EDISON

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The Edison healthcare team

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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.

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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.

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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.

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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.

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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.

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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.

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Dr Michael 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.

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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.

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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.

Dr Philippa Gardner

Philippa joined Edison's healthcare team in January 2013, having previously worked as a biotechnology analyst on award-winning teams both at Jefferies and at Lehman Brothers. She has eight years' experience as a sell-side analyst covering European biotechnology, life science and mid-cap pharma stocks and has worked on a number of IPOs. Philippa holds a doctorate in biochemical engineering from UCL, with her research sponsored by GE Healthcare in Sweden.

Luke Poloniecki

Luke joined Edison's healthcare team in November 2012 from ING, where he was a vice president in its Number 1 Extel-ranked equity research team, covering Benelux Biotech and Emerging Market pharmaceutical names. He has seven years' experience as a pharma and biotech analyst, working in London and Paris at Société Générale and Bryan Garnier on sell-side coverage and ECM deals. Prior to investment banking, Luke acquired two years' experience in the pharmaceutical industry working for Schering-Plough on its cardiovascular, respiratory and allergy franchises. He holds a BSc (Hons) in human physiology from Newcastle University and the University of Rennes. He is a holder of the Association of the British Pharmaceutical Industry (ABPI) sales qualification.

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German (drug) reformation

Germany's revamped drug pricing system (AMNOG), which sets reimbursed prices according to added benefit over existing therapies, presents a major barrier to market access for new drugs in Europe's largest market. Recent negative pricing decisions for new drugs (ie GW Pharma's Sativex) and initiation of reviews for already-marketed products (DPP-4 inhibitors) have brought AMNOG back into focus. Results of AMNOG benefit assessments to date, which are undertaken by IQWiG/G-BA, suggest four factors are critical for a positive outcome: (1) head-to-head clinical data versus G-BA's preferred comparator, (2) strong evidence based on hard endpoints, (3) trial results including relevant patient sub-groups considered relevant by IQWiG/G-BA, and (4) negotiations with G-BA body once IQWiG's results are published, as G-BA makes the final decision and does not always follow IQWiG's advice.

AMNOG – drug pricing based on added benefit

Germany's implementation of AMNOG law in early 2011 signalled the end of company-set prices for new drugs (free pricing) and ushered in a new era of regulated pricing. Reimbursement is based on an early benefit assessment (by IQWiG and the higher G-BA body) and price negotiations with state insurers (additional benefit) or reference pricing (no additional benefit). G-BA recently initiated pricing reviews of already-marketed diabetes drugs (oral DPP-4 inhibitors), raising the possibility of price cuts for established products.

Berlin wall – increasing barriers to market access

Since publication of the first benefit assessment in December 2011, a total of 62 assessment procedures have been initiated. Of this number, the Berlin-based G-BA has reached a final decision on 35 new drugs, 22 of which were deemed to show additional benefit. Pricing negotiations with state insurers (GKV-SV) have been successfully concluded for 15 drugs.

Industry concerns – comparators, confidentiality

Germany has, unsurprisingly, been subject to industry pushback following the raft of negative reimbursement outcomes, including failures of benefit assessment or attaining low reimbursed prices. The majority of negative evaluations related to lack of head-to-head evidence against G-BA's required comparator: drugs using the wrong comparator in trials are ruled to have no additional benefit. Industry has criticised G-BA's tendency to use the least expensive (usually generic) comparator and is pushing for confidentiality around negotiated drug prices, as Germany serves as a reference price for the rest of the European market.

10 April 2013

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Prices as at 22 March 2013

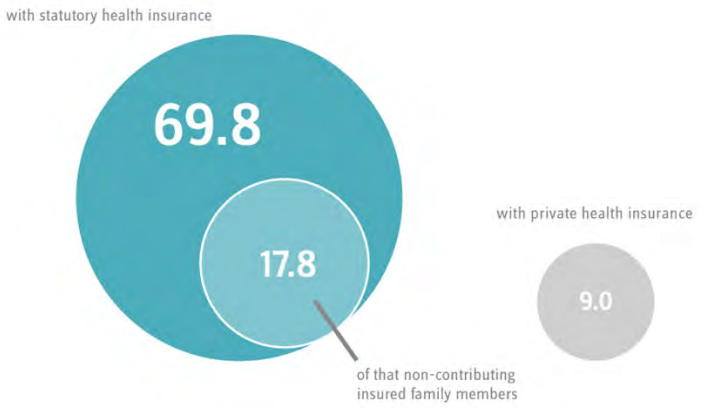
German (drug) reformation

Germany's revamped drug pricing system (AMNOG), which sets reimbursed prices according to added benefit over existing therapies, presents a major barrier to market access for new drugs in Europe's largest market. Pharma companies now require strong comparator-driven evidence and direct price negotiations with state providers. Results of AMNOG benefit assessments to date, which are undertaken by IQWiG/G-BA, suggest four factors are critical for a positive outcome: (1) head-to-head clinical data versus G-BA's preferred comparator , (2) strong evidence based on hard endpoints, (3) trial results including relevant patient sub-groups considered relevant by IQWiG/G-BA, and (4) negotiations with G-BA body once IQWiG's results are published, as G-BA makes the final decision and does not always follow IQWiG's advice.

Large, publicly-funded healthcare market

Germany is the largest pharmaceutical market in Europe ($45bn in 2011) and the fourth largest globally. There is a high level of public funding via the Statutory Health Insurance (SHI) funds and pharmaceutical coverage is comprehensive; approximately 90% of the population is covered by SHI and the remaining 10% by private health insurance (Exhibit 1). Of note, private insurance coverage for pharmaceuticals is usually equivalent to that offered by SHI, sometimes extended.

Exhibit 1: Health insurance in Germany



Source: GKV-SV

Until relatively recently, Germany was one of the few EU countries where pharmaceutical companies were largely free to set drug prices. Under this system, newly-licensed pharmaceuticals (with a few exceptions) were eligible for reimbursement through SHI. Most off-patent (generic) drugs were reimbursed up to a set maximum reference price level, while the vast majority of patented drugs were not subject to such price restrictions. As such, the SHI funds were effectively 'price takers' with little scope to negotiate drug prices and control expenditure. However, German pharmaceutical reform in late 2010 changed the status quo – newly-licensed drugs are priced according to their benefit over currently marketed drugs, with direct reimbursement negotiations between the pharmaceutical companies and insurers.

Pre-2011: Free pricing system

Germany's free pricing system made the country (alongside the UK) a preferred destination for initial European launches of newly-licensed drugs. It also helped pharmaceutical companies achieve higher drug prices in other European countries, as Germany is a reference country for most EU member states. However, it also resulted in German pharmaceutical prices being among the highest in the Organisation of Economic Cooperation and Development (OECD) at the retail level

(30% above OECD average). For example, in 2009, the 50 top-selling branded drugs were on average c 50% more expensive than in Sweden. As a consequence, the SHI funds were spending c 20% of its budget on pharmaceuticals or €32.4bn in 2009, a rise of 5.3% per insured person (equal to a rise of €1.5bn) over 2008. This figure included branded sales of €13.2bn, a near doubling since 2000, of which 85% were not subject to any kind of reference pricing or price regulation. Notably, SHI expenditure on branded drugs rose by 9% compared to 2008, while expenditure on drugs within the reference pricing system declined 2%.

A reference pricing system had been in place in Germany for over 20 years, although it primarily applied to off-patent (generic) drugs and, rarely, patented products. Back in 1989, Germany introduced a three-level reference pricing system that set a maximum reimbursement for certain groups of drugs: Level 1: same active ingredients (ie off-patent branded drug plus generics), Level 2: comparable active ingredients and effects, and Level 3: different substances but comparable effects. In 2004, this reference pricing system was extended to include patented drugs in the Level 2 category. However, drugs deemed to have added benefit versus existing therapies were specifically excluded from this reference pricing system. As such, the Institute for Quality and Efficiency in Health Care (IQWiG) was established in 2004 to undertake benefit evaluations of licensed drugs. However, this system was flawed as IQWiG evaluations were only undertaken if the Federal Joint Committee (G-BA) commissioned them.[1] The result was a limited number of IQWiG evaluations, with most patented/branded drugs never assessed for their added benefit (and therefore not subject to reference pricing).

2011 onwards: Added benefit pricing

In November 2010, Germany passed the pharmaceutical reform act AMNOG (Act on the Reform of Market for Medicinal Products) to curb drug prices and the spiralling expenditure by SHI funds. The central tenet of AMNOG, which came into force January 2011, is pricing of drugs according to their degree of added benefit over current treatments. Under AMNOG, all newly-licensed medicines complete a benefit assessment and price negotiations within a year of market entry. Drugs showing added benefit are subject to pricing negotiations between the pharmaceutical company and SHI funds, while those with no added benefit are included in the reference pricing system. Overall, AMNOG is projected to save the SHI system around €2bn. In addition, private insurers will save as the negotiated reimbursement price also applies to privately insured persons.

The German pharmaceutical reform of 2010 follows an international trend (ie UK's National Institute for Clinical Excellence) of linking drug pricing and reimbursement decisions to systematic, evidence-based benefit and, increasingly, cost-effectiveness compared with treatment alternatives. In Europe, the prevailing environment of austerity is forcing governments to take direct action to control pharmaceutical spending growth. Together with recent healthcare reforms (eg France, Germany, UK), we envisage increasing use of national health technology assessment (HTA) bodies to determine the value newer drugs bring.

Post-licensing evaluation procedures and methods still vary widely among EU5 countries. For example, NICE utilises the quality-adjusted life years (QALY) measure to assess the health benefits of a drug (QALYs are used to weight the increase in life expectancy achieved by a treatment with the quality of life of the years gained). NICE combines QALYS with treatment cost to derive an incremental cost-effectiveness ratio (ICER) – the generally accepted threshold for a cost effective therapy is an ICER of £30,000 per QALY. In contrast, IQWiG does not consider QALY as a valid standard and, thus, is not a central measure in its benefit assessments.

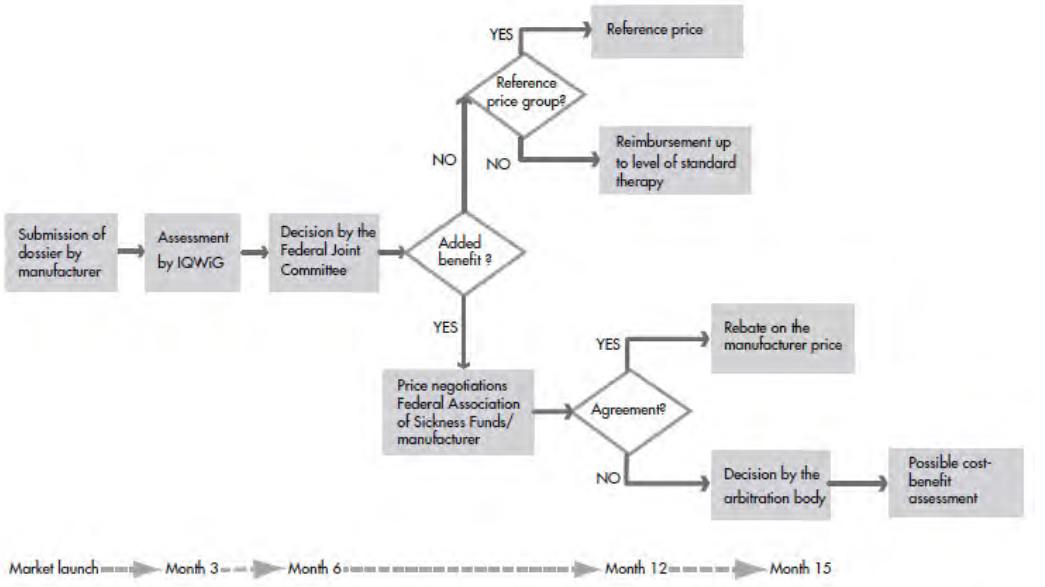
[1] G-BA is a public legal entity comprising the four leading organisations within the German Healthcare system (National Associations of Statutory Health Insurance Physicians and Dentists, German Hospital Federation, Central Federal Association of Health Insurance Funds).

In summary, different approaches to pricing/reimbursement across Europe presents real challenges for pharmaceutical drug development, which could increase development timelines and costs. In particular, companies planning pivotal Phase III studies must now carefully consider what evidence needs to be generated (eg comparator treatments, patient populations) to meet the varying requirements of HTA agencies such as NICE, IQWiG and the Transparency Commission (France).

Key players in the new pricing system: G-BA, IQWiG, GKV-SV

A broad outline of the German benefit assessment and price negotiation process is provided in Exhibit 2. Pharmaceutical companies are still free to set the launch price of their drugs but must submit evidence of added benefit (scientific dossier) once the product is brought to market. This free price can be maintained while negotiations are being undertaken. Taking into consideration the company's evidence, the G-BA decides what (if any) added benefit the new drug offers and under what circumstances it may be prescribed for reimbursement by the SHI funds. In practice, IQWiG first reviews the benefit dossier and claims made – this evaluation must be completed and published within three months. The G-BA will then decide on the added benefit within three months of publication of IQWIG's assessment report.

Exhibit 2: German drug benefit assessment and price negotiation process



Source: Ognyanova et al, Eurohealth 2011

Demystifying G-BA's added benefit rating system

Based on its evaluation, the G-BA assigns an effectiveness rating to each indication for the drug, which then informs price negotiations. Added benefit scores range from 1 to 6, with 1 representing "major additional benefit" and 6 as "less benefit than comparator" (Exhibit 3).

Exhibit 3: G-BA rating system for drug benefit

Rating	Benefit
1	Major additional benefit (eg disease cure, significant extension of survival)
2	Important additional benefit (eg moderate extension of survival)
3	Some additional benefit (eg reduction in side effects)
4	Additional benefit but not quantifiable
5	No additional benefit proven
6	Less benefit than comparator

Source: AstraZeneca

The G-BA assessment decision results in two possible outcomes;

- Positive assessment (Rating 1-4) – drug prices are negotiated based on the degree of benefit.
- Negative assessment (Rating 5-6) – drug is eligible for reference pricing with a maximum reimbursement rate.

Positive assessment – negotiate reimbursement price

Once a drug receives a positive benefit assessment, the next step is for the company to enter price negotiations with the German National Association of Insurance Funds (GKV-SV). These negotiations address the level of rebate on the company's price according to the degree of added benefit. A number of products have completed this final step, including AstraZeneca's Brilique (see below) and Intermune's Esbriet.

