BELL POTTER

Analyst

Tanushree Jain 612 8224 2849

Starpharma (SPL)

Speculative

See Key risks on Page 7 &
Biotechnology Risk Warning on Page 9
Speculative securities may not be

Authorisation

TS Lim 612 8224 2810

FY18 to be a transformational year for SPL

Recommendation

Buy (unchanged)
Price
\$1.04
Valuation
\$1.32 (previously \$1.29)
Risk

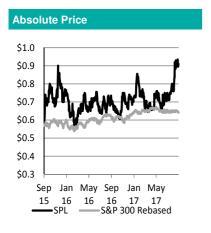
Speculative

GICS Sector

Pharmaceuticals & Biotechnology

Expected Return	
Capital growth	26.9%
Dividend yield	0.0%
Total expected return	26.9%
Company Data & Ratios	
Enterprise value	\$322.8m
Market cap	\$383.9m
Issued capital	369.11m
Free float	100%
Avg. daily val. (52wk)	\$317,564
12 month price range	\$0.59 - \$1.04

Price Performance							
	(1m)	(3m)	(12m)				
Price (A\$)	0.80	0.67	0.70				
Absolute (%)	13.75	35.82	30.00				
Rel market (%)	15.67	37.77	27.88				



FY17 underlying Net loss lower than our forecast

FY17 underlying Net loss of \$15.2m (down 33% y/y) was ~9% lower than our forecast (BPe \$16.8m), driven by the \$1.25m loss attributed to discontinued operations, following the recent sale of SPL's agrochemicals business. SPL reported a net profit of \$8.2m (including \$23.4m gain on sale of agrochemicals business) for FY17. Revenue (including commercialization revenue and R&D tax incentive) of \$6.2m (down 15% y/y) was modestly below our forecast (BPe \$6.6m) and was driven by lower royalty and research revenue from commercial partners. G&A costs were higher due to higher non-cash share based payment costs and Fx impact. Cash of \$61.2m provides runway for the next 3 years and should allow SPL to accelerate development of its internal DEP drug delivery candidates, as well as support its ongoing partnering negotiations.

FY18 to be a transformational year for SPL

We believe FY18 could be a transformational year for SPL with significant progress expected across its DEP drug delivery business and approval and licensing of its late stage VivaGel BV product. Key milestones include a) Top-line results from Phase 1 DEP docetaxel trial in 3QCY17 and start of Phase 2 in 4QCY17; b) submission of marketing application for BV treatment to the FDA in 3QCY17 and for R-BV in 4QCY17; c) licensing deal for VivaGel BV over the next 2-3 months which will lead to further cash injection; d) release of pre-clinical data on SPL/AstraZeneca's lead candidate in Dec'17, followed by initiation of Phase 1 trial in 1QCY18 which triggers a US\$3m milestone and e) initiation of Phase 1 trial with DEP cabazitaxel.

Valuation lifted to \$1.32, Retain Buy (speculative)

Following revisions to our model, the net result is a \$1.2m decrease in our NPAT forecast for FY18 driven by increased opex forecasts, offset by a \$2.1m increase in our NPAT forecast for FY19, driven by increased probability of success (POS) assigned to DEP docetaxel (20% vs 15%). The short term NPAT adjustments combined with the long term impact of higher POS assigned to DEP docetaxel and rolling forward of our DCF model has resulted in a modest lift in our valuation to A\$1.32/sh (was A\$1.29/sh). We retain Buy (spec). SPL remains in our top FY18 picks.

Earnings Forecast					
Year end 30th June	2016A	2017A	2018E	2019E	2020E
Revenue (A\$m)	7.3	6.2	23.8	44.6	23.6
EBITDA (A\$m)	-22.5	-15.5	4.6	28.0	10.6
NPAT (reported) (A\$m)	-22.7	8.2	3.7	20.2	8.2
NPAT (adjusted) (A\$m)	-22.7	-15.2	3.7	20.2	8.2
EPS (reported) (cps)	-6.57	2.23	0.99	5.40	2.18
EPS (adjusted) (cps)	-6.57	-4.13	0.99	5.40	2.18
EPS (adjusted) growth (%)	N/A	N/A	NM	446.4%	-59.7%
PER (x)	N/A	N/A	105.1	19.2	47.8
EV/EBITDA (x)	-14.3	-20.8	70.1	11.5	30.4
Dividend (¢ps)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	N/A	N/A	N/A	N/A	N/A
ROE (%)	-45.9%	-25.0%	5.5%	22.7%	8.2%

NOTE: REVENUE INCLUDES R&D TAX INCENTIVES AND UPFRONTS & MILESTONES FROM DEALS. FY18/FY19 REVENUE ALSO INCLUDE POTENTIAL UPFRONT AND MILESTONES FROM VIVAGEL SYMPTOMATIC RELIEF, TREATMENT, PREVENTION OF R-BV AND DEP DOCETAXEL DEALS, MILESTONES GROUNDED BELL DOTTED SECURITIES ESTIMATES

SOURCE: IRESS

FY17 – Results Summary

A summary of the reported FY17 result is shown in the Table below:

Table 1 – FY17 result summary									
	Res	ult vs PCP		Result vs Forecast		Comments			
	FY16A	FY17A	% change	FY17E	Variance (%)				
Revenues (incl R&D Tax incentive)	7.3	6.2	-15%	6.6	-5%	Lower than expected due to lower revenue from commercial partners			
R&D	25.7	16.4	-36%	18.2	-10%	Lower than expected, likely due to reclassification of expense to discontinued operations			
G&A	4.2	5.4	28%	4.7	14%	Higher than expected due to higher share based payment and Fx impact			
Operating costs	29.9	21.8	-27%	22.9	-5%	Opex lower than expected driven by lower R&D, partially offset by higher G&A			
EBITDA	-22.5	-15.5	-31%	-16.3	-5%	Slightly lower loss due to lower opex partially offset by lower revenue			
Depreciation and Amortisation	-0.9	-0.3	-66%	-1.0	-70%	D&A lower due to amortisation of intangibles reclassified into discontinued operations			
EBIT	-23.5	-15.9	-32%	-17.4	-9%	Lower loss as lower revenue was offset by lower opex and lower D&A			
Net Interest Income/(expense)	0.7	0.7	-4%	0.6	2%	Higher interest income			
Other Income/(expense)	0.1	0.0	NM	0.0	NM				
Pretax Income (Loss)	-22.7	-15.2	-33%	-16.8	-9%				
Net Income (Loss) after tax -normalised	-22.7	-15.2	-33%	-16.8	-9%	Net loss modestly below our forecasts with variance likely attributed to \$1.25m loss attributed to discontinued operations which was adjusted against gain from discontinued operations			
Diluted EPS/Share	-\$0.07	-\$0.04	-37%	-\$0.05	-9%				
One off items (discontinued operations)	0.0	23.4	NM	27.0	-13%	Gain from sale of agrochemical business (discontinued operations) lower than our forecast primarily			
Net Income (Loss) after tax -Reported	-22.7	8.2	-136%	10.2	-20%	due to adjustment of \$1.25m loss Reported Net profit below our forecasts due to lower profit from discontinued operations			
Diluted Reported EPS/Share	-\$6.57	\$2.23	-134%	\$2.78	-20%				

