Edison healthcare quarterly

February 2012

Published by Edison Investment Research

Edison investment research

The Edison healthcare team

www.edisoninvestmentresearch.co.uk

Robin Davison

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

Lala Gregorek

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

Mick Cooper

Mick joined Edison's healthcare team in January 2010, after working for three years at Astaire Securities as the pharmaceuticals & biotechnology equity analyst, where he covered a wide range of healthcare companies.

He holds a doctorate from Cambridge University and completed an MBA at INSEAD business school in France after working as a parliamentary researcher.

Jacob Plieth

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

John Savin

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

Christian Glennie

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

Emma Ulker

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

Wang Chong

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

Andrew Fellows

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

Evaluating risk/reward

Improved investor confidence in the biotech sector is emanating from the US, driven by increased M&A activity and speculation and the ongoing necessity for large pharma to negotiate their patent cliffs. A stock picking approach where investors evaluate assets, potential and risk/reward should enable the identification of companies with an increased likelihood of solid share price performance, with or without M&A.

HCV – creating a US biotech bubble?

The impressive performance of US biotech indices since December is largely a result of M&A, particularly in the hepatitis C disease area. Improved M&A prospects and premiums have encouraged generalist interest, but also created a bubble. Bid speculation is already priced in to some stocks, and short coverage has resulted in inexplicable share price movements.

2012: A peak year for patent expiries

M&A speculation is not misplaced. Large pharma continues to evaluate opportunities to replace near-term revenues lost following blockbuster patent expiries as cost-cutting and internal pipelines have not delivered. Increasing desperation has translated into increased activity, competitiveness and generosity with respect to late-stage assets.

Keeping an eye on catalysts

Biotech investment is highly catalyst driven, and numerous risks are inherent. Technical risks (clinical data, regulatory decisions) are largely binary, although other categories, eg financial (cash, ability to secure funding) and commercial (partnering, marketing), are common to other industries. News flow is critical.

Opportunities for small- and mid-cap names

The large pharma focus on bigger later-stage M&A opportunities means mid-cap pharma/biotech may be able to access overlooked, albeit attractive, assets. This could result in consolidation, diversification and increased scale; all of which could boost company prospects by enhancing resilience to pipeline failure, enabling sustainability to be achieved, and even enhancing attractiveness to a larger acquirer.

27 February 2012

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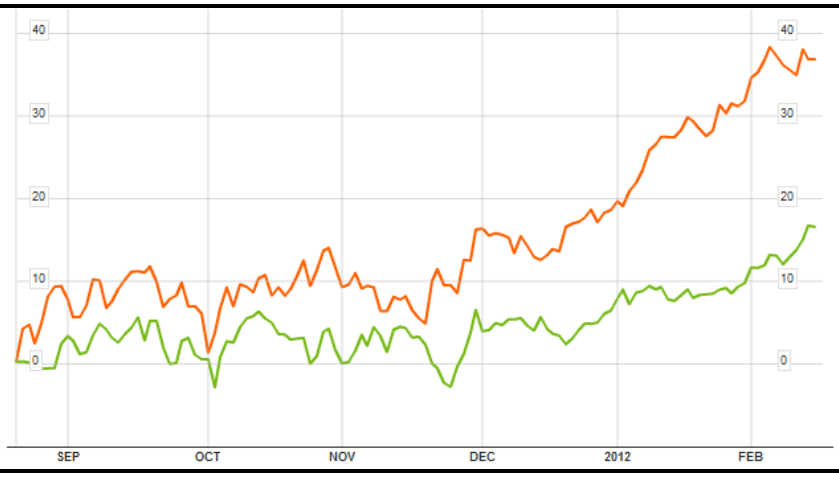
Prices as at 17 February 2012

Taking calculated risks in an evolving market

Increasingly favourable industry dynamics appear to have encouraged generalist investors to return to the biotech sector. The resurgence of this interest in recent months, and reinvestment of profits by healthcare specialists, is reflected in the performance of US biotech indices, which have been buoyed by the significant and rapid inflows into US biotech stocks. A similar pattern is emerging in the smaller European and UK markets (Exhibit 1), although this has not been as marked. This improved confidence is likely to have been driven by two factors – M&A speculation following recent increased US activity, and the ongoing requirement for large pharma to replace revenues lost through key product patent expiries. Only the latter is a long-term industry driver. Against this backdrop, investors should continue to take a stock-picking approach, paying careful attention to evaluating assets, potential and risk/reward profile in order to identify those companies with an increased likelihood of improved share price performance – with or without added M&A sparkle.

Exhibit 1: Relative performance of US and UK biotech indices in the past six months

Note: Orange = NBI NASDAQ Biotech Index; Green = FTSE TechMark MediScience Index



Source: Bloomberg

Inflating a US bubble...

Numerous factors have contributed to the performance of US biotech indices, with the most significant being hepatitis C (HCV) merger mania following the $11bn Gilead/Pharmasset and $2.5bn Bristol Myers Squibb/Inhibitex acquisitions. Improved M&A prospects and increased M&A activity (often at sizable premiums) have encouraged generalist investor interest in the sector and enabled healthcare specialists to realise their investments and recycle profits. Additionally, the recent approvals of potential blockbusters and treatment paradigm shifting drugs (particularly in multiple sclerosis, castrate resistant prostate cancer and HCV) are also boosting confidence, despite some (Dendreon's Provenge, Novartis' Gilenya) experiencing hiccups early in their commercial launches.

The flipside to this improved sentiment relates to concerns as to how 'sticky' this money will be, particularly given recent experience where generalist investors have shied away from the sector after a 'blow up' in their portfolios. This risk remains; risks inherent in biotech investing are a constant. Biotech investment is highly catalyst driven, hence technical (clinical data and regulatory decisions), financial (cash position, cash burn, ability to secure funding) and commercial (partnering, marketing) news flow is critical. Technical risks are largely binary and may be challenging for non-specialists to evaluate; however, the other risks are common to other industries. It is only through

evaluating company assets, potential and risk/reward profile that stocks with an increased likelihood of improved share price performance can be identified.

... But broader industry drivers remain positive

Blockbuster patent expiries continue to impact large pharma revenues, profits and cash generation ability. Neither cost-cutting nor internal R&D pipelines have delivered enough, and time is now running out; 2012 is a peak year for patent expiries. Consequently many mid-cap biotechs could become targets for large pharma (or large biotech) companies willing to pay handsomely for assets that diversify their businesses and drive revenue growth through and beyond their patent cliffs.

Anecdotally, there had been increased corporate development activity at the January JP Morgan healthcare conference, with the presence of big teams from large pharma and the balance of smaller biotech company meetings shifting away from predominantly being focused on the institutional investment community.

The necessity for large pharma companies to replace near-term revenues lost through patent expiries means they are becoming increasingly active and increasingly competitive for late-stage de-risked assets. Recent M&A activity seen in HCV provides evidence that large pharma are willing to pay for attractive assets, even at an earlier stage in clinical development, and shows that a single deal in a therapy area has the potential to quickly transform the fortunes of other companies active in the same arena. This has had various repercussions with bid speculation already being priced into stocks in high-profile disease areas, short coverage resulting in otherwise inexplicable share price movements, and increased speculation as to which will be the next hot area.

With a clear focus on the bigger later-stage M&A opportunities, more traditional earlier-stage licensing deals seem to be of less immediate interest to large pharma. This could have important read though to small- and mid- cap biotechs seeking these types of deals. However, interest in and execution of even earlier-stage partnerships (funded research/discovery deals with an option to license) is becoming more common, probably because both the financial outlay and profile is smaller. This means such deals, which may have the potential to kick start delivery by in-house pipelines, are less risky from a business development career perspective and can be transacted at departmental rather than board level.

This also suggests that there may be more opportunities for mid-cap pharma/biotech to access the assets/companies overlooked by large pharma. This could mean increased consolidation or strategic business transformation, which has two main benefits: company diversification (and hence increased resilience to a pipeline failure) and building scale (establishing sustainability and potentially improving attractiveness to a larger acquirer).

Historically there has been a lag in improved sentiment crossing the Atlantic, but there appears to be increased generalist interest in Europe. However, the more limited investment opportunities in the UK and continental Europe (due to the relative sizes of the sector vs the US) mean that this attention is likely to be concentrated in the same names and might translate into share price appreciation in a limited number of select stocks.

Upcoming newsflow

Exhibit 2: H112 newsflow for Edison coverage companies

March		
MorphoSys	01-Mar	FY11 results
Pharming	01-Mar	FY11 results
Vernalis	02-Mar	Admission of new shares to dealing: closure of fund raise
Biotie	4 & 5 Mar	Nalmefene (Selincro) - Phase III data: European Congress of Psychiatry (EPA)
Astex Pharmaceuticals	06-Mar	Dacogen - PDUFA date in elderly AML
Oxford BioMedica	06-Mar	FY11 results
Ark Therapeutics	12-Mar	FY11 results
Paion	14-Mar	FY11 results
Topotarget	14-Mar	FY11 results
Agennix	15-Mar	FY11 results
Evotec	20-Mar	FY11 results
Cyprotex	22-Mar	FY11 results
Evolva	22-Mar	FY11 results
Astex Pharmaceuticals	27-Mar	R&D day
4SC	29-Mar	FY11 results
Allergy Therapeutics	30-Mar	H112 results
ProMetic Life Sciences	31-Mar	FY11 results
SkyePharma	Mar	FY11 results
April		
Vectura	24-Apr	NVA237/QVA149 - Novartis Q112 results
Vernalis	Apr	FY11 results
May		
Vectura	18-23 May	NVA237 - potentially GLOW-2 results at ATS
BTG	21-May	FY12 results (year-end March 2012)
Vectura	30-May	FY12 results (year-end March 2012)
GW Pharma	May	H112 interim results
Phytopharm	May	H112 interim results
June		
Consort Medical	Jun	FY12 results (year-end April 2012)
e-Therapeutics	Jun/July	FY12 results
Oxford BioMedica	Jun	RetinoStat - read out of US Phase I/II in wet AMD

Source: Edison Investment Research

Exhibit 3: H112 newsflow for Edison coverage companies

H1 unspecified	
Aastrom Biosciences	Ixmyelocel-T - initiate no-option Phase III REVIVE-CLI trial in critical limb ischemia
Aastrom Biosciences	Ixmyelocel-T - Phase IIb of subcutaneous formulation starts in MS
Aastrom Biosciences	Ixmyelocel-T - potential SPA on poor-option Phase III in critical limb ischemia
Aastrom Biosciences	Ixmyelocel-T - initiate Phase II catheter delivery trial in dilated cardiomyopathy
Ablynx	ATN-192 - Phase I data in healthy volunteers
Ablnyx	Ororalizumab (ATN-103) - decision on start of study to confirm optimum dosing regimen in RA
Allergy Therapeutics	Pollinex Quattro - US development plans announced
Allergy Therapeutics	Pollinex Quattro Grass - MAA approval in Germany and launch
Astex Pharmaceuticals	AT13387 - complete Phase I weekly dosing trial in GIST
Astex Pharmaceuticals	Dacogen - data from Phase IV head-to-head trial vs Vidaza in MDS
Astex Pharmaceuticals	SGI-110 - initiate Phase II part of Phase I/II in MDS and AML
Astex Pharmaceuticals	SGI-110 - Phase II in ovarian cancer starts
Bioinvent	BI-505 - Phase I data in multiple myeloma
BioInvent	TB-402 - Phase IIb data vs Xarelto in prevention of VTE after total hip replacement surgery
BTG	Abiraterone - interim analysis of PFS on Phase III chemo-naive metastatic prostate cancer
BTG	Lemtrada - US and EU filing in MS
Consort Medical	INJ300 - FDA approval expected by Dr Reddy's
Consort Medical	INJ570 - potential registration of autoinjector with large pharma
Epicept	Ceplene - protocol submission for SPA of Phase III trial + low-dose II-2 in AML
EpiCept	Crolibulin - initiate Phase II portion of Phase I/II + cisplatin in anaphylactic thyroid cancer
e-Therapeutics	ETS2101 - Phase I GBM and all-comers solid tumours trials to start
e-Therapeutics	ETX1153c – Phase I trial for C.difficile starts
GW Pharma	Otsuka research collaboration - first clinical candidate licensed
GW Pharma	Sativex - approvals/launches in other parts of the world
GW Pharma	Sativex - other EU launches
GW Pharma	Sativex - selection of additional indication
MorphoSys	CNTO-888 - Phase II proof of concept in IPF
MorphoSys	MOR103 - Phase I PK study of subcutaneous formulation starts
Oncolytics	Reolysin - complete enrollment of NCI sponsored Phase II study in ovarian cancer
Oncolytics	Reolysin - early Phase III REO 018 data + carboplatin and paclitaxel in 2nd-line taxane-naive H&N cancer
Oncolytics	Reolysin - final REO 013 data in mCRC prior to surgical resection of liver metastases
Oncolytics	Reolysin - Phase I REO 022 trial + FOLFIRI in 2nd-line K-ras mutant CRC completes enrollment
Oxford BioMedica	ProSavin - six month data 5x cohort (all 6 pts)
Oxford BioMedica	Re-commissioning of facility nears completion
Oxford BioMedica	TroVax - Phase I/II in first-line mesothelioma (Alimta or chemotherapy) starts
Oxford BioMedica	TroVax - Phase II in metastatic colorectal cancer starts
Oxford BioMedica	TroVax - Phase II in metastatic ovarian cancer starts
Topotarget	Belinostat - filing of NDA for PTCL
Topotarget	Belinostat - final OS data from Phase II in CUP
Topotarget	Belinostat - top line data from Phase II in CUP
Vectura	NVA237 - clarity on US filing plans
Vectura	NVA237 - initiate additional US phase III in COPD
Vectura	QVA149 - US launch of indacaterol for COPD
Vectura	VR632 - final development milestone (€1.5m)
Vernalis	Tosedostat - Phase III start in int-2 high risk MDS and secondary AML HMA failures
Vernalis	V18444 - Phase I trial in PD reads out
YM BioSciences	CYT997 - data from glioma patients with CYT997 and carboplatin
YM BioSciences	CYT997 - update on launch progress of Incyte/Novartis' Jakafi
YM Biosciences	Nimotuzumab - final efficacy data from Phase II in adult glioma