If no agreement is reached within 12 months, an arbitration body (comprising representatives from the insurance funds, pharma industry and neutral members) has three months to set a price that takes into consideration international prices. The price set by the arbitration panel applies to all insurers (public and private) and is retrospective back to the product's launch. For example, if this price is lower than the in-market price, then the company is required to refund the 'overcharged' difference in sales since product launch. Both the company and insurers can appeal the arbitration panel decision by asking the G-BA for a cost-effectiveness assessment. This might lead to a better price or, alternatively, a lower price than the arbitration board ruling.

Negative assessment – reference pricing

A negative evaluation means that the drug enters the German reference pricing system. In the case of drugs that cannot be classified in an existing reference price group, the level of reimbursement will not exceed the costs of standard treatment. Under original AMNOG rules, companies receiving a negative G-BA assessment had to wait at least a year before requesting reassessment. They can now submit an updated dossier at any time, providing the opportunity to react quickly to G-BA decisions such as failure to submit sufficient information in the benefit dossier. For drugs granted no additional benefit, this may allow quicker collection and presentation of new supporting evidence which might lead – if it can demonstrate additional benefit – to a higher reimbursed price.

How has the new pricing system worked?

First newly-licensed drugs have completed price negotiations

The first early benefit assessment by G-BA (AstraZeneca's Brilique) was published in December 2011. Since then, a total of 62 assessment procedures have been initiated. Of this number, the G-BA has reached a final decision on 35 new drugs, 22 of which were deemed to show additional benefit. Pricing negotiations with state insurers (GKV-SV) have been successfully concluded for 15

drugs. Below we discuss two products – AstraZeneca's Brilique, GW Pharma's Sativex – that have navigated the benefit assessment and pricing negotiations, but with opposite reimbursement outcomes. In addition, we highlight G-BA's recent initiation of a pricing review for established diabetes therapies (oral DPP-inhibitors), which raises the possibility of cuts to reimbursed prices for both new (Boerhinger's Trajenta) and established (Novartis's Galvus) DPP-4 inhibitors.

Positive pricing decision – AZ's Brilique

AstraZeneca's Brilique (ticagrelor), an oral anti-platelet therapy for acute coronary syndrome (ACS), was the first drug reviewed under the new AMNOG process. Central to AZ's value dossier was comparative effectiveness data from the 18,000-patient PLATO study, where Brilique significantly reduced the rate of thrombotic events (cardiovascular death, myocardial infarction, and stroke) versus standard clopidogrel therapy (9.8% vs 11.7%, p=0.0003).

For its Brilique assessment, IQWiG defined four patient sub-populations of ACS and comparator treatments (clopidogrel, aspirin, prasugrel). Brilique received a positive benefit assessment in one subgroup: rating of 2 versus clopidogrel in the treatment of patients with Non ST-elevation myocardial infarction (NSTEMI) /unstable angina. The IQWiG evaluation (October 2011) was followed by a positive final decision from G-BA (December 2011), which added an additional indication (ST-elevation infarct in patients >75 years with prior stroke).

AZ went through price negotiation rounds with GKV-SV before arriving at this, somewhat complicated, price agreement in mid-2012: (1) Brilique list price unchanged (€905/year), (2) negotiated reimbursement price (€730/year), which equates to a total rebate of c 20% on the list price, valid for all four patient sub-populations despite the level of benefit and (4) acceptance as 'Praxisbesonderheit' for the two indications of additional benefit, which excludes them from physicians' budgets. AZ's retention of a relatively high list/reimbursed price could aid better reference pricing in other EU territories, while 'Praxisbesonderheit' status may compensate for high rebates on the reimbursed price. Key conclusions from the Brilique review are, in our view, as follows:

- German reimbursement authorities will pay for innovative drugs (eg Brilique is priced at a substantial premium to generic clopidogrel), but only when they show clear added benefit relative to an appropriate comparator.
- The GKV-SV may be prepared to enter price negotiations relatively flexibly. Considering the 16% mandatory rebate, the 4% price cut on Brilique appears quite modest.[2]

Brilique also provides a good example where European HTA agencies (NICE, IQWiG) come to different conclusions about the place of a new drug in the healthcare system, despite using evidence from the same clinical studies. In contrast to G-BA, NICE decided that Brilique offered added therapeutic benefit in a broader population of ACS patients including ST-elevation myocardial infarction (STEMI), NSTEMI, and unstable angina.

Negative pricing decision – GW Pharma's Sativex

Sativex was launched in Germany for multiple sclerosis (MS) spasticity in July 2011, following regulatory approval in May 2011 as add-on therapy in patients with moderate-to-severe spasticity unresponsive to other anti-spasticity drugs. The initial review by IQWiG (April 2012) concluded that Sativex offered no additional benefit for technical reasons. Specifically, IQWiG could not determine whether Sativex offered added benefit over comparator therapy – GW's choice of optimised standard therapy differed from G-BA's specifications (defined as an adequate trial of at least two previous anti-spasticity therapies including baclofen and/or tizanidine). Thus IQWiG concluded that the studies submitted by GW/Almirall were not suitable for reaching conclusion on added benefit

[2] The SHI funds currently impose a mandatory rebate of 16% on manufacturers of patented drugs outside of the reference pricing system.

versus optimised standard therapy. However, contrasting with IQWiG's evaluation, the G-BA determined in June 2012 that Sativex offered minor added benefit.

GW's partner, Almirall, entered price negotiations with GKV-SV in H212. Following several rounds of inconclusive reimbursement discussions, an independent arbitration board determined the price of Sativex. The outcome was a price significantly (c 60%) lower than the reimbursed price in other launched EU territories. According to GKV-SV, this price is "close" to that of G-BA's requested comparator in part because Sativex is given as adjunct therapy and not in place of existing therapy. We understand that this is the first time arbitration has been used to determine the price for a drug that G-BA determined to have some additional benefit.

As this Sativex pricing is retrospective back to product launch, GW took a £0.8m provision to reflect reimbursed sales since July 2012. Finally, Germany is used as a reference price for other EU countries, so it remains unclear what impact this decision may have. It is possible that the published German reimbursed price, rather than the list price, could be used by other countries for referencing purposes. Although there is no precedent case, we understand Almirall will challenge this pricing decision and may suspend supplies while pursuing resolution. We see three possible routes forward: (1) Almirall requests a cost-benefit assessment from IQWiG, which could include recently published, positive 'real world' results (German MOVE2 trial) and cost-effectiveness data (Germany, Spain), (2) legal action, or (3) withdrawal of the product from the German market. This is uncharted territory for AMNOG and, as such, the outcome for Sativex will be of significant interest to the pharma industry.

Initiation of assessments for already-marketed products

In June 2012, G-BA executed its right under AMNOG to request benefit dossiers for drugs approved prior to the AMNOG law. By requesting this, the G-BA is forcing companies to either provide additional evidence or to accept that their products are placed in a reference price group with lower prices. G-BA is initially reviewing DPP-4 inhibitors (eg Novartis's Galvus), signalling its intent to focus on drug classes with high sales volume and, thus, high budget impact on SHI funds. The G-BA review could reduce SHI expenditure on DPP-4 drugs by lowering prices and/or restricting the eligible population. In addition, G-BA's targeting of DPP-4 drugs may have been triggered by Boehringer Ingelheim's refusal to launch Trajenta in Germany following two negative IQWIG assessments. Specifically, Boehringer rejected G-BA's chosen comparators (sulfonylurea, metformin), fearing it would result in low prices.

Companies with marketed DPP-4s were required to submit benefit dossiers by late 2012, as the G-BA review commenced January 2013. The fear is that pricing for DPP-4s could drop significantly (25-40%) after the pricing review, as comparator drugs for the benefit assessment will include generic metformin and sulfonylureas. The initial plan was for completion of the IQWiG evaluation in March 2013, a G-BA resolution in mid-2013, and completion of price negotiations with GKV-SV by year-end 2013. However, the deadline for submission of benefit dossiers was extended to March 2013 after Novartis launched an emergency legal action against the DPP-4 benefit assessment; the company argued that Galvus should not be subject to cost benefit review, based on ambiguous drafting of the AMNOG laws.

On 3 April 2013, a German court overruled Novartis's appeal, which paves the way for G-BA to start the first benefit assessment for drugs marketed before AMNOG came into force. While the court decided that Novartis's case did not have legal force to suspend the G-BA's benefit assessment of DPP-4s, this did not mean that evaluations on already marketed drugs were lawful under AMNOG. This may be decided as part of substantive proceedings in mid-2013.

Could AMNOG negatively impact German market growth?

While it is still early days for Germany's revamped pricing system, the limited number of positive pricing decisions over the last two years suggests that Germany may become less attractive as an early launch country. According to IMS, the German pharmaceutical market was worth $45bn in 2011 (4.8% CAGR 2007-11) and could be worth between $39-49bn in 2016 (0-3% CAGR 2012-16). This slowing of growth may be related to recently enacted policies in Germany. Of the 140 NMEs launched globally over 2006-10, c 65% were available in Germany. Notably, IMS forecasts a small increase (c 5%) to under 70% by 2016, one of the smallest increases of any EU5 country.

Upcoming newsflow

Exhibit 4: Expected near-term newsflow catalysts for pharma/biotech

April		
Astex	6-10 Apr	SGI-110/AT13387 Pre-clinical data to be presented at AACR
Lombard Medical	9 Apr	FY12 results
Surgical Innovations	9 Apr	FY12 results
Evolva	9Apr	FY12 results
Vernalis	10 Apr	FY12 results
Wilex	11 Apr	Q113 results
GSK	17 Apr	FDA Pulmonary-Allergy Drugs Advisory Committee meeting for Breo and Relovair
Transgene	22 Apr	Q113 IMS
GSK	24 Apr	Q113 results
AstraZeneca	25 Apr	Q113 results
Bioinvent	25 Apr	Q113 results
Clavis	25 Apr	Q113 results
Transgene	24-28 Apr	Data on TG1050 in HBV and on TG4040 in HCV
GW Pharmaceuticals	Apr	Sativex – Novartis Q113 results
Oxford BioMedica	Apr	TroVax - read out of Phase IIb (n=80) in hormone refractory prostate cancer
Vectura	Apr	NVA237/QVA149/VR315 – Novartis Q113 results
Vernalis	Apr	AUY992 – Novartis Q113 results
Sucampo	End-April	Amitiza – PDUFA for sNDA in opioid-induced constipation
May		
Shire	2 May	Q113 results
Smith & Nephew	2 May	Q113 results
Topotarget	2 May	Q113 results
Biotie	3 May	Q113 results
GW Pharmaceuticals	7 May	Sativex – Almirall Q113 results
Epigenomics	8 May	Q113 results
Paion	8 May	Q113 results
GSK	12 May	PDUFA date for GSK's Breo (fluticasone/vilanterol)
Evotec	14 May	Q113 results
Tigenix	14 May	Q113 results
Mologen	15 May	Q113 results
Algeta	15 May	Q113 results
Ablynx	15 May	Q113 results
Medigene	16 May	Q113 results
Optos	16 May	H113 interim results
BTG	20 May	FY13 results (year-end March 2013)
GW Pharmaceuticals	21 May	H113 interim results
Clavis	21 May	AGM
Vectura	21 May	FY13 results (year-end March 2013)
Paion	22 May	AGM
Lombard Medical	24 May	AGM
e-Therapeutics	May	FY13 results
Genmab	May	Q113 results
Oxford BioMedica	May	IMS & AGM
Vectura	17-22 May	QVA149 - Present data of Phase III trial SPARK from IGNITE programme in COPD at ERS
Vernalis	May	IMS
June		
Astex	31 May-4 June	AT13387 GIST data to be presented at ASCO, Phase I/II trial in solid tumours
CytRx	31 May-4 June	Aldoxorubicin – data presentations at ASCO
Consort Medical	Jun	FY13 results (year-end April 2013)
GW Pharmaceuticals	Jun	Otsuka research collaboration expires
ProMetic Life Sciences	Jun	Q113 results

Source: Edison Investment Research

Exhibit 5: Expected near-term newsflow catalysts for pharma/biotech (continued)

Unspecified		
4SC	H113	Potential partnerships on discovery-stage assets
Allergy Therapeutics	-	Pollinex Quattro Grass - potential conclusion of US partnering process (8-12 months post October 2012)
Allergy Therapeutics	-	Pollinex Quattro - US development plans confirmed
ArQule	H113	Tivantinib - Asian Phase I trial in 2nd line hepatocellular carcinoma patients with MET - high tumours
Athersys	Q2	Potential partnerships for pre-clinical 5HT2c agonist programme (for obesity and/or schizophrenia)
Cleveland BioLabs	Q2	BARDA development contract award for Entolimod (for biodefence as a radiation countermeasure)
Consort Medical	-	INJ570 - potential registration of autoinjector with large pharma
Consort Medical	-	VAL020 - MDI valve approval
Consort Medical	-	VAL310 - Easifill valve approval
CytRx	Q213	Aldoxorubicin - SPA for Phase III study in second-line soft tissue sarcoma
CytRx	Q213	Aldoxorubicin - Phase Ib results in advanced solid tumours
CytRx	H113	Q113 results
GW Pharmaceuticals	-	Sativex - launch in Italy
Hybrigenics	H113	Inecalcitol Phase II data CLL
NovaBay Pharmaceuticals	Q2	NVC-422 Phase IIa (part B) data in urinary catheter blockage and encrustation
Oncolytics	H113	Reolysin - initiation of Phase III 2nd line, chemo naïve head and neck cancer
Ovascience	H113	Q113 results
Topotarget	-	Belinostat - filing of NDA for PTCL
Vectura	Q213	Seebri (NVA237) - publication of benefit evaluation by IQWiG
Vectura	H113	Seebri (NVA237) - potential results from further Phase III studies (GLOW5, GLOW6, GLOW7)
Vernalis	-	Cough/cold portfolio - first NDA filings from March 2013
Vernalis	-	Tosedostat - decision on design of Phase III in int-2 high risk MDS and secondary AML HMA failures and potential start
Verastem	H113	VS-6063 initiate mesothelioma trial
Conferences etc		
	6-10 April	AACR
	6-9 April	Charing Cross International Symposium (Cardiovascular)
	17 Apr	Biocapital Europe 2013
	22-25 Apr	BIO International Convention
	24-28 Apr	European Association for the Study of Liver (EASL) Conference
	6-8 May	Biomarkers and Diagnostics World Congress, Philadelphia
	17-22 May	American Thoracic Society (ATS) - Philadelphia
	31 May-4 June	ASCO, Chicago Illinois

