



July 29-30, 2016  
Queenstown · New Zealand

*The Essential Australian  
Biotech Investment Event*

[www.bioshares.com.au/  
queenstown2016.htm](http://www.bioshares.com.au/queenstown2016.htm)

### Program Now Available

Companies covered: ADR, ANP, IIL, MSB, PXS

	Bioshares Portfolio
Year 1 (May '01 - May '02)	21.2%
Year 2 (May '02 - May '03)	-9.4%
Year 3 (May '03 - May '04)	70.6%
Year 4 (May '04 - May '05)	-16.3%
Year 5 (May '05 - May '06)	77.8%
Year 6 (May '06 - May '07)	17.4%
Year 7 (May '07 - May '08)	-36%
Year 8 (May '08 - May '09)	-7.4%
Year 9 (May '09 - May '10)	50.2%
Year 10 (May '10 - May '11)	45.4%
Year 11 (May '11 - May '12)	-18.0%
Year 12 (May '12 - May '13)	3.1%
Year 13 (May '13 - May '14)	26.6%
Year 14 (May '14 - May '15)	23.0%
Year 15 (May '15 - May '16)	33.0%
Year 16 (May '16 - current)	0.8%
<b>Cumulative Gain</b>	<b>643%</b>
<b>Av. Annual gain (14 yrs)</b>	<b>17.6%</b>

*Bioshares* is published by Blake Industry & Market Analysis Pty Ltd.

Blake Industry & Market Analysis Pty Ltd  
ACN 085 334 292  
PO Box 193  
Richmond Vic 3121  
AFS Licence  
No. 258032

Enquiries for *Bioshares*  
Ph: (03) 9326 5382  
Fax: (03) 9329 3350  
Email: [info@bioshares.com.au](mailto:info@bioshares.com.au)

**David Blake - Analyst**  
Ph: (03) 9326 5382  
Email: [blake@bioshares.com.au](mailto:blake@bioshares.com.au)  
**Mark Pachacz - Analyst**  
Ph: 0403 850 425  
Email: [pachacz@bioshares.com.au](mailto:pachacz@bioshares.com.au)

Individual Subscriptions (48 issues/year)  
**\$440** (Inc.GST)  
Edition Number 652 (17 June 2016)  
Copyright 2016 Blake Industry and Market Analysis Pty Ltd. ALL RIGHTS RESERVED.  
Secondary electronic transmission, photocopying, reproduction or quotation is strictly prohibited without written consent of the publisher.

# Bioshares

17 June 2016  
Edition 652

*Delivering independent investment research to investors on Australian biotech, pharma and healthcare companies*

Extract from *Bioshares* –

## **A Post- BIO Q&A With Pharmaxis CEO Gary Phillips**

In *Bioshares* 650 we interviewed Pharmaxis CEO Gary Phillips, prior to his departure to San Francisco, where he would be participating in many partnering meetings at the 2016 BIO International Convention. Here is a follow-up interview.

**Generally speaking, what was the mood or tone of this year's BIO, as much as can be gathered by someone like yourself who spent most of your time in meeting booths?**

From what I could ascertain from the mood in the partnering booths, this vast and fast-moving event continues to justify its place in every biotech's management calendar. This year it was attended by almost 16,000 industry leaders from 76 countries and the BIO Business Forum hosted a record-breaking 35,700 partnering meetings with more than 3,400 companies participating.

Just to put that into perspective - I counted somewhere in the region of 500 partnering booths (you should imagine something like a large scale changing room in Myer or David Jones) that were in operation from 7:30am to 5pm for three days hosting 30 minute meetings with a warning klaxon when you have 10 minutes left to go. On top of that most of the Big Pharma companies had a designated area where they stayed put while those from the smaller end of town went to them.

I did manage to escape from the meeting on a few occasions to meet with local institutional investors and there was quite a lot of discussion about the lack of successful fund raising activity in the first half of this year.

