

SPECIAL REPORT

# Healthcare and Biotech Stocks to buy NOW

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## Healthcare and Biotech Stocks to Buy NOW

They say there's always a bull market somewhere. Though a lot of investors probably don't believe any stocks can make a sustained move higher these days.

Any skeptical investor ought to have a look at biotech. Even though the financial meltdown took biotech stocks with it, you won't find many sectors that have bounced back as vigorously as biotech.

Using a variety of Exchange Traded Funds (ETF) as benchmarks, it's easy to paint a pretty ugly picture. Over the last year, retail is down 40%, technology is down 30%, oil is down 70%, and oil services is down 60%. The financials aren't even worth mentioning.

But biotech? That sector, as measured by a couple ETFs is flat to up slightly for the trailing 12 months. Given the devastation of nearly every sector, the relative strength of the biotech sector counts as a bull market. A raging, stampeding, take-no-prisoners bull market.

There are a few reasons for this.

First and foremost, it has to do with the fact that nothing is farther from financial and housing stocks than biotech. That's obviously helps to understand why the bioetchs haven't fallen as far as other sectors. But it doesn't explain the strength in biotech

There are a couple fundamental reasons for the strength in biotech. It's been just about a decade since the human genome was mapped. Now, companies have had time to develop effective gene-based medicines and therapies.

Many of these drugs are in trials now, and that means the promise of gene-based medicines is quickly becoming a reality. More effective treatments means more dollars to the bottom line of these companies.

The FDA has also implemented a streamlined approval process. Many more drugs get fast-tracked these days. It's cheaper and faster to get a drug to market, which means investments in research and development are recouped faster.

Finally, the big pharmaceutical companies like Merck, Pfizer, etc. are facing increased competition and have depleted drug development pipelines. They are facing expiration patents for blockbuster drugs, increased competition from generic manufacturers and the prospect of increased price controls threatens future profit margins.

So big pharma has taken to buying out key biotech players as a strategy to offset the other threats to their business. And that means a golden age for biotech companies and their investors.

Now, any biotech that shows positive results in drug trials immediately becomes a takeover candidate. That, in turn, virtually guarantees a solid run in stock price.

Also, we now have an administration in the White House that is promoting research and development of innovative drugs. The reversal of the ban on stem cell research is probably the most visible move president Obama has made. And that sent the key players launching higher.

Finally, there's a demographic motivation for investing in biotech and healthcare stocks. The baby boomer generation has started retiring. And that means we're at the start of a major trend up for health services and drugs as this massive population ages.

In this report, you'll find our Top 3 Picks in the biotech/healthcare sectors.

We've got a biotech with a blockbuster obesity drug in late-stage testing. It's partnered with Merck, so success could mean a huge buyout.

President Obama has made it clear that healthcare needs to catch up to the 21<sup>st</sup> century. Putting medical records in electronic form is expected to save time and prevent mistakes. We've got a healthcare IT company that should benefit from the medical spending provisions in Obama's stimulus package.

Finally we've got what can only be described as a "biotech drugstore." This company has 5 different drugs in late-stage trials. And its partnerships with both Glaxo and Astrogeneca mean the buyout potential is high.