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Key result highlights

- Small miss in revenue: Revenue (including commercialization revenue and R&D tax rebate) of \$6.2m was 5% below our forecast (BPe \$6.6m) and was driven by lower royalty and research revenue from commercial partners. R&D tax rebate of \$3.5m was in line with our estimates (BPe \$3.5m), however, \$0.3m of it was adjusted against gain from discontinued operations. The 15% decrease in revenue over pcp was primarily driven by lower payment received from AstraZeneca in FY17 (\$2.6m vs \$2.9m in FY16) and lower revenue from commercial partners (\$0.4m vs. \$1.0m in FY16).
- Operating costs were lower than expected: Opex (including R&D and G&A) of \$21.8m (down 27% y/y) were 5% lower than our forecast of \$22.9m, driven by lower R&D costs, partially offset by higher G&A costs. The variance in R&D costs from our forecast in our view was driven by SPL allocating ~\$1.3m of expenses in FY17 to discontinued operations and adjusting it against the gain from discontinued operations. G&A costs were higher than our forecast and pcp due to higher non-cash share based payments and \$0.68m of Fx impact. The decrease in R&D costs over pcp was primarily related to lower cost on the two VivaGel R-BV trials, which completed in FY17.
- Lower D&A: Depreciation and amortisation was lower than our forecast and pcp due to SPL allocating amortisation expense on intangibles related to its agrochemicals business to discontinued operations and adjusting it against the gain from it.
- Underlying Net loss was 9% lower than our forecast: FY17 underlying Net loss of \$15.2m (down 33% y/y) was ~9% lower than our forecast (BPe \$16.8m), with the variance driven by the \$1.25m loss attributed to discontinued operations.
- Reported Net profit was below our forecast: FY17 reported net profit of \$8.2m was ~20% lower than our forecast (BPe \$10.2m). The gain from sale of agrochemicals business (discontinued operations) of \$23.4m was lower than our forecast (\$27.0m) and was driven by a \$1.25m loss and a \$1.26m FX reserve adjustment.
- Strong cash position at end of FY17: SPL has a cash balance of \$61.2m (bolstered by the \$35m proceeds from the recent sale of its agrochemical business). We believe this provides SPL with 3 years runway and will assist the company in ongoing partnering negotiations for VivaGel Bacterial Vaginosis (BV) and also allow it to accelerate development of its internal DEP drug delivery candidates. We expect a licensing deal for BV over the next 2-3 months, will lead to further cash injection and allow SPL to focus completely on its core high value add drug delivery business.

Earnings and Valuation Changes

We have revisited our assumptions for Starpharma and made adjustments to our forecasts based on the FY17 results, which have impacted earnings and valuation.

Key changes to our modelling assumptions

- We have increased our G&A forecasts based on the higher than expected numbers reported in FY17 and to reflect our increased non-cash share based payment forecasts for FY18 onwards
- We have increased our R&D forecast for FY18 by \$1.5m as well as our expected R&D tax rebate to the same extent.
- We have modestly reduced our FY18 royalty and research revenue forecasts from commercial partners (Excluding AstraZeneca), based on FY17 numbers.
- We have increased our probability of success assigned to DEP docetaxel to 20% (was 15%). The expansion part of the Phase 1 trial is due to complete soon and based on increasingly positive comments from management and advanced preparations for an adaptive Phase 2 trial, we believe the likelihood of an imminent start of a Phase 2 trial (BPe 2HCY17) is high. The interim data from the trial on safety and management comments around efficacy signals, along with continued validation of the DEP platform with similar preclinical activity seen across various drugs and various animal models bolsters our confidence around the success of the Phase 1 DEP docetaxel trial.
- We have increased our capex forecasts to \$0.5m/year.
- We have updated our model with revised BPe USD/AUD currency assumptions for 2018 onwards (0.75-0.77).
- We have rolled forward our DCF model.

The net result is a \$1.2m decrease in our NPAT forecast for FY18 driven by increased opex forecasts, offset by a \$2.1m increase in our NPAT forecast for FY19. The increase in our FY19 NPAT forecast was driven by increased probability of success assigned to DEP docetaxel (20% vs 15%). The short term NPAT adjustments combined with the long term impact of higher probability of success assigned to DEP docetaxel and rolling forward of our DCF model has resulted in a modest lift to our valuation for SPL to A\$1.32/sh (was A\$1.29/sh). We retain our Buy (Speculative) recommendation.

We value SPL at \$1.32/sh

	ı	Y2018E		FY2019E			
	Old	New	Change (%)	Old	New	Change (%)	
Revenues	22.9	23.8	4%	40.6	44.6	10%	
Interest Income	1.0	1.0	-2%	1.3	1.3	-1%	
R&D	11.7	13.2	13%	10.5	10.5	0%	
G&A	4.9	6.0	22%	5.1	6.1	19%	
EBITDA	6.3	4.6	-27%	24.9	28.0	12%	
EBIT	5.9	4.2	-29%	24.5	27.6	12%	
NPAT (adjusted)	4.9	3.7	-25%	18.1	20.2	12%	
Adjusted Diluted EPS	1.3	1.0	-25%	4.8	5.4	12%	

ALL AMOUNTS IN AUD IN MILLIONS EXCEPT EPS. SOURCE: BELL POTTER SECURITIES ESTIMATES

Our DCF valuation model is based on a WACC of 16.0% and a terminal growth rate of 1%.

