

26 November 2009

GW Pharmaceuticals

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
09/08	11.8	(9.5)	(6.2)	0.0	N/A	N/A
09/09	24.1	1.8	1.7	0.0	54.0	N/A
09/10e	29.3	5.7	4.4	0.0	20.9	N/A
09/11e	23.8	(0.5)	(0.4)	0.0	N/A	N/A

Note: *PBT and EPS exclude intangible amortisation and share-based payments.

Investment summary: Awaiting Sativex approval

GW Pharmaceuticals' investment case remains highly geared to the potential forthcoming EU approval of Sativex, which is expected in H1 next year. This would clearly be a significant milestone for the company and triggers the payment of £12.5m in cash from licensees Bayer and Almirall. These payments in turn should provide GW with a solid financial platform from which to expand its own R&D efforts.

UK and Spain approvals are key

Sativex is under review in the UK and Spain. Approvals are expected in H1 next year and should occur around the same time (possibly March/April). Sativex is already available on a named patient basis in the UK, so launch could take place immediately (Spain will require pricing agreement). GW and Almirall should be able to seek further national approvals under MR procedure in H210.

Sativex filed in Canada

GW has now filed for approval of Sativex for MS spasticity in Canada, where it already has a conditional approval (NOC/c) for the product for cancer and neuropathic pain. An approval decision is expected in H210.

US cancer pain study fully recruited

The 360-patient Phase IIb/III study of Sativex for treatment of opioid-refractory cancer pain is now fully recruited and should render results in early Q210. Two additional Phase III trials would be required to seek US registration in this indication, which should begin in the second half of 2010 and complete in 2011.

Valuation: £158m risk-adjusted NPV based on Sativex

We have revised our valuation and are now indicating a value of £158m based on a DCF model to 2017 using a 12.5% cost of capital. We now assume the EU/Canadian approval of Sativex, but continue to take a conservative view in the US, applying a 60% risk adjustment to the cancer pain indication. We compare with GW's current EV of £97m, and note that there is further upside if a higher pricing is achieved, if other indications are pursued and if R&D projects progress.

Price 91.75p
Market cap £118m

Share price graph



Share details

Code GWP
Listing AIM
Sector Pharmaceuticals & Biotechnology
Shares in issue 129.3m

Price

52-week High 106p Low 65p

Balance sheet as at 30 September 2009

Debt/equity (%) N/A
NAV per share (p) 5.2
Net cash (£m) 20.6

Business

GW Pharmaceuticals is a UK company focused on developing cannabinoids as pharmaceuticals. Its lead product, Sativex, is in development for the treatment of neuropathic pain and spasticity associated with MS, cancer pain and peripheral neuropathic pain.

Valuation

	2009	2010e	2011e
P/E relative	506%	145%	N/A
P/CF	N/A	34.4	N/A
EV/sales	3.9	3.2	4.0
ROE	32%	40%	N/A

Revenues by geography

	UK	Europe	US	Other
	6.9%	7.7%	65.9%	19.5%

Analyst

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Investment summary: Awaiting Sativex approval

Company description: Cannabinoid-focused biotech

GW Pharmaceuticals is a UK company entirely focused on R&D into plant-based cannabinoids as pharmaceutical products. Its lead project, Sativex, an oral mucosal spray, is awaiting approval in the EU for spasticity associated with multiple sclerosis. GW has partnerships with Bayer HealthCare, Ammirall and Otsuka, which have in aggregate generated c \$60m in signature and milestone fees, with some \$365m in future milestones (largely approval and sales-related) and effective royalties at 20-30%. The company has raised a total of £60m in equity since listing on AIM in 2001.

Valuation

Our valuation now indicates a value of £158m based on a DCF model to 2017 using 12.5% cost of capital, which we compare with GW's EV of £97m. We now assume EU/Canadian approvals of Sativex, but continue to take a more conservative view in the US, applying a 60% risk adjustment to the cancer pain indication. The model assumes that Sativex is priced at the current named patient levels (Canada C\$125, UK £44 and Spain €75 per 5ml vial), except in the US, where premium pricing is likely. We note that there is further upside if a higher pricing is achieved post approval (as is likely), if other indications are pursued and if R&D projects progress.

