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Bioshares

4 May 2020
Edition 841

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

Companies covered: **ANP, AT1, DXB, LBT, PXS, OPT, OVN, Cash Flow Analysis**

	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)	-35.8%
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 - May '19)	-2.3%
Year 19 (May '19 - Current)	26.9%
Cumulative Gain	891%
Av. Annual gain (19 yrs)	16.6%

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

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Individual Subscriptions (48 issues/year)
\$500 (Inc.GST)
Edition Number 841 (4 May 2020)

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Extract from Bioshares –

Below we provide coverage of Australia's first large-scale virtual health conference, organised by NWR Communications, which was held on May 1 and 4. For most speakers and companies it was business as usual with minimal interruptions currently to business activities being reported. A summary of key points made by some of the companies that presented is provided with an emphasis on new or updated information with relevant investment impacts.

Pharmaxis – Multiple Assets To Drive Value

Pharmaxis (PXS: \$0.09) has four main assets, each of which are expected to reach value inflection points this year. The first of those is its drug asset sold to Boehringer Ingelheim, which is currently being tested in a Phase II study in 79 patients with diabetic retinopathy. That study is due to conclude this month.

Boehringer expects to make a decision in the second half of this year on whether to progress the program, which may be a lower dose than used in the NASH study. The application in NASH was curtailed by Boehringer following potential interactions with other drugs at the highest dose tested.

Phase IIb studies will be the next step if Boehringer proceeds with development in diabetic retinopathy. Pharmaxis would receive a \$60 million milestone payment if the program moves into Phase III.

The second asset is Pharmaxis' Bronchitol drug, which is currently being reviewed by the FDA for approval. Approval and launching of the product will see Pharmaxis receive a US\$10 million milestone payment from its partner, Chiesi Farmaceutici, when stock has been received in the US. CEO Gary Phillips said this would be a transformational event for the company.

The third is the LOXL2 program, which has completed Phase I testing and with licensing discussions underway. Phillips said that the company has significant interest in this program from large and small pharma and biotech companies, as well as interest from Chinese biotech companies. Phillips hopes to be able to inform the market in the next six months once the licensing deal has been secured.

And the fourth key asset is its pan-LOX inhibitor with a trial in patients with myelofibrosis (caused by scar tissue formation in bone marrow) expected to move into Phase II studies in Q4.

Bioshares recommendation: Speculative Buy Class B

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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, Cyclopharm, Emvision, Antisense Therapeutics, Heramed, Imugene, Exopharm, Immutep, Neuroscientific Biopharmaceuticals, Invex Therapeutics

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