Table 3 - Summary of Valuation						
Forecasts	Base case					
Enterprise Value from DCF (AUDm)	439.9					
Add: Reported Cash (AUDm)	61.2					
Less: Debt (AUDm)	0.1					
Equity Value (AUDm)	501.0					
Total diluted shares (million)	378.4					
Value per share (AUD)	\$1.32					
Current Share price (AUD)	\$1.04					
Expected Capital Growth	26.9%					

SOURCE: BELL POTTER SECURITIES ESTIMATES

Table 4 - SPL- Probability-Weighted Sum-of-parts Valuation Summary										
Asset	Stage	First Fiscal Year of sales (Est.)	Peak Market share	Peak Sales Global (US\$m)	Probability of success	Probability adjusted NPV (A\$m)	Value per share (A\$)	% Mix		
VivaGel BV Treatment (US)	Preparing NDA to file for approval	2018 (US)	20.0%	\$142	70.0%	\$68	\$0.18	13.6%		
VivaGel BV Symptomatic Relief	First regulatory approval in Europe received	2018 (Ex-US)	15.0%	\$21	80.0%	\$17	\$0.04	3.3%		
VivaGel BV Prevention of Recurrence	Phase III	2019	25.0%	\$642	70.0%	\$251	\$0.66	50.1%		
VivaGel Coated Condom - Okamoto	Regulatory certification received	2018 (Japan)	10.0%	\$21	80.0%	\$5	\$0.01	1.0%		
VivaGel Coated Condom - Humanwell	Regulatory approval received for AU, NZ,	2015 (AU), 2017 (Canada),	10% (US), 4%	\$232	80.0%	\$54	\$0.14	10.7%		
Healthcare	Canada	2018 (US)	(EX US)							
DEP Docetaxel (first solid tumour)	Phase I nearing completion	2022	15.0%	\$564	20.0%	\$63	\$0.17	12.5%		
AZN DEP Cancer Drug (lead)	Pre-clinical	2024	NA	NA	NA	\$26	\$0.07	5.1%		
Diagnostics/Laboratory Reagents	On-market	NA	NA	NA	NA	\$2	\$0.00	0.4%		
Other Pipeline/Non-allocated	NA	NA	NA	NA	NA	(\$45)	-\$0.12	-8.9%		
Cash (est. at 30th June 2017)	NA	NA	NA	NA	NA	\$61	\$0.16	12.2%		
Debt (last reported)	NA	NA	NA	NA	NA	-\$0.1	\$0.00	0.0%		
Equity Value						\$501.0	\$1.32	100.0%		

GLOBAL PEAK SALES ARE PRE-RISK ADJUSTMENT AND ROYALTIES. BY = BACTERIAL VAGINOSIS. PEAK SALES FOR COATED CONDOM FOR OKAMOTO AND ANSELL ARE BASED ON REGIONS UNDER AGREEMENT WITH THEM. PEAK SALES FOR VIVAGEL BY TREATMENT IS FOR US MARKET ONLY. AZN DEP CANCER DRUG ONLY INCLUDES UPFRONT, DEVELOPMENT AND LAUNCH MILESTONES FROM LEAD DRUG UNDER AGREEMENT. SOURCE: BELL POTTER SECURITIES ESTIMATES

Table 5 - Deal Assumptions for SPL										
Asset	Indication	Stage at Licensing	Licensee	Fiscal Year Timing of deal (Est.)	Total Deal Value in USDm (upfront plus milestones)	Upfront (USDm)	Developmental & regulatory Milestones (USDm)	Commercial Milestones (USDm)	Royalty Rate (%)	
VivaGel	BV Symptomatic Relief (EX-US & ANZ)	Registration (pre-launch)	TBC	2018	25	1.5	NA	23.5	20.0%	
VivaGel	BV Treatment (US)	Registration (pre-launch)	TBC	2018	57	1	9	47	25.0%	
VivaGel	BV Prevention of Recurrence	Phase III complete	TBC	2018	200	5	35	160	25.0%	
VivaGel	Coated Condom (Japan)	Pre Regulatory Approval	Okamoto	2011	0	NA	NA	NA	12.0%	
VivaGel	Coated Condom (Ex-Japan)	Pre Regulatory Approval	Ansell (now Humanwell	2012	0	NA	NA	NA	12.0%	
			Healthcare)							
DEP Docetaxel	First Solid tumour	Phase II complete	TBC	2019	300	15	125	160	15.0%	
AZN DEP Cancer Drug (lead)	Unknown (BPe speculation blood cancers)	Pre-clinical	AstraZeneca	2016	126	2	64	60	NA	

NOTE: OUR DEP DOCETAXEL DEAL ASSUMPTIONS ARE CONSERVATIVE REFLECTING ITS EARLY STAGE. IT COULD POTENTIALLY HAVE ADDITIONAL VALUE FOR EACH ADDITIONAL INDICATION THAT THE LICENSEE PURSUES. WE DO NOT INCLUDE COMMERCIAL MILESTONES IN OUR MODEL AT THIS STAGE FOR DOCETAXEL DEAL OR FOR BY PREVENTION OF RECURRENCE. ROYALTIES ARE LIKELY TO BE TIERED FOR EACH DEAL WE ASSUME FLAT RATE AT MID POINT OF RANGE FOR NOW. AZN DEP CANCER DRUG ONLY INCLUDES UPFRONT, DEVELOPMENT AND LAUNCH MILESTONES FROM LEAD DRUG UNDER AGREEMENT. SOURCE: BELL POTTER SECURITIES ESTIMATES

Upside Risk to our valuation

We have not modelled SPL's potential revenue flow from its partnerships with Eli Lilly (drug delivery), Elanco (drug delivery), GSK (drug delivery) and from its undisclosed partnerships in drug delivery (partnership with 2 undisclosed companies on antibody-targeted conjugates). These partnerships becoming substantial in future and converting to a commercial licensing deal with financial terms would lead to an upside to our estimates.

At this stage we do not model royalties and sales milestones attached to the lead cancer drug under the AstraZeneca (AZN) partnership. Sales milestones are estimated to be US\$60m and SPL estimates that royalties over the life of the lead drug could amount to ~US\$324m. We also do not include any value for the follow on compounds under the AZN agreement including the second molecule selected by AZN which are each worth up to US\$93.3m in milestones. Clarity on the molecular target and targeted indication on lead

drug will allow us to model royalties and sales milestones. Other follow on compounds moving into the clinic would be a potential upside to our estimates.

