



Biotech Daily

Wednesday June 23, 2010

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH DOWN: COMPUMEDICS UP 15%, PHARMAXIS DOWN 33%**
- * **PHARMAXIS TUMBLES 47% ON MISSED ENDPOINT**
- * **BIOGUIDE BRIEF: PHARMAXIS – ‘MISSED BY THAT MUCH’ OR DID IT?**
- * **ORBIS INCREASES TO 11.5% OF STARPHARMA**
- * **CALZADA TAKES 14.5% OF AVEXA**
- * **LINK TRADERS SLIPS BELOW SUBSTANTIAL IN PRIMA**

MARKET REPORT

The Australian stock market fell 1.6 percent on Wednesday June 23, 2010 with the S&P ASX 200 down 72.2 points to 4486.1 points.

Two of the Biotech Daily Top 40 stocks were up, 28 fell, nine traded unchanged and one was untraded. All three Big Caps were down.

Compumedics was best, up two cents or 15.4 percent to 15 cents with 13,000 shares traded, followed by Clinuvel up one cent or 4.3 percent to 24.5 cents with 205,813 shares traded.

Pharmaxis led the falls, falling as much as \$1.465 or 46.96 percent to \$1.655 and closing down \$1.02 or 32.7 percent to \$2.10 with 13.1 million shares traded, followed by Prima down two cents or 16 percent to 10.5 cents with 20.8 million shares traded and Patrys down two cents or 14.8 percent to 11.5 cents with 50,000 shares traded.

Benitec, Biota, LBT and Psivida lost more than eight percent; Antisense was down 6.25 percent; Heartware and Optiscan were down five percent or more; Alchemia, Cellmid, Chemgenex, Circadian and Starpharma fell more than four percent; Genera and Nanosonics were down more than three percent; CSL, Impedimed and Viralytics shed more than two percent; with Bionomics, Cathrx, Cellestis, QRX, Sirtex, Universal Biosensors and Virax down more than one percent.

[PHARMAXIS](#)

Pharmaxis fell 47 percent in early trading as investors attempted to understand the significance of its second phase III cystic fibrosis trial narrowly missing its endpoint. Pharmaxis fell as much as \$1.465 or 46.96 percent to \$1.655 on last night's trial data showing that Bronchitol (400mg mannitol) was superior to placebo (50mg mannitol), but at a $p = 0.059$ level.

By convention, statistical significance is considered robust at $p = 0.05$ meaning there is a 95 percent probability that the event did not occur by chance.

Pharmaxis directors and management have told Biotech Daily that the US Food and Drug Administration will examine the data from both phase III trials and were reasonably confident that the headline of missing the primary endpoint was not the only issue the FDA would consider.

Pharmaxis representatives said that the data arrived on June 20, 2010 and there was further analysis required before any further regulatory process was considered.

Pharmaxis said in last night's release to the ASX that the secondary endpoint of comparison to baseline showed a significant improvement of 8.6 percent ($P < 0.001$) and that the result for the primary endpoint could have been affected by factors among non-US trial patients benefiting from the control of 50mg mannitol.

Pharmaxis closed down \$1.02 or 32.7 percent to \$2.10 with 13.1 million shares traded.

* Biotech Daily editor David Langsam acquired Pharmaxis shares today.

[MARC SINATRA'S BIOGUIDE BRIEF: PHARMAXIS](#)

Pharmaxis investors who were rushed for time yesterday and only read the first three paragraphs of the results of the second phase III trial of Bronchitol in cystic fibrosis (CF) patients would have gone to sleep very easily last night.

Those that took the time to read the fourth paragraph, however, would have had the words of Maxwell Smart ringing in their ears, "missed by that much". Sleep would have come less easily for this group of investors.

For the record, the trial results were not that bad, with a range of secondary endpoints all demonstrating significant improvements.

