



# Biotech Daily

Wednesday February 12, 2014

*Daily news on ASX-listed biotechnology companies*

- \* **ASX UP, BIOTECH DOWN: QRX UP 5%, AVITA DOWN 8%**
- \* **MAYNE BUYS 4 FOREST LABS BRANDS FOR \$13m; \$18m PLACEMENT**
- \* **CSL RECORD H1 REVENUE UP 5% TO \$3b, PROFIT UP 3% TO \$714m**
- \* **USPTO BACKS GENETIC TECHNOLOGIES NON-CODING PATENT, AGAIN**
- \* **COGSTATE WINS UNNAMED COMPANY \$1.6m PAEDIATRIC TRIAL DEAL**
- \* **ITL H1 REVENUE DOWN 2% TO \$13m, PROFIT DOWN 17% TO \$1m**
- \* **ANALYTICA PROMOTES COO GEOFF DALY TO CEO, STARTS ON \$210k**
- \* **PETE MEYERS REPLACES PRIMA DIRECTOR DR RICHARD HAMMEL**
- \* **RHINOMED APPOINTS BRENT SCRIMSHAW, DR ERIC KNIGHT DIRECTORS**

## MARKET REPORT

The Australian stock market was up 1.06 percent on Wednesday February 12, 2014 with the S&P ASX 200 up 55.6 points to 5,310.1 points.

Nine of the Biotech Daily Top 40 stocks were up, 16 fell, 10 traded unchanged and five were untraded.

QRX was the best, up 4.5 cents or 5.4 percent to 87.5 cents with 380,910 shares traded.

Cochlear rebounded four percent; Atcor, Ellex, Pharmaxis and Starpharma were up more than three percent; Clinuvel, GI Dynamics and Prima rose more than two percent; with Acrux up 1.3 percent.

Avita led the falls, down one cent or 7.7 percent to 12 cents, with 166,000 shares traded.

Cellmid, Living Cell, Nanosonics, Prana and Tissue Therapies lost five percent or more; Anteo, CSL and Universal Biosensors fell more than three percent; IDT, Impedimed and Neuren shed more than two percent; Medical Developments, Reva and Viralytics were down more than one percent; with Mesoblast, Resmed and Sirtex down by less than one percent.

## MAYNE PHARMA

Mayne says it has acquired the Esgic, Esgic Plus, Lorcet and Lorcet Plus brands and assets from the New York-based Forest Laboratories for \$US12.0 million (\$A13.2 million). Mayne said it would pay \$US10.0 million in cash and an earn-out of up to \$US2.0 million, payable quarterly calculated on a percentage of future net product sales.

The company said that Esgic tablets and capsules were used to treat tension headaches and Lorcet tablets were indicated for moderate to moderately severe pain and had sales of \$US5 million over the 12 months to December 31, 2013.

Mayne chief executive officer Scott Richards said the acquisition was “a significant opportunity for Mayne Pharma USA to expand its product portfolio into selected branded products to complement the generic products franchise”.

Mayne said the acquisition was expected to be immediately additive to its net profit after tax and mid-single digit earnings per share accretive, pre-synergies, in its first full financial year of 2014-'15.

Mayne said that Credit Suisse advised on the acquisition, which was settled with short term debt and cash reserves, to be replaced with the proceeds from an \$18.0 million placement, underwritten by Credit Suisse Australia and UBS AG, with the balance for general corporate purposes, including the development, registration and marketing of existing products and further product acquisitions and the completed Zebutal acquisition. Mayne said that the placement would be conducted via a variable price bookbuild with an underwritten floor price of 77 cents per share and it would remain in trading halt until settlement which was expected on February 18, 2014.

The company said that in November 2013 it acquired the Zebutal trademark and related assets in the US from Shionogi Inc for \$US500,000 plus an earn-out based on a percentage of net sales over a five year period, funded from cash reserves.

Mayne said that Zebutal was used for mild to moderate pain and tension headaches and had sales of \$US5 million in the 12 months to December 31, 2013.

Mayne last traded at 79 cents.

## CSL

CSL's net profit after tax for the six months to December 31, 2012 was up 3.4 percent to a record \$US646 million (\$A713.5 million) on revenue up 4.8 percent to \$US2,691 million. Research and development expenditure increased 20.6 percent from \$US190.2 million in the six months to December 31, 2012 to \$US229.3 million for the six months to December 31, 2013 and as a percentage of total revenue, research and development expenditure increased from 7.4 percent for the half year to December 31, 2012 to 8.5 percent for the six months to December 31, 2012.

CSL said that diluted earnings per share was up 7.1 percent to \$US1.3259.

The company said that the interim unfranked dividend of 53 US cents, compared to the previous corresponding period's 50 US cents, would be paid on April 4, 2014, with a record date of March 12, 2014.

CSL said it had cash and cash equivalents of \$US694.0 million at December 31, 2013.

CSL chief executive officer Paul Perreault said the “underlying result is solid and I'm also very pleased with the progress we've made in bringing new products to market and with the advances in our research and development pipeline”.

“We've also been able to remove the risk and distraction associated with the US anti-trust class action litigation,” Mr Perreault said.

CSL fell \$2.11 or 3.0 percent to \$67.75 with 2.7 million shares traded.

