

Mossberg's Investor Digest

Best Idea Profile:

BioSante Pharmaceuticals (NASDAQ:BPAX)

DESCRIPTION:

Headquartered in a suburb of Chicago, BioSante Pharmaceuticals is a specialty pharmaceutical company focused on developing products for female sexual health and oncology. Their main product, called LibiGel, is in phase III development for the treatment of female sexual dysfunction (FSD) in menopausal women. Generally it can be thought of as the equivalent of a female "Viagra", although the drug affects sexual desire instead of organ function. LibiGel is testosterone delivered in a daily metered dose of gel.

KEY INVESTMENT CONSIDERATIONS:

Female sexual dysfunction is a sizable market – There is already a proven market for testosterone as a treatment for FSD. According to a BPAX-sponsored study of 101 physicians, FSD is one of the most common complaints in gynecologists' offices. Since there is currently (prior to LibiGel's approval) no FDA approved drug for FSD, it often goes untreated, or doctors prescribe testosterone off-label. In fact, doctors write approximately 4 million prescriptions per year of off label testosterone for the treatment of FSD. If LibiGel receives FDA approval, it's likely that a significant portion of these prescriptions will immediately switch to LibiGel. Also, FDA approval will expand the number of prescriptions, as FDA approval makes doctors more likely to treat patients who suffer from this condition.

Major proof point for LibiGel efficacy is a few weeks away – A full 13 years after Viagra was approved for men, Phase III clinical development data for LibiGel should be available at some time in December. LibiGel is the only product in the world in late-stage development for this use.

Strong Management Team/ Board with Proven Track Record – The members of BioSante's management team are serial entrepreneurs. This is their third and biggest deal to date. In addition to managing BioSante for over 13 years, they have developed other significant pharmaceutical products from development to FDA approval including BioSante's first FDA-approved product, an estrogen gel for the treatment of hot flashes in menopausal women.

No Need to raise capital prior to Drug Marketing – BioSante, as of August 31, 2011 had over \$73 million in cash; enough to carry the company well into 2013.

Oncology technology is a deep out of the money call – During the last recession, there were many orphaned pharmaceutical companies with drugs in development and cash on the balance sheet that were trading for pennies on the dollar. In an innovative move, management sought out and merged with one of these companies and in the process consolidated its cash balance and drug pipeline. In addition to its sizable cash balance, the company acquired a portfolio of cancer vaccines that are currently in Phase II clinical trials at Johns Hopkins. These vaccines will require years to develop, but they require very limited spending by BPAX and if successful, could add significant value to shareholders longer term.

Valuation:

The success of the company and this investment depends greatly on two events over the next 9 months: First, successful phase III efficacy data in December; and second, successful results from a safety study which will be analyzed in June of 2012. Investors only have to wait a few weeks to find out the clinical efficacy results, and it appears to be a favorable risk reward for more speculative investors to buy ahead of the data. Also, there is a large short interest, which represents about 17% of the shares outstanding. Any positive data released will likely have an immediate positive impact on the stock as shorts cover.

BioSante Pharmaceuticals, Inc. (Nasdaq: BPAX) Investment Data (as of 10/28/11)

Recent Price	\$2.75
52-Week Range	\$1.40 - \$4.02
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	110MM
Average Trading Volume (3 mos)	2MM
Market Capitalization	\$300MM
Cash	\$73MM
Long Term Debt	\$22MM
Enterprise Value (EV)	\$250MM
BV/ Share	\$0.25
TTM Revenue	\$332k
P/ Revenue	N/A
TTM EPS	N/A
P/ EPS	N/A
TTM EBITDA	N/A
EV/ EBITDA	N/A

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