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	04/12/2012; 05/03/2013
Adventrx Pharmaceuticals	Update; Update	29/10/2012; 30/01/2013
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; Update	27/11/2012; 15/01/2013
Arrowhead Research	Outlook; Update	15/08/2012; 09/01/2013
Astex Pharmaceuticals	Update; Update	17/02/2012; 26/07/2012
BioInvent	Update; Update	18/07/2012; 04/02/2013
Bionomics	Outlook; Update	05/02/2013; 21/02/2013
Biotie Therapies Corp	Update; Update	04/01/2013; 05/03/2013
BTG	Outlook; Update	03/07/2012; 09/08/2012
Circadian Technologies	Update; Outlook	14/03/2012; 05/03/2013
Clavis Pharma	Update; Update	13/11/2012; 19/02/2013
Consort Medical	Outlook; Update	18/06/2012; 31/01/2013
Cytos Biotechnology	Update	11/02/2013
CytRx Corporation	Outlook	19/02/2013
Deltex Medical	Update; Update	09/10/2012; 24/01/2013
e-Therapeutics	Update; Update	08/11/2012; 15/02/2013
EpiCept	Update; Update	16/10/2012; 22/11/2012
Epigenomics	Review; Update	06/08/2012; 02/01/2013
Epistem Holdings	Update	31/03/2011
Evolva	Update; Update	25/09/2012; 02/01/2013
Evotec	Update; Update	25/09/2012; 05/02/2013
Diaxonhit	Update; Update	05/10/2012; 15/11/2012
GW Pharmaceuticals	Update; Update	29/05/2012; 16/10/2012
Hybrigenics	Update; Outlook	22/06/2012; 08/02/2013
ImmuPharma	Update; Outlook	26/10/2011; 05/07/2012
Imperial Innovations	Outlook	03/08/2012
Innate Pharma	Outlook; Update	12/09/2012; 29/01/2013
Lombard Medical Technologies	Update; Update	22/10/2012; 20/02/2013
Medcom Tech	Outlook; Review	12/12/2011; 13/06/2012
Medigene	Update; Update	12/07/2012; 08/02/2013
Mologen AG	Outlook	25/02/2013
MorphoSys	Update; Update	21/01/2013; 07/02/2013
Neovacs	Outlook; Update	06/07/2012; 21/01/2013
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
OvaScience	Outlook	07/01/2013
Oxford BioMedica	Update; Outlook	09/10/2012; 04/03/2013
Paion	Update; Update	16/03/2012; 09/08/2012
Phylogica	Update; Outlook	11/05/2012;23/01/2013
Phytopharm	Update; Update	16/08/2012; 18/02/2013
ProMetic Life Sciences	Update; Outlook	03/02/2012; 10/09/2012
Proteome Sciences	Update; Update	15/10/2012; 01/02/2013
SkyePharma	Update; Review	26/09/2012; 10/01/2013

Sucampo Pharmaceuticals	Update; Update	17/01/2013; 05/03/2013
Sunesis Pharmaceuticals	Update; Update	04/04/2012; 24/09/2012
Synta Pharmaceuticals	Update; Outlook	10/10/2012;25/02/2013
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
Verastem	Outlook	17/01/2013
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	Update; Investment	31/07/2012; 07/03/2013
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 January 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; 13/02/2013
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; 07/02/2013
Alkermes	05/11/2012; 05/02/2013
Alnylam Pharmaceuticals	10/02/2012
Amarin	21/11/2012
Ariad Pharmaceuticals	05/03/2012
Array BioPharma	09/02/2012;08/02/2013
Anthera	24/02/2012
Arrowhead Research	04/01/2012
AVEO Pharmaceuticals	10/08/2012; 15/02/2013
Basilea	07/09/2012; 08/02/2013
Benitec Biopharma	15/10/2012
BioCryst Pharmaceuticals	20/02/2012
BioLineRx	20/02/2012
Biota Holdings	11/04/2012
Celldex Therapeutics	12/03/2012
Cleveland BioLabs	15/01/2013
Clinigen	01/11/2012
Clinuvel	05/01/2012
Core Laboratories	26/02/2013
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
Derma Sciences	13/02/2013

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; 09/01/2013
GI Dynamics	14/11/2012
Gilead Sciences	13/02/2013
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
Karolinska Development	25/02/2013
Keryx Biopharmaceuticals	05/03/2012
LCA-Vision	31/01/2013
LeMaitre Vasuclar	10/10/2012
MagForce	03/02/2012
Medivir	09/01/2013
MethylGene	27/11/2012
MolMed	18/02/2013
Nektar Therapeutics	08/02/2013
Neovacs	08/10/2012
NicOx	22/03/2012
Nordion	29/10/2012
NovaBay Pharmaceuticals	19/07/2012
NPS Pharmaceuticals	25/10/2012; 07/01/2013
Onyx Pharmaceuticals	05/11/2012; 04/01/2013
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
Polymetals Mining	12/02/2013
Prima BioMed	17/10/2012
QRxPharma	28/03/2012; 06/03/2013
Sangamo BioSciences	03/02/2012; 15/02/2013
Sarepta Therapeutics	07/03/2012; 31/07/2012
Scancell	12/10/2012
Source Bioscience	27/03/2012
Stallergenes	25/02/2013
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	12/11/2012; 28/01/2013
ThromboGenics	21/03/2012; 14/01/2013
Tissue Regenix	11/10/2012
UCB	25/01/2013
United Drug	14/05/2012; 19/11/2012
Vertex Pharmaceuticals	06/11/2012
ViroPharma	03/10/2012
Vivalis	15/01/2013

Vivus	23/02/2012
Zealand Pharma	22/11/2012; 18/02/2013
Zeltia	26/04/2012; 25/02/2013

Alternext stocks covered
Biosynex
CARMAT
Cellectis
Cerep
Diaxonhit
Genfit
GenOway
Hybrigenics
IntegraGen
Ipsogen
MEDICREA International
Neovacs
Tekka
Visiomed Group

Company profiles

Sector: Pharma & Healthcare

Price:	€1.93
Market cap:	€97m
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	(7.0)	(2.6)	(27.7)
Relative*	(9.9)	(6.0)	(36.2)

* % Relative to local index

Analyst

Michael Aitkenhead

4SC (VSC)

INVESTMENT SUMMARY

Results of the Phase II SHELTER study in second-line hepatocellular carcinoma (HCC) showed an eight-month median overall survival for resminostat when given with Bayer's Nexavar (sorafenib), around three months longer than would be expected. This supports progression into Phase III trials in second-line HCC, pending a global (ex-Japan) partnership. With competing drugs failing in first-line Phase III trials, 4SC should have a clear run to seek to demonstrate synergistic activity of resminonstat with sorafenib in HCC. Separately, resminostat has shown activity in other solid tumours, with encouraging interim Phase I/II data in colorectal cancer.

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 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$1.16
Market cap:	US$53m
Forecast net debt (US$m)	51.4
Forecast gearing ratio (%)	95.0
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	(3.3)	(15.3)	(39.6)
Relative*	(5.9)	(22.2)	(46.0)

* % Relative to local index

Analyst

John Savin

Aastrom Biosciences (ASTM)

INVESTMENT SUMMARY

Aastrom Biosciences has undertaken a strategic review under its new CEO and decided to cut the CLI program due to slow recruitment into the REVIVE pivotal study and slow partnering discussions. The company will focus on the ischaemic dilated cardiomyopathy indication with the ixDCM trial (108 patients, 30 sites) due to enrol its first patient soon. This might complete enrolment by late-2013 and deliver data by Q115 after a one-year follow up. The indication has orphan status. The trial will cost c $7m to run.

INDUSTRY OUTLOOK

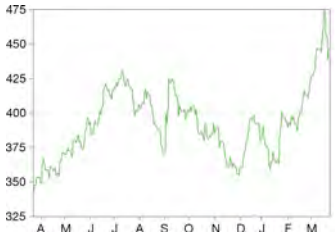
Aastrom had $13.6m cash on 31 December 2012 and spent c $7m in Q1. Some $2.45m in equity has been issued in Q113 using a $20m At the Market facility dating from 2010. Aastrom has cash into Q3 but needs funding soon to run ixDCM to completion. It will have close down costs on REVIVE and exceptional lay off expenses as the company reduces its operating base. We expect further detail on the revised strategy to be released once available.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011A	0.0	(28.4)	(29.0)	(75.1)	N/A	N/A
2012A	0.0	(33.1)	(37.7)	(96.4)	N/A	N/A
2013E	0.0	(26.6)	(32.3)	(73.9)	N/A	N/A
2014E	0.0	(16.9)	(23.2)	(52.9)	N/A	N/A

Sector: Pharma & Healthcare

Price:	448.0p
Market cap:	£890m
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	8.3	14.3	30.5
Relative*	7.2	5.4	17.5

* % Relative to local index

Analyst

Mick Cooper

Abcam (ABC)

INVESTMENT SUMMARY

Abcam achieved 28.3% revenue growth in H113, or 12% on an underlying basis, adding back the pre-acquisition sales of its most recently acquired companies. The catalogue size increased by 25%, showing that the company is working hard to maintain growth. US market growth was slow at 6% as impending budget cuts weighed over the market; sequestration will cut c 5% from the NIH budget this year. In the short term, the de-rating of sterling, c 5% of sales, 20% of COGS and 65% of SG&A, and the associated forecast upgrades, underpins the share price.

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	33.2	24.5
2012A	97.8	40.4	39.3	16.2	27.7	25.5
2013E	121.3	49.0	46.3	17.5	25.6	19.2
2014E	134.4	54.4	52.2	20.0	22.4	16.3

Sector: Pharma & Healthcare

Price:	€7.18
Market cap:	€348m
Forecast net cash (€m)	71.2
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; five products are in clinical development.

Price performance

%	1m	3m	12m
Actual	(6.5)	24.7	108.1
Relative*	(9.0)	18.3	84.6

* % Relative to local index

Analyst

Mick Cooper

Ablynx (ABLX)

INVESTMENT SUMMARY

Ablynx has developed a broad pipeline using its Nanobody technology. These therapeutic proteins have the specificity of monoclonal antibodies and many of the benefits of small molecules. The key value driver is ALX-0061 (anti-IL-6R) after the recent 24-week data from the Phase II study in 37 patients with rheumatoid arthritis (RA), which showed that the Nanobody potentially has safety and efficacy advantages over Roche's Actemra (approved IL-6R antibody). Ablynx aims to partner ALX-0061, and in a parallel, the company is evaluating the start of the next clinical development phase before the end of 2013. Other important value drivers are caplacizumab (in Phase II for TTP) and the milestones from alliances with Boehringer Ingelheim, Merck Serono and Merck & Co. Its cash position was €63m at FY12, and it has just raised €31.5m in equity.

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)
2011A	21.9	(42.8)	(43.3)	(99.1)	N/A	N/A
2012A	26.7	(28.7)	(27.8)	(63.6)	N/A	N/A
2013E	30.7	(28.8)	(29.3)	(60.7)	N/A	N/A
2014E	35.3	(27.1)	(28.4)	(58.9)	N/A	N/A

Sector: Pharma & Healthcare

Price:	CHF7.59
Market cap:	CHF68m
Forecast net cash (CHFm)	0.4
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	(2.1)	(21.8)	(36.2)
Relative*	(4.5)	(30.4)	(48.5)

* % Relative to local index

Analyst

Michael Aitkenhead

Addex Therapeutics (ADXN)

INVESTMENT SUMMARY

Addex is now focused on developing its clinical pipeline for rare diseases and will significantly reduce discovery activities. In 2013, Addex will complete a Phase II study of dipraglurant for rare dystonia and target a partnership for the Parkinson's disease (PD) indication. It will also complete a Phase I study of ADX71441 for Charcot-Marie-Tooth disease and select a clinical candidate for the mGlu4 PAM programme in MS. While Addex is financed to end-2013, additional deals or financings could extend the cash runway.

INDUSTRY OUTLOOK

Addex Therapeutics is a Swiss-based biopharmaceutical company focused on the clinical development of novel oral therapies for rare disease indications. The company's R&D pipeline is based on its proprietary allosteric modulator platform. Following a strategic review, Addex is refocusing its clinical pipeline – dipraglurant, ADX71441 – in orphan diseases. Addex has also announced plans to list on the US NASDAQ exchange, which could broaden the potential US investor base.

Y/E Dec	Revenue (CHFm)	EBITDA (CHFm)	PBT (CHFm)	EPS (CHFc)	P/E (x)	P/CF (x)
2011A	3.7	(27.2)	(29.8)	(4.0)	N/A	N/A
2012A	0.1	(24.7)	(26.7)	(3.4)	N/A	N/A
2013E	0.0	(12.6)	(14.2)	(1.6)	N/A	N/A
2014E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price:	NOK195.00
Market cap:	NOK8301m
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 radium-223 is in development as a potential new treatment for cancer patients with bone metastases.

Price performance

%	1m	3m	12m
Actual	1.0	25.5	32.9
Relative*	0.2	18.8	24.0

* % Relative to local index

Analyst

Robin Davison

Algeta (ALGETA)

INVESTMENT SUMMARY

The FDA has granted priority review to the regulatory filing for radium-223 in metastatic prostate cancer, pointing to a US approval in Q313. A CHMP opinion on the EU filing is possible around the same time. Algeta and partner Bayer will co-promote radium-223 in the US, with Algeta eligible for further milestones and tiered double-digit royalties in ex-US territories. The Phase III ALSYMPCA trial of radium-223 showed a 3.6-month survival benefit, 5.8-month delay to first skeletal-related event, preserved quality of life and a benign safety profile. Further analyses showed a clinically relevant reduction in bone-related pain, as evidenced by prolonged time to palliative radiotherapy and opioid use.

INDUSTRY OUTLOOK

Algeta is the world leader in the development of alpha-pharmaceuticals. Interest in radium-223 is growing after positive Phase III data, acceptance of the US and European filings, and the approvals for metastatic prostate cancer of J&J's Zytiga, Medivation's Xtandi and Dendreon's Provenge.

