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Executive Search & Board Advisory

The Blenheim Report: The Pharmaceutical and Healthcare Numbers

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PHARMACEUTICAL (\$'M)														
Company	REVENUE H1 FY2015	REVENUE H1 FY2014	CASH RESERVES H1 FY2015	CASH RESERVES H1 FY2014	R&D INVESTMENT H1 FY2015	R&D INVESTMENT H1 FY2014	OPERATIONAL EXPENSES H1 FY2015	OPERATIONAL EXPENSES H1 FY2014	EARNING PER SHARE (EPS) ² H1 FY2015	EARNING PER SHARE (EPS) ² H1 FY2014	EBITDA H1 FY2015	EBITDA H1 FY2014	NPAT H1 FY2015	NPAT H1 FY2014
Acrux Ltd	14.2	43.7	15.8	17.5	n/a	n/a	3.9	5.3	0.04	0.15	10.3	38.4	7.0	24.6
CSL Ltd ¹	2,744.1	2,574.2	1,060.6	689.8	233.4	229.3	n/a	n/a	1.46	1.33	969.0	912.0	692.2	645.7
- CSL Behring ¹	2,493.2	2,358.9									937.0	870.4		
- bioCSL ¹	255.1	231.0									6.9	21.0		
- CSL Intellectual Property ¹	91.6	101.1									46.1	45.3		
Mayne Pharma Group Ltd	59.5	70.0	19.1	19.8	1.96	3.83	n/a	n/a	0.68	1.50	13.5	18.2	4.0	8.4
- US Products (USP)	27.3	27.5									17.3	17.6		
- Metrics Contract Services (MCS)	15.1	13.7									7.4	6.0		
- Mayne Pharma International (MPI)	19.1	28.1									7.3	13.7		

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BIOPHARMA/BIOTECHNOLOGY (\$'M)														
Company	REVENUE H1 FY2015	REVENUE H1 FY2014	CASH RESERVES H1 FY2015	CASH RESERVES H1 FY2014	R&D INVESTMENT H1 FY2015	R&D INVESTMENT H1 FY2014	OPERATIONAL EXPENSES H1 FY2015	OPERATIONAL EXPENSES H1 FY2014	EARNING PER SHARE (EPS) ² H1 FY2015	EARNING PER SHARE (EPS) ² H1 FY2014	EBITDA H1 FY2015	EBITDA H1 FY2014	NPAT H1 FY2015	NPAT H1 FY2014
Alchemia Ltd	6.9	5.0	11.9	16.4	6.7	5.1	24.9	10.7	(4.9)	(1.7)	(18.0)	(5.7)	(15.8)	(5.5)
Mesoblast Ltd	25.9	20.8	149.2	250.3	36.1	25.3	76.7	51.6	(16.01)	(9.72)	n/a	n/a	(50.8)	(30.9)
Sirtex Medical Ltd	80.5	58.6	55.5	47.9	4.1	n/a	46.4	35.3	31.3	19.9	23.9	14.6	17.7	11.2
- Americas	61.2	43.1												
- EMEA	16.0	12.7												
- APAC	3.2	2.8												
Neuren Pharmaceuticals	4.4	5.0	20.8	24.4	10.0	8.6	n/a	n/a	n/a	n/a	n/a	n/a	(8.3)	(10.4)
Nanosonics Ltd	14.3	9.7	23.5	21.2	n/a	n/a	9.6	10.3	1.73	n/a	9.2	6.0	1.2	(3.5)