Source: Edison Investment Research

Company coverage

Company	Note	Date published
4SC	Update	24/01/2012
Aastrom BioSciences	Outlook	24/10/2011
Ablynx	Review	23/01/2012
Addex Pharmaceuticals	Outlook	04/01/2012
Agennix	Update	03/02/2012
Algeta	Update	02/02/2012
Allergy Therapeutics	Outlook	14/02/2012
AmpliPhi Biosciences	Outlook	09/08/2011
Animalcare Group	Review	13/10/2011
Ark Therapeutics	Update	11/11/2011
Astex Pharmaceuticals	Outlook; Update	05/01/2012; 17/02/2012
BioInvent	Outlook; Update	11/01/2012; 20/02/2012
Bionomics	Review	11/08/2011
Biotie Therapies Corp	Update	22/12/2011
BTG	Outlook	23/02/2012
Circadian Technologies	Review	06/10/2011
Consort Medical	Review	05/12/2011
Deltex Medical	Update	17/01/2012
e-Therapeutics	Update	28/10/2011
EpiCept	Update	10/10/2011
Epigenomics	Update	19/12/2011
Epistem Holdings	Update	31/03/2011
Evolva	Update	17/01/2012
Evotec	Update	25/11/2011
GW Pharmaceuticals	Outlook	13/12/2011
Hybrigenics	Update	17/01/2012
ImmuPharma	Update	26/10/2011
Lifeline Scientific	Outlook	11/05/2010
Lombard Medical Technologies	Update	07/09/2011
Medcom Tech	Outlook	12/12/2011
MediGene	Outlook; Update	05/01/2012; 27/01/2012
MorphoSys	Update	12/12/2011
Omega Diagnostics	Outlook	08/07/2011
OncoGenex Pharmaceuticals	Update	13/02/2012
Oncolytics Biotech	Update	06/12/2011
Oxford BioMedica	Review	19/12/2011
Paion	Update	22/12/2011
Pharming Group	Update	17/05/2011
Phylogica	Update	09/01/2012
Phytopharm	Review	23/01/2012
ProMetic Life Sciences	Update	03/02/2012
SkyePharma	Update; Update	03/01/2012; 31/01/2012
Sunesis Pharmaceuticals	Update	16/12/2011
Synta Pharmaceuticals	Update; Update	04/01/2012; 23/01/2012
TiGenix	Outlook	06/02/2012
TopoTarget	Update	09/12/2011
Transgene	Outlook	17/01/2012
Vectura	Outlook	23/11/2011
Vernalis	Update; Update	21/12/2011; 24/02/2012
WaferGen Biosystems	Review	11/04/2011
Wilex	Update	12/01/2012
YM BioSciences	Update	05/01/2012

QuickViews

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

AB Science	06/02/2012
Active Biotech	21/02/2012
Alnylam Pharmaceuticals	10/02/2012
Array BioPharma	09/02/2012
Anthera	24/02/2012
Arrowhead Research	04/01/2012
AVEO Pharmaceuticals	10/01/2012
Basilea	12/01/2012
BioCryst Pharmaceuticals	20/02/2012
BioLineRx	20/02/2012
Clinuvel	05/01/2012
Curis	31/01/2012
Dechra Pharmaceuticals	23/02/2012
Genfit	09/02/2012
Idenix	11/01/2012
Infinity Pharmaceuticals	06/01/2012
	30/01/2012
MagForce	03/02/2012
Neovacs	22/02/2012
Orexo	01/02/2012
Pharmaxis	30/01/2012
Photocure	16/01/2012
	22/02/2012
Sangamo BioSciences	03/02/2012
Sucampo Pharmaceuticals	22/02/2012
Vivus	23/02/2012

Alternext stocks covered

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

Sector: Pharma & Healthcare

Price:	€2.78
Market cap:	€117m
Forecast net cash (€m)	15.8
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	91.5	76.7	(32.5)
Relative*	77.1	50.9	(27.1)

* % Relative to local index

Analyst

Jacob Plieth

4SC (VSC)

INVESTMENT SUMMARY

Highly positive efficacy data from the Phase I/II SHELTER study of 4SC's oral histone deacetylase inhibitor resminostat have strongly supported the compound's potential in the treatment of sorafenib-resistant hepatocellular carcinoma, and could attract a licensing partner for territories outside Japan. The results back the hypothesis that resminostat is able to reverse some cancer cells' resistance to sorafenib. The smaller indication of Hodgkin's lymphoma, in which resminostat has also yielded positive data, could enter pivotal development this year, funding permitting.

INDUSTRY OUTLOOK

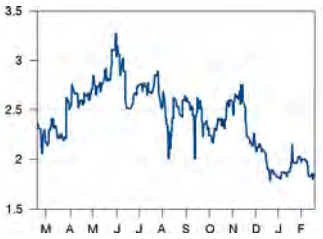
In 2013 4SC is due to report results of a second Phase I/II resminostat trial (SHORE), in second-line metastatic colorectal cancer, and licensing activity on vidofludimus in inflammatory bowel disease is another possible near-term catalyst. With a near-term focus only on vidofludimus, resminostat and 4SC-202, current cash should last into next year.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	1.9	(15.0)	(15.2)	(51.2)	N/A	N/A
2010A	1.0	(18.5)	(18.9)	(48.9)	N/A	N/A
2011E	0.7	(17.6)	(17.7)	(44.0)	N/A	N/A
2012E	0.9	(14.6)	(15.0)	(35.6)	N/A	N/A

Sector: Pharma & Healthcare

Price:	US$1.84
Market cap:	US$71m
Forecast net cash (US$m)	4.8
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)



Company description

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

Price performance

%	1m	3m	12m
Actual	(4.2)	(22.7)	(22.0)
Relative*	(8.9)	(30.9)	(23.2)

* % Relative to local index

Analyst

John Savin

Aastrom Biosciences (ASTM)

INVESTMENT SUMMARY

Aastrom has had a quiet start to 2012. The RESTORE Phase II strongly supports the pivotal 594-patient REVIVE Phase III study about to start. A dilated heart indication has Phase II data with a Phase IIb starting H112. Aastrom has a leading position in stem cell therapy and deals in 2012 are possible. A fund raising is underway.

INDUSTRY OUTLOOK

The full 72-patient Phase II RESTORE critical limb ischaemia (CLI) data showed a statistically significant reduction in the combined amputation and amputation-related risk factor endpoint (p=0.0032). The pivotal REVIVE Phase III in 594 patients has been FDA agreed under an SPA and starts Q112. If ixmyelocel-T meets the 12-month, amputation-free survival endpoint, it should be the first marketed cell therapy for CLI and the only US treatment option for 100,000-150,000 potential amputees per year. In ischaemic dilated cardiomyopathy, a Phase IIa indicated good safety and some responses. This could be a large market.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	N/A	N/A	N/A	N/A	N/A	N/A
2010A	N/A	N/A	N/A	N/A	N/A	N/A
2011E	0.0	(26.9)	(27.5)	(71.1)	N/A	N/A
2012E	0.0	(33.0)	(33.6)	(86.9)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	328.5p
Market cap:	£603m
Forecast net cash (£m)	67.4
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	(4.8)	(7.5)	(5.7)
Relative*	(8.6)	(15.3)	(2.6)

* % Relative to local index

Analyst

Mick Cooper

Abcam (ABC)

INVESTMENT SUMMARY

Abcam reported a sharp decline in sales growth in H211 (13.5% compared to 20.2% in H111), largely because of a slowdown in US markets, despite an 18.8% increase in the product range. This slower growth rate of c 13.5% was maintained in H112. It is difficult to see Abcam accelerating its rate of growth in the near term as austerity measures are implemented. President Obama's 2013 budget, if executed, plans to keep NIH funding flat at $30bn, and the grants associated with the 2008 US stimulus package are expiring. In Europe there is also pressure on academic funding. We remain cautious about Abcam maintaining its very strong rate of growth. Our valuation of Abcam is unchanged at 322p/share.

INDUSTRY OUTLOOK

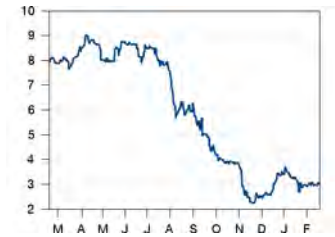
A greater proportion of biological research is conducted into proteins, increasing the demand for protein research tools. However, the funding of academic research is coming under greater pressure as governments look to reduce their debts. Abcam is the market leader for research antibodies but has a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

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	71.1	27.2	26.0	10.9	30.1	23.5
2011A	83.3	33.3	32.3	13.4	24.5	18.0
2012E	96.1	37.8	37.2	15.4	21.3	15.9
2013E	105.7	43.9	43.3	17.9	18.4	13.7

Sector: Pharma & Healthcare

Price:	€2.98
Market cap:	€130m
Forecast net cash (€m)	82.3
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. It has seven products in clinical development.

Price performance

%	1m	3m	12m
Actual	(6.3)	32.4	(62.5)
Relative*	(11.3)	18.5	(54.5)

* % Relative to local index

Analyst

Mick Cooper

Ablynx (ABLX)

INVESTMENT SUMMARY

Ablynx has developed a broad pipeline using its Nanobody technology in many disease areas. These novel therapeutic proteins have the specificity of monoclonal antibodies and many of the benefits of small molecules. Its lead nanobody, ozoralizumab (ATN-103, developed for the $21bn TNF market) successfully completed a Phase II study in rheumatoid arthritis (RA). However, Pfizer has returned the rights to this product, so Ablynx is looking for a new partner. Ablynx also has two other Nanobodies in Phase II trials, ALX0081/0681 in TTP and ALX0061 in RA. Ablynx has indicated that it is increasing its business development activities; it will also be more flexible about the terms of potential partnerships and the stages at which it will partner programmes. It should have enough cash to operate beyond 2014.

INDUSTRY OUTLOOK

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

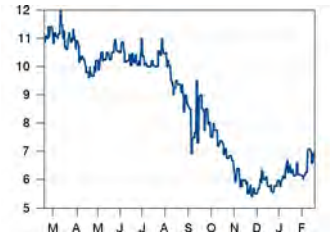
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	29.7	(19.6)	(19.8)	(53.7)	N/A	N/A
2010A	31.4	(23.0)	(24.0)	(56.9)	N/A	N/A
2011E	23.5	(40.4)	(41.8)	(95.6)	N/A	N/A
2012E	28.2	(35.6)	(37.6)	(86.0)	N/A	N/A

Sector: Pharma & Healthcare

Addex Pharma (ADXN)

Price:	CHF6.94
Market cap:	CHF54m
Forecast net cash (CHFm)	33.5
Forecast gearing ratio (%)	N/A
Market	Swiss Stock Exchange

Share price graph (CHF)



Company description

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

Price performance

%	1m	3m	12m
Actual	11.4	17.2	(36.0)
Relative*	8.2	6.1	(31.2)

* % Relative to local index

Analyst

Robin Davison

INVESTMENT SUMMARY

Addex is probably within around six weeks of the read out of its Phase II study of dipraglurant in PD-LID and six months from the outcome of the study of ADX71149/JNJ-40411813 in schizophrenia. Successful results in these studies could catalyse a significant increase in Addex's depressed stock market value. This should offer an attractive investment scenario, as Addex is trading at an unusual discount to its intrinsic value, illustrated by our risk-adjusted NPV of CHF195m or c CHF29/share.

INDUSTRY OUTLOOK

Addex's allosteric modulation platform is a validated small molecule discovery and development engine that has the potential to generate a steady stream of high-value novel product opportunities in CNS, metabolic, inflammatory and other diseases. Addex may even catch up with Novartis's mavoglurant (AFQ056), also an mGluR5 NAM, in the PD-LID indication, helping partnership discussions.

