

Markets at a glance

Trendspotter

Signals (click on links to obtain up to-date signal)

[Dow Jones \(DJ\)](#)

[S&P 500 \(SP\)](#)

[FTSE 100 \(X\)](#)

[DAX \(DY\)](#)

[£/US\\$ \(BP\)](#)

[US Dollar Index \(DX\)](#)

[Crude Oil \(CL\)](#)

[Gold \(GC\)](#)

[Coffee \(KC\)](#)

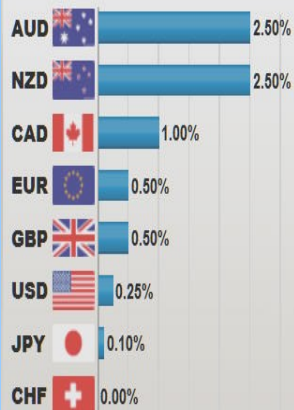
[Orange Juice \(OJ\)](#)

[Sugar \(SB\)](#)

[Wheat](#)

[Cotton](#)

[Rough Rice](#)



The Insider Trader

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5 biotech stocks that have big potential over the next 12 months

It is now over 6 years when I first stated that it was time to get into the biotech sector (August 2008 Insider Trader) and the best way was to use an ETF such as IBB. I was a bit early going in and we also had the financial crisis hitting at the time so initially this was not a great investment but anyone following me and just holding the IBB is up over 220% or a 36% annual rate of return. Of course 36% a year return is a drop in the ocean compared to the 100%,200% and 400%+ returns made by investing in individual small cap biotechnology shares but they also carry a higher risk. Even after these big moves I still see plenty of opportunities in this sector and it's a trend that is not going to end any time soon, of course we will get corrections and some companies will fail miserably however you cannot ignore this sector.

This month I will look at 5 Biotechnology companies which I believe will do well over the next 12 months, some of these names have been featured before and I list them in no particular order.

Arrowhead Research (ARWR) 748 million market cap

About: Arrowhead Research Corporation, a biopharmaceutical company, develops targeted RNAi therapeutics in the United States. The company's product candidate comprise ARC-520, an RNAi-based therapeutic that has completed a Phase 1 clinical trial for the treatment of chronic hepatitis B virus (HBV) infection; and Adipotide, which is in Phase I clinical trial for the treatment for obesity and related metabolic disorders. Its platform technologies include Dynamic Polyconjugate platform, a RNA delivery system that addresses multiple organ systems and cell types,

IBB Nasdaq Biotechnology Ishares ETF now up 220% since first purchased in 2008

IBB - Nasdaq Biotechnology Ishares - Monthly Candlestick Chart



promotes multi-log gene knockdown, and induces endosomal escape; and Homing Peptides platform, a library of short peptides. The company also develops DPC-enabled RNAi therapeutic, a pre-clinical stage product to treat an undisclosed orphan liver disease.

Arrowhead has been featured in previous updates, the stock rose from \$2 to \$25 before coming back down to earth at \$9 and since drifted up to \$14. The company currently has around \$3 a share in cash so does not need to raise money any time soon. **Overall I see ARWR returning back to \$20.**

ARWR - Arrowhead Research Corp - Weekly OHLC Chart



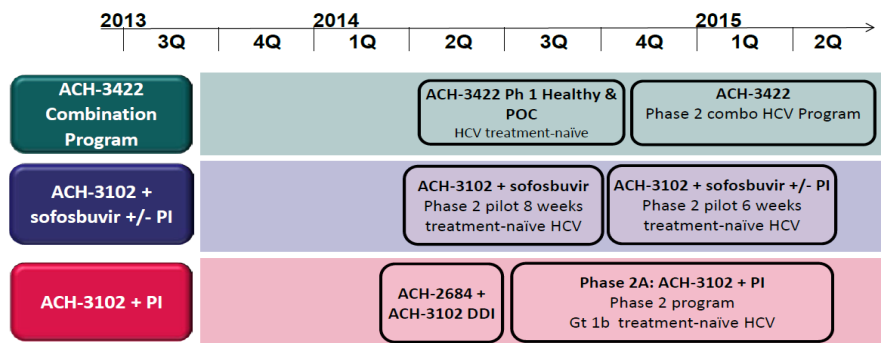
Achillion Pharmaceuticals (NASDAQ:ACHN) 1.13 billion market cap

