

## These Growth Stocks Could Surge With a New NAFTA Deal

### Description

As NAFTA talks continue this week, investors have been trying to position themselves to capitalize on the inevitable changes to the tripartite pact. So far, the potential impact on the [automotive](#) and [dairy industries](#) have dominated headlines, but a renegotiated deal could also have significantly implications for the pharmaceutical industry.

It has been reported that the U.S. is seeking longer data protection for a class of drugs called “biologics.” A longer period of protection means that a generic drug maker would have to wait longer before it can introduce a competing biologic drug into the marketplace.

Biologics are drugs that are composed of or derived from biological molecules, cells, or tissues. Current protection for this class of drugs is eight years, but it has been reported that the U.S. wants this extended to 10 years.

The market for biologic drugs is huge. According to a 2017 report by the Patented Medicine Prices Review Board (PMPRB), a Canadian government agency that regulates the prices of patented medicines, biologic drug sales in Canada totaled \$7 billion in 2017.

Furthermore, as stated in the PMPRB report, the market share (by revenue) of biologic drugs is on the rise; it has increased from 16% in 2009 to 42% in 2017.

As you can imagine, pharmaceutical companies are lobbying hard for longer biologic drug data protection, which would help to offset increasing R&D costs and boost profit.

Two Canadian pharmaceutical companies that would benefit from longer biologic drug patent protection are **Zymeworks Inc.** ([TSX:ZYME](#))(NYSE:ZYME) and **Prometic Life Sciences Inc.** (TSX:PLI).

Zymeworks is a Vancouver-based clinical-stage biopharmaceutical company that develops and commercializes multifunctional biotherapeutic drugs. The company’s revenue, which has grown by an impressive compound annual growth rate (CAGR) of 126% over the last four years, was US\$51.8 million in 2017. The company reported a net loss of US\$10.4 in 2017, which was an improvement from its reported net loss of US\$33.8 million in 2016.

In the second quarter of this year, Zymeworks reported revenue of US\$22 million and a net loss of US\$5.9 million, which were an improvement over its reported revenue of US\$1.3 million and net loss of US\$11 million in the corresponding period last year.

Prometic Life Sciences is a Laval-based biopharmaceutical corporation that specializes in drug discovery for the treatment of rare and orphaned diseases and in the purification of biopharmaceuticals from human plasma. Revenue, which reached \$39.1 million in 2017, has increased by a CAGR of 13% since 2013. Prometic reported a loss of \$109.7 million in 2017, slightly more than the reported \$100.8

million loss in 2016.

Prometic's second-quarter revenue increased from \$3.6 million in 2017 to \$20.2 million in 2018. The company's 2018 second-quarter net loss of \$33.1 million was slightly higher than the net loss of \$31.5 million it reported for the corresponding period last year.

### **Investor takeaway**

NAFTA negotiations are still ongoing, and it is likely that Canada will object to the proposed increase in data protection for biologic drugs over fears that it will dramatically increase healthcare costs.

However, Canada will undoubtedly have to compromise in order to get the NAFTA deal done. Will patent protection for biologics be one area of compromise? Investors should keep their ears to the ground and their eyes on Zymeworks and Prometic Life Sciences.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NASDAQ:ZYME (Zymeworks)

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