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HEALTHCARE AND EQUIPMENT (\$'M)														
Company	REVENUE H1 FY2015	REVENUE H1 FY2014	CASH RESERVES H1 FY2015	CASH RESERVES H1 FY2014	R&D INVESTMENT H1 FY2015	R&D INVESTMENT H1 FY2014	OPERATIONAL EXPENSES H1 FY2015	OPERATIONAL EXPENSES H1 FY2014	EARNING PER SHARE (EPS) ² H1 FY2015	EARNING PER SHARE (EPS) ² H1 FY2014	EBITDA H1 FY2015	EBITDA H1 FY2014	NPAT H1 FY2015	NPAT H1 FY2014
Ansell Ltd ¹	847.3	703.6	67.2	46.2	n/a	n/a	n/a	n/a	57.3	49.6	118.3	82.7	n/a	n/a
Cochlear Ltd	438.3	371.1	58.9	60.0	61.4	65.1	n/a	n/a	125.3	37.0	100.5	49.4	71.4	21.0
Primary Healthcare Ltd	798.6	751.0	34.5	9.6	n/a	n/a	n/a	n/a	10.5	10.0	196.1	192.1	53.4	50.3
- Medical Centres	161.5	151.7									90.0	84.7		
- Pathology	459.5	436.2									73.0	74.8		
- Imaging	173.7	156.3									39.3	35.5		
- Health Technology	18.7	18.3									9.8	9.8		
Ramsay Healthcare Ltd	3,341.2	2,360.1	319.2	127.7	n/a	n/a	n/a	n/a	91.1	74.4	511.2	364.6	191.4	157.8
Sigma Pharmaceuticals Ltd	3,142.1	2,973.5	33.6	n/a	n/a	n/a	n/a	n/a	5.1	4.9	85.6	76.6	52.7	53.5
ImpediMed Ltd	2.1	1.6	38.2	n/a	n/a	n/a	7.8	4.8	(0.03)	(0.02)	n/a	n/a	(6.1)	(3.6)
Sonic Healthcare Ltd	2,014.0	1,899.0	n/a	n/a	n/a	n/a	n/a	n/a	0.43	0.44	346.0	344.0	174.0	177.0

Notes

¹ CSL and Ansell figures are reported in USD millions.

² Basic Earnings per Share (EPS) are reported in cents.

PROFIT GUIDANCE

9 APR 2015

The Australian Financial Review

Pharma industry - looking for the long-term patents

Big pharma groups crushed by patent expirations in the first decade of this century spent the second rushing into biotech. Biotech medicines - proteins grown from live cells - had, in effect, infinite patents. There was no regulatory route to market for copies of drugs with expired patents. In the US, the 2010 Affordable Care Act set up a path. And finally, last month, US authorities approved a biosimilar of Amgen's Neupogen (\$1bn in annual sales). There are still hard questions for regulators, health insurers and doctors. The drugs are complex; the original and the biosimilar are not identical. It is not perfectly clear if the differences matter. So should biosimilars of the same drug from different manufacturers have different names? Should pharmacies fill prescriptions for the original with its biosimilar? If a biosimilar is approved for one condition treated by the original, does the approval cover the other conditions, too?

Given these ambiguities - and that both approval for, and production of, biosimilars are tricky and expensive - the market has been sanguine about the impact of biosimilar competition on originators' profits. Shares in groups reliant on biomedicines with patents near expiry (AbbVie and Roche, say) appear unperturbed.

Source: <http://www.afr.com/business/health/pharmaceuticals/pharma-industry--looking-for-the-longterm-patents-20150409-1mh6c0>

31 MAR 2015

The Morningstar

Ansell Announces Acquisition of Microgard

Ansell announced that it has reached an agreement to acquire Microgard, a protective clothing manufacturer with headquarters in the United Kingdom, for a total consideration of GBP59m (US\$88m), subject to usual closing adjustments. This is equivalent to a multiple of nine times on trailing 12 months adjusted EBITDA. Founded in 1975, Microgard is a leading manufacturer and supplier of chemical protective clothing with a strong track record of introducing new technology and designs to the market to improve wearer protection and comfort. They have sales in over 75 countries and a world class manufacturing facility in Xiamen, China. Microgard has grown rapidly, primarily in EMEA and APAC, with sales of US\$40m in CY 2014 and 750 employees worldwide.

Source: <http://www.morningstar.com.au/Stocks/SignalGNews/20150331/327126>

21 MAR 2015

The Australian Financial Review

How to pick a biotech winner

Some disappointing clinical trial results saw the darling of Australia's biotech sector Sirtex lose more than half its market capitalisation in one session this week, a rude reminder of the perils of investing in this highly speculative sector. So how do professional fund managers go about picking winners? There are 70 companies listed on the Australian Securities Exchange in the biotechnology and pharmaceuticals sector, of which only 14 are profitable and only six pay dividends.

