

Life Science - 2009 Year in Review

Tanya Solomon

4 March 2010

Largest retail stockbroking and financial advice network

Queensland	NSW/ACT	Victoria
Brisbane	Armidale	Berwick
Bundaberg	Balmain	Brighton
Burleigh Heads	Ballina	Camberwell
Cairns	Canberra	Geelong
Caloundra	Coffs Harbour	Melbourne
Capalaba	Gosford	Melbourne Farrer House
Chermside	Hurstville	Traralgon
Edward Street	Merimbula	Warrnambool
Emerald	Neutral Bay	Tasmania
Gladstone	Newcastle	Hobart
Gold Coast	Newport	South Australia
Ipswich	Orange	Adelaide
Mackay	Parramatta	Western Australia
Milton	Port Macquarie	Bunbury
Noosa	Scone	Perth
Redcliffe	Sydney	Northern Territory
Rockhampton	Wollongong	Darwin
Stanthorpe		
Spring Hill		
Springwood		
Sunshine Coast		
Toowoomba		
Townsville		
Yeppoon		



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- RBS Morgans is Australia's largest retail stockbroking and financial planning organisation with more than 345, 000 active clients and 494 licensed advisors in 54 offices in all Australian states and territories
- Capabilities: Research, Corporate Advisory, Institutional Sales

Life Science specialists

Scott Power

Director

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- Aust Pharm Industries (API)
- Biota (BTA)
- ImpediMed (IPD)
- Silex (SLX)
- SP Telemedia (SOT)
- Sunshine Heart (SHC)
- Tissue Therapies (TIS)

Tanya Solomon

Associate Director































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- Acrux (ACR)
- Alchemia (ACL)
- Avexa (AVX)
- Blackmores (BKL)
- ChemGenex (CXS)
- Pharmaxis (PXS)
- QRxPharma (QRX)
- Sigma Pharmaceuticals (SIP)

