



Biotech Daily

Tuesday August 20, 2013

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH DOWN: TISSUE THERAP UP 25%, PHYLOGICA DOWN 16%**
- * **GREENS \$2bn SCIENCE FUNDING TO TAKE R&D TO 3% OF GDP**
- * **LABOR PROMISES \$250m MEDICAL RESEARCH INNOVATION FUND**
- * **BLUECHIIP PLACEMENT RAISES \$2.55m**
- * **GE \$4m NANOSONICS US SALES STAFF; EU GREENS 'GAME-CHANGER'**
- * **GENERIC FONDAPARINUX EARNS ALCHEMIA \$9.6m IN 12 MONTHS**
- * **ALLIED PLEADS SCHULTZ, RBS MORGANS TO ASX 30% QUERY**
- * **ANTEO REVENUE UP 22% TO \$1.8m, LOSS DOWN 8% TO \$2.2m**
- * **OBJ REQUESTS CAPITAL RAISING TRADING HALT**

MARKET REPORT

The Australian stock market fell 0.67 percent on Tuesday August 20, 2013 with the S&P ASX 200 down 34.3 points to 5,078.2 points.

Twelve of the Biotech Daily Top 40 stocks were up, 14 fell, nine traded unchanged and five were untraded.

Tissue Therapies was the best, up seven cents or 25 percent to 35 cents with 821,413 shares traded, followed by Ellex up 11.1 percent to 30 cents with 186,830 shares traded.

Alchemia climbed 6.4 percent; both Genetic Technologies and Phosphagenics were up five percent; Nanosonics and Prana were up more than four percent; Anteo was up 3.6 percent; Circadian rose 2.2 percent; Bionomics, CSL, Resmed and Viralytics were up more than one percent; with Universal Biosensors up 0.7 percent.

Phylogica led the falls, down 0.3 cents or 15.8 percent to 1.6 cents with 200,000 shares traded.

Allied Health and Reva lost more than seven percent; Prima fell 5.75 percent; GI Dynamics was down 4.1 percent; Avita, Benitec, Osprey, Pharmaxis and QRX were down more than three percent; Mesoblast and Starpharma shed more than two percent; with Acrux, Cochlear and Sirtex down by less than one percent.

AUSTRALIAN GREENS

The Australian Greens say they have “a road map to take research and innovation to three percent of [gross domestic product] by 2020” and reverse previous cuts.

In a science and research policy launch at Melbourne’s Walter and Eliza Hall Institute, the Greens said they would increase funding for research councils, move from three year to five year funding and reverse Labor’s cuts to research funding.

The Greens said that deputy leader, science spokesperson and MHR for Melbourne Adam Bandt joined WEHI director Prof Doug Hilton, the Australian Academy of Science’s former secretary for science Prof Robert Williamson and Greens health spokesperson Senator Richard Di Natale for the launch.

Prof Hilton and Prof Williamson both welcomed the Greens commitment to increased research and development funding.

Prof Williamson said the Academy welcomed statements “from any Party that emphasize the need for a strategic approach that will safeguard our scientific research efforts, ensure excellent national facilities, and provide career prospects for our best young scientists”.

“This policy from the Greens has many good features, in particular the commitment to increase the research budget to three percent of GDP, to help international collaboration, and to make sure that national research planning is integrated and strategic,” Prof Williamson said.

Prof Hilton said he welcomed “the Greens’ commitment to reverse cuts to the Sustainable Research Excellence program, which provides much needed funding to universities to cover the indirect costs of research” and said he was “delighted” that the Greens restated their commitment to medical research, particularly the commitment to raise government investment in research to three per cent of GDP by 2020.

“I am pleased to see that the policy seeks to address the brain drain that sees many of our most talented scientists move to other countries to pursue research because they cannot secure appropriate funding here in Australia,” Prof Hilton said. “It is also great to see the commitment to investment in translational research, ensuring that fundamental discoveries are translated into real health outcomes for the community.”

“Science and innovation are the keys to prosperity,” Mr Bandt said. “If we want a strong economy after the mining boom boosting our investment in science and research is vital.”

The Greens media release said that to reach three percent of GDP by 2020 it would create a ‘Future Science’ package, with a \$750 million boost to the Australia Research Council (ARC), National Health & Medical Research Council (NHMRC) and to Cooperative Research Centres as well as \$141 million for indirect costs.

The Greens said it would reverse \$342 million in “short-sighted Government cuts to the Sustainable Research Excellence program” and provide \$230 million to a National Research Infrastructure Facilities Council, with \$150 million for international collaborations and \$100 million for an ongoing Future Fellowships to attract and retain research talents.