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Starfish Ventures co-founder and president Michael Panaccio was one of the original investors in Sirtex and specialises in investing in early-stage biotech and pharma companies, both listed and unlisted, before they are profitable. He warns that retail investors should exercise extreme caution. "Mum and Dad investors keen to dabble should only ever allocate as much money as they are prepared to risk losing. For those people who have enough capital to afford putting some into riskier investments with the potential for high growth, the biotech sector has some great potential."

Source: <http://www.afr.com/personal-finance/how-to-pick-a-biotech-winner-20150320-1m22li>

19 MAR 2015

The Australian Financial Review

Sigma Pharmaceuticals boosts earnings despite 'tough trading' environment

Sigma Pharmaceuticals chief executive Mark Hooper says the drug wholesaler is sharpening its focus on branded products so it does not have to rely on revenue from medicine sold under the Pharmaceutical Benefits Scheme. After reporting strong earnings before interest and tax growth in the year to January 31, Mr Hooper said Sigma would try to boost sales from exclusive brands and private-label products.

"We are committed to our strategy of broadening our revenue base away from PBS revenue," he said. "Our non-PBS revenue has now reached almost one-third of total revenue, with the gains accelerating in the past 12 months on a sustainable path to grow as a proportion of total revenue."

In what the company described as a "tough trading environment", earnings before interest and tax increased 11 per cent to \$78 million, up from \$70.3 million the previous year.

Source: <http://www.afr.com/business/health/pharmaceuticals/sigma-pharmaceuticals-boosts-earnings-despite-tough-trading-environment-20150319-1m2mr6>

18 MAR 2015

The Australian Financial Review

Sirtex Medical loses \$1b in market value after cancer trial disappoints

More than \$1 billion has been wiped off the market value of Sirtex Medical after the company said its much anticipated clinical trial of its novel liver cancer therapy failed to show a significant improvement over standard chemotherapy. Shares in the medical device company lost 55 per cent to close at \$17.53, \$21.47 lower than their last close of \$39.00. Australian Ethical Investments portfolio manager Andy Gracey tried to maintain an optimistic outlook. Although the result was "disappointing" Mr Gracey said Sirtex's announcement, which was light on detail, offered a glimmer of hope. "Not all is lost," he said.

UBS is keeping a "buy" recommendation on Sirtex Medical and dramatically cut its 12-month price target to \$28.75 a share from \$50.40 previously.

Source: <http://www.afr.com/business/health/biotechnology/sirtex-medical-loses-1b-in-market-value-after-cancer-trial-disappoints-20150318-1m0uh7>

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11 MAR 2015

The Australian Financial Review

Revenue growth seen at CSL

Credit Suisse has an "outperform" on CSL Ltd (CSL) and a target price of \$88. "US IG (immunoglobulin) volume growth has trended down from double-digit to mid-upper single-digits, consistent with industry commentary of 6-8 per cent growth.

"As the US represents about 60-65 per cent of global IG consumption (in terms of value) this is likely a reasonable proxy for global growth. "For CSL, we forecast IG portfolio revenue growth of about 8 per cent in FY15F (cc) based on market share/mix shift (Hizentra)." UBS has a "buy" on CSL and a 12-month target price of \$96 a share. "We continue to rate CSL a 'buy' and consider it a core portfolio holding," says UBS.

Source: <http://www.afr.com/markets/equity-markets/revenue-growth-seen-at-csl-20150310-140kog>

3 MAR 2015

The Australian Financial Review

Biotech Nanosonics in \$25m placement raising

Biotech Nanosonics is seeking to raise \$25 million in a placement through Canaccord Genuity. Nanosonics shares went into a trading halt on Tuesday morning as its broker contacted potential investors.

The company was looking to place 15.2 million shares at \$1.65 each. The offer was priced at a 7.3 per cent discount to the last close and a 5.9 per cent discount to the 10-day volume weighted average price.