Sensitivities

GW's business is subject to the usual risks associated with biotech companies, ie, the possibility of regulators raising questions over product filings, trials rendering inconclusive or contradictory data. GW also has a high single product risk. Additional sensitivities include an assumption that the UK Home Office will continue to renew GW's annual licences to cultivate, possess and supply cannabis derivatives. Various assumptions are made in our valuation model which could vary on both on the up and the down side, including the pricing of Sativex (and potentially other products); its use (both approved and off-label) for additional indications; and future value from the early-stage R&D portfolio, which is currently excluded from the model.

Financials

GW reported a pre-tax profit of £1.2m (2008: loss of £11.0m) on revenues of £24.1m (£11.8m) in FY09 (ended 30 September). We expect GW to receive £12.5m in approval milestones from Bayer and Ammirall in FY10 and a \$5m milestone from Otsuka on start of Phase III in cancer pain in FY11 (although this may occur in FY10). GW funded R&D expenditure in FY09 was £6.8m, which we expect to rise with the start of the planned Phase II trial of THCV: CBD combinations in diabetes/metabolic syndrome. R&D expenditure funded by Otsuka was £12.5m in FY09.

GW ended the year with cash of £20.6m and, assuming Sativex is approved in the EU and Canada as expected, should be broadly cash neutral in 2011 and strongly cash generative thereafter.

Company description: Cannabinoid-focused biotech

GW Pharmaceuticals offers an investment geared to the near-term success of its lead product **Sativex**, which is approaching its first full regulatory approvals in the EU (UK and Spain) in the first half of 2010. This will be for the treatment of spasticity associated with multiple sclerosis (MS) and if successful, will trigger significant milestone revenue (£12.5m) .

Sativex is a whole plant extract containing a fixed roughly 1:1 combination of delta-9 tetrahydrocannabinol (THC) and cannabidiol (CBD). Sativex is in development for both spasticity and neuropathic pain associated with MS, opioid-refractory cancer pain and peripheral neuropathic pain. It is delivered as an oral-mucosal spray and each 100µl spray contains 2.7mg of THC and 2.5mg of CBD.

Sativex is approved for sale in Canada under the Notice of Compliance with Conditions (NOC/c) policy for the relief of MS neuropathic pain and as adjunctive analgesic treatment in adults with advanced cancer who are experiencing moderate to severe pain despite opioid therapy. It is also currently available in the UK and certain other countries on a named-patient or on a similar exceptional basis (eg in Spain, the autonomous Catalonia region permits compassionate use).

The current status of GW's R&D portfolio is summarised in Exhibit 1.

