Pharma	Jan	Trading statement
BTG	Jan	IMS
Phylogica	Jan	H113 interim results
Vectura	Jan	IMS

Source: Edison Investment Research

Exhibit 9: Expected near-term newsflow catalysts for pharma/biotech (cont'd)

February	
Wilex	27 Feb FY12 results
GSK	6 Feb FY12 results
Smith & Nephew	7 Feb FY12 results
Clavis	15 Feb FY12 results
Optos	21 Feb AGM
Bioinvent	21 Feb FY12 results
Ablynx	27 Feb FY12 results
Algeta	28 Feb FY12 results
Biotie	28 Feb FY12 results
Phytopharm	Mid-Feb Cogane - Phase II data in Parkinson's Disease
Actelion	Feb FY12 results
Addex	Feb FY12 results
Biotie	Feb Selincro - Lundbeck FY12
Dechra	Feb H113 interim results
GW Pharmaceuticals	Feb Sativex - Almirall FY12 results
MorphoSys	Feb FY12 results
Orexo	Feb FY12 results
Shire	Feb FY12 results
Sinclair IS Pharma	Feb FY12 results
Vectura	Feb Respiratory pipeline - read through from Almirall FY12
March	
Topotarget	13 Mar FY12 results
Optos	16 May H113 results
Epigenomics	21 Mar FY12 results
Transgene	22 Mar FY12 results
Medigene	22 Mar FY12 results
Evotec	26 Mar FY12 results
Allergy Therapeutics	30 Mar H113 results
4SC	Mar FY12 results
Abcam	Mar FY12 results
Agennix	Mar FY12 results
Alliance Pharma	Mar FY12 results
Arena	Mar FY12 results
Ark Therapeutics	Mar FY12 results
Biotie	Mar AGM
Biotie	Mar Selincro - Lundbeck AGM
Consort Medical	Mar IMS
Cyprotex	Mar FY12 results
Epistem	Mar FY12 results
Evolva	Mar FY12 results
Futura Medical	Mar FY12 results
Genmab	Mar FY12 results
Immupharma	Mar FY12 results
Innate Pharma	Mar FY12 results
Lombard Medical Techs	Mar FY12 results
MorphoSys	Mar FY12 results
MorphoSys	Mar BHQ880 - complete Phase II trial in smouldering multiple myeloma
Oxford BioMedica	Mar FY12 results
Paion	Mar FY12 results
Pharming	Mar FY12 results
ProMetic Life Sciences	Mar FY12 results
SkyePharma	Mar FY12 results

Source: Edison Investment Research

Exhibit 10: Expected near-term newsflow catalysts for pharma/biotech (cont'd)

Q113 unspecified		
Ablynx		ALX-0061 - Final 24-week data from Phse I/II study in RA
Addex		ADX71441 - Initiate Phase I trial in treatment of spasticity in MS
Biotie		Nepicastat - Initiate Phase II trial in cocaine dependence
BTG		Zytiga - EU approval in chemo-naive CRPC following positive CHMP opinion
Consort Medical		INJ300 - FDA approval expected by Dr Reddy's
GW Pharma		Otsuka research collaboration - first clinical candidate licensed
GW Pharma		Sativex - Italy launch
ImmuPharma		Lupuzor - potential partner and/or start of Phase III trials
Medigene		RhuDex - start Phase II study in primary biliary cirrhosis (PBC)
Oncolytics		Reolysin - PFS data from expanded stage 1 (160 patients) of Phase III trial REO 018 in head and neck cancer
Oxford BioMedica		ProSavin - start of randomised trials: either second stage of Phase I/II (n=12) or larger Phase IIb study (n=50)
Paion		Desmoteplase - read out of Phase III studies
Photocure		Elacytarabine - CLAVELA Phase III data in relapsed and refractory AML
Sucampo		Rescula - FDA label approval for glaucoma and US launch
Sucampo		Amitiza - start Phase III paediatric study
Vectura		VR506 - first Phase II/III study completes
Vectura		Results of additional NVA237 Phase III studies (GLOW5, GLOW6, add-on to Advair)
Vernalis		Tosedostat - Data from Phase II study in AML or MDS
YM BioSciences		CYT387 - potential partner and/or initiate pivotal Phase III trial in myelofibrosis
Conferences etc		
New York	3 Jan	Goldman Sachs Healthcare CEOs Unscripted Conference
San Francisco	7-9 Jan	Biotech Showcase
San Francisco	7-10 Jan	JP Morgan Healthcare Conference
San Francisco	24-26 Jan	Gastroinestinal Cancers Symposium
Honolulu	6-8 Feb	ASA - American Stroke Association
New York	13-14 Feb	Leerink Swann Global Healthcare Conference
Orlando	14-16 Feb	ASCO-GU - American Society of Clinical Oncology - Genitourinary
San Antonio	22-26 Feb	AAAAI - American Academy of Allergy Asthma & Immunology
New York	25-27 Feb	Citi Global Healthcare Conference
Vancouver	28 Feb	Biopartnering North America
	4-6 March	Cowan & Co Health Care Conference
San Francisco	9-11 Mar	ACC - American College of Cardiology
Barcelona	11-13 Mar	BIO-Europe Spring
Chicago	19-23 March	AAOS - American Association of Orthopaedic Surgeons
London	March	Superbugs & Superdrugs

Source: Edison Investment Research

Company coverage

Company	Note	Date published
4SC	Review; Update	03/08/2012; 28/09/2012
Aastrom BioSciences	Review	23/03/2012
Abcam	Outlook; Update	07/07/2011; 21/09/2011
Ablynx	Update; Update	20/09/2012; 10/10/2012
Addex Therapeutics	Update; Update	30/07/2012; 04/12/2012
Adventrx Pharmaceuticals	Update; Update	11/10/2012; 29/10/2012
Agennix	Outlook; Update	13/06/2012; 16/08/2012
Algeta	Update; Update	14/05/2012; 19/06/2012
Allergy Therapeutics	Update; Update	20/08/2012; 02/10/2012
AmpliPhi Biosciences	Outlook	09/08/2011
Animalcare Group	Outlook; Update	19/07/2012; 05/12/2012
Ark Therapeutics	Outlook; Update	23/03/2012; 21/09/2012
ArQule	Outlook	27/11/2012
Arrowhead Research	Outlook	15/08/2012
Astex Pharmaceuticals	Update; Update	17/02/2012; 26/07/2012
BioInvent	Update, Update	15/06/2012; 18/07/2012
Biotie Therapies Corp	Update; Update	06/07/2012; 13/09/2012
BTG	Outlook; Update	03/07/2012; 09/08/2012
Circadian Technologies	Update	14/03/2012
Clavis Pharma	Update; Update	26/10/2012; 13/11/2012
Consort Medical	Update; Outlook	01/05/2012; 18/06/2012
Deltex Medical	Update; Update	23/04/2012; 09/10/2012
e-Therapeutics	Outlook; Update	16/06/2012; 08/11/2012
EpiCept	Update; Update	16/10/2012; 22/11/2012
Epigenomics	Update; Review	04/04/2012; 06/08/2012
Epistem Holdings	Update	31/03/2011
Evolva	Outlook; Update	04/04/2012; 25/09/2012
Evotec	Outlook; Update	19/07/2012; 25/09/2012
Exonhit	Update; Update	05/10/2012; 15/11/2012
GW Pharmaceuticals	Update; Update	29/05/2012; 16/10/2012
Hybrigenics	Update; Update	28/03/2012; 22/06/2012
ImmuPharma	Update; Outlook	26/10/2011; 05/07/2012
Imperial Innovations	Outlook	03/08/2012
Innate Pharma	Outlook	12/09/2012
Lombard Medical Technologies	Update; Update	10/07/2012; 22/10/2012
Medcom Tech	Outlook; Review	12/12/2011; 13/06/2012
Medigene	Update; Update	26/06/2012; 12/07/2012
MorphoSys	Outlook; Update	07/06/2012; 04/10/2012
Neovacs	Oulook	06/07/2012
NovaBay Pharmaceuticals	Outlook; Update	10/09/2012; 18/10/2012
Omega Diagnostics	Update; Outlook	03/05/2012; 24/07/2012
Oncolytics Biotech	Update; Update	06/07/2012;20/09/2012
Oxford BioMedica	Update; Update	06/07/2012; 09/10/2012
Paion	Update; Update	16/03/2012; 09/08/2012
Phylogica	Update	11/05/2012
Phytopharm	Outlook; Update	13/07/2012; 16/08/2012
ProMetic Life Sciences	Update; Outlook	03/02/2012; 10/09/2012
Proteome Sciences	Update; Update	06/06/2012; 15/10/2012
SkyePharma	Update; Update	24/09/2012; 26/09/2012
Sucampo Pharmaceuticals	Outlook	25/09/2012
Sunesis Pharmaceuticals	Update; Update	04/04/2012; 24/09/2012
Synta Pharmaceuticals	Update; Update	02/07/2012; 10/10/2012
TiGenix	Update; Update	20/09/2012; 09/11/2012
Topotarget	Outlook; Update	13/09/2012; 25/09/2012
Transgene	Update; Update	23/05/2012; 24/09/2012
Vectura	Update; Update	09/10/2012; 28/11/2012

Vernalis	Update; Outlook	19/04/2012; 10/08/2012
Wilex	Update; Update	28/08/2012; 23/10/2012
YM BioSciences	Update; Outlook	01/03/2012; 12/11/2012

Investment Trusts

BB Biotech	Investment Trust Review; Update	08/05/2012; 31/07/2012
Biotech Growth Trust (The)	Investment Trust Review	10/11/2011; 26/07/2012
International Biotechnology Trust	Investment Trust Review	16/04/2012; 25/10/2012
Worldwide Healthcare Trust	Investment Trust Review	10/02/2012; 15/10/2012

To view the October edition of the Investment Trusts Quarterly, featuring biotechnology and healthcare trusts, see the investment companies and trusts sector profile on our website.

QuickViews

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

AB Science	06/02/2012
Achillion	12/03/2012; 18/10/2012
Acorda Therapeutics	05/11/2012
Active Biotech	21/02/2012
Aixtron	26/10/2012
ALK-Abello	14/11/2012
Alkermes	05/11/2012
Alnylam Pharmaceuticals	10/02/2012
Amarin	21/11/2012
Ariad Pharmaceuticals	05/03/2012
Array BioPharma	09/02/2012
Anthera	24/02/2012
Arrowhead Research	04/01/2012
AVEO Pharmaceuticals	08/05/2012; 10/08/2012
Basilea	07/09/2012
Benitec Biopharma	15/10/2012
BioCryst Pharmaceuticals	20/02/2012
BioLineRx	20/02/2012
Biota Holdings	11/04/2012
Celldex Therapeutics	12/03/2012
Clinigen	01/11/2012
Clinuvel	05/01/2012
Curis	31/01/2012
Cytori Therapeutics	10/10/2012
Cytos Biotechnology	14/08/2012
CyrTx Corporation	03/10/2012; 16/11/2012
Dechra Pharmaceuticals	23/02/2012
Endocyte	18/04/2012
EKF Diagnostics	23/03/2012
Exact Sciences	27/11/2012
Galapagos	05/03/2012
Genfit	09/02/2012
Genmab	12/03/2012
GI Dynamics	14/11/2012
Grieffenberger	31/08/2012
Hutchison China Meditech	05/11/2012; 29/11/2012
Idenix	11/01/2012
Immunodiagnostic Systems Holdings	28/06/2012; 27/11/2012
Imperial Innovations	12/03/2012; 30/04/2012
Incyte Corporation	05/11/2012
Infinity Pharmaceuticals	06/01/2012; 30/01/2012
Ironwood Pharmaceuticals	22/10/2012

Keryx Biopharmaceuticals	05/03/2012
LeMaitre Vasuclar	10/10/2012
MagForce	03/02/2012
MethylGene	27/11/2012
Neovacs	08/10/2012
NicOx	22/03/2012
Nordion	29/10/2012
NovaBay Pharmaceuticals	19/07/2012
NPS Pharmaceuticals	24/10/2012; 25/10/2012
Onyx Pharmaceuticals	05/11/2012
Orbite Aluminae	05/10/2012
Orexo	01/02/2012
Paladin Labs	02/11/2012
Patheon	14/11/2012
Pharmaxis	30/01/2012
Photocure	22/02/2012; 01/06/2012
Prima BioMed	17/10/2012
QRxPharma	28/03/2012
Sangamo BioSciences	03/02/2012
Sarepta Therapeutics	07/03/2012; 31/07/2012
Scancell	12/10/2012
Source Bioscience	27/03/2012
Stratec Biomedical	17/05/2012; 25/07/2012
Sucampo Pharmaceuticals	11/05/2012; 13/07/2012
Synergy	14/11/2012
Tekmira	16/11/2012
Threshold Pharmaceuticals	05/11/2012; 12/11/2012
ThromboGenics	21/03/2012
Tissue Regenix	11/10/2012
United Drug	14/05/2012; 19/11/2012
Vertex Pharmaceuticals	06/11/2012
ViroPharma	03/10/2012
Vivus	23/02/2012
Zealand Pharma	22/11/2012
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:	€1.82
Market cap:	€91m
Forecast net cash (€m)	12.6
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	(10.9)	32.1	31.9
Relative*	(12.6)	25.6	(1.5)

* % Relative to local index

Analyst

Michael Aitkenhead

4SC (VSC)

INVESTMENT SUMMARY

New data from 4SC's SHELTER study in advanced, second-line hepatocellular carcinoma (HCC) show an 8-month median overall survival for resminostat when given with Nexavar (sorafenib, Bayer), some three months (c 50%) longer than would be expected. This supports a move into Phase III trials in the second- and potentially first-line HCC settings, pending a global (ex-Japan) partnership. 4SC should have a clear run to seek to demonstrate synergistic activity of resminonstat with sorafenib in HCC, after recent Phase III failures removed three rivals as potential first-line therapies.