At this stage we assign no value to the new collaboration agreement signed with AstraZeneca in July 2016 on a new DEP program in AZN's existing portfolio (i.e. a marketed compound by AZN). This compound is not under the scope of the licensing agreement inked between the two companies in Sep'15 which covered a defined family of oncology targets. Should this agreement translate to a commercial licensing deal in future, it will be an upside to our estimates.

At this stage, we do not assign any value to SPL's commercial opportunity for the VivaGel Coated Condom in China. SPL has signed a license and supply agreement with Shenyang Sky and Land Latex Co. for its VivaGel coated condom (VCC), for the government segment of the Chinese condom market (estimated market 3bn condoms/year). Activities related to obtaining regulatory approval in China have commenced and we understand are progressing at a rapid rate. Approval in China would be a potential upside to our estimates.

At this stage, we do not value SPL's other internal candidates from drug-delivery including DEP cabazitaxel or DEP irinotecan, or its Herceptin-targeted DEP conjugate given the early nature of these programmes. These programmes moving ahead into the clinic would be a potential upside to our estimates. We expect DEP cabazitaxel to move into Phase 1 trials in 1HFY18 and therefore expect to include it in our model in the coming months, which would represent an upside to our estimates.

Also, we note that docetaxel (Taxotere) made by Sanofi Aventis is currently approved for multiple indications including breast cancer, head and neck cancer, gastric cancer, prostate cancer and non-small cell lung cancer (NSCLC). SPL has previously reported results from animal studies of DEP docetaxel, which demonstrated that DEP docetaxel has superior efficacy to docetaxel alone across a wide range of tumours namely prostate, lung, ovarian and breast. At this stage for SPL, we model DEP docetaxel's opportunity for the first solid tumour indication the company may pursue. However, depending on the results from the Phase I trial, SPL may decide to pursue more than one indication in parallel. This could considerably increase the market opportunity for this asset. **Expanded indications for DEP docetaxel could lead to upgrades in our numbers.** We will revisit our assumptions on the basis of the Phase I DEP docetaxel trial results.

Forthcoming Milestones

In terms of news flow in FY18, we expect the following announcements to act as catalysts for a potential re-rating of the stock:

- Sep-Nov'17 Licensing deal for VivaGel for BV (all indications) with upfronts and milestones;
- 1QFY18 NDA filing for VivaGel for Treament of Bacterial Vaginosis (BV) to US FDA for approval in US market;
- 2QFY18 NDA filing for VivaGel for prevention of recurrence of Bacterial Vaginosis (R-BV) to US FDA for approval in US market;
- 1QFY18 Top-line results from Phase I DEP docetaxel trial (dose escalation and expansion phase);
- 9th-12th Dec'17 Potential release of pre-clinical data on lead candidate under AZN/SPL partnership at the high profile ASH (American Society of Hematology) conference;
- 3QFY18 Potential initiation of Phase I trial with first DEP AstraZeneca drug under partnership triggering a US\$3m milestone payment to SPL;
- 2QFY18 Potential initiation of Phase II clinical trial for DEP docetaxel;



 1HFY18- Launch of VivaGel OTC (Over the counter) product for symptomatic relief of BV by Aspen in ANZ;

- 1HFY18 Potential initiation of Phase I trial with DEP Cabazitaxel;
- 1HFY18 Launch of VivaGel coated condom in Japan by Okamoto;

In addition, we expect that over the next 12 months SPL's collaboration with AstraZeneca on the new DEP program announced in July 2016, could advance to a commercial licensing deal.

Also, we note that activities related to obtaining regulatory approval in China for SPL's VivaGel coated condom for the government segment of the Chinese condom market have commenced and are progressing well. The process could take several months and at this stage it is difficult to estimate a timeline for approval and launch. Assuming the entire process takes between 10-18 months, there is a possibility for the approval to be received sometime in 2HCY17.

Starpharma Holdings Ltd. (SPL)

COMPANY DESCRIPTION

Starpharma is a Melbourne-based platform company commercialising the science of nanoscale polymers called dendrimers. Its proprietary dendrimer technology is versatile with wide applicability across the pharmaceuticals sector. SPL's lead product is VivaGel which is being developed as an anti-microbial coating for condoms offering protection against Sexually Transmitted Infections, as well as a topical microbicide for treating and preventing the recurrence of the common vaginal infection in women, Bacterial Vaginosis (BV). SPL is also working on improved formulations of leading cancer drugs both internally and with external partners including AstraZeneca. Substantial shareholders Allan Gray, M&G and Fidelity, in combination hold ~31.2% stock.

INVESTMENT STRATEGY

SPL remains an attractive story with multiple shots on goal. We expect multiple catalysts to play out over the next 12 months which could further de-risk the platform technology and demonstrate its commercial viability. We believe that FY18 will be a watershed year for SPL, with the release of Top-line data from the Phase I DEP docetaxel trial. Positive data from this trial will serve as a proof of concept for SPL's dendrimers to be effective drug delivery agents and substantially de-risk the company. SPL's strong cash position of ~A\$61.2m and sharpened focus on pharmaceuticals following sale of its agrochemical business underpins its future growth and we expect SPL to add value in the medium term through commercial revenue from the condom coating asset, the AstraZeneca drug delivery partnership, VivaGel for BV, as well as through progressing clinical trials for DEP docetaxel and other internal DEP candidates. We also are encouraged between the deepening ties between AstraZeneca and SPL. We continue to rate SPL as a Buy.

KEY RISKS

We see the following key stock specific risks to our investment thesis on Starpharma:

- Clinical risk: SPL's clinical trials primarily the ongoing Phase I DEP docetaxel trial may
 fail to demonstrate meaningful safety and efficacy. This may jeopardise the potential for
 SPL to license the products and/or pursue further clinical development.
- Technology risk: SPL is a platform company, with its entire pipeline based on its
 proprietary dendrimer technology. Any setback clinically or commercially is likely to put
 the viability of the company's technology at risk.
- Regulatory risk: Delays in receiving marketing approval or launch for VivaGel coated condom or BV product will negatively impact our revenue forecasts. This risk also extends to other pipeline products in terms of getting regulatory agreement to conduct clinical trials and marketing approval for launch in various markets.
- Partnering risk: The basic premise behind our investment thesis for SPL is that all its
 major products get licensed at attractive terms with the partner being responsible for all
 commercialisation and any further development as required. If SPL fails to secure
 partnerships at attractive terms, our forecasts will be negatively impacted. Furthermore,
 if any of SPL's existing collaborations should be terminated, it is likely to shake the
 markets confidence in SPL's technology and its commercial viability.
- Commercial risk: The VivaGel coated condom sales and revenue from partnerships with Okamoto/Humanwell Healthcare could fail to meet our expectations due to poor commercialization effort, delays in launch, unfavourable experience of consumers with the product, better performance of a competing product etc.
- **Funding risk:** Delays in partnering of products and/or increase in costs of trials beyond what we currently estimate may impact SPL's funding position.

