EDISON

Edison healthcare quarterly

June 2014

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The Edison healthcare team

Dr Mick Cooper

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

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.

Franc Gregori

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

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.

Dr Philippa Gardner

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

Pooya Hemami

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

Dr 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.

Dr Jason Zhang

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

Dr 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.

Charlotte Hetzel

Charlotte joined Edison's healthcare team in April 2014 having previously worked as a pharmaceuticals sell-side analyst at Lehman Brothers for 10 years, covering large- and mid-cap European pharmaceutical and biotechnology stocks. Before that she worked as a consultant on sales strategies to the pharma industry. Charlotte holds a biology degree and a doctorate from Imperial College London.

Hans Bostrom

Hans joined Edison's healthcare team in April 2014. He has 16 years' experience as a medtech analyst on the sell-side (Goldman Sachs, BNP Paribas and Handelsbanken) and two years on the buy-side (Moneta Asset Management) as a general analyst. During 2005-10, Hans was ranked number two in the annual Institutional Investor Survey in the European medical technologies and services sectors.

Hans holds an MSc in financial economics from the Stockholm School of Economics, Sweden.

EDISON

It’s getting personal

Incorporating a biomarker programme into drug development with the aim of identifying companion diagnostics (CDx) could offer a number of advantages. These include the ability to identify patients most likely to respond to or better tolerate a given agent, potentially improving the chances of clinical success, regulatory approval and reimbursement from healthcare payers. However, it is only recently that the rate of development and regulatory approvals for targeted agent/diagnostic combinations has accelerated. Herceptin was the flagship for the CDx field and unsurprisingly, the majority of drugs with a requirement for genetic testing remain in cancer. However, biomarker development is broadening to other indications, and companies now seem to be more proactively considering biomarker development at earlier stages of development.

Biomarker focus has been in cancer…

Herceptin, an anti-HER2 antibody, was the flagship for the CDx field, approved in 1998 to treat breast cancers that overexpress the HER2 protein, identified by a diagnostic assay. According to PharmGKB there are now nearly 160 approved drugs that have pharmacogenomics (PGx) biomarker information in their labels. Only around 25% of these require genetic testing prior to administration, and of these >60% are cancer agents. Recent cancer drug approvals highlight the inherent value of the CDx approach, with multiple targeted agents approved in metastatic melanoma following decades of research failures and lack of treatment options. Likewise, there have also been recent approvals of new agents for non-small cell lung cancer (NSCLC), a notoriously head-to-treat cancer. Around one-third of cancer drugs approved since 2000 have a requirement for genetic testing.

…but this is broadening to other indications

Outside the oncology arena, identifying suitable biomarkers and developing companion diagnostics is more of a challenge and protein biomarkers will also be required. The genetically-based, rare, orphan drug indications are well-suited for CDx, and the approval in 2012 of ivacaftor (Kalydeco) for cystic fibrosis patients with a CFTR gene mutation, is a recent example. In addition, within our coverage universe, HIV, allergy immunotherapy, alzheimer’s disease and stroke, among others, are areas where biomarker development is ongoing.

Biomarker balance

Despite recent trends and the persuasive clinical/economic arguments, company valuations do not necessarily reflect active biomarker/diagnostics programmes. However, this should not dissuade companies from pursuing biomarker development; early consideration of such a strategy could be a key component for securing approval and favourable pricing. Nevertheless, there is a balance to be struck – biomarker identification is not a straightforward process and selection is not without risk; an incorrect choice early on in development can be costly.

30 June 2014

Analysts

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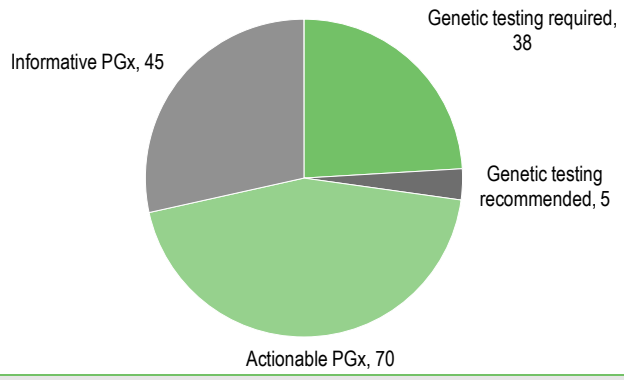
Prices as at 20 June 2014

A personalised approach

According to PharmGKB, a pharmacogenomics (PGx) database that collates PGx data from FDA and EMA drug labels, there are currently 158 approved drugs that have pharmacogenomic biomarker information in their labels. The importance and relevance of the PGx data is variable and can be stratified into four categories: genetic testing required (must be conducted before using drug); genetic testing recommended (should be considered); actionable PGx (highlights variants known to impact efficacy/toxicity/dose); and informative PGx (highlights relevant variants but without evidence of impact on efficacy/toxicity).

The number of drugs that require genetic testing prior to administration is a relatively small proportion, applying to just 38 of the 158 identified drugs. The vast majority of PGx information on drug labels is either 'actionable' or 'informative' (Exhibit 1).

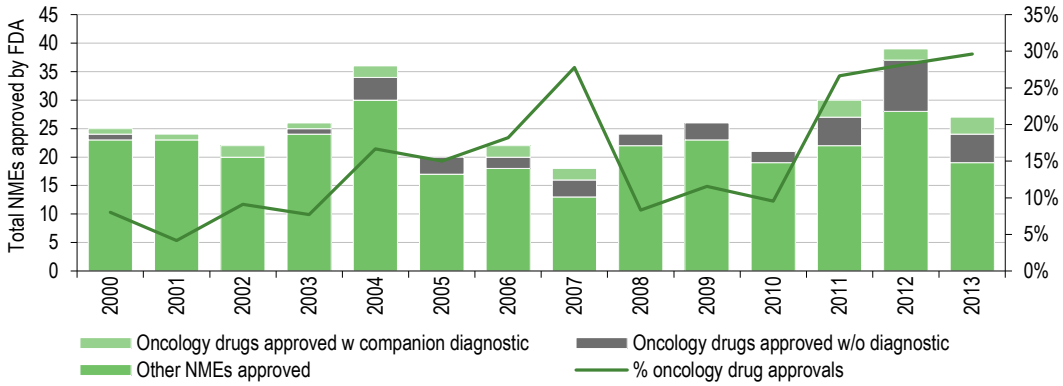
Exhibit 1: Drugs with PGx biomarker information in their label



Source: PharmGKB

Unsurprisingly, of the 38 drugs that require genetic testing, 24 are cancer agents, reflecting the genetic basis for the disease and the relative ease in identifying a causative mutation. Of these, the majority (20) have been approved by the FDA since 2000. Over the same period, a total of 59 cancer drugs were FDA-approved, meaning almost one-third have a requirement for genetic testing. Exhibit 2 summarises these data, and highlights the increasing proportion of companion diagnostics required for cancer drugs, a trend that we expect to continue in the coming years.

Exhibit 2: Trends in oncology related biomarker development



Source: Edison Investment Research

Recent cancer drug approvals in 2013 highlight the inherent value of the CDx approach. Trametinib (Mekinist) and dabrafenib (Tafinlar) were approved for metastatic melanoma, in patients with a BRAF mutation. In 2011 vemurafenib (Zelboraf) was approved for melanoma with the same mutation, meaning that after decades of research failures and lack of treatment options, there are multiple targeted agents available. Likewise, the recent approvals of new agents for non-small cell

lung cancer (NSCLC), a notoriously hard-to-treat cancer: afatinib (Gilotrif) for patients with a specific type of EGFR mutation, and crizotinib (Xalkori) for patients with ALK-positive NSCLC.

Outside the oncology arena, identifying suitable biomarkers and developing companion diagnostics is more of a challenge and protein biomarkers will also be required. The genetically-based, rare, orphan drug indications are well-suited for CDx, and the approval in 2012 of ivacaftor (Kalydeco) for cystic fibrosis patients with a CFTR gene mutation, is a recent example. We expect the huge investment made in rare disease R&D over the last 10 years in particular, to start to pay off with approvals for new personalised medicines. A summary of biomarker development within our coverage universe is shown in Exhibit 3; within the drug development programmes, the majority of biomarker programmes are in oncology, but also include development in HIV and allergy immunotherapy. There are also a number of companies specifically working on biomarker development for partnering with drug development companies.

Exhibit 3: Overview of biomarker development within our coverage universe

Company	Product/Indication (Phase)	Comments
Drug development including biomarker programmes		
Bionor Pharma	Vacc-4x/HIV vaccine (Phase II)	Investigating anti-C5 levels as a potential predictive biomarker for enhanced Vacc-4x efficacy.
DBV Technologies	Viaskin Peanut/Peanut allergy (Phase II)	DBV is investigating the use of predictive biomarkers that may allow an early indication of efficacy.
Mologen	MGN1703/Colorectal cancer (Phase III)	Planned stratification of patients in IMPALA study for two potential predictive biomarkers: low-to-normal levels of CEA (carcinoembryonic antigen, a tumour marker for CRC) and activated NKT cells (≥3.08%).
Mologen	MGN1703/SCLC (Phase II)	Planned stratification of patients in IMPULSE study for levels of NKT and NSE (neuron specific enolase – a tumour marker for lung cancer).
4SC	Resminostat/Liver cancer (Phase II)	Planned stratification of patients in study for levels of ZFP64 (zinc finger protein 64); high ZFP64 at baseline was linked to improved overall survival in prior studies.
Transgene	TG4010/NSCLC (Phase II/III)	In Phase II/III TIME trial, only patients with tumours with high levels of MUC1 included in trial, and those patients are stratified using triple-positive activated lymphocyte (TrPAL) biomarker.
ArQule	tivantinib/HCC, NSCLC and others (Phase III)	In pivotal HCC trials, only patients with tumours with high c-MET expression included. In pivotal NSCLC trials, only patients with tumours with wild-type EGFR included.
Biomarker development		
Epigenomics	Colorectal cancer	Detection of colorectal cancer-derived DNA in blood plasma using the Septin9 methylation biomarker. Septin 9 assay is approved as an LDT laboratory-developed test, PMA application underway for FDA approval of Epi proColon.
Proteome Sciences	Alzheimer's disease, stroke, allergy, and various cancers	Has proprietary technology for identifying protein biomarkers using mass spectrometry, which is used to develop its biomarker IP portfolio or provide biomarker services to pharma/biotech companies.
Evotec	Oncology	Has a collaboration with Roche to identify protein biomarkers using mass spectrometry in oncology.

Source: Edison Investment Research. Note: SCLC: Small cell lung cancer; NSCLC: Non-small cell lung cancer; HCC:

The proportion of novel drugs approved with a CDx is still relatively modest, and while we acknowledge the challenges in identifying suitable biomarkers, there is a rationale for incorporating a biomarker programme earlier on in clinical development. This can allow for prospectively defined clinical trials in the target patient population, rather than retrospective, validating the biomarker prior to regulatory approval. Regulators now have guidelines in place encouraging the use of biomarker programmes during drug development. In addition, biomarkers can potentially increase the success of the clinical trial. However, biomarker identification and selection is reliant on the availability of sufficient clinical data, often from proof-of-concept studies. Picking the 'correct' biomarker is key, as late-stage clinical trials are costly; this was evidenced by CP-4126 (Clavis Pharma), which failed in the Phase III LEAP pancreatic cancer study using hENT1 as a biomarker despite strong evidence to suggest hENT1 levels could be predictive of outcome. Hence, there is a balance between early incorporation of a biomarker programme and careful implementation in clinical development, especially for cash-limited companies.

As for the diagnostics companies, there is a real challenge in addressing the valuation imbalance between their CDx agents (typically costing $100s) and the associated drug (often $10,000). It is interesting to note that the FDA's list of 19 approved CDxs is dominated by large players (Abbott,

bioMérieux, Dako, Qiagen, Roche), and emerging companies appear to be acquired more often than similar-stage biotechs. This suggests that valuations of small diagnostics companies remain relatively low, particularly compared to booming biotech valuations today. The trick therefore is to identify novel and proprietary markers for disease and/or drug targets, which drug companies may be willing to license under more classical and lucrative terms (upfront fees/milestones/royalties). For example, the January 2011 deal between Takeda and Zinfandel Pharmaceuticals for alzheimer's disease biomarker TOMM40; Zinfandel received a $9m upfront fee and could receive up to $78m development milestones in addition to commercial milestones and royalties from Takeda.

As such, the CDx field, despite the apparently compelling investment case, has some way to go before the inclusion of a CDx programme influences standard valuation metrics of market size, drug price and penetration rates. A body of evidence therefore needs to build up that shows that clinical, regulatory and reimbursement success is improved with CDx. This should emerge in the coming years, with investors then perhaps more willing to lower their risk-adjustments for products with a CDx programme, or companies with a clear commitment to discovering and developing a biomarker programme.

Upcoming newsflow

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

July		
Orexo	11 Jul	H114 results
Nanobiotix	11 Jul	Q214 sales
Wilex	15 Jul	Q214 results
BTG	16 Jul	AGM and IMS
Erytech	16 Jul	Q214 sales
Actelion	22 Jul	H114 results
GlaxoSmithKline	23 Jul	Q214 results
Stallergenes	24 Jul	H114 results
DBV Technologies	28 Jul	H114 results
Morphosys	28 Jul	Q214 results
Biotie	30 Jul	H114 results
Shire	30 Jul	Q214 results
AstraZeneca	31 Jul	Q214 results
BioInvent	Jul	Q214 results
GW Pharmaceuticals	Jul	Sativex – Almirall H114 results
Hutchison China MediTech	Jul	H114 results
Hybrigenics	Jul	H114 trading update
Phylogica	Jul	Q413 results
Vernalis	Jul	H114 results
Viralytics	Jul	Q414 results
August		
Paion	6 Aug	Q214 results
4SC	7 Aug	Q214 results
Medigene	7 Aug	Q214 results
Topotarget	6 Aug	Beleodaq – PDUFA date for PTCL
Evotec	12 Aug	Q214 results
ALK-Abello	13 Aug	Q214 results
Genmab	13 Aug	H114 interim results
Mologen	13 Aug	Q214 results
aap Implantate	14 Aug	Q214 results
Basilea	14 Aug	H114 results
Topotarget	14 Aug	Q214 results
Bionor Pharma	15 Aug	Q214 results
Bavarian Nordic	28 Aug	H114 results
ThromboGenics	28 Aug	H114 interim results
Nanobiotix	29 Aug	H114 interim results
Ablynx	Aug	H114 interim results
Athersys	Aug	Q214 results
Derma Sciences	Aug	Q214 results
Epigenomics	Aug	Q214 results
GW Pharmaceuticals	Aug	Q314 results
Lombard Medical	Aug	Q214 results
Medigene	Aug	Q214 results
NovaBay Pharmaceuticals	Aug	Q214 results
Oncolytics	Aug	Q214 results
Oxford BioMedica	Aug	H114 interim results
Skyepharma	Aug	H114 results
Smith & Nephew	Aug	Q214 results
Sunesis	Aug	Q214 results
TiGenix	Aug	Q214 results
Viralytics	Aug	FY14 prelims

Source: Edison Investment Research

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

September		
Erytech	2 Sept	H114 results
Transgene	10 Sept	Q214 results
Newron	16 Sept	H114 results
BioAlliance	22 Sept	H114 results
Carmat	30 Sept	H114 results
Abcam	Sept	FY14 prelim results
Allergy Therapeutics	Sept	FY14 prelim results
Alliance Pharma	Sept	H114 results
Animalcare	Sept	FY14 prelim results
Consort Medical	Sept	AGM and IMS
Deltex	Sept	Q214 results
Diaxonhit	Sept	H114 results
Epistem	Sept	FY14 prelim results
e-Therapeutics	Sept	AGM
Innate Pharma	Sept	H114 results
Phylogica	Sept	FY14 prelim results
ReNeuron	Sept	AGM
Unspecified		
Alexza Pharmaceuticals	-	Adasuve – initial EU launch
BioLineRx	-	Start of Phase I trial with BL-8040 in stem cell mobilisation
BioLineRx	-	Initial data from Phase II trial with BL-8040 in AML
BioLineRx	-	Data from Phase I trial with BL-7010 in celiac disease
BTG	-	Potential EU approval of Lemtrada (alemtuzumab) in relapsing multiple sclerosis
BTG	Jan	Varithena – US commercial launch
Cleveland BioLabs	-	Entolimod – BARDA development contract in acute radiation syndrome
GW Pharmaceuticals	Jan	Epidiolex – pre-IND meeting for Lennox Gastaut Syndrome
Medcom Tech	-	Launch of TotalTrack by its subsidiary Medcom Flow
Orexo	-	Zubsolv – FDA filing for induction therapy label expansion
Orexo	Jan	Zubsolv – potential launch of line extensions (dosages/flavours)
Proteome Sciences	Jan	AD biomarkers - results of 1,000 patient trial in peer reviewed journal
Transgene	-	TG4010 – Data from TIME Phase II/III trial in NSCLC (expected at ESMO)
Vectura	-	VR315 – first EU approvals?
Verastem	-	Initiation of pivotal Phase II trial in mesothelioma
Viralytics	-	Cavatak – final data (six-month irPFS) from Phase II CALM trial in advanced melanoma
Hybrigenics	-	Inecalcitol Phase II trial start in CML
Conferences		
	12-17 July	Alzheimer's Association International Conference (AAIC) – Copenhagen
	30 Aug-3 Sept	European Society of Cardiology – Barcelona
	6-10 Sept	European Respiratory Society (ERS) – Munich
	10-13 Sept	European & Americas Committee for Treatment & Research in Multiple Sclerosis (ECTRIMS/ACTRIMS) – Boston
	15-19 Sept	European Association for the Study of Diabetes (EASD) – Vienna
	24-26 Sept	BioSpain 2014 – Santiago de Compostela
	26-30 Sept	European Society for Medical Oncology (ESMO) – Madrid

Source: Edison Investment Research

Company coverage

Company	Note	Date published
4SC	Update; Update	08/04/2014; 12/06/2014
aap Implantate AG	Update; Update	27/11/2013; 03/03/2014
Alexza Pharmaceuticals	Update; Update	31/03/2014; 02/06/2014
Allergy Therapeutics	Update; Update	26/02/2014; 14/04/2014
Animalcare Group	Outlook; Outlook	03/10/2013; 23/04/2014
ArQule	Update; Update	14/03/2014; 13/06/2014
Arrowhead Research Corporation	Update; Update	18/10/2013; 06/03/2014
Athersys	Update; Update	21/01/2014; 06/05/2014
Bavarian Nordic	Update; Update	26/02/2014; 27/03/2014
Bellus Health	Update; Update	17/01/2014; 12/05/2014
BioAlliance Pharma	Update; Update	25/09/2013; 08/01/2014
BioInvent	Update; Update	14/03/2013; 26/02/2014
BioLineRx	Outlook; Update	09/12/2013; 06/02/2014
Bionomics	Update; Update	07/08/2013; 10/03/2014
Bionor Pharma	Update; Update	07/02/2014; 14/05/2014
Biotie Therapies Corp	Update; Update	10/03/2014; 26/03/2014
BTG	Outlook; Update	13/12/2013; 02/06/2014
Can-Fite BioPharma	Update; Update	13/11/2013; 22/01/2014
Cardio3 BioSciences	Update; Update	27/03/2014; 23/06/2014
Clinigen Group	Outlook; Update	07/01/2014; 11/06/2014
Consort Medical	Update; Update	18/12/2013; 03/02/2014
Cytori Therapeutics	Outlook; Update	04/02/2014; 20/03/2014
CytRx	Update; Update	10/04/2014; 12/06/2014
DBV Technologies	Outlook; Update	02/12/2013; 07/03/2014
Dechra Pharmaceuticals	Outlook; Update	12/05/2014; 22/05/2014
Deltex Medical	Update; Update	15/11/2013; 18/02/2014
Derma Sciences	Update; Update	13/01/2014; 22/05/2014
Diaxonhit	Update; Update	17/10/2013; 04/03/2014
e-Therapeutics	Update; Update	08/01/2014; 04/04/2014
Erytech Pharma	Outlook; Update	23/01/2014; 06/05/2014
Evolva	Update; Update	12/02/2014; 10/03/2014
Evotec	Update; Outlook	19/09/2013; 04/02/2014
Futura Medical	Update; Update	28/01/2014; 13/03/2014
GLG Life Tech	Update; Update	28/04/2014; 06/06/2014
GW Pharmaceuticals	Update; Update	20/02/2014; 19/05/2014
Hutchison China Meditech	Outlook; Update	07/10/2013; 04/03/2014
Hybrigenics	Update; Outlook	19/02/2014; 16/06/2014
Imperial Innovations	Update; Outlook	18/06/2014; 29/04/2014
LeMaitre Vascular	Update; Update	05/03/2014; 21/05/2014
Lombard Medical	Update; Update	11/09/2013; 20/01/2014
MagForce	Outlook	27/11/2013
Medcom Tech	Update; Update	13/06/2013; 20/11/2013
Medigene	Update; Update	20/03/2014; 23/05/2014
Mesoblast	Update; Update	04/02/2014; 27/05/2014
Mologen AG	Update; Update	18/02/2014; 28/03/2014
MorphoSys	Update; Update	07/01/2014; 11/06/2014
Nanobiotix	Update; Outlook	12/05/2014; 19/06/2014
Neovacs	Update; Update	17/10/2013; 21/02/2014
Newron Pharmaceuticals	Outlook; Update	31/03/2014; 03/06/2014
NovaBay Pharmaceuticals	Outlook; Update	08/01/2014; 28/03/2014
Omega Diagnostics	Update; Update	18/02/2014; 23/04/2014
Oncolytics Biotech	Update; Update	02/12/2013; 11/06/2014
Onconova Therapeutics	Update; Update	21/02/2014; 12/03/2014