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	333.5	N/A
2011A	250.4	23.7	19.9	49.75	392.0	N/A
2012E	641.3	338.5	333.8	791.37	24.6	52.1
2013E	711.8	257.0	251.1	590.64	33.0	63.7

Sector: Pharma & Healthcare

Price:	10.5p
Market cap:	£43m
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	3.7	(10.6)	(1.2)
Relative*	2.6	(17.6)	(11.0)

* % Relative to local index

Analyst

Wang Chong

Allergy Therapeutics (AGY)

INVESTMENT SUMMARY

H113 revenue was £25.7m, £2.2m lower, chiefly due to euro weakness (90% of sales in the currency) while gross margin was 73% (vs 74%). Allergy Therapeutics intends to become a top-three player in the global allergy immunotherapy (AIT) 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 during 2013. PEI feedback (and potential approval) of the German PQ Grass MAA is expected, allowing 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	26.3	11.7
2013E	43.9	4.5	2.6	0.6	17.5	11.8
2014E	46.0	4.6	3.1	0.7	15.0	10.0

Sector: Pharma & Healthcare

Price:	US$0.12
Market cap:	US$2m
Forecast net debt (US$m)	7.2
Forecast gearing ratio (%)	501.0
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	(14.3)	(33.3)	(35.1)
Relative*	(16.6)	(38.8)	(42.0)

* % 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, 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 late-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)
2011A	0.1	(3.7)	(4.0)	(8.40)	N/A	N/A
2012A	0.0	(3.6)	(3.6)	(7.55)	N/A	N/A
2013E	0.0	(4.3)	(4.4)	(6.45)	N/A	N/A
2014E	0.0	(5.3)	(5.4)	(7.81)	N/A	N/A

Sector: Pharma & Healthcare

Price:	131.5p
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	(6.7)	0.4	(21.0)
Relative*	(7.8)	(7.4)	(28.9)

* % Relative to local index

Analyst

Franc Gregori

Animalcare Group (ANCR)

INVESTMENT SUMMARY

Animalcare is evolving into an effective developer of niche veterinary pharmaceuticals. The H113 results confirmed trading has returned to the growth track following the challenging issues seen in FY12. The medium-term earnings outlook is largely dependent on the successful development of new licensed medicines from a healthy pipeline of opportunities. The company is enacting a clear strategy that has seen it eschew low-margin, commoditising market segments and invest in defensible, higher value-adding products. The risks – financial and developmental – associated with novel drug formulation are higher, but the returns are more than commensurately larger too. Animalcare remains highly cash generative, with £2.96m cash at December 2012. The final dividend is forecast to rise from 3.0p to 3.3p, resulting in a useful total dividend of 4.8p.

INDUSTRY OUTLOOK

The companion animal market, which was previously growing at c 5% in the UK, is now essentially flat.

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	10.0	8.7
2012A	10.9	2.6	2.6	10.8	12.2	10.6
2013E	11.9	2.9	2.8	11.4	11.5	11.3
2014E	12.6	3.3	3.2	12.1	10.9	8.7

Sector: Pharma & Healthcare

Price:	US$2.22
Market cap:	US$38m
Forecast net debt (US$m)	10.5
Forecast gearing ratio (%)	161.0
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	5.7	7.8	(62.4)
Relative*	2.9	(1.0)	(66.4)

* % Relative to local index

Analyst

Jason Zhang

Arrowhead Research Corporation (ARWR)

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)
2011A	0.3	(8.2)	(7.4)	(29.4)	N/A	N/A
2012A	0.1	(18.1)	(20.9)	(179.9)	N/A	N/A
2013E	0.1	(13.9)	(15.6)	(100.3)	N/A	N/A
2014E	0.1	(10.9)	(12.7)	(81.1)	N/A	N/A

Sector: Pharma & Healthcare

Price: US$4.07
Market cap: US$381m
Forecast net cash (US$m) 102.1
Forecast gearing ratio (%) N/A
Market NASDAQ

Share price graph (US$)

Company description

Astex Pharmaceuticals is a US-UK oncology-focused drug discovery. It has one approved drug, Dacogen, for myelodysplastic syndromes (MDS) and elderly acute myeloid leukaemia (AML).

Price performance

%	1m	3m	12m
Actual	31.3	49.6	133.9
Relative*	27.8	37.5	109.3

* % Relative to local index

Analyst

Robin Davison

Astex Pharmaceuticals (ASTX)

INVESTMENT SUMMARY

Astex's investment case has advanced considerably in recent months with its significant expansion of studies with its second-generation hypomethylating agent SGI-110, and it Hsp90 inhibitor AT13387. Astex now has six Phase I/II studies underway with these two focus products and should present final results from the first – a Phase I/II study of SGI-110 in MDS/AML – at ASH. We have revised our valuation to reflect these developments and now indicate a value of $599m, equivalent to $6.42/share basic or $5.50/diluted share.

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)
2011A	66.9	12.1	10.5	18.4	22.1	N/A
2012A	83.2	12.0	12.7	27.6	14.7	14.3
2013E	55.0	(22.0)	(23.3)	(19.4)	N/A	N/A
2014E	21.0	(61.5)	(62.8)	(58.2)	N/A	N/A

Sector: Pharma & Healthcare

Price: SEK2.85
Market cap: SEK211m
Forecast net cash (SEKm) 69.0
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	(3.7)	(17.2)	(82.2)
Relative*	(3.0)	(23.6)	(83.9)

* % Relative to local index

Analyst

John Savin

BioInvent International (BINV)

INVESTMENT SUMMARY

FY12 results showed revenues and grants of SEK55.5m with costs of SEK246.6m, including SEK49.2m of provisions and restructuring costs. The company has restructured to give a stated cost base of SEK75m before revenues in 2013. There was SEK100m of cash on 31 December. The BI-505 Phase I dose-escalating and safety study in relapsed and refractory multiple myeloma (MM) indicated a dose of 10mg/kg. BI-505 will progress to a small Phase IIa during 2013. Two preclinical antibodies have entered development: ADC-1013 a co-development with Alligator to stimulate an anti-cancer immune response. BI-1206 is an in-house development against CD32b. This inhibits B-cell activity so may be effective in non-Hodgkin's Lymphoma.

INDUSTRY OUTLOOK

BioInvent intends to partner BI-505. A deal by GenMab with J&J on a Phase I MM antibody, daratumumab, shows possible value. GenMab gained $55m upfront and $88m in equity with milestones and a 10%+ royalty in a Phase I deal.

Y/E Dec	Revenue (SEKm)	EBITDA (SEKm)	PBT (SEKm)	EPS (fd) (öre)	P/E (x)	P/CF (x)
2011A	125.0	(66.0)	(67.0)	(1.00)	N/A	N/A
2012A	43.0	(148.0)	(151.0)	(1.92)	N/A	N/A
2013E	45.0	(24.0)	(29.0)	(0.39)	N/A	N/A
2014E	47.0	(23.0)	(28.0)	(0.38)	N/A	N/A

Sector: Pharma & Healthcare

Price:	A$0.38
Market cap:	A$154m
Forecast net cash (A$m)	8.4
Forecast gearing ratio (%)	N/A
Market	ASX, OTC

Share price graph (A$)

Company description

Bionomics is an Australian biotech company focused on developing small molecule products for cancer, anxiety, epilepsy and multiple sclerosis. Its lead programmes are a VDA and an anxiolytic compound.

Price performance

%	1m	3m	12m
Actual	(12.3)	7.8	(18.0)
Relative*	(11.3)	0.3	(28.1)

* % Relative to local index

Analyst

Robin Davison

Bionomics (BNO)

INVESTMENT SUMMARY

Bionomics is to raise c A$16m via a rights issue to boost its cash position ahead of the key Phase II read-out of its lead product, BNC105, in renal cell carcinoma. Funds raised will be used to support IND-enabling studies for BNC101 (oncology) and BNC375 (neuroscience) over the next 12 months for IND submissions in 2014, with the remainder supporting current BNC105 trials. Bionomics expects enrolment to complete in the Phase II study of BNC105 in combination with everolimus in renal cell carcinoma (RCC) by June with top-line results in December.

INDUSTRY OUTLOOK

BNC105 is one of the leading agents in the putative vascular disrupting agent class, while the anti-anxiety drug BNC210 has an attractive profile with advantages over existing treatments in terms of speed of onset, absence of sedative, memory or motor impairment and risk of habituation.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (c)	P/E (x)	P/CF (x)
2011A	3.7	(9.3)	(9.5)	(2.7)	N/A	N/A
2012A	8.9	(3.3)	(2.5)	(0.7)	N/A	N/A
2013E	12.5	(4.5)	(4.5)	(1.2)	N/A	N/A
2014E	5.3	(11.6)	(11.6)	(3.1)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€0.36
Market cap:	€163m
Forecast net cash (€m)	5.1
Forecast gearing ratio (%)	N/A
Market	OMX

Share price graph (€)

Company description

Biotie Therapies is a Finnish/US biotech company focused on CNS disorders. Selincro (alcohol dependence) has EU approval (partner: Lundbeck). Tozadenant (Parkinson's) will start Phase III in H115 (partner: UCB).

Price performance

%	1m	3m	12m
Actual	(14.3)	(12.2)	(25.0)
Relative*	(13.2)	(17.1)	(27.6)

* % Relative to local index

Analyst

Christian Glennie

Biotie Therapies (BTH1V)

INVESTMENT SUMMARY

Biotie is in a potentially transformational period following EU approval of alcohol dependence drug Selincro and positive Phase IIb data for Parkinson's disease candidate tozadenant. Partner Lundbeck will launch Selincro in mid-2013, triggering milestones (c €10m over 18 months) and tiered double-digit royalties; peak sales estimated at €320m. Partner UCB paid a $20m milestone and Biotie will conduct the Phase III studies, starting H115, for tozadenant in return for additional payments (>$100m over six years) from UCB. Biotie holds an estimated €45m in cash and is reviewing its pipeline options, eg Phase II-ready 5HT6 antagonist SYN120 for cognitive disorders, and new licensing opportunities.

INDUSTRY OUTLOOK

EU approval for Selincro heralds a new treatment concept for alcohol dependence (affecting 14m people in the EU), providing an alternative to complete abstinence, often not an attainable goal. The Phase IIb data for tozadenant is competitive against current and pipeline PD agents.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2011A	1.0	(28.3)	(20.8)	(0.04)	N/A	N/A
2012A	4.8	(21.8)	(23.0)	(0.06)	N/A	N/A
2013E	33.5	3.5	3.3	0.01	3600.0	46.2
2014E	24.8	(8.3)	(8.5)	(0.02)	N/A	N/A

Sector: Pharma & Healthcare

Price:	347.3p
Market cap:	£1140m
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	3.8	2.2	1.5
Relative*	2.7	(5.8)	(8.6)

* % Relative to local index

Analyst

Robin Davison

BTG (BTG)

INVESTMENT SUMMARY

BTG is now in the middle of a critical period with multiple catalysts involving its lead internal (Varisolve) and key partnered (Zytiga and Lemtrada) R&D programmes. The company has just submitted US regulatory filings for Varisolve, while Zytiga, which received its label expansion into the pre-chemo setting in the US and EU in Q4, has seen a possible temporary hiatus in growth as a result of competition from Xtandi. The company has indicated that full-year revenues will be at the top end of the guided range of £205-£215m.

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	25.5	N/A
2012A	197.0	57.3	57.2	14.9	23.3	23.5
2013E	201.0	49.4	49.4	12.5	27.8	33.8
2014E	223.5	53.0	53.5	12.0	28.9	28.2

Sector: Pharma & Healthcare

Price:	A$0.28
Market cap:	A$14m
Forecast net cash (A$m)	8.4
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	7.7	(22.2)	(42.9)
Relative*	8.9	(27.6)	(49.9)

* % Relative to local index

Analyst

John Savin

Circadian Technologies (CIR)

INVESTMENT SUMMARY

Circadian has reorganised into three subsidiary operating companies: Ceres Oncology, Opthea and Precision Diagnostics, each of which could attract private funding. The Ceres investment case is the potential of VGX-100 (completing Phase I) to reduce secondary lymphoedema, a side effect of major breast cancer surgery. This may start Phase II in Q413. The major market is the potential of VGX-100 in combination with Avastin in solid tumours. This requires a partnering deal, assumed in 2014. Opthea is developing VGX-300 (preclinical), which may be used in combination with Lucentis or Eylea in wet AMD. Precision is developing a speciality diagnostic business. The Imclone-partnered IMC-3C5 could produce Phase I data in H213. Cash on 31 December was A$12.1m.

INDUSTRY OUTLOOK

VGX-300 may have a market potential in wet Acute Macular Degeneration similar to that of Eylea and Lucentis: $2.6bn sales in 2012. VGX-300 needs funding or a deal to progress but major pharma interest has been strong in a preclinical deal.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011A	0.4	(11.5)	(10.1)	(20.9)	N/A	N/A
2012A	0.5	(8.4)	(7.5)	(10.2)	N/A	N/A
2013E	0.6	(8.4)	(8.1)	(16.6)	N/A	N/A
2014E	0.7	(8.8)	(9.0)	(18.5)	N/A	N/A

Sector: Pharma & Healthcare

Price:	NOK7.45
Market cap:	NOK251m
Forecast net cash (NOKm)	29.0
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	(2.0)	(4.5)	(88.1)
Relative*	(2.8)	(9.6)	(88.9)

* % Relative to local index

Analyst

John Savin

Clavis Pharma (CLAVIS)

INVESTMENT SUMMARY

Clavis Pharma's investment case is entirely dependent on the late-March outcome of the CLAVELA Phase III study of elacytarabine in relapsed and refractory acute myeloid leukaemia (AML). The study compares elacytarabine against commonly used but non-standard therapies. Approval requires an odds ratio of 0.7 or better; equivalent to median survival of about 4.5 months vs 3.0 months on other therapies. If this is reached, elacytarabine would be the only approved relapsed/refractory AML therapy. If CLAVELA fails, Clavis will be wound down, with little cash for shareholders, although any returns will be maximised.

INDUSTRY OUTLOOK

Clavis aims to enter US and Asian deals by end-2013, with a direct EU launch starting in Germany and Sweden by early-2015. 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 indicative of the CLAVELA outcome.

Y/E Dec	Revenue (NOKm)	EBITDA (NOKm)	PBT (NOKm)	EPS (öre)	P/E (x)	P/CF (x)
2011A	43.5	(149.7)	(144.1)	(4.70)	N/A	N/A
2012A	85.0	(100.4)	(92.4)	(2.76)	N/A	N/A
2013E	0.0	(172.0)	(172.0)	(5.10)	N/A	N/A
2014E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price:	775.0p
Market cap:	£226m
Forecast net cash (£m)	26.9
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)

Company description

Consort Medical is an international medical devices company. It currently has only the Bespak division (inhalation and injection technologies) since King Systems (airway management products) was sold in Dec 2012.