Exhibit 1: R&D/clinical trial summary

Product/indication	Trial design/notes
Sativex – spasticity in multiple sclerosis	EU filing under decentralised procedure (UK is reference member state, Spain is a concerned member state) in May 2009, approval decision expected H110. Mutual recognition in other EU countries to be sought in H210. Filed in Canada (Nov 2009), approval decision expected H210. Phase III trial in 241 pre-identified responders yielded significant improvement in NRS spasticity scores ($p=0.0002$) and in a range of secondary endpoints, including sleep quality, spasm, responders, physician GIC, carer GIC, patient GIC and Barthel ADL Index. 36-pt randomised withdrawal study on previously been taking Sativex for a mean duration of 3.6 years. The prospectively defined primary efficacy endpoint of the study - the time to treatment failure - was statistically significantly in favour of Sativex ($p=0.013$). Significant difference on patient GIC ($p=0.017$) and carer functional-ability GIC ($p=0.001$).
Sativex – cancer pain	360-pt Phase IIb/III trial (funded by Otsuka) fully recruited and likely to render results in spring 2010. All patients have advanced cancer for which there is no curative therapy and are experiencing opioid-refractory cancer pain. The primary endpoint is response rate after five weeks, defined by a 30% or greater reduction in the 0-10 numeric rating scale (NRS). The study involves three groups: low dose (taking 1-4 sprays/day of Sativex), medium dose (6-10 sprays) and high dose (11-16 sprays) and is intended to identify the optimum dose range as an adjunct to pre-existing pain medications. Two additional Phase III trials are planned (around 240 pts in each) to start in late 2010, leading to a US submission in 2012. EU submissions, using the same data, at the same time.
Sativex – neuropathic pain in MS	A 66-patient Phase III study has demonstrated superiority to placebo in reducing pain ($p=0.005$) and sleep disturbance ($p=0.003$) but a 339-pt Phase III study did not show statistical significance in primary endpoint (30% or greater improvement in VAS), although significant results were seen at equal dosing and a randomised withdrawal extension study showed statistical significance.
Sativex – peripheral neuropathic pain	Two of three Phase III trials completed with statistically significant results. Two Phase III studies planned after first EU approval for MS spasticity.
THCV: CBD – metabolic syndrome, type 2 diabetes	Multiple-dose, three month Phase IIa study (testing THCV and CBD combined at different ratios) is planned for H110 in c 48 Type 2 diabetics with residual pancreatic function. The primary endpoint will likely concern measures of blood and liver lipid levels. Single-dose Phase I study completed in 12 healthy volunteers, with no tolerability at relevant doses. Preclinical models suggest that THCV: CBD reduces fasting insulin, leptin and body fat, increases energy expenditure, reduces total cholesterol and increases HDL.
CBD, CBDV, CBC, CBG, THCA, THCV, CBN and others, incl. combinations	Drug candidates under evaluation in collaboration with Otsuka for CNS (anti-psychotic, anti-depressant, anti-epileptic and anxiolytic) and anticancer (antiproliferative, anti-angiogenic, pro-apoptotic, antimigratory) properties. Three-year deal (signed July 2007). First candidate (possibly in a psychiatry indication or epilepsy) could enter clinical trials in 2010. Sativex has shown a synergistic benefit with temozolomide in an <i>in vivo</i> model of glioma and further preclinical studies in other <i>in vivo</i> cancer models (prostate, breast, lung) are currently underway.

Source: Edison Investment Research

Partners

GW has three important commercial partnerships with Bayer HealthCare, Almirall and Otsuka, which have in aggregate generated around \$60m in signature and milestone fees to date, and will pay \$365m in future milestones (largely approval and sales-related) and effective royalties at around 20-30%. The company appears to have achieved attractive royalty rates on product sales by forgoing early development milestones and funding development activities in the case of Bayer and Almirall, although it subsequently renegotiated to provide some funding in 2008/2009. It also has a separate research agreement with Otsuka, which comes up for renewal in mid 2010.

These deals are summarised in Exhibit 2.

Exhibit 2: Licensing partners

Partner	Product/territory	Financial terms
Bayer HealthCare	Sativex in UK and Canada	£32.75 total milestones payable, of which £8m have been received to date. £10m payable on first UK approval, possible in fiscal 2010. Remaining milestones payable in the first three years following launch, dependent on sales performance. Transfer price less manufacturing cost results in a c 30% effective royalty on sales. GW pays all development costs.
Almirall	Sativex in Europe (excluding UK)	£12m signature fee plus milestones payments of £30m. £8m paid on EU filing, with £2.5m payable on first EU approval. Transfer price less manufacturing cost results in a c 25% effective royalty. GW pays all development costs.
Otsuka	Sativex in US	\$18m signature fee, plus \$255m in milestone payments. Transfer price less manufacturing cost results in a c 20% effective royalty. Otsuka funds all development for cancer pain, additional indications and in any future formulations. Joint oversight of all US clinical development and regulatory activities. GW responsible for clinical development in cancer pain indication, with costs reimbursed. Otsuka has responsibility for all subsequent indications.
Otsuka	Global cannabinoid R&D collaboration	Otsuka funds evaluation of cannabinoids as drug candidates in cancer and CNS for an initial three-year term (from Feb 2007). Initial \$9m of funding to cover GW operating costs and external collaborations. Additional >\$6m committed to specific research activities.