Y/E Dec	Revenue (CHFm)	EBITDA (CHFm)	PBT (CHFm)	EPS (CHFc)	P/E (x)	P/CF (x)
2009A	4.5	(39.0)	(42.4)	(7.2)	N/A	N/A
2010A	4.0	(29.4)	(33.3)	(5.3)	N/A	N/A
2011E	3.7	(29.2)	(31.5)	(4.1)	N/A	N/A
2012E	0.5	(16.8)	(18.9)	(2.3)	N/A	N/A

Sector: Pharma & Healthcare

Agennix (AGX)

Price:	€1.74
Market cap:	€89m
Forecast net cash (€m)	42.7
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)

Company description

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

Price performance

%	1m	3m	12m
Actual	(34.6)	(40.5)	(47.6)
Relative*	(39.6)	(49.2)	(43.3)

* % Relative to local index

Analyst

Mick Cooper

INVESTMENT SUMMARY

Agennix is developing talactoferrin for cancer and severe sepsis. Unfortunately the Phase II/III OASIS trial in severe sepsis was terminated early, as patients receiving the drug had a higher mortality rate than those on placebo. The data is being analysed in detail, but the product will probably not resume development in sepsis. There are also two Phase III trials underway for non-small cell lung cancer (NSCLC). The most advanced is the FORTIS-M trial in third-line+ NSCLC, data from which is due in Q212. There is no read across from the OASIS trial to the FORTIS-M study, as sepsis and cancer are very different indications and no other serious adverse events were seen in the OASIS trial. Agennix has enough cash to operate into 2013.

INDUSTRY OUTLOOK

Efficacious oncology products can enjoy premium pricing and be sold by relatively small sales forces, but there is significant competition. Talactoferrin has the potential to become complementary to the current treatments in oncology without competing directly with other drugs.

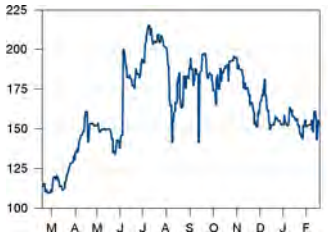
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	7.7	(10.5)	(9.5)	(91.9)	N/A	N/A
2010A	0.2	(35.5)	(36.4)	(106.7)	N/A	N/A
2011E	0.0	(43.1)	(44.2)	(82.8)	N/A	N/A
2012E	0.0	(40.0)	(40.4)	(67.0)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	NOK152.00
Market cap:	NOK6444m
Forecast net cash (NOKm)	261.0
Forecast gearing ratio (%)	N/A
Market	OSE

Share price graph (NOK)



Company description

Algeta is a Norwegian biotech company with the leading position in alpha-emitting pharmaceuticals for oncology. Its lead product Alpharadin, in development for treatment of bone metastases arising from prostate cancer, is partnered globally with Bayer.

Price performance

%	1m	3m	12m
Actual	(1.6)	(7.5)	34.5
Relative*	(6.6)	(15.7)	47.4

* % Relative to local index

Analyst

Robin Davison

Algeta (ALGETA)

INVESTMENT SUMMARY

A NOK260m share placing should give Algeta the financial cushion for a likely sales force build-up, underlining the company's intention to exercise a co-promotion option with Bayer ahead of Alpharadin's imminent US filing. Recently-announced data from all 921 patients enrolled into the ALSYMPCA study showed an increase in median overall survival of 3.6 months (14.9 in the Alpharadin arm vs 11.3 in placebo), up from 2.8 months at the interim stage. Meanwhile, detailed interim data presented at ASCO-GU showed that Alpharadin significantly improved three out of four skeletal-related event components, underlining its advantage over Amgen's Xgeva.

INDUSTRY OUTLOOK

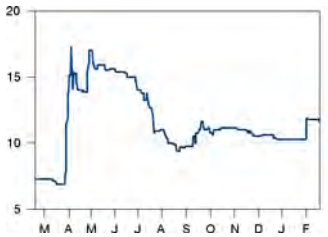
Algeta is the world leader in the development of alpha-pharmaceuticals for cancer. Interest around Alpharadin is growing following positive data announcements and the approvals for metastatic castration-resistant prostate cancer of Dendreon's Provenge, Sanofi's Jevtana and J&J's Zytiga.

Y/E Dec	Revenue (NOKm)	EBITDA (NOKm)	PBT (NOKm)	EPS (öre)	P/E (x)	P/CF (x)
2009A	30.7	(154.9)	(164.3)	(474.6)	N/A	34.1
2010A	270.9	39.1	23.1	58.5	259.8	N/A
2011E	232.8	3.1	15.5	38.8	391.8	N/A
2012E	631.8	413.5	415.6	1027.7	14.8	17.6

Sector: Pharma & Healthcare

Price:	11.6p
Market cap:	£36m
Forecast net debt (£m)	12.4
Forecast gearing ratio (%)	328.0
Market	AIM

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	13.4	8.1	60.3
Relative*	8.9	(1.0)	65.8

* % Relative to local index

Analyst

Lala Gregorek

Allergy Therapeutics (AGY)

INVESTMENT SUMMARY

Two important regulatory catalysts should boost revenue and profits, helping Allergy Therapeutics become a top three player in the global allergy immunotherapy (AIT) market. German approval of allergy vaccine Pollinex Quattro (PQ) Grass and FDA approval of clinical trial protocols for three PQ products, followed by the lift of the US clinical hold, are both expected by mid-2012. The core European business is profitable and Latin American market entry is underway; the US AIT opportunity could further boost growth post FY13, but is contingent on securing a partner. Allergy is also focused on M&A (European consolidation) and increased business development (products, infrastructure, new geographies) to deliver on its growth strategy and ultimately become a sustainable, cash-flow positive business.

INDUSTRY OUTLOOK

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

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	40.8	3.0	0.3	0.3	38.7	32.4
2011A	41.6	2.0	(1.7)	(0.7)	N/A	N/A
2012E	43.3	4.0	1.3	0.3	38.7	7.5
2013E	47.7	4.7	1.9	0.5	23.2	9.6

Sector: Pharma & Healthcare

AmpliPhi Biosciences (APHB)

Price:	US$0.20
Market cap:	US$4m
Forecast net cash (US$m)	3.4
Forecast gearing ratio (%)	N/A
Market	OTC

Share price graph (US$)

Company description

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

Price performance

%	1m	3m	12m
Actual	66.7	42.9	(33.3)
Relative*	58.4	27.6	(34.4)

* % Relative to local index

Analyst

Jacob Plieth

INVESTMENT SUMMARY

AmpliPhi recently raised £2.7m in credit loan notes from the prominent private investors Jim Mellon and Gwynn Williams, and has reiterated its focus on developing bacteriophages - naturally occurring viruses - for treating bacterial infections in humans. A 24-patient Phase I/II trial, which AmpliPhi says is the only such study performed to modern regulatory standards, earlier demonstrated efficacy in chronic otitis. Meanwhile, the US company Celladon has raised $43m to advance its Mydicar project, on which AmpliPhi could receive milestone payments, and another partner, Amsterdam Molecular Therapeutics, is to be acquired by the private company uniQure BV.

INDUSTRY OUTLOOK

The growth of resistance to antibiotics is a serious problem, and pharma companies look likely to shift increasingly away from chemical antibiotics and towards new methods of combating bacterial infections. AmpliPhi is pioneering one such novel method through the development of bacteriophages that specifically target bacteria.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2008A	8.7	(11.1)	(11.3)	(55.3)	N/A	N/A
2009A	12.2	2.4	2.1	10.2	2.0	N/A
2010E	2.1	(2.2)	(2.2)	(10.5)	N/A	N/A
2011E	0.4	(5.2)	(5.3)	(11.8)	N/A	N/A

Sector: Pharma & Healthcare

Animalcare Group (ANCR)

Price:	154.0p
Market cap:	£32m
Forecast net cash (£m)	3.4
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

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

Price performance

%	1m	3m	12m
Actual	(1.3)	(10.7)	3.7
Relative*	(5.2)	(18.3)	7.2

* % Relative to local index

Analyst

Mick Cooper

INVESTMENT SUMMARY

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

INDUSTRY OUTLOOK

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

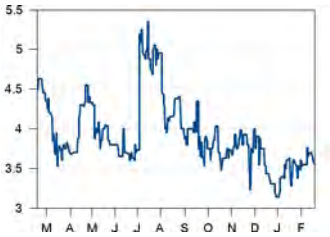
Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	11.2	3.2	2.8	10.6	14.5	11.2
2011A	11.8	3.5	3.3	13.1	11.8	10.2
2012E	12.2	3.5	3.5	13.3	11.6	9.1
2013E	13.1	3.9	3.9	14.7	10.5	8.6

Edison investment research

Sector: Pharma & Healthcare

Price:	3.5p
Market cap:	£7m
Forecast net cash (£m)	8.3
Forecast gearing ratio (%)	N/A
Market	FULL

Share price graph (p)



Company description

Ark Therapeutics specialises in developing products for treating vascular disease, cancer and wound care. The company is a leader in the field of gene-based therapies, and has in-house manufacturing capabilities.

Price performance

%	1m	3m	12m
Actual	4.4	(9.6)	(21.1)
Relative*	0.2	(17.2)	(18.4)

* % Relative to local index

Analyst

Lala Gregorek

Ark Therapeutics (AKT)

INVESTMENT SUMMARY

Ark Therapeutics is making steady progress in executing its three-step business transformation strategy. In 2011 it achieved two strategic objectives: securing new manufacturing contracts (with PsiOxus Therapeutics and the University of Glasgow's Institute of Cardiovascular and Medical Sciences) and selling the woundcare business. The focus is now on securing further long-term contracts for its Finnish GMP manufacturing facility and partners for its R&D pipeline. The first programme expected to be partnered is Ark's small molecule NRP-1 antagonist: Ark recently received a Notice of Allowance from the US PTO connected to this (formal grant is expected in two months). FY11 results report 12 March.

INDUSTRY OUTLOOK

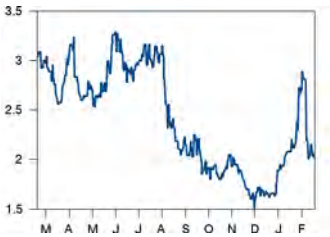
Competitors to EG011 for refractory angina are mainly stem-cell therapies, while EG016 is a novel approach in peripheral vascular disease. Interest in FGR (EG013) is shown by the ongoing Phase II/III sildenafil trial. The sole clinical-stage NRP-1 Roche's RG7347 (MNRP1685) antibody has been discontinued.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	3.0	(18.3)	(19.8)	(9.0)	N/A	N/A
2010A	3.1	(13.2)	(15.1)	(6.7)	N/A	N/A
2011E	8.0	(2.9)	(4.5)	(1.5)	N/A	N/A
2012E	2.5	(9.1)	(10.5)	(4.5)	N/A	N/A

Sector: Pharma & Healthcare

Price:	US$2.01
Market cap:	US$66m
Forecast net cash (US$m)	125.7
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)



Company description

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

Price performance

%	1m	3m	12m
Actual	(8.6)	(7.0)	(1.9)
Relative*	(8.5)	(5.9)	15.4

* % Relative to local index

Analyst

Robin Davison

Astex Pharmaceuticals (ASTX)

INVESTMENT SUMMARY

Astex Pharmaceuticals is a focused oncology drug discovery and development company. The US/EU regulatory reviews of Dacogen in AML represent a key near-term catalyst. Despite a negative ODAC ruling on Dacogen, the FDA might take a broader view on a lack of alternatives in AML, but the probability of US approval is now potentially lower. We ascribe a fair value of $606m to Astex on the basis Dacogen is approved in both territories and $384m on the failure to receive approval in both. Therefore, there is significant upside given the current valuation, even on the worst-case scenario.

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	41.3	5.4	6.1	11.8	17.0	23.4
2010A	53.0	18.6	17.9	29.2	6.9	6.7
2011E	66.5	10.1	8.3	13.3	15.1	12.1
2012E	68.1	11.9	9.5	10.2	19.7	15.4

Sector: Pharma & Healthcare

BioInvent International (BINV)

Price: SEK15.50
Market cap: SEK1042m
Forecast net cash (SEKm) 2.0
Forecast gearing ratio (%) N/A
Market NASDAQ OMX Mid Cap

Share price graph (SEK)

Company description

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

Price performance

%	1m	3m	12m
Actual	(6.6)	(1.3)	(45.6)
Relative*	(13.2)	(15.6)	(44.4)

* % Relative to local index

Analyst

John Savin

INVESTMENT SUMMARY

BioInvent will have an extensive newsflow in 2012 with TB-402 (Phase II hip surgery, Q2), BI-204 (Phase II for atherosclerosis, Q3), and BI-505 (Phase I multiple myeloma, Q2) all reporting. The PlGF antibody (TB-403) with Roche for glioblastoma reports in H213. BioInvent has recurring research income and n-CoDeR antibody library fees. Cash was SEK174m before a proposed SEK105m rights issue intended to act as a strategic funding before two possible major partnering deals in 2013.

INDUSTRY OUTLOOK

TB-402 vs Xarelto in hip surgery reports in Q2 and could lead to a lucrative 2013 global partnering, a key event. Phase II knee data showed superiority over Lovenox, but there are three strong oral competitors in the market. BI-204 is a novel antibody with Genentech targeting atherosclerotic plaque. In Q2, imaging data might demonstrate reduced inflation; partnering outside north America is still open, allowing a potentially lucrative deal. BI-505 is a major value source as BioInvent could market it directly.