Starpharma as at 31 August 2017

Recommendation Buy, Speculative
Price \$1.04
Valuation \$1.32

Revenue* EBITDA Depreciation & Amortisation EBIT Net interest & Other Income/(Expense) Pre-tax profit (loss) Tax NPAT (adjusted) Less minority interests Net profit (loss) to shareholders Reported net profit (loss) to shareholders *Including R&D tax Incentive, milestones and roy: upfront from VivaGel BV deal (all indications) an FY19 revenue number includes potential milestone deal. FY20 revenue number includes potential milestone deal. FY20 revenue number includes potential milestone deal. FY30 revenue number includes potential milestone	nd milesto ne from BV	one from BV / deal and up	treatment (pfront from	US) and AZ DEP doceta	N deals. axel	Valuation data Y/e June 30 Net profit (A\$m) EPS (c) EPS growth (%) P/E ratio (x) CFPS (c) Price/CF (x) DPS (c) Yield (%) Franking (%) EV/EBITDA EV/EBIT	2016A -22.7 -6.6 N/A N/A -5.2 -20.1 0.0% N/A -14.3 -13.7	2017A -15.2 -4.1 N/A N/A -4.6 -22.6 0.0 0.0% N/A -20.8 -20.3	2018E 3.7 1.0 NM 105.1 1.8 58.1 0.0 0.0% N/A 70.1 76.4	2019E 20.2 5.4 446.4% 19.2 7.0 14.8 0.0 0.0% N/A 11.5 11.7	2.2 -59.7% 47.8 3.0 35.2 0.0 0.0% N/A 30.4
Y/e June 30 (A\$m) Revenue* EBITDA Depreciation & Amortisation EBIT Net interest & Other Income/(Expense) Pre-tax profit (loss) Tax NPAT (adjusted) Less minority interests Net profit (loss) to shareholders Reported net profit (loss) to shareholders * Including R&D tax Incentive, milestones and roy upfront from Vivadel BV deal (all indications) an FY19 revenue number includes potential milestone deal. FY20 revenue number includes potenti	7.3 -22.5 -0.9 -23.5 0.8 -22.7 0.0 -22.7 -22.7 -22.7 -22.7 self-self-self-self-self-self-self-self-	6.2 -15.5 -0.3 -15.9 0.7 -15.2 0.0 -15.2 0.0 -15.2 18 revenue one from BV of deal and up om BV, DEP 2017A 8.2 -20.6 -4.5 0.0	23.8 4.6 -0.4 4.2 1.0 5.3 1.6 3.7 0.0 3.7 number inclitreatment (priorit from or docetaxel	44.6 28.0 -0.4 27.6 1.3 28.9 8.7 20.2 0.0 20.2 20.2 20.2 DEP docet: and AZN de	23.6 10.6 -0.5 10.1 1.6 11.7 3.5 8.2 0.0 8.2 8.2 ial N deals. axel als.	Y/e June 30 Net profit (A\$m) EPS (c) EPS growth (%) P/E ratio (x) CFPS (c) Price/CF (x) DPS (c) Yield (%) Franking (%) EV/EBITDA EV/EBIT	-22.7 -6.6 N/A N/A -5.2 -20.1 0.0 0.0% N/A -14.3	-15.2 -4.1 N/A N/A -4.6 -22.6 0.0 0.0% N/A -20.8	3.7 1.0 NM 105.1 1.8 58.1 0.0 0.0% N/A 70.1	20.2 5.4 446.4% 19.2 7.0 14.8 0.0 0.0% N/A 11.5	8.2 2.2 -59.7% 47.8 3.0 35.2 0.0 N/A 30.4
Y/e June 30 (A\$m) Revenue* EBITDA Depreciation & Amortisation EBIT Net interest & Other Income/(Expense) Pre-tax profit (loss) Tax NPAT (adjusted) Less minority interests Net profit (loss) to shareholders Reported net profit (loss) to shareholders * Including R&D tax Incentive, milestones and roy; uptront from VivaGel BV deal (all indications) an PY19 revenue number includes potential milestonedeal. FY20 revenue number includes potential milestonedeal. FY20 revenue number includes model milestones and roy; vice June 30 (A\$m) Reported NPAT Non-cash items Working capital Other operating cash flow Operating cashflow Capex Investments Other investing cash flow	7.3 -22.5 -0.9 -23.5 0.8 -22.7 0.0 -22.7 -22.7 -22.7 -22.7 self-self-self-self-self-self-self-self-	6.2 -15.5 -0.3 -15.9 0.7 -15.2 0.0 -15.2 0.0 -15.2 18 revenue one from BV of deal and up om BV, DEP 2017A 8.2 -20.6 -4.5 0.0	23.8 4.6 -0.4 4.2 1.0 5.3 1.6 3.7 0.0 3.7 number inclitreatment (priorit from or docetaxel	44.6 28.0 -0.4 27.6 1.3 28.9 8.7 20.2 0.0 20.2 20.2 20.2 DEP docet: and AZN de	23.6 10.6 -0.5 10.1 1.6 11.7 3.5 8.2 0.0 8.2 8.2 ial N deals. axel als.	Y/e June 30 Net profit (A\$m) EPS (c) EPS growth (%) P/E ratio (x) CFPS (c) Price/CF (x) DPS (c) Yield (%) Franking (%) EV/EBITDA EV/EBIT	-22.7 -6.6 N/A N/A -5.2 -20.1 0.0 0.0% N/A -14.3	-15.2 -4.1 N/A N/A -4.6 -22.6 0.0 0.0% N/A -20.8	3.7 1.0 NM 105.1 1.8 58.1 0.0 0.0% N/A 70.1	20.2 5.4 446.4% 19.2 7.0 14.8 0.0 0.0% N/A 11.5	8.2 2.2 -59.7% 47.8 3.0 35.2 0.0 N/A 30.4
Revenue* EBITDA Depreciation & Amortisation EBIT Net interest & Other Income/(Expense) Pre-tax profit (loss) Tax NPAT (adjusted) Less minority interests Net profit (loss) to shareholders Reported net profit (loss) to shareholders Including R&D tax incentive, milestones and reyuptront from VivaGel BV deal (all indications) an Ptyle revenue number includes potential milestones and reyuptront PAD (loss) Presented Novel BV deal (all indications) and Ptyle revenue number includes potential milestones and reyuptront from VivaGel BV deal (all indications) and Ptyle revenue number includes potential milestones and reyuptront from VivaGel BV deal (all indications) and reyuptront from VivaGel BV deal (all indications) and revenue number includes potential milestones (al	7.3 -22.5 -0.9 -23.5 0.8 -22.7 0.0 -22.7 -22.7 -22.7 -22.7 self-self-self-self-self-self-self-self-	6.2 -15.5 -0.3 -15.9 0.7 -15.2 0.0 -15.2 0.0 -15.2 18 revenue one from BV of deal and up om BV, DEP 2017A 8.2 -20.6 -4.5 0.0	23.8 4.6 -0.4 4.2 1.0 5.3 1.6 3.7 0.0 3.7 number inclitreatment (priorit from or docetaxel	44.6 28.0 -0.4 27.6 1.3 28.9 8.7 20.2 0.0 20.2 20.2 20.2 DEP docet: and AZN de	23.6 10.6 -0.5 10.1 1.6 11.7 3.5 8.2 0.0 8.2 8.2 ial N deals. axel als.	Net profit (A\$m) EPS (c) EPS growth (%) P/E ratio (x) CFPS (c) Price/CF (x) DPS (c) Yield (%) Franking (%) EV/EBITDA EV/EBIT	-22.7 -6.6 N/A N/A -5.2 -20.1 0.0 0.0% N/A -14.3	-15.2 -4.1 N/A N/A -4.6 -22.6 0.0 0.0% N/A -20.8	3.7 1.0 NM 105.1 1.8 58.1 0.0 0.0% N/A 70.1	20.2 5.4 446.4% 19.2 7.0 14.8 0.0 0.0% N/A 11.5	8.2 -59.7% 47.8 3.0 35.2 0.0 N/A 30.4