Orexo	Update; Update	10/02/2014; 07/05/2014
Oxford BioMedica	Update; Outlook	20/11/2013; 17/04/2014
Paion	Update; Update	10/09/2013; 28/03/2014
Phylogica	Update; Outlook	11/05/2012; 23/01/2013
Prima BioMed	Outlook; Update	08/05/2014; 11/06/2014
Proteome Sciences	Update; Update	19/12/2013; 26/03/2014
Regeneus	Outlook	25/03/2014
Simavita	Outlook	01/05/2014
SkyePharma	Update; Outlook	14/10/2013; 31/03/2014
SQI Diagnostics	Update; Update	28/01/2014; 10/04/2014
Stratec Biomedical	Update; Update	10/01/2014; 23/04/2014
Sygnis Pharma	Outlook; Update	31/05/2013; 06/06/2014
TESARO	Outlook; Update	21/02/2014; 10/06/2014
TiGenix	Update; Outlook	20/02/2014; 06/06/2014
Topotarget	Update; Update	09/01/2014; 10/02/2014
Transgene	Update; Update	04/03/2014; 02/06/2014
Verisante Technology	Outlook	02/06/2014
Vernalis	Update; Update	24/09/2013; 14/04/2014
Viralytics	Update; Update	05/06/2014; 14/04/2014
Wilex	Update; Update	14/06/2013; 05/02/2014

Investment trusts

BB Biotech AG	Investment trust review	07/03/2013; 08/01/2014
Biotech Growth Trust (The)	Investment trust review	20/01/2014; 25/06/2014
International Biotechnology Trust	Investment trust review	07/06/2013; 20/12/2013
Worldwide Healthcare Trust	Investment trust review	01/08/2013; 17/03/2014

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

QuickViews

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

Achillion Pharmaceuticals	24/04/2014
Aegerion Pharmaceuticals	10/06/2013
Aeterna Zentaris	04/04/2014; 10/06/2014
Alchemia	07/06/2013; 25/02/2014
ALK-Abello	07/02/2013; 18/12/2013
Alkermes	05/11/2012; 05/02/2013
Amarantus BioScience	14/05/2014
Anteo Diagnostics	04/03/2014
Aratana Therapeutics	23/10/2013
Array BioPharma	08/02/2013; 30/07/2013
Anteo Diagnostics	20/11/2013; 19/12/2013
Avita Medical	28/05/2014; 22/04/2014
Basilea	07/09/2012; 08/02/2013
Benitec Biopharma	04/03/2014
BioCryst Pharmaceuticals	20/02/2012; 25/07/2013
BioLight Life Sciences Inv	03/06/2014
Epigenomics	04/04/2014; 06/05/2014
Esperion Therapeutics	14/08/2013
Formycon	07/11/2013
Genmab	09/01/2013; 15/11/2013
GeoVax	15/05/2014; 19/06/2014
Halozyme Therapeutics	05/07/2013

Horizon Discovery	01/04/2014
iCo Therapeutics	25/03/2014; 16/06/2014
Incyte Corporation	05/11/2012; 01/03/2013
Insmed	05/07/2013
Invion	04/03/2014
Ion Beam Applications	20/03/2013; 23/10/2013
KaloBios Pharmaceuticals	23/07/2013
Karolinska Development	25/02/2013; 02/07/2013
LCA-Vision	31/01/2013; 04/09/2013
Medivir	01/11/2013
Merrimack Pharmaceuticals	17/04/2013
MolMed	18/02/2013; 18/06/2014
Nanosonics	04/03/2014
Nektar Therapeutics	08/02/2013
Nordion	29/10/2012; 31/05/2013
Novogen	30/10/2013; 12/11/2013
NPS Pharmaceuticals	07/01/2013
OncoMed Pharmaceuticals	06/12/2013
Oncothyreon	05/06/2013
Optos	21/05/2013
Orexigen Therapeutics	03/12/2013
Pharmaxis	30/01/2012; 08/03/2013
Prima BioMed	08/11/2013; 28/11/2013
Prosensa	15/10/2013; 20/06/2014
QRxPharma	28/03/2012; 06/03/2013
ReNeuron Group	08/05/2014
REVA Medical	21/06/2013
Sangamo BioSciences	03/02/2012; 18/02/2013
Scancell	07/12/2012; 17/07/2013
Selvita	28/04/2014; 16/06/2014
Sirtex Medical	19/04/2013
Sobi	18/11/2013
Source Bioscience	27/03/2012; 22/07/2013
Stallergenes	06/08/2013; 18/12/2013
Starpharma	24/02/2014
StemCells Inc	17/04/2014
Trillium Therapeutics	18/03/2014; 21/05/2014
Tekmira Pharmaceuticals	16/11/2012; 15/04/2013
Threshold Pharmaceuticals	23/05/2014; 11/06/2014
ThromboGenics	14/01/2013; 09/09/2013
Tissue Therapies	04/03/2014
Trimel Pharmaceuticals	21/02/2014; 04/06/2014
UCB	25/01/2013
uniQure NV	22/05/2014
United Drug	19/11/2012; 24/09/2013
Universal Biosensors	04/03/2014
Vectura	20/12/2013; 31/03/2014
Vertex Pharmaceuticals	06/11/2012; 26/04/2013
Vivalis	15/01/2013
Xencor	24/06/2014
Zealand Pharma	22/11/2012; 18/02/2013
Zeltia	05/03/2014; 06/05/2014

Company profiles

Sector: Pharma & healthcare

Price:	€1.07
Market cap:	€54m
Forecast net debt (€m)	1.1
Forecast gearing ratio (%)	31.0
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 three NCEs in active clinical development.

Price performance

%	1m	3m	12m
Actual	(3.9)	(22.9)	(43.2)
Relative*	(7.2)	(28.2)	(54.9)

* % Relative to local index

Analyst

Christian Glennie

4SC (VSC)

INVESTMENT SUMMARY

A €10m shareholder loan option from Santo Holding signals commitment from a major investor (48% stake) and provides 4SC with financial flexibility as it prepares a Phase II study (randomised, double-blinded) with resminostat in first-line liver cancer. This trial is aimed at confirming the drug's efficacy and qualifying the proposed biomarker, ZFP64. This could deliver a compelling partnering and development case for pivotal studies, although funding for the direct trial costs is still required. Yakult Honsha is developing resminostat for multiple cancer types in Japan. Encouraging recent Phase I data at ASCO for 4SC-202 (HDAC/LSD1 inhibitor) in haematological cancers highlights the potential in 4SC's earlier-stage candidates; Phase I results for 4SC-205 in solid tumours are expected in Q314.

INDUSTRY OUTLOOK

The company's plan to develop resminostat (HDAC inhibitor) in combination with sorafenib in first-line HCC is supported by the clinical data (high-ZFP64 identified as a predictive factor) and partnerships.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	4.4	(11.5)	(11.7)	(25.31)	N/A	N/A
2013	4.9	(7.8)	(8.0)	(15.92)	N/A	N/A
2014e	5.1	(5.0)	(5.3)	(10.67)	N/A	N/A
2015e	5.3	(9.1)	(9.6)	(18.98)	N/A	N/A

Sector: Pharma & healthcare

Price:	€3.06
Market cap:	€94m
Forecast net debt (€m)	N/A
Forecast gearing ratio (%)	N/A
Market	Xetra

Share price graph (€)

Company description

aap is a German medical technology company focused on developing, manufacturing and selling products for bone fractures. These include the recently launched Loqteq trauma plating system, in addition to bone cements.

Price performance

%	1m	3m	12m
Actual	(1.9)	(3.0)	142.1
Relative*	(5.3)	(9.7)	92.2

* % Relative to local index

Analyst

Hans Bostrom

aap Implantate AG (AAQ)

INVESTMENT SUMMARY

aap's strategy is increasingly to focus on the trauma business; the company has recently divested the contract manufacturing business (EMCM) for €18m, representing 1.5x 2013 sales and around 9x EBITDA, and is exploring a potential divestment of the biomaterials (bone cements) business. Continued roll-out of the Loqteq trauma plates should help cement aap's position as a specialised medtech player, aided by strategic relationships with physicians and global medtech partnerships (including Zimmer and Smith & Nephew). Our forecasts are under review.

INDUSTRY OUTLOOK

Loqteq is aap's internally developed trauma plating system. Its locking and compression technology improves fracture repair by providing more stable fixation, even in weak bones or multi-fragment fractures. The existing market for locking plate technology is estimated at up to $1bn in the US alone and is dominated by DePuy Synthes (J&J). Loqteq's innovative design could offer a number of advantages over the nearest competitor, including increased surgeon flexibility and potential clinical advantages upon plate removal.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2011	29.2	4.1	2.7	7.78	39.3	28.2
2012	36.4	6.1	4.9	13.80	22.2	13.3
2013e	N/A	N/A	N/A	N/A	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price:	391.5p
Market cap:	£785m
Forecast net cash (£m)	52.4
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	7.6	(1.1)	(3.0)
Relative*	6.9	(4.1)	(13.1)

* % Relative to local index

Analyst

Emma Ulker

Abcam (ABC)

INVESTMENT SUMMARY

Abcam achieved 8.1% total revenue growth in H114, while product sales grew 9.1% to £56.8m. The RabMab portfolio is growing, with sales representing around 16% of total revenues. These products are becoming more established and gaining momentum. Abcam has a programme of organic investment initiatives in place, which could boost near-term growth, given the continuing pressures on grant funding in the US. Initiatives include marketing and operational improvements and planned product launches using RabMabs in kits, for example. Notably, Abcam opened a Shanghai office during the period to meet the growing demand in the region. We have updated our estimates to take account of the operational changes and significant exchange rate movements.

INDUSTRY OUTLOOK

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

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	97.8	40.1	39.0	15.4	25.4	22.3
2013	122.2	48.5	46.6	17.8	22.0	15.1
2014e	126.8	48.4	46.2	17.6	22.2	15.8
2015e	134.8	52.3	49.0	19.4	20.2	14.1

Sector: Pharma & healthcare

Price:	US$4.50
Market cap:	US$78m
Forecast net debt (US$m)	23.4
Forecast gearing ratio (%)	42.0
Market	NASDAQ

Share price graph (US$)

Company description

Alexza Pharmaceuticals is a US-based company developing products for acute CNS disorders using its proprietary Staccato aerosol rapid drug delivery system. Lead product Adasuve is approved in the US and EU.

Price performance

%	1m	3m	12m
Actual	4.7	(9.1)	0.4
Relative*	(0.1)	(13.3)	(18.7)

* % Relative to local index

Analyst

Pooya Hemami

Alexza Pharmaceuticals (ALXA)

INVESTMENT SUMMARY

Alexza's investment case largely rests on the prospects for Adasuve, a potentially disruptive new product for acute agitation in adult schizophrenia or bipolar I disorder patients. Adasuve (Staccato loxapine) was launched in European markets (eg Germany and Spain) by Ferrer and in the US by Teva in March 2014. Adasuve offers speed, dosing reliability and ease of administration advantages and we estimate global sales of over $330m by 2018. Its potential underpins our valuation, with upside from expansion of the Adasuve label and successful development of further candidates using Alexza's proprietary Staccato inhaled delivery platform (such as AZ-002, which will enter a Phase II study in mid-2014 for acute repetitive seizures).

INDUSTRY OUTLOOK

Alexza's valuation is highly geared to Adasuve's prospects, and uptake will be driven by stakeholders' recognition of the benefits from the drug's ease of administration and rapid time to therapeutic effect vs existing non-invasive drugs used for agitation.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2012	4.1	(24.5)	(34.9)	(279.65)	N/A	N/A
2013	47.8	5.1	(10.0)	(60.16)	N/A	N/A
2014e	12.3	(28.5)	(37.5)	(213.15)	N/A	N/A
2015e	29.5	(8.3)	(19.9)	(108.13)	N/A	N/A

Sector: Pharma & healthcare

Price:	14.9p
Market cap:	£61m
Forecast net cash (£m)	8.1
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

Allergy Therapeutics is a fully integrated speciality pharmaceutical company focused on preventing and treating allergy with allergy immunotherapy (allergy vaccines).

Price performance

%	1m	3m	12m
Actual	(22.7)	(42.2)	50.6
Relative*	(23.2)	(44.0)	35.0

* % Relative to local index

Analyst

Wang Chong

Allergy Therapeutics (AGY)

INVESTMENT SUMMARY

Allergy Therapeutics has continued to grow its market share in Germany and other European markets; H114 revenue rose 12% to £29.9m. Allergy has made progress on its strategy of portfolio diversification, geographic expansion and identification of new in-licensing opportunities and has received approval to submit an efficacy study for Pollinex Quattro (PQ) Grass in Canada. The recent evolution of the US allergy immunotherapy (AIT) market should reinvigorate Allergy's US licensing campaign for PQ, but it is also exploring alternatives to exploit this opportunity. The US AIT market is potentially large, but undeveloped (the first AIT tablets should be launched in H214) and the US PQ opportunity is not included in our valuation. A licensing deal would transform Allergy's prospects and substantially increase our valuation.

INDUSTRY OUTLOOK

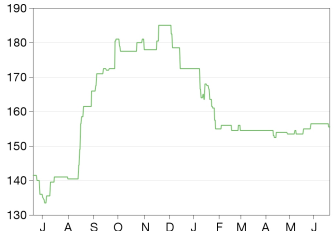
Pollinex Quattro (c 50% of revenue) is an ultra short-course allergy vaccine, given as four shots over three weeks, which has comparable efficacy to existing vaccines (typically requiring 16-50 injections under specialist supervision pre-hayfever season).

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	41.3	3.1	1.2	0.41	36.3	16.7
2013	39.3	2.1	0.8	0.23	64.8	20.4
2014e	40.8	2.4	1.2	0.24	62.1	15.7
2015e	42.5	3.2	1.9	0.37	40.3	23.0

Sector: Pharma & healthcare

Price:	155.5p
Market cap:	£33m
Forecast net cash (£m)	4.3
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)



Company description

Animalcare Group is a leading supplier of veterinary medicines and identification products to the companion animal market in the UK, Europe and other selected markets.

Price performance

%	1m	3m	12m
Actual	0.3	0.7	9.9
Relative*	(0.3)	(2.4)	(1.5)

* % Relative to local index

Analyst

Franc Gregori

Animalcare Group (ANCR)

INVESTMENT SUMMARY

Animalcare has built a portfolio of companion animal medicines that has achieved sufficient mass to become a creditable player in the UK veterinary market. Aninalcare is increasing its investment in new product development as it uses its balance sheet and operational cash flow to improve its product portfolios. These new products are also set to drive a phased expansion into selected European markets. The strategy of exiting low-margin and commoditising segments and investing in defensible, higher value-adding products is wise, although the benefits are not expected to accrue until after 2017.

INDUSTRY OUTLOOK

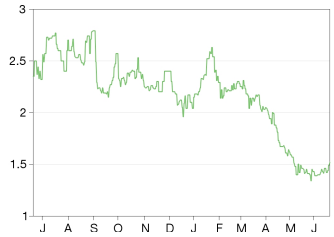
The animal health market shares many characteristics with its human counterpart, but the success factors are subtly different, with financial muscle and global reach being less critical. Nonetheless, the competitive pressures are rising and the importance of having a portfolio of differentiated and value-adding products is growing. Animalcare is pursuing a strategy of de-emphasising the low-margin (and commoditising) segments and investing in new product development.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	10.9	2.5	2.3	9.3	16.7	12.5
2013	12.1	2.9	2.7	10.5	14.8	10.4
2014e	12.5	2.9	2.6	10.1	15.4	13.8
2015e	12.5	2.3	2.0	7.7	20.2	13.6

Sector: Pharma & healthcare

Price:	US$1.52
Market cap:	US$95m
Forecast net cash (US$m)	58.9
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)



Company description

ArQule is a US biotech company engaged in developing small molecule drugs for cancer. Its lead product, tivantinib, is entering a pivotal Phase III trial for HCC. Tivantinib is partnered with Daiichi Sankyo and Kyowa Hakko Kirin.

Price performance

%	1m	3m	12m
Actual	7.8	(29.5)	(35.3)
Relative*	2.9	(32.7)	(47.7)

* % Relative to local index

Analyst

Jason Zhang

ArQule (ARQL)

INVESTMENT SUMMARY

Detailed data presented at ASCO 2014 on c-Met inhibitors, including Roche's onartuzumab and ArQule's tivantinib, failed to show much clinical benefit when a c-Met inhibitor is added to other therapies in NSCLC, and posed the question of whether inhibiting c-Met in this disease setting is clinically meaningful. However, this should not have reduced tivantinib's value in HCC, in which two Phase III trials, METIV-HCC and JET-HCC, are progressing in second-line HCC. ArQule ended Q114 with cash and marketable securities of $85.8m, enough to support its operation beyond 2015.

INDUSTRY OUTLOOK

ArQule is a US biotech company focused on developing cancer drugs. Its lead product, tivantinib, is being evaluated as a monotherapy or in combination with other cancer therapy in a variety of solid tumour types. ArQule uses a proprietary structure-based drug design technology known as the ArQule Kinase Inhibitor Platform (AKIP).

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	36.4	(9.0)	(9.6)	(14.42)	N/A	N/A
2013	15.9	(22.7)	(23.0)	(32.57)	N/A	N/A
2014e	9.9	(30.3)	(30.9)	(43.62)	N/A	N/A
2015e	4.9	(37.3)	(38.1)	(53.65)	N/A	N/A

Sector: Pharma & healthcare

Price:	US$15.37
Market cap:	US$797m
Forecast net cash (US$m)	189.8
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)

Company description

Arrowhead Research Corporation is a clinical-stage targeted therapeutics company with development programmes in oncology, obesity and hepatitis B. It has acquired various platform technologies for RNAi delivery (Roche) and peptide targeting (Alvos).

Price performance

%	1m	3m	12m
Actual	36.0	(35.4)	680.2
Relative*	29.8	(38.4)	531.3

* % Relative to local index

Analyst

Jason Zhang

Arrowhead Research Corporation (ARWR)

INVESTMENT SUMMARY

Arrowhead announced its next clinical candidate ARC-AAT, an RNAi therapeutic designed to treat liver disease associated with Alpha-1 antitrypsin deficiency (AATD), for which an IND will be filed in Q414. It continues to expect top-line data from the Phase IIa trial of ARC-520 in patients with chronic HBV infection in Q314 and to start a Phase IIb trial in H214. The company ended March 2014 with cash and cash equivalents of $195m. We maintain our valuation of the company at $1,087m, equivalent to $23.6/per basic share ($18.05/per diluted share).

INDUSTRY OUTLOOK

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

Y/E Sep	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2012	0.1	(18.1)	(20.9)	(179.4)	N/A	N/A
2013	0.3	(21.3)	(30.2)	(123.4)	N/A	N/A
2014e	0.2	(29.1)	(33.1)	(86.0)	N/A	N/A
2015e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price:	US$1.60
Market cap:	US$123m
Forecast net cash (US$m)	26.7
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)

Company description

Athersys is a US biotech company developing MultiStem (allogeneic stem cells). Phase II studies are on-going in ulcerative colitis and ischaemic stroke. A 5HT2c agonist programme (obesity/schizophrenia) is available for partnering.

