



Biotech Daily

Thursday November 19, 2015

Daily news on ASX-listed biotechnology companies

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MARKET REPORT

The Australian stock market climbed 2.13 percent on Thursday November 19, 2015 with the ASX200 up 109.5 points to 5,242.6 points. Fifteen of the Biotech Daily Top 40 stocks were up, 14 fell, eight traded unchanged and three were untraded. All Big Caps were up.

Prana was the best, up 2.5 cents or 22.7 percent to 13.5 cents with 272,003 shares traded. Genetic Technologies climbed 9.1 percent; Admedus was up 8.1 percent; Acrux rose 5.4 percent; Biotron, Ellex, Living Cell and Pharmaxis were up more than four percent; Neuren and Sirtex were up more than three percent; Tissue Therapies rose 2.6 percent; with Anteo, Cochlear, CSL, Medical Developments and Starpharma up one percent or more.

Prima led the falls, down 0.5 cents or 8.9 percent to 5.1 cents with 4.0 million shares traded. Mesoblast and Optiscan lost more than six percent; IDT fell 5.3 percent; Impedimed fell four percent; Bionomics was down three percent; Actinogen, Atcor and Universal Biosensors shed two percent or more; Avita, Nanosonics, Orthocell and Pro Medicus lost more than one percent; with Viralytics down 0.7 percent.

EDITORIAL: MESOBLAST

The mantra that “Australian investors don’t know how to value life sciences companies” appears to have been discredited by Mesoblast’s foray to the Nasdaq.

Or maybe the mantra is right and the Americans do know their valuations.

Either way, to list on the Nasdaq to increase a cash runway from eight months to 13 months, while cutting the total market capitalization in half and killing the Australian share price, seems to be yet another disaster for Australian biotechs who think they need a US listing.

Mesoblast joins the ranks of Alchemia, Benitec, Biota and several others who have listed or attempted to list on the Nasdaq, to the detriment of their shareholders.

According to its last Appendix 4C Quarterly Report, Mesoblast spent \$28.1 million for the three months to September 30, 2015 and had \$77.8 million in cash.

With net proceeds of \$US58.8 million, the company has a 13 month runway, but the price was high with its total market capitalization slashed from \$1.2 billion at October 31, 2015 to \$658 million today and even lower if you convert the Nasdaq valuation.

Apart from causing the Australian share price to go into free-fall from \$3.41 a share before the American adventure, it appears that at least some of the wise, knowledgeable and experienced US life science investors bought the shares at \$US8.00 each and were more than happy to dump some of them at prices as low as \$US6.51 each, an 18.625 percent loss in two days. Either that, or a number of these excellent investors were always intending to short the stock.

It conjures up a vision of Mesoblast chief executive Prof Silviu Itescu being ushered into the lead brokers board room and being invited to have a whiskey and a cigar while the last details of the \$US68.3 million raising were being finalized.

“We’ll be back in a minute. Jest you set yourself there and enjoy the view of Manhattan.”

“... okay, we had a word with the key investors and it’s all hunky dory, Silviu. We’ve got your \$68 mill... but the price has dropped from \$12 to \$8. Hope you don’t mind partner. You better hurry or you’ll miss your flight home.”

“Nice doing business with you.”

The take home messages for ASX-listed biotechs are extremely clear: If you can’t raise funds in Melbourne or Sydney – or even Perth – there’s a reason for it and it is not Australian valuations. And if the price is not right, be prepared to walk away.

Mesoblast fell a further 12 cents or 6.15 percent to \$1.83 with 2.6 million shares traded.

David Langsam
Editor
who bought his Australian Mesoblast shares at \$6.74 each

FEDERAL GOVERNMENT, CSIRO

The Federal Government says the \$6 million Commonwealth Scientific and Industrial Research Organisation Lab 22 Innovation Centre will provide 3D printing technologies. A media release from the Minister for Industry, Innovation and Science Christopher Pyne said that the Centre had partnered with nine businesses since May, offering access to advanced technologies, including three-dimensional (3D) printers.