Source: Edison Investment Research

Commercial plans

Launch scale production processes have been in place for several years and GW now holds 25,000 patient-years of stock in intermediate stages. GW obtained its commercial manufacturer's licence in July 2009 and will act as the principal manufacturing site for launch. Arrangements have also been made to expand capacity when necessary. GW controls the commercial-scale extraction process and has secured control over other aspects of the supply chain.

US cancer pain study

The 360-patient Phase IIb/III trial in cancer pain is now fully recruited and should render results in spring of 2010. The study is intended to identify the optimum dose range of Sativex as an adjunct to pre-existing pain medications and pave the way for registration studies. GW's investigational plan envisages two Phase III studies, which would start in the second half of 2010 (commencement of the first triggers a \$5m milestone payment from Otsuka).

The size of the Phase III programme will depend on the response rate seen in Phase IIb/III, but if the rate is as expected this will comprise two trials of a similar size to the current study. GW believes it can complete the trials in time for a regulatory submission in fiscal 2012. The EMEA has advised that data generated from the above can also be used to supplement an EU filing in cancer pain, and this would be expected at around the same time as in the US.

MS spasticity study

EU approval for MS spasticity is being sought on the basis of the Phase III study, which rendered results earlier this year. This study used an enriched design whereby 572 patients initially received Sativex for four weeks in a single-blind manner to allow identification of responders (n=241) who were then randomised to continue on Sativex or switch to placebo for a further 12 weeks in a double-blinded manner. The results of the trial are summarised in Exhibit 3.

Exhibit 3: Summary of Phase III MS spasticity study results

Notes: * After four-week single-blind stage; ** Primary endpoint. NA=not available..

	Week 0*	Week 12 (active)	Week 12 (placebo)	p value
NRS spasticity score** (>8 indicates severe MS spasticity, <4 is mild).	3.90	3.65	4.55	0.0002
Change in spasticity score	0.00	-0.20	+0.65	0.0002
Change in sleep disturbance score	0.00	-0.30	+0.60	<0.0001
Change in spasm frequency (per day)	0.00	-0.05	+2.50	0.005
Population achieving $\geq 30\%$ response	0%	74%	51%	0.0003
Patient global impression of change in spasticity	N/A	N/A	N/A	0.023
Physician global impression of change in spasticity	N/A	N/A	N/A	0.005
Carer global impression of impression of change	N/A	N/A	N/A	0.0053
Barthel ADL Index	N/A	N/A	N/A	0.007

Source: Edison Investment Research/GW presentation

Exhibits 4 summarises the results of a number of completed clinical trials with Sativex and Exhibit 5 the key publications and other presentation of data.

Exhibit 4: Sativex study results summary

Note: * Pivotal.

Study phase	Study	Key result
Peripheral neuropathic pain		
Phase II	Chronic refractory pain or defects of neurological function (n=34)	Pain ($p=0.0001$); sleep ($p<0.05$)
Phase II	Pain and/or spasticity due to neurological conditions (n=27)	Pain symptoms ($P=0.046$)
Phase III	Neuropathic pain due to brachial plexus injury (n=48)	Pain ($p=0.002$)
Phase III	Neuropathic pain due to MS (n=66)	Pain ($p=0.005$); sleep ($p=0.003$)
Phase III	Neuropathic pain characterised by allodynia (n=125)	Pain ($p=0.004$); sleep ($p=0.001$); pain disability ($p=0.003$)
Neuropathic pain in MS		
Phase II	Pain and/or spasticity due to neurological conditions (n=27)	Pain symptoms ($p=0.046$)
Phase III	Neuropathic pain due to MS and other neurological conditions (n=70)	Pain (escape meds) ($p=0.004$)
Phase III*	Neuropathic pain due to MS (n=66)	Pain ($p=0.005$); sleep ($p=0.003$)
Phase III	Neuropathic pain due to MS (n=339)	Pain ($p=0.2$)
Spasticity in MS		
Phase II	Symptoms of MS and other nervous system conditions (N=25)	Spasticity ($p=0.042$); spasm ($p=0.044$); sleep ($p=0.047$)
Phase III	MS symptoms (n=160)	Spasticity ($p=0.001$); sleep ($p=0.047$)
Phase III*	Spasticity due to MS (n=189)	Spasticity ($p=0.047$)
Phase III*	Spasticity due to MS (n=337)	Spasticity $p<0.05$ (PP); $p>0.05$ (ITT)
Phase III*	Enriched design/known responder (n=241)	Spasticity score ($p=0.0002$); 8 secondary endpoints (<0.05)
Cancer pain		
Phase II	All pain studies	Pain ($p<0.05$)
Phase III	Cancer pain (n=177)	Pain ($p=0.014$); constipation ($p=0.07$).