The Greens said that \$40 million would support open access publishing of Government funded research; \$155 million would be committed to health and medical research commercialization; and \$120 million would go to Integrated Health Research Centres to translate research discoveries into clinical practice.

The Greens said that along with previously announced initiatives for increased investment in agricultural and Antarctic research, this would provide an additional \$2.5 billion for research and development and the three percent of GDP target was supported by “our commitment to reverse cuts to universities and boost base funding by 10 percent”.

The Greens said the plan had been costed by the Parliamentary Budget Office and would be funded from announced revenue measures, including the abolition of fossil fuel subsidies.

AUSTRALIAN LABOR PARTY

The Australian Labor Party says it will establish a \$250 million Medical Research Innovation Fund to assist commercialize medical treatments and healthcare technologies. A Labor Party media release from Prime Minister Kevin Rudd and the Minister for Health and Medical Research Tanya Plibersek said that the investment would “contribute to more breakthrough medical treatments becoming available for patients sooner ... [and] create smart jobs for the future as Australia’s economy faces the end of the China mining boom”. Labor Party said it wanted more Australian research advances to be taken into the marketplace by Australian firms “rather than watching the commercial benefits of our ideas exploited by overseas companies with better access to investment funds”.

The Labor Party media release said the Medical Research Innovation Fund would provide capital for early stage development of innovative biotechnology ventures.

The media release said the Government would contribute \$125 million to be matched by private sector investors, generating a total investment of \$250 million, “a major injection of investment capital into our emerging biotechnology sector”.

The Labor Party said it would implement about \$70 million of investments and reforms as part of its initial response to the 2013 McKeon Review of Health and Medical Research, including \$47.5 million in funding for 19 Centres for Research Excellence to encourage research in fields identified as national priorities, establishing four Centres that would focus on indigenous health, national clinical trials, international health and genomics.

The Labor Party said that it would streamline the National Health and Medical Research Council’s competitive grants application process to make it easier for researchers seeking funds and “build leadership capacity” within the NHMRC.

The Labor Party said it would provide \$4.2 million seed funding for four Integrated Health Research Networks to support collaboration between research institutions, \$5.8 million in Partnership Project grants for collaboration between researchers and policy experts and award two NHMRC John Cade fellowships in mental health research.

Labor said that the recommendations of the McKeon Review touched on all aspects of the health and medical research sector, setting out a 10-year vision for a fully integrated health and medical research sector in Australia and today’s initial response was “the first phase of a longer term program of reforms to the sector [to] address the chronic capital shortage that the McKeon panel identified as a barrier to more successful ventures”.

The Labor Party said the measures built on its “record investments in medical research” of more than \$3.8 billion invested in the NHMRC from 2008-‘09 to 2016-‘17.

The Labor Party said that the Medical Research Innovation Fund would be funded by Government equity injections over the forward estimates, which in turn would be funded “by slightly deferring equity injections under the Nation Building 2 program”.

Funding for the remaining initiatives were included in the Budget, the Labor Party said.

BLUECHIIP

Bluechiip says it has raised \$2.55 million through a private placement to new and existing Australian and international institutions and sophisticated investors at 15 cents a share. Bluechiip said the placement was oversubscribed and the issue price was a 14.3 percent discount to the last closing price and 15-day volume-weighted average price of 17.5 cents. The company said that subscribers would be issued one unlisted option for every two new shares subscribed, exercisable at 20 cents each by December 31, 2014.

Bluechiip chief executive officer Brett Schwarz said the funds would be used “to aggressively chase sales and pursue marketing and business development activities”.

Bluechiip was up half a cent or 2.9 percent to 18 cents.

NANOSONICS

Nanosonics chief executive officer Dr Ron Weinberger says that a Bill to the European Union from the French Greens will be a “game-changer” for Trophon EPR sales.

Dr Weinberger told a teleconference that the French Greens Member of the European Parliament Michèle Rivasi had taken the running on women's health issues following public concern over cross-infection caused by inefficient cleaning of intra-vaginal and other intra-cavity equipment.

“This will be a game changer for us and ultrasound disinfection across Europe,” Dr Weinberger said.

Dr Weinberger said that there had been demonstrated human papillomavirus cross infection with existing cleaning systems along with resistant bacteria and micro-organisms, and said that the Nanosonics Trophon EPR nebulized hydrogen peroxide system was superior to all existing systems leaving no micro-organisms post-treatment.

“The French Greens are taking a Bill to the European Parliament for changes for intra-vaginal and intra-cavity [equipment] and high-level disinfection will be mandated,” Dr Weinberger said.

Last week in its Preliminary Final Report Nanosonics said that GE Healthcare had created a dedicated sales team for the Trophon EPR and GE Ventures would make “a non-dilutive investment to fund a fully integrated marketing program” (BD: Aug 14, 2013).