Price performance

%	1m	3m	12m
Actual	6.7	(55.2)	0.6
Relative*	1.8	(57.3)	(18.6)

* % Relative to local index

Analyst

Christian Glennie

Athersys (ATHX)

INVESTMENT SUMMARY

Athersys is developing MultiStem, an allogeneic stem cell product (bone marrow-derived, multipotent adult progenitor cells or MAPCs) and results from a 140-patient Phase II study in ischaemic stroke are expected in Q414. A Phase II study, conducted by partner Pfizer, in 88 moderate-to-severe ulcerative colitis (UC) patients did not show efficacy after eight weeks in reducing disease scores, although the data did confirm MultiStem's good safety profile. A Phase II trial with MultiStem in acute myocardial infarction should start in late 2014 (supported by a $2.8m NIH grant), while a Phase II/III study in GvHD is also proposed. End-Q114 cash was $45m.

INDUSTRY OUTLOOK

Athersys is well positioned in terms of its stage of development and the profile of its MAPCs, in terms of safety, high dose (>1bn cells), and convenient mode of delivery (IV). The MAPCs appear to be substantially differentiated from other MSCs. Regenerative medicine is gaining traction and recognition by global regulators.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2012	8.7	(17.5)	(17.1)	(52.64)	N/A	N/A
2013	2.4	(24.8)	(24.4)	(42.34)	N/A	N/A
2014e	2.5	(27.4)	(26.9)	(34.84)	N/A	N/A
2015e	1.8	(27.2)	(26.8)	(33.90)	N/A	N/A

Sector: Pharma & healthcare

Price:	DKK129.00
Market cap:	DKK3369m
Forecast net cash (DKKm)	370.0
Forecast gearing ratio (%)	N/A
Market	NASDAQ OMX Mid Cap

Share price graph (DKK)

Company description

Bavarian Nordic is a Danish biotech focused on developing and manufacturing novel cancer immunotherapies and vaccines for infectious diseases. Its lead products are Prostvac (prostate cancer) and Imvamune (smallpox).

Price performance

%	1m	3m	12m
Actual	7.1	31.0	126.3
Relative*	2.4	21.7	55.5

* % Relative to local index

Analyst

Lala Gregorek

Bavarian Nordic (BAVA)

INVESTMENT SUMMARY

Bavarian Nordic had significant ASCO activities highlighting prostate cancer vaccine and main value drive, Prostvac. Presentations included mechanism of action data and the potentially synergistic effect on overall survival through combination with immune checkpoint inhibitors. Combination therapy could maximise the clinical and commercial potential of Prostvac, hence further research is ongoing. Completion of enrolment in the Phase III PROSPECT Prostvac monotherapy trial is expected by end-2014; the first futility analysis should happen this year. Other catalysts include securing the second portion of the US Government Imvamune contract (H114); initiation of the Imvamune Phase III non-inferiority study and Phase I MVA-BN Brachyury trial (H114); and finalisation of the CV-301 CRC development plan based on FDA feedback (H214).

INDUSTRY OUTLOOK

The prostate cancer market is highly dynamic with various newly approved therapies; further Prostvac clinical data will be important in giving further insight into its commercial potential. Imvamune is a non-replicating third-generation smallpox vaccine that does not elicit comparable safety issues to previous generations; future US, European and Canadian orders are expected.

Y/E Dec	Revenue (DKKm)	EBITDA (DKKm)	PBT (DKKm)	EPS (ore)	P/E (x)	P/CF (x)
2012	1017.0	(32.0)	(49.0)	(92.0)	N/A	108.6
2013	1213.0	181.0	154.0	38.8	332.5	21.0
2014e	1201.0	110.0	43.0	12.0	1075.0	160.3
2015e	531.0	(235.0)	(292.0)	(113.6)	N/A	N/A

Sector: Pharma & healthcare

Price:	C$1.25
Market cap:	C$59m
Forecast net cash (C$m)	11.8
Forecast gearing ratio (%)	N/A
Market	TSX

Share price graph (C$)

Company description

Bellus Health is a Canadian pharmaceutical company developing drugs for rare diseases. Its lead candidate, Kiacta, is in a pivotal Phase III trial for AA amyloidosis.

Price performance

%	1m	3m	12m
Actual	47.1	35.9	346.4
Relative*	41.4	29.2	253.6

* % Relative to local index

Analyst

Pooya Hemami

Bellus Health (BLU)

INVESTMENT SUMMARY

Bellus Health's lead candidate, Kiacta, is in a Phase III trial for amyloid A (AA) amyloidosis, an orphan drug indication affecting up to 25,000 patients worldwide. We estimate the probability of success at 60%, given positive efficacy trends in a previous Phase II/III study and modifications in the pivotal study to increase its statistical power and target more responsive patients. Results are expected in 2016, and we project Bellus's cash runway to last through 2017. A Phase II Kiacta trial in sarcoidosis is also planned to start in Q414. Kiacta licensee Auven Therapeutics hired a financial advisor in May to explore the sale of Kiacta rights. Bellus is also developing Shigamab, intended to treat Shiga-toxin E.Coli (STEC) infections, and expects to start a Phase II trial in 2015.

INDUSTRY OUTLOOK

The potential for premium (orphan) pricing for Kiacta and a seven- to 10-year exclusivity period underscore the primary investment case, although with Phase III data in 2016, a longer-term view is required.

Y/E Dec	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (c)	P/E (x)	P/CF (x)
2012	2.3	(3.6)	(3.5)	(10.77)	N/A	N/A
2013	2.3	(3.3)	(2.6)	(5.57)	N/A	N/A
2014e	2.0	(3.2)	(2.8)	(5.85)	N/A	N/A
2015e	1.9	(3.4)	(3.1)	(6.36)	N/A	N/A

Sector: Pharma & healthcare

Price:	SEK2.85
Market cap:	SEK321m
Forecast net cash (SEKm)	102.8
Forecast gearing ratio (%)	N/A
Market	NASDAQ OMX Mid Cap

Share price graph (SEK)

Company description

BioInvent is a human therapeutic antibody company based in southern Sweden. It has a lead product, BI-505 in Phase I for multiple myeloma.

Price performance

%	1m	3m	12m
Actual	(4.4)	(5.6)	40.1
Relative*	(4.7)	(9.4)	10.4

* % Relative to local index

Analyst

Dr John Savin

BioInvent International (BINV)

INVESTMENT SUMMARY

Revenues for FY13 were SEK 81.7m, with a Q4 profit due to a milestone from Bayer. The FY13 loss was SEK18m. Q114 results showed revenues of SEK1.8m and a loss of SEK19m; the contract business is lumpy so this figure is not a guide to full year sales. Cash was SEK42m before the April net SEK57m capital raise. BioInvent now appears well placed to continue rebuilding its portfolio. BI-505 will have clinical data from a small multiple myeloma Phase II study, probably in Q314, which could enable a partnering deal and upfront payment. Two preclinical projects might progress towards Phase I and the pipeline of collaborations based on the n-CoDeR library and F.I.R.S.T technology looks strong.

INDUSTRY OUTLOOK

BioInvent has one clinical-stage product, BI-505, a Phase II antibody for multiple myeloma and a preclinical project, BI-1206, for non-Hodgkin's Lymphoma. These provide the longer-term upside for BioInvent. BioInvent's share in a joint project on ADC-1031 has been sold back to Alligator Biosciences.

Y/E Dec	Revenue (SEKm)	EBITDA (SEKm)	PBT (SEKm)	EPS (fd) (öre)	P/E (x)	P/CF (x)
2012	43.0	(135.8)	(138.6)	(191.81)	N/A	N/A
2013	81.7	(16.3)	(18.0)	(22.99)	N/A	N/A
2014e	65.0	(27.1)	(28.9)	(28.64)	N/A	N/A
2015e	75.0	(17.1)	(18.9)	(17.79)	N/A	N/A

Sector: Pharma & healthcare

Price:	US$2.16
Market cap:	US$74m
Forecast net cash (NISm)	98.2
Forecast gearing ratio (%)	N/A
Market	NASDAQ, TASE

Share price graph (US$)

Company description

BioLineRx is an Israel-based biotech company focused on the in-licensing and early development of therapeutics. It has a pipeline with five clinical and 13 preclinical candidates for a variety of indications.

Price performance

%	1m	3m	12m
Actual	9.6	(14.3)	34.9
Relative*	4.6	(18.3)	9.2

* % Relative to local index

Analyst

Jason Zhang

BioLineRx (BLRX)

INVESTMENT SUMMARY

BioLineRx should start a Phase I study in Q314 of BL-8040 in stem cell mobilisation, a second indication, with data due in Q414/Q115. This follows the disclosure of promising partial results from its ongoing Phase II study in acute myeloid leukaemia (AML). Its treatment of coeliac disease BL-7010 has successfully completed the first stage of the Phase I/II study and was well tolerated; top-line data from the study are due in mid-2014. Meanwhile, the clinical trial being conducted by its partner Bellerophon (formerly Ikaria) with the myocardial implant, BL-1040, in patients who have suffered an acute myocardial infarction (AMI) should complete enrolment by the end of the year with data due in mid-2015. To date, over 200 patients have been enrolled in the BL-1040 trial, out of a total expected enrolment of 300 patients. We maintain our valuation of BioLineRx at $210m, equivalent to $8.9/ADR (basic) or $7.9/ADR (fully diluted).

INDUSTRY OUTLOOK

The largest contributor to the valuation is BL-1040 (53%), with BL-8040 (AML) and BL-7010 (coeliac disease) in joint second place (19% each). BioLineRx currently trades at a discount to our intrinsic value.

Y/E Dec	Revenue (NISm)	EBITDA (NISm)	PBT (NISm)	EPS (a)	P/E (x)	P/CF (x)
2012	0.0	(76.9)	(77.1)	(43.2)	N/A	N/A
2013	0.0	(56.0)	(61.3)	(27.0)	N/A	N/A
2014e	0.0	(42.0)	(41.5)	(13.4)	N/A	N/A
2015e	0.0	(42.0)	(41.5)	(13.5)	N/A	N/A

Sector: Pharma & healthcare

Price:	A$0.43
Market cap:	A$182m
Forecast net cash (A$m)	8.2
Forecast gearing ratio (%)	N/A
Market	ASX, OTC Pink

Share price graph (A$)

Company description

Bionomics is an Australian biotech developing novel products for cancer and CNS indications. The vascular disrupting agent BNC105 is in Phase II for solid tumours. The anxiolytic BNC210 (Phase I) is partnered with Ironwood for anxiety/depression.

Price performance

%	1m	3m	12m
Actual	3.6	(16.3)	17.6
Relative*	3.6	(17.7)	3.3

* % Relative to local index

Analyst

Christian Glennie

Bionomics (BNO)

INVESTMENT SUMMARY

Merck & Co has licensed Bionomics' preclinical cognition programme BNC375 for $20m upfront and up to $506m in milestones; this follows a July 2013 research deal with Merck for chronic pain. Encouraging Phase I study data with vascular-disrupting agent BNC105 in recurrent ovarian cancer were presented at ASCO 2014. Results from a 136-patient Phase II study of BNC105 in second-line renal cell carcinoma showed that the combination of BNC105+Afinitor (n=69) did not improve progression-free survival (PFS) rates at six months, compared to Afinitor alone (n=67). However, the combination did improve PFS in certain subgroups: patients with liver metastases, previous nephrectomy and Furhman Grade 2. A number of biomarkers were also identified that may correlate to a PFS benefit. Bionomics is reviewing next development steps.

INDUSTRY OUTLOOK

BNC105 is the leading VDA in development. An anti-anxiety agent, BNC210 (IW-2143), is licensed to Ironwood Pharmaceuticals. An IND filing for cancer stem cell targeting agent, BNC101, is planned for H214.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (c)	P/E (x)	P/CF (x)
2012	8.9	(3.3)	(2.5)	(0.7)	N/A	N/A
2013	11.2	(9.1)	(8.8)	(2.4)	N/A	N/A
2014e	9.4	(13.9)	(13.5)	(3.3)	N/A	N/A
2015e	9.4	(13.9)	(13.8)	(3.3)	N/A	N/A

Sector: Pharma & healthcare

Price:	NOK2.79
Market cap:	NOK630m
Forecast net cash (NOKm)	42.9
Forecast gearing ratio (%)	N/A
Market	Oslo

Share price graph (NOK)

Company description

Bionor Pharma is a Norwegian biotechnology company focused on developing peptide vaccines for infectious diseases. The lead product, Vacc-4x, is currently in Phase II development for the treatment of HIV.

Price performance

%	1m	3m	12m
Actual	(5.7)	(27.2)	(8.0)
Relative*	(11.2)	(34.7)	(28.1)

* % Relative to local index

Analyst

Dr Philippa Gardner

Bionor Pharma (BIONOR)

INVESTMENT SUMMARY

Bionor Pharma's Vacc-4x is one of the furthest advanced HIV therapeutic vaccines in development and the current strategy encompasses all the elements required to achieve a functional cure for HIV. These include releasing dormant HIV reservoirs (Kick) with an HDACi, encouraging HIV destruction via an immune response elicited by Vacc-4x (Kill) and strengthening the immune system to maximise its attack on HIV (Boost) with an IMiD. Bionor is also investigating predictive biomarkers to determine potential responders to Vacc-4x. Bionor has sufficient cash to take Vacc-4x through the critical steps before partnering; these include data from the 'Boost & Kill' trial in Q414 and the 'Kick & Kill' trial in H215.

INDUSTRY OUTLOOK

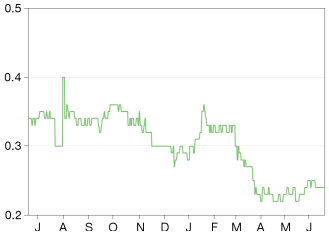
There are approximately 1.1m HIV-infected patients in the US, and around one million in developed Europe. The global antiretroviral treatment (ART) market was worth around $17bn in 2012. In the US only 25% of HIV patients are virally suppressed, despite 33% receiving ART treatment.

Y/E Dec	Revenue (NOKm)	EBITDA (NOKm)	PBT (NOKm)	EPS (fd) (öre)	P/E (x)	P/CF (x)
2012	4.2	(58.2)	(55.2)	(29.43)	N/A	N/A
2013	4.2	(75.8)	(74.7)	(36.27)	N/A	N/A
2014e	2.7	(69.1)	(68.7)	(30.43)	N/A	N/A
2015e	1.7	(54.4)	(54.8)	(24.27)	N/A	N/A

Sector: Pharma & healthcare

Price:	€0.24
Market cap:	€109m
Forecast net cash (€m)	4.3
Forecast gearing ratio (%)	N/A
Market	OMX

Share price graph (€)



Company description

Biotie Therapies is a Finnish/US biotech company focused on CNS disorders. Selincro (alcohol dependence) is marketed in Europe, by partner Lundbeck. Tozadenant (Parkinson's) and SYN120 (Alzheimer's) are key pipeline assets.

Price performance

%	1m	3m	12m
Actual	3.5	(11.9)	(30.0)
Relative*	4.0	(16.9)	(45.1)

* % Relative to local index

Analyst

Christian Glennie

Biotie Therapies (BTH1V)

INVESTMENT SUMMARY

Biotie is reviewing development/partnering/financing options for its Phase III-ready asset tozadenant, an A2a antagonist for Parkinson's disease due to start pivotal trials in H115. A Phase II study with SYN120 (5-HT6/5HT2a antagonist for Alzheimer's disease) is planned to start by end-2014. Non-dilutive co-funding is being sought for a Phase II study with BTT-1023 for primary sclerosing cholangitis. Phase II data for nepicastat (SYN117) in cocaine dependence are expected around end-2014. Partner Lundbeck is launching alcohol dependence drug Selincro in multiple EU countries, with three key EU launches (Germany, Spain, France) expected in 2014 - Biotie receives milestones (€2m/key market) and royalties. Biotie held €38m in cash at end-Q114.

INDUSTRY OUTLOOK

Selincro is a new treatment concept for alcohol dependence, providing an alternative to complete abstinence, often not an attainable goal. The Phase IIb data for tozadenant are robust and competitive against current and pipeline Parkinson's agents.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	4.8	(21.8)	(23.0)	(5.54)	N/A	N/A
2013	27.7	1.9	4.1	1.39	17.3	10.7
2014e	15.7	(4.6)	(5.1)	(1.12)	N/A	N/A
2015e	3.6	(17.6)	(18.1)	(3.96)	N/A	N/A

Sector: Pharma & healthcare

Price:	635.0p
Market cap:	£2296m
Forecast net cash (£m)	83.7
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)

Company description

BTG is a UK-based specialist healthcare company with a direct commercial presence in US acute care medicine and interventional oncology. It has three main business divisions: Interventional Medicine, Speciality Pharmaceuticals and Licensing.

Price performance

%	1m	3m	12m
Actual	21.3	10.2	74.5
Relative*	20.5	6.9	56.4

* % Relative to local index

Analyst

Lala Gregorek

BTG (BTG)

INVESTMENT SUMMARY

BTG is making significant progress in its ongoing business transformation into a leading player in interventional medicine (IM). The 2013 acquisitions of TheraSphere and EKOS have been fully integrated which, coupled with the FDA approval of Varithena, represent an inflection point for BTG's IM business and show how it is building scale in this area. It now has four commercial-stage products targeting the fast-growing interventional oncology and interventional vascular markets, with plans to drive growth and maintain its competitive edge. Management appears increasingly confident of achieving its $1bn+ IM revenue target for 2021 and has articulated its strategy for growth. This should be achieved organically and through parallel investment in innovation, R&D (exemplified by the recent announcement of a new EKOS pivotal study in chronic deep vein thrombosis) and commercial activities.

INDUSTRY OUTLOOK

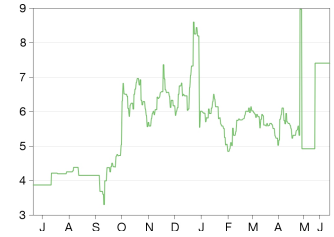
BTG presents a defensive growth business whose valuation is underpinned by the DCF value of its marketed assets. The TheraSphere and EKOS acquisitions have created a leading IM business with critical mass and significant growth potential. Further potential upside would be unlocked by clinical success of various pipeline assets: Xuriden, TheraSphere, PARAGON and PRECISION.

Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2013	233.7	75.1	70.4	19.2	33.1	34.0
2014	290.5	74.0	76.6	19.0	33.4	40.6
2015e	347.0	78.3	77.9	18.3	34.7	31.6
2016e	390.6	102.4	104.5	23.7	26.8	29.5

Sector: Pharma & healthcare

Price:	US$7.40
Market cap:	US$134m
Forecast net debt (NISm)	8.6
Forecast gearing ratio (%)	55.0
Market	OTC AX

Share price graph (US$)



Company description

Can-Fite is an Israel-based drug development company with a platform technology surrounding A3AR agonists, with two clinical-stage oral drug candidates, CF101 and CF102, being advanced for inflammatory diseases and oncology, respectively.

Price performance

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

* % Relative to local index

Analyst

Pooya Hemami

Can-Fite BioPharma (CANFY)

INVESTMENT SUMMARY

Can-Fite's primary investment case rests on the prospects for its orally bioavailable A3 adenosine receptor (A3AR) agonist, CF101, in evaluation for blockbuster potential inflammatory conditions, including rheumatoid arthritis (RA) and psoriasis. There is unmet medical need in these areas given the high costs and/or safety risks with established systemic therapies. Positive clinical data have been shown for CF101 in psoriasis and for patients with high expression of A3AR, in RA. A Phase II/III psoriasis study is under way (results expected Q115) and the next key near-term milestone could be a potential partnership transaction for CF101, which could provoke a re-rating in the stock.

INDUSTRY OUTLOOK

Given the large size of targeted markets, Can-Fite's programmes if successful could provide multifold long-term investor returns. RA and psoriasis markets are highly competitive, however, and CF101 may need to show differential advantages vs potential new market entrants to gain a significant market position.