## GENETIC TECHNOLOGIES

Genetic Technologies says it has received a further ex-parte re-examination certificate from the US Patent and Trademark Office.

Genetic Technologies said the February 10, 2014 certificate followed the third request for ex-parte re-examination of claims 1-15, 17,18, 26-29 and 32 of its US patent 5,612,179, by the Duluth, Georgia-based Merial LLC (BD: Sep 30, 2013).

The patent is entitled 'Intron sequence analysis method for detection of adjacent and remote locus alleles as haplotypes' and known as the '179 patent,

Genetic Technologies said the USPTO certificate confirmed the patentability of claims 1-15, 17,18, 26-29 and 32 and no amendments had been made to the '179 patent.

Genetic Technologies acting chief executive officer Tom Howitt said that the "successful resolution of this, the fourth re-examination of one of our key patents, and the third request submitted by Merial LLC, once again reinforces the strength of the company's non-coding patent portfolio".

"With the removal of what some potential licencees have apparently used as a reason to delay settlement discussions, we trust that good faith negotiations will now resume in earnest," Mr Howitt said.

Genetic Technologies was unchanged at five cents with 2.25 million shares traded.

## COGSTATE

Cogstate says its card-based cognitive testing technology will be used by an unnamed company in a large US paediatric clinical trial.

Cogstate said the contract was worth about \$US1.4 million (\$A1.55 million) over four years and the test would measure changes to cognition as an endpoint measure of safety.

The company said that it was the second paediatric contract signed in the last seven months with a combined value of about \$US3 million, with four contracts signed over the last few years for the test to be used as an endpoint in paediatric safety studies.

Cogstate said that there had been a shift in the way children were treated in clinical trials, with a focus on safety and efficacy as it related to physical and cognitive development.

The company said that safety was difficult in children, because risks to physical or cognitive development might not be seen for months or years afterwards.

Cogstate chief executive officer Brad O'Connor said the company's brief, game-like tests were "well accepted by even the sickest children".

"Previous methods using onerous paper and pencil tests yielded far lower adherence rates in sick children, resulting in missed opportunities to compare the risks and benefits of various treatments," Mr O'Connor said.

Cogstate was up five cents or 15.6 percent to 37 cents.

## ITL

ITL says its revenue for the six months to December 31, 2012 fell 2.0 percent to \$12,946,000 taking net profit after tax down 17 percent to \$1,216,000.

ITL said it would pay a fully-franked 50 cent dividend with a record date of February 24, 2014, the company's net tangible asset backing per share was down 5.8 percent to 9.7 cents and diluted earnings per share was constant at 1.4 cents for the six months to December 31, 2013.

ITL said it held cash and cash equivalents of \$649,000 at December 31, 2013 compared to \$412,000 at June 30, 2013.

ITL was untraded at 28 cents.

## ANALYTICA

Analytica says it has promoted operations manager Geoff Daly to chief executive officer effective immediately as the company prepares for the launch of lead product Pericoach. Analytica said that Mr Daly had nearly 20 years experience in medical device companies with an emphasis on product development, commercialization, regulatory affairs and quality assurance.

The company said that Mr Daly had been its operations manager and chief operating officer for more than eight years and previously Mr Daly worked for Resmed in Sydney for seven years in senior engineering and project management roles with responsibility for the upkeep of products and the mechanical engineering aspects of flow generator products. Analytica said that Mr Daly held a Bachelor of Engineering degree from the University of Queensland and a Masters of Business Administration from the Australian Graduate School of Management.

The company said that Mr Daly's base salary would be \$210,000 plus superannuation and he would receive 5,000,000 options, exercisable at 180 percent of yesterday's closing price of 2.5 cents, that is 4.5 cents, by February 11, 2019, vesting when the company becomes operating activities cash flow positive, excluding cash receipts from government grants, research and development tax refunds and any other one off cash inflows.

Analytica said that Mr Daly held 6,000,000 options under its employee option scheme, issued on October 29, 2013 with an exercise price of 3.33 cents per option.

Analytica was unchanged at 2.5 cents with 1.2 million shares traded.

## PRIMA BIOMED

Prima says that Pete Meyers has been appointed as a non-executive director, replacing Dr Richard Hammel, effective immediately.

Prima said that Mr Meyers had US capital markets experience and was currently Tetralogic Pharmaceuticals Corp chief financial officer.

The company said that prior to Tetralogic, Mr Meyers was an investment banker at Dillon, Read & Co, Credit Suisse First Boston and Deutsche Bank New York's co-head of global healthcare investment banking.

Prima said that Dr Hammel had been a director since January 2005.

Prima was up 0.1 cents or 2.0 percent to five cents with 6.2 million shares traded.

## RHINOMED

Rhinomed says it has appointed Nike executive Brent Scrimshaw and Dr Eric Knight as directors to drive innovation and growth strategies.

Rhinomed said that Mr Scrimshaw worked for Nike for 19-years and was Western Europe chief executive and was currently a director of Fox Head a Motocross and Action Sports brands based in California.

The company said that Dr Knight had corporate strategic and management expertise, across healthcare, sports and digital organizations and was currently leading the business and entrepreneurship programs at the University of Sydney Business School and was previously involved in transformation and innovation in healthcare for the Boston Consulting Group.

Rhinomed was up 0.4 cents or 9.5 percent to 4.6 cents with 2.8 million shares traded.