Mr Pyne said that initiatives like Lab 22 “were central to boosting innovation in Australia’s manufacturing industry”.

“Manufacturing remains a key driver in our economy, but as the industrial landscape changes, the sector needs to transition to more innovative and economically viable technology,” Mr Pyne said.

“Emerging technologies such as metal 3D printing offer huge productivity gains and have the potential to turn Australia's manufacturing industry on its head,” Mr Pyne said.

“The centre will enable manufacturers to innovate with less capital investment risk, one of the major barriers in adopting 3D metal printing,” Mr Pyne said.

Mr Pyne said that products created included a mouthguard for treating sleep apnoea with dental company Oventus and titanium heel bone and rib implants with biomedical device manufacturer Anatomics.

“This technology centre will enable for product customisation and the ability to make complex metal parts, speeding up the development while also reducing waste and bringing down labour costs,” Mr Pyne said.

The media release said that the Centre’s launch was also used to announce a new advanced manufacturing collaboration hub to be based at Clayton, Victoria.

Chair of the Advanced Manufacturing Growth Centre Andrew Stevens said the facility would foster links that were “critical to the country’s future success, bringing business together with the science and research sector to encourage innovation”.

FEDERAL GOVERNMENT

The Federal Assistant Minister for Innovation Wyatt Roy says that biomedical research has won three of 10 Entrepreneurs Program grants, worth \$2,985,330.

A media release from Mr Roy said the funding would help 10 businesses launch their products, services and processes.

“Innovation is at the heart of the Government’s agenda, and these are great examples of some of the great ideas coming out of Australian companies,” Mr Roy said.

“These innovations provide real-world solutions to problems in agriculture, tourism, health and environmental spheres, amongst others,” Mr Roy said.

“This support will help the recipients commercialize their ideas so they can take advantage of market opportunities and ensure their intellectual property is protected,” Mr Roy said.

The media release said that the program had provided 85 commercialization grants worth more than \$46 million to support Australian innovation.

The media release said that Melbourne’s Blamey and Saunders Hearing had been awarded \$985,330 to take “the world's first modular hearing aid to market”.

The media release said that \$1,000,000 was granted to the Noose Heads, Queensland-based Osler Technology for its clinical performance platform and \$1,000,000 was granted to the Melbourne-based Straxcorp for its internet-based computed tomography image analysis for diagnosis and monitoring of bone health.

BIO-MELBOURNE NETWORK, VICTORIA GOVERNMENT

The Bio-Melbourne Network says its annual general meeting will host Victoria's Department of Economic Development deputy secretary Dr Amanda Caples.

The Bio-Melbourne Network said that Dr Caples would reflect on the achievements of the year and members would hear about the plans for the Network in 2016.

The November 26, 2015 meeting and networking event is a member-only function and will be held at Ernst and Young, Level 23, 8 Exhibition Street, Melbourne, from 4:15pm.

To register go to: <http://www.biomelbourne.org/events/view/390>.

IDT AUSTRALIA

IDT says it has raised \$6 million in a placement to institutional and sophisticated investors at 35 cents share and expects to raise a further \$2 million in a share plan.

IDT said the placement "was three times oversubscribed" and the funds would be used to enhance and expand its drug manufacturing operations in Melbourne to meet expected near term demand for its generic pharmaceutical products.

The company said that the share plan was fully underwritten by Wilson HTM Corporate Finance, the record date was November 18, the plan would open on November 23 and close on December 15, 2015.

IDT said that following its 2014 generic drug portfolio acquisition, including products for Parkinson's disease, depression, infections, hypertension and cancer, it had upgraded its estimate of a 10 percent penetration of the \$US800 million addressable US market, appointed distribution partners for most of its range and upgraded projected revenues.

The company said Mayne Pharma would distribute its generic oral chemotherapy drug temozolomide in the US and ANI Pharmaceuticals would distribute 18 other products.

IDT managing-director Dr Paul MacLeman said that product volumes and revenues were "likely to be higher than initially planned".

"Upgrading our manufacturing capability will ensure we are positioned to meet market requirements in the short to medium term," Dr MacLeman said.