Depreciation & Amortisation EBIT Net interest & Other Income/(Expense) Pre-tax profit (loss) Tax NPAT (adjusted) Less minority interests Net profit (loss) to shareholders Reported net profit (loss) to shareholders Precipital (loss) to shareholders Pre	-22.5 -0.9 -23.5 0.8 -22.7 0.0 -22.7 -22.7 -22.7 yealties. FY complete from BV illestone from BV illestone from BV 1-17.8 -0.1 0.0	-15.5 -0.3 -15.9 0.7 -15.2 0.0 -15.2 0.0 -15.2 (18 revenue one from BV / deal and u) of deal and u) of deal one du = 0.0 2017A 8.2 -20.6 -4.5 0.0	4.6 -0.4 4.2 1.0 5.3 1.6 3.7 0.0 3.7 3.7 number inclitreatment (priorit from or docetaxel	28.0 -0.4 27.6 1.3 28.9 8.7 20.2 0.0 20.2 20.2 20.2 udes products US) and AZ DEP doceta and AZN de	10.6 -0.5 10.1 1.6 11.7 3.5 8.2 0.0 8.2 8.2 ial N deals.	EPS growth (%) P/E ratio (x) CFPS (c) Price/CF (x) DPS (c) Yield (%) Franking (%) EV/EBITDA EV/EBIT	-6.6 N/A N/A -5.2 -20.1 0.0 0.0% N/A -14.3 -13.7	-4.1 N/A N/A -4.6 -22.6 0.0 0.0% N/A -20.8	1.0 NM 105.1 1.8 58.1 0.0 0.0% N/A 70.1	5.4 446.4% 19.2 7.0 14.8 0.0 0.0% N/A 11.5	2.2 -59.7% 47.8 3.0 35.2 0.0 0.0% N/A 30.4
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Net interest & Other Income/(Expense) Pre-tax profit (loss) Tax NPAT (adjusted) Less minority interests Net profit (loss) to shareholders Reported net profit (loss) to shareholders Including R&D tax incentive, milestones and roy upfront from VivaGel BV deal (all indications) an EV19 revenue number includes potential milestone deal. FY20 revenue number includes potential milestone deal. FY20 revenue number includes potential milestone deal. BY20 revenue number includes potential mile deal. BY20 revenue number includes potential miles deal. BY20 revenue number includes pot	0.8 -22.7 0.0 -22.7 -0.0 -22.7 -22.7 yalties. FY identified by lestone from B W lestone from B V lestone from B V -22.7 -0.1 -17.8 -0.1	0.7 -15.2 0.0 -15.2 0.0 -15.2 8.2 (18 revenue nier m BV (deal and u) om BV, DEP 2017A 8.2 -20.6 -4.5 0.0	1.0 5.3 1.6 3.7 0.0 3.7 3.7 number inclitreatment (pront from edocetaxe) 2018E 3.7 2.5 0.5	1.3 28.9 8.7 20.2 0.0 20.2 20.2 20.2 udes potent US) and AZ and AZN de 2019E 20.2	1.6 11.7 3.5 8.2 0.0 8.2 8.2 ial N deals. axel als.	CFPS (c) Price/CF (x) DPS (c) Yield (%) Franking (%) EV/EBITDA EV/EBIT	-5.2 -20.1 0.0 0.0% N/A -14.3 -13.7	-4.6 -22.6 0.0 0.0% N/A -20.8	1.8 58.1 0.0 0.0% N/A 70.1	7.0 14.8 0.0 0.0% N/A 11.5	3.0 35.2 0.0 0.0% N/A 30.4
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NPAT (adjusted) Less minority interests Net profit (loss) to shareholders Reported net profit (loss) to shareholders Including R&D tax incentive, milestones and royupfront from Vivadel BV deal (all indications) an FY19 revenue number includes potential milestone deal. FY20 revenue number includes potential milestone deal. FY20 revenue number includes potential milestone deal. FY20 revenue number includes potential mile Cashflow Y/e June 30 (A\$m) Reported NPAT Non-cash items Working capital Other operating cash flow Operating cashflow Capex Investments Other investing cash flow	-22.7 0.0 -22.7 -22.7 -22.7 yallties. FY nd milesto e from BV liestone fr 2016A -22.7 2.3 2.7 -0.1 -17.8	-15.2 0.0 -15.2 8.2 (18 revenue and by deal and upon BV, DEP 2017A 8.2 -20.6 -4.5 0.0	3.7 0.0 3.7 3.7 number inclitreatment (pront from docetaxel	20.2 0.0 20.2 20.2 20.2 udes potent US) and AZ DEP docet: and AZN de	8.2 0.0 8.2 8.2 ial N deals. axel als.	Yield (%) Franking (%) EV/EBITDA EV/EBIT Share price now	0.0% N/A -14.3 -13.7	0.0% N/A -20.8	0.0% N/A 70.1	0.0% N/A 11.5	0.0% N/A 30.4
Less minority interests Net profit (loss) to shareholders Reported net profit (loss) to shareholders Peported net profit (loss) to shareholders Including R&D tax incentive, milestones and royy upfront from VivaGel BV deal (all indications) an FY 19 revenue number includes potential milestone deal. FY 20 revenue number includes potential mile Cashflow Y/e June 30 (A\$m) Reported NPAT Non-cash items Working capital Other operating cash flow Capex Investments Other investing cash flow	0.0 -22.7 -22.7 yalties. 22.7 yalties. 2016A -22.7 2.3 2.7 -0.1 -17.8	0.0 -15.2 8.2 (18 revenue one from BV of deal and up om BV , DEP 2017A 8.2 -20.6 -4.5 0.0	0.0 3.7 3.7 number inclitreatment (pront from docetaxel) 2018E 3.7 2.5 0.5	0.0 20.2 20.2 20.2 udes potent US) and AZ DEP doceta and AZN de 2019E 20.2	0.0 8.2 8.2 ial N deals. axel als.	Franking (%) EV/EBITDA EV/EBIT Share price now	N/A -14.3 -13.7	N/A -20.8	N/A 70.1	N/A 11.5	N/A 30.4
Net profit (loss) to shareholders Reported net profit (loss) to shareholders 'Including R&D tax Incentive, milestones and roy, upfront from Vivadel BV deal (all indications) an FY 19 revenue number includes potential milestone deal. FY20 revenue number includes potential mile Cashflow Y/e June 30 (A\$m) Reported NPAT Non-cash items Working capital Other operating cash flow Operating cashflow Capex Investments Other investing cash flow	-22.7 -22.7 yalties. Tyyalties to me from BV ilestone fro	-15.2 8.2 (18 revenue one from BV) (deal and up om BV, DEP 2017A 8.2 -20.6 -4.5 0.0	3.7 3.7 number inclitreatment (priorit from docetaxel) 2018E 3.7 2.5 0.5	20.2 20.2 udes potent US) and AZ DEP docets and AZN de	8.2 8.2 ial N deals. axel als.	EV/EBITDA EV/EBIT Share price now	-14.3 -13.7	-20.8	70.1	11.5	N/A 30.4 31.8
Reported net profit (loss) to shareholders Including R&D tax Incentive, milestones and roy, upfront from Vivadel BV deal (all indications) an FY19 revenue number includes potential milestone deal. FY20 revenue number includes potential mile Cashflow Y/e June 30 (A\$m) Reported NPAT Non-cash items Working capital Other operating cash flow Operating cashflow Capex Investments Other investing cash flow	-22.7 yalties. FY yalties. FY yalties. FY yalties. FY yalties. FY yalties. FY 2016A -22.7 2.3 2.7 -0.1 -17.8 -0.1 0.0	8.2 (18 revenue and prom BV / deal and up om BV, DEP 2017A 8.2 -20.6 -4.5 0.0	3.7 number inclitreatment (pfront from docetaxel 2018E 3.7 2.5 0.5	20.2 udes potent US) and AZ DEP docets and AZN de 2019E 20.2	8.2 ial N deals. axel als. 2020E	EV/EBIT Share price now	-13.7				
