



# Biotech Daily

Friday December 15, 2017

*Daily news on ASX-listed biotechnology companies*

## Dr Boreham's Crucible: Dorsavi

By **TIM BOREHAM**

**ASX Code:** DVL

**Share price:** 28 cents

**Shares on issue:** 167,876,971

**Market cap:** \$47.0 million

**Chief executive officer:** Dr Andrew Ronchi

**Board:** Greg Tweedly (chairman), Andrew Ronchi, Ashraf Attia, Dr Michael Panaccio, Caroline Elliott.

**Financials (2016-'17 year):** revenue \$3,897,882 (up 20%), loss of \$3,876,248 (previously \$5,237,000 loss), cash of \$8.6 million (up 43%)

**September quarter:** revenue \$958,000 (down 4.6%), cash outflows \$1.35 million (previously \$219,000), estimated current quarter outflows \$2.309 million, cash balance \$7.06m \*

\* The company subsequently received a \$832,000 R&D Tax Incentive

**Identifiable holders:** Starfish Tech Fund/Starfish Ventures/Michael and Christiana Panaccio/Micana Family Trust 43.43%; Gabrielle Banay 2.17%, Andrew Ronchi 1.43%.

Well before the advent of the Apple Watch, Dorsavi paved the way in the "wearables" sector with its first sensor-based wireless device to measure human movement.

The instruments are small but intricate, containing gyroscopes, accelerometers and magnetometers to assess the way that people twist and step.

Dorsavi operates in the occupational health and safety sector (the Visafe division), clinical measurement (Vimove) and the sports market (Viperform).

The flagship workplace product Myvisafe has been launched in the Australian, US and UK markets.

“With regulatory approval behind us our focus is now firmly on execution and scalability,” says chief executive officer Dr Andrew Ronchi.

The next-gen clinical product Vimove2 has been launched in Australia and in July the company gained Food and Drug Administration 510k (device) clearance to launch in the US.

## **In the beginning**

The underlying technology was devised by physiotherapist Andrew Ronchi and his brother Dan in 2000.

At the time, Andrew was working both in private practice and for AFL football club Melbourne and was becoming frustrated at the use of visual and subjective data to make important patient decisions.

He teamed up with IT guy Dan to devise the first wireless sensor monitoring systems.

Eight years later, the venture had evolved enough to attract the support of Dr Michael Panaccio’s Starfish Technology Fund, which remains the company’s key backer (Dr Panaccio sits on the board).

Dorsavi was formed to acquire the intellectual property from the brothers Ronchi in 2008. By the time Dorsavi listed in December 2013, \$10 million had been spent on development.

## **Move to the Vimove groove**

Vimove2 measures, records and analyzes movements and muscle activity in the lower back and is slated to be launched in the UK this calendar year and in the US in the June quarter next year.

As well as being a pain in the lumbar region, dodgy lower backs are said to cost the US economy \$US100-200 billion a year.

Dorsavi cites clinical trials that suggest Vimove has reduced the incidence of back pain by 45 percent and improved functionality by 73 percent for chronic back pain sufferers.

The devices turn algorithms picked up from the sensors into usable data; and suggest an exercise and treatment regime for the patient.

Relative to the first iteration of the device, Vimove2 has cut the start time from three minutes to 10 seconds and reduces user training time from four hours to 10 minutes.

Vimove2 also has 'run' and 'knee' modules, with Japanese shoe maker Mizuno using the run and analysis function to help customers choose their shoes.

Vimove currently is used by the US clinical trial group Select Medical across 45 locations.

### **Sporting chance of success**

The sports version is used by all the major US acronyms: the NBA, the NFL and NHL. It's also deployed by the AFL, the NRL, Cricket Australia and the Australian Institute of Sport, here.

The company bashfully adds that it's used by the New England Patriots, winner of this year's Super Bowl (and National Hockey League champs Philadelphia Flyers).

The most popular module, the Athletic Movement index, allows sports administrators to benchmark players in terms of susceptibility to injury.

Adding to Dorvasi's local sporting cred, Australian running hero Herb Elliott was chairman until he retired at last month's AGM.

In another boardroom change, Caroline Elliott - daughter of John 'Pigs Arse' Elliott and no relation to Herb - gained a board seat.

### **Promoting a safe workplace**

In the occupational health and safety sector, Visafe enables managers to measure and mitigate high-risk activities based on actual data, rather than gut-feel and opinion.

Dorsavi directly sells Visafe in the UK and Australia and uses seven agents to tap the \$US200 billion US occupational health and safety market.

While Dorsavi gleaned almost half of last year's revenue from workplace safety consulting, the latest version is pitched more at a do-it-yourself approach.

"Senior management is most interested in the ability to remotely monitor their workforce through an easy-to-use dashboard," Dr Ronchi says.

Customers include Crown Casino, Heathrow Airport, the London Underground, the Snowy Hydro Scheme, Coles, Woolworths, BHP Billiton and box maker Orora.

## **Crown Casino gambles on Dorsavi workplace solution**

How many Crown Casino workers does it take to change seven million light globes a year across the gambling den's vast facilities?

Sorry about the lack of a decent punch line, but the answer is: lots.

As with so many other tasks across Crown's Melbourne and Perth facilities, renewing the globes must be done manually, as do 700 other tasks.

With 15,600 employees and contractors and a rocketing workers' compo bill, Crown was an ideal candidate to become Dorsavi's first dinki-di client.

According to Crown's general manager (health and wellbeing) Tony Graham, the use of Dorsavi resulted in subtle but important changes to the layout of gaming tables to reduce the incidence of back and other strains suffered by croupiers.

Despite Crown's palpable enthusiasm for the product - the company has even dubbed its health and safety program the Dorsavi Way - the company has only bought eight sensor kits to date, but expects to purchase up to 100.

## **Financially speaking**

In December last year Dorsavi raised \$7 million in a private placement and share purchase plan.

Last month the company secured a \$1.1 million Federal Government grant, under Canberra's advanced manufacturing incentive program.

True to the gist of the program, Dorsavi will invest in robotic loaders and optical tracking and calibration equipment.

While Dorsavi's revenue trajectory has been solid - it's more a Herb Elliott middle distance stayer than a Stawell Gift winner - we get the impression that potential workplace clients are reluctant to be first movers.

But sales leads have strongly increased in six months, in line with the company's bolstered marketing push that includes engaging more resellers and other parties such as insurers and health and fitness networks.

"We can't forecast revenue but these are strong indicators," Dr Ronchi says.

At Dorsavi's recent AGM, chairman Greg Tweedly said the US clinical market was critical, as the health sector there was more willing to accept data-driven decision making.

Current Visafe contracts range from \$40,000 to \$300,000 each. The clinical and sports deals involve an up-front sum of \$2,000 to \$3,000 and then a similar ongoing annual leasing payment.

**Dr Boreham's diagnosis:**

Dorsavi is often compared to the listed wearables play Catapult Group (ASX code CAT, \$1.41), which has developed sports performance monitoring devices and boasts a similar list of big-league clubs as clients.

But while Catapult shares have, well, catapulted since listing in December 2014 at 55 cents apiece, Dorsavi shares are stuck below their December 2013 listing price of 40 cents a share.

Still, there's no denying Dorsavi is now doing the heavy-lifting and back-breaking work of selling a range of fully-developed products.

***Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He avoids problems by moving very slowly and very gently at all times***