

Alchemia – Arixtra sales growth remains slow

Also of interest in the recent quarterly results from GSK was the sales results for Arixtra, for which Alchemia (ACL: 64 cents) is developing the only known generic product for, and is anticipated to reach the US market in 2008. Sales of Arixtra continue to be sluggish, with recorded product sales in the US in the last quarter US\$13 million. This was 18% higher than the US\$11 million recorded in the previous quarter in the US, although only marginally higher than the recorded sales figure for the first quarter of 2006 of US\$12 million in the US.

It should be noted that the sales recorded by GSK are net sales and IMS data has shown Arixtra sales to be higher (\$16.7 million for the second quarter of this calendar year).

During the third quarter result conference call by GSK, the company indicated that Arixtra could be a 'sleeper' for the company. The suggestion is that once the company gains approval for the treatment of Acute Coronary Syndrome – anticipated in the first quarter of next year – then Arixtra sales could ramp up substantially. Sales to date have been disappointing.

Bioshares recommendation: **Speculative Hold Class A**

Cogstate – Difficult trading quarter

Cogstate (CGS: 18 cents) reported its cash flow and revenue results this week for the third quarter. Sales revenue was down considerably, to \$367,000, from \$683,000 in the previous quarter. The net cash outflow for the quarter was just over \$500,000 and the company has \$2.1 million in cash reserves.

This result highlights the immature nature of the company's business, with revenue continuing to be lumpy and seasonal factors impacting significantly on quarterly results. The company maintains its target of profitability for this financial year and has about \$2.4 million of future sales orders booked for future revenue. We expect about \$1.5 million of this will be recorded in the current financial year, which should see the company at a minimum match sales revenue this year from the last financial year (\$2.1 million).

The seasonal nature of Cogstate's business – that of providing cognitive testing for clinical trials – results in the third quarter being more difficult because of the northern hemisphere holiday season over July/August. We anticipate fourth quarter revenue to be substantially stronger than the current result.

Aside from existing orders, sales growth will be driven largely by the company's ability to gain follow-on business from some of its major clients. To date, only single contracts have been signed with **GlaxoSmithKline, Merck, Lundbeck** and **Alza**, while **Pfizer** remains an ongoing customer. Sales from the testing of nutraceuticals is also a target for the company.

Bioshares recommendation: **Speculative Hold Class B**

"Up for Sale?"

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gaining the necessary funds for the optimal development of its assets may be a great challenge for the company.

Starpharma has undertaken several re-positioning activities, including buying out royalty entitlements owed to the **Biomolecular Research Institute** and recently proposing to acquire (now approved) the 70% of US based **Dendritic Nanotechnologies** it did not already own. Starpharma will, going forward, possess an impressive dendrimer chemistry patent portfolio that may be very attractive to a potential acquirer because of its domicile in a single corporate entity.

Prima Biomed has flagged that it will out-license or sell its non-core assets, and sell its equity holding in Trillium Therapeutics. However, the company has a challenge at hand, similar to Agenix, to fund the next stage (Phase III) of development of its Cvac therapy.

Cytopia has advised for some time that it would "actively seek value adding merger or acquisition opportunities to take the company into the next phase or growth and this element of our plan remains unaltered". The company has made a small acquisition in the US but has been unsuccessful in consummating any other M&A opportunities either in Australia or elsewhere.

Over the last twelve months, the change in the share prices of these five stocks has been -3% (Acrux), -48% (Agenix), 7% (Cytopia), 2% (Starpharma) and -38% (Prima Biomed). Although Cytopia has performed positively on a twelve-month basis, it is down 33% from a 12 month high. Starpharma is down 5% from its 12 month high.

While these five companies may not be explicitly be 'up for sale', each of offers enough signs to place them in a class of likely possibilities in the near-to-medium term.

Other companies up for sale

In addition to the above five companies, there are many other companies that have been configured for a 'trade sale' almost from inception. Many, but not all, of these are device companies, and our list of possible trade sale candidates includes **BrainZ Instruments, CathRx, Heartware, Sunshine Heart, Living Cell Technologies, Phylogica, Evogenix, Peplin** and **Mesoblast**.

The conditions for sale of these companies hinges on their achieving a particular level of development (eg proof of concept) or even levels of sales that would satisfy an acquirer. However, the timing and eventuality of any sale is much further in the future than for the first five companies described above because of the extensive development of their products or technologies that most of these companies need to undertake.