



Biotech Daily

Friday September 1, 2017

Daily news on ASX-listed biotechnology companies

- * AUGUST BDI-40 DOWN 1%, ASX200 DOWN 0.1%, BIG CAPS UP 2%
- STARPHARMA UP 37%, OSPREY 18%; ACTINOGEN, DIMERIX DOWN 27%
- * TODAY: ASX, BIOTECH UP: DIMERIX UP 11%, PRIMA DOWN 12.5%
- * DR BOREHAM'S CRUCIBLE: PRO MEDICUS
- * POLYNOVO: '1st US SALES OF NOVOSORB WOUND TREATMENT'
- * ANTEO SELLS RECENT ACQUISITION DIASOURCE FOR \$24m CASH
- * IQ3 REVENUE UP 178% TO \$6m, LOSS DOWN 98% TO \$50k
- * ALCIDION REVENUE DOWN 14% TO \$3.5m, LOSS DOWN 19% TO \$2m
- * PHARMAUST REVENUE UP 21% TO \$3.3m, LOSS DOWN 66% TO \$1.3m
- * PHYLOGICA REVENUE UP 1477% TO \$2.8m, LOSS DOWN 51% TO \$2m
- * BRAIN RESOURCE REVENUE DOWN 18% TO \$2.4m, LOSS UP 145% TO \$10m
- * BIOXYNE REVENUE UP 1.5% TO \$2m, PROFIT to \$766k LOSS
- * ELLEX TAKES ITRACK PRODUCTION FROM 20k TO 50k, 100k PLANNED
- * FMR TAKES 5% OF NANOSONICS
- * INVION REQUESTS 'ASX COMPLIANCE' TRADING HALT
- * FDA APPROVES ADHERIUM SMARTTOUCH SYMBICORT MONITOR
- * PHOSPHAGENICS PART-RETURN OF MYLAN 'PAY-OUT' TO INVESTORS
- * CANN, HYDROPONICS PARTNER MEDICINAL CANNABIS PORTAL
- * BRANDI ROBERTS REPLACES REVA CFO, CO SEC KATRINA THOMPSON

MARKET REPORT

The Australian stock market was up 0.18 percent on Friday September 1, 2017 with the ASX200 up 10.1 points to 5,724.6 points. Seventeen of the Biotech Daily Top 40 stocks were up, 14 fell, seven traded unchanged and two were untraded. All three Big Caps rose.

Dimerix was the best, up 0.1 cents or 11.1 percent to one cent with 249,000 shares traded. Actinogen and Polynovo climbed more than nine percent; Avita was up 7.8 percent; Admedus rose six percent; Uscom was up 5.7 percent; Airxpanders and Living Cell improved more than four percent; Acrux and Neuren were up more than three percent; Ellex, Reva and Sirtex rose more than two percent; CSL, Medical Developments, Oncosil, Pro Medicus and Resmed were up one percent or more; with Cochlear and Mesoblast up by less than one percent.

Prima led the falls, down 0.3 cents or 12.5 percent to 2.1 cents with 8.2 million shares traded. Compumedics, ITL and Viralytics fell five percent or more; Bionomics lost 4.1 percent; Atcor was down 3.45 percent; Starpharma shed 2.9 percent; Clinuvel, Factor Therapeutics, Orthocell and Pharmaxis were down more than one percent; with Impedimed, Nanosonics and Psivida down by less than one percent.

BIOTECH DAILY TOP 40 INDEX (BDI-40)

The Biotech Daily Top 40 Index fell 1.0 percent in August, which is surprising because 25 companies fell and just 11 were up. Most falls were small and some rises were significant.

Starpharma finally met its primary endpoint for bacterial vaginosis, lifting its market capitalization by \$103 million, and with Nanosonics up \$74 million, almost offset further retreats by Mesoblast down \$133 million and Sirtex down \$63 million (BD: Aug 7, 2017).

The ASX200 slipped 0.1 percent in August, the Nasdaq Biotechnology Index (NBI) improved 4.5 percent and the three Big Caps of Cochlear, CSL and Resmed (which are not included in the BDI-40) climbed a collective 2.3 percent (see charts, below).

Cochlear was up 9.5 percent to \$8,985 million, CSL was up 1.9 percent to \$58,153 million, but Resmed eased a further 0.3 percent to \$13,649 million.

In the 12 months to August 31, the BDI-40 fell 19.8 percent, the ASX200 was up 5.2 percent, the Big Caps climbed 15.3 percent, but the NBI was best, up 18.8 percent.

Starpharma was the shining light, up 36.7 percent to \$384 million, followed by Osprey (18.0%), Viralytics (17.4%), Clinuvel (13.0%) and Nanosonics (10.5%).