Dr MacLeman said that IDT was evaluating the possibility of engaging third parties in North America to manufacture selected products and would consider outsourcing the manufacture of products that were not synergistic with the Boronia manufacturing facility.

"IDT's specialist manufacturing facilities are designed for high potency and high containment products ...some products within our portfolio do not align with this capability [and] production of these drugs could be better accommodated elsewhere."

Dr MacLeman said more products were likely to reach market earlier "as there will be two plants working on validation processes across multiple products".

IDT fell two cents or 5.3 percent to 36 cents.

BRAIN RESOURCE

Brain Resource says it expects to \$3 million in a conditional placement to institutional and sophisticated investors at 20 cents a share and will offer a share plan.

Brain said that the capital raising would enable it to continue to drive scale in the addiction and consumer markets, through an intensified targeted marketing.

The company said that Bell Potter Securities acted as the lead manager and Pac Partners was the co-lead manager.

Brain said that the share purchase plan would offer shares in parcels of up to \$15,000 to shareholders at the record date of November 18, 2015.

Brain was untraded at 22 cents.

DORSAVI

Dorsavi says it has signed its “third and most significant” contract with Monash Health to minimise the impact of manual handling tasks undertaken by nursing staff.

Dorsavi said that the “six figure” eight-month contract was the largest contract signed with Monash Health in a three way commercial arrangement including the Munich, Germany-based workplace insurer Allianz.

The company said that manual lifting and other patient handling tasks were high-risk activities for both nurses and patients and the prevalence of work-related back injury in nursing was among the highest of any profession in the world.

Dorsavi said that manual handling activities and injuries among nurses at one Australian hospital were assessed with 40.1 percent reporting an injury associated with manual handling activity and of those, 75.9 percent comprised back injuries.

The company said it conducted a round of assessments, followed by analysis and workshops in 2014 with the aim of reducing workplace injuries.

Dorsavi said that a further project began this year to source and test a range of engineered products to assist workers involved in various manual handling tasks and reduce the potential injury for the work areas assessed.

The company said that under the new contract it would work with Monash Health to implement changes to its current occupational health and safety model while delivering a methodology to support the other suppliers and activities involved in the changes.

Dorsavi said that its Visafe wearable sensor monitors assessed movement and muscle activity, helping workers optimise their physical work to prevent injury.

The company said that Visafe provided an assessment of the movement of workers lower backs, shoulder elevation and relevant muscle activity.

Dorsavi was up two cents or 5.3 percent to 40 cents.

MMJ PHYTOTECH

MMJ Phytotech says it has its first wholesale order for EUR150,000 (A\$225,000) for its 10mg and 100mg Satipharm cannabidiol capsules from the UK's Prima Sport.

MMJ said that Prima Sport was a supplement distributor and the products were expected to begin sales this year and complete the order by July 2016.

The company said that the cannabidiol capsules would be available through Prima's website www.megabody.co.uk with 30 of the 10mg capsules costing GBP62.50 (\$A135) and the boxes of 30 of the 100mg capsules costing GBP406.75 (\$A872).

The website said that the cannabidiol capsules were a “food supplement” with “accurate and consistent dosing and enhanced bioavailability”.

The website said that cannabidiol (CBD) research had “exploded in recent years due to the potential health benefits”, but did not cite any indications or uses for the capsules.

MMJ said it was in discussion in relation to further orders as well as a pipeline of European and Canadian online and physical stores.

The company said that Prima Sport's supplements, included products targeted at energy, weight loss and endurance.

MMJ managing-director Andreas Gedeon said the deal “demonstrates the successful execution of our wholesale strategy”.

“This partnership with Prima Sport ... provides MMJ with access to a larger market within the United Kingdom and has the potential to raise further awareness of our CBD capsules,” Mr Gedeon said.

MMJ was up one cent or 3.4 percent to 30.5 cents.