## SXC Health Solutions Corp.

### **SXC Health Solutions Corp. (Nasdaq:SXCI)**

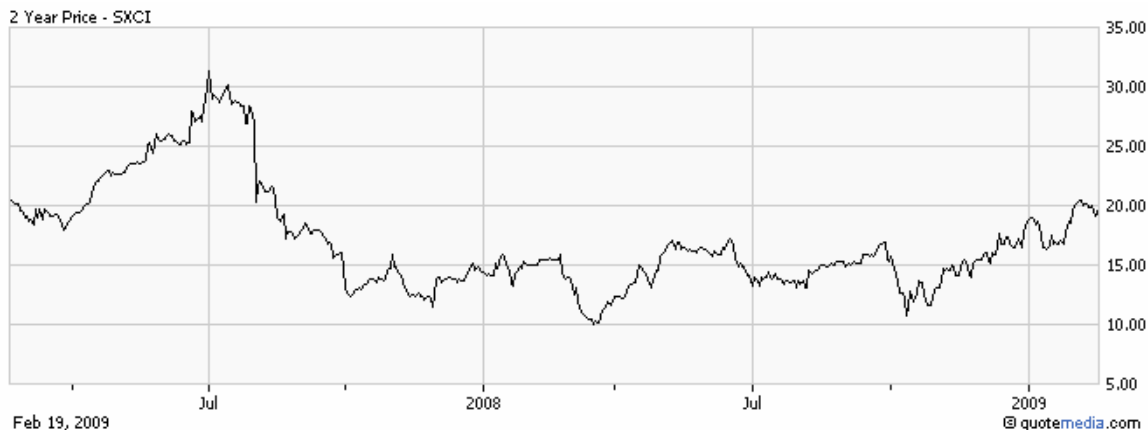
Lisle, Illinois

Website: <http://www.sxc.com>

52-week high/low: \$9.85/\$20.78

Share's Outstanding: 24 million

Market Capitalization: 470 million



The way **SXC Health Solutions** (Nasdaq:[SXCI](#)) sees it, even through current market malaise, the company is standing firm with its two corporate feet firmly planted in two complementary arenas: it's providing pharmacy benefits management services and developing the technology engine needed to keep costs under control.

Bringing down health-care costs remains a hot-button issue, as the baby boomers reach retirement age, Medicaid and Medicare grow, and drug costs continue to rise.

SXC Health Solutions, formerly known as Systems Xcellence, is a niche player in the benefits marketplace. Headquartered outside Chicago, SXC Health is a provider of health-care information technology solutions and services to providers, payers and other participants in the pharmaceutical supply chain in North America.

SXC Health's informed Rx business sells management services mostly to government and universities, while its Healthcare IT Group develops the technology behind the services and provides a revenue stream via software licensing.

SXC Health Solutions is redefining pharmacy benefit management by providing a broad range of pharmacy spend management solutions and information technology capabilities. The company is a leader in delivering an innovative mix of market expertise, information technology, clinical capability, scale of operations, mail order and specialty pharmacy offerings to a wide variety of healthcare payor organizations including health plans, Medicare, managed and fee-for-service state Medicaid plans, long-term care facilities, unions, third-party administrators and self-insured employers.

## Theravance

### Theravance (Nasdaq:THRX)

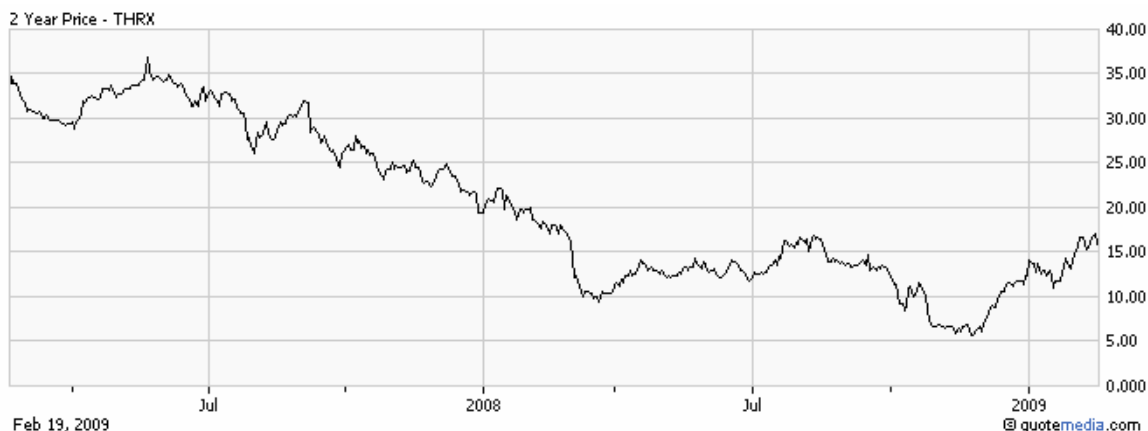
San Francisco, Calif.

Website: <http://www.theravance.com>

52-week high/low: \$4.32/\$18.90

Share's Outstanding: 62 million

Market Capitalization: 960 million



**Theravance, Inc. (Nasdaq:THRX)** is a biopharmaceutical company with a pipeline of internally discovered product candidates. The company is focused on the discovery, development and commercialization of small molecule medicines across a number of therapeutic areas, including respiratory disease, bacterial infections and gastrointestinal motility dysfunction.

Theravance's strategy is to seek collaborations with leading global pharmaceutical companies, such as GlaxoSmithKline and Astellas Pharma Inc., to accelerate development and commercialization of its product candidate pipeline at the strategically appropriate time, according to the company's website.

The company's drug discovery efforts are based on our expertise in multivalency, which involves the simultaneous attachment of a single molecule to multiple binding sites on one or more biological targets. Theravance believes that by applying its expertise in multivalency, it can discover medicines that will be superior to many market-leading medicines by substantially improving potency, duration of action and/or selectivity.

