With all the doom and gloom about the state of the UK biotech sector and the credit crunch seriously damaging
to the valuations of most biotech stocks, only a handful of British companies saw their share price grow last
year. The specialty companies BTG and ProStrakan were the biggest winners in 2008 with share price rises of
51% and 33% respectively, but the third biggest riser and top of the biotech pile was Proximagen
Neuroscience, a firm mainly focused on developing new drugs for Parkinson’s disease, with a 26% gain last
year to 157p, giving a modest but respectable market value of £34m ($53m).

Proximagen’s rise is all the more surprising given that its most advanced pipeline candidate, PRX1354, has yet
make it to the clinic. The main catalyst for the share price rise was the striking of a minority equity alliance
with Upsher-Smith Laboratories over the development of PRX1354, a deal which Proximagen’s founder and
chief scientific officer, Professor Peter Jenner, told EP Vantage today has put the company in a strong position
such that they are now, “looking at buying in later-stage products in other therapy areas, possibly through a
merger or acquisition”.

Cash runway

Having received an undisclosed upfront payment last July when the deal was signed, followed by a £3.5m
($6m) equity investment in October, which gave Upsher-Smith a 7.1% stake in Proximagen, Professor Jenner
estimates current cash reserves to be £9.5m. “Based on our current estimates, which includes plans to take a
couple of programs into phase I or phase I/II clinical concept trials, this cash should last for two and half years”,
he predicts.

With Upsher-Smith taking over the full cost of developing PRX1354, this decent cash runway also includes
expected milestone payments from the private American specialty company, such as an estimated £4m when
phase I trials of PRX1354 are initiated by the end of 2009. In total, the deal could be worth up to £134m
($232m) in milestones, plus up to double-digit royalties, estimated by analysts at around 12%, on worldwide
product sales.

Commercial potential

PRX1354 is a pro-drug of L-dopa, a drug that has been around for 40 years but still remains the current gold
standard treatment for Parkinson’s disease. However, the problem with current L-dopa products is that
dopamine levels peak and trough regularly throughout the day, causing significant periods of “off-time”, about
3 to 6 hours per day when a patient’s motor functions significantly deteriorate.

“How actually,” says Professor Jenner, “PRX1354 is more of a dopa delivery system, designed to release dopamine
in three stages, thereby maintaining a more consistent level of dopamine. We hope this will produce a
meaningful reduction in off-time by around two hours”.

Based on the fact that L-dopa is likely to remain a key treatment option for Parkinson’s for some years to
come, some analysts have pencilled in peak sales for PRX1354 at $750m, although with phase I trials yet to
start, there remains a long way to go yet before this is anywhere close to being achieved.

Flexible licensing strategy

Although Professor Jenner believes the company is in a good position to try and acquire new products,
preferably at a more advanced stage than the current pipeline of pre-clinical products, he believes an open and
flexible approach to in or out-licensing deals, mergers and acquisitions is the best strategy.

“In the current economic climate we cannot afford to turn people away, so are open to any partnership
opportunity. In fact this week I will be talking to a medium-sized European pharmaceutical company about the
possibility of them collaborating on one of our programs”, said Professor Jenner.
As Proximagen is not facing the severe short-term pressure to raise cash currently affecting many of its UK biotech peers, and with a share price holding up well and even growing, the company appears to be entering a critical period in decent health.

Therefore, if the right products can be identified and added to their portfolio, along with any more lucrative out-licensing deals over existing programs, Proximagen could yet become a rare success story to emerge from the much maligned UK biotech sector.