Source: Edison Investment Research

Exhibit 5: Recent Sativex clinical trial results/publications

Indication	Study results/notes
Cancer pain	177 pt Phase II study in opioid-refractory cancer pain comparing Sativex, THC only extract and placebo. Significant improvement on Sativex vs placebo ($p=0.024$), while there was no difference between the THC extract vs placebo. Responder analysis shows 43% of Sativex treated pts achieved a >30% improvement in pain score vs 21% placebo ($p=0.006$), while THC extract group responder rate was similar to placebo (23% vs. 21%). <i>Journal of Pain and Symptom Management</i> .
MS Spasticity	241-pt Phase III trial in pre-identified responders yielded significant improvement in NRS spasticity scores ($p=0.0002$) and in a range of secondary endpoints, including sleep quality, spasm, responders, physician, carer and patient GIC and Barthel ADL Index (see Exhibit 3). Presented at ECTRIMS (Sept 2009).
Diabetic peripheral neuropathy	30 pt study shows significant improvement in pain scores in both groups but no significant difference between mean change between groups or in secondary outcome measures. Depression was a major confounding factor. <i>Diabetes Care</i> . 2009 Oct 6. Selvarajah D <i>et al</i> .
N/A	8-week crossover trial in 17 cannabis-naïve MS pts shows no psychopathology or cognitive impairment. However, study finds positive correlation between Delta-9-THC and interpersonal sensitivity, aggressive behaviour, and paranoid tendencies subscales of the Symptom Checklist-90 suggesting problems may arise at supra-therapeutic dosages. <i>Clin Neuropharmacol</i> . 2009 Jan-Feb;32(1):41-7.
Neuropathic pain in MS	Five-week study in 339 pts (167 Sativex, 172 placebo) shows trends in favour of Sativex. Results appear to have been confounded by patient's ability to self-titrate.
Opioid refractory cancer pain	177-pt two-week trial show a decrease in NRS pain score ($p=0.014$). Responder analysis indicates 43% of pts on Sativex show a clinically meaningful >30% improvement in pain ($p=0.024$). No significant changes in the use of escape medication, a co-primary endpoint. The other active arm of this study did not show a significant effect in pain ($p=0.24$).
Neuropathic pain in MS	63-pt open-label study. Mean duration of treatment was 463 days, with 34 pts (54%) completing >1 year of treatment with Sativex and 28 pts (44%) completing the open-label trial with a mean duration of 839 days. Mean. In the 28 (44%) pts who completed the two-year follow up, the mean NRS-11 pain score in the final week of treatment was 2.9. 58 pts (92%) pts experienced ≥ 1 treatment-related AE. The mean number of sprays and pts experiencing intoxication remained stable throughout the follow-up trial. Improvements in pain scores for pts completing extension show sustained improvement over two years. Mean number of sprays remains stable throughout the two-year period, suggesting no evidence of tolerance (ie requirement to escalate dose). <i>Journal of Clinical Therapeutics</i> (2007 Sep;29(9):2068-79).
Neuropathic pain characterised by allodynia	Five-week trial in 125 pts (63 Sativex, 62 placebo) demonstrates reduction of pain ($p=0.004$); significant improvements also seen in Neuropathic Pain Scale composite score ($p=0.007$), sleep disturbance ($p=0.001$), dynamic allodynia ($p=0.042$), punctate allodynia ($p=0.021$), pain disability index ($p=0.003$) and patients' GIC ($p<0.0001$). Pts continued to take their existing medication throughout the trial (69% were taking opioids). <i>Pain</i> , 2007 Dec 15;133(1-3):210-20.
