

Go ahead into Phase II and recent appointments make NEPT even more attractive to investors

Written by M.E.Garza

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Key developments over the past few weeks have made Neptune Technologies & Bioresources' (Nasdaq:NEPT) low risk story even more attractive to biotech speculators.

We first introduced Neptune to our premium subscribers in [a special trade alert](#) on April 13th when the stock was \$2.40 per share. Since then, the stock has nearly doubled in price and finds itself trending higher within [a strong upward channel pattern](#)

We continue to be very excited about this story, and believe even more strongly that after the developments discussed below, Neptune may be positioned to become the next Amarin (Nasdaq:AMRN)-- whose shares we also covered at \$7.19 in March and saw rise to over \$19.50 in May. Indeed, the further one digs into the Neptune story, the more it appears to have even more potential than Amarin.

Neptune Technologies and Bioresources presents significant value and opportunity;<http://biomedreports.com/2011041365978/neptune-technologies-and-bioresources-presents-significant-value-and-opportunity.html> Business News Network features Neptune Technologies and Bioresources;<http://biomedreports.com/2011052067626/business-news-network-features-neptune.html> Analyst issues \$6 dollar price target on Neptune;<http://biomedreports.com/2011051767396/analyst-issues-6-dollar-price-target-on-neptune.html> On June 30, Neptune's majority-owned cardiopharma subsidiary, Acasti Pharma (TSX-V:APO), [got the go ahead](#) to proceed with a 429-patient Phase II clinical trial in Canada. This is significant because biotech purists were still looking at Acasti as merely a pre-clinical stage company up to this point; now, Acasti is a clinical stage company by any standards--Phase II to be exact. (Note that right up until the company got the Phase II go ahead, some investors were arguing that Acasti would never be able to develop a drug candidate from krill oil. Those arguments and risk are now off the table.)

Now that Acasti's drug candidate CaPre is actually in a Phase II trial, we argue that Acasti can already be valued equivalently to a successful Phase II company.

How is this possible? Think of it this way: Whether a company is in Phase I, Phase II or Phase III, it is valued on the basis of some discounted probability of success in getting its drug candidate through Phase III and getting it approved by the FDA as a drug; the key is that Acasti's krill-oil derived Omega-3 marine phospholipid oil has a materially greater chance of experiencing success in Phase III than a novel synthetic compound that has already made it through Phase II.

This is because novel synthetic compounds that have made it through Phase II still have a material chance of getting tripped up by some unexpected interaction, or demonstrating a heretofore unforeseen form of toxicity that kills the trial.

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On the other hand, years of accumulated data on marine Omega-3s and a rapidly growing body of knowledge specifically around krill-derived marine Omega-3s gives us a very high degree of confidence that Acasti's drug candidate CaPre is almost certain to generate efficacy data which is better than both GlaxoSmithKline's (NYSE:GSK) billion-dollar pharmaceuticalized fish oil drug (Lovaza) AND Amarin's drug candidate (AMR-101) across some or all markers of cardiovascular disease.

As importantly, the accumulated knowledge on marine Omega-3s and krill-derived marine omega-3s tells us CaPre has virtually no chance of any demonstrating any form of toxicity. Hence, we conclude that there is a higher probability that CaPre successfully makes it through Phase III and is approved as a drug than just about any novel synthetic compound that has successfully completed a Phase II trial. Hence, we feel comfortable in our contention that it is appropriate to value Acasti as if it already had a successful Phase II trial under its belt.

So what kind of valuations get applied to Phase II companies in cardiovascular indications? The bookends for a valuation range can be seen if one looks at Resverlogix (TSE:RVX) and Esperion (acquired):

1) Resverlogix, which had a drug candidate that was supposed to boost HDL, had a market cap between \$300 million and \$400 million simply while it was in Phase II (specifically, just after Resverlogix announced they were going into a Phase II trial, and in the 2 months leading up to the release of the results);

2) Esperion was acquired by Pfizer for \$1.2 billion after a successful Phase II trial.

It doesn't seem impossible to suggest that between now and the (assumedly successful) completion of Acasti's Phase II trial, one could see a market cap somewhere between \$300 million and \$1.2 billion for NEPT.

While purely anecdotal, personal lipid and cholesterol benchmarking tests by some of my colleagues have shown some impressive results- despite their initial disbelief in the curative properties previously reported by others.