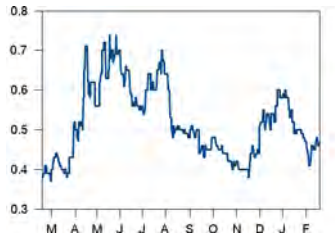
Y/E Dec	Revenue (SEKm)	EBITDA (SEKm)	PBT (SEKm)	EPS (fd) (öre)	P/E (x)	P/CF (x)
2010A	83.0	(135.0)	(124.0)	(207.82)	N/A	N/A
2011A	125.0	(66.0)	(67.0)	(100.02)	N/A	N/A
2012E	21.0	(174.0)	(176.0)	(261.31)	N/A	N/A
2013E	91.1	(107.0)	(109.0)	(162.09)	N/A	N/A

Sector: Pharma & Healthcare

Bionomics (BNO)

Price: A$0.47
Market cap: A$162m
Forecast net cash (A$m) 10.0
Forecast gearing ratio (%) N/A
Market ASX, NASDAQ

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	(6.0)	11.9	23.7
Relative*	(5.9)	13.2	45.5

* % Relative to local index

Analyst

Robin Davison

INVESTMENT SUMMARY

The recent worldwide licensing deal with Ironwood Pharmaceuticals for the anti-anxiety compound, BNC210, allows Bionomics to focus its development and commercial resources on the anticancer agent BNC105 and enhance its ability to capture value from this drug. BNC105 is in a Phase II study for renal cell carcinoma and will shortly enter a Phase II trial for ovarian cancer. Meanwhile, the commercially attractive terms of the BNC210 deal – worth up to US$345m plus royalties – prompt a modest increase in our rNPV-based valuation to A$275m.

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)
2010A	3.4	(7.2)	(7.4)	(2.5)	N/A	N/A
2011A	4.5	(7.9)	(7.7)	(2.4)	N/A	N/A
2012E	4.1	(10.1)	(9.8)	(2.8)	N/A	N/A
2013E	4.1	(10.1)	(10.1)	(2.9)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	€0.49
Market cap:	€190m
Forecast net debt (€m)	9.9
Forecast gearing ratio (%)	15.0
Market	OMX

Share price graph (€)

Company description

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

Price performance

%	1m	3m	12m
Actual	(2.0)	(3.9)	(9.3)
Relative*	(8.4)	(14.7)	11.2

* % Relative to local index

Analyst

Lala Gregorek

Biotie Therapies (BTH1V)

INVESTMENT SUMMARY

Biotie is focused on progressing its clinical pipeline of differentiated CNS drugs and on business development. Pipeline progress could trigger significant milestones and royalties from partners – including Lundbeck (Selincro, formerly nalmefene), UCB (tozadenant) and Roche (SYN120 rights) – which should catalyse its share price. The key 2012 catalyst is EU approval of Selincro for alcohol dependence, potentially by year-end; launch would trigger an undisclosed milestone. Potential out-licensing of unencumbered assets may also unlock value, while late-stage in-licensing/M&A is critical to achieving Biotie's strategic growth objectives. FY11 results are due on 24 February, with detailed Phase III Selincro data presentations at the European Congress of Psychiatry (3-5 March).

INDUSTRY OUTLOOK

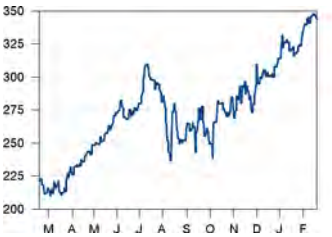
Biotie's focus is on neurodegenerative and psychiatric diseases, and niche inflammation indications. It is an active consolidator; it completed the €94m purchase of private company Synosia in February 2011.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	5.6	(11.8)	(12.5)	(7.3)	N/A	N/A
2010A	2.0	(7.3)	(8.5)	(5.2)	N/A	N/A
2011E	1.0	(27.9)	(25.9)	(5.9)	N/A	N/A
2012E	0.4	(23.9)	(25.0)	(5.4)	N/A	N/A

Sector: Pharma & Healthcare

Price:	343.3p
Market cap:	£1124m
Forecast net cash (£m)	64.4
Forecast gearing ratio (%)	N/A
Market	FULL

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	7.0	17.1	55.2
Relative*	2.6	7.2	60.4

* % Relative to local index

Analyst

Robin Davison

BTG (BGC)

INVESTMENT SUMMARY

Recent positive results in VANISH-2, the first of three Phase III studies of Varisolve to report, support a de-risking of the programme and contribute to a substantial (38%) increase in our valuation on BTG. This study read-out is the first of a number of important catalysts for BTG due this year. Most of the catalysts now involve BTG's partnered programmes and include particularly the results from a Phase II study with CytoFab. We have revised our valuation to £1,481m or 452p per share.

INDUSTRY OUTLOOK

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

Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	98.5	13.8	18.6	8.1	42.4	114.1
2011A	111.4	16.2	16.6	13.6	25.2	N/A
2012E	165.0	24.1	26.3	10.1	34.0	131.8
2013E	166.6	34.6	33.8	10.7	32.1	55.0

Sector: Pharma & Healthcare

Price:	A$0.52
Market cap:	A$24m
Forecast net cash (A$m)	10.7
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	(5.5)	4.0	(25.7)
Relative*	(5.4)	5.2	(12.6)

* % Relative to local index

Analyst

John Savin

Circadian Technologies (CIR)

INVESTMENT SUMMARY

Circadian Technologies crossed an important threshold in January with the dosing of the first patient in the US Phase I VGX-100 study. It now has two clinical-stage oncology products. VGX-100 is a VEGF-C inhibitory monoclonal. Phase II studies in glioblastoma (GBM) and in colorectal cancer as an adjuvant to Avastin could follow in 2013/14. Preclinical data suggests a strong synergistic action with Avastin. VGX-100 has also shown efficacy in dry eye disease, an immune-system condition, in preclinical models. The other lead product, IMC-3C5, is in Phase I licensed to ImClone (Lilly). On 31 December 2011 Circadian had A$18.3m cash.

INDUSTRY OUTLOOK

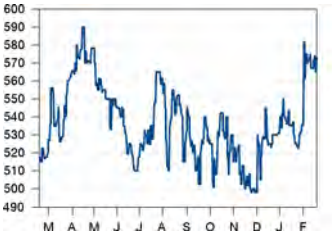
Circadian has a strong IP position attractive to any major pharma company starting VEGF-C projects. GBM is a crowded development area with a high attrition rate. The two competing candidates in Phase III are trabedersen from AntiSense Pharma and cilengitide from Merck KGaA. ASCO biomarker data showed that VEGF-C is a marker of colorectal cancer progression.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.6	(10.2)	(8.5)	(19.1)	N/A	N/A
2011A	0.4	(11.5)	(10.1)	(20.9)	N/A	N/A
2012E	0.8	(12.3)	(11.6)	(25.1)	N/A	N/A
2013E	1.1	(13.5)	(13.2)	(28.4)	N/A	N/A

Sector: Pharma & Healthcare

Price:	573.0p
Market cap:	£166m
Forecast net debt (£m)	43.6
Forecast gearing ratio (%)	50.0
Market	FULL

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	7.1	13.0	10.7
Relative*	2.8	3.5	14.5

* % Relative to local index

Analyst

Lala Gregorek

Consort Medical (CSRT)

INVESTMENT SUMMARY

Bespak revenue growth (strong valve and Diskus volumes) offset expected weaker King performance leading to a 5% increase in H112 revenue to £68.8m. Consort Medical remains strongly cash generative at the operating level and is targeting double-digit profit growth in the medium term. It intends to achieve this via organic growth (new products, diversification and moving up the value chain) in its existing cash-generative business, and through exploiting selective M&A/investment opportunities. Its record interim results showed evidence of delivery on its growth strategy, supported by a strong market position (particularly at Bespak), operational investment and pipeline expansion/progress. This strategy should ensure that Consort remains an attractive and defensive growth opportunity for investors.

INDUSTRY OUTLOOK

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

Y/E Apr	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2010A	118.6	25.4	16.9	41.7	13.7	7.9
2011A	126.8	26.6	17.4	44.7	12.8	7.7
2012E	134.4	27.9	18.8	48.9	11.7	7.2
2013E	140.3	29.4	20.6	52.0	11.0	5.7

Edison investment research

Sector: Pharma & Healthcare

Price:	21.2p
Market cap:	£30m
Forecast net debt (£m)	1.2
Forecast gearing ratio (%)	99.0
Market	AIM

Share price graph (p)

Company description

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

Price performance

%	1m	3m	12m
Actual	(7.1)	10.4	14.9
Relative*	(10.8)	1.1	18.7

* % Relative to local index

Analyst

John Savin

Deltex Medical Group (DEMG)

INVESTMENT SUMMARY

Deltex anticipates a transitional 2012 and 2013 as the NHS executive starts to use financial incentives to make modern surgical fluid management a routine procedure. As the only NICE recommended product, CardioQ will see strong sales growth from April 2012 onwards. NHS growth is already 20%. In the US, awareness about CardioQ is rising. France could start to develop into a major market. However, for 2011, the trading statement showed a mixed pattern and flat sales with £0.8m cash.

INDUSTRY OUTLOOK

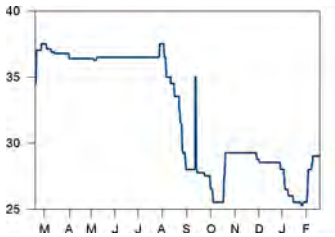
Both NICE and ministers are pushing the NHS hard to adopt cost-effective innovations. The NHS executive has stated it "will launch a national drive to get full implementation of ODM...into...the NHS". Only CardioQ has been NICE evaluated with adequate evidence. NICE estimates CardioQ could save £1,062 per patient. The NHS will drive this by the big stick of a possible loss of 2.5% of quality target income in FY13 rather than any hard cash in FY12.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	5.6	(0.5)	(0.7)	(0.53)	N/A	N/A
2010A	6.3	(0.7)	(1.0)	(0.72)	N/A	N/A
2011E	6.3	(0.4)	(0.6)	(0.44)	N/A	N/A
2012E	7.1	0.0	(0.2)	(0.14)	N/A	N/A

Sector: Pharma & Healthcare

Price:	29.0p
Market cap:	£40m
Forecast net cash (£m)	12.5
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	13.7	(0.8)	(15.9)
Relative*	9.2	(9.2)	(13.1)

* % Relative to local index

Analyst

Lala Gregorek

e-Therapeutics (ETX)

INVESTMENT SUMMARY

e-Therapeutics has a proprietary network pharmacology discovery platform and a core pipeline of four assets. New clinical trials will initiate in each quarter of 2012. End-July cash of £15.3m provides funds through 2013 to exploit its platform fully and build a broader in-house pipeline of NCEs and repositioned drugs. The company has strengthened its board (electing Celgene executive Dr Raj Chopra as NED), and its discovery capabilities, by creating a new Oxford-based discovery hub. This should put the company in a better position to secure out-licensing deals and strategic discovery collaborations with large/mid-tier pharma partners.

INDUSTRY OUTLOOK

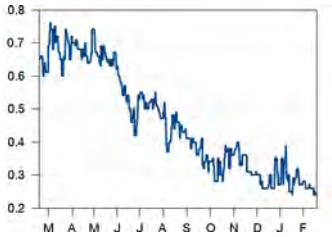
Network pharmacology could potentially revolutionise drug discovery and, in the process, shorten the path to market by minimising technical risks (failure on safety or efficacy grounds) and drug development costs. e-Therapeutics is well positioned with limited direct competition and growing industry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

Y/E Jan	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.0	(2.1)	(2.3)	(3.0)	N/A	N/A
2011A	0.0	(2.5)	(2.7)	(3.5)	N/A	N/A
2012E	0.0	(4.3)	(4.1)	(2.7)	N/A	N/A
2013E	0.0	(6.2)	(6.1)	(4.0)	N/A	N/A

Sector: Pharma & Healthcare

Price:	US$0.24
Market cap:	US$18m
Forecast net cash (US$m)	5.5
Forecast gearing ratio (%)	N/A
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	(2.0)	(22.6)	(62.8)
Relative*	(6.9)	(30.8)	(63.4)

* % Relative to local index

Analyst

Wang Chong

EpiCept (EPCT)

INVESTMENT SUMMARY

EpiCept's investment case is based on the FDA SPA approval and EU sales growth of lead product Ceplene, the FDA SPA approval and the licensing of AmiKet and the relicensing of Azixa. Ceplene is being launched in Europe by Meda for acute myeloid leukaemia, AmiKet completed Phase II trials for peripheral neuropathy with positive results, Azixa had encouraging interim Phase II data for glioblastoma multiforme and Crolibulin is in Phase I/II trials for anaplastic thyroid cancer. EpiCept has a current market cap of c $20m and cash of $10.6m as at 30 September 2011 resulting in an EV of $9.4m. In comparison, we calculate a risk-adjusted NPV of $81m based on prudent assumptions of the four products' probability of success in each indication.