Put that together with the fact that, overall, Big Pharma is spending a higher percentage of its R&D budgets on collaborations and licensing, probably explains the increasing amount of interaction between small Biotech and Big Pharma, especially in relation to early stage programs.

The deal values for Phase I and Phase II transactions in the fibrosis space reported earlier this year in *Bioshares* and revisited in Pharmaxis' latest shareholder update last week are eye watering.

**Without going into any sensitive details, could you discuss the quality of the engagements you had? [By quality, I refer to the calibre of members of interested parties, their depth of questioning and whether they bowled you a few googlies.]**

That's an interesting question and one that you have to get your head around in the first few minutes of each discussion.

Some companies had their scientists present and you can talk at a fairly high level from the outset whilst others send business development staff who are trying to cover multiple different therapeutic areas and can't get into the science too deeply.

*Cont'd over*

This creates interesting situations; I had a number of discussions where glazed expressions and seat fidgeting had me quickly dumbing down my pitch and one other memorable chat with a Big Pharma company where I was discussing the level of selectivity we have managed to attain in our LOXL2 small molecule inhibitors and then realised my counterpart was a medicinal chemist of some renown. I then had to fend off his questions about our “warhead” in order not to give away any confidential information.

**Were you able to gain insights about customer requirements that you can use to refine and improve Pharmaxis' internal programs?**

Well as you know from my pre BIO interview, this was one of the main reasons for attending BIO. I like to think of the drug discovery efforts at Pharmaxis being very much commercially driven and this is a key event for us to conduct market research amongst our target customers – Big Pharma. I learnt a lot, but the things that stand out that were of real value to Pharmaxis were:

- Liver disease and NASH (Non Alcoholic Steatohepatitis) in particular remains on the priority list for many Big Pharma companies who are looking to supplement their pipelines with drug programs that will complement their in house efforts. There is plenty of room for effective drugs with novel mechanisms of action and, with Deutsche Bank putting a forecast of \$35 billion on the NASH market by 2025, there are a lot of companies investing in this space.
- Finding disease modifying treatments for Alzheimer's disease remains the Holy Grail with predictions that this will be the first trillion dollar market. Pharmaxis is coming quite late to this market but I was encouraged by the interest we received in our MAOB/SSAO dual inhibitor program.
- Last but not least BIO is a great place to try out a new hypothesis with multiple players just to see if it resonates. Pharmaxis has an inhaled antisense product in its portfolio (ASM8) that has already been in a number of Phase II clinical trials. Originally positioned for acute asthma we believe that the global market for this indication might have moved on and reduced the opportunity and we are keen to explore other alternatives. It is early days but I hope that the information gained will provide a way forward to realise some value for this drug via partnering.

**And perhaps in talking to many different people, did you pick up on any trends in deal-making or learn about hot new areas for drug discovery?**

The decline in company valuations seen after the US biotech bull market of 2015 ended remains fresh in everyone's minds.

Public and government perception of egregious pricing tactics played its part in that fall as investors started to question the sustainability of the pricing strategies underpinning high valuations.

A significant section of the conference that goes on within BIO debated the issues here and I think the overriding sentiment was that premium pricing can only be sustained for premium products that deliver benefits that patients and payors value. The value of true innovation has never been higher.

The difficulties in fund raising in 2016 have led directly to increased discussion about “incubator” models to bring together small companies like Pharmaxis with funds and early stage projects at companies or universities where lack of funding is stifling progress. I had a number of meetings on this topic and hope that some of them will bear fruit in the future.

Further up the food chain there are also an increasing number of CRO's willing to risk share and invest in the projects they are contracted to deliver – another alternative for cash strapped biotechs.

Bioshares

**How Bioshares Rates Stocks**

For the purpose of valuation, Bioshares divides biotech stocks into two categories. The first group are stocks with existing positive cash flows or close to producing positive cash flows. The second group are stocks without near term positive cash flows, history of losses, or at early stages of commercialisation. In this second group, which are essentially speculative propositions, Bioshares grades them according to relative risk within that group, to better reflect the very large spread of risk within those stocks. For both groups, the rating “Take Profits” means that investors may re-weight their holding by selling between 25%-75% of a stock.