Achillion Pharmaceuticals, Inc., a biopharmaceutical company, discovers, develops, and commercializes anti-infective drug therapies in the United States and internationally. It focuses on developing combination therapies for the treatment of chronic hepatitis C (HCV) infection and resistant bacterial infections. The company's drug candidates for treating chronic HCV infection comprise Sovaprevir, a NS3/4A protease inhibitor, which has completed a Phase IIa clinical trial; ACH-3102, a NS5A inhibitor that is in Phase IIa clinical trial; ACH-3422, a NS5B nucleotide polymerase inhibitor, which has completed preclinical studies; and ACH-2684, a NS3/4A protease inhibitor that has completed Phase Ia and Ib clinical trials. It has a license and development agreement with Ora, Inc. for the development and commercialization of ACH-702, an antibacterial drug candidate that is delivered topically or locally.

ACHN - Achillion Pharmaceuticals - Weekly OHLC Chart



**Clinical Development Plan
Timeline for Portfolio Advancement**



This stock first became the subject of buyout speculation in June, when

Graphical representation. Does not indicate specific dates within each quarter

Merck (NYSE:MRK) paid a hefty premium to acquire Idenix Pharmaceuticals (IDIX) for its hepatitis C drug. Achillion is developing a drug in the same class as Idenix's, and many observers see it as the only real buyout target left in this field. The stock is up around 240% Year to date and shares are trading around \$11 however if they are taken over a bidder would pay at least \$15 and maybe even as high as \$20 so there is still mileage in ACHN.

On the subject of Merck I still like this company and its one of our Dogs of the Dow, up 22% so far this year and a 3% dividend.

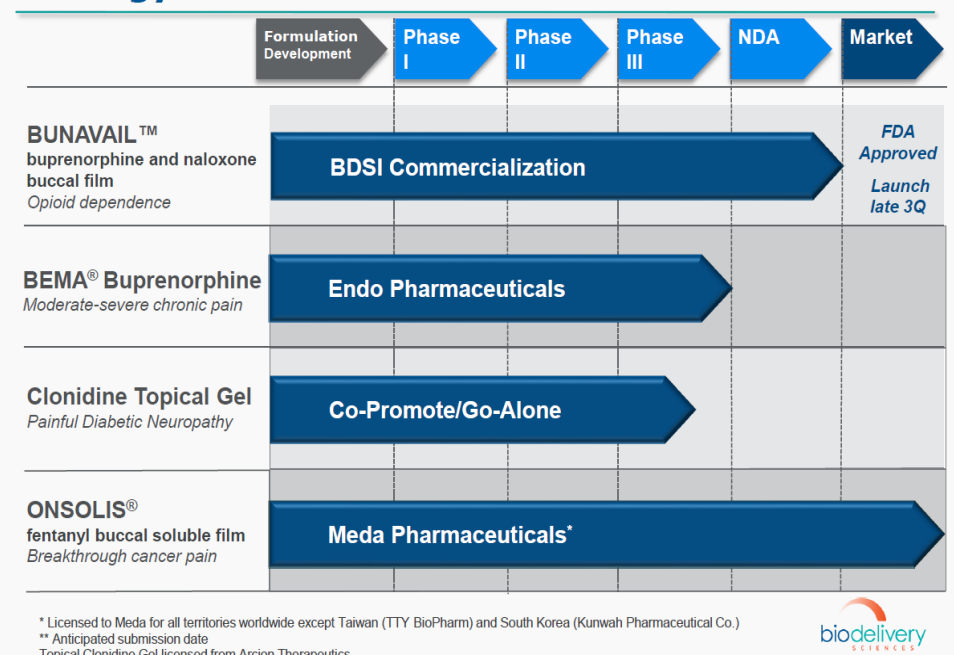
BioDelivery Sciences International (BDSI) 788 million market cap