INDUSTRY OUTLOOK

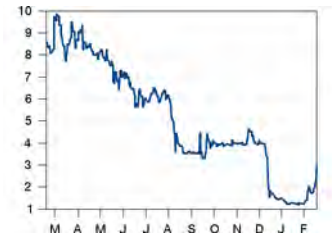
There are many products in clinical development for AML induction therapy; the main direct rivals for maintenance of remission and prevention of relapse include clofarabine and IL-2 monotherapy, although the IL-2 monotherapy has not been shown to be effective to date.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	0.4	(18.7)	(18.7)	(46.7)	N/A	N/A
2010A	1.0	(15.4)	(15.4)	(32.1)	N/A	N/A
2011E	0.5	(7.7)	(8.6)	(12.1)	N/A	N/A
2012E	1.4	(8.2)	(9.3)	(10.6)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€3.00
Market cap:	€26m
Forecast net cash (€m)	12.7
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	134.0	(33.6)	(65.1)
Relative*	116.4	(43.3)	(62.2)

* % Relative to local index

Analyst

Jacob Plieth

Epigenomics (ECX)

INVESTMENT SUMMARY

Epigenomics' share price has started to recover since disappointing data were reported from a US pivotal study of the blood-based colorectal cancer diagnostic, Epi proColon. This trial involved a selection of blood samples from the existing cohort of 7,940 used in the earlier PRESEPT study, and showed 68% sensitivity at 80% specificity, as against 67%/88% reported in the PRESEPT analysis. The first module of a US PMA has just been filed. Meanwhile, a prospective clinical trial of 228 bronchial washings, analysed with Epigenomics' Epi proLung assay plus cytology, indicated a 98% sensitivity at a 92% specificity.

INDUSTRY OUTLOOK

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

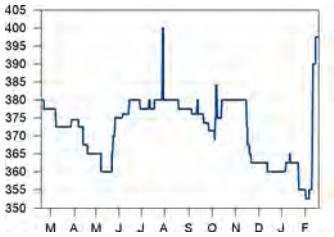
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	4.3	(9.3)	(9.4)	(164.6)	N/A	N/A
2010A	1.8	(10.0)	(10.3)	(127.5)	N/A	N/A
2011E	1.6	(10.6)	(10.9)	(124.8)	N/A	N/A
2012E	2.0	(8.0)	(8.3)	(94.8)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	397.5p
Market cap:	£35m
Forecast net cash (£m)	2.6
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	9.7	8.2	4.6
Relative*	5.2	(1.0)	8.1

* % Relative to local index

Analyst

John Savin

Epistem Holdings (EHP)

INVESTMENT SUMMARY

Epistem reported a profit of £0.4m after capitalising c £1m of Genedrive R&D. Cash outflow was £1.75m. A fund-raising in November at 350p raised £2.8m before expenses; cash on 30 June 2011 was £3.6m. The new funds will be used to help Genedrive development. Ongoing FY11 contract research sales were flat at £2.7m but the division gained £0.3m from a US bio-defence contract taking sales to £3m. Biomarkers increased core revenues to £0.9m plus c £0.25m of new Sanofi business, a $4m three-year contract started in April. FY12 revenues will dip unless new deals are signed as £1.6m of Novartis revenue drops out.

INDUSTRY OUTLOOK

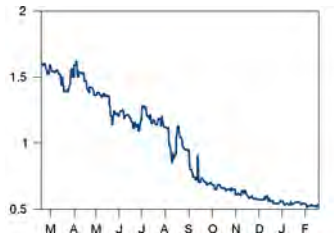
Epistem believes Genedrive (a portable DNA-based diagnostic system for a point-of-care use) will change the shape of the DNA diagnostics market. Preliminary 45-sample test data on tuberculosis was presented. Excluding purified DNA, specificity was low at 86% but sensitivity (10 samples) was 100%. No cancer test was shown. Crime scene DNA fingerprinting on Genedrive needs legal validation.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	5.7	0.5	0.4	3.8	104.6	N/A
2011A	5.8	(0.4)	(0.6)	(7.0)	N/A	N/A
2012E	5.3	(1.0)	(1.1)	(14.1)	N/A	N/A
2013E	5.6	(1.0)	(1.1)	(13.9)	N/A	N/A

Sector: Pharma & Healthcare

Price:	CHF0.53
Market cap:	CHF87m
Forecast net cash (CHFm)	13.9
Forecast gearing ratio (%)	N/A
Market	Swiss Stock Exchange

Share price graph (CHF)



Company description

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

Price performance

%	1m	3m	12m
Actual	(1.9)	(8.6)	(66.9)
Relative*	(4.7)	(17.3)	(64.4)

* % Relative to local index

Analyst

Mick Cooper

Evolva (EVE)

INVESTMENT SUMMARY

Evolva has developed an innovative, synthetic biology platform to create drugs and new production methods for nutritional and consumer health products. It has formed alliances with many partners, including Roche, BASF and IFF. It recently formed a new one with Roquette and will probably form more alliances this year. Its lead pharmaceutical product EV-077 is in a Phase IIa trial for complications associated with diabetes and could be partnered following its completion in mid-2012. Also the vanilla and stevia programmes are around the scale-up stage of development and are ready for partnering. It had cash of CHF30m at H111 and has a CHF30m equity line so it can operate into 2014.

INDUSTRY OUTLOOK

The pharmaceutical industry is continually searching for novel treatments, and manufacturers of nutritional and consumer health products for cheaper production methods and foods with health benefits. Evolva's platform has already created several first-in-class drug candidates and has the potential to reduce manufacturing costs significantly.

Y/E Dec	Revenue (CHFm)	EBITDA (CHFm)	PBT (CHFm)	EPS (CHFc)	P/E (x)	P/CF (x)
2009A	18.9	(6.8)	(9.1)	(14.7)	N/A	N/A
2010A	18.6	(20.7)	(23.5)	(16.7)	N/A	N/A
2011E	10.6	(26.0)	(29.2)	(18.5)	N/A	N/A
2012E	6.9	(26.6)	(29.5)	(17.1)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€2.76
Market cap:	€327m
Forecast net cash (€m)	50.1
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	16.3	13.3	(13.1)
Relative*	7.6	(3.2)	(6.0)

* % Relative to local index

Analyst

Mick Cooper

Evotec (EVT)

INVESTMENT SUMMARY

Evotec reported the first profit in its 17-year history in FY10 after sales grew by 29%. During the first nine months of 2011, sales have grown by 54% and profits should increase in FY11. This year it has formed one new alliance with Roche and two with UCB. Evotec suffered a setback when Roche returned the rights to EVT 101, but it has since out-licensed EVT 302 for Alzheimer's disease in a $830m deal to Roche. Its Type 1 diabetes drug, DiaPep277 (partnered with Andromeda), has also successfully completed its first Phase III trial, which could result in a milestone payment. Evotec had a net cash position of €49.0m at Q311, and its focus on drug discovery alliances gives it a lower risk profile than most biotech companies.

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	42.7	(15.5)	(21.7)	(20.6)	N/A	N/A
2010A	55.3	6.5	4.5	3.8	72.6	171.0
2011E	78.8	29.4	10.6	7.9	34.9	23.3
2012E	86.0	15.7	11.5	9.2	30.0	17.4

Sector: Pharma & Healthcare

Price:	90.8p
Market cap:	£121m
Forecast net cash (£m)	18.2
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

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

Price performance

%	1m	3m	12m
Actual	5.5	(7.0)	(22.0)
Relative*	1.3	(14.9)	(19.4)

* % Relative to local index

Analyst

Lala Gregorek

GW Pharmaceuticals (GWP)

INVESTMENT SUMMARY

GW Pharmaceuticals is an attractive lower-risk speciality pharma investment opportunity, which can be considered in three parts: Sativex commercial, Sativex R&D and Pipeline R&D. Sativex Commercial is already profitable, reflecting GW's transition to a commercial business following EU approvals and launches of Sativex in multiple sclerosis spasticity. Further EU approvals/launches and ex-EU regulatory filings are expected in 2012. The two R&D segments provide significant further upside, especially from Sativex R&D where Phase III cancer pain data is expected by end-2013 and should open up the US market opportunity. A number of non-Sativex clinical trials are also ongoing or planned in metabolic or inflammatory indications.

INDUSTRY OUTLOOK

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

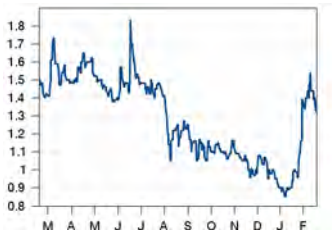
Y/E Sep	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	30.7	5.9	5.2	4.1	22.1	30.0
2011A	29.6	3.7	3.3	2.7	33.6	56.1
2012E	25.1	(5.4)	(6.2)	(3.5)	N/A	N/A
2013E	32.4	(0.1)	(1.0)	0.0	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	€1.38
Market cap:	€20m
Forecast net cash (€m)	1.4
Forecast gearing ratio (%)	N/A
Market	Euronext Paris

Share price graph (€)



Company description

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

Price performance

%	1m	3m	12m
Actual	46.8	32.7	(8.0)
Relative*	39.1	15.7	8.6

* % Relative to local index

Analyst

Mick Cooper

Hybrigenics (ALHYG)

INVESTMENT SUMMARY

Hybrigenics is developing an analogue of vitamin D3, inecalcitol, for treating prostate cancer and severe psoriasis. The drug could be launched in 2017 and generate revenues of c $4bn across these two major indications. A Phase IIa trial in castrate-resistant prostate cancer with inecalcitol in combination with docetaxel (Taxotere) demonstrated its potential in this indication. A Phase II study in 60 patients with severe psoriasis has recently completed recruitment and data should be reported in mid-2012, and could lead to the out-licensing of inecalcitol. The company has also formed a €4m new drug discovery collaboration with Servier and initiated pre-clinical studies of inecalcitol in chronic lymphocytic leukaemia. Its revenues, up 45% in 2011, and €8.8m equity line with Yorkville could fund its operations until the end of FY14.

INDUSTRY OUTLOOK

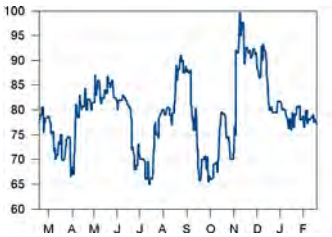
Inecalcitol is being developed in three major indications and faces much competition from existing drugs and those in development. However, its good safety profile could give it an advantage and allow its use in combination with other established therapies.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	4.6	(4.1)	(4.6)	(35.8)	N/A	N/A
2010A	4.6	(4.0)	(4.6)	(34.5)	N/A	N/A
2011E	6.3	(2.6)	(2.9)	(18.8)	N/A	N/A
2012E	5.6	(4.1)	(4.3)	(24.7)	N/A	N/A

Sector: Pharma & Healthcare

Price:	77.0p
Market cap:	£63m
Forecast net cash (£m)	11.4
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	(3.1)	(16.8)	(1.3)
Relative*	(7.0)	(23.8)	2.0

* % Relative to local index

Analyst

ImmuPharma (IMM)

INVESTMENT SUMMARY

ImmuPharma has reclaimed Lupuzor, the lupus candidate, from Cephalon, following Cephalon's acquisition by Teva. Teva has returned all product rights and relevant development/regulatory material. The FDA has agreed an SPA for a Phase III programme, based on the original ImmuPharma Phase IIb study, and granted fast-track status. ImmuPharma therefore has a Phase III-ready project available for immediate partnering. A deal will ideally be concluded in 2012. The Phase I/IIa escalating-dose study of N6L in cancer has completed and results are due in H112. A more potent nano-formulation is expected to enter clinical trials in 2012.

INDUSTRY OUTLOOK

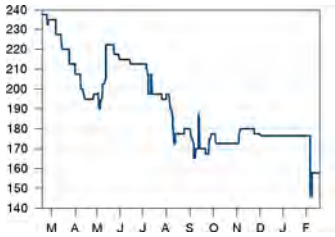
GSK/HGSI Q4 sales of Benlysta were $25.7m - a slower than expected sales uptake due to high price and reimbursement issues.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	22.1	11.8	11.9	14.0	5.5	4.3
2010A	0.0	(4.1)	(4.1)	(4.5)	N/A	N/A
2011E	0.0	(3.1)	(3.1)	(3.8)	N/A	N/A
2012E	0.0	(3.0)	(3.0)	(3.7)	N/A	N/A

Sector: Pharma & Healthcare

Price:	157.5p
Market cap:	£11m
Forecast net debt (US$m)	N/A
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)



Company description

Lifeline Scientific is a US medical technology company that sells LifePort units for kidney graft preservation and transport, plus consumables and preservation solutions. The business is US focused, and expansion in the EU, Brazil and China is under way.

Price performance

%	1m	3m	12m
Actual	(10.8)	(12.5)	(33.7)
Relative*	(14.3)	(19.9)	(31.4)

* % Relative to local index

Analyst

Jacob Plieth

Lifeline Scientific (LSI)

INVESTMENT SUMMARY

In its trading update Lifeline Scientific reports it sold 49 LifePort kidney devices last year (versus 47 sold in 2010), bringing the total worldwide installed base to 441. In 2012 the company expects to make investments to expand geographically and develop the liver transporter, and says operating and product development costs could be well above the 2011 levels and materially higher than expected. After a moderate sales progression over 2011/12, an acceleration is possible in 2013 thanks to new products and the effect of new business in the EU, Brazil and maybe China. Our forecasts are under review.

