



Biotech Daily

Wednesday May 25, 2011

Daily news on ASX-listed biotechnology companies

Why I Wasn't Holding PXS

I have been burnt by biotech before.

When the old Metabolic announced the results from its second phase II trial for obesity two weeks early, I was still holding. Surprise, your net worth has just dropped by 50 percent. Have a nice day.

Last year, I kept my faith in Chemgenex through the disastrous committee meeting that ultimately spelt the end for their new drug application for Omapro and its application in chronic myeloid leukemia patients' carrying the T315I mutation.

The Cephalon takeover meant I made a small profit, but the time value of money put me at a loss.

I can relate very well to the way the holders of Pharmaxis are feeling today.

To a certain extent, I was lucky. Pharmaxis was a nice story. What saved me from feeling the pain today was the review I did on them a few years back (BD: Oct 18. 2007).

While researching for that review, I learned about nebulised saline. From memory, it was first tried in cystic fibrosis patients in the 1970s. It never seemed to catch on, though.

Given the mechanism of action of nebulised saline is pretty much identical to that of Bronchitol, a seed of doubt was planted in my mind.

I still liked the Pharmaxis story, but not enough to value it as a clear 'buy' when I reviewed it for Biotech Daily.

I gave it a value a just a bit above its share price, then \$4.69. Essentially, I played it cautiously.

I didn't buy any when their share price dropped. That seed was still there.

Bronchitol isn't dead, but it isn't looking good.

The US Food and Drug Administration can be a bit pickier than the EMEA, so things aren't looking good there.

Also, if the drug doesn't work well enough for cystic fibrosis to gain approval, it is unlikely to work well enough for the other, less severe indications it is being targeted at.

To holders, I feel your pain and hope Bronchitol can eventually gain approval.

Marc Sinatra
Analyst
marc@biotechdaily.com.au

* Marc Sinatra is employed by Lodge Partners which does not cover Pharmaxis.

Biotech Daily can be contacted at: PO Box 5000, Carlton, Victoria, Australia, 3053
email: editor@biotechdaily.com.au www.biotechdaily.com.au