From a low base, the day-traders' delight, Dimerix, led the falls, down \$6 million or 27.3 percent to \$16 million, followed by Actinogen (27.0%), Atcor (20%), Mesoblast (17.5%), ITL (17.0%), Ellex (14.5%), Acrux (14.0%), Compumedics (13.75%), Benitec (10.7%) and Psivida (10.4%).

Outside the BDI-40, Resapp tumbled \$162 million or 79.4 percent, but Mayne Pharma lost \$444 million or 30.2 percent, and \$1,731 million or 62.8 percent compared to August 31, 2016.

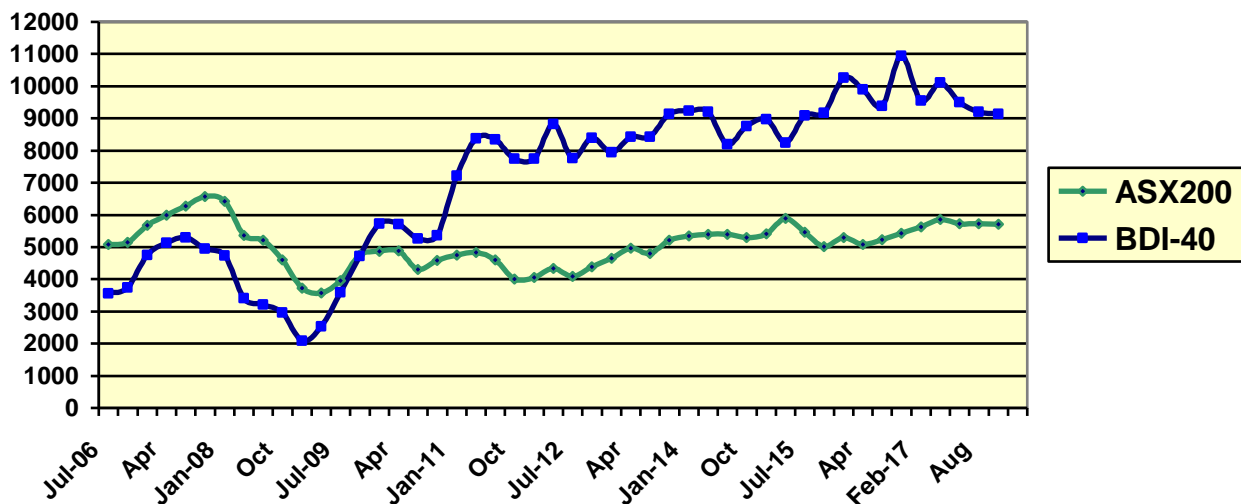
Phylogica showed signs of recovery with a licence from Roche's Genentech (see report below), up more than 200 percent over the 12 months to August 31, 2017, to \$98 million while the new listings of Epat and G Medical climbed nearly 100 percent in the month of August, alone.

The 12 companies that comprise Biotech Daily's Cannabis Corner climbed about 12.9 percent to a collective market capitalization of about \$553 million, but most of the 'Dozen Dopey Yarns' (JJ McRoach, AMP Publishing, 1979) were new listings with shares in escrow, not counted by the ASX and complicating the calculation.

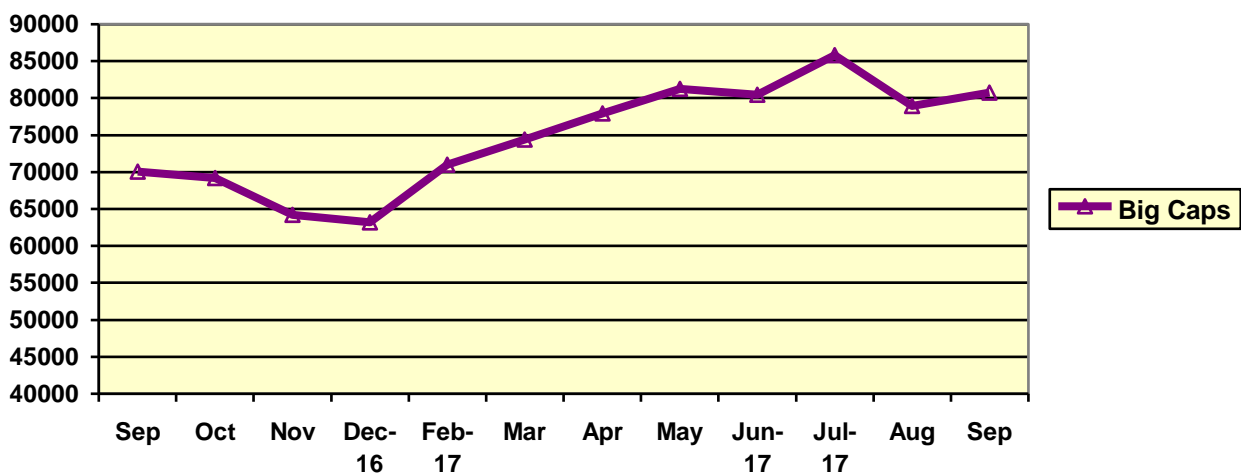
We'll get it right when the drugs wear off.