Coverage

Corporate advisory: Extensive experience

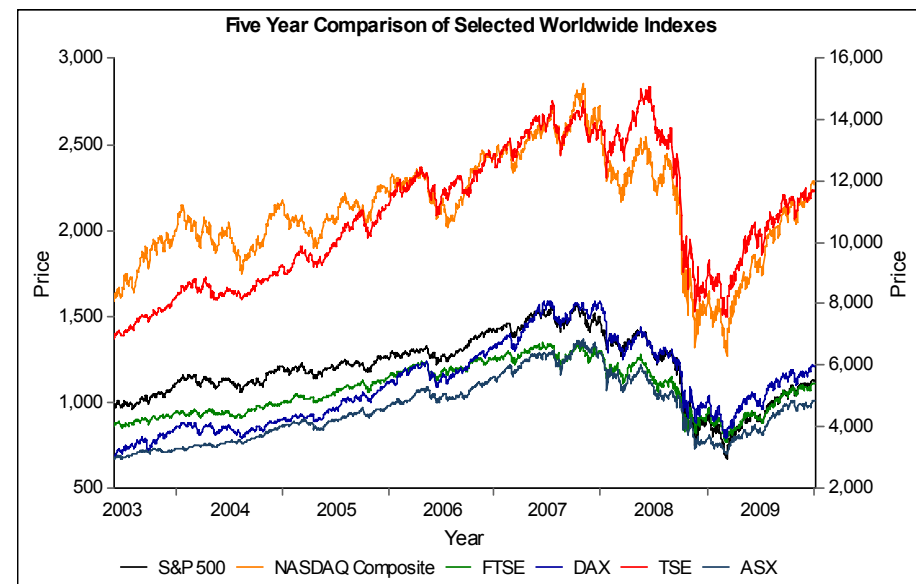
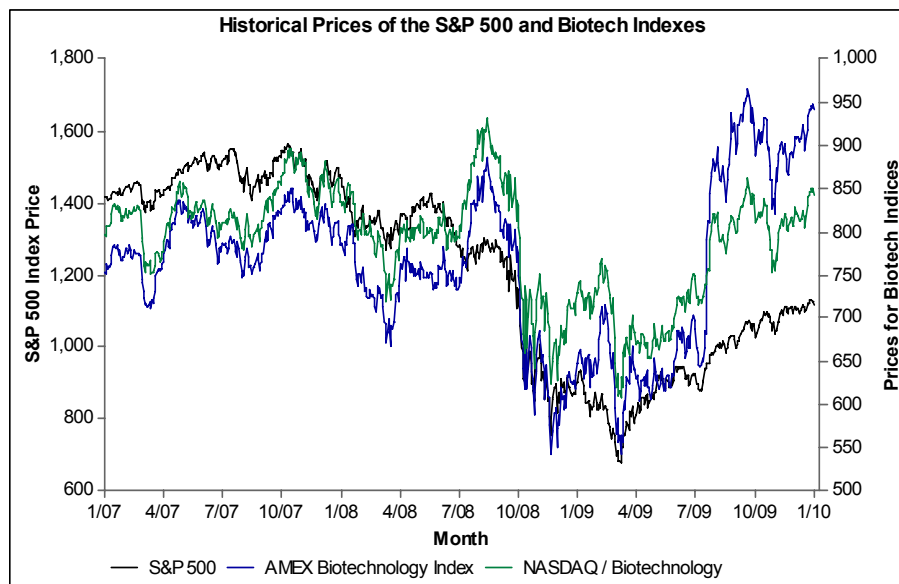
<p>Avexa</p>  <p>Placement & SPP A\$23.3m Lead Manager</p> <p>Dec 09  RBS Morgans</p>	<p>QRxPharma</p>  <p>Placement & Rights Issue A\$21.6m Lead Manager & Underwriter</p> <p>Nov 09  RBS Morgans</p>	<p>Tissue Therapies</p>  <p>Placement & SPP A\$8.5m Lead Manager</p> <p>Oct 09  RBS Morgans</p>	<p>Sunshine Heart</p>  <p>Placement & Rights Issue A\$9.8m Lead Manager & Underwriter</p> <p>Aug 09  RBS Morgans</p>	<p>Chemgenex Pharmaceuticals</p>  <p>Lead Manager A\$18.4m Placement & Non-Renounceable Rights Issue</p> <p>Apr 09  RBS Morgans</p>
<p>Tissue Therapies</p>  <p>Rights Issue A\$1.8m Lead Manager</p> <p>Mar 09  RBS Morgans</p>	<p>ChemGenex</p>  <p>Placement & SPP A\$13.1m Lead Manager</p> <p>Sep 08  RBS Morgans</p>	<p>ImpediMed</p>  <p>Initial Public Offer A\$18m Lead Manager & Underwriter</p> <p>Sep 07  RBS Morgans</p>	<p>Evogenix</p>  <p>Peptech Merger Corporate Adviser</p> <p>Jul 07  RBS Morgans</p>	<p>Alchemia</p>  <p>Placement A\$15.2m Corporate Adviser</p> <p>Jul 07  RBS Morgans</p>
<p>ChemGenex</p>  <p>Rights Issue A\$10.5m Lead Manager</p> <p>Mar 07  RBS Morgans</p>	<p>Avexa</p>  <p>Rights Issue A\$60.2m Underwriter</p> <p>Mar 07  RBS Morgans</p>	<p>Peplin</p>  <p>Rights Issue A\$13.9m Joint Underwriter</p> <p>May 06  RBS Morgans</p>	<p>Genepharma</p>  <p>Placement & Rights Issue A\$60m Lead Manager</p> <p>May 06  RBS Morgans</p>	<p>Alchemia</p>  <p>Meditech Merger Corporate Adviser</p> <p>Mar 06  RBS Morgans</p>

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US Biotech indices



Indices	2007	2008	2009
S&P 500 return	3.6%	-38.5%	23.5%
NBI return	4.0%	-12.8%	15.4%
BTK return	4.3%	-17.7%	45.6%

US Snapshot (US\$m)

IPOs	2007		2008		2009	
Total offerings	39		3		4	
Total offering value	\$	3,458.1	\$	221.0	\$	743.9
Average offering	\$	88.7	\$	73.7	\$	186.0

Follow on funding	2007		2008		2009	
Total offerings	58		19		63	
Total offering value	\$	6,640.6	\$	1,773.2	\$	6,466.3
Average offering	\$	114.5	\$	93.3	\$	102.6

