



Biotech Daily

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Dr Boreham's Crucible: Sienna Cancer Diagnostics

By TIM BOREHAM

ASX Code: SDX

Share price: 15 cents

Shares on issue: 180,262,327

Market cap: \$27.0 million

Chief executive officer: Matthew Hoskin

Board: Dr Geoffrey Cumming (chairman), Dr David Earp, Carl Stubbings, Dr John Chiplin

Financials (December half 2016): revenue \$935,793, net profit \$354,702

Major shareholders: David Neate 9.4 percent, Traoj Pty Ltd (Trent Barry) 7.7 percent, Geron Corp (San Francisco biotech) 7.68 percent, University of Texas 2.56 percent.

For investors adhering to the 'follow the money' dictum, the path to Sienna's recent initial public offer should have led to prosperity.

After all, it was a route followed by two monied investors in the guise of ex Macquarie Group chief Allan Moss and rag trader tycoon David Neate.

Instead, Sienna shares closed at 14c on the day – well shy of the 20 cent offer price – because parties in a pre-IPO offering saw the opportunity to take profits.

We have to say at the outset the reaction is not commensurate with the reasonable success of the IPO – \$4.6 million of the targeted maximum of \$6 million - or, more importantly, the enormous potential of Sienna's simple diagnosis tool for pathology labs.

We're sure the aforementioned monied gentlemen are in it for the long haul, but check the exits for any strands of fine Armani cotton thread nonetheless.

Sienna's test

In short, Sienna has developed an in-vitro test to detect the biomarker telomerase, which is prevalent in 85 percent of all epithelial (tissue-based) cancers.

In other words, most of them.

A biomarker is a natural occurring item (such as a molecule) that identifies the presence of a disease.

Sienna's product goes by the snappy moniker of Anti-hTERT antibody (SCD-A7), because it detects the suspect telomerase component h-TERT in abnormal cells.

(We hate to bat for the marketing industry, but spending a few bob on a branding agency wouldn't go astray).

Telomerase naturally occurs in white blood cells– so it's not much chop good for detecting leukaemia or brain cancers - and is a natural agent for cell repair.

The trouble is, it also the evil weapon cancer cells use to multiply. Telomerase repairs the telomere caps at the ends of chromosomes, but cancer cells use telomerase to replicate immortally.

The role of telomerase in cancer won Melbourne's Prof Elizabeth Blackburn a Nobel Prize in 2009.

Founded by medical entrepreneur David Lance in 2006 as Sienna Capital and looking for a biotech investment, Sienna cottoned on that there was no telomerase-based test.

After three years of failed efforts, it cracked a test able to 'stain' the suspect cells that line the urinary tracts.

The test was advanced by former chief executive officer Dr Kerry Hegarty and later approved in the US, Europe and Australia.

Focus on bladder cancer

Sienna's initial commercial focus is on testing for bladder cancer with urine samples.

Currently, says CEO Matthew Hoskin, samples from patients presenting with cancer symptoms (such as blood in their urine) are tested for abnormal cells under a microscope.

"With all urine cytology tests up to 10 percent will be positive for an identifiable malignancy," he says.

"Our tests won't add much value for that 10 percent, but for the rest they do, because they are not definitive."

Bear in mind that up to a quarter of urine test results will be indeterminate.

In an ideal world of daisies and fluffy kittens, every relevant sample would be double-tested with Sienna's kit.

But as Americans would attest, healthcare boils down to money and preferably someone else's.

In the US, Sienna is achieving an average reimbursement of \$US108 (\$A137) per test. This compares to the list price of around \$US40, which means a decent margin for the path labs even taking sundry costs such as labor into account.

Sienna's target markets are both path labs and the doctors (typically oncologists) who order the tests.

While the path labs generally do tests as ordered by the docs, they have the discretion to do extra biomarker tests in the case of those indeterminate results. That makes the path labs a key target for Sienna's US distributor, Statlab Medical Products.

But insofar as the clinicians need to be comfortable prescribing the tests, the path labs' own extensive sales forces that target the docs are a friend of Sienna as well.

Sienna generates revenue because for two years before the product was approved it sold to Bostwick Laboratories for internal use.

"This was a busy private lab using the test every day and also receiving reimbursement," Mr Hoskin says.

Dr Boreham's diagnosis:

On the raw economics, Statlab needs to penetrate 15 percent of the bladder cancer market for Sienna to become profitable.

“We obviously want more than 15 percent but won’t kid ourselves we will get to 100 percent,” Mr Hoskin says.

Indeed.

In the US 1.3 million to 1.6 million urine cytology tests are carried out every year, implying a market value of at least \$US140 million annually. Globally, around 3.5 million such tests are undertaken and Sienna is on the hunt for distributors to cherry pick this vast market.

While Sienna’s current FDA, EU and TGA approvals relate to bladder cancer and urine, management is working on developing protocols for other cancers (in other words, other bodily samples).

Another measure of Sienna’s potential is that the overall US cancer diagnostics market is worth \$US5.6 billion. On your columnist’s metaphorical wee test, this one ain’t just pissing into the wind.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort – nor an Armani suit.