Price performance

%	1m	3m	12m
Actual	8.5	(2.6)	23.0
Relative*	7.4	(10.2)	10.8

* % Relative to local index

Analyst

Franc Gregori

Consort Medical (CSRT)

INVESTMENT SUMMARY

Consort Medical now consists only of the Bespak division, as the King Systems divestment completed in mid-February. The disposal brought in an immediate $120m, with another $10m expected in April and the remaining $40m contingent on a King Vision-based, three-year earn-out. While the divestment will initially decrease the reported profits, Bespak's prospects are currently very promising (notably with Nicoventure's tobacco-free 'cigarette' device). The aim is to bolster the core Bespak operations with both organic investment and acquisitions. The Q3 IMS confirms trading is as expected, with management confident for the full-year outlook.

INDUSTRY OUTLOOK

Bespak is a leader in producing medical devices for the pharmaceutical industry, with proven expertise in high-volume, high-quality manufacture of regulated products. Bespak's core drug-delivery franchise is inhalation, although it has diversified into auto-injectors, nasal delivery and point-of-care diagnostics through the Atlas Genetics investment.

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	17.3	10.5
2012A	136.6	28.0	19.4	50.6	15.3	9.0
2013E	125.7	28.2	19.3	48.2	16.1	7.9
2014E	99.6	23.8	16.8	41.7	18.6	8.9

Sector: Pharma & Healthcare

Price: CHF4.16
Market cap: CHF93m
Forecast net cash (CHFm) 6.0
Forecast gearing ratio (%) N/A
Market Swiss Stock Exchange

Share price graph (CHF)

Company description

Cytos Biotechnology is a public biopharmaceutical company focused on developing targeted immunotherapies. Its lead candidate CYT003 is a biologic in Phase II clinical development as a potential new treatment for allergic asthma.

Price performance

%	1m	3m	12m
Actual	9.5	40.1	95.9
Relative*	6.8	24.6	58.1

* % Relative to local index

Analyst

Mick Cooper

Cytos Biotechnology (CYTN)

INVESTMENT SUMMARY

Cytos Biotechnology's investment case hinges on how its main asset, CYT003, progresses through a Phase IIb trial in allergic asthma, which is due to start imminently. The company navigated its way through a funding crunch and now has sufficient cash to conduct the trial. Initial data from the study are expected in H114. Convertible notes and bonds are due for repayment in February 2015. However, if the trial is positive, we believe current financing structures would mean that debt will be converted or repaid without difficulty and that Cytos will have sufficient time to out-license the product. Novartis also has an immunotherapy being developed by Novartis, for CAD106 (in Phase II for Alzheimer's disease), and one by Pfizer, VLP-IgE (just entered Phase I development for allergic rhinitis). However, Novartis has recently returned the rights to NIC002 for smoking cessation.

INDUSTRY OUTLOOK

The potential of immunotherapies is increasingly being recognised, especially in cancer and auto-immune indications.

Y/E Dec	Revenue (CHFm)	EBITDA (CHFm)	PBT (CHFm)	EPS (CHFc)	P/E (x)	P/CF (x)
2010A	22.3	(2.6)	(2.3)	(43.2)	N/A	N/A
2011A	1.6	(19.3)	(20.1)	(382.0)	N/A	N/A
2012E	1.2	(10.7)	(7.4)	(40.7)	N/A	N/A
2013E	1.2	(20.7)	(25.0)	(111.6)	N/A	N/A

Sector: Pharma & Healthcare

Price: US$2.81
Market cap: US$86m
Forecast net cash (US$m) 16.1
Forecast gearing ratio (%) N/A
Market NASDAQ

Share price graph (US$)

Company description

CytRx is a US biopharmaceutical company focused on oncology. Lead programme, aldoxorubicin, is in a Phase II study for pancreatic cancer. Tamibarotene is in Phase II trial for NSCLC, while Bafetinib has completed a Phase II study in B-CLL.

Price performance

%	1m	3m	12m
Actual	39.8	49.5	2.9
Relative*	36.1	37.3	(7.9)

* % Relative to local index

Analyst

Michael Aitkenhead

CytRx (CYTR)

INVESTMENT SUMMARY

This year could be transformative for CytRx as it delivers important clinical datapoints, regulatory milestones and Phase III starts for its cancer pipeline. Major value inflection points include FDA agreement on the aldoxorubicin pivotal study in second-line STS, aldoxorubicin Phase II data in first-line STS and tamibarotene Phase II results in advanced non-small cell lung cancer (NSCLC). We value the company at $120m, or $4.00 per share, which could rise to $180m, or $5.80 per share, following positive clinical data.

INDUSTRY OUTLOOK

CytRx has a strong rationale for advancing aldoxorubicin, a tumour-targeted doxorubicin conjugate, into a pivotal Phase III study for the second-line treatment of STS. Intitation of Phase III development is supported by positive Phase I/II data in relapsed/refractory STS; doxorubicin's efficacy in STS; limited competition; high unmet medical need; and a clear regulatory pathway.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2011A	0.3	(22.0)	(21.8)	(76.81)	N/A	N/A
2012A	0.1	(19.0)	(18.9)	(69.44)	N/A	N/A
2013E	0.1	(22.2)	(22.2)	(72.07)	N/A	N/A
2014E	0.1	(23.8)	(23.9)	(77.59)	N/A	N/A

Sector: Pharma & Healthcare

Price:	17.2p
Market cap:	£28m
Forecast net debt (£m)	N/A
Forecast gearing ratio (%)	N/A
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	(2.8)	(25.0)	(27.8)
Relative*	(3.9)	(30.8)	(34.9)

* % Relative to local index

Analyst

John Savin

Deltex Medical Group (DEMG)

INVESTMENT SUMMARY

Sales in 2012 were £6.8m, up 8%, of which £4.8m were probe sales led by UK surgical probes which grew 24% to £3.2m. US sales recovered in H2 to £0.8m with European sales of £1m; RoW was £0.8m, mostly H2 weighted. Cash was £0.7m. The reported loss was £2m with a cash outflow of £1m.

INDUSTRY OUTLOOK

The Premier US study data on enhanced recovery using CardioQ showed a saving of over $5,000 per patient from substantial falls in mean stay time and intensive care use. Readmissions reduced by over 50% during the 90 days after surgery. This data enables a five-hospital implementation study, which Deltex will part-fund at a net cost of £2.5m. Once this reports in H115, it will give a springboard for US growth; up to 335 large hospitals may adopt the package. In the UK, only CardioQ has NICE validation for surgical fluid management. The new NHS target is for 80,000 annualised uses from April 2014; if achieved, this implies steady 2013 growth and a doubling in sales in 2015.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011A	6.3	(0.8)	(1.1)	(0.71)	N/A	N/A
2012A	6.8	(0.7)	(1.2)	(0.72)	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:	28.5p
Market cap:	£75m
Forecast net cash (£m)	8.6
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	(9.5)	(16.2)	(8.8)
Relative*	(10.5)	(22.7)	(17.9)

* % Relative to local index

Analyst

Franc Gregori

e-Therapeutics (ETX)

INVESTMENT SUMMARY

February's £39m (net) equity issue has bolstered the pro forma net cash to £48m, suggesting sufficient funds to progress ETS2101, its lead drug candidate, to complete Phase II trials in brain cancer. The new funds will also allow implementation of a Phase Ib/II trial programme in additional cancer indications. Positive results would provide major value inflection points and facilitate an out-licensing deal(s). Funds are also earmarked to bolster new drug discovery activities using the proprietary network pharmacology technology platform. Current spending plans suggest funding through to 2017.

INDUSTRY OUTLOOK

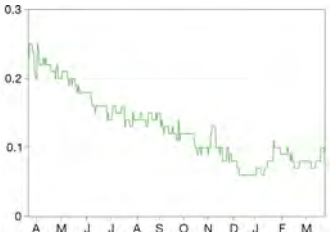
Network pharmacology could potentially revolutionise drug discovery and shorten the path to market by minimising technical risks (failure on safety or efficacy grounds) and drug development costs. e-Therapeutics is well positioned, with limited direct competition and growing industry interest in systems 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)	(5.7)	(1.9)	N/A	N/A
2014E	0.0	(8.8)	(8.3)	(2.6)	N/A	N/A

Sector: Pharma & Healthcare

Price:	US$0.07
Market cap:	US$8m
Forecast net debt (US$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	(11.4)	27.3	(69.6)
Relative*	(13.7)	16.9	(72.8)

* % 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 could 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. The transaction is expected to close in Q213.

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:	€2.00
Market cap:	€24m
Forecast net cash (€m)	2.4
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	0.1	20.9	(7.6)
Relative*	(3.1)	16.7	(18.5)

* % Relative to local index

Analyst

Wang Chong

Epigenomics (ECX)

INVESTMENT SUMMARY

Epigenomics held cash and equivalents of €2.5m at the end of 2012. It subsequently carried out a €5m rights issue (3.1m new shares), which should fund the company to end-2013, including reinforcing operations and distribution capacity. Product sales were €1.04m vs €1.4m. The company submitted the clinical data module, results from its 300-sample head-to-head study with the FIT assay, completing the PMA submission to the FDA. The study showed non-inferiority; Epi proColon sensitivity of 71% versus 67% for FIT. Molecular diagnostics company Predictive Biosciences has launched a prostate cancer test, based on Epigenomics' DNA methylation marker.

INDUSTRY OUTLOOK

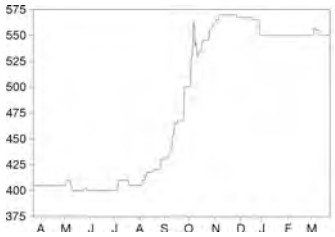
Epi proColon offers patients a simple and convenient alternative to faecal occult blood testing and should increase compliance for colorectal screening by addressing individuals not currently participating in screening programmes. Epi proLung is an aid in the diagnosis of lung cancer from bronchial lavage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

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2011A	1.4	(7.9)	(8.3)	(96.9)	N/A	N/A
2012A	1.0	(10.8)	(10.9)	(125.3)	N/A	N/A
2013E	6.8	(7.3)	(7.4)	(85.6)	N/A	251.4
2014E	19.2	1.6	1.4	14.8	13.5	1.0

Sector: Pharma & Healthcare

Price:	550.0p
Market cap:	£53m
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	0.0	(2.7)	35.8
Relative*	(1.1)	(10.2)	22.3

* % Relative to local index

Analyst

Emma Ulker

Epistem Holdings (EHP)

INVESTMENT SUMMARY

Epistem reported H113 revenue of £3.1m - contract services and biomarker revenues remained stable at £1.3m. The planned commercial launch of GeneDrive has shifted into H114 (from H213) through Xcelris in India and the Indian sub-continent, and through Becton Dickinson for global ex-US sales. GeneDrive could provide a large potential market opportunity once Indian regulatory approval is finalised, targeted for May. The BD deal provides $1m cash with further milestone payments of up to $3m, plus escalating supply volumes to 2017. Epistem is looking for partnerships in novel therapies division, targeting cash use for the GeneDrive launch.

INDUSTRY OUTLOOK

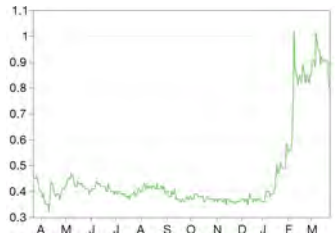
Epistem believes GeneDrive (a DNA-based diagnostic point-of-care system) will change the shape of the DNA diagnostics. The new global (ex-India) deal with BD on GeneDrive for TB adds strongly to this case. GeneDrive has now been CE marked, but published data is very limited. The TB market seems a good 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:	CHF0.81
Market cap:	CHF195m
Forecast net cash (CHFm)	4.8
Forecast gearing ratio (%)	N/A
Market	Swiss Stock Exchange

Share price graph (CHF)



Company description

Evolva is an international biosynthesis company. It has developed a technology platform which it uses to create and produce high-value specialty chemicals for nutritional and consumer health products and medicines.

Price performance

%	1m	3m	12m
Actual	4.7	140.4	93.4
Relative*	2.1	113.9	56.1

* % Relative to local index

Analyst

Mick Cooper

Evolva (EVE)

INVESTMENT SUMMARY

Evolva has an innovative biosynthesis platform focused on developing new production methods for nutritional and consumer health products. Its key programme is for the sweetener stevia, which has recently been partnered with Cargill. As part of the agreement, Evolva is receiving a CHF5m equity investment from Cargill, could be paid up to $7.5m in milestones and has the right to a 45% participation in the final business. The products could be launched in 2015 and will initially be targeted at the $4bn beverage sweetenter market. It also has a vanilla project (partnered with IFF, could be launched late-2013/early-2014) and one for resveratrol (on market). It has nutritional alliances with BASF and Roquette as well. Evolva has just raised CHF31.5m in equity, extending its cash runway to beyond 2015.

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	7.0	(19.1)	(21.2)	(11.4)	N/A	N/A
2013E	10.0	(14.7)	(16.8)	(9.2)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€2.37
Market cap:	€281m
Forecast net cash (€m)	56.0
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	(13.9)	(9.5)	(16.5)
Relative*	(16.6)	(12.6)	(26.3)

* % Relative to local index

Analyst

Mick Cooper

Evotec (EVT)

INVESTMENT SUMMARY

Evotec's FY12 results showed clear signs of progress in achieving the goals of Action Plan 2016, despite a major milestone being delayed, an impairment charge (VR1 project) and a decline in profitability. Sales still grew by 9% to €87.3m, major alliances were formed with Janssen (CureBeta) and Bayer, its NMDA antagonists (EVT100 series) for depression were partnered to Janssen and a strategic alliance with 4-Antibody was created. In FY13, Evotec guides to sales of €90-100m and increased margins. It also aims to expand current alliances, at least one major collaboration and the partnering of a preclinical programme, as it targets a doubling of sales and one marketed product by 2016.