Y/E Dec	Revenue (NISm)	EBITDA (NISm)	PBT (NISm)	EPS (fd) (a)	P/E (x)	P/CF (x)
2012	0.0	(22.3)	(21.9)	(218.18)	N/A	N/A
2013	0.0	(31.3)	(30.8)	(224.71)	N/A	N/A
2014e	0.0	(32.4)	(32.3)	(181.95)	N/A	N/A
2015e	0.0	(26.7)	(27.2)	(151.79)	N/A	N/A

Sector: Pharma & healthcare

Price:	€45.12
Market cap:	€292m
Forecast net debt (€m)	6.1
Forecast gearing ratio (%)	137.0
Market	Euronext Brussels

Share price graph (€)

Company description

Cardio3 BioSciences is developing a directed autologous stem cell therapy for chronic ischaemic heart disease. Cells are isolated from bone marrow and cultures for six to eight weeks. The product is in Phase III in the EU and on Phase III hold in the US.

Price performance

%	1m	3m	12m
Actual	23.3	14.0	N/A
Relative*	21.0	10.7	N/A

* % Relative to local index

Analyst

Dr John Savin

Cardio3 BioSciences (CARD)

INVESTMENT SUMMARY

Cardio3's C-Cure heart regenerative product programmes autologous stem cells to develop into heart muscle. This makes C-Cure a potentially powerful novel treatment for patients with weakened, scarred hearts, usually due to previous heart attacks. Cardio3 has licensed C-Cure for the Chinese market to a joint venture with Medisun, a new Chinese company. Medisun invested €25m in Cardio3 at €44/share to close the deal. This €25m cash will fund the FDA-approved CHART-2 trial. This avoids Cardio3 having to partnering early in the US, allowing either an enhanced deal or an eventual, assumed 50:50 marketing deal capturing more profit. Cardio3 had €19.2m of cash on 31 March 2013.

INDUSTRY OUTLOOK

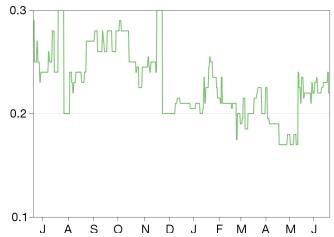
Competition in chronic ischaemic heart disease may arise from Teva (Phase III claimed H218 data); Capricor/Janssen (Phase II); Cytori (Phase II using Celution device). Cardio3 has the EU-based CHART-1 Phase II running and expects to start CHART-2 by late 2014. Medisun may invest €20m in Chinese clinical development.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	0.1	(7.9)	(8.8)	(724.37)	N/A	N/A
2013	0.0	(9.8)	(10.4)	(253.22)	N/A	N/A
2014e	0.0	(9.4)	(9.4)	(145.44)	N/A	N/A
2015e	0.0	(7.1)	(7.0)	(107.62)	N/A	N/A

Sector: Pharma & healthcare

Price:	A$0.22
Market cap:	A$11m
Forecast net cash (A$m)	3.8
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)



Company description

Circadian's focus is now on ophthalmology with OPT-302 (formerly VGX-300) as the lead candidate in wet AMD due to enter the clinic in early 2015. Circadian's receptor-blocking antibody (IMC-3C5) is in Phase I trials with ImClone (Lilly).

Price performance

%	1m	3m	12m
Actual	0.0	0.0	(24.1)
Relative*	0.0	(1.6)	(33.4)

* % Relative to local index

Analyst

Dr John Savin

Circadian Technologies (CIR)

INVESTMENT SUMMARY

Circadian's CEO, Dr Megan Baldwin, and the board have determined that OPT-302 (formerly VGX-300) in wet age-related macular degeneration (AMD) is the most promising lead with further preclinical data announced. OPT-302 is preclinical with trials from H115. The AMD market is worth about A$2.5bn. If OPT-302 boosts vision significantly in combination therapy, it will have an important role and should be easy to partner. Royalty revenues were A$0.25m in H1 vs A$0.28m in H113. The interim cash position was A$7.9m with a A$2.4m cash tax credit received in January, giving A$10.1m; a further A$1.8m tax credit is expected for H1. The operating cash outflow for H1 was A$3.12m. A capital fund-raising is being considered.

INDUSTRY OUTLOOK

Circadian has three operating companies: Ceres Oncology, Opthea and Precision Diagnostics. Wet AMD is a new area of focus for major pharmaceutical companies.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	0.5	(8.6)	(7.6)	(10.8)	N/A	N/A
2013	0.6	(7.0)	(6.5)	(9.7)	N/A	N/A
2014e	0.7	(9.3)	(9.1)	(14.7)	N/A	N/A
2015e	0.7	(9.5)	(9.4)	(15.5)	N/A	N/A

Sector: Pharma & healthcare

Price:	400.0p
Market cap:	£330m
Forecast net debt (£m)	4.0
Forecast gearing ratio (%)	6.0
Market	AIM

Share price graph (p)

Company description

Clinigen is a specialty pharmaceuticals and services business with three operating divisions: CTS provides a clinical trial supply service globally; GAP provides patients with difficult to access medicines; and Specialty Products sells niche drugs.

Price performance

%	1m	3m	12m
Actual	(4.4)	(27.1)	25.0
Relative*	(5.0)	(29.3)	12.0

* % Relative to local index

Analyst

Franc Gregori

Clinigen Group (CLIN)

INVESTMENT SUMMARY

Clinigen's growth story remains intact, albeit somewhat dented. The timings and size of contracts mean the revenue streams can be lumpy, but the project pipeline is healthy. The specialist niches in which it operates are attractive, offering resilient organic growth with defensive qualities. CTS, currently the largest division by revenue, is set to become a global leader in sourcing and supplying comparator drugs for customers' clinical trials. GAP and SP share similar supply chains as they distribute speciality pharmaceuticals to 53 countries around the world, with GAP running a variety of patient access programmes for company clients and SP building a portfolio of proprietary hospital-only drugs.

INDUSTRY OUTLOOK

Clinigen operates in highly specialised and defensive niches that are benefiting from the pharmaceutical industry's greater outsourcing of non-core functions. This trend, together with the rising regulatory burden and the increasing need for dedicated auditable supply chains, suggests Clinigen's recent solid organic growth is set to be maintained over the medium term.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2012	82.1	11.8	15.8	22.0	18.2	40.1
2013	122.6	20.0	20.4	20.4	19.6	15.3
2014e	127.2	22.7	19.4	18.3	21.9	26.4
2015e	147.0	26.5	22.2	20.9	19.1	15.1

Sector: Pharma & healthcare

Price:	890.5p
Market cap:	£261m
Forecast net debt (£m)	N/A
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)

Company description

Consort Medical is an international medical devices business. Having divested King Systems (for up to $170m in cash), it once more consists of the Bespak operations (inhalation and injection technologies).

Price performance

%	1m	3m	12m
Actual	3.7	(11.0)	9.9
Relative*	3.0	(13.6)	(1.5)

* % Relative to local index

Analyst

Franc Gregori

Consort Medical (CSRT)

INVESTMENT SUMMARY

Consort Medical delivered solid FY14 results. Bespak posted revenues of over £100m for the first time, driven by organic growth of 5.2%. Underlying operating profit rose by 4.0% to £18.8m, with underlying PBT up 10.1% to £17.5m (reported PBT was up 12.1% to £16.1m) and adjusted EPS was up 8.5% to 48.3p. The dividend was increased from 19.7p to 20.7p. Cash flow remained strong despite the investment in expanding the production facilities and research capabilities, with net cash of £25.8m (end April 2014). This investment in innovation and development expertise is delivering new products which, coupled with operational improvements over the past three years, are translating into organic revenue and profit growth. The prospects appear very promising, although commercial sensitivity means that the visibility, both in terms of timings and revenue potential, is low.

INDUSTRY OUTLOOK

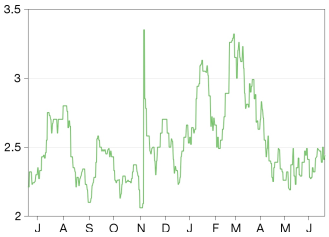
Bespak is a leader in producing medical devices for the pharmaceutical industry, with proven expertise in high-volume, high-quality manufacture of regulated products. Bespak's core drug-delivery franchise is inhalation, although it has diversified into auto-injectors, nasal delivery and point-of-care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

Y/E Apr	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2013	95.0	26.0	17.3	52.6	16.9	9.8
2014	100.0	24.4	17.7	47.1	18.9	14.3
2015e	N/A	N/A	N/A	N/A	N/A	N/A
2016e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price:	US$2.44
Market cap:	US$194m
Forecast net debt (US$m)	31.8
Forecast gearing ratio (%)	141.0
Market	NASDAQ

Share price graph (US$)



Company description

Cytori sells the Celution device to harvest and concentrate adipose cells at the bedside for autologous therapy. It is CE marked. Two cardiac studies are underway in heart attack recovery and chronic heart disease.

Price performance

%	1m	3m	12m
Actual	6.1	(17.0)	10.4
Relative*	1.2	(20.8)	(10.7)

* % Relative to local index

Analyst

Dr John Savin

Cytori Therapeutics (CYTX)

INVESTMENT SUMMARY

Cytori continues to develop its business in patient-derived adipose (fat) derived regenerative cells (ADRC). FY13 sales of the Celution device to prepare ADRC for clinical research were $7.1m. Q1 sales were $1.4m ($3.4m of sales are not yet recognised) plus $0.4m of contracts. A new BARDA contract may start in H214 and is critical to progress a possible burns indication. A meeting was held on 10 June. The ATHENA ischemic cardiomyopathy trial may announce the 40m cell dose arm data in Q115. The 80m cell dose arm could report in Q315, enabling a Phase III from 2016. Cash on 31 March was $12.8m. Cytori raised $10m gross in a June share subscription.

INDUSTRY OUTLOOK

Cardio3 (autologous) and Teva/Mesoblast (allogenic) both have Phase III studies in chronic ischemic heart disease under way. Cytori could have a clear and defensible market position, but is some way from a pivotal trial. A small study in anterior cruciate ligament repair has completed recruitment.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2012	14.5	(28.4)	(33.0)	(56.3)	N/A	N/A
2013	12.2	(32.6)	(38.1)	(56.2)	N/A	N/A
2014e	12.4	(35.3)	(40.2)	(53.5)	N/A	N/A
2015e	33.3	(22.9)	(27.0)	(35.9)	N/A	N/A

Sector: Pharma & healthcare

Price:	US$4.83
Market cap:	US$269m
Forecast net cash (US$m)	84.3
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)

Company description

CytRx is focused on oncology. Lead programme, aldoxorubicin, is Phase III-ready for second-line STS, in an ongoing Phase IIb study in front-line STS, and has entered Phase II for GBM and Kaposi's sarcoma.

Price performance

%	1m	3m	12m
Actual	38.4	21.7	133.4
Relative*	32.0	16.0	88.9

* % Relative to local index

Analyst

Jason Zhang

CytRx (CYTR)

INVESTMENT SUMMARY

Detailed results of the Phase IIb trial of aldoxorubicin in first-line STS patients presented at the annual meeting of ASCO (top-line results were reported in several press releases) continue to show the drug's superior efficacy and safety profile over doxorubicin. The 400-patient, FDA SPA-sanctioned Phase III trial in second-line STS is progressing well with targeted completion of accrual in 2015 and possible top-line readout in 2016, a major value inflection point if the data are positive.

INDUSTRY OUTLOOK

CytRx has a strong rationale for advancing aldoxorubicin, a tumour-targeted doxorubicin conjugate, into a pivotal Phase III study for second-line STS. Initiation of Phase III development is supported by positive Phase I/II data in advanced STS; doxorubicin's efficacy in STS; limited competition; high unmet medical need; and a clear regulatory pathway due to the Special Protocol Assessment received from the FDA.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2012	0.1	(19.0)	(18.9)	(81.5)	N/A	N/A
2013	0.3	(23.5)	(23.4)	(70.6)	N/A	N/A
2014e	0.0	(35.9)	(35.7)	(70.6)	N/A	N/A
2015e	0.0	(44.0)	(43.9)	(85.8)	N/A	N/A

Sector: Pharma & healthcare

Price:	€20.74
Market cap:	€319m
Forecast net cash (€m)	26.7
Forecast gearing ratio (%)	N/A
Market	Euronext Paris

Share price graph (€)

Company description

DBV Technologies is a French allergy company focused on food allergy. DBV has a pipeline of patch-based allergy immunotherapy products, including lead candidate Viaskin Peanut. Other patch products are also in development.

Price performance

%	1m	3m	12m
Actual	11.7	0.9	150.8
Relative*	9.4	(3.6)	102.3

* % Relative to local index

Analyst

Dr Philippa Gardner

DBV Technologies (DBV)

INVESTMENT SUMMARY

DBV's novel Viaskin patch technology could revolutionise treatment of life-threatening food allergies. Viaskin is based on the established principles of allergy immunotherapy (AIT), which can offer an allergy cure. Traditional AIT (injections or oral) is not appropriate for food allergies owing to potentially fatal consequences. DBV's Viaskin patch uses the skin to transport allergens to the immune system, avoiding passage to the blood and reducing the risk of anaphylaxis. Lead product Viaskin Peanut has demonstrated efficacy in children with nearly 70% able to consume 10x more peanut after 18 months' treatment, and has been well tolerated to date. Further Phase IIb data are expected in Q414.

INDUSTRY OUTLOOK

It is estimated that peanut allergy affects around 1.4% of children in the US, which has grown from 0.6% in 1997. There are around 30,000 emergency room visits for food allergy per year in the US, with around 200 deaths. No treatment options exist outside of strict avoidance and carrying an adrenaline pen.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	2.8	(13.7)	(13.0)	(105.40)	N/A	N/A
2013	3.8	(20.3)	(19.3)	(141.89)	N/A	N/A
2014e	4.8	(15.8)	(14.9)	(98.66)	N/A	N/A
2015e	4.6	(14.4)	(13.5)	(89.21)	N/A	N/A

Sector: Pharma & healthcare

Price:	10.5p
Market cap:	£22m
Forecast net debt (£m)	1.7
Forecast gearing ratio (%)	77.0
Market	AIM

Share price graph (p)

Company description

Deltex Medical 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	(24.1)	(21.3)	(40.7)
Relative*	(24.6)	(23.6)	(46.9)

* % Relative to local index

Analyst

Dr John Savin

Deltex Medical Group (DEMG)

INVESTMENT SUMMARY

Deltex has raised £4.5m gross at 11p to drive its developing US opportunity. In 2013, the US market was only 16% of UK probe sales, but the US has a greater and faster growth potential. Adoption by leading academic medical schools wanting to use Doppler is now occurring as the surgical recovery benefits of Doppler are recognised. The new funding will accelerate R&D programs, like the new monitor. New premises plus process improvements will improve margins and capacity.

INDUSTRY OUTLOOK

FY13 sales were £7.15m, of which 88% (£6.3m) were probes. The NHS market accounts for 60% of revenues, but management does not expect any FY14 acceleration. International probe volumes grew 32% and European at 15%, but these are lower-margin distributor markets. Deltex will set up JVs where possible to boost margins, as in Canada. If Deltex builds to 30 accounts by 2016 across six US regions, it could generate £4.5m in extra sales with £1.4m net profit; 2013 US sales were £913k.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	6.8	(0.8)	(1.3)	(0.80)	N/A	N/A
2013	7.2	(1.5)	(1.9)	(1.13)	N/A	N/A
2014e	8.4	(0.6)	(0.9)	(0.49)	N/A	N/A
2015e	10.5	0.8	0.5	0.29	36.2	22.9

Sector: Pharma & healthcare

Price:	US$10.87
Market cap:	US$274m
Forecast net cash (US$m)	81.5
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)

Company description

Derma Sciences is a specialty medical device/pharmaceutical company. It focuses on developing and commercialising traditional and novel advanced wound care products, including MEDIHONEY and TCC-EZ.

Price performance

%	1m	3m	12m
Actual	17.0	(15.9)	(16.6)
Relative*	11.6	(19.8)	(32.6)

* % Relative to local index

Analyst

Hans Bostrom

Derma Sciences (DSCI)

INVESTMENT SUMMARY

Derma Sciences offers a compelling risk/reward profile with the DSC127 trial and advanced wound management franchise progressing well in a vastly underserved market. The recent $80m fund-raising affords the company higher R&D and sales force investments, which we expect to propel strong sales growth, and to deepen operating losses in 2014 and 2015. Derma Sciences expects its Phase III trials of DSC127 for diabetic foot ulcers to be fully enrolled in 2015 with top-line data available in 2016. We believe the current share price attributes no probability to DSC127 successfully reaching the market, which we rate as 65% likely. We value the stock at $15.6, based on DCF.

INDUSTRY OUTLOOK

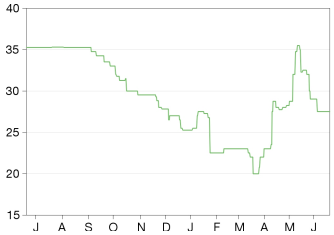
Derma Sciences operates in three segments of the wound care market: traditional (TWC), advanced (AWC) and pharmaceutical wound care (PWC). The slow-growing but cash-positive TWC unit provides the company with investment capital for the fast-growing AWC unit, which has seen a five-year CAGR of 53% and is expected to grow 25-35% in the next few years.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2012	72.5	(8.9)	(12.2)	(78.4)	N/A	N/A
2013	79.7	(14.9)	(21.0)	(123.8)	N/A	N/A
2014e	92.4	(22.5)	(27.7)	(107.7)	N/A	N/A
2015e	108.3	(16.4)	(22.8)	(86.0)	N/A	N/A

Sector: Pharma & healthcare

Price:	27.5p
Market cap:	£73m
Forecast net cash (£m)	41.2
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	(15.4)	37.5	(22.0)
Relative*	(15.9)	33.4	(30.1)

* % Relative to local index

Analyst

Franc Gregori

e-Therapeutics (ETX)

INVESTMENT SUMMARY

e-Therapeutics is a pioneer in network pharmacology, with two lead programmes, ETS2101 (dexanabinol) in various cancers and ETS6103 (tramadol) in major depressive disorder, progressing through clinical trials. Interim data from the Phase Ia UK solid tumours trial have confirmed ETS2101 is safe and well-tolerated up to doses of 22mg/kg. This, coupled with initial observations suggesting a potential anti-tumour effect, supports the decision to continue the trial up to the maximum tolerated dose (MTD). Data from this extension, as well as from the ongoing US Phase I/II glioma trial, will provide comprehensive data to inform next development steps. Positive results would provide major value inflection points. The company is well funded, through to 2019, following the £38.9m (net) raise in March 2013.

INDUSTRY OUTLOOK

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

Y/E Jan	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	0.0	(4.0)	(3.9)	(2.5)	N/A	N/A
2013	0.0	(5.2)	(5.0)	(3.0)	N/A	N/A
2014e	0.0	(8.8)	(8.3)	(2.9)	N/A	N/A
2015e	0.0	(8.9)	(8.5)	(2.7)	N/A	N/A

Sector: Pharma & healthcare

Price:	€3.76
Market cap:	€51m
Forecast net debt (€m)	N/A
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	(41.3)	(55.0)	126.7
Relative*	(43.3)	(58.1)	80.0

* % Relative to local index

Analyst

Hans Bostrom

Epigenomics (ECX)

INVESTMENT SUMMARY

Epigenomics is working on the design of a study to demonstrate improved patient compliance with colorectal cancer screening using its blood-based test Epi proColon, compared to approved methods. The study aims to supply additional information required by the FDA to support PMA application for Epi proColon, following the issue of the complete response letter in early June. Study methodology is to be discussed with the FDA at the end of June. Meanwhile, partner BioChain reported positive results from a Chinese clinical study of Epi proColon, indicating 74.8% sensitivity, non-inferior to the 68% for an approved faecal-based test. There is opportunity to gain early ground in China as incidence and awareness grows. The outlook for 2014 is for cash burn of c €8m; Epigenomics has up to 12 months of liquidity.

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	1.0	(10.8)	(10.9)	(125.3)	N/A	N/A
2013	1.6	(6.3)	(6.5)	(55.5)	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A
2015e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price:	337.5p
Market cap:	£34m
Forecast net debt (£m)	N/A
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

Epistem has a profitable contract services business and an emerging clinical biomarker technology with Sanofi as a big client. Epistem is preparing to launch Genedrive, its novel molecular diagnostic device, initially in the TB market.

Price performance

%	1m	3m	12m
Actual	0.0	3.9	(41.3)
Relative*	(0.6)	0.7	(47.4)

* % Relative to local index

Analyst

Emma Ulker

Epistem Holdings (EHP)

INVESTMENT SUMMARY

During H114, Epistem signed an agreement with the US Air Force to evaluate Genedrive for pathogen detection, securing £0.4m during an initial six-month development phase. If the evaluation is successful, Epistem will receive additional development funding and Genedrive will be rolled out by the US Department of Defence. Final-stage clinical testing for TB in support of Indian regulatory approval is underway, while US clinical trials are due to start in 2014 in support of the planned application for recommendation by the WHO in 2015. Epistem demonstrated IL28B test genotype results using Genedrive at a recent industry conference, proving evidence of its use as a predictor of response to interferon for HCV treatment. End-December cash stood at £5.2m.