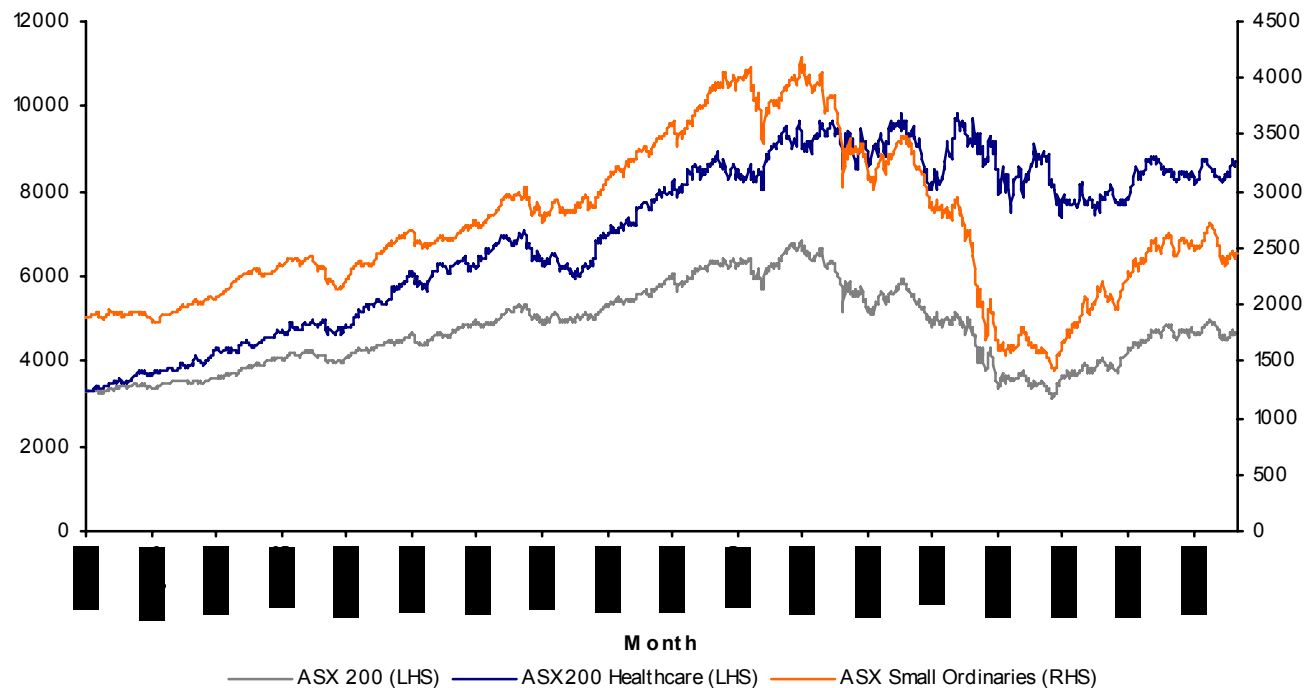
M&A	2007		2008		2009	
Total transactions	760		559		383	
Total transaction value	\$	94,304.1	\$	106,229.7	\$	135,522.4
Average transaction	\$	124.1	\$	190.0	\$	348.6

Top 10 biggest deals of 2009 (US\$)

- Pfizer and Wyeth - \$68B
- Roche and Genentech - \$46.8B
- Merck and Schering-Plough - \$41.1B
- Novartis and Alcon - \$28.1B
- Sanofi-Aventis and Merck - \$4B
- GlaxoSmithKline and Stiefel Labs - \$3.6B
- Warner Chilcott and P&G - \$3.1B
- BMS and Medarex - \$2.4B
- GlaxoSmithKline and Brazil - \$2.2B
- Roche and PTC Therapeutics - \$2B

Source: Fierce Biotech

The Australian experience



Indices	2007	2008	2009
ASX200 return	11.8%	-41.3%	30.8%
ASX200 Healthcare return	24.6%	-10.8%	1.9%
ASX Small ordinaries return	13.0%	-55.0%	51.9%
Bioshares index return	-14.2%	-60.0%	102.2%

Key thematics: Bouncing back

- Recovering from the impact of the GFC
- A number of companies left the sector
- Swine 'flu
- Focus on the growing cost of healthcare
- US healthcare reform
- Increase in M&A activity
- Overall - Strong recovery in 2009, following difficult 2008

Darwin at work

In 1999 there were 30 listed biotech companies
In 2008 there were 128 listed biotech companies
In 2009 there were 112 listed biotech companies

BUT

As at June 2009, 37% of companies had less than six months of cash
and 22% of companies were capitalised at less than A\$10 million

Significant progress is being made

- Top tier biotechs lead the pack
- 6 companies filed for product approval in 2009
- 4 companies will launch new products in 2010
- The number of profitable companies is growing, including
 - CSL (CSL), Resmed (RMD), Cochlear (COH)
 - Sirtex Medical (SRX)
 - Biota (BTA)
 - IDT Australia (IDT)
 - Probiotec (PBP)
 - and more to come