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 its ability 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)
2011A	80.1	12.0	7.5	5.6	42.3	25.8
2012A	87.3	5.6	(2.2)	(2.6)	N/A	22.8
2013E	97.1	14.6	7.7	5.8	40.9	13.1
2014E	107.8	19.2	11.8	9.2	25.8	13.3

Sector: Pharma & Healthcare

Price:	€0.94
Market cap:	€18m
Forecast net cash (€m)	3.4
Forecast gearing ratio (%)	N/A
Market	Euronext Paris

Share price graph (€)

Company description

Hybrigenics is a drug development company providing yeast two-hybrid protein analysis and small molecule screening services to companies and academic institutions. Its lead drug, inecalcitol, is being developed for CLL and prostate cancer.

Price performance

%	1m	3m	12m
Actual	(3.1)	13.3	(31.9)
Relative*	(4.6)	9.0	(37.9)

* % Relative to local index

Analyst

Emma Ulker

Hybrigenics (ALHYG)

INVESTMENT SUMMARY

Hybrigenics' key value driver is its vitamin D3 analogue inecalcitol for prostate cancer, severe psoriasis and chronic lymphocytic leukaemia (CLL). An open label study of inecalcitol in CLL in chemotherapy-naive patients is underway and could report data in H113. Hybrigenics has applied its protein screening techniques to create a map of protein interactions in a project to identify genes responsible for limb-girdle muscular dystrophies. It will also receive a $0.6m grant over four years to participate in a research consortium studying Alzheimer's Disease. These collaborations show it is progressing its strategy to expand the services division, reducing its dependence on inecalcitol. Hybrigenics reported stable FY12 recurring revenue of €4.9m and a year-end cash position of €3.5m.

INDUSTRY OUTLOOK

Inecalcitol is being developed in three major indications and faces competition from existing drugs and those in development. However, its good safety profile could give it an advantage. Hybrigenics is pushing into the innovative field of systems biology, applying its expertise for protein-gene analysis, to better understand diseases and their therapies.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2011A	6.6	(2.0)	(2.5)	(14.2)	N/A	N/A
2012A	4.9	(4.4)	(4.0)	(18.1)	N/A	N/A
2013E	5.6	(3.4)	(3.6)	(15.7)	N/A	N/A
2014E	5.7	(3.0)	(3.2)	(11.8)	N/A	N/A

Sector: Pharma & Healthcare

Price:	285.0p
Market cap:	£389m
Forecast net debt (£m)	N/A
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	1.2	(12.1)	(21.4)
Relative*	0.1	(19.0)	(29.2)

* % Relative to local index

Analyst

Robin Davison

Imperial Innovations (IVO)

INVESTMENT SUMMARY

Imperial Innovations invested £14m in 15 portfolio companies in H113. It locked in a £4.2m fair value gain, but took a £3.5m impairment due to Pfizer's discontinuation of Thiakis' development programmes. Its largest bio/med portfolio company, Circassia, started a pivotal Phase III trial of its lead allergy therapy, ToleroMune cat, which could reach the market by 2016. Trial initiation, data and potential regulatory filings (around end-2014) mark significant potential value inflection points for Circassia and for Imperial through its 20.3% holding. Two other portfolio companies, Nexeon and Veryan Medical made significant progress.

INDUSTRY OUTLOOK

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	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:	€2.58
Market cap:	€98m
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	(4.8)	20.6	37.2
Relative*	(6.3)	16.1	25.0

* % Relative to local index

Analyst

Wang Chong

Innate Pharma (IPH)

INVESTMENT SUMMARY

Innate Pharma's investment case largely depends on clinical development milestones being achieved with lirilumab (IPH2102) in Phase II for cancer and IPH2201 in Phase I for inflammatory diseases, licensed to Bristol-Myers Squibb (BMS) and Novo Nordisk respectively. Data from a Phase I study with IPH2101 in acute myeloid leukaemia showed a significant overall survival benefit in patients receiving higher doses. Also, BMS started two large Phase I trials (n=150) in solid tumours (NSCLC, RCC, CRC, ovarian and melanoma) in combination with its anti-PD1 antibody and ipilimumab (Yervoy). Innate has two other products in preclinical studies, IPH33 and IPH41, and aims to out-license the former this year for the treatment of chronic respiratory inflammation. It had €32.6m at FY12, sufficient to run to mid-2015.

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.

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	7.5
2012E	14.0	(3.5)	(4.2)	(11.1)	N/A	N/A
2013E	14.0	(3.7)	(4.5)	(11.8)	N/A	N/A

Sector: Pharma & Healthcare

Price:	198.5p
Market cap:	£60m
Forecast net debt (£m)	0.2
Forecast gearing ratio (%)	4.0
Market	AIM

Share price graph (p)

Company description

Lombard Medical Technologies is a manufacturer and supplier of cardiovascular implants. The lead product, Aorfix, a flexible endovascular stent graft for the treatment of AAA is commercialised in Europe and recently received FDA approval.

Price performance

%	1m	3m	12m
Actual	(5.9)	18.5	10.3
Relative*	(7.0)	9.3	(0.7)

* % Relative to local index

Analyst

Emma Ulker

Lombard Medical Technologies (LMT)

INVESTMENT SUMMARY

Lombard Medical has received FDA approval of its Aorfix endovascular aortic stent graft for treatment of abdominal aortic aneurysm AAA. Lombard recently issued 10.04m new shares to raise £14.1m before costs, which provides sufficient cash to launch the device in the US. The company will seek additional funding in 2013 to allow it to achieve its longer term goals in the US market. The device is approved for patients with aortic neck angulations up to 90º, a unique label as there are no devices approved or in clinical trials for neck angulations over 60º. The unique label and the growth and acceptance of endovascular repair for the treatment of AAA in the US could help it gain market share, given the existing standard alternative for high-angle patients is open surgery. Our forecasts will be updated after FY results on 9 April.

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 0-90º label 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	4.5	(8.6)	(9.0)	(41.8)	N/A	N/A
2013E	8.2	(9.8)	(10.1)	(34.0)	N/A	N/A

Sector: Pharma & Healthcare

Price:	US$0.70
Market cap:	US$32m
Forecast net cash (US$m)	16.3
Forecast gearing ratio (%)	N/A
Market	NYSE AMEX

Share price graph (US$)

Company description

Mast Therapeutics (previously Adventrx Pharmaceuticals) is a development-stage US pharmaceutical company focused on developing MST-188, a potential treatment for sickle cell disease complications.

Price performance

%	1m	3m	12m
Actual	5.1	20.0	(2.0)
Relative*	2.3	10.2	(12.3)

* % Relative to local index

Analyst

Christian Glennie

Mast Therapeutics (MSTX)

INVESTMENT SUMMARY

Mast Therapeutics (previously Adventrx Pharmaceuticals) is conducting a pivotal Phase III study (EPIC) of MST-188 for the treatment of severely painful 'crisis' episodes in patients with sickle cell disease (SCD). The trial will complete enrolment in 2015 and cost c $15-18m. Mast is also planning to start a Phase II study in late-2013/early-2014 with MST-188 for acute limb ischaemia (ALI), enrolling 50-60 patients, lasting 15-18 months, at a cost of $2m. Mast's end-2012 cash of $36.5m is sufficient to make significant progress with the EPIC and ALI studies. A strategic partner and/or fresh finance may be required in 2013/14. Final data read-out from EPIC is due in H116, leading to a potential US launch in 2017.

INDUSTRY OUTLOOK

MST-188 is the only new molecular entity in Phase III studies and could be the first approved therapy to reduce the length of crisis episodes. Pfizer and Novartis have licensed rights to two mid-stage SCD candidates, indicating major pharma interest in the sector.

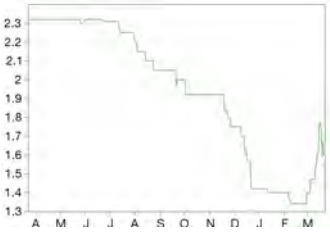
Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2011A	0.0	(13.4)	(13.3)	(47.06)	N/A	N/A
2012A	0.0	(15.5)	(15.6)	(32.66)	N/A	N/A
2013E	0.0	(21.8)	(21.8)	(45.04)	N/A	N/A
2014E	0.0	(25.5)	(25.5)	(52.64)	N/A	N/A

Medcom Tech (MED)

Sector: Pharma & Healthcare

Price:	€1.61
Market cap:	€16m
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	20.1	13.4	(30.6)
Relative*	18.0	12.9	(30.4)

* % Relative to local index

Analyst

Mick Cooper

INVESTMENT SUMMARY

Medcom Tech is maintaining revenue growth despite Spain's challenging trading conditions. 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%, but spinal sales fell 7%. Growth was driven by a larger sales force and the quality of its portfolio. In H112, EBITDA grew 13% to €1.4m, but net income fell 61% to €0.4m due to increased financing costs. Strong growth should continue and be increasingly profitable, as Medcom Tech benefits from its reps becoming more productive and reduced working capital constraints post-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 before the implementation of austerity measures, but is now estimated to be declining by c 5%. The ageing population, political pressure and technical innovations partially offset budget constraints.

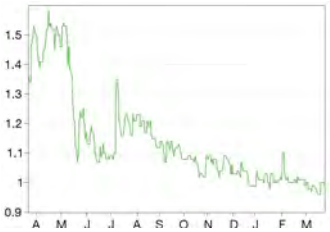
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	12.3	2.5	1.7	16.3	9.9	N/A
2011A	14.5	1.5	0.3	2.0	80.5	N/A
2012E	17.8	4.8	3.1	22.2	7.3	1.6
2013E	22.8	7.1	5.3	38.6	4.2	3.9

Medigene (MDG)

Sector: Pharma & Healthcare

Price:	€0.98
Market cap:	€36m
Forecast net cash (€m)	10.8
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-inflammatory agent RhuDex.

Price performance

%	1m	3m	12m
Actual	(3.6)	(1.2)	(28.1)
Relative*	(6.6)	(4.6)	(36.5)

* % Relative to local index

Analyst

Christian Glennie

INVESTMENT SUMMARY

Medigene continues to define its clinical plans for RhuDex in primary biliary cirrhosis (PBC) - a Phase II study will start in H114, dosing patients for six months across four arms (3x dose and placebo), with results by the end of 2015. EndoTAG-1, a novel composition of paclitaxel, has an Asian partner in SynCore Biotechnology to cover c 50% patient enrolment into a global Phase III trial for triple negative breast cancer; further partnerships are sought and an NDA is expected in 2018. Medigene's end-2012 net cash of €20m is sufficient until at least end-2014. The genital warts ointment Veregen is sold in the US, Germany, Spain, Switzerland and Austria through local partnerships (€12m in-market sales in FY12), and has multiple global partners - further launches (particularly in Europe) and new partnerships are expected through 2013.

INDUSTRY OUTLOOK

RhuDex's development path in PBC, an orphan drug indication, offers a potentially lucrative market opportunity with limited pipeline competition.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2011A	4.7	(16.6)	(15.5)	(26.47)	N/A	5.4
2012A	6.3	(9.3)	(10.3)	(28.00)	N/A	N/A
2013E	7.5	(9.4)	(11.5)	(31.00)	N/A	N/A
2014E	9.5	(10.6)	(12.7)	(34.30)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€13.85
Market cap:	€213m
Forecast net cash (€m)	13.7
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)

Company description

Mologen has two lead products. MGN1703 for metastatic colorectal cancer maintenance therapy and MGN1601, an allogeneic cancer cell vaccine for renal carcinoma. These use dSLIM, a stable DNA construct that stimulates the immune system.

Price performance

%	1m	3m	12m
Actual	(2.1)	16.0	55.9
Relative*	(5.2)	12.0	37.6

* % Relative to local index

Analyst

John Savin

Mologen (MGN)

INVESTMENT SUMMARY

Mologen develops anti-cancer immune maintenance therapies aimed at long-lasting responses. The investment case rests on an expected 2013 deal on the lead project, MGN1703, based on high-quality interim colorectal Phase II data. A lung cancer study is planned to expand the indications and add further value. Mologen aims to fund development of MGN1601, its cell-based vaccine for metastatic renal cancer. MGN1601 could be an orphan drug with no generic version; Mologen intends to sell direct. An exploratory academic melanoma study is also planned. FY12 results show cash of €23.78m before any MGN1703 deal providing funding through 2014.

INDUSTRY OUTLOOK

MGN1703 is a stable, dumbbell-shaped DNA molecule (dSLIM) that activates innate immunity. MGN1601 is an allogenic renal cancer cell vaccine transfected with MIDGE vectors to produce four proteins selected to stimulate an immune response. It is given with dSLIM.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2011A	0.1	(6.8)	(7.0)	(56.6)	N/A	N/A
2012A	0.1	(6.9)	(7.2)	(51.6)	N/A	N/A
2013E	0.1	(10.0)	(10.2)	(66.5)	N/A	N/A
2014E	0.1	(13.6)	(13.7)	(88.8)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€31.10
Market cap:	€726m
Forecast net cash (€m)	139.1
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)

Company description

MorphoSys is a German biotechnology company that uses its proprietary antibody platforms to produce human antibodies for therapeutic use across a range of indications for partners and to develop its own pipeline.

Price performance

%	1m	3m	12m
Actual	(9.6)	6.3	62.0
Relative*	(12.4)	2.6	42.9

* % Relative to local index

Analyst

Mick Cooper

MorphoSys (MOR)

INVESTMENT SUMMARY

MorphoSys has a broad portfolio of 19 antibodies in clinical studies. It invests profits from development partnerships (based on its HuCAL antibody platform) to develop its proprietary pipeline. Its lead proprietary product MOR103 could be out-licensed following the impressive data from the Phase I/II study in rheumatoid arthritis (MOR103 is also in a Phase Ib study in multiple sclerosis). Two Phase II studies with MOR208 are due to start in FY13 in haematological cancers, after promising efficacy was shown in Phase I. Also, the Phase I/II study with MOR202 in multiple myeloma is expected to advance to the second stage of the trial. The company is currently forecast to report a loss in FY13, but it has cash of c €190m following the disposal of AbD Serotec for c €48m to Bio-Rad.

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	52.5	154.4
2011A	81.7	17.8	20.9	69.4	44.8	24.9
2012E	51.4	6.8	2.6	10.5	296.2	99.2
2013E	51.2	(12.3)	(11.3)	(42.2)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€1.88
Market cap:	€37m
Forecast net cash (€m)	0.6
Forecast gearing ratio (%)	N/A
Market	Alternext

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	(14.9)	(18.3)	(57.8)
Relative*	(16.3)	(21.4)	(61.6)

* % Relative to local index

Analyst

Wang Chong

Neovacs (ALNEV)

INVESTMENT SUMMARY

Roche's 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 (RA) and has completed a Phase IIa study in Crohn's Disease. Additional positive Phase II trial data could attract a licensing partner. The company has just raised €7.2m in equity to conduct a Phase IIb study with TNF-Kinoid in RA.