BioDelivery Sciences International, Inc., a specialty pharmaceutical company, develops and commercializes therapeutics in the areas of pain management and oncology supportive care. The company provides its products based on its patented BioErodible MucoAdhesive (BEMA) drug delivery technology, which consists of a small, bi-layered erodible polymer film for application to the buccal mucosa. Its products include ONSOLIS, a fentanyl buccal soluble film for the management of breakthrough pain in patients with cancer; and BEMA Buprenorphine (approved 6th June) for the treatment of chronic pain in a mixed opioid naive and opioid experienced population. The company is also involved in the development of BUNAVAIL for the maintenance treatment of opioid dependence; and Clonidine Topical Gel for the treatment of painful diabetic neuropathy. It has a licensing and development agreement with Endo Pharmaceuticals, Inc. to develop and commercialize BEMA Buprenorphine; and license agreement with Arcion

BDSI - Biodelivery Sciences International - Weekly OHLC Chart



BDSI Product Portfolio: Commercialization Strategy



Therapeutics.

BDSI has had an amazing run and up 180% so far this year however I still see higher prices and it's still a fairly small company that could easily be bought out. The CEO is Mark Sirgo has a good track record and so far BDSI is doing well at getting drugs approved by the FDA and based this track record the shares could be trading \$20 plus in the next 12 months.

Celldex Therapeutics, Inc (CLDX)
1.4 billion market cap

Celldex Therapeutics, Inc., a biopharmaceutical company, focuses on the development, manufacture, and commercialization of novel therapeutics for human health care primarily in the United States. Its lead drug candidates include rindopepimut (CDX-110), a targeted immunotherapeutic in a pivotal Phase III study for the treatment of front-line glioblastoma and a Phase II study for the treatment of recurrent glioblastoma; and Glembatumumab vedotin (CDX-011) is a targeted antibody-drug conjugate in a randomized study for the treatment of triple negative breast cancer. The company also has various earlier stage drug candidates in clinical development, including varilumab (CDX-1127), a fully human therapeutic monoclonal antibody for cancer indications; CDX-301, an immune cell mobilizing agent and dendritic cell growth factor; and CDX-1401, a targeted immunotherapeutic aimed at antigen presenting cells for cancer indications. Its preclinical product candidate includes CDX-014, a human monoclonal antibody-drug conjugate that targets TIM-1, a molecule that is expressed on renal and ovarian cancers with minimal expression in normal tissues.

Celldex is not for the faint or those that cannot tolerate risk. The stock went up 400% in 2013 and since has comeback 50% with shares around \$15. The company has a fairly high short interest (20%) so traders are betting against this company. Celldex stopped the trials for one its drugs CDX 1135,

CLDX - Celldex Therapeutics Inc - Weekly OHLC Chart



2014 Milestones

Rindopepimut

- Continue execution on the ACT IV Phase 3 registration study in frontline GBM
- Report data from ReACT Phase 2 study in recurrent GBM in late 2014

Glembatumumab vedotin (CDX-011)

- Continue accrual of METRIC accelerated approval study in triple negative breast cancer
- Initiate Phase 2 study in metastatic melanoma and finalize preparations for Phase 2 study in squamous cell lung cancer

Varilumab (CDX-1127)

- Initiate Phase 1/2 study of varli and Opdivo
- Initiate Phase 1/2 study of varli and Yervoy plus CDX-1401 in NY-ESO+ positive patients
- Continue to finalize plans for multiple combination studies (both alone and in collaboration) with a broad array of agents

CDX-1401

- Support Phase 2 study of CDX-1401/CDX-301 in melanoma (NCI sponsored)

CDX-301

- Initiate pilot study of CDX-301 alone and with Mozobil in HSCT
- Support Phase 1/2 study of CDX-301/Hiltonol/radiation in B-cell lymphoma (investigator sponsored)

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however what many are missing the company still has a very strong pipeline. Glembatumumab and Rindopepimut have the potential to become big earners. Subject to no further bad news CLDX could be trading back over \$20 by this time next year. The company has around \$280 million in cash on the balance sheet.