Theravance's decision to develop multiple compounds for the same program could improve the probability of successful development, says Morningstar, which points out that the fact that all of Theravance's drug candidates originate from its proprietary multivalency technology lends credibility to its methods. According to Morningstar, Theravance stands to gain significant royalty revenue from its partnerships that could make the firm highly profitable in the long run. Theravance's prospects are better than those of most small biotech firms.

## Arena Pharmaceuticals, Inc.

### **Arena Pharmaceuticals, Inc. (Nasdaq:ARNA)**

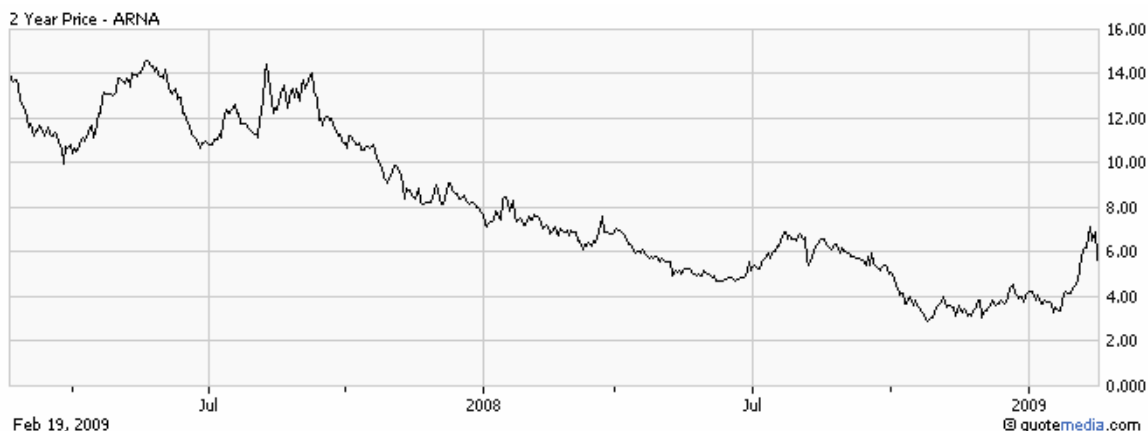
San Francisco, Calif.

Website: <http://www.theravance.com>

52-week high/low: \$2.70/\$7.75

Share's Outstanding: 74 million

Market Capitalization: 400 million



**Arena Pharmaceuticals, Inc. (Nasdaq:ARNA)** is a clinical-stage biopharmaceutical company focused on the discovering, developing and commercializing oral drugs in four therapeutic areas: cardiovascular, central nervous system, inflammatory and metabolic diseases.

The company's lead drug candidate, lorcaserin, is intended for the treatment of obesity and is being evaluated in a Phase 3 clinical trial program. According to Morningstar, more than 30% of the U.S. population is considered obese, representing a large market opportunity for lorcaserin, if it receives approval.

The pharmaceutical company also has other proprietary programs where it is evaluating compounds independently as well as programs where it is evaluating compounds with partners, including Merck and Ortho-McNeil-Janssen Pharmaceuticals, Inc.

Arena focuses its research and development efforts on G protein-coupled receptors, or GPCRs, because they are a validated class of drug targets that mediate the majority of cell-to-cell communication in humans. A high percentage of today's prescription drugs target one or more GPCRs, according to the company's website, and Arena believes that approved GPCR-based drugs target about 30% of the known non-sensory GPCRs.

The company's scientific and business strategy includes discovering and developing additional small molecule drug candidates targeting GPCRS, focusing on attractive market opportunities (such as obesity and diabetes) and maintaining strong discovery research capabilities.

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You just read a sampling of the kinds of stocks that we expect big gains from in the coming year with **SmallCapInvestor PRO**. Healthcare and biotech are two of the sectors with the most promise for not only helping investors weather current market conditions, but actually seeing double and triple digits gains.

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1. Find stocks in companies that are fundamentally sound and leaders in growing industries for double (and even triple) digit gains during this recession.
2. Find stocks for triple digit gains and even higher as the broader markets recover.

In each of the last 18 recessions it's been small cap stocks, like the ones we bring to **SmallCapInvestor PRO** subscribers and the ones you've read about in this report, that have lead the market to recovery. And this time is no different.

Chief Investment Strategist Ian Wyatt did this before with the 2001-2003 bear market with his Growth Report service and he's doing it again with **SmallCapInvestor PRO**.

During and after the last recession Ian put up some big numbers, like...

- 746% on J2 Global
- 705% on Bankrate
- 649% on Peyto Energy Trust
- 311% on FindWhat
- 444% on Lexar Media
- 203% on eSpeed
- 251% on iMergent

These gains were the norm, not the exception. And this time he's doing it all over again and you can join him for profits.

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