INDUSTRY OUTLOOK

The 2009 machine perfusion study showed improved clinical outcomes from the use of the LifePort kidney transporter, and other papers have shown overall cost savings. Lifeline has a high share of the organ static preservation market with its SPS-1 solution.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	18.3	3.3	3.0	19.7	12.6	26.0
2010A	23.2	5.0	2.7	13.5	18.4	10.3
2011E	N/A	N/A	N/A	N/A	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price:	0.9p
Market cap:	£38m
Forecast net cash (£m)	7.7
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

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

Price performance

%	1m	3m	12m
Actual	22.6	69.6	(41.5)
Relative*	17.6	55.3	(39.6)

* % Relative to local index

Analyst

Jacob Plieth

Lombard Medical Technologies (LMT)

INVESTMENT SUMMARY

Lombard Medical is focusing on the final stages of the US approval process for Aorfix, its abdominal aortic aneurysm (AAA) device, which could be approved in the US by the end of Q3 of 2012. Data presented at the International Symposium on Endovascular Therapy on a 62-patient roll-in group from the US PYTHAGORAS regulatory study showed no leakage, no graft migration or fracture, and sac shrinkage (or no change in sac growth). Most neck angulations were above 45° - a "challenging" aneurysm anatomy - and the data support the use of Aorfix in a wider patient population than competing devices. In January Ian Ardill was named CFO.

INDUSTRY OUTLOOK

Lombard will compete with larger US corporations to achieve further penetration in the $1.1bn global AAA market on the basis of US FDA approval for Aorfix. The unique high-angle (60-90°) claim and clinical evidence provide a potentially 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)
2009A	2.4	(7.4)	(7.8)	(0.8)	N/A	N/A
2010A	3.0	(8.4)	(8.4)	(0.4)	N/A	N/A
2011E	4.1	(10.4)	(10.4)	(0.3)	N/A	N/A
2012E	6.0	(11.8)	(11.9)	(0.3)	N/A	N/A

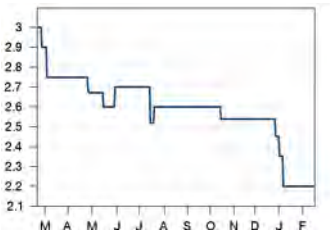
Edison investment research

Sector: Pharma & Healthcare

Medcom Tech (MED)

Price:	€2.20
Market cap:	€21m
Forecast net debt (€m)	8.8
Forecast gearing ratio (%)	69.0
Market	MAB

Share price graph (€)



Company description

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

Price performance

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

* % Relative to local index

Analyst

Mick Cooper

INVESTMENT SUMMARY

Revenues grew by 20% to €12.3m in H111. This marked a rapid return to growth after sales fell by 8% in H210 and despite the market shrinking by over 10%. The growth was driven by an increase in its salesforce and the quality of its portfolio. Its growth prospects have also been expanded by the formation of Italian and Portuguese subsidiaries. However, deteriorating payment terms with hospitals and associated working capital constraints will affect its growth rate in the short term. Medcom Tech is now only promoting new products to hospitals that pay within 120 days, which account for c 60% of its sales. It is also reducing its inventory levels after implementing a SAP system to improve its working capital efficiency.

INDUSTRY OUTLOOK

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

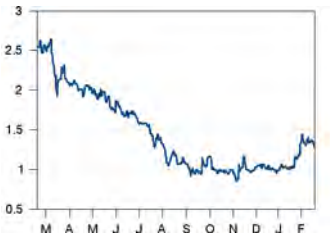
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	10.1	2.8	2.1	23.9	9.2	N/A
2010A	12.3	2.5	1.8	16.3	13.5	N/A
2011E	14.8	1.8	0.8	8.8	25.0	N/A
2012E	17.9	3.7	2.5	20.2	10.9	9.1

Sector: Pharma & Healthcare

MediGene (MDG)

Price:	€1.28
Market cap:	€48m
Forecast net cash (€m)	11.6
Forecast gearing ratio (%)	N/A
Market	Deutsche Borse

Share price graph (€)



Company description

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

Price performance

%	1m	3m	12m
Actual	24.3	28.5	(49.5)
Relative*	14.9	9.8	(45.4)

* % Relative to local index

Analyst

Jacob Plieth

INVESTMENT SUMMARY

The upside for MediGene hinges on a successful partnering deal for EndoTAG-1 and perhaps RhuDex, its principal R&D assets. Because of legacy issues partnering EndoTAG-1 has been played down, but this should not detract from recently published Phase II study data, which demonstrated a positive effect on median overall survival in triple-negative breast cancer. Meanwhile, a dynamically designed clinical formulation study of RhuDex, a rheumatoid arthritis project, began recently and should yield data around the middle of this year.

INDUSTRY OUTLOOK

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

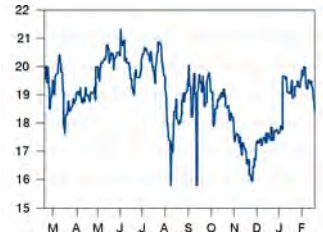
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	2.8	(24.1)	(26.3)	(77.0)	N/A	N/A
2010A	2.3	(17.3)	(17.3)	(47.2)	N/A	N/A
2011E	4.1	(11.4)	(13.4)	(33.3)	N/A	7.4
2012E	5.0	(11.8)	(12.2)	(30.1)	N/A	N/A

Sector: Pharma & Healthcare

MorphoSys (MOR)

Price:	€18.40
Market cap:	€424m
Forecast net cash (€m)	132.8
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)



Company description

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

Price performance

%	1m	3m	12m
Actual	(4.3)	11.2	(5.9)
Relative*	(11.5)	(5.0)	1.8

* % Relative to local index

Analyst

Mick Cooper

INVESTMENT SUMMARY

MorphoSys is a profitable biotechnology company with a broad portfolio of products and partnerships based on its HuCAL antibody platform. It earns c €40m pa from its 10-year collaboration with Novartis. MorphoSys has also launched a new antibody platform, Ylanthia, so it could form major new alliances. It has 18 products in clinical studies, three of which are proprietary (MOR202 started a Phase I/II study in relapsed or refractory multiple myeloma in Q211), and c 60 more programmes in discovery and preclinical development. Data from a Phase II study in rheumatoid arthritis with its lead unpartnered product, MOR103, in H112 could lead to the product being out-licensed. MorphoSys had cash of €143m at the end of Q311.

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.

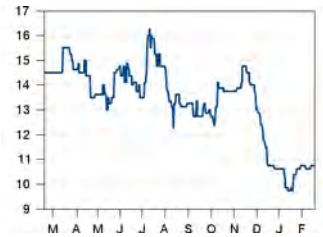
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	81.0	16.8	17.1	56.5	32.6	N/A
2010A	87.0	16.0	17.9	59.2	31.1	91.4
2011E	103.0	18.2	18.7	55.4	33.2	13.6
2012E	77.5	6.0	6.4	25.2	73.0	77.2

Sector: Pharma & Healthcare

Omega Diagnostics (ODX)

Price:	10.8p
Market cap:	£9m
Forecast net cash (£m)	0.1
Forecast gearing ratio (%)	N/A
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	8.9	(25.9)	(25.9)
Relative*	4.5	(32.1)	(23.4)

* % Relative to local index

Analyst

John Savin

INVESTMENT SUMMARY

Omega reported H112 sales of £5.53m, giving a PBT of £427k; food intolerance testing yielded £1.84m. Of this, Genarrayt sales were down marginally at £715k (down 6% from £759k in FY10) but Food Detective sales were £513k, up 39%. Infectious disease testing grew 2% to £1.4m. The Allergy division acquired last year (plus autoimmune sales) added £2.28m. Omega has strengthened its management team. An Indian subsidiary could replace the current Indian distributor and will sell allergy tests from FY13. Progress in moving the 600 Allergozyme tests to the automated iSYS system is well advanced with a whole IgE test already validated on the system. However, the initial, 50-100 core test menu will not be ready until December 2012.

INDUSTRY OUTLOOK

Omega's allergy division tests for IgE, the clinical basis of allergy, rather than IgG, the basis of its food intolerance tests. The allergy test market is worth c $600m and dominated by Phadia, sold to Thermo-Fisher for €2.47bn in May 2011.

Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	6.2	0.7	0.6	2.9	3.7	9.8
2011A	7.9	0.9	0.7	1.7	6.4	5.4
2012E	11.5	1.2	0.9	0.9	12.0	18.5
2013E	13.0	1.6	1.4	1.3	8.3	6.5

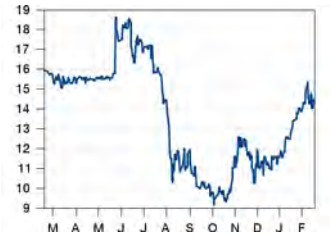
Edison investment research

Sector: Pharma & Healthcare

OncoGenex Pharmaceuticals (OGXI)

Price:	US$14.28
Market cap:	US$139m
Forecast net cash (US$m)	60.3
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)



Company description

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

Price performance

%	1m	3m	12m
Actual	10.7	22.7	(10.5)
Relative*	5.2	9.6	(11.8)

* % Relative to local index

Analyst

Mick Cooper

INVESTMENT SUMMARY

OncoGenex has two promising antisense therapies in clinical trials, both with the potential to treat many cancers. Its lead product, custirsen, is in two Phase III trials, SYNERGY and SATURN, in castration resistant prostate cancer (CRPC); both studies should report data in Q413 and a third Phase III trial in non-small cell lung cancer should start in 2012. In a Phase II study in CRPC, custirsen increased median overall survival by 41% to 23.8 months, and was well tolerated in all clinical trials. Custirsen was out-licensed to Teva in 2009 in a deal worth $430m (Oncogenex has co-promotion rights in Canada and US). Its second clinical drug OGX-427 demonstrated promising anti-tumour activity in a Phase II in CRPC and Phase I in bladder cancer and was well tolerated. It had a net cash of $68m at Q311.

INDUSTRY OUTLOOK

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

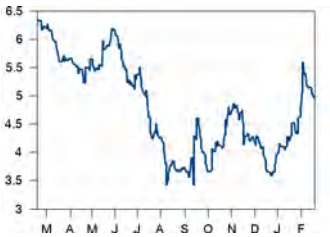
Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	25.5	1.4	1.5	25.9	55.1	2.4
2010A	13.6	(10.7)	(11.5)	(164.2)	N/A	N/A
2011E	6.4	(20.5)	(11.3)	(115.7)	N/A	N/A
2012E	8.5	(19.5)	(19.5)	(198.7)	N/A	N/A

Sector: Pharma & Healthcare

Oncolytics Biotech (ONC)

Price:	C$4.94
Market cap:	C$377m
Forecast net cash (C$m)	40.7
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	16.0	15.4	(22.2)
Relative*	13.9	10.4	(11.7)

* % Relative to local index

Analyst

Wang Chong

INVESTMENT SUMMARY

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

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	0.0	(16.0)	(16.0)	(26.1)	N/A	N/A
2010A	0.0	(20.0)	(20.0)	(29.5)	N/A	N/A
2011E	0.0	(30.8)	(30.7)	(41.9)	N/A	N/A
2012E	0.0	(29.2)	(29.2)	(36.2)	N/A	N/A

Sector: Pharma & Healthcare

Price:	2.9p
Market cap:	£27m
Forecast net cash (£m)	17.6
Forecast gearing ratio (%)	N/A
Market	FULL

Share price graph (p)

Company description

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

Price performance

%	1m	3m	12m
Actual	(5.7)	(43.1)	(58.5)
Relative*	(9.5)	(48.0)	(57.1)

* % Relative to local index

Analyst

Lala Gregorek

Oxford BioMedica (OXB)

INVESTMENT SUMMARY

Oxford BioMedica's investment case rests on partnering Parkinson's disease gene therapy, ProSavin, and successful development of its ocular assets, leading to Sanofi opting in to its development and commercialisation licence. DMC review of all four Phase I/II ProSavin dose cohorts confirmed long-term efficacy and safety; six-month data are expected in H112. However, a new construct facilitating higher dosing is being evaluated, delaying its development timeline and potentially partnering. Three ocular projects are in the clinic and Phase II TroVax trial starts are imminent. Last reported cash of £17.5m (unaudited) provides funds into Q113, when the ProSavin Phase IIa/b should initiate. A capital raise will be needed if significant milestones from Sanofi and/or an upfront on ProSavin do not materialise this year.

INDUSTRY OUTLOOK

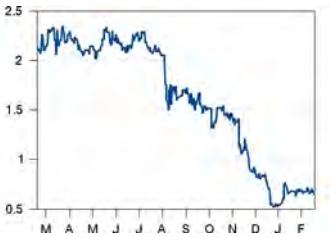
Gene therapy can correct dysfunctional cells and/or create endogenous therapeutic protein factories. Neurologix's Phase II PD therapy NLX-101 uses a similar approach, but ocular disease is a novel area of unmet need.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	19.1	(0.5)	(0.2)	0.3	9.7	17.3
2010A	11.2	(6.5)	(6.6)	(0.9)	N/A	N/A
2011E	10.2	(8.8)	(8.8)	(0.8)	N/A	N/A
2012E	6.4	(11.2)	(12.0)	(1.1)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€0.65
Market cap:	€17m
Forecast net cash (€m)	0.6
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)



Company description

Paion is a biopharmaceutical company specialising in the development of CNS products. The company has five NCEs in its R&D portfolio, with the lead programme, desmoteplase, partnered with Lundbeck.