INVION

Shareholders at the Invion annual general meeting yesterday voted down two resolutions providing 127,250,000 options to two New Jersey-based Sabby Funds (BD: Sep 1, 2015). The resolutions proposed to issue 91,500,000 options exercisable at 1.4 cents within one year of issue and 35,750,000 options exercisable at 1.75 cents within five years of issue, to the Sabby Healthcare Master Fund and the Sabby Volatility Warrant Master Fund. The 91,500,000 options were defeated with 182,284,304 votes (86.85%) against and 27,610,228 votes (13.15%) in favor, with the second proposal defeated by a similar margin.

Invion said that a vote to issue 5,005,000 options exercisable at 1.75 cents within five years to HC Wainwright & Co's Rodman & Renshaw was approved with 111,750,229 votes (54.3%) in favor and 93,922,230 votes (45.7%) against.

The company said that the remuneration report, two resolutions ratifying the allotment of placement shares to Sabby and a resolution to approve an additional 10 percent placement capacity were passed with more than 150 million votes in favor and up to 39.8 million votes against, while directors Dr James Campbell and Warren Brown were elected by wider margins.

Invion's most recent Appendix 3B new issue announcement said the company had 894,247,068 shares on issue, meaning that the 182,284,304 votes against the Sabby options placement capacity amounted to 20.4 percent of the company, sufficient to requisition extraordinary general meetings.

Invion was unchanged at 0.9 cents with 1.7 million shares traded.

UNILIFE

Unilife's annual general meeting voted modest dissent against several resolutions with the closest vote on increasing the aggregate fees for directors to \$US399,000 (\$A560,406).

Unilife's notice of motion said the increase was by \$US3,500 because director Hamill was joining certain board committees.

The company said that 10,762,406 votes (21.2%) opposed the remuneration pool increase with 39,982,246 votes (78.8%) in favor.

Unilife said that the vote to grant Mr Hamill 35,000 securities was passed by a slightly larger margin than the remuneration pool, as was the executive compensation advisory vote.

Passed by a wider margin but with the largest number of opposing votes, the resolution to increase the maximum number of US shares from 250,000,000 to 350,000,000 was passed with 70,051,882 shares in favor and 11,374,462 shares against.

The company's most recent Appendix 3B new issue announcement said that Unilife had the equivalent of 833,073,036 Chess depositary interests on issue, meaning that the largest opposition vote of 11,374,462 votes equivalent to 68,246,772 Australian shares amounted to 8.2 percent of the company, sufficient to requisition extraordinary general meetings.

All other resolutions including the re-election of directors were passed by significant margins, with the company cited 31,630,267 "broker non-votes" on a number of resolutions.

According to the New York Stock Exchange, broker non-votes were when shareholders did not give specific instructions, in which case the broker could vote on "routine" but not "non-routine" items, with the categorization decided by the New York Stock Exchange.

Unilife fell 1.5 cents or seven percent to 20 cents.

IDT AUSTRALIA

The Singapore-based UBS AG and related bodies corporate say they have reduced their substantial holding in IDT to below the five percent substantial level.

In June, UBS AG became substantial in IDT with 11,799,262 shares or 6.17 percent (BD: Jun 30, 2015).

Today, UBS AG said it sold 17,155 shares for \$6,776 or 39.5 cents a share on November 12 and “returned” 3,506,688 shares for no applicable consideration on November 16, 2015.

BIONOMICS

Bionomics director Dr Jonathan Lim has filed an Appendix 3Z Final Director’s Interest notice.

Dr Lim’s departure was mentioned in the chairman’s address to the annual general meeting.

Dr Lim was appointed a director on September 14, as part of the 2012 Eclipse Therapeutics acquisition for drug candidates targeting cancer stem cells, but there was no separate announcement of his departure (BD: Sep 17, 2012).

Bionomics website said that Dr Lim was the managing partner of the San Diego, California-based City Hill Ventures LLC, which he established in 2010.

The Appendix 3Z said that City Hill held 5,012,331 Bionomics shares and Dr Lim as co-trustee for the Lim Family Trust held 79,497 shares as well as 500,000 unlisted options. Bionomics fell 1.5 cents or three percent to 48.5 cents.