Source: <http://www.afr.com/business/banking-and-finance/investment-banking/biotech-nanosonics-in-25m-placement-raising-20150303-13ti7z>

10 FEB 2015

The Australian Financial Review

Acquisitions on the Ansell radar

Ansell has signalled acquisitions are back on the agenda, but Citi analyst Victor Windeyer says the glove and condom maker may better off focusing on integrating on the businesses it has already bought. Ansell put the brakes on deal making after a \$US615 million (\$787.2 million) deal to buy BarrierSafe Solutions International in early 2014 left its balance sheet stretched.

However, BarrierSafe products and gloves from the Midas business that Ansell purchased in late 2013, selling ahead of the company's business plans were significant contributors to a 33.7 per cent rise in half year net profit.

Source: <http://www.afr.com/markets/equity-markets/acquisitions-on-the-ansell-radar-20150210-13ae0c>

28 JAN 2015

The Australian Financial Review

Essential services look set for healthy returns this year

Depending on the theme investors wish to tap into they may find good value among small cap healthcare and services companies. In what is shaping up as a tricky year on the sharemarket, companies exposed to essential services are likely to be well supported. In November Smart Investor looked at three companies exposed to the -growing drug delivery industry: Unilife Corporation, Acrux and Starpharma. While the latter had a setback in December with Japanese regulatory authorities reviewing its medical device classification and effectively delaying the launch of its VivaGel condom, Unilife and Acrux have gained in value.

Acrux hit \$1.64 last week, representing a gain of more than 60 per cent in two months. Unilife, a developer and supplier of injectable drug delivery systems, is a similar story. After being sold down from 73¢ to a low of 54.5¢ in mid-November, it has rallied 60 per cent. However, this was arguably off an oversold base and given the developments in the past three months, including negotiation of long-term contracts, there appears to be substantial upside.

Comparing the company with the S&P/ASX 200 Healthcare index means weighing them against heavyweights such as CSL and Ramsay Health Care. A more meaningful gauge is the S&P/ASX Emerging Companies index (XEC). Based on the past 12 months this shows Unilife has just broken above the index trend line, while both Acrux and Unilife have outperformed the index since November.

Source: <http://www.afr.com/business/health/pharmaceuticals/essential-services-look-set-for-healthy-returns-this-year-20150127-12zjwj>

26 JAN 2015

The Australian Financial Review

Ansell takes condoms to court to protect profits

Rubber glove and condom maker Ansell will use its expertise in protection to safeguard profits from its "natural feeling" SKYN brand condoms, which are at risk from a competitor product made by larger rival Durex. In a claim filed in the Federal Court, Ansell has argued that global consumer goods maker Reckitt Benckiser, which makes Durex condoms as well as other well known brands such as Nurofen, Dettol and Mortein, has breached the patent behind its innovative prophylactic.

Ansell released its SKYN range in 2008, hailing it as the world's first ever polyisoprene, non-latex condom. The key selling point is the product has a thinner, more natural feel than its latex rivals, which make up the bulk of the global \$6 billion condom market. In 2009, the healthcare company applied for a patent that detailed the qualities of its new synthetic material. The patent was granted in September 2012 and outlined claims including that condoms made from the material could stretch to just over 9-times their original length before breaking.

Source: <http://www.afr.com/business/health/ansell-takes-condoms-to-court-to-protect-profits-20150125-12y0yy>

19 JAN 2015

The Australian Financial Review

'Patient capital' is best medicine for biotech sector

Richard Treagus has 20 years of experience and a team with impeccable credentials, but he says the one thing that makes his ambition to bring a novel brain-disorder drug to market all the more easier is investors who are patient. The executive chairman of Neuren Pharmaceuticals has a cornerstone investor in Lang Walker. The billionaire property developer owns about 17 per cent of the \$271 million company and is banking on Neuren's drug NNZ-2566 becoming the first ever treatment of rare neurological disorders such as Rett and Fragile X Syndrome. Dr Treagus has estimated that wealthy individuals and family offices own about another 15 per cent of the company. Substantial shareholding notices show Kiwi entrepreneur Stephen Tindall, who founded retail chain The Warehouse, is also a backer.

"The high-net-worth [shareholders] are experienced investors," Dr Treagus said. "And my experience has been [the group] represents patient capital and are therefore very helpful for a drug-development company. I wouldn't for one moment describe it as speculative capital. It's quite the opposite. "His investors are hoping that -Dr Treagus himself will become a "secret to success" in biotechnology investing. The former doctor, who had his start in pharmaceuticals with Roche in South Africa, made a name for himself in the local sector with a career-defining six years at Acrux.

