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	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 - May '20)	39.5%
Year 20 (May '20 - Current)	96.6%
Cumulative Gain	2041%
Av. Annual gain (20 yrs)	21.2%

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Bioshares

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

Extract from Bioshares –

Pharmaxis Makes First Commercial Bronchitol Shipment to USA

Pharmaxis (PXS: \$0.09) has dispatched its first commercial shipment of the cystic fibrosis drug Bronchitol to the US, where it will be sold by Chiesi Farmaceutici. This brings to the total 19 countries where the drug is now sold.

The US is the largest single medical market in the world. Bronchitol will be sold as an alternative or additive therapy to the drug Pulmozyme, which is delivered through a nebulizer.

In US trials, about 70% of people with cystic fibrosis used Pulmozyme. A feature of bronchitol is that it is delivered in a handheld inhaler and so is portable.

Chiesi currently sells two antibiotics into the cystic fibrosis medical network in the US. Its expectations are that Bronchitol can generate around US\$50 million a year in peak sales, of which around 20% (\$13 million) will go towards Pharmaxis' bottom line from royalties and manufacturing, which Pharmaxis will control.

Pharmaxis currently has around 40 staff who manufacture Bronchitol and the Aridol lung function test. The additional volume of product that will be required to service the US market will not require additional staff, and as such, is expected to make that part of the business profitable.

Pharmaxis received a US\$3 million milestone payment with shipment of product. One challenge for Chiesi currently will be the limited access to respiratory doctors during the ongoing pandemic.

The Bronchitol and Aridol business is currently generating around \$6 million of revenue for Pharmaxis, although it represented a cash burn of \$4 million in FY2020.

Clinical Pipeline

Whilst Pharmaxis was formed to commercialise the Bronchitol asset, the blue sky now for the company is its pipeline of new drug candidates.

The leading compound is PXS-5505, a pan-LOX inhibitor which is due to be tested in Phase I/II clinical studies in patients with myelofibrosis. This will be an open label study with the first part, the dose escalation, expected to be completed this year. The second phase, the dose expansion, is expected to be completed by the end of 2022.

There will be readily assessable biomarkers including red and white blood cell levels, spleen volume, as well as more intrusive tests such as fibrosis levels in the bone marrow. PXS-5505 inhibits multiple aspects of the fibrosis generation pathways.

Continued over

Pharmaxis is positioning itself to have multiple shots on goal. This includes a topical pan-LOX inhibitor (PXS-6302) for the treatment of scars. A Phase I trial is expected to start in healthy volunteers this quarter.

The LOXL2 program, which the company was seeking to license for the treatment of NASH, is seeing demand now from renal physicians, following uncertainty in the NASH therapeutics field. The use in treating kidney fibrosis is likely to come from grant or partner funding.

Pharmaxis is also assessing other potential indications for the drug asset returned from Boehringer Ingelheim. Boehringer made a considerable investment in that compound, including \$83 million of payments to Pharmaxis. Substantially more information is now known about that compound, which may be repositioned for other diseases where its drug interaction risk may be more tolerable.

Summary

Pharmaxis is capitalised at \$36 million and retained \$18 million in cash at the end of last year, excluding the US\$3 million to be received this quarter from Chiesi. Data from the Phase I/II myelofibrosis study will be a key driver for this stock, which has the potential to become a valuable asset for the company.

Bioshares recommendation: **Speculative Buy Class B**

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 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 of 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

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