Spasticity associated with MS	Six-week study in 189 shows reduction in spasticity ($p<0.05$). Approx. 40% of pts achieve a more than 30% improvement in spasticity. Pts continue to take their existing medication throughout the trial. <i>European Journal of Neurology</i> (2007) 14 (3), 290–296.
Peripheral neuropathic pain (allodynia)	246-pt study shows statistically significant improvement in primary endpoint of pain relief ($p=0.03$) and two of the pain-related secondary efficacy endpoints: patient's GIC ($p<0.03$) and assessment of sleep quality ($p<0.01$). All the other secondary efficacy endpoints were in favour of Sativex. Unpublished.
Diabetic neuropathy study	297-pts study in shows non-significant trends in favour of Sativex seen in all outcome measures, as a result of abnormally high response in the placebo group. Study showed 30% mean improvement in pain scores with one-third of Sativex pts achieving a >50% improvement in pain. Unpublished.
Spasticity associated with MS	15-week study in 337 pts (167 Sativex, 170 placebo) with severe spasticity associated with MS. Significant reductions in spasticity in the per protocol population, with 36% of PP pts reporting a >30% improvement in spasticity symptoms ($p<0.05$), the primary endpoint, and in two key secondary endpoints (responder analysis and the carer GIC). Outcomes in the ITT population show non-significant trends in favour of Sativex. Sativex-treated pts reported improvements in secondary endpoints, including sleep assessments at clinic visits; a timed 10m walk, quality of life measures, spasm severity and bladder symptoms. <i>Multiple Sclerosis</i> (2006 Oct;12(5):639-45).
MS associated bladder problems	135-pt Phase III study in bladder over activity associated with MS. Significant improvements in various bladder symptoms, including nocturia ($p=0.01$), daytime frequency ($p=0.044$), frequency per 24 hours ($p=0.001$), bladder symptom severity ($p=0.001$) and patient's GIC ($p=0.005$). A trend in favour of Sativex in urgency ($p=0.07$). Data presented at ECTRIMS 2006.
Spasticity assoc. with MS	Pooled analysis across three completed MS spasticity studies, incorporating a total of 652 pts, shows Sativex to be significantly superior to placebo ($p<0.05$).
Pain associated with RA	Study in 56 pts (31 Sativex, 27 placebo) with rheumatoid arthritis shows statistically significant improvements in pain on movement, pain at rest, quality of sleep, inflammation and intensity of pain <i>Rheumatology</i> (2006 Jan;45(1):50-2).
Central neuropathic pain in MS	66-patient study in pts with severe central neuropathic pain not alleviated by currently available medications (pts continued to take their existing medication throughout the trial). Results showed superiority to placebo in reducing the mean intensity of pain ($p=0.005$) and sleep disturbance ($p=0.003$). <i>Neurology</i> (2005 Sep 27;65(6):812-9).
Chronic pain	48 pts treated with chronic pain associated with brachial plexus root avulsion (a model of neuropathic pain) in crossover study of three, two-week treatment periods. Significant reduction in mean pain severity score in last seven days of treatment, and pain-related quality of life, a secondary outcome. <i>Pain</i> (2004 Dec;112(3):299-306).