INDUSTRY OUTLOOK

Resminostat is emerging as a leader in solid tumour indications within the HDACi class, while in Crohn's disease, Vidofludimus faces potential competition from a handful of developing small molecule drugs, with one high-profile compound, GSK1605786, in Phase III. There are also four injectable products in mid-/late-stage development for Crohn's disease.

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)	(31.2)	N/A	N/A
2013E	0.9	(17.8)	(18.0)	(35.8)	N/A	N/A

Sector: Pharma & Healthcare

Price:	US$1.18
Market cap:	US$52m
Forecast net cash (US$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	(19.7)	(27.6)	(45.6)
Relative*	(19.5)	(28.0)	(55.2)

* % Relative to local index

Analyst

John Savin

Aastrom Biosciences (ASTM)

INVESTMENT SUMMARY

Aastrom Biosciences has maintained a clear development leadership in cell therapy for Critical Limb Ischaemia (CLI). The pivotal REVIVE trial has seen slow recruitment (26 of 594 since May) but management hopes to speed this up during 2013 to hit the planned Q215 data date. In ischaemic dilated cardiomyopathy, the Phase IIb ixDCM trials will enrol patients from Q113. Aastrom will need substantive further funding in H113 and both EU and US partnering on CLI looks inevitable.

INDUSTRY OUTLOOK

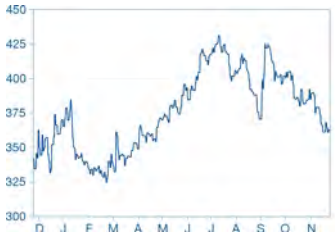
Phase II RESTORE CLI data showed a statistically significant reduction in combined amputation risk (p=0.0032). If REVIVE meets its 12-month endpoint, Ixmyelocel-T should be the first cell therapy for CLI and the only option for 100,000-150,000 potential amputees per year. Ixmyelocel-T has c 25% M2 macrophages, which may be critical for efficacy. Aastrom is planning the Phase IIb RENEW Ixmyelocel-T study in ischaemic dilated cardiomyopathy.

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:	361.8p
Market cap:	£718m
Forecast net cash (£m)	31.5
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	(5.2)	(5.5)	5.9
Relative*	(5.5)	(6.6)	(7.7)

* % Relative to local index

Analyst

Mick Cooper

Abcam (ABC)

INVESTMENT SUMMARY

Abcam is trading on a full multiple of c 21x FY13e so is vulnerable to earnings or sales disappointments. There are no clear signs of the extent of potential budget cuts to help reduce the US$1.3tn fiscal deficit following Obama's re-election. Abcam derives over 40% of sales from the US. The fall in the reagents market growth rate from 10% to flat affected sales in FY12; core sales growth slowed by 5%. Total sales growth of 17%, including acquisitions and new products, was slower than total 26% growth rate of new product additions, partly due to sales erosion on some older products. The AGM statement confirmed that despite funding uncertainty, Q1 trading is in line with expectations, helped by sales of Epitomics products.

INDUSTRY OUTLOOK

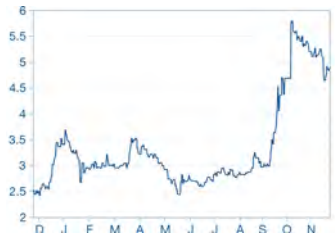
More biological research is conducted into proteins, increasing the demand for protein research tools. However, the funding of academic research is coming under greater pressure as governments look to reduce their debts. Abcam is the market leader for research antibodies, but has a limited market position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

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011A	83.3	33.5	32.5	13.5	26.8	19.8
2012A	97.8	40.4	39.3	16.2	22.3	20.6
2013E	121.3	49.0	46.3	17.5	20.7	15.5
2014E	134.4	54.4	52.2	20.0	18.1	13.2

Sector: Pharma & Healthcare

Price:	€4.90
Market cap:	€214m
Forecast net cash (€m)	58.4
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	(7.7)	62.8	85.6
Relative*	(10.0)	58.7	48.2

* % 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, and Phase I data with ALX-0171 shows that they can be inhaled. Phase II studies in RA with two different Nanobodies, ozoralizumab (ATN-103, anti-TNF) and ALX-0061 (anti-IL-6R, data reported in Q312), have shown that they have promising efficacy and are well tolerated. Ablynx is seeking to partner both Nanobodies; there will probably be most interest in ALX-0061. One other Nanobody, caplacizumab (ALX-0081/0681), is in Phase II for TTP. Ablynx has also formed new alliances with Merck & Co and Algeta. Its cash position was €65m at 30 June 2012, which should allow it to operate for the next two to three years.

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	27.4	(33.7)	(34.3)	(78.5)	N/A	N/A
2013E	36.7	(28.6)	(29.8)	(68.1)	N/A	N/A

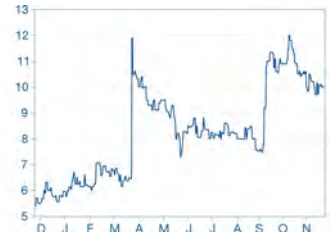
Edison investment research

Sector: Pharma & Healthcare

Addex Therapeutics (ADXN)

Price: CHF10.00
Market cap: CHF90m
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	(4.8)	28.2	84.8
Relative*	(6.0)	23.2	48.3

* % Relative to local index

Analyst

Michael Aitkenhead

INVESTMENT SUMMARY

Top-line results from the Phase II study of Addex's lead partnered drug, JNJ-40411813, have established safety, efficacy and an optimal dose for the mGluR2 PAM as adjunct therapy in patients with residual negative symptoms of schizophrenia. Meanwhile, a recent CHF10m fund-raising means Addex is well funded as it enters a critical period in which it hopes to secure a partnership for its lead internal programme, dipraglurant, for PD-LID and other CNS indications.

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

Adventrx Pharmaceuticals (ANX)

Price: US$0.61
Market cap: US$29m
Forecast net cash (US$m) 34.5
Forecast gearing ratio (%) N/A
Market NYSE AMEX

Share price graph (US$)

Company description

Adventrx Pharmaceuticals is a development-stage US pharmaceutical company focused on the development of ANX-188, a potential treatment for sickle cell disease complications. A pivotal Phase III study with ANX-188 is expected to start by the end of 2012.

Price performance

%	1m	3m	12m
Actual	(8.3)	(17.3)	1.1
Relative*	(8.0)	(17.8)	(16.6)

* % Relative to local index

Analyst

Christian Glennie

INVESTMENT SUMMARY

Adventrx has revealed the design of its pivotal Phase III study of ANX-188, a product that has the potential to become the standard of care to treat severely painful 'crisis' episodes in patients with sickle cell disease (SCD). The trial should start enrolment and dosing by end-2012, take approximately 24 months to complete and cost c $15-18m. Adventrx's $40m cash as of 30 September 2012 is sufficient to launch and make significant progress with the study. Fresh funds may be required in 2014. Final data read-out is due in H115, leading to a potential US launch in 2016. Adventrx is also planning a Phase II study in H113 for an undisclosed additional indication for ANX-188.

INDUSTRY OUTLOOK

Over the past 12 months $163m has been invested in companies developing novel therapies for SCD, while Pfizer and Novartis have licensed rights to two mid-stage candidates. ANX-188 is the lead pipeline candidate and could become the first approved therapy to reduce the duration of crisis episodes.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.5	(8.5)	(8.5)	(106.91)	N/A	N/A
2011A	0.0	(13.4)	(13.3)	(47.06)	N/A	N/A
2012E	0.0	(17.0)	(17.0)	(35.46)	N/A	N/A
2013E	0.0	(19.7)	(19.7)	(40.40)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€0.41
Market cap:	€21m
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 is focused on oncology.

Price performance

%	1m	3m	12m
Actual	46.2	14.0	(85.2)
Relative*	43.5	8.4	(88.9)

* % Relative to local index

Analyst

Mick Cooper

Agennix (AGX)

INVESTMENT SUMMARY

Agennix has been developing talactoferrin for the treatment of non-small cell lung cancer (NSCLC). However, it is now restructuring to reduce cash burn and conducting a strategic review after the negative results from the Phase III FORTIS-M in third-line+ NSCLC, which showed that patients receiving talactoferrin had no survival benefit over those on placebo. As part of the strategic review, Agennix is expected to terminate the Phase III FORTIS-C trial in first-line NSCLC with chemotherapy, to analyse the data from c 100 patients. It will also consider the potential of talactoferrin for nosocomial infections, and options for its other oncology assets satraplatin (partnered in Japan with Yakult Honsha) and RGB-286638. Agennix probably has enough cash to operate into Q213.

INDUSTRY OUTLOOK

Oncology is a major focus of pharmaceutical companies. Efficacious oncology products can enjoy premium pricing and be sold by relatively small sales forces, but there is significant competition.

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:	NOK150.00
Market cap:	NOK6379m
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	(0.3)	(1.3)	(1.6)
Relative*	(2.8)	(4.0)	(19.2)

* % Relative to local index

Analyst

Robin Davison

Algeta (ALGETA)

INVESTMENT SUMMARY

The opening of a US operational centre signals Algeta's continuing transition into a commercial-stage company. Algeta and partner Bayer will co-promote Alpharadin on a 50/50 basis in the US, with the company also eligible for further milestones of €465m and double-digit royalties in ex-US territories. Results from the pivotal Phase III ALSYMPCA study of Alpharadin in metatstatic prostate cancer showed a highly-significant 3.6-month survival benefit, 5.5-month delay to first skeletal-related event, and survival benefits in pre- and post-docetaxel settings. New analyses have shown that Alpharadin-treated patients have significantly better preserved quality of life and, moreover, can safely receive subsequent chemotherapy.

INDUSTRY OUTLOOK

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

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	256.5	N/A
2011A	250.4	23.7	19.9	49.75	301.5	N/A
2012E	641.3	338.5	333.8	791.37	19.0	40.0
2013E	711.8	257.0	251.1	590.64	25.4	49.0

Edison investment research

Sector: Pharma & Healthcare

Price:	13.0p
Market cap:	£54m
Forecast net cash (£m)	1.7
Forecast gearing ratio (%)	N/A
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	6.1	(1.9)	22.4
Relative*	5.8	(3.0)	6.6

* % Relative to local index

Analyst

Wang Chong

Allergy Therapeutics (AGY)

INVESTMENT SUMMARY

Allergy Therapeutics intends to become a top-three player in the global AIT (allergy immunotherapy) market; recent and upcoming regulatory catalysts should support this, driving future revenue growth. The FDA clinical hold lift on Pollinex Quattro (PQ) Grass permits Allergy to go ahead with US plans to secure a partner within the next 12 months. PEI feedback (and potential approval) of the German PQ Grass MAA is expected in Q412, which will allow commercial marketing in Germany and the initiation of filings across Europe under the Mutual Recognition Procedure (MRP).

