

In this edition...

Enter stage left, a new character in the Alchemia story. In this case an Authorised Generic of GSK's Arixtra has emerged, with GSK permitting Canadian company Apotex to sell a generic version. The decision will cut into Alchemia's profit share from its manufacturing and marketing partner Dr Reddy's. The move triggers questions about the future funding of its Phase III oncology program.

Market volatility has seen a slight easing in the AUD/USD exchange rate. A lower exchange rate can be expected to benefit a bevy of life science stocks and we briefly discuss three: Acrux, Cogstate and Sirtex Medical. For biotech bargain hunters we highlight four stocks that have fallen to attractive levels from 52 week highs.

The Editors

Companies Covered: ACL, ACR, BTA, CGS, GTG, NAN, QRX, SRX

	Bioshares Portfolio
Year 1 (May '01 - May '02)	21.2%
Year 2 (May '02 - May '03)	-9.4%
Year 3 (May '03 - May '04)	70.0%
Year 4 (May '04 - May '05)	-16.3%
Year 5 (May '05 - May '06)	77.8%
Year 6 (May '06 - May '07)	17.3%
Year 7 (May '07 - May '08)	-36%
Year 8 (May '08 - May '09)	-7.3%
Year 9 (May '09 - May '10)	49.2%
Year 10 (May '10 - May '11)	45.4%
Year 11 now commenced	-18.1%
Cumulative Gain	245%
Av Annual Gain (10 yrs)	21.2%

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Bioshares

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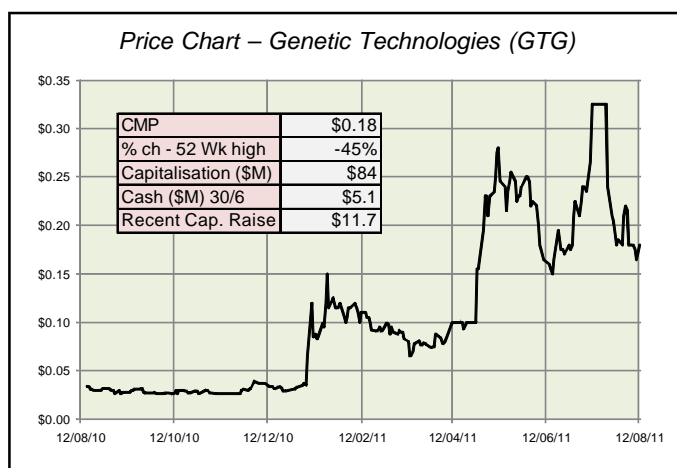
Edition 420

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

Four Picks in a Weak Market

Wider market weakness has played through to the biotech sector, causing large price decreases for many stocks. By the end of this week some stocks had recovered some losses. However, several stocks stood out as attractive offerings, especially when the decrease from their 52-week high was taken into consideration. We present four of these stocks.

Extract from Bioshares –



Genetic Technologies (GTG) launched Brevagen, a diagnostic for non-familial breast cancer in June in the US. The company estimates an addressable market for the test of 1.25 million tests per annum. However, volumes of this magnitude will take many months to achieve. The company has established Phenogen Sciences to hold the US business and has now employed eight US-based sales staff.

While Brevagen can be expected to soak up capacity at GTG's Fitzroy labs, investors can take comfort with an improved cash position following a capital raising of \$11.7 million in July.

Bioshares recommendation: Speculative Buy Class A

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

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