Several colleagues who took a 1,000mg/day dose of Neptune/Acasti's Onemia, saw their triglycerides decline by over 50%, their HDL go up by over 100%, and their LDL decline by about 20%. There are more than a few personal and non-clinical reviews and endorsements from those who suffer from high cholesterol and have already taken, Onemia-- currently-available as Acasti's 'Medical Food' product, which in terms of formulation is somewhere between NKO, Neptune's currently-available nutraceutical product, and CaPre, Acasti's actual drug candidate. These types of stories are what led Neptune to pursue clinical trials originally.

Amarin Corporation, which BioMedReport readers are quite familiar, has a market cap of well over \$1.7 billion on the basis of successful Phase III trials showing that a 4,000mg/day dose results in a 21.5% decrease in triglycerides, a 6.5% decrease in LDL, and no change in HDL. Imagine what will happen to NEPT if Acasti's Phase II trial shows results anything like the

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personal results of countless consumers cited above.

But anecdotal results like those beg the question: Can krill oil (and pharmaceuticalized krill oil) really be that much better than fish oil (and pharmaceuticalized fish oil)? Very likely, the answer is yes. Note that Acasti's marine Omega-3 oil shouldn't be confused with fish oil. As we pointed out in our [introductory report on Neptune](#), krill oil is superior to fish oil for at least 2 reasons:

- 1) Krill oil is the only source of Omega-3s that carries that Omega-3s on phospholipids. (For example, fish oil carries the Omega-3s on triglycerides.)
- 2) Krill oil is the only source of Omega-3s that also carries a powerful antioxidant, astaxanthin.

Why these 2 differences are responsible for the far greater efficacy of krill oil over fish oil will have to be the subject of its own future write-up, but one of the consequences of these differences is that 90%+ of the Omega-3s in fish oils actually pass straight through you, unabsorbed, while 90%+ of the Omega-3s in krill oil are actually absorbed by your body. Again, I think its fair to say that the more investors have begun to dig into the Neptune story, the more excited they have become.

Latest developments: 2 World-Class Biotech Entrepreneurs Join Neptune Family

- On July 5th, [Neptune announced](#) that Dr. Anthony Holler joined Neptune's Board of Directors. Dr Holler was a co-founder of ID Biomedical, a company which GSK acquired for \$1.7 billion in equity value. Dr Holler's global network in the biotech and pharma worlds, his clinical knowledge, and approach to company-building will add a valuable dimension to Neptune and Acasti, enhancing the company's ability to create shareholder value. Those who invested in and stuck with ID Biomedical through to the eventual \$35/share exit will relate wholeheartedly to our excitement about this development.

- On July 20th, Neptune's cardiopharma-focussed subsidiary [Acasti announced](#) that Dr. Harlan Waksal had joined Acasti as Executive Vice President, Business and Scientific Affairs. Stunningly, this was not a board addition--Dr Waksal actually joined the company! In case anyone needs reminding, Harlan Waksal was one of 2 co-founders of Imclone, which was sold to Eli Lilly for \$6.5 billion during the second half of 2008. Harlan was, at various times, Chief Scientific Officer, Chief Operating Officer, President and CEO of Imclone. At Acasti, Dr. Waksal will be guiding the development of the company's strategic plan, especially the clinical strategy and development program for Acasti's Investigational New Drug (IND) with the Food and Drug Administration of the United States.

Sophisticated life sciences investors know that Waksal was largely responsible for developing both the scientific platform and the business platform for the success of Erbitux. His \$6.5 billion blockbuster success with Imclone allowed him to pocket about \$300 million.

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We know that Harlan Waksal is not doing this because he needs a job, and we know that he would not be getting involved in "something small." One can only surmise that he sees an incredibly exciting opportunity to play a pivotal role in bringing an important drug to market, and the opportunity to make a difference- yet again- in "something big". Our take is that Harlan can play a substantial role in building shareholder value at Acasti and Neptune, just as he did at Imclone.

It goes without saying that the go ahead into Phase II, and the 2 recent appointments, represent the beginning of a new era for Neptune and its subsidiary Acasti. The appointments, are specifically symbolic of a new confidence and willingness to bring in experts who have "been there, done that." This should help the execution of this evolving multibillion-dollar play. I'm excited that we could help our readers feel like investors who are part of something big at NEPT.

Disclosure: No Position