

**In this edition...**

We review international licensing deals conducted in 2005, which have implications these deals have for several Australian biotechs, Cytopia, Progen Industries and Agenix, which are expected to announce deals in the near future.

We also look at a healthy trend for the local biotech industry; the emergence of profitable biotech businesses, that form part of the next tier of companies that now need to be analysed not first and foremost for their clinical pipeline but also monitored for their revenue and profit growth.

**The editors**

Companies covered: **BTA, CCE, CGS, GRO, IMI, PTD, SRX**

# Bioshares

**27 January 2006  
Edition 152 Extract**

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

**CogState**

CogState (CGS: 11.5 cents), covered in last week's edition, is expected to approach profitability this calendar year. Sales are anticipated to exceed \$3 million this year (in excess of 200% growth over the previous year) as more pharmaceutical companies begin using the company's cognitive testing platform in the clinical trial setting.

Bioshares recommendation: **Speculative Buy Class B**

**Bioshares**

	Bioshares Portfolio
Year 1	21.2%
Year 2	-9.4%
Year 3	70.0%
Year 4	-16.3%
Year 5 (to date)	50.0%
<b>Cumulative Gain</b>	<b>135%</b>
<b>Average Annual Gain</b>	<b>23.1%</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.

**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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