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

Price:	US$1.25
Market cap:	US$46m
Forecast net cash (US$m)	9.1
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	(4.6)	19.0	(8.1)
Relative*	(7.1)	9.4	(17.8)

* % Relative to local index

Analyst

Christian Glennie

NovaBay Pharmaceuticals (NBY)

INVESTMENT SUMMARY

NovaBay's NVC-422, a topical anti-infective, is being studied in three Phase II trials that should read out in 2013: a 450-patient trial in viral conjunctivitis (data H213), a 300-patient impetigo study (data H213, partnered with Galderma), and a 20-40 patient Phase IIa study for urinary catheter blockage and encrustation (data Q213). Each study offers fresh financing/partnering opportunities. A Phase IIa study in bacterial conjunctivitis will start in Q213. Global partners are being sought for NeutroPhase, a wound-cleansing agent with FDA 510(k) clearances – Pioneer Pharma is a strategic partner (5.6% shareholder) in China/South-East Asia. NovaBay's end-FY12 cash of $17m should extend to mid-2014.

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)
2011A	11.0	(4.8)	(4.4)	(16.88)	N/A	N/A
2012A	6.9	(8.8)	(8.5)	(28.74)	N/A	N/A
2013E	7.1	(9.7)	(9.4)	(25.15)	N/A	N/A
2014E	5.3	(12.3)	(12.0)	(31.64)	N/A	N/A

Sector: Pharma & Healthcare

Price:	13.9p
Market cap:	£12m
Forecast net debt (£m)	0.6
Forecast gearing ratio (%)	4.0
Market	AIM

Share price graph (p)

Company description

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

Price performance

%	1m	3m	12m
Actual	0.9	(14.6)	32.1
Relative*	(0.2)	(21.2)	19.0

* % Relative to local index

Analyst

John Savin

Omega Diagnostics (ODX)

INVESTMENT SUMMARY

H1FY13 results showed revenues level with H1FY12 at £5.53m. Gross profit was £3.48m with adjusted EPS of 0.7p. 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 Indian subsidiary is performing well. China has approved Food Detective.

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	14.7
2012A	11.1	1.3	1.0	1.2	11.6	14.3
2013E	11.6	1.3	1.0	1.3	10.7	11.3
2014E	13.2	1.7	1.4	1.7	8.2	8.5

Sector: Pharma & Healthcare

Price:	C$3.17
Market cap:	C$269m
Forecast net cash (C$m)	14.1
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	(21.3)	(9.7)	(26.3)
Relative*	(21.7)	(12.3)	(28.6)

* % Relative to local index

Analyst

Wang Chong

Oncolytics Biotech (ONC)

INVESTMENT SUMMARY

Preliminary tumour response data from the Phase III trial of Reolysin in squamous head and neck cancer (SCCHN) appear to vindicate Oncolytics Biotech's decision to re-structure the trial. This followed the unexpected observation of differential activity in metastatic versus locally advanced disease. The now 160-patient Phase III study will render PFS/OS data in 2013 and future development of Reolysin in SCCHN and potentially other indications is now likely to focus specifically on those patients with metastatic disease. Oncolytics ended 2012 with $19.3m in cash and recently raised $32m gross in an equity placing.

INDUSTRY OUTLOOK

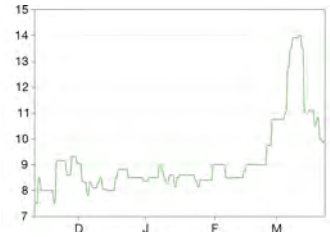
Oncolytics's rivals are the companies developing oncology products in the same therapeutic areas, but there are some interesting viral oncolytic companies, including Jennerex, Genelux and Viralytics, suggesting a new era in cancer treatment. Oncolytics is one of the two leaders in the area, with Amgen 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)
2011A	0.0	(28.7)	(28.3)	(39.9)	N/A	N/A
2012A	0.0	(36.7)	(36.5)	(47.9)	N/A	N/A
2013E	0.0	(40.1)	(40.2)	(50.2)	N/A	N/A
2014E	0.0	(36.8)	(36.9)	(42.8)	N/A	N/A

Sector: Pharma & Healthcare

Price:	US$9.80
Market cap:	US$178m
Forecast net cash (US$m)	30.5
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)



Company description

OvaScience is focused on developing and commercialising new treatments for infertility. Its products (AUGMENT, OvaTure) are based on the discovery of egg precursor cells in ovaries and designed to improve in vitro fertilisation.

Price performance

%	1m	3m	12m
Actual	9.0	11.4	N/A
Relative*	6.1	2.3	N/A

* % Relative to local index

Analyst

Michael Aitkenhead

OvaScience (OVSC)

INVESTMENT SUMMARY

OvaScience's near-term investment case effectively rests on the successful development and commercialisation of its lead product, AUGMENT, to improve the success rate of in vitro fertilisation (IVF). If study results are positive and AUGMENT retains its lower-risk regulatory status, we project peak US sales of $160m/year. The technology underpinning AUGMENT and OvaTure (preclinical) is based on the landmark scientific discovery of egg-producing stem cells (egg precursor cells, EggPC) in human ovaries.

INDUSTRY OUTLOOK

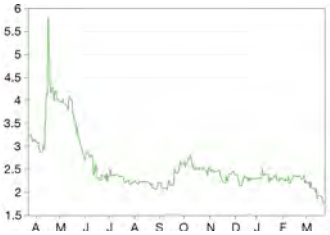
OvaScience's product candidates hold the potential to improve the current IVF process (AUGMENT) and provide a new treatment paradigm for infertility (OvaTure). In particular, we believe AUGMENT could substantially improve the success rate of IVF, where procedure numbers are growing due to delayed childbearing and rising infertility awareness.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	N/A	N/A	N/A	N/A	N/A	N/A
2011A	0.0	(2.3)	(2.3)	(250.6)	N/A	N/A
2012E	0.0	(12.9)	(12.8)	(162.2)	N/A	N/A
2013E	0.0	(15.9)	(15.8)	(110.9)	N/A	N/A

Sector: Pharma & Healthcare

Price:	1.7p
Market cap:	£24m
Forecast net cash (£m)	2.5
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)



Company description

OXB 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	(26.5)	(27.2)	(48.5)
Relative*	(27.3)	(32.8)	(53.6)

* % Relative to local index

Analyst

Franc Gregori

Oxford BioMedica (OXB)

INVESTMENT SUMMARY

Oxford BioMedica's investment case is geared to the striking of worthwhile commercial partnerships for its late-stage clinical assets. The next key inflection point is whether Sanofi decides to opt in for the further development of RetinoStat, a gene-based treatment for "wet" AMD (age-related macular degeneration). A positive outcome would help validate the LentiVector platform and could kick-start additional collaborations. The company has successfully de-risked several critical aspects of the process, especially production. Having opted in for two smaller ocular projects, Sanofi's decision on RetinoStat (which has a materially greater commercial potential) could be the defining moment for Oxford BioMedica.

INDUSTRY OUTLOOK

Gene therapy can correct dysfunctional cells and/or create endogenous therapeutic protein factories. The LentiVector platform is a flexible and efficient system that is particularly promising in ophthalmology indications, where a single administration could safely provide a sustained (or even permanent) effect.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011A	7.7	(10.1)	(10.3)	(0.9)	N/A	N/A
2012A	7.8	(9.1)	(9.5)	(0.7)	N/A	N/A
2013E	2.2	(11.6)	(12.2)	(0.7)	N/A	N/A
2014E	0.9	(11.8)	(12.4)	(0.7)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€0.73
Market cap:	€19m
Forecast net cash (€m)	7.9
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)

Company description

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

Price performance

%	1m	3m	12m
Actual	(14.1)	(12.0)	(10.6)
Relative*	(16.8)	(15.1)	(21.1)

* % Relative to local index

Analyst

Emma Ulker

Paion (PA8)

INVESTMENT SUMMARY

Paion is focusing on its short-acting anaesthetic remimazolam. It will finance a Phase II European trial in cardiovascular surgery, targeting 2014 completion. Its Japanese partner Ono is running Phase II/III studies in anaesthesia and ICU sedation. Paion seeks a partner for a final European Phase III study, which should be sufficient for approval in combination with the Japanese data. It has placed German launch of generic opioid remifentanil on hold due to significant price erosion, although Paion will seek other companion products for remimazolam. Separately, its partner Acorda reported positive safety and efficacy data in the Phase I trial of GGF2 in heart disease. Paion is funded into Q115 based on year-end cash of €22.3m.

INDUSTRY OUTLOOK

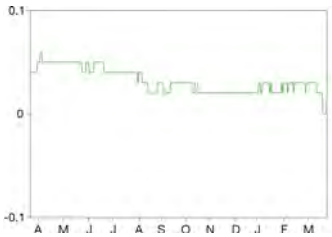
Remimazolam has important advantages over competing products, including fast onset and offset of action and the fact that a reversal agent exists if there is oversedation. Morphine-6-glucuronide has an interesting competitive profile, although Paion is funding only the maintenance of its patents at present.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2011A	3.2	(6.2)	(6.9)	(25.9)	N/A	N/A
2012A	26.8	19.2	18.6	64.2	1.1	1.2
2013E	1.2	(9.5)	(9.3)	(35.2)	N/A	N/A
2014E	1.0	(5.9)	(5.7)	(21.0)	N/A	N/A

Sector: Pharma & Healthcare

Price:	A$0.02
Market cap:	A$11m
Forecast net cash (A$m)	2.0
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)



Company description

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

Price performance

%	1m	3m	12m
Actual	(14.3)	0.0	(46.7)
Relative*	(13.3)	(6.9)	(53.3)

* % 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. It recently extended its collaboration with Janssen and the prospect of new deals has been increased by the expansion of its Phylomer libraries. Phylogica is also pursuing other opportunities. It licensed its skin-repair Phylomer PYC35 for the cosmetic market and is collaborating with Bio-Link to commercialise anti-inflammatory Phylomers. Phylogica raised $1.6m in October and aims to become cash self-sustaining in FY13.

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	4.2	(1.8)	(1.9)	0.0	N/A	N/A
2014E	4.9	(1.3)	(1.3)	0.1	20.0	N/A

Sector: Pharma & Healthcare

Price:	1.6p
Market cap:	£6m
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 focused on the development of drugs for neurodegenerative disease. Lead candidate Cogane failed a Phase II study in Parkinson's disease in February 2013 and the company is conducting a strategic review.

Price performance

%	1m	3m	12m
Actual	(10.8)	(84.8)	(79.6)
Relative*	(11.8)	(86.0)	(81.7)

* % Relative to local index

Analyst

Christian Glennie

Phytopharm (PYM)

INVESTMENT SUMMARY

Phytopharm's Cogane failed in February 2013 to meet any primary or secondary end points in a Phase II study (Confident-PD) in 400 patients with early-stage Parkinson's disease. Cogane had also showed encouraging pre-clinical data in amyotrophic lateral sclerosis (ALS) and a potentially pivotal Phase II/III study was being considered. However, the company is now conducting a strategic review of its options and is not investing further in R&D. The company held net cash of £5.5m as of 31 January 2013 and holds c £55m in accumulated tax losses.

INDUSTRY OUTLOOK

Cogane, a small molecule orally active agent, was one of the few industry-wide pipeline candidates with disease-modifying potential for Parkinson's disease.

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$0.42
Market cap:	C$205m
Forecast net debt (C$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	(12.5)	68.0	236.0
Relative*	(12.9)	63.1	225.6

* % Relative to local index

Analyst

Franc Gregori

ProMetic Life Sciences (PLI)

INVESTMENT SUMMARY

ProMetic Life Sciences is seeking to derive greater value from its proprietary enabling technologies and move up the value chain. The past year has seen material progress, with a new strategic collaboration, a strengthened balance sheet, and improving earnings visibility. Last year's pivotal deal with Shenzhen Hepalink Pharmaceutical consists of a development agreement, worth C$11m in total, together with an equity investment of C$10m. This is the third major collaboration with Asian companies, following China National Biotech Group (CNBG) and Taiwan's Hematech BioTherapeutics. The recent (Jan 2013) FDA approval of Octapharma's Octaplas, which uses ProMetic's PrioClear resin in its manufacture, further boosts earnings visibility.

INDUSTRY OUTLOOK

The strengthened financials allow the validation and launch of the expanded Laval plasma products manufacturing plant and progression of the in-house therapeutic pipeline.

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

Proteome Sciences (PRM)

Sector: Pharma & Healthcare

Price:	70.0p
Market cap:	£135m
Forecast net debt (£m)	6.2
Forecast gearing ratio (%)	69011.0
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	14.8	13.4	120.5
Relative*	13.5	4.6	98.5

* % Relative to local index

Analyst

Mick Cooper

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 in a non-exclusive deal. Sales grew by 44% to £0.9m in H112 and are forecast to increase by c 30% for the full year. A trebling of sales in FY12 had been forecast, but a major deal is expected soon.

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	27.8
2011A	1.0	(4.1)	(4.5)	(2.1)	N/A	N/A
2012E	1.3	(3.5)	(3.9)	(1.7)	N/A	N/A
2013E	6.5	0.8	0.4	0.3	233.3	218.8

Skyepharma (SKP)

Sector: Pharma & Healthcare

Price:	56.5p
Market cap:	£26m
Forecast net debt (£m)	80.4
Forecast gearing ratio (%)	153.0
Market	LSE

Share price graph (p)

Company description

Skyepharma is an expert oral and inhalation drug delivery company. It combines proven scientific expertise with validated proprietary drug delivery technologies to develop innovative oral and inhalation pharmaceutical products.

Price performance

%	1m	3m	12m
Actual	(14.6)	(20.0)	39.5
Relative*	(15.5)	(26.2)	25.6

* % Relative to local index

Analyst

Franc Gregori

INVESTMENT SUMMARY

Skyepharma generates revenues from royalties, contract development fees, product supply and milestones from a portfolio of oral, inhaled and topical products using its technologies. The medium-term outlook is underpinned by recent launches: flutiform in Europe, Exparel & Rayos in the US, and Paxil & Requip in Japan. flutiform's performance in the competitive ICS/LABA segment in Europe is the key sensitivity. Skyepharma still has a geared balance sheet, but last year's restructuring means payments are better aligned to expected cash inflows and equity holders benefit as debt is paid down.