INDUSTRY OUTLOOK

Epistem believes Genedrive (a DNA-based diagnostic point-of-care system) will change the shape of DNA diagnostics. It has now been CE marked, but published data are very limited. The TB market seems a good one as other tests are unreliable or expensive.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	5.6	(0.6)	(0.7)	(2.9)	N/A	N/A
2013	5.4	(1.2)	(1.5)	(12.5)	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A
2015e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price:	€14.25
Market cap:	€79m
Forecast net cash (€m)	7.7
Forecast gearing ratio (%)	N/A
Market	NYSE Euronext

Share price graph (€)

Company description

Erytech Pharma is a French orphan oncology company with a red blood cell encapsulation technology. Its lead product, Graspa, is in a Phase III trial for acute lymphoblastic leukaemia and a Phase IIb for acute myeloid leukaemia.

Price performance

%	1m	3m	12m
Actual	2.1	(0.6)	29.5
Relative*	0.0	(5.0)	4.5

* % Relative to local index

Analyst

Dr Philippa Gardner

Erytech Pharma (ERYP)

INVESTMENT SUMMARY

Phase III ALL data for Erytech's lead product Graspa are anticipated in September/October 2014, which should allow for first EU launch in early 2016 with partner Recordati. Graspa is based on L-asparaginase, a child leukaemia treatment used for over 30 years. However, use in elderly and frail patients is limited owing to serious side effects and allergic reactions. Graspa, based on Erytech's unique technology, has already demonstrated improved safety with equivalent efficacy to L-asp and is being investigated in pivotal trials in both ALL and AML. Phase II pancreatic cancer development is due to start in coming months. Ery-Met, based on similar principles to Graspa, recently entered the preclinical pipeline.

INDUSTRY OUTLOOK

Erytech's technology allows proteins to be encapsulated within red blood cells. This protects the molecule from the body's natural defences, and limits sudden exposure. In addition, the encapsulated molecule's half-life can be extended. This allows lower doses to achieve the same efficacy as standard/regular drug, while reducing side effects.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	5.7	(1.4)	(2.2)	(69.64)	N/A	73.4
2013	1.8	(7.4)	(8.2)	(174.32)	N/A	N/A
2014e	1.3	(7.7)	(7.2)	(130.59)	N/A	N/A
2015e	1.4	(8.0)	(7.6)	(136.43)	N/A	N/A

Sector: Pharma & healthcare

Price:	CHF1.42
Market cap:	CHF393m
Forecast net cash (CHFm)	52.6
Forecast gearing ratio (%)	N/A
Market	Swiss Stock Exchange

Share price graph (CHF)

Company description

Evolva is Swiss biosynthesis company. It has a proprietary yeast technology platform, which it uses to create and manufacture high-value speciality molecules for nutritional and consumer products.

Price performance

%	1m	3m	12m
Actual	8.4	(2.7)	102.9
Relative*	7.6	(7.7)	74.8

* % Relative to local index

Analyst

Dr Mick Cooper

Evolva (EVE)

INVESTMENT SUMMARY

Evolva has an innovative biosynthesis platform focused on developing new production methods for nutritional and consumer health products. Its key programme for the sweetener stevia, partnered with Cargill, could be launched in 2015/16 and will initially be targeted at the $4bn beverage sweetener market. Evolva recently achieved a US$1m technical milestone from the project. It also has a vanilla project (partnered with IFF, in the process of being launched), and ones for resveratrol (on market) and saffron. It has just formed a new alliance with L'Oreal to develop a manufacturing process for a cosmetic ingredient. It also has alliances with Ajinomoto and Roquette, and a new collaboration in Malaysia for indigenous natural products. Its legacy pharmaceutical product, EV-077, is partnered with Serodus. Evolva has an estimated net cash position of c CHF60m, after raising CHF42.5m in February. The capital raise means Evolva is likely to exercise its option to form a JV with Cargill to commercialise stevia.

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (CHFm)	EBITDA (CHFm)	PBT (CHFm)	EPS (CHFc)	P/E (x)	P/CF (x)
2012	7.0	(16.7)	(18.7)	(7.8)	N/A	N/A
2013	8.7	(14.3)	(16.2)	(5.8)	N/A	N/A
2014e	10.2	(15.0)	(16.6)	(6.3)	N/A	N/A
2015e	11.0	(13.2)	(14.4)	(4.7)	N/A	N/A

Sector: Pharma & healthcare

Price:	€3.72
Market cap:	€490m
Forecast net cash (€m)	85.0
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)

Company description

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

Price performance

%	1m	3m	12m
Actual	8.6	0.1	44.3
Relative*	4.8	(6.8)	14.5

* % Relative to local index

Analyst

Dr Mick Cooper

Evotec (EVT)

INVESTMENT SUMMARY

Evotec remains focused on innovation with its CureX/TargetX strategy to differentiate itself from other drug discovery companies. There are now three CureX and seven TargetX collaborations, drug discovery alliances with academia. Two programmes (CureBeta, TargetAD) have led to major corporate alliances with J&J and several other similar deals could be signed over the next two years. Data from the second Phase III trial with DiaPep277 in Type I diabetes are due in Q414 and the Phase II study with EVT302 in Alzheimer's disease in mid-2015. Three products could also enter clinical development over the next 18 months. Evotec acquired Euprotec for £1.9m with a deferred payment in May to strengthen its anti-infectives capabilities. Evotec's sales fell by 2% in FY13 to €85.9m due to lower milestone payments, but should return to growth from FY14 as the company benefits from the CureX strategy. It is well capitalised with €96m cash at FY13.

INDUSTRY OUTLOOK

Pharmaceutical companies are outsourcing drug discovery activities to improve their productivity and decrease the fixed costs associated with them. Evotec's growth depends on its ability to provide a high-quality integrated service.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	87.3	9.1	1.3	0.4	930.0	35.8
2013	85.9	13.3	5.1	4.0	93.0	63.6
2014e	91.3	11.3	4.6	2.9	128.3	34.4
2015e	105.8	16.4	9.6	6.6	56.4	24.1

Sector: Pharma & healthcare

Price:	57.0p
Market cap:	£56m
Forecast net debt (£m)	N/A
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

Futura Medical is a UK-based healthcare company developing non-prescription topical products in sexual healthcare and pain relief management, based on its proprietary DermaSys delivery technology.

Price performance

%	1m	3m	12m
Actual	(3.4)	(6.2)	(20.8)
Relative*	(4.0)	(9.0)	(29.1)

* % Relative to local index

Analyst

Franc Gregori

Futura Medical (FUM)

INVESTMENT SUMMARY

2014 should mark a defining moment for Futura Medical as recurring revenues arise. The first product, the PET500 sexual control spray, is marketed in the US by Ansell (under the EPIC brand) and, more importantly, the CSD500 erectogenic condom is expected to launch on a multi-country basis later this year. The recent £12m (gross) fund-raising will be used to accelerate the progress of the earlier development pipeline (notably the analgesic gel products). The low-cost business model means that even a modest commercial success could prove transformational for the company's finances.

INDUSTRY OUTLOOK

Futura Medical is a UK-based healthcare group focused on topical pharmaceutical drugs and medical devices that incorporate existing chemical entities and can be sold over the counter. The development portfolio consists of six products that range from PET500, a topical spray to delay premature ejaculation that has been launched by Ansell in the US, to the recently added TIB200 and SPR300, which are superior formulations of existing topical pain-relieving gels.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	0.1	(2.5)	(2.6)	(2.9)	N/A	N/A
2013	0.4	(2.5)	(2.7)	(2.8)	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A
2015e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price:	C$0.34
Market cap:	C$11m
Forecast net debt (C$m)	87.4
Forecast gearing ratio (%)	303.0
Market	TSE

Share price graph (C$)

Company description

GLG Life Tech is a vertically integrated supplier of stevia-derived extracts primarily for use as low-calorie high-intensity sweeteners (HIS) in the food and beverage industries.

Price performance

%	1m	3m	12m
Actual	(35.9)	(8.1)	(48.5)
Relative*	(38.3)	(12.7)	(59.2)

* % Relative to local index

Analyst

Pooya Hemami

GLG Life Tech (GLG)

INVESTMENT SUMMARY

GLG Life Tech is positioning itself to emerge as a more robust and cost-efficient operator in the growing global stevia industry. While the firm had a challenging time in 2011-13, after the completion and non-renewal in mid-2011 of Cargill's US$65m initial purchase order, we believe margins will improve in coming years. We estimate the firm will return to generating consistently positive EBITDA in 2016, driven by its utilisation of high-yielding proprietary leaves, continued growth in the global stevia market, and an improved product and customer mix. A stronger than expected turnaround provides geared upside to our base case NPV of C$136m (leading to an equity value of C$1.86 per share).

INDUSTRY OUTLOOK

We expect stevia sales to grow in the mid-upper teens through 2017, as consumers increasingly seek reduced-calorie food and beverage products that rely on naturally sourced sweeteners such as stevia rather than artificial sweeteners.

Y/E Dec	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	21.7	(15.5)	(24.3)	(88.83)	N/A	1.3
2013	16.0	(10.1)	(21.7)	(54.96)	N/A	1.4
2014e	29.1	(6.5)	(16.0)	(46.94)	N/A	N/A
2015e	50.5	(2.0)	(11.9)	(33.07)	N/A	4.7

Sector: Pharma & healthcare

Price:	434.0p
Market cap:	£935m
Forecast net cash (£m)	79.0
Forecast gearing ratio (%)	N/A
Market	AIM, NASDAQ

Share price graph (p)

Company description

GW Pharmaceuticals is a UK-based speciality pharma company focused on developing cannabinoid medicines. Lead product, Sativex, is marketed in a number of European countries for multiple sclerosis-associated spasticity.

Price performance

%	1m	3m	12m
Actual	27.5	24.5	785.7
Relative*	26.6	20.8	693.6

* % Relative to local index

Analyst

Lala Gregorek

GW Pharmaceuticals (GWP)

INVESTMENT SUMMARY

Twelve-week data in 27 children/young adults from open label physician-led Epidolex studies in treatment-resistant epilepsy show encouraging results. After 12 wks of therapy, 48% of pts had a >50% reduction in seizure frequency vs baseline, four pts were seizure free, with a mean overall reduction in seizure frequency of 44%. The nine Dravet Syndrome pts had a mean 52% overall reduction in convulsive seizures with a third having a 75-100% frequency decrease. Safety data in 62 pts indicates that 80% of adverse events were mild-to-moderate. These data support the design of the Epidiolex Phase II/III study in Dravet Syndrome due to start in H214. The FDA has granted fast-track status. GW, under its shelf registration, intends to sell 1.7m ADSs (1.2m new ADSs and 500k of ADSs being sold by the directors) at an as yet undetermined price in an underwritten offering.

INDUSTRY OUTLOOK

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

Y/E Sep	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	33.1	2.8	2.2	2.6	166.9	420.4
2013	27.3	(8.9)	(9.7)	(2.6)	N/A	N/A
2014e	24.5	(19.4)	(19.6)	(7.6)	N/A	N/A
2015e	28.6	(11.6)	(12.0)	(3.7)	N/A	N/A

Sector: Pharma & healthcare

Price:	835.0p
Market cap:	£435m
Forecast net debt (US$m)	7.3
Forecast gearing ratio (%)	8.0
Market	AIM

Share price graph (p)

Company description

Hutchison China MediTech is the healthcare arm of Hutchison Whampoa (with 30% listed on AIM) that capitalises on the economic and demographic shifts in China with novel high-technology therapies, TCM drugs, organic foods and consumer products.

Price performance

%	1m	3m	12m
Actual	3.4	(3.8)	67.5
Relative*	2.7	(6.6)	50.1

* % Relative to local index

Analyst

Franc Gregori

Hutchison China MediTech (HCM)

INVESTMENT SUMMARY

The progress being achieved across several pipeline projects means MediPharma, the R&D unit, should increasingly become the focus of investor attention as it could add significant value over the coming year. The next 12-18 months should be the defining period as MediPharma transitions from being a promising prospect to a fully fledged drug discovery business. Recent newsflow has included positive early study data and the start of clinical trials for a number of projects. Hutchison China MediTech's investment case also remains underpinned by the prospects for the China Healthcare division, as this business taps into one of the fastest-growing healthcare markets in the world.

INDUSTRY OUTLOOK

Favourable demand trends, coupled with the supportive environment for clinical research, mean the prospects for Chinese healthcare companies are compelling. Demographics and government support will continue to drive demand, while the clinical, regulatory and technological environments are highly conducive to novel drug development. Hutchison China MediTech is well placed to benefit from these rich seams of opportunity.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2012	22.4	5.2	2.5	(11.0)	N/A	N/A
2013	46.0	13.5	11.0	13.2	106.6	180.4
2014e	80.6	9.6	7.8	5.8	242.7	485.3
2015e	102.0	18.2	16.7	17.4	80.9	306.7

Sector: Pharma & healthcare

Price:	€2.66
Market cap:	€69m
Forecast net cash (€m)	6.7
Forecast gearing ratio (%)	N/A
Market	Alternext Paris

Share price graph (€)

Company description

Hybrigenics is a French biotech company. It provides protein-protein and small molecule analysis services and is conducting anti-cancer studies on lead drug inecalcitol, primarily in CLL and prostate cancer.

Price performance

%	1m	3m	12m
Actual	0.4	(7.6)	343.3
Relative*	(1.7)	(11.7)	257.6

* % Relative to local index

Analyst

Emma Ulker

Hybrigenics (ALHYG)

INVESTMENT SUMMARY

FY13 services revenue rose 18% to €3.9m; we estimate that revenue from the expanding division will increase 30% in FY14 to €5.1m. End-December cash stood at €2.4m; the company subsequently raised €6.1m and drew down €1.05m on its equity line. The proceeds will fund two new Phase II studies of inecalcitol in Chronic Myeloid Leukaemia (CML) and Acute Myeloid Leukaemia (AML) to start in H214 and H115. Initial data from the Phase II study of inecalcitol in Chronic Lymphocytic Leukaemia CLL showed that inecalcitol halted disease progression in 52% of patients. In April Hybrigenics was invited to join the French small and mid-cap CAC PME index as a result of its increased market capitalisation and liquidity.

INDUSTRY OUTLOOK

Inecalcitol is being developed in three major indications and faces competition from existing drugs and those in development. However, its good safety profile could give it an advantage. Preclinical models show that it has additional potential in both acute and chronic myeloid leukaemia. Hybrigenics is pushing into the innovative field of systems biology and genomics, applying its expertise for protein-gene analysis to better understand diseases and their therapies.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	5.9	(2.3)	(2.4)	(13.2)	N/A	N/A
2013	6.1	(2.1)	(2.2)	(8.2)	N/A	N/A
2014e	7.5	(1.9)	(2.0)	(6.9)	N/A	N/A
2015e	7.2	(4.2)	(4.2)	(14.6)	N/A	N/A

Sector: Pharma & healthcare

Price:	US$2.68
Market cap:	US$39m
Forecast net debt (US$m)	N/A
Forecast gearing ratio (%)	N/A
Market	OMX, OTC QX

Share price graph (US$)

Company description

Immune Pharmaceuticals (formerly 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	1.1	(51.6)	(1.5)
Relative*	(3.6)	(53.9)	(20.3)

* % Relative to local index

Analyst

Wang Chong

Immune Pharmaceuticals (EPCT)

INVESTMENT SUMMARY

Immune Pharmaceuticals is an Israel-based biopharma company, which acquired EpiCept in a reverse-merger. It is primarily focused on developing antibodies for inflammatory disease and cancer. Its main product, bertilimumab, is ready to enter Phase II trials for ulcerative colitis (UC) and has potential in Crohn's disease and severe asthma. The other clinical programmes are AmiKet and Crolibulin. Amiket is a topical cream ready for Phase III in chemotherapy induced peripheral neuropathy, but the company hopes to partner the product. Crolibulin is a vascular disruption agent in Phase II for anaplastic thyroid cancer. The company also has the NanomAbs platform technology, similar to that of Bind Therapeutics, which has potential advantages over the current antibody drug conjugate technology. The company raised $10.2m in net proceeds from private placing in March and had $6.5m in cash at 31 March.

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2011	1.0	(14.1)	(15.3)	(22.9)	N/A	N/A
2012	7.8	(0.6)	(1.8)	(3.0)	N/A	N/A
2013e	N/A	N/A	N/A	N/A	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price:	462.5p
Market cap:	£632m
Forecast net cash (£m)	156.8
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)

Company description

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

Price performance

%	1m	3m	12m
Actual	24.2	12.8	45.7
Relative*	23.4	9.4	30.5

* % Relative to local index

Analyst

Christian Glennie

Imperial Innovations (IVO)

INVESTMENT SUMMARY

Innovations has raised £150m through the sale of 37.5m new shares at 400p per share, the majority to existing shareholders, Invesco, Lansdowne and Woodford. This significantly enhances Innovations' capacity to invest in, and generate greater upside from, its maturing company portfolio, such as the planned Abzena IPO (IVO currently holds a 26.2% interest, valued at £11.1m). Although not expected to be liquidity events, IPOs offer the potential to unlock 'hidden' portfolio value, eg the Circassia IPO released a £37m gain in Innovations' 19.7% pre-IPO stake (14.1% post-IPO), representing a 3.2x return on cash invested and an IRR of 37%. Leading portfolio companies (eg Abzena, Nexeon, Veryan, Cell Medica, PsiOxus) are seeking to raise £100m over the next 12 months. The net portfolio value was £229.6m at 31 January 2014. Please note that the number of shares and cash balance has not been adjusted for the latest financing, which closed on 23 June.

INDUSTRY OUTLOOK

The investment case rests on the real value of the portfolio and the success of investments in maturing companies. Portfolio companies are valued per International Private Equity and Venture Capital Valuation guidelines, hence there is potential for significant value creation if 'exits' (IPOs/M&A/license deals) are achieved at valuations in excess of these.

Y/E Jul	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	4.3	(6.2)	(4.0)	(6.3)	N/A	N/A
2013	3.3	(6.9)	(5.9)	(7.3)	N/A	N/A
2014e	3.6	(6.3)	(6.5)	(6.4)	N/A	N/A
2015e	4.0	(6.4)	(6.7)	(4.9)	N/A	N/A

Sector: Pharma & healthcare

Price:	US$7.29
Market cap:	US$118m
Forecast net debt (US$m)	N/A
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)

Company description

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

Price performance

%	1m	3m	12m
Actual	(5.9)	N/A	N/A
Relative*	N/A	N/A	N/A

* % Relative to local index

Analyst

Emma Ulker

Lombard Medical (EVAR)

INVESTMENT SUMMARY

Aorfix commercial revenue increased 104% to $2.0m in Q114, US sales increased to $0.5m compared to $0.3m in Q413. Lombard Medical has listed in the US to provide it with greater exposure to investors in Aorfix's key market (c $700m) and to increase liquidity. Lombard has a defined peer group in the US, including direct comparators Endologix and Trivascular. The company has used part of the $55m IPO proceeds to double the size of its US sales force bringing the total number of reps to 34. The remaining funds will be used to further increase the size of this sales force to around 50 reps by mid-2015, to develop a thoracic endovascular stent graft and for general working capital use. Aorfix is due to be launched in Japan in 2014, the second-largest global market for endovascular aneurysm repair (EVAR). Lombard delisted from AIM on 30 April.

INDUSTRY OUTLOOK

Lombard will compete with larger US corporations to achieve further penetration in the $1.4bn global AAA market for Aorfix. The unique 0-90º label and clinical evidence provide a potential competitive edge for Aorfix in the EVAR-receptive US market.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2012	6.2	(13.0)	(13.7)	(65.3)	N/A	N/A
2013	7.0	(19.6)	(20.1)	(52.8)	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A
2015e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price:	€5.61
Market cap:	€134m
Forecast net cash (€m)	10.1
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)

Company description

MagForce is a German medtech firm with a European approved nanotechnology to treat brain cancers. NanoTherm therapy involves injecting NanoTherm particles with a magnetic core into the tumour.