INDUSTRY OUTLOOK

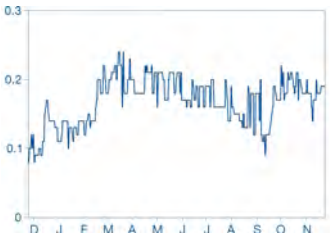
Pollinex Quattro (c 50% of revenue) is an ultra short-course allergy vaccine - given as four shots over three weeks - which has comparable efficacy to existing vaccines (typically requiring 16-50 injections under specialist supervision pre-hayfever season).

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011A	41.6	2.0	(1.7)	(0.7)	N/A	N/A
2012A	41.3	3.1	1.2	0.4	32.5	14.5
2013E	43.9	4.5	2.6	0.6	21.7	14.6
2014E	46.0	4.6	3.1	0.7	18.6	12.4

Sector: Pharma & Healthcare

Price:	US$0.19
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 acquired Special Phage Services, creating a biotech company that develops bacteriophages for anti-bacterial applications. Its lead candidate, BioPhage-PR, has potential for chronic/acute lung infections.

Price performance

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

* % Relative to local index

Analyst

Christian Glennie

AmpliPhi Biosciences (APHB)

INVESTMENT SUMMARY

AmpliPhi's acquisition of Special Phage Services (SPS), in an all-share transaction, has created a company with a pipeline of anti-bacterial, bacteriophage-based therapies, focused on antibiotic-resistant infections. AmpliPhi's BioPhage-PR, in development for chronic/acute lung infections, will initially target cystic fibrosis and VAP (ventilator associated pneumonia) patients. SPS' phage products have activity against major hospital-related infections ('ESKAPE' organisms) and potential for veterinary medicine. AmpliPhi is evaluating its options to finance its pipeline - a Phase 2 study is targeted for 2013 - and GMP manufacturing. Alliances with pharmaceutical companies and other partners are sought.

INDUSTRY OUTLOOK

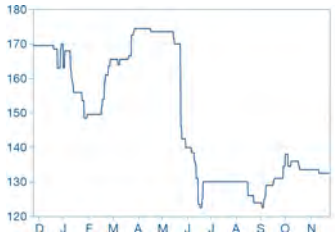
The growth of resistance to antibiotics is a serious problem and pharma companies are increasingly seeking alternative methods of combating bacterial infections to conventional chemical antibiotics. AmpliPhi's bacteriophages might benefit from a faster and less expensive path to market.

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	1.9	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

Price:	132.5p
Market cap:	£27m
Forecast net cash (£m)	2.3
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	(0.8)	6.8	(21.8)
Relative*	(1.0)	5.6	(31.9)

* % Relative to local index

Analyst

Franc Gregori

Animalcare Group (ANCR)

INVESTMENT SUMMARY

Animalcare's sales fell by 8% to £10.9m in FY12, largely because a supplier stopped making Buprecare ampoules in July 2011 (-£0.7m) and because of weak pet identification sales (-£0.9m). Underlying operating profit fell 25% to £2.3m. However, Animalcare should return to strong growth in FY13 despite challenging market conditions. Underlying growth (excluding Buprecare) of its core veterinary medicines business grew by 16%, driven by recently launched products, with a further five launches expected during the coming year. Buprecare ampoules should be relaunched in H113. The company has a strong balance sheet (net cash of £2.31m at FY12, up from £1.75m at H112), is cash generative and is paying a useful 4.5p (total) dividend.

INDUSTRY OUTLOOK

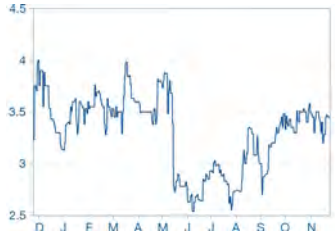
The companion animal market, which was previously growing at c 5% in the UK, is now flat. Future market growth will probably depend on the development of innovative treatments and products to offset the impact of the government's debt reduction measures.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011A	11.8	3.5	3.3	13.1	10.1	8.7
2012A	10.9	2.6	2.6	10.8	12.3	10.7
2013E	11.9	2.9	2.8	11.4	11.6	11.4
2014E	12.6	3.3	3.2	12.1	11.0	8.8

Sector: Pharma & Healthcare

Price:	3.4p
Market cap:	£7m
Forecast net cash (£m)	1.8
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)



Company description

Ark Therapeutics specialises in product development and GMP manufacturing contract services. It has gene therapy and small molecule pipeline candidates for vascular diseases and cancer, but requires partners for further development.

Price performance

%	1m	3m	12m
Actual	(2.5)	10.8	(0.4)
Relative*	(2.8)	9.5	(13.2)

* % 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 multiple types of viral-based products at its GMP manufacturing facility in Kuopio, Finland. Ark recently completed the cGMP manufacture of PsiOxus Therapeutics' oncolytic vaccine (ColoAd1) for a Phase 1 study and secured a manufacturing and supply contract for Laurantis Pharma's Lymfactin (VEGF-C gene therapy via adenoviral vector) for a Phase I trial. Further manufacturing/development deals exist with an undisclosed European gene therapy company, EMD Millipore (letter of intent) and Glasgow University. Multiple discussions are ongoing with pharma/biotech/CRO/CMO companies and academic institutions.

INDUSTRY OUTLOOK

The fields of gene therapy and oncolytic virus development remain relatively active, indicating 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.

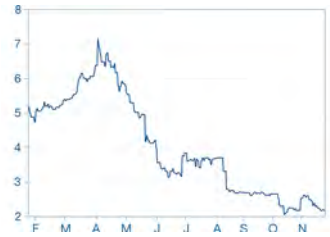
Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	3.1	(13.2)	(15.1)	(6.7)	N/A	N/A
2011A	7.1	(1.7)	(4.1)	(1.5)	N/A	N/A
2012E	2.5	(6.5)	(8.3)	(3.8)	N/A	N/A
2013E	6.5	(1.2)	(2.5)	(1.1)	N/A	N/A

Sector: Pharma & Healthcare

Arrowhead Research Corporation (ARWR)

Price:	US$2.15
Market cap:	US$29m
Forecast net debt (US$m)	0.7
Forecast gearing ratio (%)	9.0
Market	NASDAQ

Share price graph (US$)



Company description

Arrowhead Research Corporation is a nanomedicine company with clinical programmes in two distinct areas, small RNAi therapeutics and obesity. It also has developed or acquired platform technologies for RNAi delivery and peptide targeting.

Price performance

%	1m	3m	12m
Actual	(4.4)	(20.7)	(54.9)
Relative*	(4.2)	(21.1)	(62.8)

* % Relative to local index

Analyst

Andrew Fellows

INVESTMENT SUMMARY

The 2011 acquisition of Roche's RNAi (RNA interference) business makes Arrowhead one of the leaders in RNAi and delivery solutions for RNAi. The 2012 acquisition of Alvos Therapeutics adds a library of homing peptides, also aimed at developing targeted therapeutics, with or without the use of RNAi. This will speed up development of new projects both for partnering and in-house development. The most advanced projects in-house are a first-in-class obesity compound and an RNAi compound for solid tumours (both Phase I), valued at $60m. The value of the platform technology is not included in this figure.

INDUSTRY OUTLOOK

Gene silencing is a potentially exciting area for new product development, with targeted therapies offering better disease control and fewer side effects than current medications. Large and medium-sized pharmaceutical companies are likely to invest in this field via collaborations, of which Arrowhead would be a beneficiary.

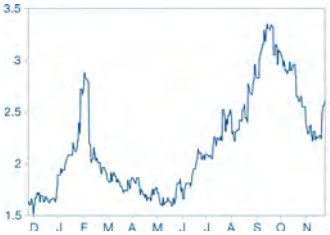
Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.0	(1.5)	(0.2)	(44.9)	N/A	N/A
2011A	0.3	(8.2)	(7.4)	(29.4)	N/A	N/A
2012E	0.1	(19.4)	(19.8)	(165.7)	N/A	N/A
2013E	0.1	(16.9)	(17.3)	(128.1)	N/A	N/A

Sector: Pharma & Healthcare

Astex Pharmaceuticals (ASTX)

Price:	US$2.61
Market cap:	US$244m
Forecast net cash (US$m)	138.4
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	0.4	(2.6)	60.1
Relative*	0.7	(3.1)	32.0

* % Relative to local index

Analyst

Robin Davison

INVESTMENT SUMMARY

The EU approval of Dacogen (decitabine) for acute myeloid leukaemia, ensures the continuation of a meaningful royalty stream to Astex from this product after the expiry of the drug's US exclusivity next year. This enables Astex to scale up its investment in R&D, while retaining its strong financial position. Astex has initiated Phase I/II studies of the HSP90 inhibitor, AT13387, in castration-resistant prostate cancer and ALK-positive NSCLC and with SGI-110 in platinum-resistant ovarian cancer. Interim results from the Phase I/II trial of SGI-110 in MDS and AML will presented at ASH on 10 December. A $5m milestone, received on first EU sale of Dacogen, is now reflected in the model.

INDUSTRY OUTLOOK

Astex offers a low-risk oncology play with multiple study read-outs from internal and partnered programmes. The investment case in the longer term is centred on Astex's ability to exploit its strong financial position to generate value from its R&D pipeline and from its 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	8.9	8.7
2011A	66.9	9.7	7.9	12.8	20.4	16.2
2012E	82.0	10.7	9.8	10.6	24.6	18.8
2013E	73.3	0.6	(1.8)	(1.7)	N/A	N/A

Sector: Pharma & Healthcare

BioInvent International (BINV)

Price:	SEK3.10
Market cap:	SEK229m
Forecast net cash (SEKm)	95.0
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 a lead product, BI-505 in Phase I for multiple myeloma.

Price performance

%	1m	3m	12m
Actual	19.7	(1.6)	(79.1)
Relative*	16.9	(3.6)	(82.6)

* % Relative to local index

Analyst

John Savin

INVESTMENT SUMMARY

BioInvent's investment case now rests on BI-505. As a Phase I cancer candidate this is risky, but it has a good chance of ultimate success and has an optimal biological dose level with data due in late Q4. It should progress into Phase II in 2013. Q3 ytd revenues were SEK34m. BioInvent has cut costs significantly to SEK75m annually, with employees reduced by 41 to 48. It is aiming for self-financing before BI-505 clinical trial costs in 2013. Q3 cash was SEK153m. Management expects cash to last through 2014 including any new Phase I costs.

INDUSTRY OUTLOOK

If BI-505 can be directly marketed it would be very valuable, given its orphan indication (multiple myeloma), but it may be partnered to raise cash. BioInvent is progressing two haematological anti-cancer antibodies into toxicology with a Phase I trial possible by 2014. The n-CoDeR projects and other collaborations may yield milestones. Two partner candidates may enter clinical development in H113; each may generate a €1-2m milestone.

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	45.0	(179.0)	(180.0)	(2.49)	N/A	N/A
2013E	50.0	(71.0)	(74.0)	(1.00)	N/A	N/A

Sector: Pharma & Healthcare

Biotie Therapies (BTH1V)

Price:	€0.41
Market cap:	€186m
Forecast net cash (€m)	1.6
Forecast gearing ratio (%)	N/A
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 Selincro (nalmefene), which treats alcohol dependency, is partnered with Lundbeck and awaiting EU approval.

Price performance

%	1m	3m	12m
Actual	5.1	(12.8)	(28.1)
Relative*	0.7	(17.2)	(35.8)

* % Relative to local index

Analyst

Christian Glennie

INVESTMENT SUMMARY

Biotie is facing two key catalysts by the end of 2012: the EU CHMP opinion (in mid-December) on alcohol dependence drug Selincro (triggering an undisclosed milestone from Lundbeck upon EU launch, possible in Q113) and Phase IIb data for Parkinson's disease candidate tozadenant (if positive, UCB is to assume development). Biotie's €30m financing (€20m private placement and €10m from Lundbeck taking a 4.6% stake) in September 2012 now extends its cash runway into 2014 and consolidates its strategic relationship with Lundbeck. Biotie is also seeking deals on three Phase II-ready assets: 5HT6 antagonist, SYN120, for cognitive disorders (previously partnered with Roche), VAP-1 antibody, BTT-1023, for fibrotic disorders and ronomilast for COPD/asthma.