Including R&D tax incentive, milestones and royupfront from VivaGel BV deal (all indications) and FV 19 revenue number includes potential milestone deal. FY20 revenue number includes potential milestone deal. FY20 revenue number includes potential mile Cashflow Y/e June 30 (A\$m) Reported NPAT Non-cash items Working capital Other operating cash flow Operating cashflow Capex Investments Other investing cash flow	yalties. FY nd mileston for from BV ilestone from BV iles	718 revenue one from BV / deal and up om BV, DEP 2017A 8.2 -20.6 -4.5 0.0	number inclitreatment (pront from docetaxel 2018E 3.7 2.5 0.5	udes potent US) and AZ DEP docets and AZN de 2019E 20.2	ial N deals. axel als. 2020E	Share price now		-20.3	76.4	11.7	31.8
upfront from Vivadel BV deal (all indications) an FY19 revenue number includes potential milestone deal. FY20 revenue number includes potential milestone deal. FY20 revenue number includes potential mile Cashflow Ye June 30 (A\$m) Reported NPAT Non-cash items Working capital Other operating cash flow Operating cashflow Capex Investments Other investing cash flow	2016A -22.7 2.3 2.7 -0.1 -17.8	2017A 8.2 -20.6 -4.5 0.0	2018E 3.7 2.5 0.5	US) and AZ DEP docets and AZN de 2019E 20.2	N deals. axel als. 2020E	•	\$1.040				
Y/e June 30 (A\$m) Reported NPAT Non-cash items Working capital Other operating cash flow Operating cashflow Capex Investments Other investing cash flow	-22.7 2.3 2.7 -0.1 -17.8 -0.1	8.2 -20.6 -4.5 0.0	3.7 2.5 0.5	20.2		•	\$1.040				
Reported NPAT Non-cash items Working capital Other operating cash flow Operating cashflow Capex Investments Other investing cash flow	-22.7 2.3 2.7 -0.1 -17.8 -0.1	8.2 -20.6 -4.5 0.0	3.7 2.5 0.5	20.2		•	\$1.040				
Non-cash items Working capital Other operating cash flow Operating cashflow Capex Investments Other investing cash flow	2.3 2.7 -0.1 -17.8 -0.1 0.0	-20.6 -4.5 0.0	2.5 0.5		82						
Working capital Other operating cash flow Operating cashflow Capex Investments Other investing cash flow	2.7 -0.1 -17.8 -0.1 0.0	-4.5 0.0	0.5	2.6		Valuation:	\$1.32				
Other operating cash flow Operating cashflow Capex Investments Other investing cash flow	-0.1 -17.8 -0.1 0.0	0.0			2.8	Premium (discount) to price	26.9%				
Operating cashflow Capex Investments Other investing cash flow	-17.8 -0.1 0.0		0.0	3.5	0.1	Recommendation:	Buy				
Capex Investments Other investing cash flow	-0.1 0.0	-17.0		0.0	0.0		peculative				
Investments Other investing cash flow	0.0		6.6	26.3	11.1	Profitability ratios					
Investments Other investing cash flow	0.0					Y/e June 30	2016A	2017A	2018E	2019E	2020E
Other investing cash flow		-0.6	-0.5	-0.5	-0.5	EBITDA/revenue (%)	N/A	N/A	19.3%	62.8%	45.0%
	0.1	0.0	0.0	0.0	0.0	EBIT/revenue (%)	N/A	N/A	17.7%	61.8%	43.0%
investing cashriow		33.3	0.0	0.0	0.0	Return on assets (%)	-38.4%	-22.9%	5.1%	21.2%	7.7%
	0.0	32.7	-0.5	-0.5	-0.5	Return on equity (%)	-45.9%	-25.0%	5.5%	22.7%	8.2%
Change in harrow ingo			0.0	0.0		Return on funds empl'd (%)	-45.9%	-24.9%	5.5%	22.6%	8.2%
Change in borrow ings Equity issued	0.0 32.6	0.0	0.0	0.0	0.0 0.0	Dividend cover (x) Effective tax rate (%)	N/A 0.0%	N/A 0.0%	N/A 30.0%	N/A	N/A
Dividends paid	0.0	0.0 0.0	0.0	0.0	0.0	Lifective tax rate (76)	0.0%	0.0%	30.0%	30.0%	30.0%
Other financing cash flow	0.0	0.0	0.0	0.0	0.0	Liquidity and leverage ratios					
Financing cashflow	32.6	0.0	0.0	0.0	0.0	Y/e June 30	2016A	2017A	2018E	2019E	2020E
	02.0	0.0	0.0	0.0	0.0	Net cash (debt) (A\$m)	46.0	61.1	67.3	93.1	103.7
Net change in cash	14.8	15.7	6.1	25.8	10.6	Net debt/equity (%)	N/A	N/A	N/A	N/A	N/A
						Net interest cover (x)	N/A	N/A	NM	NM	NM
Cash at end of period* Includeseffect of exchangerate fluctuations on cash balance	46.0	61.2	67.3	93.1	103.7	Current ratio (x)	5.3	11.9	12.3	15.6	16.8
Free cash flow	-17.9	-17.6	6.1	25.8	10.6						
Balance sheet	00404	00474	00405	99495	00005	Interims 20 (AA)	411404	01404	411474	011474	411405
, , ,	2016A	2017A	2018E	2019E	2020E	Y/e June 30 (A\$m)	1H16A	2H16A	1H17A	2H17A	1H18E
Cash Current receivables	46.0	61.2	67.3	93.1	103.7	Revenue* EBITDA	5.3	2.1	2.0	4.3	9.1
Inventories	4.1 0.0	4.2 0.0	4.0 0.0	0.8 0.0	0.8 0.0	Depreciation & Amortisation	-9.8 -0.5	-12.7 -0.5	-8.9 -0.5	-6.6 0.1	-0.1 -0.2
Other current assets	0.2	0.3	0.3	0.3	0.3	EBIT	-10.3	-13.2	-9.4	-6.5	-0.2
Current assets	50.3	65.7	71.6	94.1	104.8	Net interest & Other Income (Expense)	0.3	0.6	0.3	0.3	0.5
	00.0	00.7	71.0	J-1.1	104.0	Pre-tax profit	-10.0	-12.6	-9.0	-6.2	0.3
PPE	0.7	0.9	1.0	1.1	1.1	Tax	0.0	0.0	0.0	0.0	0.1
Non-current receivables	0.0	0.0	0.0	0.0	0.0	NPAT (adjusted)	-10.0	-12.6	-9.0	-6.2	0.3
Intangible assets	8.1	0.0	0.0	0.0	0.0	Less minority interests	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0	Net profit to shareholders	-10.0	-12.6	-9.0	-6.2	0.3
Non-current assets	8.8	0.9	1.0	1.1	1.1	*Includes R&D Tax incentive					
Total assets	59.0	66.6	72.7	95.2	105.9						
Payables	8.8	4.7	5.0	5.2	5.4						
Debt	0.0	0.1	0.0	0.0	0.0						
Provisions	0.8	0.9	0.9	0.9	0.9						
Other liabilities	0.0	0.0	0.0	0.0	0.0						
Total liabilities	9.6	5.6	5.9	6.1	6.3						
Shareholders' equity	49.4	61.0	66.8	89.2	99.7						
Minorities	0.0	0.0	0.0	0.0	0.0						
Total shareholders funds	49.4	61.0	66.8	89.2	99.7						
Total funds employed	59.0	66.6	72.7	95.2	105.9						
W/A shares on issue	345.0	368.2	371.6	373.7	376.5						

