

Mossberg's Investor Digest

Best Idea Profile:

DESCRIPTION:

Headquartered in Henderson, Nevada, Spectrum Pharmaceuticals, Inc. acquires, develops and commercializes a pipeline of late-stage clinical and commercial drugs that are focused on cancer and blood related illnesses. The Company has assembled an integrated team of professionals with Pharma related experience and capability in clinical development, medical affairs, regulatory affairs, biostatistics and data management. Spectrum has a platform for commercializing drugs that have successfully passed all FDA requirements and have been licensed. The Company is currently focused on expanding the commercial markets for a non-Hodgkin's lymphoma drug called Zevelin and a Colorectal Cancer drug called Fusilev. Spectrum has a development pipeline portfolio that includes 12 other drugs, four of which are undergoing pivotal trials.

KEY INVESTMENT CONSIDERATIONS:

Focused/Boutique Approach – The entire Company--research, development and marketing--is focused on cancer drugs. Therefore, Spectrum has developed domain expertise in a very focused niche.

Zevelin – Spectrum acquired the worldwide rights for Zevelin in January 2012. Zevelin is an antibody approved for non-Hodgkin's lymphoma. There are 450,000 people living with non-Hodgkin's lymphomas (National Cancer Institute) and more than 180 new cases a day in the U.S. alone (NCI). Zevelin has superior attributes in a number of categories including the patient response. The Company estimates this product to be a multi-billion market worldwide.

Fusilev – Colorectal cancer is the third most commonly diagnosed cancer in the US (NCI). Fusilev was approved in 2011 and is in the early stages of marketing and channel distribution.

Strong Pipeline – Spectrum has four other drugs that are in, or have certain uses that are in, either Phase 2 or Phase 3 of development and are undergoing pivotal trials. This group includes Apaziquone, the most expensive cancer treatment available on a per patient basis. The Company has eight additional drugs in its pipeline. One is in Phase 2, five are in Phase 1 and one is in preclinical trials.

Strong Financial Position – The Company has \$186 million in cash and no debt.

Spectrum Pharmaceuticals, Inc. (NASDAQ:SPPI)

Out-Licensing Opportunities – Spectrum has seven drugs available for co-development outside the U.S..

Partnerships Reduce Risk – The Company has developed strategic developmental relationships with strong companies such as Bristol Myers Squibb, Allergan and Handok. This helps to mitigate pipeline and developmental risk.

Acquisitions – On April 5, 2012, Spectrum announced an agreement to acquire all of the outstanding shares of Allos Therapeutics (NASDAQ:ALTH) for \$1.82 per share along with other considerations for a deal in which the upfront portion of the transaction was valued at up to \$206 million on a fully-diluted basis. The acquisition is expected to be accretive to Spectrum on a cash basis in the fourth quarter of 2012.

Growth and Profitability – The Company reported Q1FY2012 revenues of \$60 million vs. \$44 million and earnings per share of \$0.71 vs. \$0.73 on a year-over-year basis.

Valuation:

Spectrum is showing double-digit revenue growth and is very profitable. The stock is currently trading at just 9x trailing earnings, which appears to be a bargain for a profitable company with a solid track record for growth.

Spectrum Pharmaceuticals (NASDAQ:SPPI)

Investment Data (as of 6/3/12)

Recent Price	\$11.01
52-Week Range	\$6.94 - \$16.00
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	59MM
Average Trading Volume (3 mos)	2.2MM
Market Capitalization	\$650MM
Cash	\$186MM
Long Term Debt	NA
Enterprise Value (EV)	\$464MM
Book Value	\$4.05
TTM Revenue	\$209MM
P/ Revenue	3.3x
TTM EPS	\$1.36
P/ EPS	8.1x
TTM EBITDA	\$67MM
EV/ EBITDA	6.9x

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