



Biotech Daily

Thursday July 13, 2017

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP: ITL UP 7%, DIMERIX DOWN 8%**
- * **COCHLEAR TO BUILD \$50m CHINA MANUFACTURING PLANT**
- * **VICTORIA GOVERNMENT: 'STATE BIOTECH GENERATES \$13b A YEAR'**
- * **BRAZIL'S PRÓ-SANGUE BUYS ITL'S SAMPLOK SYSTEM**
- * **TGA APPROVES USCOM SPIROSONIC LUNG FUNCTION MONITORS**
- * **BIOTRON HAS TWO QUARTERS CASH**
- * **ANTEO, DIASOURCE REVISE MERGER PRICE, AGAIN**
- * **MEDLAB, HERITAGE COLLABORATE ON FOOD ADDITIVES**
- * **RACE REQUESTS 'CAPITAL RAISING' TRADING HALT**
- * **PRUDENTIAL (M&G) REDUCES TO 12% OF MESOBLAST**

MARKET REPORT

The Australian stock market climbed 1.11 percent on Thursday July 13, 2017 with the ASX200 up 63.0 points to 5,736.8 points.

Eighteen of the Biotech Daily Top 40 stocks were up, 10 fell, 11 traded unchanged and one was untraded. All three Big Caps were up.

ITL was the best, up 3.5 cents or 7.3 percent to 51.5 cents with 83,035 shares traded.

Compumedics, LBT and Uscom climbed more than five percent; Psivida and Sirtex were up more than four percent; Bionomics, Cochlear, CSL, Impedimed and Osprey rose more than two percent; Actinogen, Clinuvel, Neuren, Oncosil, Orthocell and Universal Biosensors were up one percent or more; with Ellex, Nanosonics, Resmed and Starpharma up by less than one percent.

Yesterday's 20 percent best, Dimerix, led the falls, down 0.1 cents or 8.3 percent to 1.1 cents with 12.4 million shares traded.

Prana lost 7.9 percent; Airxpanders fell 6.3 percent; Pharmaxis was down 3.85 percent; Admedus and Reva shed more than one percent; with Medical Developments, Mesoblast, Pro Medicus and Viralytics down by less than one percent.

COCHLEAR

Cochlear says it will invest \$50 million to build a new cochlear implant and sound processor facility in China to expand its manufacturing capacity

Cochlear said it had an investment co-operation agreement with the Chengdu Tianfu New Area management committee, in Sichuan province, to buy the rights to land for the facility, with finalization of the acquisition expected within six months.

The company said that the facility would increase its production by about 50 percent, with the products intended for China and emerging markets, and production expected to begin within four years, subject to regulatory and other approvals.

Cochlear said that the investment was part of a broader plan to increase production capacity across its product portfolio.

Cochlear chief executive officer Chris Smith said the company was “building its presence in China for more than 20 years and this investment recognises the importance of our business in China and will support the future growth of our emerging markets business.

“Today, China has a highly skilled and growing audiology profession and increasing levels of research into the treatment of hearing loss,” Mr Smith said.

“Together with high levels of government support for cochlear implantation in children, China has become a top five market for Cochlear and one of our fastest growing markets, with significant potential for ongoing growth,” Mr Smith said.

Cochlear said that the Sichuan Innovation and Entrepreneurship Promotion Association proposed to develop a Chengdu Hearing Hub, next to Cochlear’s planned manufacturing facility to co-locate a range of hearing health-related organizations for collaboration and to assist in improving local hearing healthcare access and delivery.

The company said it would support awareness of the Chengdu Hearing Hub and its services, including products for hearing loss.

Cochlear climbed \$3.56 or 2.4 percent to \$153.50 with 195,271 shares traded.

VICTORIA GOVERNMENT

The Victoria Government says that medical technologies and pharmaceuticals generate \$12.7 billion in revenue each year.

A media release from the Minister for Industry and Employment Wade Noonan said that the sector was “booming with new data showing rapid growth in exports thanks to world leading research and advanced manufacturing capabilities”.

The media release said that Mr Noonan today launched the report, entitled ‘State of the Sector Medical Technologies and Pharmaceuticals 2017’ at Glaxosmithkline’s Boronia facility.

The Victoria Government said that medical technologies and pharmaceuticals employed “more than 23,000 people in a range of roles and is made up of more than 650 companies from small start-ups to large Victorian exporters and global manufacturers”.

The media release said that pharmaceutical manufacturing had “driven a huge increase in overseas exports, with a 40 percent increase in 2016 to \$1.3 billion”.

The Government said it supported initiatives for investment and job opportunities, including a \$10 million partnership with Biocurate collaborating with the University of Melbourne and Monash University to accelerate the development of new medicines, create jobs and economic activity, along with a funding partnership of \$4 million to the Medicines Manufacturing Innovation Centre to help pharmaceutical manufacturers develop new products.

The State of the Sector Medical Technologies and Pharmaceuticals 2017 report is available at: <http://bit.ly/2uTCyZO>.

ITL HEALTH GROUP

ITL says that Brazil's Pró-Sangue blood centre has begun using its Samplok sampling kit, for transferring platelet samples during bacterial detection testing.

ITL said that the São Paulo-based Pró-Sangue was the largest blood centre in South America and was a public institution linked to the Health State Secretary and to the Faculty of Medicine of the University of São Paulo.

The company said that the Samplok reduced the potential for needle-stick injuries and biohazard waste, among other benefits.

ITL executive chairman Bill Mobbs said that the expansion of the Samplok to "Brazil's largest pre-eminent blood centre represents exciting potential for the product in the South American market".

"The Pró-Sangue implementation is in line with ITL's strategy of expanding sales of [Samplok] around the globe," Mr Mobbs said. "This strategy has proven to be successful and continues to drive strong growth."

