

Ophthotech: a quick follow up

\$OPHT

- Ophthotech (OPHT) announced a strategic review this morning
- The review is great if you're a member of the management team or a believer that the management team has significant skill in identifying unique compounds; for everyone else, not so much.
- The current plans probably call for a capital raise or partner in a few years, and it'll be interesting to see that dynamic play out.

Just a quick follow up on [Ophthotech \(OPHT; disclosure- long a little\)](#) since I just discussed them and today they announced [a strategic review](#). The company is not "limiting any option" but the review will focus on "actively exploring obtaining rights to additional products" given "the company's deep expertise and experience in ophthalmology".

I think it's awfully hilarious that a company that just spent hundreds of millions developing a drug that the phase 3 indicated had the medical equivalence of sugar water thinks they have "deep expertise" in the space. Between this announcement and the retention bonuses handed out earlier this year on the heels of the failed trial, management and the board clearly have a different view of their skill set than the market, which continues to trade their stock below net cash.

If you were convinced the company actually had skill in buying and/or developing drugs, today's announcement is obviously great for you. I don't have that faith, and I'd obviously have preferred to see the company look to sell off their assets and return cash to shareholders. Still, that was probably never an option- as I mentioned in the first post, management and the board don't have much in the way of share ownership, so it probably makes tons of sense for them to look to take another couple of shots at drug development even if shareholders might be better served on a risk adjusted basis by just selling and shutting down.

So, my disappointment aside, it'll be interesting to see the course the strategic review takes and how the company thinks about its longer term future. Let's just assume OPHT does buy up some early stage assets; at some point they'll either need to partner with

someone to develop the drugs or raise a ton of cash to fund trials themselves. Given the experience / outcome for both investors and Novo (a sub of Novo Nordisk that was OPHT's partner for Fovista) in the Fovista trials, I wonder how management will be able to spin a story that gets someone to trust them with even more money for future development.

Things are always interesting in the "busted biotech" world.