INDUSTRY OUTLOOK

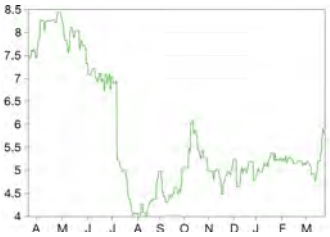
flutiform is an inhaled combination of fluticasone and formoterol for treating asthma. It has been launched in Germany, the UK, and six other European countries, with launch preparations under way in a further 11. Kyorin, the Japanese partner, has submitted for approval there. flutiform is expected to contribute over half Skyepharma's royalty income by 2017, plus profit from supply of the product.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011A	55.2	14.7	1.9	5.4	10.5	1.0
2012A	54.0	12.2	(2.1)	(8.1)	N/A	1.4
2013E	58.1	15.2	(2.1)	(6.2)	N/A	2.3
2014E	69.1	20.4	2.9	0.2	282.5	1.5

Sector: Pharma & Healthcare

Price: US$5.88
Market cap: US$246m
Forecast net cash (US$m) 2.2
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	13.1	13.5	(21.5)
Relative*	10.1	4.3	(29.8)

* % Relative to local index

Analyst

Christian Glennie

Sucampo Pharmaceuticals (SCMP)

INVESTMENT SUMMARY

Sucampo and US partner Takeda are focused on boosting sales of constipation drug Amitiza (lubiprostone); Q412 sales gained 31% to $74.6m, building on strong growth in Q312. The launch of Ironwood/Forest's Linzess (linaclotide) in December 2012 could benefit Amitiza by increasing the use of prescription drugs for constipation disorders. Amitiza holds further potential in opioid-induced constipation (FDA approval due by April 2013), and commercial roll-out in Japan (launched by Abbott in November 2012; $5m stocking sales) and Europe (UK approval for CIC in September 2012). Sucampo launched its second product, glaucoma drug Rescula (unoprostone), in the US in February 2013, with 40 reps and a targeted promotional campaign.

INDUSTRY OUTLOOK

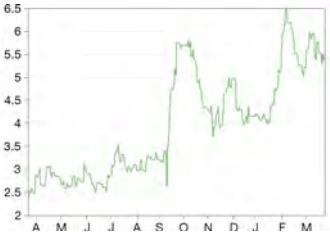
Historical safety issues with using Rx drugs, for c 10m US patients with constipation disorders seeking alternatives to dietary/lifestyle changes and OTC therapies, give Amitiza's established track record (>7m prescriptions over seven years) a key differentiating factor.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2011A	54.8	(17.7)	(19.9)	(41.36)	N/A	N/A
2012A	81.5	8.3	6.2	11.61	50.6	35.1
2013E	95.0	0.3	(1.4)	(5.92)	N/A	90.6
2014E	126.5	17.0	15.3	29.49	19.9	11.8

Sector: Pharma & Healthcare

Price: US$5.34
Market cap: US$275m
Forecast net cash (US$m) 8.1
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	1.3	28.7	122.5
Relative*	(1.4)	18.2	99.0

* % Relative to local index

Analyst

Robin Davison

Sunesis Pharmaceuticals (SNSS)

INVESTMENT SUMMARY

Sunesis's investment case critically depends entirely on the outcome – due in around 12 months – of the VALOR study of vosaroxin in relapsed/refractory acute myeloid leukaemia. This study has enrolled 563 (83%) of its target 675 patients and expectations for success are already high following last year's cohort expansion. This considerably increases the probability of vosaroxin showing a survival advantage to the statistical standard. We already assume a high probability of success in our rNPV, which yields a value of $436m or $8.46 per share (basic) or $6.98 (fully diluted).

INDUSTRY OUTLOOK

Vosaroxin is one of eight 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)
2011A	5.0	(25.8)	(26.1)	(56.2)	N/A	N/A
2012A	3.8	(31.8)	(33.4)	(55.4)	N/A	N/A
2013E	8.0	(29.6)	(32.0)	(62.2)	N/A	N/A
2014E	8.0	(22.4)	(23.9)	(46.4)	N/A	N/A

Sector: Pharma & Healthcare

Price:	US$8.34
Market cap:	US$576m
Forecast net cash (US$m)	82.3
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	(3.4)	(6.7)	85.3
Relative*	(5.9)	(14.3)	65.8

* % Relative to local index

Analyst

Robin Davison

Synta Pharmaceuticals (SNTA)

INVESTMENT SUMMARY

Synta's investment case now rests on the success of ganetespib in its two target registration indications of NSCLC and metastatic breast cancer (mBC). Following a $60m fund-raising last year, it is poised to embark on the c 500-patient second stage of the GALAXY Phase II/III study of ganetespib in second-line NSCLC. This will run in parallel with its CHIARA Phase II study in ALK+ NSCLC; a separate Phase II study is underway in mBC. Synta expects to release more OS and PFS data for the ITT group and sub-populations of GALAXY-1 during 2013 that could further clarify its registration strategy. Interim and final analysis of the GALAXY-2 trial is tentatively scheduled for H1/H214.

INDUSTRY OUTLOOK

Ganetespib is the leader in the HSP90 inhibitor class. It is also one of c 12 agents in or entering Phase III trials specifically for second-line NSCLC. However, all 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	(53.6)	(56.5)	(121.6)	N/A	N/A
2013E	0.0	(56.7)	(59.4)	(120.6)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€0.91
Market cap:	€91m
Forecast net debt (€m)	9.4
Forecast gearing ratio (%)	32.0
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	2.2	(2.2)	40.0
Relative*	(0.4)	(7.2)	24.2

* % Relative to local index

Analyst

John Savin

TiGenix NV (TIGB)

INVESTMENT SUMMARY

TiGenix has achieved a major goal by getting a major EU state, Spain, to agree full reimbursement for ChondroCelect. Revenues for units sold in 2012 were €3.4m. An additional €0.7m (carried over from 2011) took the total to €4.1m. In 2013, management guidance indicates c €6m of sales, assuming Spanish and also French sales. The Cx611 (cultured adipose stem cells) rheumatoid arthritis Phase IIa trial reports in Q213. An autoimmune indication will be selected for further development if efficacy is seen. Deals on Cx601 may occur in 2013; the Phase III for perianal fistula closure is due to complete by late-2014 with a 2015 filing planned.

INDUSTRY OUTLOOK

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)
2011A	1.1	(15.1)	(14.6)	(21.4)	N/A	N/A
2012A	3.7	(14.7)	(15.0)	(16.3)	N/A	N/A
2013E	6.2	(12.1)	(12.4)	(12.4)	N/A	N/A
2014E	11.6	(9.8)	(10.1)	(10.1)	N/A	N/A

Sector: Pharma & Healthcare

Price:	DKK2.59
Market cap:	DKK344m
Forecast net cash (DKKm)	7.8
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	40.0	12.6	(14.8)
Relative*	41.1	4.5	(28.1)

* % Relative to local index

Analyst

Mick Cooper

Topotarget (TOPO)

INVESTMENT SUMMARY

Topotarget is only developing belinostat, partnered with Spectrum Pharmaceuticals. The pivotal Phase II trial, BELIEF for peripheral T-cell lymphoma (PTCL), met its primary end point with an overall response rate of 25-27%, similar to that seen with pralatrexate (Folotyn) and romidepsin (Istodax), approved in the same indication in recent years. Belinostat's safety profile appears to be superior to the latter two drugs, so it is increasingly likely that Topotarget will receive a c $10 milestone and 1m Spectrum shares in H213, with the drug launched in the US in 2014. These events should cause a significant re-rating of the shares. Topotarget has sufficient funds to operate into Q313, but additional financing should be available given the BELIEF data.

INDUSTRY OUTLOOK

Topotarget's belinostat is a histone deacetylase inhibitor (HDACi). Two drugs have been approved and c 10 others are in clinical development. 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)
2011A	65.6	(28.0)	(31.2)	(0.22)	N/A	N/A
2012A	2.4	(77.6)	(80.2)	(0.60)	N/A	N/A
2013E	2.7	(50.7)	(52.7)	(0.37)	N/A	N/A
2014E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price:	€8.16
Market cap:	€260m
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	(6.2)	1.6	(28.8)
Relative*	(7.7)	(2.2)	(35.1)

* % Relative to local index

Analyst

Mick Cooper

Transgene (TNG)

INVESTMENT SUMMARY

Transgene has two immunotherapy products that could enter Phase III in FY14. TG4010 is in a Phase IIb/III trial in non-small cell lung cancer, which could lead to Novartis exercising the option to in-license the drug at the end of FY13, following data in Q313. Its second drug, an oncolytic virus Pexa-Vec, could enter Phase III in FY14 for hepatocellular carcinoma depending on data from a Phase IIb study in Q413. Its pipeline also includes TG4040 in Phase II for HCV and TG4001, which should start a Phase IIb study in HPV-related head and neck cancers in Q413. Transgene has just formed a long-term production collaboration with Sanofi to enable it to become a fully-integrated pharmaceutical company within four years. It has sufficient cash to operate to the end of FY14.

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:	92.2p
Market cap:	£308m
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	(2.9)	10.5	64.7
Relative*	(4.0)	1.9	48.3

* % Relative to local index

Analyst

Michael Aitkenhead

Vectura (VEC)

INVESTMENT SUMMARY

Vectura's first COPD product, Seebri, is now marketed in Japan and initial European territories (UK, Germany, Denmark) by partner Novartis, with further launches expected in 2013. As such, the company's strong financial position is being supplemented by a new royalty stream. Combination COPD product QVA149 is filed in Europe and Japan and could be approved, launched and generating royalties in H213. 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	48.5	111.1
2012A	33.0	(4.2)	(4.6)	1.3	70.9	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:	US$9.44
Market cap:	US$201m
Forecast net cash (US$m)	91.8
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)

Company description

Verastem is a biopharmaceutical company focused on discovering and developing novel drugs that selectively target cancer stem cells (CSCs). Its lead drug is VS-6063, a FAK inhibitor, currently in Phase II testing.

Price performance

%	1m	3m	12m
Actual	(8.6)	7.9	(11.3)
Relative*	(11.0)	(0.9)	(20.6)

* % Relative to local index

Analyst

Jason Zhang

Verastem (VSTM)

INVESTMENT SUMMARY

Verastem will shortly begin a series of studies that should provide definitive proof-of-concept for its cancer stem cell (CSC) hypothesis. The company has started a Phase I trial in ovarian cancer of its lead compound VS-6063, a FAK inhibitor that preclinical tests suggest is CSC-targeting, and expects to initiate a potential pivotal trial in mesothelioma as a maintenance therapy. It also expects to advance VS-4718 and VS-5584, two CSC-targeting compounds, into human clinical studies and decide on suitable indications thereafter. Verastem is well funded (>$90m cash) to reach the significant value inflection points associated with the results of these studies.

INDUSTRY OUTLOOK

Verastem is a leader in the discovery and development of drugs that selectively target CSCs. The company established a proprietary screening and assay platform and through it discovered CSC-specific targets and compounds. Its pipeline includes VS-6063 and VS-4718, two FAK inhibitors, and VS-5584, a PI3K/mTOR dual inhibitor.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	N/A	N/A	N/A	N/A	N/A	N/A
2011A	0.0	(13.7)	(13.7)	(10.6)	N/A	N/A
2012E	0.0	(34.7)	(34.5)	(1.7)	N/A	N/A
2013E	0.0	(42.6)	(42.4)	(1.9)	N/A	N/A

Sector: Pharma & Healthcare

Price:	22.2p
Market cap:	£98m
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 fund-raising will enable it to build a US-based sales force for the former.

Price performance

%	1m	3m	12m
Actual	(6.8)	(1.7)	(8.3)
Relative*	(7.8)	(9.3)	(17.4)

* % Relative to local index

Analyst

Franc Gregori

Vernalis (VER)

INVESTMENT SUMMARY

Positive news flow continues for Vernalis, with the milestone payment to Tris Pharma - for successfully achieving 'proof of concept' for the first collaboration programme (CCP-01) - quickly followed by news that Servier has extended its collaboration to 2015. This extension confirms the success of Vernalis' fragment- and structure-based drug discovery platform, adding to the four recent milestones. These generated payments totalling $5.5m, consisting of $1.5m and $2.5m from Genentech, €0.75m from Servier and £0.75m from Lundbeck. However, it is the Tris deal to develop a range of up to six extended-release cough/cold products for the US market that is the key to Vernalis achieving sustainable profitability.

INDUSTRY OUTLOOK

Vernalis is pursuing a strategy that aims to create value directly from its legacy R&D portfolio and research expertise, as well as through M&A/in-licensing that should enable it to achieve financial self-sustainability over the medium term.

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:	€1.67
Market cap:	€52m
Forecast net cash (€m)	2.8
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, Rencarex and Mesupron.

Price performance

%	1m	3m	12m
Actual	2.3	66.8	(55.0)
Relative*	(0.9)	61.0	(60.3)

* % Relative to local index

Analyst

John Savin

WILEX (WL6)

INVESTMENT SUMMARY

Wilex reported FY12 revenues of €13.9m from the Rencarex deal with Prometheus; revenue recognition accelerated as the ARISER trial did not meet its end point; €10.1m will be recognised in FY13. The main value in 2013 lies in partnering Mesupron, which is essential to progress the project. Redectane for kidney cancer imaging should enter a second US Phase III in Q2. The Heidelberg Pharma subsidiary offers novel chemistry links between antibodies and therapeutic payloads and is expected to grow its FY12 revenues of €1.9m in FY13. Year-end cash was €23.7m; cash use in FY13 may be €18m, so Wilex is funded into 2014 before deals.

INDUSTRY OUTLOOK

Analysis of the ARISER 864-patient Phase III data has shown a disease-free survival (DFS) advantage in patients with a high score of the Carbonic Anhydrase IX antigen (CAIX). Management has stated that the subgroup is large and the effect is significant. The data will be presented in Q2 at a major US conference. If economic, a further Phase III may be required.

Y/E Nov	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2011A	11.7	(12.8)	(13.6)	(65.8)	N/A	N/A
2012A	16.1	(6.2)	(7.4)	(21.9)	N/A	N/A
2013E	13.6	(5.9)	(6.7)	(20.0)	N/A	N/A
2014E	5.0	(17.4)	(18.3)	(58.5)	N/A	N/A

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