ITL was up 3.5 cents or 7.3 percent to 51.5 cents.

USCOM

Uscom says the Therapeutic Goods Administration has listed its Spirosonic range of lung function monitors on the Australian Register of Therapeutic Goods.

Uscom said that the listing allowed the sale of the Spirosonic monitors as a class IIA device.

The company said that its Spirosonic devices were "high fidelity pulmonary function testing devices used in home care, clinics and advanced pulmonary testing laboratories to diagnose and manage asthma, chronic obstructive pulmonary disease and sleep apnoea".

Uscom said that the devices had Conformité Européenne (CE) mark approval and were in the process for US Food and Drug Administration and China Food and Drug Administration approvals.

The company said that it had appointed an Australian distributor to begin sales, had multiple European distributors, and was looking to appoint new US and South East Asian distributors.

Uscom executive chairman Prof Rob Phillips said that regulatory approval was "the path to sales and revenue for our new products and each new approval represents another regional revenue stream".

"Our strategic objective is to bring the Spirosonic devices and the BP+ central blood pressure devices to global markets and anticipate receiving regulatory approvals for all products in all jurisdictions intermittently over the next 12 months," Prof Phillips said.

"Our current growth has been predominantly attributable to Uscom 1A sales, and so the approval for sale of additional devices in additional jurisdictions represents incremental future revenue opportunities and growth drivers," Prof Phillips said.

Uscom was up one cent or 5.3 percent to 20 cents.

BIOTRON

Biotron says its net operating cash burn for the three months to June 30, 2017 was \$1,228,000 with cash at the end of the quarter of \$1,987,000.

Biotron chief executive officer Dr Michelle Miller told Biotech Daily that expenses would be reduced following the completion of clinical trials and the company was expecting a Federal Tax incentive in the coming months.

Biotron was unchanged at two cents.

ANTEO DIAGNOSTICS

Anteo says that revised payment arrangements have been reached with the vendors of Belgium's Diasource, which merged with Anteo last year (BD: Jan 25, 2016).

In 2015, Anteo said it would acquire the Louvain-La-Neuve-based Diasource Immunoassays SA specialty diagnostics company for up to EUR22.7 million (\$A34.4 million) in cash and/or shares, with an earn-out component (BD: Aug 26, 2015).

The company said in 2015 that the 4,500 square metre Diasource headquarters combined offices and laboratories with a fully integrated manufacturing and storage facility.

In January 2016 Anteo said it had agreed new terms with Diasource, to pay EUR23 million with half in cash and the balance via a deferred plan, later confirming the merger had been completed, with Diasource chairman Rolf Sickman appointed an Anteo director and Diasource chief executive officer Dr Jef Vangenechten later appointed Anteo chief executive officer (BD: Jan 25, Feb 2, Jun 14, 2016).

Earlier this year, Anteo reported its post-merger results to December 31, 2016 in Euros. In April, the companies agreed to a final earn out figure of EUR4,322,000 (\$A6,091,781) (BD: Apr 18, 2017).

Today, Anteo said that if payment was made by July 31, 2017 then 15 percent of the earn-out would be payable in equity and the program would continue as per the agreement, but if the payment was made after July 31, 2017, then the equity component would be five percent and all payments to the vendors would be due by October 2, 2017 and from July 12, 2017 the earn-out payment would have interest of eight percent a year.

Anteo chairman Dr John Hurrell said that the company had been "working co-operatively with the Diasource vendors and the extension of the payment date with the vendors allows all current financing options to be pursued to ensure that Anteo meets its commitments to the vendors and has adequate working capital for the future".

"The board is working closely with a European based adviser to deliver the best result for these activities," Dr Hurrell said.

"On the basis of a successful outcome of the financing options, the board has commenced a review the Anteo technology and is exploring alternatives around structuring the business to best deliver on that technology," Dr Hurrell said.

Anteo fell 0.1 cents or 5.3 percent to 1.8 cents.

MEDLAB CLINICAL

Medlab says it has an alliance with the Melbourne-based Heritage Brands to develop over-the-counter products for the pharmacies.

Medlab said it currently marketed its nutritional products to doctors, naturopaths, pharmacies and other practitioners in Asia, New Zealand and Australia.

Medlab chief executive officer Sean Hall said that Heritage Brands "shared Medlab's philosophy and values regarding health issues and the relationship was intended to increase sales via the Heritage brand to health conscience consumers looking for uniqueness, innovation, and value in a trusted brand".

Heritage Brands chief executive officer Constantine Gendis said the relationship would take Heritage Brands into the food additive space "and strengthen the company's presence in the wellness sector".

Medlab said its nutritional products were evidence based and it had developed 24 products, with eight new products in the pipeline.

The company said it had ethics approvals for two clinical trials of cannabis-based medicines administered using its Nanocelle mouth spray.

Medlab was up three cents or 3.9 percent to 80 cents.

RACE ONCOLOGY

Race has requested a trading halt “pending an announcement regarding a capital raising”. Trading will resume on July 17, 2017 or on an earlier announcement. Race last traded at 24 cents.

MESOBLAST

Prudential PLC says with its subsidiaries it has reduced its holding in Mesoblast from equivalent to 54,026,630 shares (13.44%) to 53,658,040 shares (12.35%).

In April, the London-based M&G Investment Funds said it held 54,026,630 Mesoblast shares or 13.44 percent (BD: Apr 3, 2017).

Today, the London-based Prudential said that M&G Investment Management sold 368,590 shares for \$725,958 or \$1.97 a share between June 27 and July 11, 2017. Mesoblast fell one cent or 0.5 percent to \$1.99 with 801,651 shares traded.