Source: Edison Investment Research

Sensitivities

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Valuation

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Financials

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GW funded R&D expenditure in FY09 was £6.8m, which we expect to rise with the start of the planned Phase II trial of THCv:CBD combinations in diabetes/metabolic syndrome. R&D expenditure funded by Otsuka was £12.5m in FY09. GW ended the year with cash of £20.8m and, assuming Sativex is approved as expected, should be broadly cash neutral in 2011 and strongly cash generative thereafter. GW finished its fiscal year with £20.6m in cash. We note that GW is able to utilise tax losses (£43.6m of unutilised losses was available as of 30 September 2008), so we do not expect tax to be paid until around 2014. A revenue breakdown is shown in Exhibit 6 and our financial model is summarised in Exhibit 7.

Exhibit 6: Forecast revenue breakdown

Event/notes	2009	2010e	2011e
Sativex sales	£1.7m	£2.3m	£4.8m
R&D fees received	£12.5m	£12.5m	£12.5m
Signature fees (recognition of deferred revenue)	£1.9m	£1.9m	£1.9m
Otsuka milestone on start of Phase III in cancer pain	–	–	£3.0m
Almirall milestone on inclusion of Spain in EU filing	£8.0m	–	–
Bayer milestone on UK approval	–	£10.0m	–
Almirall milestone on approvals in EU	–	£2.5m	£0.5m
Bayer milestone on Canada MS spasticity approval	–	–	£1.0m

Source: Edison Investment Research

Exhibit 7: GW financials

Note: 2009 and 2010 revenue includes significant milestones received and expected under the Bayer and Almirall deals.

	£'000s	2007 IFRS	2008 IFRS	2009 IFRS	2010e IFRS	2011e IFRS
Year end 30 September						
PROFIT & LOSS						
Revenue		5,677	11,774	24,121	29,278	23,808
Cost of sales		(254)	(249)	(433)	(602)	(1,216)
Gross profit		5,423	11,525	23,688	28,677	22,592
EBITDA		(12,059)	(9,862)	2,114	5,983	(398)
Intangible amortisation		0	0	0	0	0
Exceptionals		0	0	0	0	0
Share-based payment		(1,130)	(726)	(634)	(600)	(600)
Operating profit		(13,559)	(11,003)	1,024	4,983	(1,398)
Net Interest		958	809	128	150	250
Profit before tax (excl intangible amortisation and SBP)		(11,471)	(9,468)	1,786	5,733	(548)
Profit before tax (FRS 3)		(12,601)	(10,194)	1,152	5,133	(1,148)
Tax		2,015	1,974	353	0	0
Profit after tax (FRS 3)		(10,586)	(8,220)	1,505	5,133	(1,148)
Average number of shares outstanding (m)		120.1	120.5	125.0	129.3	129.3
EPS - excl intangible amortisation and SBP (p)		(7.9)	(6.2)	1.7	4.4	(0.4)
EPS - FRS 3 (p)		(8.8)	(6.8)	1.2	4.0	(0.9)
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0
BALANCE SHEET						
Fixed assets		6,292	6,317	7,068	7,668	8,268
Intangible assets		5,210	5,210	5,210	5,210	5,210
Tangible assets		1,082	1,107	1,858	2,458	3,058
Investments		0	0	0	0	0
Current assets		24,316	17,129	22,323	25,603	25,611
Stocks		535	503	551	765	1,587
Debtors		2,815	2,572	1,171	1,288	1,481
Cash		20,966	14,054	20,601	23,549	22,543
Current liabilities		(7,646)	(9,774)	(9,125)	(7,400)	(6,372)
Creditors		(4,186)	(5,363)	(4,531)	(5,500)	(4,472)
Short-term borrowings		0	0	0	0	0
Deferred revenue & advance payments		(3,460)	(4,411)	(4,594)	(1,900)	(1,900)
Long-term liabilities		(17,299)	(15,399)	(13,544)	(11,644)	(9,744)
Long-term borrowings		0	0	0	0	0
Deferred revenue		(17,299)	(15,399)	(13,499)	(11,599)	(9,699)
Other long-term liabilities		0	0	(45)	(45)	(45)
Net assets		5,663	(1,727)	6,722	14,227	17,763
CASH FLOW						
Operating cash flow		(1,453)	(9,588)	(571)	3,445	(256)
Net interest		960	821	127	150	250
Tax		2,022	2,191	1,791	353	0
Capex		(500)	(440)	(1,061)	(1,000)	(1,000)
Expenditure on intangibles		0	0	0	0	0
Acquisitions/disposals		0	0	0	0	0
Financing		62	104	6,261	0	0
Dividends		0	0	0	0	0
Net cash flow		1,091	(6,912)	6,547	2,948	(1,006)
Opening net debt/(cash)		(19,875)	(20,966)	(14,054)	(20,601)	(23,549)
HP finance leases initiated		0	0	0	0	0
Other		0	0	0	0	0
Closing net debt/(cash)		(20,966)	(14,054)	(20,601)	(23,549)	(22,543)

Source: Edison Investment Research, GW Pharmaceuticals

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