Price performance

%	1m	3m	12m
Actual	(4.3)	(12.1)	80.9
Relative*	(7.6)	(18.2)	43.6

* % Relative to local index

Analyst

Dr Philippa Gardner

MagForce (MF6)

INVESTMENT SUMMARY

MagForce is aiming to accelerate uptake of its NanoTherm therapy, already approved in Europe for brain cancer. To increase physician acceptance and awareness of the therapy, MagForce has worked with a number of key opinion leaders to design a new glioblastoma study. Multiple centres have been established at which new NanoActivators will be installed; with three NanoActivators in place, this will bring the installed base to eight in Germany alone. Expansion across Europe is anticipated in the next few years. MagForce also intends to introduce NanoTherm therapy to the US, both in glioblastoma and prostate cancer, which should be facilitated by the CEO's established US network.

INDUSTRY OUTLOOK

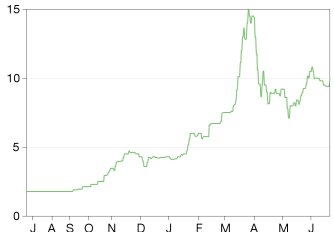
MagForce's NanoTherm therapy has been designed to directly affect tumours from within, while sparing surrounding healthy tissue. Nanoparticles are injected into a tumour and heated by an external magnetic field. This can destroy or sensitise the tumour for additional treatment such as chemotherapy or radiotherapy.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011	0.0	(6.5)	(7.6)	(212.3)	N/A	N/A
2012	0.0	(4.6)	(5.7)	(116.0)	N/A	N/A
2013e	0.0	(5.9)	(6.7)	(46.0)	N/A	N/A
2014e	1.6	(4.9)	(5.6)	(23.2)	N/A	N/A

Sector: Pharma & healthcare

Price:	€10.00
Market cap:	€100m
Forecast net debt (€m)	6.3
Forecast gearing ratio (%)	36.0
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	19.8	(26.7)	488.2
Relative*	12.2	(33.8)	312.5

* % Relative to local index

Analyst

Dr Mick Cooper

Medcom Tech (MED)

INVESTMENT SUMMARY

Medcom Tech is maintaining strong growth despite Spain's challenging trading conditions. Underlying sales grew by 16.2% in FY13 to €18.9m and EBITDA increased by 24.2% to €2.9m. The company is benefiting from the optimisation of its sales force and strengthening its balance sheet over the last year. Net debt was stable at €5.4m at FY13 and the working capital constraints have been removed. Medcom Tech is also expanding its sales operations beyond Iberia and Italy in Europe and into Latin America. It has also established a new subsidiary, Medcom Flow, which will launch an innovative video-laryngeal mask and intubation device, Totaltrack, in the coming months; the product will be sold directly by Medcom Tech where it has a salesforce, and elsewhere by distributors.

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	16.7	2.3	0.5	3.6	277.8	30.1
2013	18.4	2.9	1.1	7.7	129.9	35.2
2014e	21.9	4.1	2.9	20.1	49.8	33.8
2015e	25.6	5.6	4.0	28.2	35.5	23.3

Sector: Pharma & healthcare

Price:	€4.79
Market cap:	€52m
Forecast net cash (€m)	3.0
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)

Company description

Medigene is a biotech company with a cancer immunotherapy platform after the purchase of Trianta (DC vaccine in Phase I/II studies). Veregen is marketed through multiple global partners. EndoTAG-1 and RhuDex are out-licensed pipeline assets.

Price performance

%	1m	3m	12m
Actual	(9.3)	(26.8)	23.4
Relative*	(12.4)	(31.9)	(2.0)

* % Relative to local index

Analyst

Christian Glennie

Medigene (MDG1)

INVESTMENT SUMMARY

Medigene is advancing its cancer immunotherapy platform (Trianta) for haematological malignancies, with Phase I/IIa studies planned for its dendritic cell vaccine in acute myeloid leukaemia (Q414) and another haematological indication (2015). This will complement ongoing investigator-initiated trials in AML and prostate cancer (data in 2016). Dr Falk Pharma will now develop RhuDex in gastroenterology/hepatology indications, initially for primary biliary cirrhosis. Medigene is supporting SynCore for a planned Phase III study (start H214) of EndoTAG-1 in triple negative breast cancer. Q114 revenues from genital warts ointment Veregen (sold by global partners) grew 95% to €1.3m. End-Q114 cash of €7m is sufficient to Q215. Fresh finance will be required to advance the Trianta assets.

INDUSTRY OUTLOOK

Cancer immunotherapy is attracting huge biotech investor interest. Trianta's DC vaccine is third-generation, with multiple potential efficacy and manufacturing benefits over the forerunners (Provenge).

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	6.3	(9.3)	(10.3)	(111.99)	N/A	N/A
2013	7.6	(8.2)	(9.7)	(101.09)	N/A	N/A
2014e	9.3	(5.3)	(6.9)	(64.27)	N/A	N/A
2015e	12.0	(4.7)	(6.3)	(57.50)	N/A	N/A

Sector: Pharma & healthcare

Price:	A$4.20
Market cap:	A$1351m
Forecast net cash (A$m)	209.2
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)

Company description

Mesoblast is developing adult stem cell therapies based on its proprietary MPC and culture-expanded MSC platforms. It has six late-stage clinical trials across four areas.

Price performance

%	1m	3m	12m
Actual	(11.0)	(21.8)	(26.6)
Relative*	(11.0)	(23.1)	(35.5)

* % Relative to local index

Analyst

Jason Zhang

Mesoblast (MSB)

INVESTMENT SUMMARY

Mesoblast intends to initiate a Phase III trial of mesenchymal precursor cells (MPCs) in discogenic low back pain later this year, following the successful Phase II trial that reported in February. This will be the first MPC programme that Mesoblast has itself taken into a Phase III study, although it inherited an ongoing Phase III trial for Prochymal (remestemcel-L) for Crohn's disease as part of last year's acquisition of Osiris's mesenchymal stem cell (MSC) business. Partner Teva has Phase III studies underway with MPCs in congestive heart failure and in bone marrow transplantation. We value the company at A$2.85bn (A$8.58/diluted share).

INDUSTRY OUTLOOK

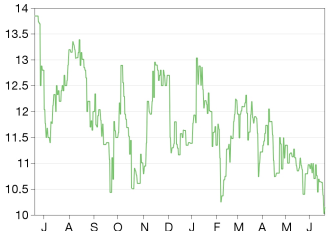
Mesoblast is the leading mesenchymal stem development company, with two technology platforms (MPCs, MSCs) and nine clinical candidates (four in Phase III, five in Phase II). Its three alliances – with Teva, JCR and Lonza – underpin the key late-stage programmes.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (c)	P/E (x)	P/CF (x)
2012	27.8	(48.8)	(38.6)	(21.58)	N/A	N/A
2013	24.2	(58.7)	(48.8)	(17.21)	N/A	N/A
2014e	22.0	(76.0)	(66.3)	(20.78)	N/A	N/A
2015e	16.2	(82.9)	(76.9)	(23.95)	N/A	N/A

Sector: Pharma & healthcare

Price:	€10.15
Market cap:	€172m
Forecast net cash (€m)	16.4
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)



Company description

Mologen's lead products are MGN1703 for metastatic colorectal cancer maintenance and MGN1601, an allogeneic renal cancer cell vaccine. Both use dSLIM and MIDGE.

Price performance

%	1m	3m	12m
Actual	(8.6)	(13.8)	(26.7)
Relative*	(11.7)	(19.8)	(41.8)

* % Relative to local index

Analyst

Christian Glennie

Mologen (MGN)

INVESTMENT SUMMARY

Mologen develops anti-cancer immune therapies aiming to give long-lasting responses. MGN1703 is the lead anti-cancer, immune-activating maintenance therapy now entering a colorectal Phase III study (IMPALA). Mologen raised €15.7m in equity in early 2014 and ended Q114 with €26m in cash, sufficient into early 2016. Mologen's primary focus is IMPALA, a 540-patient Phase III trial of MGN1703 that should start in Europe by Q314; a few US sites may be added following successful completion of a Phase I safety study. A 100-patient small cell lung cancer Phase II trial (IMPULSE) with MGN1703 is now enrolling patients. A Phase II trial in renal cancer with cancer vaccine candidate MGN1601 is being planned.

INDUSTRY OUTLOOK

IMPALA is scheduled to produce data by end-2017, implying possible launch in 2018. Final overall survival (OS) data from IMPACT (Phase II with MGN1703 in colorectal cancer, expected H115), and initial OS data from IMPULSE (by end-2015), may offer fresh financing/partnering opportunities.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	0.1	(6.9)	(7.2)	(51.6)	N/A	N/A
2013	0.2	(8.9)	(9.9)	(64.3)	N/A	N/A
2014e	0.1	(12.9)	(12.7)	(75.2)	N/A	N/A
2015e	0.1	(15.5)	(15.5)	(91.3)	N/A	N/A

Sector: Pharma & healthcare

Price:	€69.80
Market cap:	€1830m
Forecast net cash (€m)	329.5
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)

Company description

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

Price performance

%	1m	3m	12m
Actual	7.1	(1.9)	86.1
Relative*	3.3	(8.6)	47.8

* % Relative to local index

Analyst

Dr Mick Cooper

MorphoSys (MOR)

INVESTMENT SUMMARY

MorphoSys has a broad portfolio of 20 antibodies in clinical studies (Janssen reported impressive Phase IIb psoriasis data for guselkumab in March), including three proprietary products with considerable potential. In June, its lead proprietary product, MOR103, was licensed to GSK in a €450m (c $590m) deal for development in all indications globally. A month later, it partnered MOR202 with Celgene in an $818m (c €630m) co-development agreement for multiple myeloma and other haematological cancers. A Phase II study with MOR208 in Non-Hodgkin's lymphoma and acute lymphoblastic leukaemia is ongoing, and another in chronic lymphocytic leukaemia (CLL) in combination with lenalidomide has also started. MOR208 recently achieved US and EU orphan status in CLL and small lymphocytic leukaemia (SLL). MorphoSys had a cash position of €380m on 31 March. A key focus of FY14 is to develop its proprietary pipeline; a discovery collaboration was formed with Temple University in April and further deals are expected.

INDUSTRY OUTLOOK

The pharmaceutical industry is out-licensing more drug discovery and developing more biological products, both trends that should benefit MorphoSys. Also, there is increasing demand for novel therapies, such as those in MorphoSys' proprietary pipeline.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	51.9	8.8	7.1	27.9	250.2	772.9
2013	78.0	14.8	10.7	30.1	231.9	18.9
2014e	61.8	(7.0)	(5.4)	(10.2)	N/A	N/A
2015e	62.9	(13.2)	(11.6)	(26.9)	N/A	N/A

Sector: Pharma & healthcare

Price:	€17.91
Market cap:	€240m
Forecast net cash (€m)	23.6
Forecast gearing ratio (%)	N/A
Market	Euronext Paris

Share price graph (€)

Company description

Nanobiotix is a French nanotechnology company developing radiotherapy enhancers for the treatment of cancer. Lead product NBTXR3 is currently in Phase I clinical development in Europe and is partnered with PharmaEngine in Asia-Pacific.

Price performance

%	1m	3m	12m
Actual	(5.9)	2.6	215.9
Relative*	(7.8)	(1.9)	154.8

* % Relative to local index

Analyst

Dr Philippa Gardner

Nanobiotix (NANO)

INVESTMENT SUMMARY

Nanobiotix's nanotechnology products could enhance radiotherapy and be incorporated into current treatment without any changes to medical practice. Lead product NBTXR3 has completed a pilot soft tissue sarcoma trial and a locally advanced head and neck cancer pilot trial is ongoing in Europe. A €2.8m grant for liver cancer development has been awarded. The current plans in soft tissue sarcoma (STS) should allow for first CE-mark approval in Europe in late 2016. NBTXR3 is partnered with PharmaEngine in Asia Pacific and an update on the US strategy is expected later in 2014. Follow-on products NBTX-IV and TOPO are both in preclinical development.

INDUSTRY OUTLOOK

Radiotherapy is a cornerstone cancer treatment used in around 50% of all cancer patients. NanoXray aims to improve the benefits of current radiotherapy without increasing the risks. The purely physical mechanism of action is supported by clinical data that have demonstrated encouraging efficacy with no serious adverse events.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	1.0	(5.0)	(5.2)	(64.74)	N/A	N/A
2013	1.6	(7.9)	(8.1)	(75.49)	N/A	N/A
2014e	2.2	(9.9)	(9.8)	(81.34)	N/A	N/A
2015e	2.5	(26.4)	(26.4)	(196.53)	N/A	N/A

Sector: Pharma & healthcare

Price:	€3.07
Market cap:	€61m
Forecast net debt (€m)	2.7
Forecast gearing ratio (%)	181.0
Market	Alternext Paris

Share price graph (€)

Company description

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

Price performance

%	1m	3m	12m
Actual	7.0	(14.2)	80.6
Relative*	4.8	(18.0)	45.7

* % Relative to local index

Analyst

Wang Chong

Neovacs (ALNEV)

INVESTMENT SUMMARY

Neovacs has completed recruitment for its 140-patient Phase IIb trial with its lead product TNF-Kinoid in rheumatoid arthritis (RA). Data from the trial are due in Q414. The aim is to maintain momentum of the programme while it seeks a partner. The Kinoid approach has potentially significant commercial advantages versus existing anti-TNF products in this large, but highly competitive therapeutic area. A partnership would also allow further development of the IFN-Kinoid in lupus (Phase IIb study planned for 2015). Neovacs has relaunched four preclinical programmes to broaden its pipeline. It had cash of €4m at end-FY13 and can, if necessary, draw down up to 1.97m shares from a contingent equity line so it can complete the ongoing Phase IIb RA trial.

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	0.1	(8.2)	(8.3)	(45.6)	N/A	N/A
2013	0.0	(7.9)	(7.9)	(34.9)	N/A	N/A
2014e	0.0	(7.9)	(7.9)	(30.9)	N/A	N/A
2015e	0.0	(8.0)	(8.0)	(30.9)	N/A	N/A

Sector: Pharma & healthcare

Price:	CHF16.30
Market cap:	CHF212m
Forecast net cash (€m)	21.9
Forecast gearing ratio (%)	N/A
Market	Swiss Stock Exchange

Share price graph (CHF)

Company description

Newron Pharmaceuticals is an Italian biotechnology company focused on CNS diseases. Its most advanced drug, safinamide, has completed Phase III trials for Parkinson's disease and is partnered with Zambon and Meiji Seika.

Price performance

%	1m	3m	12m
Actual	3.5	1.2	77.8
Relative*	2.7	(3.9)	53.1

* % Relative to local index

Analyst

Dr Philippa Gardner

Newron Pharmaceuticals (NWRN)

INVESTMENT SUMMARY

Over the next 12-24 months, Newron could transition to a company with a marketed asset and a pipeline of orphan drugs in pivotal development, which it could commercialise alone. The lead product safinamide has been filed in the US and Europe in both early and mid-late stage Parkinson's disease (PD). Safinamide is partnered with Meiji Seika in Japan/Asia and with Zambon in the rest of the world; Zambon, working together with Newron, is aiming to sub-license safinamide in certain regions, including the US. Beyond safinamide is a pipeline of three Phase II orphan drugs for which further development is supported by CHF18.6m raised in April. These include sNN0031 for severe PD and sNN0029 for ALS/Lou Gehrig's disease, both from the NeuroNova acquisition, and sarizotan for Rett syndrome.

INDUSTRY OUTLOOK

Safinamide could be the first add-on PD drug approved across all stages of disease, which combined with once-a-day dosing and a clean safety profile could position it uniquely in the growing PD market.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	8.9	(2.8)	(2.5)	(29.27)	N/A	18.2
2013	3.5	(7.8)	(7.7)	(61.77)	N/A	N/A
2014e	0.8	(12.4)	(12.0)	(97.74)	N/A	N/A
2015e	0.0	(15.0)	(14.8)	(113.41)	N/A	N/A

Sector: Pharma & healthcare

Price:	US$0.82
Market cap:	US$42m
Forecast net cash (US$m)	7.6
Forecast gearing ratio (%)	N/A
Market	NYSE MKT

Share price graph (US$)

Company description

NovaBay Pharmaceuticals is a US company developing a new class of topical anti-infectives. Auriclosene (NVC-422) is the lead candidate, undergoing a Phase IIb study in viral conjunctivitis.

Price performance

%	1m	3m	12m
Actual	(7.9)	(31.1)	(38.3)
Relative*	(12.1)	(34.3)	(50.1)

* % Relative to local index

Analyst

Christian Glennie

NovaBay Pharmaceuticals (NBY)

INVESTMENT SUMMARY

NovaBay has completed enrollment in its 500-patient Phase IIb study of its topical anti-infective agent, auriclosene, in viral conjunctivitis, with headline results expected in mid-2014. Further studies with auriclosene are expected in 2014, for impetigo (new formulation investigation) and urinary catheter irrigation (Phase II). NovaBay recently launched i-Lid Cleanser, a pure hypochlorous acid product with FDA 510(k) clearances for multiple skin and wound-cleansing conditions, in the US for cleaning eyelids, particularly in patients with blepharitis. i-Lid is part of the NeutroPhase family of products that are being commercialised through global partnerships. NovaBay held $15m in cash at Q114.

INDUSTRY OUTLOOK

Resistance to conventional antibiotics is a serious problem and the industry is seeking alternative methods of combating microbial infections. NovaBay's Aganocide compounds hold the potential to overcome and avoid resistance issues. The NeutroPhase products have utility across multiple markets.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2012	6.9	(8.8)	(8.5)	(28.74)	N/A	N/A
2013	3.5	(15.8)	(15.5)	(40.55)	N/A	N/A
2014e	2.7	(16.3)	(16.0)	(31.87)	N/A	N/A
2015e	4.3	(15.5)	(15.3)	(28.21)	N/A	N/A

Sector: Pharma & healthcare

Price:	28.2p
Market cap:	£31m
Forecast net debt (£m)	N/A
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 food intolerance, allergy and infectious diseases. The major sales prospect is a PoC test, Visitect, for HIV monitoring.

Price performance

%	1m	3m	12m
Actual	1.8	(0.9)	67.4
Relative*	1.2	(3.8)	50.0

* % Relative to local index

Analyst

Dr John Savin

Omega Diagnostics (ODX)

INVESTMENT SUMMARY

The investment case for Omega is based on the Visitect Point of Care CD4 test for HIV patients and the launch with Immunodiagnostic Systems of the automated allergy iSYS. FY14 trading was up 2.9% over FY13 at £11.6m. Food intolerance was 18% up, but infectious disease fell by 10% and allergy and autoimmune by 5%. Adjusted FY14 PBT was £1.1m as expected.

INDUSTRY OUTLOOK

Visitect tests patients with HIV to establish if they require anti-retroviral therapy. Omega can produce seven million Visitect CD4 tests per year with a potential sales value of £21m. Initial data on small patient numbers in Kenya and India showed that some fine-tuning of the assay may be needed, particularly as blood taken from finger pricks was less accurate, which is a common observation noted in other test types. A smartphone reader was also tested. More extensive trials are expected over 2014 in India and Africa. The allergy iSYS launch menu is progressing. Eight tests (40 needed) are complete with 28 in earlier development stages.

Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2013	11.3	1.1	0.8	1.3	21.7	24.0
2014	11.6	1.4	1.1	1.2	23.5	28.3
2015e	N/A	N/A	N/A	N/A	N/A	N/A
2016e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price:	C$1.41
Market cap:	C$123m
Forecast net cash (C$m)	2.3
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	(1.4)	(33.5)	(43.2)
Relative*	(5.2)	(36.8)	(55.0)

* % Relative to local index

Analyst

Wang Chong

Oncolytics Biotech (ONC)

INVESTMENT SUMMARY

Additional data from the restructured Phase II head and neck cancer (SCCHN) trial (REO 018) showed that in patients with loco-regional disease ± metastases, Reolysin, for five cycles of therapy, achieved a statistically significant improvement in progression-free survival (PFS) and overall survival (OS) after censoring patients for the key confounding factors, and a positive trend towards better tumour stabilisation or shrinkage. In the metastatic-only group, eight were still alive. Reolysin maintained a PFS benefit for five cycles of therapy and there was statistically significantly better tumour stabilisation or shrinkage. A new pivotal study is being planned. Reolysin is in seven ongoing randomised Phase II trials, which are expected to deliver results in 2014. We value the company at C$442m. At Q114 it had cash and equivalents of C$20.2m, and has a share purchase agreement for up to US$26m (US$1m already invested).

