

The Future For Treating High Triglycerides: Krill Oil Neptune Style

About: [Neptune Technologies & Bioresources Inc \(NEPT\)](#),

Disclosure: I have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.

I recently came across a very interesting company as I was doing some extra DD on Amarin Corp. ([AMRN](#)), and it's AMR101 treatment for high triglycerides, **Neptune Technologies & Bioresources Inc. ([NEPT](#))**, 7/3/12 pps: \$4.92, which might have an eventual better treatment in its arsenal.



Neptune researches, develops, and commercializes proprietary bioactive ingredients and products with clinically proven health benefits. The company extracts a range of bioactive ingredients such as novel proprietary omega-3 phospholipids from abundant yet underexploited marine biomass including Krill, a cold deep water zooplankton. Neptune's first commercially available product is Neptune Krill Oil ([NKO](#)), which represents the only clinically proven and scientifically acknowledged marine omega-3 phospholipids with cardiovascular, cognitive, and anti-inflammatory benefits. In addition, NKO shows unmet safety and purity standards which represent a new level of excellence in omega-3 standards.

Neptune is pursuing market opportunities in the nutraceutical market including dietary supplements and functional foods. The company is benefiting from opportunities in the pharmaceutical market through its subsidiaries Acasti Pharma and NeuroBioPharm (including medical food, over-the-counter and prescription drug applications).

Neptune's majority-owned subsidiary, Acasti Pharma, is pursuing a potential blockbuster indication in cardiovascular disease. CaPre[®], a concentrated form of NKO[®], is in Phase 2 clinical trials targeting the large hypertriglyceridemia market. Lovaza[™], an omega-3 fatty acid approved for lowering triglycerides, recorded 2011 sales of \$1.1B in the U.S. alone. The company that initially introduced Lovaza[™] was acquired for \$1.7B in 2007. Amarin, with positive pivotal data for the same indication, is valued at \$1.4B. In my opinion, CaPre[®] could become an important value driver for Neptune.

Frequently, people have been prescribed a statin such as Lipitor from Pfizer ([PFE](#)), Crestor from Astrazeneca ([AZN](#)), and Zocor from Merck ([MRK](#)) to combat these high

triglycerides. The reason I feel companies such as Neptune have a huge opportunity is because of the side effects common with taking these statins. They include abdominal pain, constipation, and muscle aches. Also, you shouldn't take one of these medications if you are pregnant or have active liver disease. The benefits seem pretty clear to me and are starting to shine the spotlight on this up and coming company.

Neptune's recent accomplishments include:

- Initiating a Phase II clinical trial and an open label trial, through its subsidiary Acasti, for the drug candidate CaPre™
- Secured distribution agreements in the U.S. and Canada which have placed Neptune's nutraceutical products in major retailers such as Wal-Mart ([WMT](#)), Walgreen ([WAG](#)), CVS ([CVS](#)) and Shoppers Drug Mart ([OTCPK:SHDMF](#))
- Initiated construction to double the Sherbrooke plant capacity
- Secured orders to almost fully utilize the additional capacity
- Initiated management changes clearly addressing it's future as a global competitor, including adding valuable human resources such as Dr. Harlan Waksal, founder of ImClone Systems, as well as NFL football legend, John Elway
- Generated positive nutraceutical cash flow at higher than expected margins with even better results expected over the next two years.

As noted above, there is some serious expansion plans for Neptune. Let's take a closer look because this is something that I don't see companies doing unless they plan for significant growth. Management indicated that the Sherbrooke, Quebec plant expansion is scheduled for completion in the first quarter of calendar 2013. This expansion is expected to double the current year capacity and will be completed without any interruption of the current production facility. The next phase was originally set to commence in 2014. However, Neptune has now bumped this up to commence in 2013 because of their rapid growth.

Neptune has [recently announced](#) that it has received new orders amounting to \$25 million dollars for calendar year 2013. It's new expansion will enable production to increase even more to support annual sales of approximately \$80 million. "Neptune's team along with a solid performance of our commercial partners have exceeded expectations. Furthermore, we are looking forward to deliver additional volume and to expand our capacity to meet new exciting challenges," said Michel Chartrand, COO. Henri Harland, CEO added, "We are showing continuous growth and strong results which is excellent news for our shareholders."

Neptune's Intellectual Property Strategy:

Neptune obtained U.S. Patent 8,030,348 ('348 Patent) from the U.S. Patent & Trademark Office (USPTO) covering omega-3 phospholipids comprising of polyunsaturated fatty acids, one of the main bioactive ingredients in all recognized Krill Oils. The patent, which covers marine phospholipids to which the omega-3 fatty acids EPA and DHA are bound, was granted for the U.S. market and is valid until 2025. At the request of Aker Biomarine, Neptune's major competitor, the USPTO has agreed to a re-examination of the patent. This occurs with 95% of all patents issued and was anticipated. The process is expected to take 2 to 3 years. Meanwhile the patent awarded to Neptune remains valid and enforceable.

Management further announced that the USPTO has allowed one of its continuation patent applications which contains claims to further support the invention disclosed in the '348 Patent. This is specific to krill extracts comprising a phospholipid suitable for human consumption. These claims cover a variety of krill oil products presently sold in the U.S. market. The fact that the USPTO has allowed this continuation of the '348 Patent after the Aker re-examination request is positive for Neptune's position. I believe these indications will make distributors of competitor krill oils very nervous about the longevity of their brands in the U.S.

Aggressive Investors should consider Neptune for a long term investment in my strong opinion. I think a stock price of \$7 to \$8 a share in the next year is certainly possible.

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