However, when a company buries the main message, that the primary endpoint was missed, in the fourth paragraph of an announcement, alarm bells ring in the ears of investors.

If a company is willing to bury highly important information, what other information isn't being released?

Obviously, a balance needs to be struck between what is and isn't released and how announcements are structured to protect investors' interests, but going too far does not ease the minds of investors. It just unsettles them.

That doubt is probably why Pharmaxis' share price has ended up where it is, when most analysts, this one included, felt the share price would only fall 10 to 20 percent.

The key piece of data in all of this is that although Bronchitol did narrowly miss its primary endpoint in the second 318-patient phase III trial with a p-value of 0.059, it quite convincingly hit this end-point in the first 324-patient phase III trial with $p < 0.001$.

One possible reason for this discrepancy is the greater use of dornase alpha (Pulmozyme) in the second phase III study, where 75 percent of patients were on the drug compared to 55 percent in the first phase III study. Patients taking dornase alpha in the first trial showed a smaller, but still significant improvement in lung function compared to the study group as a whole.

The data Pharmaxis has produced on Bronchitol overall demonstrates that it is safe and effective. Coupling this with a patient group that is in dire need of new treatments, I cannot see the US Food and Drug Administration knocking it back.

This is also the view of Pharmaxis chairman Denis Hanley who told Biotech Daily: "I don't think the FDA will exclude registration on the basis of a technical data point on the placebo side of the equation. They will do a thorough analysis."

The higher use of dornase alpha in the second phase III trial may have caused that "technical data point" Hanley is referring to.

While I do think that Bronchitol will get the FDA okay, I also think the data is telling us that Bronchitol is not a miracle drug for cystic fibrosis (CF) sufferers given the somewhat conflicting phase III data sets.

Nebulised saline which is thought to act in a similar manner to Bronchitol has been shown to increase lung function in CF patients and has been around for years, but it has had significant compliance issues among users.

From a side effect and ease of use point of view, Bronchitol does appear to have a significant edge over nebulised saline.

Having said that, of the 324 patients enrolled in the first phase III trial, only 170 felt compelled to enter the open-label phase of the trial where all patients received Bronchitol.

While the vast majority of the patients who opted not to enter the open-label phase of the study may have come from the control arm, whether this is the case or not isn't clear. This number would tell us a lot about the likely take-up of Bronchitol among CF patients once it is on the market.

Those who managed to buy Pharmaxis shares today below \$2 and especially those who bought at \$1.655 have probably gotten a very early and valuable Christmas present. Yesterday's results are a speed bump, albeit a chassis rattling one, on Bronchitol's march towards FDA approval.

Focus should now switch to the likely take up of Bronchitol by cystic fibrosis sufferers.

Regulatory approval is great, but sales are the be all and end all.

Marc Sinatra
Analyst

STARPHARMA

Orbis Investment Management and related bodies increased their substantial holding in Starpharma from 20,809,039 shares (8.71%) to 27,357,494 shares (11.46%).

Orbis said the 6,548,455 shares were acquired for \$3,285,360 or an average price of 50.17 cents a share.

Starpharma fell 2.5 cents or 4.5 percent to 53.5 cents.

CALZADA, AVEXA

Calzada has increased its substantial shareholding in Avexa from 112,735,790 shares (13.3%) to 122,898,500 shares (14.5%).

Calzada said the 10,162,710 shares were acquired for \$304,881.30 or an average price of 3.0 cents a share.

Avexa was unchanged at three cents a share with 2.7 million shares traded.

Calzada was unchanged at 2.7 cents.

PRIMA BIOMED

Laurence Freedman's Link Traders has dropped below a 5.0 percent holding in Prima, selling 10,000,000 shares for \$1,252,999.14 or an average price of 12.53 cents a share.

Link Traders holding was reduced from 44,491,758 shares (6.83%) to 34,491,758 shares (4.93%).

Prima fell two cents or 16 percent to 10.5 cents with 20.8 million share traded.