INDUSTRY OUTLOOK

Oncolytics's rivals are the companies developing oncology products in the same therapeutic areas, but there are some interesting viral oncolytic companies, including SillaJen, 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 BioVex 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)
2012	0.0	(36.6)	(36.3)	(47.3)	N/A	N/A
2013	0.0	(23.8)	(23.5)	(28.2)	N/A	N/A
2014e	0.0	(27.8)	(27.5)	(32.3)	N/A	N/A
2015e	0.0	(22.0)	(21.7)	(23.6)	N/A	N/A

Sector: Pharma & healthcare

Price:	US$5.13
Market cap:	US$111m
Forecast net debt (US$m)	N/A
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)

Company description

Onconova Therapeutics is a clinical-stage bio-pharmaceutical company focused on discovering and developing novel small molecule drug candidates to treat cancer. It has a broad library of anti-cancer agents with a proprietary chemistry platform.

Price performance

%	1m	3m	12m
Actual	11.3	(30.5)	N/A
Relative*	6.2	(33.7)	N/A

* % Relative to local index

Analyst

Jason Zhang

Onconova Therapeutics (ONTX)

INVESTMENT SUMMARY

Onconova clarified on its Q413 call that the subgroup in which rigosertib showed a statistically significant survival benefit over BSC was predefined for secondary analysis, adding more credibility to the benefit seen and raising the possibility of a conditional approval for this substantial group of higher-risk MDS patients. The company plans to meet the FDA and EU regulator in Q214 and provide a regulatory update. Onconova ended Q114 with cash of $84.6m, enough to support its operation beyond 2014. Our forecasts are under review.

INDUSTRY OUTLOOK

Using a proprietary chemistry platform, Onconova has created an extensive library of targeted anti-cancer agents, with three NCEs in the clinic. Upcoming catalysts include discussions of the ONTIME results with regulatory authorities in the US and EU; the start of a Phase III trial for oral rigosertib in lower-risk MDS; and updates from the Phase I/II trial of oral rigosertib in combination with azacitidine in first-line MDS.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	46.2	(44.7)	(30.3)	(1551.06)	N/A	7.1
2013	4.8	(71.0)	(62.2)	(604.53)	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A
2015e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price:	SEK103.75
Market cap:	SEK3418m
Forecast net debt (SEKm)	399.0
Forecast gearing ratio (%)	429.0
Market	NASDAQ OMX Mid Cap

Share price graph (SEK)

Company description

Orexo is a Swedish speciality pharma company, with expertise in drug delivery/reformulation technologies (in particular sublingual formulations) and a US commercial infrastructure (for Zubsolv).

Price performance

%	1m	3m	12m
Actual	4.8	(29.4)	71.5
Relative*	4.2	(32.9)	41.3

* % Relative to local index

Analyst

Lala Gregorek

Orexo (ORX)

INVESTMENT SUMMARY

Positive top-line data from two Phase III trials (ISTART, study 007) in 1068 patients found no difference between Zubsolv and generic buprenorphine monotherapy in induction of opioid dependence therapy, also showing that over 90% of Zubsolv-treated patients remained in treatment at day 3 using a 30% lower buprenorphine dose. Orexo will pursue a FDA submission later this year to expand the Zubsolv label to include induction therapy. An induction label would differentiate Zubsolv from Suboxone and generic alternatives, which are only indicated for maintenance therapy, and should help gain market share and support a higher price. Positive data also provide evidence of safe and effective transfer to Zubsolv from previous opioids/opioid dependence therapy, reinforcing the marketing message.

INDUSTRY OUTLOOK

The US buprenorphine/naloxone market was worth $1.9m at end-2013; addressing unmet patient need underpins continued double-digit growth expectations. Opioid dependence diagnosis and treatment rates are low due to various factors: social stigma, limited access to treatment in parts of the US and affordability. Zubsolv competes against Suboxone film (Reckitt Benckiser, c 80% market share) and two generic bup/nal tablets (Actavis and Amneal, c 17% share). From Q314, a buccal film version, Bunavail (BDSI) will be available.

Y/E Dec	Revenue (SEKm)	EBITDA (SEKm)	PBT (SEKm)	EPS (öre)	P/E (x)	P/CF (x)
2012	326.0	(62.0)	(77.0)	(254.3)	N/A	89.7
2013	429.0	(45.0)	(110.0)	(360.0)	N/A	N/A
2014e	603.0	(23.0)	(64.0)	(198.7)	N/A	N/A
2015e	1565.0	523.0	468.0	1420.6	7.3	8.0

Sector: Pharma & healthcare

Price:	2.8p
Market cap:	£69m
Forecast net debt (£m)	6.7
Forecast gearing ratio (%)	1648.0
Market	LSE

Share price graph (p)

Company description

Oxford BioMedica has a leading position in gene-based therapy. The LentiVector technology is wide ranging and underpins much of the development pipeline, notably the ophthalmology projects (in collaboration with Sanofi).

Price performance

%	1m	3m	12m
Actual	38.8	12.1	64.2
Relative*	37.9	8.8	47.1

* % Relative to local index

Analyst

Franc Gregori

Oxford BioMedica (OXB)

INVESTMENT SUMMARY

The successful fund-raising (£21.6m gross) means that Oxford BioMedica's near-term outlook is now less dependant on striking a new partnership for the RetinoStat programme. Sanofi's decision not to progress was clearly a disappointment, but appears to be driven by internal considerations and not the study results to date. Sanofi intends to continue with the two smaller ocular projects, StarGen and UshStat. The indicative results from the Phase I study in wet age-related macular degeneration are expected by end 2014 and management appears confident another partner will be signed up. The solid cash position means Oxford BioMedica does not have to rush into striking a sub-optimal deal.

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	7.8	(9.1)	(9.5)	(0.7)	N/A	N/A
2013	5.4	(11.8)	(12.4)	(0.8)	N/A	N/A
2014e	2.7	(11.3)	(11.9)	(0.7)	N/A	N/A
2015e	1.2	(13.0)	(13.7)	(0.9)	N/A	N/A

Sector: Pharma & healthcare

Price:	€3.19
Market cap:	€157m
Forecast net cash (€m)	16.4
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)

Company description

Paion is an emerging specialty pharma company developing anaesthesia products with four NCEs in its pipeline. Its lead product, remimazolam, is partnered with Ono Pharma in Japan, Yichang in China, Hana Pharma in S Korea and R-Pharm in CIS & Turkey.

Price performance

%	1m	3m	12m
Actual	17.6	(9.9)	465.7
Relative*	13.5	(16.1)	349.1

* % Relative to local index

Analyst

Emma Ulker

Paion (PA8)

INVESTMENT SUMMARY

Paion is entering a pivotal stage in the development of its short-acting anaesthetic remimazolam. The Phase II readout from the European general anaesthesia trial showed good efficacy, safety and satisfied the endpoint of cardiovascular stability in the experimental arms. Phase III trials in Europe and the US (in procedural sedation) are planned to start in H214, and could be sufficient for approval in each region. Paion recently concluded additional regional license deals for remimazolam with R-Pharm for the MENA region and Pendopharm for Canada. End-2013 net cash of €13.3m was boosted by an €11.2m gross financing. The company intends to raise up to a further €46m, issuing c 18.5m shares, to fund the US and European pivotal studies of remimazolam and towards premarketing costs.

INDUSTRY OUTLOOK

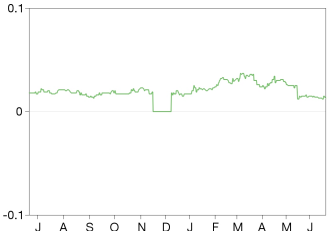
Remimazolam has important advantages over competing products, including fast onset and offset of action with lower risk of cardiopulmonary events than the standard of care propofol and a reversal agent exists if there is over sedation.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	26.8	19.2	18.6	64.2	5.0	5.2
2013	4.2	(2.4)	(2.6)	(7.2)	N/A	N/A
2014e	1.0	(7.4)	(7.3)	(23.0)	N/A	N/A
2015e	1.0	(5.9)	(5.9)	(18.2)	N/A	N/A

Sector: Pharma & healthcare

Price:	A$0.01
Market cap:	A$13m
Forecast net cash (A$m)	5.5
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)



Company description

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

Price performance

%	1m	3m	12m
Actual	(7.1)	(63.9)	(24.2)
Relative*	(7.1)	(64.5)	(33.4)

* % Relative to local index

Analyst

Franc Gregori

Phylogica (PYC)

INVESTMENT SUMMARY

Phylogica's strategy is to use its Phylomer peptide drug discovery platform to form deals with pharmaceutical companies. The key point of differentiation is that some Phylomers are capable of penetrating cell (Functional Penetrating Peptides), which could enable drugs to be developed that target intracellular proteins with the specificity of antibodies. Deals typically involve technology access fees, FTE-based service fees and milestone payments. Phylogica has recently converted the A$1.6m convertible notes into 140m shares and raised A$6m via an underwritten rights issue (400m shares). The extra funds should enable the company to operate beyond the end of 2015.

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)
2012	1.9	(3.7)	(3.7)	(0.9)	N/A	N/A
2013	0.7	(4.8)	(5.0)	(0.7)	N/A	N/A
2014e	1.5	(4.0)	(4.1)	(0.3)	N/A	N/A
2015e	1.5	(4.1)	(4.4)	(0.3)	N/A	N/A

Sector: Pharma & healthcare

Price:	A$0.04
Market cap:	A$52m
Forecast net cash (A$m)	22.3
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)

Company description

Prima BioMed is a biotech company focused on cancer immunotherapy. Its lead product candidate, CVac, is a novel autologous dendritic cell immune therapy in development for ovarian cancer patients in remission after first-line surgery and chemotherapy.

Price performance

%	1m	3m	12m
Actual	(14.3)	2.4	(31.1)
Relative*	14.3	0.8	(39.5)

* % Relative to local index

Analyst

Dr Mick Cooper

Prima BioMed (PRR)

INVESTMENT SUMMARY

Prima BioMed is focused on developing CVac, an autologous dendritic cell therapy, which induces an immune response against a widely expressed tumour antigen, MUC1. Fresh data from the CAN-003 trial in ovarian cancer with CVac was reported at ASCO, which confirmed the therapy's potential with an impressive improvement in progression-free survival (PFS, HR=0.72) and promising initial overall survival (OS) data. The data also justified the amendments to the CAN-004 trial, which is now only recruiting patients with second-line ovarian cancer as no PFS benefit was seen in the first-line setting. More OS data from the CAN-003 trial should be reported in Q414 and interim data from the CAN-004b study are due from mid-2015. Prima BioMed has sufficient cash to operate into 2016.

INDUSTRY OUTLOOK

The potential of autologous dendritic cell immunotherapies has been indicated by Dendreon's Provenge (sipuleucel-T), but costly manufacturing and logistical issues have limited its potential. By contrast, CVac can be made in an easily reproducible process, with a single collection of white blood cells sufficient for a course of therapy.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (c)	P/E (x)	P/CF (x)
2012	1.5	(19.6)	(19.7)	(1.9)	N/A	N/A
2013	1.6	(17.2)	(15.1)	(1.4)	N/A	N/A
2014e	1.7	(12.9)	(11.9)	(1.0)	N/A	N/A
2015e	1.3	(13.7)	(13.5)	(1.1)	N/A	N/A

Sector: Pharma & healthcare

Price:	36.0p
Market cap:	£77m
Forecast net debt (£m)	3.1
Forecast gearing ratio (%)	144.0
Market	AIM

Share price graph (p)

Company description

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

Price performance

%	1m	3m	12m
Actual	7.5	8.3	(38.9)
Relative*	6.8	5.0	(45.2)

* % Relative to local index

Analyst

Dr Mick Cooper

Proteome Sciences (PRM)

INVESTMENT SUMMARY

Proteome Sciences has a broad IP portfolio covering mass spectrometry techniques and biomarkers, which is being commercialised. The company earns royalties and manufacturing payments from Thermo Fisher Scientific, which sells Proteome's TMT products. PS Biomarker Services carries out protein assays and biomarker discovery for pharmaceutical companies, including Eisai and J&J. Proteome Sciences out-licenses its proprietary biomarkers non-exclusively to diagnostic companies as well. Its sales in FY13 increased by 86% to £2.1m, partly due to the second licensing deal with Thermo Fisher Scientific. Strong sales growth is expected to continue as pilot projects are converted into full programmes. Its preclinical CK1d inhibitors for Alzheimer's disease could also be partnered in the coming months. To support its growth, Proteome Sciences raised £5m in February to provide additional working capital.

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	1.2	(4.8)	(5.2)	(2.2)	N/A	N/A
2013	2.1	(3.2)	(3.6)	(1.6)	N/A	N/A
2014e	5.6	0.1	(0.6)	0.1	360.0	N/A
2015e	8.3	1.8	1.3	0.9	40.0	54.2

Sector: Pharma & healthcare

Price:	A$0.39
Market cap:	A$53m
Forecast net cash (A$m)	3.5
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)

Company description

Regeneus is an Australian biotechnology company marketing and developing mesenchymal stem cell (MSC) products for musculoskeletal conditions in humans and animals.

Price performance

%	1m	3m	12m
Actual	2.6	(17.0)	N/A
Relative*	2.6	(18.4)	N/A

* % Relative to local index

Analyst

Christian Glennie

Regeneus (RGS)

INVESTMENT SUMMARY

Regeneus is developing and commercialising its adipose (fat) derived mesenchymal stem cell technology, particularly for musculoskeletal conditions in animals and humans. Two products are available on the Australian market (CryoShot for the veterinary market; HiQCell for human health) and approvals/licensing/launches in new territories are planned. Progenza (allogeneic cells for human osteoarthritis), Secretions (dermatology) and Kvax (autologous canine cancer vaccine) are also in development. FY14 revenues (mainly HiQCell and CryoShot in Australia) are estimated at approximately A$2m (Q314 sales were slower over the Christmas holiday period). Net cash as of 31 March 2014 was A$4.5m.

INDUSTRY OUTLOOK

Adipose (fat) based stem cell products, either autologous (patient-derived) or allogeneic (off-the-shelf), are being developed and/or commercialised by a number of companies. The technology holds significant medical and commercial potential for the treatment of multiple conditions.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (c)	P/E (x)	P/CF (x)
2012	1.3	(4.9)	(4.9)	(3.17)	N/A	N/A
2013	1.8	(7.3)	(7.7)	(5.23)	N/A	N/A
2014e	2.0	(9.4)	(9.6)	(4.41)	N/A	N/A
2015e	3.6	(10.7)	(10.8)	(4.24)	N/A	N/A

Sector: Pharma & healthcare

Price:	A$0.49
Market cap:	A$29m
Forecast net cash (A$m)	3.5
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)

Company description

Simavita's SIM platform technology is an integrated assessment device that helps manage urinary incontinence. The devices are used in residential and nursing home settings to better optimise incontinence care.

Price performance

%	1m	3m	12m
Actual	(16.2)	(38.8)	N/A
Relative*	N/A	N/A	N/A

* % Relative to local index

Analyst

Franc Gregori

Simavita (SVA)

INVESTMENT SUMMARY

Simavita is pioneering the use of its proprietary SIM (Smart Incontinence Management) platform to improve the outcomes and costs associated with urinary incontinence in residential care settings. The improvements in clinical outcomes are well documented and include fewer urinary tract infections, fewer pressure ulcers, a reduced number of falls and less depression and anxiety. The US market is particularly attractive, with a supportive regulatory and legislative environment underscoring the revenue potential. Simavita has joined up with Medline, a leader in US disposable incontinence products, which will integrate the SIM platform into its existing continence management programmes.

INDUSTRY OUTLOOK

Urinary incontinence is a major and growing issue in aged care, with around a quarter of a nursing home's labour costs devoted to it, yet when managed properly sizeable improvements can be made. Assessment is the first step in identifying the type of incontinence, the residents' risk factors and the appropriate toileting programme. The SIM platform simplifies the process and creates a personalised continence care plan for each resident.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	0.7	(7.7)	(8.0)	N/A	N/A	N/A
2013	0.3	(7.3)	(8.5)	N/A	N/A	N/A
2014e	0.5	(9.4)	(9.7)	(12.4)	N/A	N/A
2015e	6.0	(5.4)	(5.6)	(6.4)	N/A	N/A

Sector: Pharma & healthcare

Price:	250.0p
Market cap:	£262m
Forecast net cash (£m)	9.9
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)

Company description

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

Price performance

%	1m	3m	12m
Actual	11.2	44.8	399.6
Relative*	10.5	40.5	347.6

* % Relative to local index

Analyst

Franc Gregori

Skyepharma (SKP)

INVESTMENT SUMMARY

The transformation has been dramatic. Skyepharma has successfully restructured its capital base, with a £112m (£104m net) fund-raising to repay the bonds back early, and the focus is now on the operating performance. Looking ahead, FY14 should see further growth in revenues, benefiting from the eight products launched in the last two years (including GSK's inhaled products), with an operating profit increase despite the forecast rise in net R&D spend to £3-6m pa. The investment case rests on the success of flutiform, which (in multiple territories) is expected to contribute over half Skyepharma's royalty income, as well as profit from manufacturing and supply, with the market uptake continuing to suggest the sales trajectory could exceed our conservative expectations.

INDUSTRY OUTLOOK

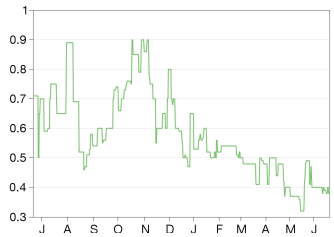
Flutiform is an inhaled combination of fluticasone and formoterol for treating asthma. Flutiform has been approved in 23 European countries and launched in 18 (including France). Kyorin, the Japanese partner, launched in November 2013. Sanofi, the partner for Latin America, has begun filings with first approvals likely in late 2014 or 2015.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	49.9	15.6	(14.2)	(27.8)	N/A	4.0
2013	62.6	17.9	(0.1)	3.7	67.6	8.0
2014e	72.7	23.0	14.0	16.0	15.6	10.1
2015e	92.3	25.1	20.2	19.0	13.2	12.1

Sector: Pharma & healthcare

Price:	C$0.38
Market cap:	C$21m
Forecast net cash (C$m)	1.6
Forecast gearing ratio (%)	N/A
Market	TSX-V

Share price graph (C$)



Company description

SQI Diagnostics is a Canadian diagnostics company, which develops and sells multiplexed research diagnostics to pharmaceutical companies, and in vitro diagnostic tests to centralised diagnostic laboratories.

Price performance

%	1m	3m	12m
Actual	(9.5)	(7.3)	(46.5)
Relative*	(13.0)	(11.9)	(57.6)

* % Relative to local index

Analyst

Christian Glennie

SQI Diagnostics (SQD)

INVESTMENT SUMMARY

SQI reported its first revenues (C$18,000) from sales to its global pharmaceutical customers in Q114 and recently secured its fifth customer (a top 10 pharma company). Advancing existing deals (on to full commercial terms) and securing new partners is key to leveraging SQI's immunological diagnostics platform Ig_PLEX. This provides research diagnostic tools that can be sold to pharma companies/CROs, and in vitro diagnostic tests sold to diagnostics laboratories. The transition of the Global Pharma 1 contract from proof-of-concept into a revenue-generating agreement, and Health Canada approval for SQI's coeliac test, are encouraging developments. A C$4.2m equity issue in April provides funds for 12 months.

INDUSTRY OUTLOOK

Ig_PLEX is a multiplexed (many samples analysed at the same time) immunological diagnostics tool. The diagnostics field is highly competitive, but the speed, accuracy, sensitivity, robustness and cost-effectiveness of SQI's technology may offer a significant commercial advantage.

Y/E Sep	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (c)	P/E (x)	P/CF (x)
2012	0.0	(6.7)	(6.2)	(16.54)	N/A	N/A
2013	0.0	(6.7)	(6.1)	(14.55)	N/A	N/A
2014e	1.3	(5.4)	(4.9)	(9.59)	N/A	N/A
2015e	11.4	1.0	1.5	2.54	15.0	9.7

Sector: Pharma & healthcare

Price:	€36.74
Market cap:	€433m
Forecast net cash (€m)	7.3
Forecast gearing ratio (%)	N/A
Market	Deutsche Börse

Share price graph (€)

Company description

Stratec designs and manufactures OEM diagnostic instruments. Design and assembly of systems from modules is in Germany and Switzerland. There is a US subsidiary, a UK middleware company and a Berlin business.

