



Know when to hold-em!
 Know when to fold-em!
 Know where to set stops!
 Know when to run!
 Never count your portfolio
 Until the sells are done..

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We have done very well buying these bio tech stocks below cash value. For a little background on what happened, there was an enormous bull market in bio tech when Covid-19 arrived. It was a huge boost to drugs, vaccines and medical equipment. Big pharma and others made a \$trillion plus and many companies did financings and raised a lot of cash. Then the gauntlet fell.

Once it was discovered that Covid-19 was highly exaggerated and much narrative was false, then the vaccines failed to work as they promised, the whole sector fell apart and went into a very bad bear market. The mRNA vaccine makers were slaughtered with Moderna plunging -85% from it's peak, Bionteck -80% and Pfizer -57%. However the whole sector went into a bear market and bio tech companies that had nothing to do with Covid-19 were sold off heavily as well. That brings us to today where we have taken advantage of these bio techs way below cash value. Most of them have recovered to their cash value or better, but here is a laggard that is a real good deal.

Nektar Therapeutics NASDAQ: NKTR (symbol close to one of our other big gains, NKTX)

Recent Price - \$0.71 Shares outstanding – 190 million

Cash and Marketable Securities \$372 million as of Sept. 30/2023. They stated in last financials that they will end the year with \$320M cash.

That cash value is about \$1.68/share and the stock is selling around -58% discount to cash value.

Nektar Therapeutics is a biopharmaceutical company with a robust, wholly owned R&D pipeline of investigational medicines in immunology and oncology as well as a portfolio of approved partnered medicines. Nektar is headquartered in San Francisco, California, with additional manufacturing operations in Huntsville, Alabama.

Their main candidate is NKTR-255. It is a novel polymer-conjugated human IL-15 receptor agonist currently being studied in three separate clinical studies in combination with cell therapies and immunotherapies. Preclinical and early clinical data suggest that NKTR-255 can improve proliferation and persistence of NK and CD8⁺ T cells to enhance specific anti-tumor activity. **It occurs to me that these bio techs with a focus on immunology/lupis are getting some attention.**

They describe as - NKTR-255 is a biologic that targets the IL-15 pathway in order to activate the body's innate and adaptive immunity. Through optimal engagement of the IL-15 receptor complex, NKTR-255 is designed to enhance functional NK cell populations and formation of long-term immunological memory, which may lead to sustained and durable anti-tumor immune response.

In September 2023, Nektar announced a clinical study collaboration with Cellular Biomedicine Group Inc. (CBMG) to evaluate NKTR-255 in combination with C-TIL051 in advanced non-small cell lung cancer (NSCLC) patients that are relapsed or refractory to anti-PD-1 therapy. This highlights the potential of NKTR-255 in combination with a range of cell therapies in liquid and solid tumors.

Now there is still lots of risk with their drug development but there is another very interesting factor that could pop the stock, a lawsuit settlement.

The stock tumbled from \$10 in April 2022 on a failed trial with Bristol and tumbled again from \$3 in Feb. 2023 on a different Phase 2 failure with their partner Lily (NY:LLY), testing their drug REZPEG for lupus. Lily is huge, they side stepped the covid thing and the stock has gone from \$150 to \$750 in the last few years. They have about \$28 billion in sales per year and have about \$2.5 billion in cash.

In Aug 2023, Nektar [announced](#) they believe **Lilly intentionally botched** the trial results, and they've launched a lawsuit against Lilly. That same day RA Capital, a \$5B biotech fund, bought 9.8% of Nektar at around \$1. You can read the lawsuit ([here](#)). They claim Lilly botched the trial data **following their purchase of competitor Dermira for \$1B**. The lawsuit is very factually presented by a well-established business litigation law firm ([Quinn Emanuel here](#)) which has [won several "most feared" awards](#) for their litigation work. Lilly's move for dismissal was heard on Jan 11, 2024 (but nothing public).

This is info quoted from the lawsuit introduction that gives the brief outline.

"This case involves the all-too-familiar story of a large pharmaceutical company elevating profits over all else. Lilly, one of the largest pharmaceutical companies in the world, shirked its clinical and contractual responsibilities to its joint development partner, San Francisco-based Nektar. Nektar had developed a promising new biologic therapy candidate called rezpegaldesleukin ("REZPEG") to treat a host of autoimmune diseases. After entering into the joint development agreement with Nektar regarding REZPEG and committing to spearhead its development, Lilly purchased another company with a competing drug candidate that was also under development. Thereafter, Lilly executed on a scheme to ensure that REZPEG would never succeed."

"First, Lilly botched the REZPEG data analysis of early clinical trials it conducted under the partnership, which Nektar has only recently discovered resulted in false and inaccurate clinical results being reported. Then, Lilly delayed the development and commencement of additional trials for REZPEG by creating clinically unreasonable trial designs and fabricating excuses for why the drug was not likely to be a commercial success. Lilly's scheme was designed to justify its eventual termination of the parties' agreement, avoid significant payments due to Nektar thereunder, and tarnish REZPEG, thereby delaying or preventing its introduction into the market to compete against Lilly's newly-acquired drug candidate."

The next hearing is March 7th, so it's still in progress. The Lilly partnership paid Nektar an initial \$150m, plus \$250m milestone payments (not paid). Assuming Nektar wins the case, I would expect they would at least get the milestone payments of \$250 million and maybe much more like \$500/\$600 million. Lilly could drag this on a while or it could settle quickly if Lilly believes they will eventually lose. An earlier settlement could likely be done for less, on the lower side.

Between the discount to cash value, potential positive results on their drug portfolio and the law suit, I believe we have good odd to make some great returns here and I like the chart also.



It looks like the stock has broken out to the upside so it's new up trend could be started. First major resistance is around \$1.00 and next would be up to around \$1.70 which is around the cash value. Ultimately the stock could fill the gap between \$1.70 and \$3.00 and perhaps higher on a positive outcome of the lawsuit.

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