

Date of issue

04.09.07

## Company Update

### INVESTMENT DATA

Share Price	\$0.64
Issued Capital	
Ordinary Shares	406.0m
Options	14.6m
Fully Diluted	420.6m
Market Capitalisation	\$269.2m
52 Week Low/High	\$0.17 / \$0.85
Valuation	\$1.35

Top 20 shareholders as at 15 Aug 2006 held 64% of total shares on issue.

	Year end Jun	07a	08f	09f	10f
Revenue	\$m	0	0	0	0
EBITDA	\$m	-16.7	-28.6	-28.7	-10.8
NPAT	\$m	-15.2	-25.0	-26.4	-9.7
EPS (adj)	¢	-5.0	-4.2	-4.4	-1.6
EPS growth	%	n/a	n/a	n/a	n/a
PER	x	n/a	n/a	n/a	n/a

Data is normalised and fully diluted.

### Share price chart: AVX



### Avexa (AVX)

**Buy**

#### Positive Phase 2b trial results as expected

#### AVX reports further positive Phase 2b clinical trial results

Drug developer Avexa (ASX code: AVX) has reported further positive Phase 2b clinical trial data for apricitabine (ATC).

Key points from today's results are:

- Over 80% of patients treated with ATC had below detectable levels of HIV in the blood after 24 weeks of treatment.
- ATC continues to maintain suppression of viral loads after 24 weeks of treatment, HIV drug-resistant patients experienced a response to the drug that was close to previously untreated patients on first line therapy.
- No virus resistant to ATC has been identified after 24 weeks of therapy, good safety profile and no serious adverse events.
- 88% (23 out of 26) of patients have entered the extension study. AVX reported that 23 patients out of an eligible 24 have entered the ATC extension study. Two patients were ineligible for inclusion in the extension study as they suffered from other conditions precluding them from staying on the trial.

#### Phase 3 trials to commence before year-end & potential accelerated path to market via initial approval for use in children

AVX expects to commence Phase 3 trials before year-end. In our view, AVX is likely to conduct this trial in parallel with a smaller trial in HIV-infected children. Pending further negotiations between AVX and the FDA, we believe this would significantly accelerate ATC's regulatory path to market. More importantly, once ATC gains approval, we believe the off-label use in adults would be considerable.

#### Earnings estimates unchanged

We continue to apply an 85% probability-weighting to reflect ATC's Phase 3 stage of development. At this stage, we continue to assume market launch during late 2010, however, we are likely to adjust these timelines when AVX can confirm the FDA's requirements for potential approval for use of ATC in children.

#### Buy rating with \$1.35 valuation + potential co-development deal with big pharma

We reiterate our Buy rating based on our probability-weighted \$1.35 valuation. From a sales and marketing perspective, we believe it is in AVX's best interest to combine ATC with another HIV drug. Currently, HIV drugs are often taken as combination pills and given ATC's clinical trial data to date, we believe a number of HIV industry players (GSK, Gilead, and Merck) may be interested in combining their lead HIV drugs with ATC. Timing on such deals are unknown however we believe the recent Phase 2b data would be more than sufficient for big pharma to become interested.

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