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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Disclosure: Bell Potter Securities acted as joint lead manager in the December 2015 placement and received fees for that service.

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The stocks of biotechnology companies without strong revenue streams from product sales or ongoing service revenue should always be regarded as speculative in character. Since most biotechnology companies fit this description, the speculative designation also applies to the entire sector. The fact that the intellectual property base of a typical biotechnology company lies in science not generally regarded as accessible to the layman adds further to the riskiness with which biotechnology investments ought to be regarded. Stocks with 'Speculative' designation are prone to high volatility in share price movements. Clinical and regulatory risks are inherent in biotechnology stocks. Biotechnology developers usually seek US FDA approval for their technology which is a long and arduous three phase process to prove the safety, effectiveness and appropriate application or use of the developed drug and even after approval a drug can be the subject of an FDA investigation of subsequently discovered possible links between the drug and other diseases not previously diagnosed. Furthermore, the Australian exchange listed biotechnology sector is subject to influence by the global biotechnology sector, particularly that in the USA. Consequently, Australian exchange listed biotechnology stocks can experience sharp movements, both upwards and downwards, in both valuations and share prices, as a result of a re-rating of the sector both globally and in the USA, in particular. Investors are advised to be cognisant of these risks before buying such a stock including Starpharma. For a list of risks specific to Starpharma please refer to Page 7 of this note.

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