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Devonian Health Group feature analysis

Biopharma acquisition provides commercialization edge

The Stockhouse audience has already been introduced to **Devonian Health Group Inc** ([TSX: V.GSD, Forum](#)), in a full-length [feature article](#) from September 2017.

Farm to Pharm

The Company's corporate mantra reflects the nature of its business model: a botanical pharmaceutical corporation. Botanical drugs are not merely derived from natural plant sources. These products keep the "active complexes" from these natural substances, thereby preserving their full efficacious properties.

GSD already has a dynamic pipeline of botanical pharmaceuticals, including several at advanced stages of development. The key to producing such products is extraction. Devonian has a proprietary process for the optimal extraction of these active complexes: Suprex.

This closely-guarded secret has already been the subject of numerous discussions between the Company's management and other highly interested pharmaceutical companies. Why such strong interest?

A large part of this stems from the Patent Cliff. Big Pharma is presently seeing massive erosion of its revenue base through the expiry of some of the pharmaceutical sector's most-lucrative drug patents. This is creating huge holes in the pipelines of these large-cap pharma companies.

Meanwhile, the conventional drug development process has gotten extremely expensive and extremely slow. Biopharma, and more specifically, botanical drugs are the answer.

Being derived from natural substances often means less time and lower drug-development costs versus traditional, chemical-based pharmaceuticals. In turn, the far superior safety profile for botanical pharmaceuticals means fewer concerns with drug side effects – meaning much more patient-friendly products.

Devonian's clinical drug development initiatives are presently targeting a wide array of diseases and health issues, including ulcerative colitis, atopic dermatitis, cancer, neurological disorders, cardiovascular disease, diabetes, pulmonary disease, Alzheimer's disease, arthritis, and autoimmune diseases. A significant component of this business model is an extremely lean, streamlined corporate structure.

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A Streamlined Core Business Model



Advantages of Rx Botanical Drugs¹

- > Favorable drug development pathway by the FDA
- > Faster pre-clinical development
- > Less costly to reach proof-of-concept
- > Cleared for specific indications like regular drugs
- > Coded and accessible for medication reimbursement plans
- > Marketing exclusivity up to 5 years² even in absence of patent protection
- > Generic copies are hardly obtainable³

Efficient License-in/out Model

- > Focus on development of disease-specific pharma products
- > Build a strong IP and TM portfolio
- > Conclude strategic alliances with the best commercial partners for in-licensing deals
- > Maintain a lean organization: focus on development
 - > We don't do discovery research
 - > We don't invest in laboratory infrastructure
- > Low "burn-rate"



(1) Over regular prescription drugs: synthetic, semi-synthetic, highly purified or chemically modified drugs

(2) Marketing exclusivity for 5 years for new chemical entities, 3 years from time of approval

(3) Patent benefits: With botanicals, No Patent, No Expiry, says Samit Choudhry, May 22, 2011.

In addition, GSD is also aggressively pursuing commercial opportunities with its derma-cosmeceutical products. Specifically, Devonian is confident it has pioneered a **superior anti-aging product**. Its internal testing has shown visibly stronger results versus existing 'anti-aging' products, including high-profile, top-end brand lines.

For investors, what could be added to this equation to make GSD's business model even more attractive as the Company's products near market roll-outs? More energy and expertise devoted to the marketing and commercialization of these potentially lucrative pharmaceutical and cosmeceutical products.

With this goal in mind, on [February 1, 2018](#), Devonian announced a new acquisition: Altius Healthcare Inc. Altius is a private company, also involved in the production, marketing, and distribution of pharmaceutical products. So where are the synergies here?

A strong clue comes in the news release itself:

*Based in Concord, Ontario, **Altius Healthcare is a specialty pharmaceutical company with a primary focus of acquiring and in-licensing safe and innovative medicines and healthcare products designed to help people of all ages live healthier lives. Altius then leverages its expertise in the commercialisation activities required to successfully launch and distribute these medicines in Canada. The teams diverse experience and expertise draws from nearly 40 years of producing, importing, marketing and distributing branded and generic medicines.*** [emphasis mine]

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Commercialization expertise. Dr. André P. Boulet, President and CEO of Devonian, offered additional insights:

Altius' cash flow and strong Canadian franchise complement our business model and further diversify our pharmaceutical product platform. The compelling financial and operational platform we are creating through this Acquisition will leave Devonian well positioned to continue its growth and [build] value for our shareholders.

Cash flow as well. Devonian's strengths are on the R&D/development side of the industry. Altius acquires and commercializes prospective pharmaceutical (and health) products and brings additional revenues to expedite commercialization. Alternately, this revenue stream can be deployed to offset development costs – and that means less future dilution.

The two companies would seem to be a natural fit. Indeed, back on [September 28, 2017](#); Devonian and Altius had already inked a deal: an exclusive marketing/distribution agreement with respect to GSD's Purgenesis™ anti-aging treatment.

The two partners got so enthused about the potential of their joint venture that they decided to get married. Now investors have the opportunity to take advantage of this combined entity.

Big Pharma needs new drugs. *Everyone* wants a better anti-aging product. Devonian can supply both. Altius is the vehicle to help to optimize the commercialization of these products. Opportunity knocks.

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