Price performance

%	1m	3m	12m
Actual	11.5	12.9	2.8
Relative*	7.6	5.0	(18.4)

* % Relative to local index

Analyst

Dr John Savin

Stratec Biomedical (SBS)

INVESTMENT SUMMARY

Stratec designs and manufactures sophisticated automated instruments and software for global companies like DiaSorin and Siemens. FY13 recorded sales of €128m, up 4.6%. Excluding a €0.9m exceptional item, EBIT in 2013 rose 16.5% to €20.4m (15.9% of revenues). Revenues in Q114 were up 13.3% over Q113 at €34.4m, led by sales of advanced systems launched in 2011 and 2012. EBIT, excluding exceptional costs, was 15.5%. A €0.6 dividend is proposed for 2013, up from €0.56.

INDUSTRY OUTLOOK

Guidance is for sales to rise to between €174m and €201m by FY17 led by newer system sales. Q114 revenue growth was above this. Service part sales are showing a solid, less volatile performance. Stratec signed a major deal in Q413 offering major revenues from the planned launch in 2016. This product will be manufactured in China to supply a sophisticated and robust product at an affordable price into Chinese, Asian and Western markets. Another, smaller, deal was signed in January; two other 2014 deals are possible.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	122.7	22.1	19.2	139.2	26.4	28.0
2013	128.0	28.0	25.3	182.8	20.1	15.8
2014e	140.9	30.1	27.3	183.5	20.0	19.5
2015e	155.3	33.8	31.0	207.8	17.7	17.0

Sector: Pharma & healthcare

Price:	€4.46
Market cap:	€47m
Forecast net debt (€m)	0.6
Forecast gearing ratio (%)	9.0
Market	FRA

Share price graph (€)

Company description

Sygnis is a Spanish/German company developing tools for molecular biologists. Its main focus is in the field of polymerases for the amplification and sequencing of DNA. Its lead product, QualiPhi, is partnered with Qiagen.

Price performance

%	1m	3m	12m
Actual	(13.2)	(16.9)	74.3
Relative*	(16.3)	(22.7)	38.3

* % Relative to local index

Analyst

Dr John Savin

Sygnis (LIOK)

INVESTMENT SUMMARY

Sygnis develops molecular biology chemistry products for the fast-growing DNA analysis and sequencing markets. The core IP is a range of engineered DNA polymerase enzymes, a specialist area where it has leading scientific expertise. In Q114, Qiagen, the global leader in DNA preparation, launched two single-cell DNA amplification kits using SensiPhi, Sygnis's novel enzyme. Management expects a licensing deal in 2014 on PrimPol, a novel DNA sequencing enzyme; we assume a significant upfront of €1m. Sygnis had a cash position of €1.2m at 31 March 2014 (vs €2.2m at year end 2013) after raising an additional €619k in Q1 through equity drawdown. Assuming a PrimPol deal, Sygnis should have cash well into FY15.

INDUSTRY OUTLOOK

The overall DNA sequencing market is estimated at over $1.5bn and is estimated by management to be growing at c 20% per year.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	0.2	(1.3)	(1.4)	(19.1)	N/A	N/A
2013	0.5	(3.6)	(3.9)	(40.7)	N/A	N/A
2014e	2.1	(1.5)	(1.7)	(15.8)	N/A	N/A
2015e	2.4	(1.3)	(1.4)	(13.7)	N/A	N/A

Sector: Pharma & healthcare

Price:	US$30.89
Market cap:	US$1112m
Forecast net cash (US$m)	84.1
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)

Company description

TESARO is an oncology focused bio-pharmaceutical company engaged in developing and commercialising innovative drugs worldwide. Its pipeline includes rolapitant, niraparib and TSR-011.

Price performance

%	1m	3m	12m
Actual	22.0	(14.2)	(3.3)
Relative*	16.4	(18.2)	(21.7)

* % Relative to local index

Analyst

Jason Zhang

TESARO (TSRO)

INVESTMENT SUMMARY

TESARO presented detailed data of three Phase III trials of rolapitant (one for patients receiving moderately emetogenic chemotherapy [MEC] and two for highly emetogenic chemotherapy [HEC]), which reinforced the differentiated attributes of the product compared to other products in the same class. The company also announced two planned Phase III trials of Niraparib, bringing the total Phase III programmes to four for this drug. Tesaro ended Q114 with cash and cash equivalents of $180m. We have slightly lowered our valuation of TESARO to $1,806m, or $50.3/share from previously $1,831m, or $51.0/share, due to higher R&D cost estimates in 2014.

INDUSTRY OUTLOOK

Tesaro is an oncology focused company with a balanced pipeline consisting of one NDA-ready, one Phase III- and one Phase I-stage drug candidate. Its lead drug candidate, rolapitant, could reach the $1.5bn US CINV market by 2015, pending a filing in mid-2014 and FDA approval in early 2015. Niraparib, a PARP inhibitor, could be one of the first among seven competitors to finish Phase III trials and reach the market, pending positive Phase III results, in 2016.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2012	0.0	(71.8)	(69.8)	(509.37)	N/A	N/A
2013	0.0	(102.6)	(94.3)	(298.81)	N/A	N/A
2014e	0.0	(186.4)	(176.1)	(498.68)	N/A	N/A
2015e	23.0	(185.3)	(172.6)	(472.85)	N/A	N/A

Sector: Pharma & healthcare

Price:	€0.67
Market cap:	€108m
Forecast net debt (€m)	1.9
Forecast gearing ratio (%)	6.0
Market	Euronext Brussels

Share price graph (€)

Company description

TiGenix produces cell therapeutics. Its lead Phase III development candidate, Cx601, treats perianal fistulas in Crohn's disease. Cx611 is being developed for autoimmune disease. The EU approved product, ChondroCelect, is licensed to Sobi.

Price performance

%	1m	3m	12m
Actual	(0.9)	(21.7)	2.0
Relative*	(2.8)	(24.0)	(18.2)

* % Relative to local index

Analyst

Dr John Savin

TiGenix NV (TIGB)

INVESTMENT SUMMARY

TiGenix has refocused on the Phase III Cx601 study in fistulising Crohn's disease and the potential of Cx611/Cx621 in autoimmune disease. ChondroCelect, the EU-approved cartilage repair treatment, is licensed to Sobi from 1 June 2014, giving TiGenix a cash 20% royalty (22% year 1) on net sales. The agreed €4.25m cash sale (plus €1.5m in cost savings) of the Dutch production facility completed in late May. The December 2013 cash position of €15.6m has been augmented by a loan facility of up to €10m from Kreos, giving cash to H215. If the Cx601 Phase III is successful, EU sales could develop from H216, but more working capital will be required.

INDUSTRY OUTLOOK

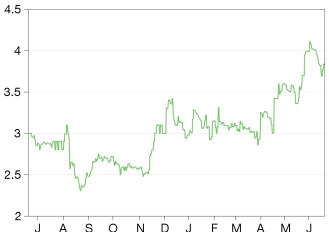
Cx601 has Phase III data due in Q315 in perianal fistulising Crohn's disease, comparing a 120m cell dose to placebo over 24 weeks. A US Phase III could be run if this trial is positive but this is not yet funded. Cx611 is expected to enter a larger, confirmatory Phase II in autoimmune disease once TiGenix has evaluated its funding options.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	4.1	(13.2)	(13.5)	(14.5)	N/A	N/A
2013	4.3	(12.4)	(12.7)	(10.8)	N/A	N/A
2014e	4.5	(11.3)	(12.4)	(7.7)	N/A	N/A
2015e	1.2	(13.9)	(15.1)	(9.4)	N/A	N/A

Sector: Pharma & healthcare

Price:	DKK3.87
Market cap:	DKK555m
Forecast net cash (DKKm)	87.6
Forecast gearing ratio (%)	N/A
Market	OMX

Share price graph (DKK)



Company description

Topotarget is a Danish drug development company in the field of oncology. It is focused on developing belinostat with its partner, Spectrum Pharmaceuticals.

Price performance

%	1m	3m	12m
Actual	8.7	28.6	29.0
Relative*	4.0	19.5	(11.3)

* % Relative to local index

Analyst

Dr Mick Cooper

Topotarget (TOPO)

INVESTMENT SUMMARY

Topotarget has entered into a merger agreement with BioAlliance Pharma. The merger is expected to be concluded in July/August 2014 with Topotarget shareholders receiving two BioAlliance shares for every 27 Topotarget shares. The merged company will be focused on developing orphan oncology products and belinostat (Beleodaq) will be the most advanced oncology product. The PDUFA date, when belinostat may be approved in peripheral T-cell lymphoma (PTCL), is 9 August 2014. We remain optimistic that the product will be approved based on the clinical trial data presented to date. If belinostat is approved, Spectrum Pharmaceuticals could launch the product in 2014. Topotarget/BioAlliance will receive a $25m milestone if belinostat is approved by the FDA in PTCL.

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (DKKm)	EBITDA (DKKm)	PBT (DKKm)	EPS (ore)	P/E (x)	P/CF (x)
2012	2.4	(77.6)	(80.2)	(60.44)	N/A	N/A
2013	8.3	(32.3)	(36.2)	(25.73)	N/A	N/A
2014e	98.9	59.4	59.1	41.26	9.4	9.9
2015e	0.7	(43.6)	(43.7)	(30.51)	N/A	N/A

Sector: Pharma & healthcare

Price:	€9.93
Market cap:	€382m
Forecast net cash (€m)	14.0
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	11.3	(23.1)	5.5
Relative*	9.0	(26.5)	(14.9)

* % Relative to local index

Analyst

Dr Mick Cooper

Transgene (TNG)

INVESTMENT SUMMARY

Interim data from the first stage of the Phase II/III TIME trial with TG4010 in non-small cell lung cancer (NSCLC) support continuation of the trial into Phase III. The results from the study in NSCLC validate the use of the triple-positive activated lymphocytes (TrPAL) biomarker. There was a clinically meaningful improvement in progression-free survival in patients with lower TrPAL levels (HR<0.75) and in all patients with non-squamous NSCLC (HR=0.71, p=0.02). Unfortunately, Novartis has decided not to exercise its option on TG4010, but Transgene remains confident of finding a new partner by year-end. Its second drug Pexa-Vec (an oncolytic virus) should advance into Phase III next year following the acquisition of partner Jennerex by SillaJen. TG4040 is in Phase II for HCV and TG4001 is due to enter a Phase IIb study in HPV-related head and neck cancers, while TG6002 is due to enter Phase I in solid tumours in 2015. A rights issue and private placement in March raised €65.5m, which could allow it to operate into 2016.

INDUSTRY OUTLOOK

There is 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)
2012	13.1	(39.4)	(42.4)	(136.4)	N/A	N/A
2013	15.7	(38.3)	(41.5)	(136.2)	N/A	N/A
2014e	12.1	(52.5)	(55.0)	(155.8)	N/A	N/A
2015e	12.3	(55.6)	(58.1)	(159.4)	N/A	N/A

Sector: Pharma & healthcare

Price:	US$9.80
Market cap:	US$253m
Forecast net debt (US$m)	N/A
Forecast gearing ratio (%)	N/A
Market	NASDAQ

Share price graph (US$)

Company description

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

Price performance

%	1m	3m	12m
Actual	21.4	(18.7)	(20.8)
Relative*	15.9	(22.4)	(36.0)

* % Relative to local index

Analyst

Jason Zhang

Verastem (VSTM)

INVESTMENT SUMMARY

Verastem ended Q114 with cash of $113.9m, enough to support the company's operation into 2016. We expect to see several clinical readouts in 2014, including Phase I/Ib combination of VS-6063 and paclitaxel in patients with ovarian cancer, Phase II VS-6063 in Kras-mutated NSCLC. However, the company's investment thesis continues to rest on the progress of COMMAND, the pivotal trial of defactinib (VS-6063) in second-line mesothelioma, with an enrolment update expected in July 2014. The company has recently presented additional preclinical data on VS-6063, VS-4718 and VS-5584, which gave added insights into the mechanism of action of these products.

INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	0.0	(32.2)	(32.0)	(0.68)	N/A	N/A
2013	0.0	(41.4)	(41.6)	(1.64)	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A
2015e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price:	C$0.13
Market cap:	C$11m
Forecast net debt (C$m)	2.3
Forecast gearing ratio (%)	170.0
Market	Toronto Stock Exchange

Share price graph (C$)

Company description

Verisante is a Canadian medical device company developing and commercialising its laser Raman spectroscopy (LRS) technology to detect multiple cancer types (Aura for skin cancer and Core for internal cancers are key devices).

Price performance

%	1m	3m	12m
Actual	(18.8)	(38.1)	(61.8)
Relative*	(21.9)	(41.2)	(69.7)

* % Relative to local index

Analyst

Christian Glennie

Verisante Technology (VRS)

INVESTMENT SUMMARY

Verisante is focused on effective commercialisation of its laser Raman spectroscopy (LRS) technology, initially through Aura, a skin cancer diagnostic probe with global regulatory approvals. Aura is a rapid, easy-to-use, non-invasive test that can distinguish between benign and malignant skin lesions in one second with high accuracy. Verisante will commercialise Aura itself, initially in Canada, Germany and the US - a potential de novo 510(k) FDA clearance for Aura is a key near-term catalyst. Core also applies LRS to aid the diagnosis of internal cancers, particularly lung cancer, offering longer-term potential; results from a 300-patient study are due in H214.

INDUSTRY OUTLOOK

Aura is highly complementary to existing diagnostic techniques, still largely based on visual assessment (followed by biopsy of suspicious lesions) by a dermatologist. This can be highly variable depending on the clinician's experience and the patient's profile; Aura should help improve diagnosis and reduce unnecessary biopsies.

Y/E Dec	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (c)	P/E (x)	P/CF (x)
2012	0.0	(2.7)	(2.6)	(4.04)	N/A	N/A
2013	0.8	(3.5)	(3.4)	(4.73)	N/A	N/A
2014e	0.7	(3.3)	(3.3)	(3.99)	N/A	N/A
2015e	3.0	(2.3)	(2.2)	(2.69)	N/A	N/A

Sector: Pharma & healthcare

Price:	31.8p
Market cap:	£140m
Forecast net cash (£m)	57.2
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

Vernalis is a UK development-stage pharma company with a late-stage US cough cold pipeline, and an early to mid-stage R&D pipeline of CNS and cancer projects. Its primary focus now is to build a US-based commercial business for the former.

Price performance

%	1m	3m	12m
Actual	0.0	(13.0)	46.0
Relative*	(0.6)	(15.6)	30.8

* % Relative to local index

Analyst

Lala Gregorek

Vernalis (VER)

INVESTMENT SUMMARY

Vernalis is well positioned to continue advancing all three elements of its business (commercial, development, research) during 2014. CCP-01, the first US Rx cough cold product under the Tris collaboration, should be filed soon (mid-2014), suggesting approval ahead of the 2015/16 winter cough cold season. Following confirmation of proof of concept (PoC) for CCP-07, an additional three products should achieve PoC by end-2014, with further NDA filings in 2015 onwards. To minimise execution risk, commercial infrastructure build will involve experienced third-party providers; selection will be finalised this year. Key data on two in-house novel chemical entities may result in new licensing deals - Phase Ib/II PoC for V81444 in ADHD has been achieved - and further progress in existing research collaborations is expected. The latter includes Phase I start for the Servier BCL-2 inhibitor for cancer, which is now part of a strategic global co-development deal between Servier and Novartis, and triggered a €1m milestone to Vernalis.

INDUSTRY OUTLOOK

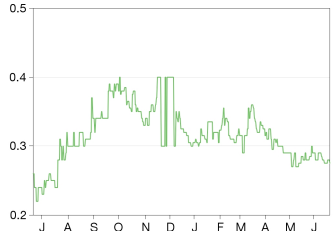
Vernalis is pursuing a strategy that aims to create value directly from its legacy R&D portfolio and research expertise, as well as through M&A/in-licensing that should enable it to achieve financial self-sustainability over the medium term.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	14.6	(2.6)	(4.7)	(0.8)	N/A	N/A
2013	14.1	(4.7)	(5.7)	(0.8)	N/A	N/A
2014e	9.5	(11.9)	(12.0)	(2.2)	N/A	N/A
2015e	16.2	(16.6)	(16.7)	(3.4)	N/A	N/A

Sector: Pharma & healthcare

Price:	A$0.28
Market cap:	A$51m
Forecast net cash (A$m)	24.6
Forecast gearing ratio (%)	N/A
Market	ASX, OTC QX

Share price graph (A$)



Company description

Viralytics is an ASX-listed biopharmaceutical company developing virus applications using a common cold-producing virus to target late-stage melanoma. The Phase II CALM trial is evaluating administration of lead candidate, Cavatak.

Price performance

%	1m	3m	12m
Actual	(1.8)	(15.4)	10.2
Relative*	(1.8)	(16.8)	(3.2)

* % Relative to local index

Analyst

Lala Gregorek

Viralytics (VLA)

INVESTMENT SUMMARY

Updated key efficacy data from the CALM Phase II metastatic melanoma study, confirmation of Cavatak's benign safety profile and preclinical synergies (combined with anti-PD-1 immunotherapy) were presented at ASCO. Updated efficacy data showed that irPFS at six months had been achieved by 19 of 51 (37%) evaluable patients, with 21/33 (63%) alive at one year and a preliminary overall response rate of 26.3% (15/57). These features, coupled with the potential of further near-term data and wider interest in oncolytic virotherapy, suggest prospects for partnering remain promising. Cavatak's safety profile is a significant advantage for a potential combination regimen given the high side effect burden of existing melanoma therapies. The combination approach may form part of the design for a planned US multi-centre Phase II randomised advanced melanoma study due to start late in 2014.

INDUSTRY OUTLOOK

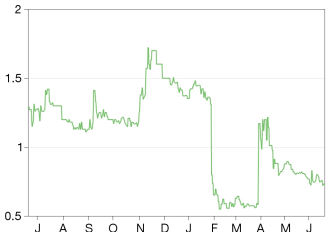
The emergence of targeted and immunotherapy agents in recent years is redefining the treatment paradigm in metastatic melanoma. Recent positive mid- to late-stage clinical data for oncolytic virotherapy (including Viralytics' Cavatak) are raising hopes of regulatory approvals and commercial reality for this class of anti-cancer agents.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	0.9	(4.6)	(4.3)	(6.4)	N/A	N/A
2013	2.5	(3.9)	(3.7)	(4.5)	N/A	N/A
2014e	1.7	(5.8)	(5.6)	(4.7)	N/A	N/A
2015e	2.2	(8.9)	(8.2)	(4.5)	N/A	N/A

Sector: Pharma & healthcare

Price:	€0.73
Market cap:	€23m
Forecast net debt (€m)	N/A
Forecast gearing ratio (%)	N/A
Market	FRA

Share price graph (€)



Company description

Wilex develops therapeutic and diagnostic products for cancer. Lead development programmes are Redectane, Rencarex and Mesupron. Its Heidelberg subsidiary has licensed its novel antibody drug conjugate technology to Roche.

Price performance

%	1m	3m	12m
Actual	(11.0)	26.3	(43.9)
Relative*	(14.1)	17.5	(55.4)

* % Relative to local index

Analyst

Emma Ulker

WILEX (WL6)

INVESTMENT SUMMARY

Wilex is implementing a series of restructuring measures to extend its cash reach. It has shifted its focus onto the potential of its innovative ADC technology and the preclinical services business, phasing out later-stage clinical activity. In March, Wilex announced a development partnership for Mesupron with Link Health China and will receive upfront and potential milestone payments of up to €7m. Wilex seeks funding or deals for Phase III studies for Mesupron in HER-2 negative breast cancer and pancreatic cancer, for Rencarex in clear cell renal cancer (ccRCC) and for ccRCC diagnostic Redectane. Wilex returned the rights from oncology candidates WX554 and WX037 to UCB in May. Cash and equivalents stood at €5.5m at the end of February, providing a cash reach into H215.

INDUSTRY OUTLOOK

Services subsidiary Heidelberg Pharma is developing its proprietary toxin-linker technology based on a-Amanitin, which has been shown to enhance the anti-tumour activity of antibodies. It has licensed use of the technology to Roche for upfront and milestone payments and aims to form new alliances.

Y/E Nov	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2012	17.8	(8.2)	(9.4)	(36.2)	N/A	N/A
2013	19.1	(3.2)	(5.0)	(16.1)	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A
2015e	N/A	N/A	N/A	N/A	N/A	N/A

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