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)	(5.19)	N/A	N/A
2011A	1.0	(28.3)	(20.8)	(3.53)	N/A	N/A
2012E	0.5	(26.2)	(26.6)	(6.29)	N/A	N/A
2013E	0.2	(21.5)	(21.3)	(4.57)	N/A	N/A

Sector: Pharma & Healthcare

Price:	353.9p
Market cap:	£1162m
Forecast net cash (£m)	144.5
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	2.6	12.2	28.7
Relative*	2.3	10.9	12.2

* % Relative to local index

Analyst

Robin Davison

BTG (BTG)

INVESTMENT SUMMARY

BTG demonstrated sound financial performance in H112 with a 30% increase in revenue and 44% increase in EPS chiefly due to the strong contribution from CroFab and the licensed product Zytiga (abiraterone). Partner J&J recently received a positive CHMP opinion for Zytiga in the pre-chemo setting, paving the way for an EU label expansion early in the new year. A US decision is due in December. Reported sales of Zytiga to date suggest this product is on track to hit $1.0bn sales this year, generating a substantial royalty to BTG. BTG's cash and equivalents stood at £150.7m at the half-year stage.

INDUSTRY OUTLOOK

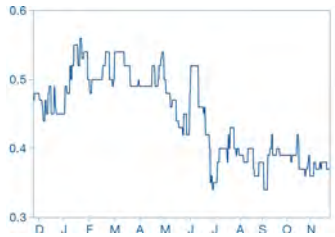
BTG presents a defensive growth business whose valuation is largely underpinned by the DCF valuation of its core US speciality pharma and interventional activities, its cash and predictable royalty streams. Zytiga has become a significant value driver for BTG, but the product does face some potential competitive threats, principally in the form of Xtandi (enzalutamide).

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	26.0	N/A
2012A	197.0	57.3	57.2	14.9	23.8	24.0
2013E	201.0	49.4	49.4	12.5	28.3	34.5
2014E	223.5	53.0	53.5	12.0	29.5	28.7

Sector: Pharma & Healthcare

Price:	A$0.37
Market cap:	A$18m
Forecast net cash (A$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	0.0	(1.3)	(21.3)
Relative*	3.1	(1.8)	(26.7)

* % Relative to local index

Analyst

John Savin

Circadian Technologies (CIR)

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. A US-run Phase I trial is under way. An exploratory Phase IIa trial 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 excellent evaluation data and was launched on 16 July, although this needs to develop clinical acceptance.

INDUSTRY OUTLOOK

The FY to June 2012 saw cash at A$16.4m after an A$1m June equity issue. Cash expenditure in 2013 is guided to A$8-10m, with increasing expenditure on the VGX-100 trial. 2012 royalties were A$510k. This gives cash into FY14 when the trial might read out. Value should develop strongly as new VGX-100 indications become clearer. Bio-Rad has will sell the VEGF antibodies globally for research use.

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

Sector: Pharma & Healthcare

Price:	NOK6.90
Market cap:	NOK233m
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	(89.4)	(88.2)	(84.0)
Relative*	(89.7)	(88.5)	(86.8)

* % Relative to local index

Analyst

John Savin

Clavis Pharma (CLAVIS)

INVESTMENT SUMMARY

The CP-4126 LEAP metastatic pancreatic cancer study gave an unambiguously negative result discrediting the hENT1 hypothesis. Work on CP-4126 has been suspended and the termination of the Clovis collaboration is inevitable. Clavis Pharma's investment case is now entirely focused on the outcome, due in late Q113, of the CLAVELA Phase III study of elacytarabine in acute myeloid leukaemia. Cash at 30 September was NOK260.4m. The 2012 cash burn of NOK200m/year will be cut back heavily after CLAVELA ends to give Clavis the best partnering deal. Edison's 2013 financial forecasts have been withdrawn; these are likely to be skewed by accelerated recognition of deferred revenues when the Clovis deal terminates.

INDUSTRY OUTLOOK

Clavis plans to sell elacytarabine direct in the EU; a US partner is expected. Elacytarabine's US protection runs to 2021; 2024 in the EU. Note that although the hENT theory would have been helpful to elacytarabine, the proposition is of better delivery so the LEAP failure is not necessarily indicative.

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	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price:	768.2p
Market cap:	£224m
Forecast net debt (£m)	34.9
Forecast gearing ratio (%)	34.0
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	1.1	4.5	54.3
Relative*	0.8	3.3	34.4

* % Relative to local index

Analyst

Franc Gregori

Consort Medical (CSRT)

INVESTMENT SUMMARY

Consort Medical's last IMS confirmed trading in line with expectations and a confident outlook for FY13. This builds on the record full-year revenue and profit for FY12, which provides evidence of execution on its growth strategy. Consort remains well positioned to deliver further top-line growth and targeted double-digit profit growth in the medium term should be achieved organically in the core business (increased volumes) and through new opportunities. Various new Bespak launches are scheduled over the next year and King Vision is making excellent progress in the US and globally (in terms of volumes and revenues). Ongoing investment in operational improvements and pipeline expansion and diversification should mean Consort continues to offer a defensive, dividend-paying growth opportunity for investors.

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)
2011A	126.8	26.6	17.4	44.7	17.2	10.4
2012A	136.6	28.0	19.4	50.6	15.2	8.9
2013E	141.0	30.1	21.1	55.1	13.9	7.7
2014E	151.1	33.0	23.6	61.6	12.5	7.1

Edison investment research

Sector: Pharma & Healthcare

Deltex Medical Group (DEMG)

Price:	24.5p
Market cap:	£37m
Forecast net debt (£m)	1.4
Forecast gearing ratio (%)	100.0
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	(8.4)	(1.0)	33.3
Relative*	(8.7)	(2.2)	16.2

* % Relative to local index

Analyst

John Savin

INVESTMENT SUMMARY

Deltex has a commanding position in patient fluid management in major surgery. However, the NHS has slipped in its implementation plan, still not published, and watered down the threatened penalties on hospitals for not adopting fluid management. Despite this, UK surgical probe sales were up 28% by volume in H1 and accounted for 9% of Deltex's 7% H1 growth; net other sales fell 2%. In the US, H1 probe volumes were down 3%, but clinical data from Duke (due late 2012) might start to generate growth in 2013; the US is critical to Deltex delivering its growth promise. European probe volumes were up 40%, but offset by a fall in monitor sales; RoW probe volumes fell but are heavily H2 weighted.

INDUSTRY OUTLOOK

NHS sales prospects in the second half of 2012 are unlikely to accelerate. Only CardioQ has NICE validation for surgical fluid management.

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	7.0	(1.2)	(1.5)	(1.06)	N/A	N/A
2013E	7.9	(0.4)	(0.7)	(0.48)	N/A	76.2

Sector: Pharma & Healthcare

e-Therapeutics (ETX)

Price:	33.1p
Market cap:	£46m
Forecast net cash (£m)	8.3
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 discovery platform and a clinical pipeline (with potential to be out-licensed post-Phase II).

Price performance

%	1m	3m	12m
Actual	(11.1)	(8.0)	13.2
Relative*	(11.3)	(9.1)	(1.3)

* % Relative to local index

Analyst

Franc Gregori

INVESTMENT SUMMARY

e-Therapeutics has started the second PhI ETS2101 trial (solid tumours), which follows the brain cancer study that began enrolling in H1. Initial data for this programme are expected Q412; full data for glioma is due in Q413 and for solid tumours in Q114. These will be key catalysts that, if positive, help validate the network analysis approach, demonstrating direct translation into clinical outcomes. The second clinical product, ETS6103 for depression, is due to start a Phase IIb trial in Q2. The discovery division is now fully active and business development activity is ramping up. The interims, reported 22 October, showed no surprises.

INDUSTRY OUTLOOK

Network pharmacology could potentially revolutionise drug discovery and 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 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	0.0	(6.2)	(6.1)	(3.7)	N/A	N/A
2014E	0.0	(6.3)	(6.3)	(3.8)	N/A	N/A

Sector: Pharma & Healthcare

Price:	US$0.10
Market cap:	US$9m
Forecast net debt (US$m)	2.2
Forecast gearing ratio (%)	11.0
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	0.0	(34.5)	(68.5)
Relative*	0.3	(34.8)	(74.1)

* % Relative to local index

Analyst

Wang Chong

EpiCept (EPCT)

INVESTMENT SUMMARY

EpiCept's search for a strategic transaction has resulted in a planned reverse-merger with Immune Pharmaceuticals, a private Israel-based biopharma company focused on antibodies for inflammatory disease and cancer. The resulting company – to be called Immune Pharmaceuticals Inc – will have bertilimumab, which is ready to enter Phase II trials for ulcerative colitis (UC), as its lead product, together with three other clinical-stage programmes. EpiCept shareholders will end up with 22.5% of the new entity, which could offer its shareholders the best option to participate in economic value created by a potential future development/commercial partnership for AmiKet, its topical product for chemotherapy-induced peripheral neuropathy.

INDUSTRY OUTLOOK

Bertilimumab is one of relatively few biological therapies in development for UC. Aside from two approved biologicals for UC - Remicade and Humira - there are two candidates in registration and seven competing agents currently undergoing Phase II studies.

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	7.7	(6.2)	(7.2)	(6.3)	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price:	€0.98
Market cap:	€9m
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	0.6	(30.3)	(75.8)
Relative*	(1.2)	(33.7)	(81.9)

* % Relative to local index

Analyst

Wang Chong

Epigenomics (ECX)

INVESTMENT SUMMARY

Epigenomics held cash and equivalents of €6.2m at the end of the third quarter, having reported revenue of €272k vs €257k in Q311 due to lower product sales. The third module (analytical validation) of a US filing for Epi proColon has been filed. The company is due to submit the fourth and final module (clinical data) in Q412, which hinges on the outcome of a 300-sample head-to-head study with the FIT assay. The company cautions that lack of funding might pose a threat and says it is evaluating all options, including a capital markets transaction. Thomas Taapken is acting CEO at the company following the recent departure of Geert Nygaard.

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 do not currently participate in screening programmes. Epi proLung is an aid in the diagnosis of lung cancer from bronchial lavage using the SHOX2 biomarker.

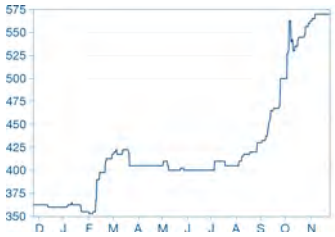
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	1.8	(10.0)	(10.3)	(127.5)	N/A	N/A
2011A	1.4	(7.9)	(8.3)	(96.9)	N/A	N/A
2012E	1.0	(8.4)	(8.6)	(98.5)	N/A	N/A
2013E	6.8	(4.8)	(5.1)	(59.3)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	570.0p
Market cap:	£51m
Forecast net debt (£m)	N/A
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	4.6	32.6	57.2
Relative*	4.3	31.0	37.0

* % Relative to local index

Analyst

Emma Ulker

Epistem Holdings (EHP)

INVESTMENT SUMMARY

Epistem reported FY12 sales of £5.6m, FY PBT loss was £726k with a £482k tax credit gain. CRO services were flat at £2.9m, helped by increased US biodefence work. Biomarkers grew to £2.3m due to Sanofi buying c £1m of genetic analysis tests for its R&D projects. GeneDrive trial revenue was £0.4m. The planned commercial launch due in 2013 through Xcelris in India and Indian sub-continent, and through Becton Dickinson for global ex-US sales, could provide a large potential market opportunity once Indian regulatory approval is finalised. The BD deal provides $1m cash with further milestone payments of up to $3m, plus escalating supply volumes to 2017. Our forecasts are under review.

INDUSTRY OUTLOOK

Epistem believes GeneDrive (a DNA-based diagnostic point-of-care system) will change the shape of the DNA diagnostics. The new global (ex India) deal with BD on GeneDrive for TB adds strongly to this case. GeneDrive has now been CE marked, but published data is very limited. 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)
2011A	5.8	(0.4)	(0.6)	(6.6)	N/A	N/A
2012A	5.6	(1.8)	(1.9)	(16.6)	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

Sector: Pharma & Healthcare

Price:	CHF0.36
Market cap:	CHF59m
Forecast net cash (CHFm)	4.7
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 and produce high-value specialty chemicals for nutritional and consumer health products and medicines.

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

Evolva (EVE)

INVESTMENT SUMMARY

Evolva has 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 vanilla (could be launched late-2013/early-2014) and stevia (moving to pilot-scale), and Evolva could find partners for both projects in the next six months. It already has nutritional alliances with BASF, IFF and Roquette. The platform is also used to develop pharmaceutical products. Its lead pharmaceutical product EV-077 demonstrated its potential as a treatment of complications associated with diabetes in a Phase IIa trial, but there was a safety signal, which could be resolved at a lower dose. It had cash of CHF15m at H112 and a CHF30m equity line so it can operate beyond 2013, but is looking to raise CHF10-20m in equity.