Star performers in 2009

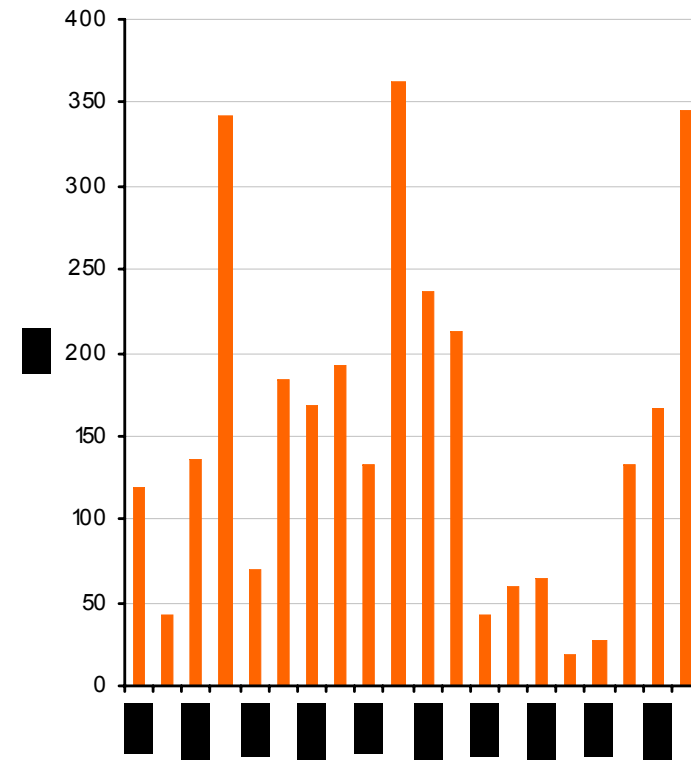
- Acrux (ACR) – up 361%
- Arana (AAH) – up 80% and acquired by Cephalon Inc
- Biota (BTA) – up 653% and 1H10 net profit of A\$33.5m
- ChemGenex (CXS) – up 112%
- Peplin (PLI) – up 259% and acquired by LEO Pharma
- Pharmaxis (PXS) – up 125%
- Sirtex – (SRX) – up 352% and 1H10 reported net profit of A\$9.1m

Investor viewpoint: Love-hate relationship

- Attitude to risk
- Investment mandates can make it hard to invest
- Increased investor interest due to:
 - Macro environment
 - Sound management of product development
 - Achievement of key milestones
 - M&A activity
 - Maturing of the sector
 - Revenue / Profit generation

Funding window: Open or shut?

- 2004 window
 - IPOs: 25; Value: A\$223m
 - Total raised: A\$534m
- 4Q 2005 window
 - IPOs: 14; Value: A\$154.1m
 - Total raised: A\$638m
- 2007 window
 - IPOs: 11; Value: A\$186.2m
 - Total raised: A\$943.2
- 4Q 2009 window
 - IPOs: 0
 - Total raised: A\$672.4m



Deals and dollars

- Licensing deals
 - ChemGenex + Hospira Inc
 - Acrux + HRA Pharma
- Major capital raisings – A\$672.4m raised in 2009
 - Avexa – A\$40m
 - Tissue Therapies – A\$8.1m
 - Pharmaxis – A\$54.2
 - ChemGenex – A\$18.4
 - Mesoblast – A\$10.8m
 - Alchemia – A\$15.4m
 - QRxPharma – A\$21.6m
 - API – A\$159.7m

Funding options

- Licensing deals
- M&A activity
- Selling programmes
- Follow-on capital raisings
- Who got it right? Who got it wrong?
- Is there a “best” approach?
- What do investors want to see?

M&A activity: More to come?

- Peplin Inc was acquired by LEO Pharma for A\$287m
- Arana Therapeutics was acquired by Cephalon Inc for A\$322m

Sector outlook: 12-18 months

- Increasing number of targeted product launches. Examples:
 - Axiron (Acrux)
 - Bronchitol (Pharmaxis)
 - Fondaparinux (Alchemia)
 - LANI (Biota)
 - Omapro (ChemGenex)
 - Glucose monitor and strips (Universal Biosensors)
- Anticipated regulatory filings
 - MoxDuo IR (QRxPharma)
 - Bronchitol (Pharmaxis)
- Looking forward
 - Interest in the sector is expected to grow...
 - ...but investors will continue to be selective

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