Price performance

%	1m	3m	12m
Actual	(4.6)	(43.3)	(69.1)
Relative*	(11.7)	(51.6)	(66.5)

* % Relative to local index

Analyst

Jacob Plieth

Paion (PA8)

INVESTMENT SUMMARY

Paion remains focused on striking a licensing deal for remimazolam, and a recently announced cost-cutting plan should enable current cash reserves to last an extra two or three quarters until the second quarter of 2013. At this point Phase III data should have been generated by Lundbeck from desmoteplase and milestones might be due; Lundbeck has confirmed that the two Phase III studies of desmoteplase are proceeding as planned, with first filing planned for 2014. Paion expects to finish 2011 with gross cash of €7.5m (€0.7m net), although a €7m subordinated loan becomes repayable in April 2013.

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 reduced chances of partnering the project will lead to a EUR6.1m impairment charge against 2011 financials.

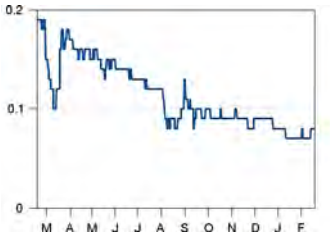
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	1.5	(12.7)	(13.1)	(51.8)	N/A	N/A
2010A	4.5	(7.7)	(8.4)	(32.1)	N/A	N/A
2011E	3.2	(6.0)	(6.6)	(25.0)	N/A	N/A
2012E	0.7	(2.5)	(3.3)	(11.7)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	€0.08
Market cap:	€43m
Forecast net debt (€m)	6.2
Forecast gearing ratio (%)	123.0
Market	AMS

Share price graph (€)



Company description

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

Price performance

%	1m	3m	12m
Actual	14.3	(13.0)	(58.8)
Relative*	10.0	(23.0)	(53.1)

* % Relative to local index

Analyst

John Savin

Pharming Group (PHARM)

INVESTMENT SUMMARY

The Q3 results showed YTD revenue of €2.3m mainly from recognition of 2010 income from license partners. Sobi disclosed end-user sales YTD of SEK1m. Operating costs were €15.1m, in line with 2010 ongoing expenses after discontinued DNage costs. The loss was €13.3m. Cash was €9.8m giving funding into Q212. The deal with Sobi was restructured during August, with more territories added. As reimbursement is agreed with individual EU countries and Holland has been added, sales of Ruconest should steadily develop. The FDA-required Phase III Rhucin trial is underway for a H212 reporting date. This could trigger a 2012 $10m milestone plus a $5m fee on FDA acceptance of the BLA, probably Q113.

INDUSTRY OUTLOOK

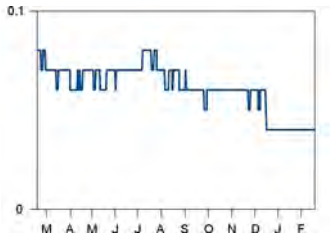
Cinryze has approval for a combined acute and prophylactic use is being EU marketed. US prophylaxis sales in 2011 will be $260m. Dyax's Kalbitor US sales YTD were $15.9m with $24m expected for 2011. Shire's Firazyr sold $11m in the EU, up 88%, and was given FDA approval in 25 August.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	1.1	(26.7)	(31.1)	(27.0)	N/A	N/A
2010A	1.8	(3.7)	(20.7)	(3.9)	N/A	N/A
2011E	8.4	(15.1)	(15.7)	(3.4)	N/A	N/A
2012E	9.6	(14.9)	(15.6)	(3.4)	N/A	N/A

Sector: Pharma & Healthcare

Price:	A$0.04
Market cap:	A$16m
Forecast net cash (A$m)	5.9
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)



Company description

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

Price performance

%	1m	3m	12m
Actual	(5.3)	(35.7)	(52.6)
Relative*	(5.2)	(35.0)	(44.3)

* % Relative to local index

Analyst

Lala Gregorek

Phylogica (PYC)

INVESTMENT SUMMARY

Phylogica's fourth drug discovery alliance is a multi-target collaboration and option deal with Janssen Biotech. It is focused on identifying new cell-penetrating Phylomer peptides and could cover up to 11 products. Phylogica will receive an undisclosed upfront and committed funding for 18 months, with terms for downstream progress under discussion. This cash inflow, the recent Pfizer milestone and A$2m equity raise, bolster Phylogica's financials and should help to achieve targeted cash sustainability in 2012/2013. Key to Phylogica's future success is the monetisation of its proprietary discovery platform by regularly signing up new partners and achieving milestones under its four current collaborations.

INDUSTRY OUTLOOK

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

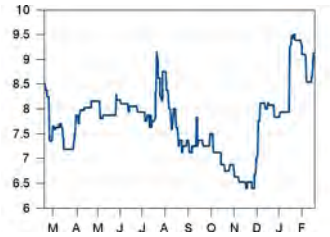
Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.6	(4.1)	(4.1)	(18.21)	N/A	N/A
2011A	2.4	(3.5)	(3.5)	(12.06)	N/A	N/A
2012E	5.2	(0.9)	(0.9)	(1.96)	N/A	N/A
2013E	5.7	(0.6)	(0.6)	(0.32)	N/A	N/A

Sector: Pharma & Healthcare

Phytopharm (PYM)

Price:	9.1p
Market cap:	£32m
Forecast net cash (£m)	9.9
Forecast gearing ratio (%)	N/A
Market	FULL

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	(1.9)	42.6	7.3
Relative*	(5.9)	30.5	11.0

* % Relative to local index

Analyst

Jacob Plieth

INVESTMENT SUMMARY

Positive preliminary data with Cogane in an amyotrophic lateral sclerosis model should increase confidence in Phytopharm's strategy to position the chemically related Cogane and Myogane as two projects that can be licensed out separately. The company believes if it can establish evidence of efficacy in two different models, this would support licensing activity separately for neurodegenerative diseases and glaucoma. A 400-patient Phase II study (CONFIDENT-PD) in Parkinson's disease, Cogane's primary indication, is 75% recruited and should yield data around the end of 2012.

INDUSTRY OUTLOOK

Potential partners could quickly advance the development of Cogane, an orally active agent, for neurodegenerative indications based on existing supportive data packages. Meanwhile, Myogane could be licensed out separately based on the outcome of a preclinical study in glaucoma, which is due to read out in April 2012.

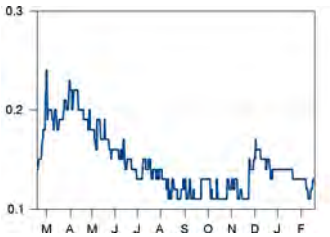
Y/E Sep	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.7	(4.3)	(4.1)	(1.3)	N/A	N/A
2011A	0.1	(8.4)	(8.0)	(2.2)	N/A	N/A
2012E	0.0	(8.9)	(8.7)	(2.3)	N/A	N/A
2013E	0.0	(9.3)	(9.2)	(2.4)	N/A	N/A

Sector: Pharma & Healthcare

ProMetic Life Sciences (PLI)

Price:	C$0.13
Market cap:	C$50m
Forecast net debt (C$m)	4.1
Forecast gearing ratio (%)	185.0
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	(13.8)	13.6	(13.8)
Relative*	(15.3)	8.7	(2.2)

* % Relative to local index

Analyst

Lala Gregorek

INVESTMENT SUMMARY

Confirmed purchase orders/service revenues from key clients has improved ProMetic's visibility on near-term revenues. The investment case remains geared to deriving greater value from proprietary ligand enabling technologies by moving up the value chain via production scale up and developing higher-value/less-commoditised technologies. Prometic is emerging from a period with a gap in major orders and expects 2012 to be a stronger year for revenues. A recent secured loan restructuring (one-year deferral for repayment of $4m) and $1m strategic equity investment has improved funding. Business focus is on NewCo validation (plasma-derived therapies manufacturing subsidiary), boosting bio-separation and prion reduction resin sales, and securing further partners for its novel oral small molecule drugs.

INDUSTRY OUTLOOK

Other catalysts with the potential to boost revenues and sentiment include progress with product development partnerships, European commercialisation of the P-Capt prion reduction filter, and securing its funding base.

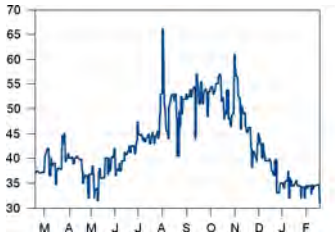
Y/E Dec	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2009A	13.6	(6.3)	(8.9)	(2.9)	N/A	N/A
2010A	11.4	(8.4)	(10.4)	(3.2)	N/A	N/A
2011E	18.7	0.2	(0.9)	(0.6)	N/A	N/A
2012E	26.3	2.1	1.5	0.2	65.0	16.4

Edison investment research

Sector: Pharma & Healthcare

Price:	31.0p
Market cap:	£7m
Forecast net debt (£m)	102.2
Forecast gearing ratio (%)	124.0
Market	FULL

Share price graph (p)



Company description

SkyePharma is a drug delivery specialist that uses its technologies to develop new formulations of established drugs, bringing clinical and life cycle management benefits.

Price performance

%	1m	3m	12m
Actual	(11.4)	(33.0)	(16.2)
Relative*	(15.0)	(38.6)	(13.4)

* % Relative to local index

Analyst

Jacob Plieth

SkyePharma (SKP)

INVESTMENT SUMMARY

SkyePharma's newly appointed CEO, the former finance chief Peter Grant, should be well placed to negotiate the refinancing of the group's £83m of convertible bonds. SkyePharma remains focused on the EU approval of Flutiform, whose EU approval is to be determined by arbitration at the CHMP after a 60-day referral failed to yield a unanimous decision; launch is possible in late 2012. The earlier US approval of Pacira Pharmaceuticals' post-surgical analgesia treatment, Exparel, puts SkyePharma in line to receive a $10m launch milestone this year, followed by deferred payments equal to 3% of Exparel's net sales.

INDUSTRY OUTLOOK

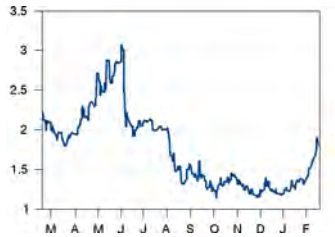
The investment case for SkyePharma is centred on the EU approval of Flutiform and the potential refinancing of its £83m of convertible bonds. Flutiform is an inhaled corticosteroid/long-acting beta-agonist combination product of fluticasone and formoterol that has been developed for treating asthma.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	55.9	19.4	1.9	6.0	5.2	0.4
2010A	58.1	18.9	8.3	33.8	0.9	0.3
2011E	47.5	10.6	(3.1)	(14.1)	N/A	0.7
2012E	66.2	22.6	9.0	36.3	0.9	0.3

Sector: Pharma & Healthcare

Price:	US$1.82
Market cap:	US$85m
Forecast net cash (US$m)	38.3
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)



Company description

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

Price performance

%	1m	3m	12m
Actual	45.6	52.9	(17.6)
Relative*	38.4	36.6	(18.9)

* % Relative to local index

Analyst

Robin Davison

Sunesis Pharmaceuticals (SNSS)

INVESTMENT SUMMARY

Sunesis's principal investigators and collaborators provided a reassuring endorsement of the design and objectives of the VALOR study at recent investor conferences. This Phase III study, which examines vosaroxin in relapsed/refractory acute myeloid leukaemia (AML), is critical to the investment case. Meanwhile, Sunesis set up and drew down the first $10m of a new $25m tranched loan facility that should provide it with adequate funding to reach the end of the study if enrolment is expanded as a result of the interim analysis. Its Q3 cash position stood at $41.8m. Our rNPV model for Sunesis considers vosaroxin only and yields a valuation of $250m, of which $220m relates to the AML indication.

INDUSTRY OUTLOOK

Of the range of alternative treatments for AML, Dacogen is the most advanced - Eisai/J&J received approval earlier this year for its NDA for the drug. Other programs will report in the near term, including a 300-patient Phase II study of Astellas's Quiztarnib.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	3.8	(18.8)	(18.2)	(4773.7)	N/A	N/A
2010A	0.0	(21.3)	(24.6)	(593.4)	N/A	N/A
2011E	5.0	(24.5)	(17.6)	(39.6)	N/A	N/A
2012E	0.0	(28.6)	(26.6)	(57.0)	N/A	N/A

Sector: Pharma & Healthcare

Synta Pharmaceuticals (SNTA)

Price:	US$5.46
Market cap:	US$308m
Forecast net cash (US$m)	19.5
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	18.2	58.7	5.8
Relative*	12.3	41.8	4.2

* % Relative to local index

Analyst

Robin Davison

INVESTMENT SUMMARY

Synta is planning to initiate registrational studies of ganetespib in ALK-positive non-small cell lung cancer, breast cancer and acute myeloid leukaemia in 2012. These studies, some with partners, will run in parallel with its registration-directed Phase IIb/III study in the NSCLC due to report by Q2. Recent preclinical data support synergy between ganetespib and microtubule agents. Synta is directing substantially all of its resources towards ganetespib, and we assume it will now only initiate the planned Phase II study of elesclomol in NSCLC if partnered. However, it continues to indicate a likelihood of it closing a global or regional partnership (on its CRACM assets, now returned by Roche, or elesclomol) by early 2012. Q4 results are due in February.