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. Evolva is primarily targeting this market.

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	(22.4)	(25.5)	(13.4)	N/A	N/A
2012E	8.5	(19.7)	(21.8)	(11.7)	N/A	N/A
2013E	9.7	(13.3)	(15.3)	(8.5)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€2.64
Market cap:	€312m
Forecast net cash (€m)	43.5
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	(1.6)	4.2	20.3
Relative*	(3.5)	(0.9)	(10.2)

* % Relative to local index

Analyst

Mick Cooper

Evotec (EVT)

INVESTMENT SUMMARY

Evotec had a second year of profitability in 2011 as net income grew by 123% to €6.7m. During the first nine months of FY12 sales grew by 8% to €64.2m, although underlying operating profit fell 69% to €2.9m – largely due to an exceptional milestone in Q311. Evotec continues to invest in its capabilities as it aims to double sales by 2016 at the latest. Since July, Evotec has started major alliances with Janssen and Bayer, signed a 10-year contract with the NIH and received milestones from Novartis and Boehringer Ingelheim. However, Evotec has reduced its operating profit guidance to below that in FY11 as a milestone is now expected in FY13, but sales of €88-90m and cash of >€60m is still expected.

INDUSTRY OUTLOOK

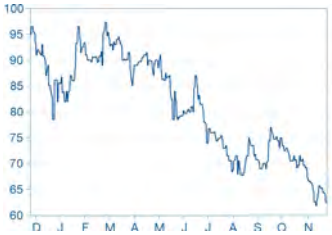
Pharmaceutical companies are outsourcing drug discovery activities to improve their productivity and decrease the fixed costs associated with them. Evotec's growth depends on it being able to provide a high-quality integrated service that cheaper service providers are unable to deliver.

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	69.5	163.6
2011A	80.1	12.0	7.5	5.6	47.1	28.7
2012E	89.4	10.2	3.8	2.8	94.3	26.9
2013E	105.8	18.4	10.8	8.3	31.8	19.2

Sector: Pharma & Healthcare

Price:	62.5p
Market cap:	£83m
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	(11.3)	(10.7)	(34.9)
Relative*	(11.6)	(11.8)	(43.3)

* % Relative to local index

Analyst

Michael Aitkenhead

GW Pharmaceuticals (GWP)

INVESTMENT SUMMARY

GW's focus is on fully exploiting its lead cannabinoid drug Sativex and pipeline potential. GW is making solid operational progress as it transitions into a commercial business, remaining an attractive opportunity for investors seeking lower-risk healthcare exposure. Near-term focus is on supporting Sativex's European roll-out for MS spasticity (further national launches from late 2012), manufacturing capacity expansion and pipeline growth. Data presented at the ECTRIMS meeting confirm that Sativex has 'real-world' efficacy and is cost effective, which should support ongoing EU pricing/reimbursement talks and marketing efforts.

INDUSTRY OUTLOOK

GW is a leader in the field of cannabinoid drugs, which have the potential to become novel therapies for a broad range of diseases. Cannabinoids are diverse chemical compounds that GW extracts from different cannabis plant varieties (chemotypes) it has bred. Sativex is GW's lead drug; we estimate it will achieve 5-10% market share in its approved indications.

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	15.2	20.6
2011A	29.6	3.7	3.3	2.7	23.1	38.6
2012E	30.6	2.0	1.3	2.3	27.2	N/A
2013E	25.7	(5.6)	(6.3)	(3.4)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	€0.90
Market cap:	€16m
Forecast net cash (€m)	3.9
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 protein analysis services to companies and academic institutions. Its lead drug, inecalcitol, is in Phase II and is being developed for CLL and prostate cancer.

Price performance

%	1m	3m	12m
Actual	0.0	(10.0)	(10.0)
Relative*	(3.5)	(12.7)	(28.7)

* % Relative to local index

Analyst

Mick Cooper

Hybrigenics (ALHYG)

INVESTMENT SUMMARY

Hybrigenics is developing a vitamin D3 analogue, inecalcitol, for treating prostate cancer, severe psoriasis and chronic lymphocytic leukaemia (CLL). A Phase IIa trial in castrate-resistant prostate cancer (CRPC) demonstrated its potential in this indication. It has sufficient funds to complete ongoing development of inecalcitol in CLL. The first two patients have been dosed in the open label study of inecalcitol in CLL in chemotherapy-naive patients, which could report data by the end of 2013. Hybrigenics aims to out-license ongoing development in CRPC. The company also recently renewed a $2.4m US life sciences contract to provide yeast two-hybrid (Y2H) screening services; the relaunched services website reflects its renewed commercial focus.

INDUSTRY OUTLOOK

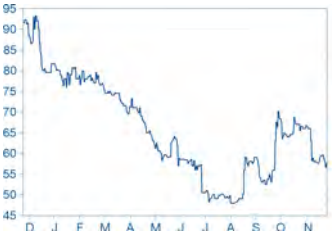
Inecalcitol is being developed in three major indications and faces much competition from existing drugs and those in development. However, its good safety profile could give it an advantage and allow its use in combination with other established therapies.

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	(2.9)	(3.1)	(14.8)	N/A	N/A
2013E	6.8	(3.2)	(3.3)	(14.9)	N/A	N/A

Sector: Pharma & Healthcare

Price:	57.8p
Market cap:	£47m
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	(11.8)	(1.3)	(36.4)
Relative*	(12.1)	(2.4)	(44.5)

* % Relative to local index

Analyst

Christian Glennie

ImmuPharma (IMM)

INVESTMENT SUMMARY

ImmuPharma continues to seek 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, with potential for retaining rights in certain territories, could be concluded in H113. The FDA has agreed an SPA for a Phase III programme and granted fast-track status. Dosing has started in a Phase I/II study of a 'polyplexed' (10x more potent) formulation of Nucant – the Phase II portion in H113 will target various solid tumours in 30 patients. ImmuPharma reported a net loss of £1.8m in H112 and held £9.2m net cash, sufficient until end-2014.

INDUSTRY OUTLOOK

GSK acquired HGSI for $3bn, taking full ownership of previously partnered lupus drug Benlysta, as well as albiglutide (diabetes) and darapladib (CVS disorders). The FY12 US sales run rate for Benlysta is $175m; product uptake has been slower than expected due to the 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

Sector: Pharma & Healthcare

Price:	327.5p
Market cap:	£326m
Forecast net cash (£m)	39.0
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

Imperial Innovations is a technology transfer, incubation and venture investment company. It invests in ventures from Imperial College London, Cambridge and Oxford Universities and UCL. The majority of its investments are bio/med tech.

Price performance

%	1m	3m	12m
Actual	4.8	2.7	17.0
Relative*	4.5	1.5	1.9

* % Relative to local index

Analyst

Robin Davison

Imperial Innovations (IVO)

INVESTMENT SUMMARY

Imperial Innovations' largest bio/med portfolio company, Circassia, has started a pivotal Phase III trial of its lead allergy therapy. ToleroMune cat is the most advanced cat allergy programme in development and could reach the market by 2016. Trial initiation, data and potential regulatory filings (around end-2014) all mark significant potential value inflection points for Circassia and for Imperial Innovations through its 20.3% holding. Ahead of trial results in mid-2014, news flow is also expected in relation to Circassia's wider pipeline of ragweed, dust mite and grass allergy products.

INDUSTRY OUTLOOK

We contend the investment case centres on the real value of the portfolio and the success of the strategy of investing in maturing companies. Portfolio companies are valued per International Private Equity and Venture Capital Valuation guidelines and hence there is potential for significant value creation if exits are achieved at valuations in excess of these.

Y/E Jul	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011A	4.5	(4.4)	(2.8)	(4.5)	N/A	N/A
2012A	4.3	(6.2)	(4.0)	(6.3)	N/A	N/A
2013E	4.4	(6.6)	(5.1)	(8.2)	N/A	N/A
2014E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price:	€2.23
Market cap:	€85m
Forecast net cash (€m)	26.7
Forecast gearing ratio (%)	N/A
Market	NYSE Euronext

Share price graph (€)

Company description

Innate is a French biotech developing first-in-class immunotherapy drugs for cancer and inflammatory diseases by developing new monoclonal antibodies targeting receptors and pathways controlling the activation of innate immunity cells.

Price performance

%	1m	3m	12m
Actual	5.7	33.5	71.5
Relative*	2.0	29.5	35.9

* % Relative to local index

Analyst

Wang Chong

Innate Pharma (IPH)

INVESTMENT SUMMARY

Innate Pharma's investment case depends on clinical development milestones being achieved with its two lead products, IPH2102 in Phase II for cancer and IPH2201 in Phase I for inflammatory diseases, which are licensed to Bristol-Myers Squibb (BMS) and Novo Nordisk respectively. Innate has two other products in preclinical studies. Data from a Phase I study with IPH2101 in acute myeloid leukaemia showed that the product was well tolerated and a significant overall survival benefit in those patients receiving higher doses. Also, BMS recently started a large Phase I trial (n=150) in solid tumours (NSCLC, RCC, CRC, ovarian and melanoma) in combination with its anti-PD1 antibody, providing evidence of BMS's strong commitment to the partnership.

INDUSTRY OUTLOOK

Innate Pharma is a leader in the development of new monoclonal antibodies that target receptors and pathways controlling the activation of innate immunity cells. Its products will potentially be first-in-class immunotherapy drugs for cancers and inflammatory diseases.

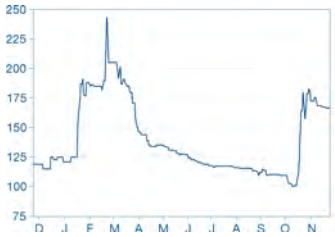
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	4.3	(12.6)	(13.7)	(36.5)	N/A	N/A
2011A	11.7	(6.7)	(7.0)	(18.5)	N/A	6.5
2012E	16.0	(3.5)	(4.2)	(11.1)	N/A	N/A
2013E	16.8	(3.7)	(4.5)	(11.8)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	166.5p
Market cap:	£34m
Forecast net cash (£m)	13.5
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	(1.5)	46.7	39.9
Relative*	(1.8)	45.0	21.9

* % Relative to local index

Analyst

Emma Ulker

Lombard Medical Technologies (LMT)

INVESTMENT SUMMARY

FDA feedback in the approval process for the Aorfix endograft included a set of questions that Lombard expects to respond to shortly, but required no further clinical data. The scheduled GMP (Good Manufacturing Practice) audit also suggests that the approval process is on track and Lombard continues to anticipate US approval for the device in Q412. However, if the decision shifts into Q113, Lombard would need to arrange a new round of financing to replace a £13.6m equity tranche contingent on 2012 approval. H112 trading was mixed, although key markets performed well with a 23% increase in procedures using Aorfix. Our valuation, assuming 2012 approval and funding, is £97.7m.

INDUSTRY OUTLOOK

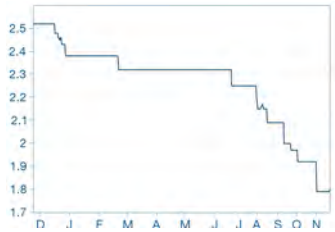
Lombard will compete with larger US corporations to achieve further penetration in the $1.2bn global AAA market on the basis of US FDA approval for Aorfix. The 0-90° label claim (above 60° would be unique) and clinical evidence provide a potential competitive edge for Aorfix in the endovascular aneurysm 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	4.2	(8.6)	(9.1)	(39.1)	N/A	N/A
2013E	10.7	(10.4)	(10.7)	(34.1)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€1.80
Market cap:	€18m
Forecast net cash (€m)	0.4
Forecast gearing ratio (%)	N/A
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

Medcom Tech is maintaining revenue growth despite the challenging trading conditions in Spain. Sales grew 18% to €14.5m in 2011 and 7% to €9.0m in H112. The last six months' growth was due to hip and knee sales increasing by 31% and trauma and biologic sales by 26%, although spinal sales fell 7%. The growth was driven by a larger salesforce and the quality of its portfolio. In H112, EBITDA grew 13% to €1.4m, but net income fell 61% to €0.4m because of increased financing costs. Strong growth should continue and be increasingly profitable, as Medcom Tech benefits from both its reps becoming more productive and reduced working capital constraints following the implementation of the SAP system.

