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Bioshares

23 December 2022
Edition 931

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

Companies covered: ARX, CGS, CUV,
LBT, PXS, TLX

Extract from Bioshares –

Top 6 Stock Picks for 2023

Will 2023 be the Breakout Year for Pharmaxis?

Going into 2023, Pharmaxis will have two Phase II study results to report. One is with PXS-6302 in the treatment of scars, and the second is with PXS-5505 for the treatment of myelofibrosis.

This week Pharmaxis announced that it had completed recruitment in the 50 patient scar treatment study which is being conducted under Professor Fiona Wood at the University of Western Australia. Previously Professor Wood had commented on positive emerging signs of efficacy in treating existing scars with this compound. "We have noted positive changes in appearance and pliability of scars in those patients on active drug."

In this study the first eight patients were treated with PXS-6302, whilst the next 42 were dividend between placebo and active compound. Formal results from the study are expected to be released in the second quarter of next year.

A Phase II a study is underway in patients with myelofibrosis being treated with the Pharmaxis drug candidate PXS-5505. Results from that study are also expected in the second quarter of next year. The company is seeking to recruit 24 patients in what is an open label study (i.e. Each patient is receiving PXS-5505). And each patient is treated for 24 weeks.

Early results were released from the first six patients who were treated for the full period. Most patients being recruited have a life expectancy of just 12 months. So the expectation is that all patients will deteriorate in the first six months. However in five of the six patients, a bone marrow analysis showed either stabilisation or improvement, with two patients having clinically improved symptoms. Four patients exited the study due to lack of clinical effect detected.

Pharmaxis is capitalized at just \$42 million. A positive study outcome next year could see considerably better value recognized in the Pharmaxis stock price. Its proforma cash balance at the end of September (including a subsequent raise) was around \$30 million.

Bioshares recommendation: **Speculative Buy Class A**

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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 - May '21)	86.8%
Year 21 (May '21 - May '22)	-15.6%
Year 22 (May '22 - Current)	-2.1%
Cumulative Gain	1580%
Av. Annual gain (21 yrs)	19.0%

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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

Corporate Subscribers: Cogstate, Opthea, ResApp Health, Pharmaxis, Dimerix, Adalta, Patrys, Antisense Therapeutics, Imugene, Chimeric Therapeutics, Neuren Pharmaceuticals, Neurotech International, Aroa Biosurgery, Radiopharm Theranostics, Imricor Medical Systems, Anteris Technologies

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