

York Pharma (YRK.L)

Pharmaceuticals

105p

as at 28 November, 2006

KEY POINTS

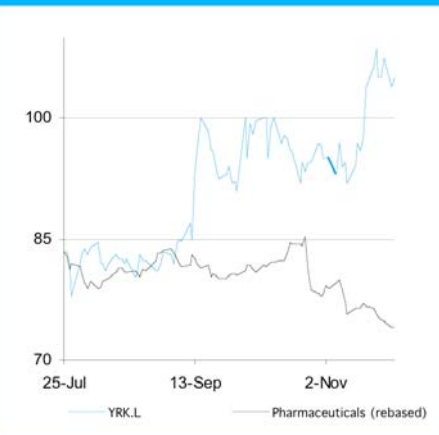
- **York announced its Sept 30th prelims for FY06, generally in line with expectations** - the bottom line loss was 26p, in line with our estimate but costs (mostly driven by R&D) were higher than expected.
- **Funds raised post year end as previously announced** - York raised £3million pre expenses after the year-end which will enable the company to get Abasol™ through its approval, launched in its first market, and possibly even to securing its first deal!
- **Clinical programmes on target** - Abasol, Sabarep™, Vampex™ and the pre-clinical portfolio are pretty much on target.
- **Data in compilation for response to MHRA** - data on Abasol is being assembled for submission to the MHRA as we write. The expectation remains that approval will come in the first quarter of 2007 with UK marketing launched in the second quarter.
- **Positive meetings with MHRA on both Sabarep and Vampex** - both meetings with the MHRA went well, offering guidance for a slightly accelerated pathway to approval

COMMENT

There is little of major importance to update as our recent initiation report of November 3rd 2006 covers most of the preliminary announcement. To recap:

- We expect that the data requested in the MHRA's 'approvable' letter will be fulfilled without difficulty, as York had anticipated much of the requirements. While this final iteration delays launch by a few months, requests of this kind are a normal part of the regulatory approval process.
- Sabarep (YP001), a skin barrier product for the treatment of Atopic Dermatitis, has confirmed its ability, both in vitro and in vivo, to inhibit the enzymes which are key to breaking down the skin barrier. It has now entered controlled clinical trials. Results from this trial have prompted an extension of the IP portfolio for the product. A preliminary meeting with the MHRA has confirmed the development path for the product.
- Vampex (YP003), a drug to treat psoriasis, is about to enter Phase IIb clinicals under a protocol broadly discussed with the MHRA in the late summer. The final formulation of the product still requires some minor adjustment, but the PoC Phase IIa showed a favourable profile without any adverse reactions by comparison with placebo and calcipotriol. York has met the MHRA to confirm its development plans and a Phase I/II PoC trial will be underway as soon as formulation work is completed.

Price Chart



Valuation

Development drugs	£m
Abasol	
- Skin	34.0
- Nail	37.4
Abasol Total	71.4
Vampex	18.1
Sabarep	41.1
YP004 - Melanoma	6.7
Less: overhead	27.3
Expected value of pipeline	110.0
Add: Starting cash + new funds	5.9
Total Current Value for Firm	115.9
Less: Bank & Other Debt	0.0
Total Value to Equity Claims	115.9
Less: Alternative Equity Claims	21.0
Ordinary Equity Holders	94.9
Value per share (£)	3.74

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- YP002, a skin barrier diagnostic product, is in development and on track. YP004, a melanoma treatment based on a similar biological mechanism to that underlying Vampex, is at the preclinical phase with the receptor target identified and indications in melanoma and basal skin carcinoma targeted. The receptor has also been detected in renal cell carcinoma, which leads York to believe that its approach may have wider application.
- YP005 or Sphingosine-1-phosphate is aimed at the treatment of Acne. A collaboration with a leading dermatological research team in Berlin has obtained a Euro 1 million grant from the German government for preclinical work.
- Finally, in order to carry York through the commercialisation phase of Abasol in the UK and to progress the pipeline, it has raised a further £3million.
- So to conclude: The overall results were in line with expectations and with the additional funds raised after the year end, create a strong cash position that should get York through the regulatory phase with Abasol and into its first marketing in the UK.

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