INDUSTRY OUTLOOK

The Spanish orthopaedic market is estimated to be worth €400m. The market was growing at c 5% pa prior to the implementation of austerity measures, but it is now estimated to be declining by c 5%. The growth drivers partially offsetting budget constraints are the ageing population, political pressure and technical innovations.

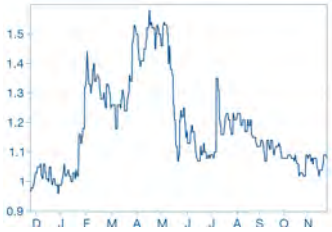
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	12.3	2.5	1.7	16.3	11.0	N/A
2011A	14.5	1.5	0.3	2.0	90.0	N/A
2012E	17.8	4.8	3.1	22.2	8.1	1.8
2013E	22.8	7.1	5.3	38.6	4.7	4.3

Sector: Pharma & Healthcare

Medigene (MDG)

Price:	€1.08
Market cap:	€40m
Forecast net cash (€m)	19.9
Forecast gearing ratio (%)	N/A
Market	Deutsche Börse

Share price graph (€)



Company description

Medigene is a German biotech company with a focus on cancer and autoimmune diseases. It has brought two products to the market and research efforts are focused on anti-rheumatic agent RhuDex.

Price performance

%	1m	3m	12m
Actual	5.0	(6.9)	12.5
Relative*	3.0	(11.5)	(16.0)

* % Relative to local index

Analyst

Christian Glennie

INVESTMENT SUMMARY

Medigene is focused on developing anti-rheumatic agent RhuDex, poised to start a Phase II proof-of-concept study in primary biliary cirrhosis (PBC) in Q113. EndoTAG-1, a novel composition of paclitaxel, now has an Asian development/commercialisation partner in SynCore Biotechnology to cover ~50% patient enrolment into a global Phase III trial in 400 patients with triple negative breast cancer; further partnerships are sought and an NDA is expected in 2018. 9M12 net cash of €22m should last into 2014 (FY12 EBITDA guidance: loss in mid-single digit €m). The genital warts ointment Veregen has EU-wide approval and launches in Europe and other global markets, through existing or new partnerships, are expected in 2012 and 2013.

INDUSTRY OUTLOOK

RhuDex's new development path in PBC, an orphan drug indication, offers a potentially lucrative market opportunity with limited pipeline competition. Intercept Pharmaceuticals recently raised $80m in a NASDAQ IPO to develop its Phase III candidate for PBC.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	2.3	(17.3)	(17.2)	(47.15)	N/A	N/A
2011A	4.7	(16.6)	(15.5)	(26.47)	N/A	5.9
2012E	6.7	(9.0)	(10.3)	(27.89)	N/A	N/A
2013E	8.0	(9.2)	(11.1)	(29.98)	N/A	N/A

Sector: Pharma & Healthcare

MorphoSys (MOR)

Price:	€25.88
Market cap:	€603m
Forecast net cash (€m)	138.6
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	3.9	43.3	61.9
Relative*	1.9	36.3	20.9

* % Relative to local index

Analyst

Mick Cooper

INVESTMENT SUMMARY

MorphoSys is a profitable biotechnology company with a broad portfolio of products (19 antibodies in clinical studies) and partnerships based on its HuCAL antibody platform. In 2011 its revenue was €101m pa and net income was €8.2m, fully funding its proprietary pipeline. In 2012 sales will fall by c 25% (due to a one-off milestone in FY11), but MorphoSys should remain profitable. Phase I/II data on its lead proprietary product MOR103 has confirmed its potential to treat rheumatoid arthritis. The company now aims to out-license MOR103, which also has potential in multiple sclerosis. There is also the prospect of new alliances with its new antibody platform, Ylanthia, following the amendment to the Novartis alliance to include Ylanthia on a non-exclusive basis. MorphoSys had cash of €128m at the end of Q312.

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	43.7	128.5
2011A	100.8	18.8	21.9	72.3	35.8	20.7
2012E	75.2	6.9	4.4	16.4	157.8	88.8
2013E	79.2	8.1	8.5	31.2	82.9	59.3

Sector: Pharma & Healthcare

Neovacs (ALNEV)

Price:	€2.39
Market cap:	€37m
Forecast net cash (€m)	0.6
Forecast gearing ratio (%)	N/A
Market	NYSE Euronext

Share price graph (€)

Company description

Neovacs is a biotech company, focused on the development of targeted active immunotherapies for the treatment of severe chronic autoimmune and inflammatory diseases.

Price performance

%	1m	3m	12m
Actual	(5.2)	48.4	(28.4)
Relative*	(8.4)	43.9	(43.3)

* % Relative to local index

Analyst

Wang Chong

INVESTMENT SUMMARY

Roche's recent decision to advance rontalizumab, its anti-interferon-alpha antibody, into Phase III trials for lupus suggests that clinical proof-of-concept has been achieved in Phase II trials. This lends validation to Neovacs's IFN-Kinoid, which has completed a Phase I/II trial for lupus with encouraging efficacy data. Neovacs is planning a Phase IIb trial in lupus. Separately, it is planning a Phase IIb/III for the TNF-Kinoid in rheumatoid arthritis and has completed a Phase IIa study in Crohn's Disease. Additional positive Phase II trial data could attract a licensing partner. The company had €6.6m in cash at H112 and since received a €1.5m tax credit.

INDUSTRY OUTLOOK

Neovacs's kinoids are immunotherapeutic products. Its lead product, TNF-kinoid, is being targeted at the anti-TNF market for the treatment of rheumatoid arthritis and Crohn's disease, which is worth over $20bn. For lupus, there are limited treatments available; the FDA has just approved the first new treatment for this indication in 50 years.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.0	(10.0)	(10.3)	(69.2)	N/A	N/A
2011A	0.4	(10.2)	(10.3)	(52.0)	N/A	N/A
2012E	0.1	(9.8)	(9.8)	(53.5)	N/A	N/A
2013E	0.0	(10.7)	(10.7)	(58.2)	N/A	N/A

Sector: Pharma & Healthcare

NovaBay Pharmaceuticals (NBY)

Price:	US$1.59
Market cap:	US$47m
Forecast net cash (US$m)	9.9
Forecast gearing ratio (%)	N/A
Market	NYSE AMEX

Share price graph (US$)

Company description

NovaBay Pharmaceuticals is a US company developing a new class of topical anti-infective agents. NVC-422 is the lead candidate, undergoing three Phase IIb trials in impetigo, viral conjunctivitis and urinary catheter blockage and encrustation.

Price performance

%	1m	3m	12m
Actual	24.2	29.3	48.6
Relative*	24.6	28.6	22.5

* % Relative to local index

Analyst

Christian Glennie

INVESTMENT SUMMARY

NovaBay's cash reserve (c $13m) should now extend into 2014 (previously H213), with recent injections of cash totalling $5.6m. Galderma's initiation of a Phase IIb trial with NovaBay's NVC-422 for impetigo prompted a $2.6m milestone payment, while $3m in total was received from the expansion of a marketing agreement with Naqu Area Pioneer Pharma in South-East Asia for NeutroPhase, a skin- and wound-cleansing agent. NVC-422, a topical anti-infective, is now being studied in three Phase IIb trials for significant unmet needs (viral conjunctivitis, impetigo and urinary catheter blockage and encrustation) and results through 2013 offer potential catalyst and financing/partnering opportunities.

INDUSTRY OUTLOOK

The growth of resistance to antibiotics is a serious problem and pharma companies are increasingly seeking alternative methods of combating bacterial (and viral) infections to conventional agents. NovaBay's Aganocide compounds hold the potential to overcome and avoid these resistance issues.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	9.8	(4.7)	(4.3)	(0.18)	N/A	18.3
2011A	11.0	(4.8)	(4.4)	(0.17)	N/A	N/A
2012E	6.8	(9.5)	(9.1)	(0.31)	N/A	N/A
2013E	7.9	(9.6)	(9.3)	(0.29)	N/A	N/A

Sector: Pharma & Healthcare

Price:	14.0p
Market cap:	£12m
Forecast net debt (£m)	0.2
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	(6.7)	(11.8)	0.0
Relative*	(6.9)	(12.8)	(12.9)

* % Relative to local index

Analyst

John Savin

Omega Diagnostics (ODX)

INVESTMENT SUMMARY

Interim results show revenues level with H112 at £5.53m. Gross profit was £3.48m with adjusted EPS of 0.7p, up from 0.4p. Food intolerance grew well by 15%. However, the Allergy iSYS 40-50 assay launch menu will not be not ready until at least December 2013. The damp German spring left manual allergy test sales looking soggy; the weak euro added a £0.2m currency hit. Infectious disease declined by 2% as a major test was withdrawn in India. The new indian subsidiary is performing well.

INDUSTRY OUTLOOK

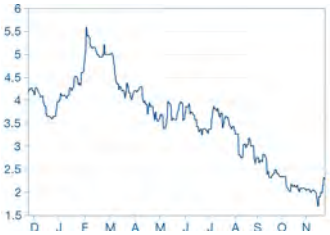
Omega's allergy division tests for clinical allergy: IgE, rather than IgG, as in food intolerance tests. The allergy test market is worth c $600m. The new PoC product is a developing-world HIV monitoring test for CD4+ white cells. If these are too low, retroviral therapy against HIV is required, yet 65% of HIV patients are not monitored. The assay has aroused strong interest with NGO evaluation starting in January and ending in mid year. Substantial orders may occur in FY14.

Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011A	7.9	0.9	0.7	1.7	8.2	17.7
2012A	11.1	0.8	0.6	1.0	14.0	41.6
2013E	11.8	1.4	1.2	1.6	8.8	11.4
2014E	13.6	2.0	1.7	2.0	7.0	7.2

Sector: Pharma & Healthcare

Price:	C$2.28
Market cap:	C$175m
Forecast net cash (C$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	10.7	(24.8)	(45.8)
Relative*	10.8	(25.7)	(48.7)

* % Relative to local index

Analyst

Wang Chong

Oncolytics Biotech (ONC)

INVESTMENT SUMMARY

An unexpected finding of differential activity in metastatic versus locally-advanced patients has necessitated a pause in the pivotal Phase III trial of Reolysin in head and neck cancer (SCCHN) to examine the effect. This is likely to delay the start of the second Phase III stage by some six months or more and may require Oncolytics to focus on the apparently higher-responding metastatic subgroup. Meanwhile, a separate Phase II study in (metastatic) squamous lung cancer has shown promising preliminary signs of efficacy. The delay in the timelines to the pivotal SCCHN study start has a modest impact on our rNPV and we now indicate a valuation of C$368m.

INDUSTRY OUTLOOK

Oncolytics's 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

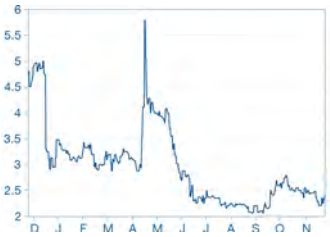
Edison investment research

Sector: Pharma & Healthcare

Oxford BioMedica (OXB)

Price:	2.4p
Market cap:	£34m
Forecast net cash (£m)	12.5
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)



Company description

Oxford BioMedica is a UK biotech with a leading position in gene therapy, based on its LentiVector technology, and in cancer vaccines. It is focusing on ophthalmology, with four collaborative projects with Sanofi, and has two other clinical assets (ProSavin and TroVax).

Price performance

%	1m	3m	12m
Actual	(4.0)	17.1	(50.3)
Relative*	(4.3)	15.7	(56.7)

* % Relative to local index

Analyst

Franc Gregori

INVESTMENT SUMMARY

Receipt of $3m on opt-in by Sanofi to exclusive global licences to two ocular assets (StarGen and UshStat), coupled with the £11.6m gross equity raised via a firm placing and open offer, have significantly strengthened Oxford BioMedica's balance sheet. It now has the funds (sufficient to reach further value-creating points) to leverage its proprietary LentiVector gene-delivery platform and manufacturing, with investment directed into its growing ocular portfolio. The latter is important, given the focus of its growth strategy on high-value fast-growing markets. ProSavin and TroVax development continues, with the aim of generating further data to support partnering, although the prospective partners will be expected to fund further clinical work.