Today, Dr Weinberger said that GE Healthcare would fund 14 dedicated sales and marketing staff at a cost of about \$300,000 per person or \$4.2 million in total.

Dr Weinberger did not quantify the direct investment from GE Ventures but said that funds had already been received and chief financial officer McGregor Grant told the teleconference that the GE Ventures funding was in advance of expenditure.

Dr Weinberger described Nanosonics as having moved into adolescence as a company with year-on-year growth and a second year of sales in North America.

“We have seen significant traction and increase in sales due to the GE and Nanosonics sales teams,” Dr Weinberger said.

Dr Weinberger said the company had made significant traction in Australia and New Zealand taking about 30 percent of market share especially through clinics and medical practices.

He said that previously Europe had multiple distributors and the company had appointed country managers in the UK, France and Germany.

Dr Weinberger said the appointment of Toshiba as the non-exclusive distributor in the UK had become “a very pleasing relationship”.

He said that France was a complicated territory, but the company was partnered with GE in France and he “expects a significant outcome in September in getting into the public healthcare system”.

Dr Weinberger said that Nanosonics was in discussions with “a household name” for distribution in Germany.

Last week, Nanosonics reported revenue for the 12 months to June 30, 2013 up 35 percent to \$17,589,000, with net loss after tax up 23 percent to \$5,768,000 with revenue from Trophon EPR ultrasound probe cleaning units and consumables increased by 21 percent to \$14.9 million.

Today Dr Weinberger restated that the increased loss was due to an increased investment in market development.

He told the teleconference that he expected regulatory approval in Mexico by the end of this year, paving the way for approvals in other Latin American countries, followed by South Korean approval “in six to nine months” and Japan in about 12 months.

Nanosonics climbed four cents or 4.4 percent to 94 cents with 1.8 million shares traded.

ALCHEMIA

Alchemia says it has earned \$9.6 million in profit share from partner Dr Reddy's Laboratories sales of fondaparinux for the year to June 30, 2013.

Alchemia said that for the three months to June 30, 2013 it had "a record quarterly profit share of \$3.9 million on sales of its generic anti-coagulant drug fondaparinux".

The company said that Dr Reddy's had net US fondaparinux sales of \$US12.2 million (\$A13.44 million) for the three months to June 30, 2013, of which it would receive \$3.3 million, net of its ongoing contribution of \$600,000 for yield and cost of goods activities. Alchemia said that for the three months to June 30, 2012, Dr Reddy's had net sales of \$US9.1 million with Alchemia receiving \$US130,000.

Alchemia chief executive officer Charles Walker said that "sales volumes have recovered from those seen in the previous quarter and specifically for this quarter, net pricing has been stronger than expected".

Alchemia said Dr Reddy's had approval to market its generic fondaparinux in Canada with a launch expected in the next few months.

Alchemia was up 2.5 cents or 6.4 percent to 41.5 cents with 1.2 million shares traded.

ALLIED HEALTHCARE GROUP

Allied Health has told the ASX that it is not aware of any information it has not announced which, if known, could explain recent trading in its securities.

The ASX said the company's share price climbed 31.0 percent from 5.8 cents on August 12, to 7.6 cents on August 19, 2013, and noted an increase in trading volumes.

Allied said that on August 13, RBS Morgans released a research note with an outperform rating and assumed an 80 percent probability of success for its bovine cardiac patch Cardiocel receiving Conformité Européenne (CE) mark approval by October 2013.

Allied fell 0.6 cents or 7.7 percent to 7.2 cents with 27.9 million shares traded.

ANTEO DIAGNOSTICS

Anteo says that revenue for the year to June 30, 2013, was up 22 percent to \$1,842,714 reducing net loss after tax eight percent to \$2,179,223.

Anteo said that product revenue for its Mix&Go adhesive technology was down 39.1 percent to \$288,136 for the year to June 30, 2013, compared to \$472,814 for the year to June 30, 2012 and the increased revenue came from a Federal Government 45 percent research and development tax rebate.

Anteo said that diluted loss per share was unchanged at 0.3 cents, with net tangible assets per share was down 41.9 percent to 0.36 cents at June 30, 2013.

The company said it had cash assets of \$2,621,072 at June 30, 2013, compared to \$4,883,174 at June 30, 2012.

Anteo was up 0.2 cents or 3.6 percent to 5.7 cents with 1.7 million shares traded.

OBJ

OBJ has requested a trading halt "pending an announcement in relation to capital raising". Trading will resume on August 22, 2013 or on an earlier announcement.

OBJ last traded at 1.8 cents.