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Bioshares

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Edition 777e

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

Companies covered: **BCT, CUV, PXS, SPL,
VII**

	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 - May '17)	16.8%
Year 17 (May '17 - May '18)	-7.1%
Year 18 (May '18 - current)	-10.7%
Cumulative Gain	614%
Av. Annual gain (17 yrs)	17.1%

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Pharmaxis' LOXL2 Program Ready for a Deal

Pharmaxis (PXS: \$0.255) has completed preclinical and Phase I development of its two drug candidates that inhibit the enzyme LOXL2, which plays a critical role in fibrosis and scar tissue formation.

The company has selected its leads from over 500 compounds it synthesised. It has shown that 85% target inhibition can be achieved from a single daily dose of the compounds with a favourable side effect profile.

One difference between this program and the assets sold to Boehringer Ingelheim at a similar stage of development (which have generated €57 million of income to date) is that these LOXL2 assets are now ready for Phase II testing, with three month toxicology work already completed.

An advantage that Pharmaxis has over competitors that have also tackled the LOXL2 target is that Pharmaxis has developed a proprietary assay that confirms its candidates are in fact blocking the desired target. The half-life of the two compounds is around 22 hours.

Potential target indications for the program are NASH, idiopathic pulmonary fibrosis, and cardiac fibrosis.

Pharmaxis is capitalised at \$100 million and held \$46.7 million in cash at the end of September.

Bioshares recommendation: Speculative Buy Class A

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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 Some 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, LBT Innovations, Opthea, ResApp Health, Pharmaxis, Dimerix, Adalta, Actinogen Medical, Patrys

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