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	6.9	(6.9)	(7.2)	(0.5)	N/A	N/A
2013E	2.4	(11.3)	(11.7)	(0.7)	N/A	N/A

Sector: Pharma & Healthcare

Paion (PA8)

Price:	€0.88
Market cap:	€22m
Forecast net cash (€m)	10.2
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	9.1	(9.3)	(1.7)
Relative*	7.1	(13.8)	(26.6)

* % Relative to local index

Analyst

Emma Ulker

INVESTMENT SUMMARY

Paion's out-licensing agreement with Yichang for the Chinese rights to short-acting anaesthetic remimazolam provides some financial flexibility while the company identifies suitable new assets to add to its anaesthetics and critical care portfolio. The acquisition of German distribution rights to short-acting opioid remifentanil in summer 2012 gives Paion an ideal companion product for remimazolam, assuming it achieves European approval. It has already recruited a sales force for Germany; strategy will focus on a 'fast-track' treatment option. Data is expected in Q412 from Paion's partner Acorda for its Phase I GGF2 (Glial Growth Factor) programme in heart disease. Q3 cash stood at c €20m.

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	24.9	16.1	16.1	54.0	1.6	1.9
2013E	1.2	(8.4)	(8.2)	(31.0)	N/A	N/A

Sector: Pharma & Healthcare

Price:	A$0.02
Market cap:	A$10m
Forecast net debt (A$m)	N/A
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	(8.3)	(18.5)	(59.3)
Relative*	(5.5)	(18.9)	(62.1)

* % Relative to local index

Analyst

Chris Kallos

Phylogica (PYC)

INVESTMENT SUMMARY

Phylogica's strategy is to use its Phylomer peptide drug discovery platform to become a discovery partner for large pharma. The investment case rests on its ability to monetise its proprietary platform by achieving milestones under its four collaborations and securing further deals. Active alliance discussions are ongoing with five prospective partners and the prospect of new deals has been increased as the company has significantly expanded its Phylomer libraries. Phylogica is also pursuing other opportunities and has licensed its skin-repair Phylomer PYC35 for the cosmetic market, from which significant royalties should boost near-term revenue. Phylogica strengthened its balance sheet by raising $1.6m in October.

INDUSTRY OUTLOOK

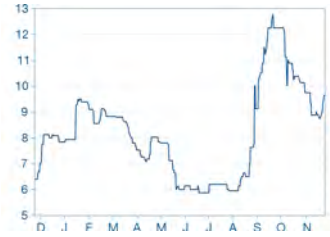
Peptides have some advantages of small molecules (stability, formulation flexibility and COGS) and the binding specificity of antibodies, but their key benefit is the ability to address intractable intracellular targets. Phylomer libraries are a source of novel peptide drug leads that, due to their diversity, 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)
2011A	2.4	(3.5)	(3.5)	(1.2)	N/A	N/A
2012A	1.9	(3.9)	(3.9)	(0.9)	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

Sector: Pharma & Healthcare

Price:	9.6p
Market cap:	£33m
Forecast net cash (£m)	3.4
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. Lead candidate Cogane is undergoing a Phase II study in Parkinson's disease, with results due in February 2013.

Price performance

%	1m	3m	12m
Actual	(6.1)	21.8	47.5
Relative*	(6.4)	20.4	28.5

* % Relative to local index

Analyst

Christian Glennie

Phytopharm (PYM)

INVESTMENT SUMMARY

Phytopharm's near-term focus is on Cogane, currently undergoing a 400-patient Phase II trial (Confident-PD) in Parkinson's disease, with a solid pre-clinical data package in amyotrophic lateral sclerosis (ALS). Dosing into Confident-PD should be completed by end-November 2012, with top-line data due in February 2013, a significant potential catalyst for the stock and stimulus for securing a development partner. A Phase I bioavailability study with a solid dose capsule formulation (Phase II is using a liquid formulation) has started and results in Q113 are also important to boost the partnering package and create a Phase III-ready asset. Cash of £8.9m as of 30 September 2012 now provides funding until Q114 (previously Q413).

INDUSTRY OUTLOOK

Cogane, a small molecule orally active agent, is one of the leading industry-wide pipeline candidates with disease-modifying potential for Parkinson's disease. Potential partners could advance the development of Cogane for multiple neurodegenerative indications.

Y/E Sep	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011A	0.1	(8.4)	(8.0)	(2.2)	N/A	N/A
2012A	0.0	(9.1)	(8.9)	(2.2)	N/A	N/A
2013E	0.0	(7.2)	(7.1)	(1.8)	N/A	N/A
2014E	0.0	(6.3)	(6.3)	(1.6)	N/A	N/A

Sector: Pharma & Healthcare

Price:	C$0.19
Market cap:	C$82m
Forecast net debt (C$m)	3.4
Forecast gearing ratio (%)	131.0
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	26.7	35.7	26.7
Relative*	26.8	34.0	20.0

* % Relative to local index

Analyst

Franc Gregori

ProMetic Life Sciences (PLI)

INVESTMENT SUMMARY

ProMetic's investment case rests on deriving greater value from proprietary ligand enabling technologies as ProMetic moves up the value chain. ProMetic has secured a new strategic collaboration that strengthens the balance sheet and improves earnings visibility. The deal with Shenzhen Hepalink consists of a commercial element, worth C$11m in milestones and licence fees (of which C$2m is payable upfront), and a C$10m equity investment (made at a 63% premium). The cash resources now allow the Laval plasma plant expansion to complete (Q413) and therapeutic product development to progress. Solid Q3 results (revenues of C$7.7m and operating profit of C$2.5m, versus C$2.5m and a loss of C$2.1m in Q311) suggest FY12 revenues will be at least C$21m, with potential for upgrades.

INDUSTRY OUTLOOK

The business focus is on validating the plasma-derived therapies manufacturing subsidiary, boosting resin sales and securing partners in its Therapeutics business division.

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	21.4	(0.6)	(1.1)	(0.5)	N/A	N/A
2013E	23.2	(0.7)	(1.1)	(0.5)	N/A	N/A

Sector: Pharma & Healthcare

Price:	47.5p
Market cap:	£91m
Forecast net debt (£m)	4.3
Forecast gearing ratio (%)	301.0
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	24.6	55.7	67.4
Relative*	24.2	53.9	45.9

* % Relative to local index

Analyst

Mick Cooper

Proteome Sciences (PRM)

INVESTMENT SUMMARY

Proteome Sciences has a 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. A paper in PLoS One highlights the utility of its stroke biomarkers, which have already been licensed to Randox, and the company expects to complete additional licences. Sales grew by 44% to £0.9m in H112 and are expected to treble in FY12, largely due to growth of PS Biomarker Services sales.

INDUSTRY OUTLOOK

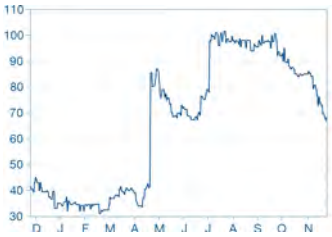
Pharma companies are expanding their biomarker programmes due to pressure from regulators and to improve productivity. Protein biomarkers promise to be particularly useful as they provide a direct read-out of changes occurring in a person.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.5	(4.5)	(4.9)	(3.0)	N/A	18.9
2011A	1.0	(4.1)	(4.5)	(2.1)	N/A	N/A
2012E	3.1	(2.1)	(2.5)	(1.0)	N/A	N/A
2013E	6.7	1.0	0.6	0.4	118.8	307.9

Sector: Pharma & Healthcare

Price:	68.5p
Market cap:	£32m
Forecast net debt (£m)	N/A
Forecast gearing ratio (%)	N/A
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	(19.4)	(29.4)	65.6
Relative*	(19.6)	(30.2)	44.2

* % Relative to local index

Analyst

Franc Gregori

SkyePharma (SKP)

INVESTMENT SUMMARY

The recent refinancing of the convertible bonds has removed the largest uncertainty overhanging the shares, with the finances now structured to match payment obligations with potential cash generation. This is underpinned by five major recent approvals and launches - flutiform, Exparel, Rayos, and in Japan, Paxil and Requip - but the key sensitivity now is the likely level of flutiform's market share of the ICS/LABA segment over the next five years and whether this will be sufficient to repay the new bonds. Our forecasts are under review.

INDUSTRY OUTLOOK

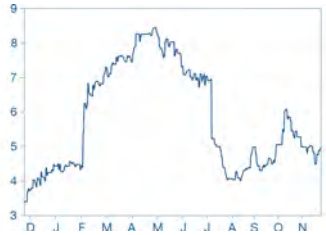
Flutiform is an inhaled corticosteroid/long-acting beta-agonist combination of fluticasone and formoterol for treating asthma. It has been launched in Germany and the UK (generating €4m milestones each), and approvals have been received or are in progress in a further 19 European countries. Kyorin, the Japanese partner, has also submitted for approval there.

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	14.7	1.9	5.4	12.7	1.3
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:	US$4.97
Market cap:	US$208m
Forecast net cash (US$m)	13.8
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)



Company description

Sucampo Pharmaceuticals is a US-based company developing and commercialising medicines based on prostones. Amitiza (GI disorders) partnered with Takeda (US) and Abbott (Japan), and Rescula (ophthalmology), are key products.

Price performance

%	1m	3m	12m
Actual	(5.3)	11.2	46.2
Relative*	(5.1)	10.6	20.5

* % Relative to local index

Analyst

Christian Glennie

Sucampo Pharmaceuticals (SCMP)

INVESTMENT SUMMARY

Sucampo and its US partner Takeda are focused on boosting sales of constipation drug Amitiza (lubiprostone); Q312 sales gained 24% to $71.5m, its best quarter since launch in 2006. The imminent launch of Ironwood/Forest's Linzess (linaclotide) could benefit Amitiza by helping to increase the use of prescription drugs for constipation disorders. Amitiza holds further potential in opioid-induced constipation (FDA approval due late January 2013), and near-term commercial opportunities in Japan (launch by Abbott by end-2012) and Europe (UK approval for CIC in September 2012 with potential to secure new partners). Sucampo plans to launch intra-ocular pressure glaucoma drug Rescula (unoprostone) in the US by end-2012/early-2013.

INDUSTRY OUTLOOK

Historical safety issues with using Rx drugs, for ~10m US patients with constipation disorders seeking alternatives to dietary/lifestyle changes and OTC therapies, give Amitiza's established track record (>6m prescriptions filled since 2006) a key differentiating factor.

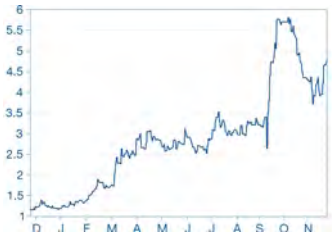
Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	61.9	(0.2)	0.4	(6.58)	N/A	N/A
2011A	54.8	(17.7)	(19.9)	(41.36)	N/A	N/A
2012E	77.1	1.4	(1.1)	(1.60)	N/A	39.1
2013E	94.7	8.8	6.2	10.22	48.6	16.7

Edison investment research

Sector: Pharma & Healthcare

Price:	US$4.78
Market cap:	US$246m
Forecast net cash (US$m)	21.3
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	0.6	48.4	308.5
Relative*	0.9	47.7	236.8

* % Relative to local index

Analyst

Robin Davison

Sunesis Pharmaceuticals (SNSS)

INVESTMENT SUMMARY

Sunesis' recent cohort expansion in the pivotal Phase III VALOR study confirms that vosaroxin is showing a "clinically-significant" survival advantage in relapsed/refractory AML. However, the magnitude of this effect is currently unknown. Nevertheless, the confirmation that interim data are falling in the "promising zone", which itself straddles a 30% survival advantage (HR=0.77), gives an indication of the likely survival benefit. Our rNPV valuation, which reflects the current timelines and assumes a high probability of success, is $350m or $7.46 per share (basic) or $6.56 per share fully diluted.

INDUSTRY OUTLOOK

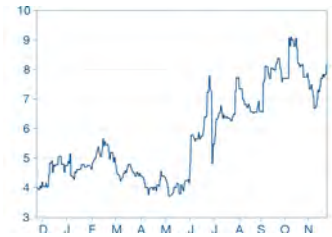
Vosaroxin is one of 8 agents in Phase III studies for various AML settings, but is the lead compound in the relapsed/refractory setting. There is, however, more competition in the front-line setting.