Source: <http://www.afr.com/business/health/patient-capital-is-best-medicine-for-biotech-sector-20150118-12sxso>

13 JAN 2015

The Australian Financial Review

How biotechnology investors are being duped

Along with surgeon, management consultant and chief medical officer, Sirtex Medical's David Cade can add another work experience line to his resume: events planner. In addition to steering the liver cancer therapy developer through a series of important clinical trials in 2014, Cade has organised and hosted a number of "lunch and learn" sessions for investors and analysts. The lunch is necessary to get people in the room, and the learn is to improve understanding of the opportunities that Sirtex is chasing, as well as the risks that are inherent in taking a bet on its medical technology.

"Over the past two to three years, I've met with a broad range of institutional investors, fund managers and equities analysts and it has struck me how little is known about the four fundamentals of getting new therapies to market," he says. Cade has a view on the biotechnology market that you don't often hear on the record. Executives bemoaning the lack of both expertise and understanding of their sector among local analysts and investors are not new. Usually the rant is followed by a whinge that locally-listed stocks are not valued as highly as peers on exchanges like the NASDAQ or New York Stock Exchange. Cue violin. But Cade sees the consequence of less knowledgeable investors very differently. And it is a sentiment that deserves greater scrutiny.

Source: <http://www.afr.com/business/health/biotechnology/how-biotechnology-investors-are-being-duped-20150112-12mslf>

12 JAN 2015

The Australian Financial Review

Low Aussie dollar could spur biotech takeovers

A string of high-profile setbacks may have eroded support for local biotechnology companies, but executives and analysts say plenty of money from overseas and the weak Australian dollar may spur takeovers by foreign buyers. Watermark Funds Management analyst Joshua Ross said 2014 was "a year littered with disasters" as companies like QrXPharma, Alchemia and Prana Biotechnology had their value and prospects smashed by poor clinical trial results and regulatory knockbacks. "People have been burned," he said. "I think [the companies] were all grossly overvalued and people relied too much on management representation." The main consequence of these high-profile collapses is that it will be harder to raise capital for clinical trial programs in 2015, Mr Ross said.

Investing is a hell of a drug

Best and worst life science stocks

Company	Market cap (\$m)	12-month change (%)	Company	Market cap (\$m)	12-month change (%)
Impedimed	246	+260	QrXPharma	4	-97
Clinuvel Pharmaceuticals	177	+221	Bone Medical	1	-90
OBJ	158	+194	Alchemia	31	-83
Somnomed	150	+163	iSonea	22	-77
Safety Medical Products	1	+150	Holista Colltech	4	-75
Actinogen	34	+130	Prana Biotechnology	90	-74
Sirtex Medical	1583	+95	Genetic Technologies	14	-74
Genera Biosystems	24	+71	Medical Australia	9	-72
Medigard	3	+70	Patrys	11	-67
Benitec Biopharma	112	+56	Prescient Therapeutics	5	-63

SOURCE: MORGANS, MORNINGSTAR

Source: <http://www.afr.com/business/health/pharmaceuticals/low-aussie-dollar-could-spur-biotech-takeovers-20150112-12m3oc>

1 JAN 2015

The Australian Financial Review

Biotechnology stocks to watch in 2015

After a disappointing year for local biotechnology stocks, in which a number of high profile companies faltered on the back of poor clinical results or internal blunders, investors are scouring the sector for the next big thing in 2015. The past year was littered with bombshells for investors. However, Lodge Partners analyst Marc Sinatra said three shocks reverberated the most - the massive failures at pain drug developer QRxPharma, cancer therapeutics outfit Alchemia and Prana Biotechnology, which is developing therapies for Alzheimer's disease.

"They were all well-followed stocks by the major institutional investors in the space," Mr Sinatra said. "Those sorts of things hurt quite a bit." However, there are still bright spots in the sector.

Source: <http://www.afr.com/business/health/biotechnology-stocks-to-watch-in-2015-20150101-12gemj>

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