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	144.2	83.3	80.3	237.0	2.3	N/A
2010A	14.8	(34.4)	(37.5)	(92.8)	N/A	N/A
2011E	5.6	(46.1)	(49.7)	(104.4)	N/A	N/A
2012E	4.4	(57.3)	(60.1)	(121.6)	N/A	N/A

Sector: Pharma & Healthcare

TiGenix NV (TIGB)

Price:	€0.67
Market cap:	€61m
Forecast net cash (€m)	10.5
Forecast gearing ratio (%)	N/A
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	(6.9)	1.5	(52.7)
Relative*	(12.0)	(9.2)	(42.6)

* % Relative to local index

Analyst

John Savin

INVESTMENT SUMMARY

TiGenix's adipose stem cell (ASC) therapy, Cx601, is entering Phase III to treat perianal fistulas. About 60% of Crohn's patients have few other treatment options; excellent Phase II data with the earlier (autologous) product was obtained. TiGenix also has the only EMA approved cell therapy, ChondroCelect (an autologous cell product) to repair damaged knee cartilage. ChondroCelect produces higher-quality cartilage with five-year clinical superiority. An exploratory Phase IIa in rheumatoid arthritis using ASCs is running. Subsequent studies will be run in a focused condition.

INDUSTRY OUTLOOK

In cartilage repair, ATMP regulations within the EU might drive other products from the market in 2013, but this is not certain. ChondroCelect sells for €18,000 per implant so 2,500 implantations a year (in 2011, 85) should take TiGenix to profit. In Crohn's disease, about 120,000 patients in the EU and US have fistulas. With direct EU sales from 2016 plus an anticipated US parner, Cx601 could be highly lucrative.

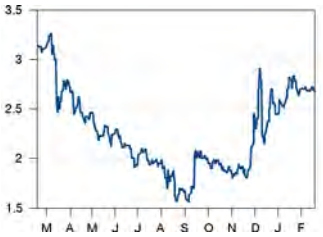
Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	1.0	(11.5)	(11.8)	(46.3)	N/A	N/A
2010A	2.4	(13.1)	(13.2)	(41.5)	N/A	N/A
2011E	1.7	(18.8)	(19.6)	(28.6)	N/A	N/A
2012E	5.1	(16.1)	(17.1)	(19.4)	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	DKK2.67
Market cap:	DKK354m
Forecast net cash (DKKm)	112.8
Forecast gearing ratio (%)	N/A
Market	OMX

Share price graph (DKK)



Company description

TopoTarget is a Danish drug development and marketing company focused on the field of oncology. Its lead product is belinostat and it has out-licensed its North American and India rights to Spectrum.

Price performance

%	1m	3m	12m
Actual	(5.0)	45.9	(15.0)
Relative*	(14.3)	21.9	(10.5)

* % Relative to local index

Analyst

Mick Cooper

TopoTarget (TOPO)

INVESTMENT SUMMARY

TopoTarget's prospects are closely tied to those of its lead drug, belinostat, which is partnered with Spectrum Pharmaceuticals. It is in a pivotal Phase II trial, BELIEF, for peripheral T-cell lymphoma (PTCL), which should render results in H112 (recruitment completed). If positive, this could lead to the drug's approval in the US in 2013. The drug is also being developed for cancer of unknown primary (CUP) and non-small cell lung cancer (NSCLC). Data from a Phase II study in CUP are expected in H112 and two Phase II studies in NSCLC are underway. TopoTarget's net cash position was DKK132m (c $24m) at Q311, which should enable the company to operate into Q213 after its recently completed restructuring.

INDUSTRY OUTLOOK

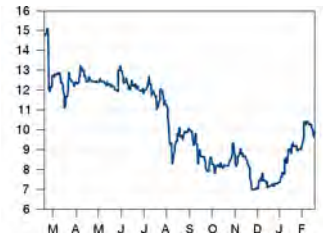
TopoTarget's belinostat belongs to the class of drugs called histone deacetylase inhibitors (HDACi). Two such drugs have been approved and nine others are in clinical development. However, belinostat has a favourable safety profile and could be the first HDACi approved for the treatment of solid tumours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

Y/E Dec	Revenue (DKKm)	EBITDA (DKKm)	PBT (DKKm)	EPS (DKK)	P/E (x)	P/CF (x)
2009A	44.0	(106.8)	(131.5)	(1.30)	N/A	N/A
2010A	129.0	(7.2)	(10.1)	0.26	10.3	0.1
2011E	81.6	(29.6)	(34.3)	(0.26)	N/A	N/A
2012E	18.8	(78.2)	(80.8)	(0.61)	N/A	N/A

Sector: Pharma & Healthcare

Price:	€9.94
Market cap:	€315m
Forecast net cash (€m)	114.0
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	12.6	20.2	(32.6)
Relative*	6.6	4.8	(20.4)

* % Relative to local index

Analyst

Mick Cooper

Transgene (TNG)

INVESTMENT SUMMARY

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

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	11.8	(25.1)	(27.0)	(122.0)	N/A	N/A
2010A	14.1	(32.2)	(33.8)	(122.5)	N/A	N/A
2011E	14.6	(36.4)	(37.7)	(119.1)	N/A	N/A
2012E	13.3	(42.3)	(44.3)	(139.8)	N/A	N/A

Sector: Pharma & Healthcare

Vectura (VEC)

Price:	58.0p
Market cap:	£192m
Forecast net cash (£m)	67.0
Forecast gearing ratio (%)	N/A
Market	FULL

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	0.0	(0.8)	(25.6)
Relative*	(4.0)	(9.2)	(23.1)

* % Relative to local index

Analyst

Lala Gregorek

INVESTMENT SUMMARY

Vectura achieved important milestones in 2011 (NVA237 filing in Europe and Japan) and has a solid financial base (£80.2m in cash, maiden interim profit). However its share price has been impacted by regulatory concerns affecting the timeline and perceived approvability of its branded drugs NVA237 and QVA149 in the US and generic VR315 in the EU. While there is risk of further timeline slippage until FDA/EMA requirements become clearer, Vectura has a sufficient financial buffer and potential for further deals (pipeline assets or its IP and technology platforms). The current share price already discounts these concerns, representing a buying opportunity, ahead of expected EU approval of NVA237 and Phase III data for QVA149 later in the year. Interims report on 30 May.

INDUSTRY OUTLOOK

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

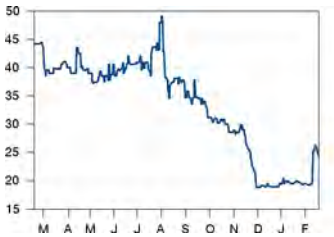
Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	40.1	(1.6)	(1.7)	0.6	96.7	N/A
2011A	42.9	3.0	1.7	1.9	30.5	69.9
2012E	31.2	(7.2)	(7.9)	(1.4)	N/A	N/A
2013E	24.4	(14.9)	(15.7)	(3.7)	N/A	N/A

Sector: Pharma & Healthcare

Vernalis (VER)

Price:	24.2p
Market cap:	£25m
Forecast net cash (£m)	23.5
Forecast gearing ratio (%)	N/A
Market	FULL

Share price graph (p)



Company description

Vernalis is a revenue-generating UK biotech with an early to mid-stage development pipeline targeting indications in CNS and cancer, and significant expertise in fragment and structure-based drug discovery.

Price performance

%	1m	3m	12m
Actual	24.4	(6.7)	(45.0)
Relative*	19.4	(14.6)	(43.2)

* % Relative to local index

Analyst

Lala Gregorek

INVESTMENT SUMMARY

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

INDUSTRY OUTLOOK

The Tris deal provides Vernalis with a fast clinical and regulatory path into the large and valuable $2bn US prescription cough/cold market. First launch is potentially in 24-36 months. 2012 should also bring Phase I V18444 data(Parkinson's disease) and new trial starts: Phase II/III tosedostat (AML/MDS), Phase II V158866 (pain), potential V85546 Phase II, and clinical entry of V158411.

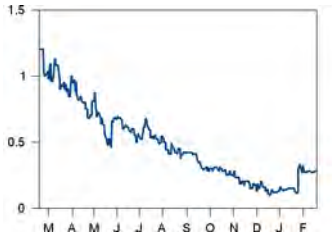
Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	13.0	(6.5)	(10.9)	(19.2)	N/A	N/A
2010A	14.2	(2.0)	(3.4)	(1.0)	N/A	N/A
2011E	11.2	(5.5)	(5.5)	(2.8)	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A

Edison investment research

Sector: Pharma & Healthcare

Price:	US$0.28
Market cap:	US$16m
Forecast net debt (US$m)	N/A
Forecast gearing ratio (%)	N/A
Market	OTC

Share price graph (US$)



Company description

WaferGen Biosystems is a leader in the development, manufacture and sale of state-of-the-art systems for gene expression, genotyping, cell biology and stem cell research for life science and pharmaceutical industries.

Price performance

%	1m	3m	12m
Actual	(16.4)	(33.3)	(80.0)
Relative*	(17.9)	(36.2)	(77.3)

* % Relative to local index

Analyst

John Savin

WaferGen (WGBS)

INVESTMENT SUMMARY

Q3 sales picked up marginally to $89k ($44k in Q2). This implies six months without any system sales and low rates of SmartChip use. The operating loss YTD is $13.4m. After the $30.4m May fund raising, cash on 30 September was $19.8m. There is an annualised cash outflow of $18.1m before funding. The expected 30k SmartChip may help FY12 sales. WaferGen urgently needs to boost its published applications to help generate sales. Good H112 sales performance will help cut the burn otherwise the company will need to cut costs urgently. The CEO has resigned but remains as chairman; a senior management team is fulfilling the CEO duties until a new appointment. Key investors have now joined the board. We have suspended our forecasts.

INDUSTRY OUTLOOK

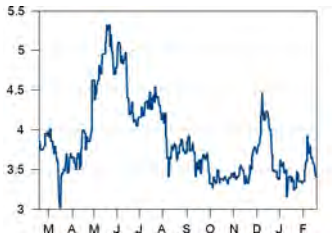
In Q3, Bio-Rad paid $162m for QuantaLife to get its not-yet-launched digital PCR system. Roche has bid $5.7bn for Illumina to gain a position in the increasingly important direct DNA sequencing market. Fast benchtop sequencing is a fast-emerging technology.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	0.4	(9.5)	(10.0)	(37.0)	N/A	N/A
2010A	2.2	(12.0)	(12.5)	(35.6)	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price:	€3.40
Market cap:	€84m
Forecast net debt (€m)	6.6
Forecast gearing ratio (%)	45.0
Market	FRA

Share price graph (€)



Company description

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

Price performance

%	1m	3m	12m
Actual	0.4	2.3	(10.7)
Relative*	(7.1)	(12.6)	(3.5)

* % Relative to local index

Analyst

Jacob Plieth

WILEX (WL6)

INVESTMENT SUMMARY

Wilex's rights issue has brought it an extra €10m of cash before costs, providing crucial funds as a bridge to final data from the Phase III ARISER study of Rencarex. Moreover, the option to receive EU commercial rights to an undisclosed marketed oncology product, which we believe to be Proleukin, remains in play. Final data from ARISER – now due in late 2012 – is an important investment trigger that could lead to filing in 2013. Separately, Wilex appointed Dr Walter Carney as chief scientific officer and secured R&D funding of up to €2.6m from the German Federal Ministry of Education and Research, to develop the PI3K inhibitor WX-037.

INDUSTRY OUTLOOK

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

Y/E Nov	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	13.0	(12.5)	(12.5)	(93.4)	N/A	N/A
2010A	1.3	(22.4)	(22.5)	(134.4)	N/A	N/A
2011E	10.9	(15.9)	(16.5)	(76.8)	N/A	N/A
2012E	15.5	(9.4)	(10.1)	(41.8)	N/A	N/A

Sector: Pharma & Healthcare

Price:	C$2.24
Market cap:	C$261m
Forecast net cash (C$m)	60.0
Forecast gearing ratio (%)	N/A
Market	AMEX, TSX

Share price graph (C$)

Company description

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

Price performance

%	1m	3m	12m
Actual	35.8	31.0	(6.7)
Relative*	33.3	25.3	5.9

* % Relative to local index

Analyst

Jacob Plieth

YM BioSciences (YM)

INVESTMENT SUMMARY

Data reported at the American Society of Hematology meeting in December confirms the positive anaemia response from a Phase I/II trial of YM BioSciences' (YM) lead project, CYT387, underscoring the JAK inhibitor's competitive profile and pointing the way towards a Phase III programme that should begin in mid-2012. The recent steady share price increase likely reflects added confidence in this project and the prospects of it attracting a licensing partner. YM finished its fiscal second quarter (December 2011) with a strong net cash position of C$67.9m.

INDUSTRY OUTLOOK

CYT387 is one of the most advanced unpartnered JAK1/2 inhibitors in development, and has a potential efficacy advantage: there was 54% transfusion independence at 84 days, with median duration of the transfusion-free period yet to be determined. Incyte/Novartis's ruxolitinib (Jakafi) is the most advanced competing JAK inhibitor and has been approved in the US for myelofibrosis.

Y/E Jun	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	2.6	(17.3)	(17.3)	(26.8)	N/A	N/A
2011A	1.0	(24.4)	(24.0)	(25.7)	N/A	N/A
2012E	1.0	(31.7)	(31.5)	(26.2)	N/A	N/A
2013E	1.0	(35.7)	(35.6)	(28.7)	N/A	N/A

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