

**In this edition...**

Well what a year for Australian biotech! Three acquisitions of local companies by international groups during the year, and in particular two \$300 million plus deals have highlighted the potential value that can be generated from such technologies. Will we see more? The year ahead in 2010 promises to be just as eventful with many late stage companies potentially in play.

In this edition we give our Top 5 mid cap and Top 5 small cap picks for 2010. And on a very relevant issue, Marilyn Sleigh, former CEO of Evogenix, which was acquired by Arana Therapeutics, looks at the impact on the local sector from businesses that have been acquired by larger suitors in recent years. We wish you a safe and festive season ahead and look forward to assisting you with your investments in 2010!

**The Editors**

**Companies Covered: ACR, ACL, ACG, BDM, BOD, CGS, CXS, MSB, PAB, SPL**

	Bioshares Portfolio
Year 1 (May '01 - May '02)	21.2%
Year 2 (May '02 - May '03)	-9.4%
Year 3 (May '03 - May '04)	70.0%
Year 4 (May '04 - May '05)	-16.3%
Year 5 (May '05 - May '06)	77.8%
Year 6 (May '06 - May '07)	17.3%
Year 7 (May '07 - May '08)	-36%
Year 8 (May '08 - May '09)	-7.3%
Year 9 (May '09 - Current)	73.7%
<b>Cumulative Gain</b>	<b>237%</b>
<b>Av Annual Gain (9 yrs)</b>	<b>21.2%</b>

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# Bioshares

20 December 2009

Edition 342

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

Extract from *Bioshares* –

## Stock Picks – 2010

It has been an exceptional year for the Australian biotech sector. In this last edition for 2009, we select our top five mid-cap biotechs (greater than \$50 million) and the top five biotech small caps (less than \$50 million).

### BioMD

Share Price: \$0.063

Capitalisation: \$5.4 million

BioMD is a microcap biotech stock. Its core proprietary technology, called ADAPT, is used to process bovine pericardium tissue that can be used in human tissue implants. BioMD has completed a trial in 30 children repairing heart deformities. The appeal of the technology is that it provides tissue that is not recognised by the immune system, but unlike polypropylene meshes, it does not become fibrotic and does not shrink.

The company is currently conducting a 20 patient study in Sydney in pelvic floor reconstruction. The market global market for this indication is estimated to reach US\$1.5 billion by 2011. Other applications of the technology include for use in tissue heart valves and plastic surgery.

If the Sydney trial is successful, the company will seek to have the product filed for approval in 2010. BioMD is capitalised at only \$5.4 million. Its challenge is also funding the commercialization of its technology. However, success in a second clinical trial should see considerable more interest in this stock from investors and potential partners. The company's products could become available to surgeons next year under a Special Access Scheme in Australia.

*Bioshares* recommendation: **Speculative Buy Class B**

### Publication Dates – Break over Holiday Period

*Bioshares is published 48 times per year.*

*The next edition of Bioshares (343), will be mailed on Monday January 4, 2010. Bioshares 344 will be mailed on January 25, 2010.*

**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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