**Group A**

Stocks with existing positive cash flows or close to producing positive cash flows.

- Buy** CMP is 20% < Fair Value
- Accumulate** CMP is 10% < Fair Value
- Hold** Value = CMP
- Lighten** CMP is 10% > Fair Value
- Sell** CMP is 20% > Fair Value  
(CMP–Current Market Price)

**Group B**

Stocks without near term positive cash flows, history of losses, or at early stages commercialisation.

**Speculative Buy – Class A**

These stocks will have more than one technology, product or investment in development, with perhaps those same technologies offering multiple opportunities. These features, coupled to the presence of alliances, partnerships and scientific advisory boards, indicate the stock is relative less risky than other biotech stocks.

**Speculative Buy – Class B**

These stocks may have more than one product or opportunity, and may even be close to market. However, they are likely to be lacking in several key areas. For example, their cash position is weak, or management or board may need strengthening.

**Speculative Buy – Class C**

These stocks generally have one product in development and lack many external validation features.

**Speculative Hold – Class A or B or C**

**Sell**

**Corporate Subscribers:** Cogstate, Bionomics, Impedimed, LBT Innovations, Viralytics, Phylogica, pSivida, Benitec BioPharma, Analytica, Opthea, Reproductive Health Science, Regeneus, Innate Immunotherapeutics, Anantara Life Sciences, ResApp, Pharmaxis, Starpharma, Antisense Therapeutics, Atcor Medical, Dimerix

**Disclaimer:**

Information contained in this newsletter is not a complete analysis of every material fact respecting any company, industry or security. The opinions and estimates herein expressed represent the current judgement of the publisher and are subject to change. Blake Industry and Market Analysis Pty Ltd (BIMA) and any of their associates, officers or staff may have interests in securities referred to herein (Corporations Law s.849). Details contained herein have been prepared for general circulation and do not have regard to any person's or company's investment objectives, financial situation and particular needs. Accordingly, no recipients should rely on any recommendation (whether express or implied) contained in this document without consulting their investment adviser (Corporations Law s.851). The persons involved in or responsible for the preparation and publication of this report believe the information herein is accurate but no warranty of accuracy is given and persons seeking to rely on information provided herein should make their own independent enquiries. Details contained herein have been issued on the basis they are only for the particular person or company to whom they have been provided by Blake Industry and Market Analysis Pty Ltd. The Directors and/or associates declare interests in the following ASX Healthcare and Biotechnology sector securities: Analyst DB: ACG, ACR,CGS,COH,CSL,FTT,IPD,PNV,NAN,OSP,SOM,UCM; Analyst MP: ADR, CGS,CIR,CUV,FTT,IDT,IIL,IPD,PXS,RNO,SOM,SPL,VLA. These interests can change at any time and are not additional recommendations. Holdings in stocks valued at less than \$100 are not disclosed.

**Subscription Rates (inc. GST)**

48 issues per year (electronic distribution): **\$440**

For multiple email distributions within \$700 2-3 email addresses  
 the same business cost centre, our \$940 4-5 email addresses  
 pricing structure is as follows: \$1200 6-10 email addresses

To subscribe, post/fax this subscription form to:

**Bioshares**  
**PO Box 193 Richmond VIC 3121**  
**Fax: +61 3 9329 3350**

I enclose a cheque for \$ \_\_\_\_\_ made payable to **Blake Industry & Market Analysis Pty Ltd**, or

Please charge my credit card \$ \_\_\_\_\_ MasterCard  Visa

Card Number

Signature \_\_\_\_\_ Expiry date \_\_\_\_\_

**Subscriber details**

Name \_\_\_\_\_

Organisation \_\_\_\_\_

Ph ( ) \_\_\_\_\_

Emails \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_