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	(38.1)	(39.9)	(85.5)	N/A	N/A
2013E	0.0	(39.6)	(36.8)	(78.8)	N/A	N/A

Sector: Pharma & Healthcare

Price:	US$8.18
Market cap:	US$506m
Forecast net cash (US$m)	21.4
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	0.4	26.2	105.0
Relative*	0.7	25.6	69.0

* % Relative to local index

Analyst

Robin Davison

Synta Pharmaceuticals (SNTA)

INVESTMENT SUMMARY

Synta's investment case now effectively rests on the success of the GALAXY Phase II/III study of ganetespib in non-small cell lung cancer (NSCLC). This study is about to start enrolment for its c 500 patient, Phase III stage. Interim results from GALAXY's 240-patient Phase II stage informed the Phase III design, in particular leading to the strategy to select for patients by time from diagnosis. GALAXY is a two-stage Phase IIb/III study with an adaptive design that intended to identify and then selectively enrol the patients most likely to respond. Patients receive either four or six cycles of docetaxel, each given over 21 days (whichever is normal practice at the centre) with or without ganetespib.

INDUSTRY OUTLOOK

Ganetespib is the leader in the HSP90 inhibitor class. It is also one of around 12 agents in or entering Phase III trials specifically for second-line NSCLC. However, all of the class competitors are targeting sub-groups based for example on EGFR and KRAS mutation status.

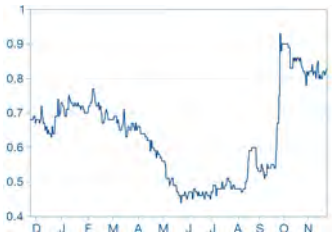
Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	14.8	(30.4)	(33.4)	(92.8)	N/A	N/A
2011A	7.6	(40.6)	(44.0)	(104.4)	N/A	N/A
2012E	0.1	(57.9)	(60.8)	(121.6)	N/A	N/A
2013E	0.0	(67.9)	(70.6)	(120.6)	N/A	N/A

Sector: Pharma & Healthcare

TiGenix NV (TIGB)

Price:	€0.83
Market cap:	€76m
Forecast net debt (€m)	0.7
Forecast gearing ratio (%)	2.0
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	(3.5)	45.6	27.7
Relative*	(5.9)	42.0	2.0

* % Relative to local index

Analyst

John Savin

INVESTMENT SUMMARY

Full Dutch and Belgium ChondroCelect reimbursement has enabled an estimated 58 sales in Q3; c 131 year to date. Our 180 sales target for 2012 might be exceeded, but the forecast remains unaltered. The 2013 target of 450+ remains ambitious as neither France nor Spain has agreed reimbursement. The new advanced manufacturing facility in Holland is now licensed and will be on stream in 2013. The Cx601 Phase III perianal fistula study is enrolling patients. Cx611 will have safety data in Q412.

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. In Crohn's disease, about 120,000 patients have fistulas. With direct EU sales from 2016 plus, an anticipated US partner, Cx601 could be highly lucrative. The new Dutch manufacturing base for ChondroCelect has been licensed by the EMA.

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	3.9	(14.6)	(14.8)	(16.3)	N/A	N/A
2013E	8.5	(10.6)	(10.8)	(11.9)	N/A	N/A

Sector: Pharma & Healthcare

Topotarget (TOPO)

Price:	DKK2.26
Market cap:	DKK300m
Forecast net cash (DKKm)	34.3
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	(5.8)	101.8	19.6
Relative*	(4.4)	101.8	(11.0)

* % Relative to local index

Analyst

Mick Cooper

INVESTMENT SUMMARY

Topotarget is only developing belinostat, which is partnered with Spectrum Pharmaceuticals. The company has reported that the pivotal Phase II trial, BELIEF, for peripheral T-cell lymphoma (PTCL) has met its primary endpoint of a >20% response rate. Full data from the trial are due in Q412, but it is increasingly likely that Topotarget will receive a c $10 milestone and 1m Spectrum shares in H213 and the drug will be launched in the US in 2014. Belinostat is also being developed for cancer of unknown primary (CUP) and non-small cell lung cancer (NSCLC). Recent Phase II data in CUP was mixed, but overall indicated that belinostat enhanced the activity of chemotherapy. Topotarget is conducting a strategic review and carrying out a restructuring programme so it can operate into 2014 without a fund-raising.

INDUSTRY OUTLOOK

Topotarget's belinostat is a histone deacetylase inhibitor (HDACi). Two such drugs have been approved and c 10 others are in clinical development. However, belinostat has a favourable safety profile and could be the first HDACi approved for solid tumours in combination therapy.

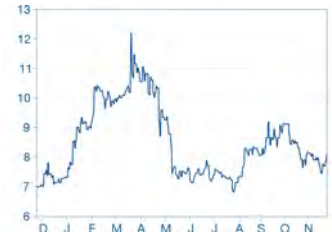
Y/E Dec	Revenue (DKKm)	EBITDA (DKKm)	PBT (DKKm)	EPS (DKK)	P/E (x)	P/CF (x)
2010A	107.8	(3.8)	(6.7)	1.01	2.2	0.1
2011A	65.6	(28.0)	(31.4)	(0.22)	N/A	N/A
2012E	4.2	(81.3)	(82.5)	(0.62)	N/A	N/A
2013E	3.8	(38.7)	(40.3)	(0.30)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	€8.10
Market cap:	€257m
Forecast net cash (€m)	0.1
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	1.9	0.6	15.7
Relative*	(1.6)	(2.4)	(8.3)

* % 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, is a therapeutic vaccine and has started a Phase IIb/III trial in non-small cell lung cancer. This could lead to Novartis exercising its option to in-license the drug in H114. 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. A Phase IIb study in HPV-related head and neck cancers with TG4001 to be conducted with EORTC should start in Q413. 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	13.8	(51.7)	(53.9)	(171.0)	N/A	N/A
2013E	13.6	(51.5)	(53.9)	(169.5)	N/A	N/A

Sector: Pharma & Healthcare

Price:	86.0p
Market cap:	£287m
Forecast net cash (£m)	67.2
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	(5.8)	10.3	54.3
Relative*	(6.0)	9.0	34.4

* % Relative to local index

Analyst

Michael Aitkenhead

Vectura (VEC)

INVESTMENT SUMMARY

Vectura's first COPD inhaler, Seebri, has been launched in Japan and initial European territories (UK, Germany) with other market launches expected in the near-term. As such, the company's strong financial position will be supplemented by a new royalty stream from Novartis. With combination inhaler QVA149 now filed in Europe and Japan, Vectura's second COPD inhaler could be approved, launched, and generating royalties in H213. Recent commentary by Novartis (R&D investor day) reinforces our positive view on QVA149's competitive profile and its blockbuster potential. In addition to QVA149, potential value inflection points in 2013 include European approval of VR315, positive data and partnership on VR506 and milestones on VR632.

INDUSTRY OUTLOOK

Vectura offers exposure to potential generic ICS/LABA asthma combinations (despite US regulatory complexity) and a novel LAMA (Seebri) 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	45.3	103.6
2012A	33.0	(4.2)	(4.6)	1.3	66.2	N/A
2013E	28.1	(5.7)	(6.0)	(0.6)	N/A	N/A
2014E	24.5	(10.2)	(10.6)	(2.8)	N/A	N/A

Sector: Pharma & Healthcare

Price:	22.6p
Market cap:	£100m
Forecast net cash (£m)	79.0
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	(7.7)	(9.1)	(0.6)
Relative*	(7.9)	(10.1)	(13.3)

* % Relative to local index

Analyst

Franc Gregori

Vernalis (VER)

INVESTMENT SUMMARY

Vernalis's deal with Tris Pharma to develop a range of Rx (prescription only) extended release cough/cold products for the US market may prove to be the long-awaited transformational event that delivers sustainable profitability. Precise timelines are uncertain, but the simpler 505(b)(2) regulatory pathway suggests the first products could be approved in time for the 2014/15 cough and cold season. Planning for the creation of the US sales force has begun, with recruitment likely just ahead of product approval. We suspect further in-licensing activity will focus on products that complement the seasonality of this 'cough and cold' portfolio.

INDUSTRY OUTLOOK

H112 revenue was £5.9m (£2m from frovatriptan royalties; £3.9m from research collaborations). H112 operating loss was £4.3m (down from £5.9m pre-except in H111). FY R&D of £13-15m is expected, and G&A for H212 should be at similar levels to H112 (c £2.8m). Cash was £84.5m as at 12 June, with a €1m payment from Servier for the achievement (20 September) of a pre-clinical milestone in the first of their three oncology collaborations.

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	11.6	(7.6)	(7.8)	(1.6)	N/A	N/A
2013E	9.5	(9.9)	(10.2)	(2.0)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€1.01
Market cap:	€32m
Forecast net cash (€m)	20.6
Forecast gearing ratio (%)	N/A
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	(19.0)	(72.6)	(70.6)
Relative*	(20.5)	(74.0)	(78.0)

* % Relative to local index

Analyst

John Savin

WILEX (WL6)

INVESTMENT SUMMARY

Redectane and Mesupron are now Wilex's key products after the Rencarex Phase III ARISER data showed no efficacy; Rencarex has been discontinued. After the July ODAC meeting determined that a hypothetical imaging test for clear cell renal carcinoma would be clinically useful, the FDA agreed that a Redectane confirmatory study could lead to a US filing. The design and timing of the REDECT-2 Phase III are being finalised. Mesupron has good Phase II data in both pancreatic and HER-2 negative breast cancer and could be partnered in 2013. Wilex is funded into 2014; Q3 cash was €28.7m.

INDUSTRY OUTLOOK

Wilex's annual cash need after sales margins has been indicated at €20-24m. Q3 revenues to 31 August were €11.3m, with other income of €1.5m; €12.8m total. €9.7m of the revenues arose from part recognition of Prometheus' Rencarex payments (the remaining amounts will be crystalised as the deal has ended), with €1.6m in YTD sales from the Heidelberg and diagnostics operations.

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	17.4	(10.0)	(10.8)	(42.9)	N/A	N/A
2013E	20.6	(7.3)	(7.7)	(24.7)	N/A	N/A

Sector: Pharma & Healthcare

Price:	C$1.58
Market cap:	C$249m
Forecast net cash (C$m)	99.1
Forecast gearing ratio (%)	N/A
Market	NYSE MKT, TSX

Share price graph (C$)

Company description

YM BioSciences is an oncology-focused business developing in-licensed and/or acquired compounds. Lead candidate CYT387, a JAK 1/2 inhibitor, is poised to enter Phase III trials, with or without a partner.

Price performance

%	1m	3m	12m
Actual	(4.2)	(19.0)	14.5
Relative*	(4.1)	(20.0)	8.5

* % Relative to local index

Analyst

Christian Glennie

YM BioSciences (YM)

INVESTMENT SUMMARY

YM BioSciences is seeking a development partner for a pivotal Phase III programme for CYT387 - a JAK1/2 inhibitor for myelofibrosis - but also has sufficient cash (C$125.5m at 30 September 2012) to fund the studies itself. A decision either way could be reached within the next six months. Further results from the 166-patient Phase I/II study (core/extension) for CYT387, including nine months of treatment, will be reported at ASH 2012 (9 December). YM has determined the optimal dose for CYT387 is 300mg once-daily. We have increased our R&D expense forecasts for FY13 to C$36m to reflect initiation of the Phase III study, our base-case scenario.

INDUSTRY OUTLOOK

CYT387 is one of the most advanced unpartnered JAK1/2 inhibitors in development and has a potentially unique and significant anaemia benefit. Incyte/Novartis' Jakafi (ruxolitinib) has gained FDA approval (2011) and EU approval (August 2012) for myelofibrosis; US sales in 9M12 reached $93m and Incyte estimates net product sales of $130m-$135m for FY12.

Y/E Jun	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (c)	P/E (x)	P/CF (x)
2011A	1.0	(24.2)	(23.8)	(25.82)	N/A	N/A
2012A	1.1	(24.9)	(24.3)	(15.99)	N/A	N/A
2013E	1.0	(34.8)	(33.8)	(21.48)	N/A	N/A
2014E	1.1	(47.2)	(46.5)	(29.54)	N/A	N/A

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Edison's healthcare team

- One of the largest teams dedicated to healthcare coverage
- Team ranked in Extel 2011 and Starmine 2012 rankings
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- Global coverage of companies in Continental Europe, North America, the UK and Australia
- Research distributed to both specialist and generalist audiences
- Over 70 corporate clients listed on exchanges around the world
- A distribution database of over 85,000 including 10,000 healthcare specific readers
- Regular attendees at major investor conferences

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