Risk Warning All trading and investing involves risk and you should only invest what risk capital that you can afford to lose. These trading ideas are based on buying Exchange Trading Funds or stocks outright, should you decide to spread bet then other risks will be present. Only speculate with money you can afford to lose. Spread betting may not be suitable for all readers, therefore ensure you fully understand the risks involved. Past performance is not necessarily a guide to future performance. Ultimately all investment decisions are made by you. Insider Trader does not advise when to open or close a transaction. If you choose to open a transaction it is based on your own judgement and research and at your own risk. It is the responsibility of visitors to this Site to ascertain the terms of and comply with any local law or regulation to which they are subject.

Salix Pharmaceuticals market cap 10 billion (SLXP)

Salix Pharmaceuticals, Ltd. acquires, develops, and commercializes prescription drugs and medical devices to treat various gastrointestinal diseases in the United States. The company provides XIFAXAN tablets to treat overt hepatic encephalopathy, and patients with travelers' diarrhea; APRISO to maintain remission of ulcerative colitis (UC); MOVIPREP and OSMOPREP for cleansing of the colon as a preparation for colonoscopy in adults; RELISTOR for the treatment of opioid-induced constipation (OIC) in patients with advanced illness; SOLESTA to treat fecal incontinence; and DEFLUX to treat vesicoureteral reflux. It also offers FULYZAQ for the symptomatic relief of non-infectious diarrhea in adult patients with HIV/AIDS on anti-retroviral therapy; GIAZO, COLAZAL, and UCERIS to treat mildly to moderately active UC; and METOZOLV ODT for the treatment of refractory gastroesophageal reflux disease (GERD) that fails to respond to conventional therapy. SLXP has strategic collaboration with RedHill Biopharma Ltd. Salix Pharmaceuticals, Ltd. was founded in 1989 and is headquartered in Raleigh, North Carolina.

Salix is the largest of the companies featured in this newsletter with a market cap of 10 billion. The stock recently jumped on rumours that **Allergan (AGN)** would look to merge with then and try and fight off their takeover big firm Valeant personally I am not sure who much truth is in this but what is true SLXP would make a good fit with another pharma/biotech company. Short term the shares do look a bit over stretched however the valuation once you go out 12 months looks reasonable with a P/E of 20. I am looking for shares to be trading nearer the \$200 mark by this time next year.

SLXP - Salix Pharmaceuticals - Weekly OHLC Chart



Summary

The 5 ideas given here all carry risk but of course also have rewards. This sector remains very active and we should see a continuation of mergers and takeovers as the big pharma companies boost their pipelines by buying out the smaller companies. Do remember these companies are very news dependent and a setback in a trial or a poor FDA decision will send the stocks tumbling so do be sensible in the amounts you invest. For those that want to have biotech exposure with a lower risk then buying the IBB ETF remains a good way to get exposure.

Risk Warning All trading and investing involves risk and you should only invest what risk capital that you can afford to lose. These trading ideas are based on buying Exchange Trading Funds or stocks outright, should you decide to spread bet then other risks will be present. Only speculate with money you can afford to lose. Spread betting may not be suitable for all readers, therefore ensure you fully understand the risks involved. Past performance is not necessarily a guide to future performance. Ultimately all investment decisions are made by you. Insider Trader does not advise when to open or close a transaction. If you choose to open a transaction it is based on your own judgement and research and at your own risk. It is the responsibility of visitors to this Site to ascertain the terms of and comply with any local law or regulation to which they are subject.