On the Nasdaq, Aviragen (formerly Biota) was up 14.8 percent to \$31 million, Queensland's Protagonist was up 35.0 percent to \$347 million and Israel's Redhill (with Australian assets) fell 11.9 percent to \$185 million.

BDI-40 v ASX200 Jun 30, 2006 to Aug 31, 2017- Adjusted



Big Caps \$m (Cochlear, CSL, Resmed) Aug 31, 2016 – Aug 31, 2017



[DR BOREHAM'S CRUCIBLE PRO MEDICUS](#)

By TIM BOREHAM

ASX Code: PME

Share price: \$5.09; **Shares on issue:** 102,660,549; **Market cap:** \$522.5 million

Chief executive officer: Dr Sam Hupert

Board: Peter Kempen (chairman), Dr Sam Hupert, Anthony Glenning, Anthony Hall, Roderick Lyle

Financials (year to June 30 2017): revenue \$31.62 million (up 15 percent), net profit \$9.32 million (up 46 percent), cash \$22.78 million (up 33 percent), nil debt, dividend per share 4 cents (partly franked, previous period 3 cents)

Major holders: Dr Hupert 29.59 percent, Anthony Hall 29.55 percent, Commonwealth Bank 5.8 percent.

In a Game of Thrones moment, Pro Medicus chief Sam Hupert said this of the competitive and fragmented radiology imaging sector two years ago: "There are the quick and the dead in medical software and you don't want to be dead."

The company's got more history than the seven kingdoms combined: Doc Hupert and Anthony Hall founded Pro Medicus waaaay back in 1983, when digital imaging meant a rude finger from a lout in a Torana.

Over the years Pro Medicus has faced times even more perilous than kingdoms threatened by zombies and blood lusting psychopaths. But unlike most of the GoT cast it's very much alive, a thriving exemplar of exported Australian medical technology with its suite of digital imaging and practice management products.

The company's products include Visage 7 imaging software and the Visage RIS (radiology information system) practice management tool for patient billing, scheduling and such).

The Visage Ease application allows clinicians to access their images anywhere (such as the golf course, not that we believe in stereotypes).

Visage 7 "enables organisations to consolidate the capabilities of what historically has required multiple viewers into a single customisable viewing platform."

A beautiful model

About 70 percent of the company's \$31.6 million of annual revenue derives from the US, underpinned by 'take or pay' style contracts. This means the hospital or clinic pays for a minimum expected number of consultations, over the life of the five to seven year contracts.

“It’s a software only model – there’s no [capital expenditure] so as the number of transactions grow the top line grows, margins grow and that flows through to the bottom line,” Dr Hupert says.

Pro Medicus' penetration of the US market is all the more notable given it competes with the likes of Siemens, Philips and Fuji.

The company’s revenue model involves the clinic or hospital paying 70 to 90 percent of expected exam volumes for the year. The beauty is there is no ceiling on the number of transactions, with the client usually paying for more than expected.

Pro Medicus had its Alan Bond moment by buying Visage for \$5 million in 2009 – and then offloading Visage’s unwanted research arm Amira for \$15 million.

As the moniker of the products suggest, the Visage acquisition was the foundation for the Visage business in its current guise.

Financials and performance

Pro Medicus listed in September 2000 at \$1.15 apiece. Tellingly, its original base of 100 million shares is little different to today’s, which means the company has not showered the market with confetti by way of dilutive share issues.

Even back then, the company was banging on about electronic health and how prescient that was (sadly, the prospectus contained no forward looking lottery number projections).

Pro Medicus chalked a record \$9.32 million net profit for the full year, 46 percent higher, outstripping 15 percent revenue growth to \$31.6 million.

While both US and Aussie revenues climbed around 28 percent, European revenue eased 58 percent, because of a chunky sale to a German hospital in the previous corresponding period.

“This was our most successful year by any measure,” Dr Hupert crows.

Because royalty revenues flow to an Australian entity that pays local tax, Pro Medicus franked its final dividend of 2.5 cents a share (the interim payout of 1.5 cents was unfranked).

Locally, Pro Medicus in March signed a chunky contract with Primary Health for the local radiology giant to use its Visage RIS software over five years.

Starting from this year, the deal is expected to boost annual revenues by 11 percent.

This year’s result will also reflect increased revenue from a July 2016 deal inked with the esteemed US Mayo Clinic.

“The pipeline is robust and our transaction model is working,” Doc Hupert says. “We continue to work on deals which we will find out about in coming months.”

Given the nature of the business, Pro Medicus pretty much knows it has \$115 million of contract revenue locked in over the next five years.

Currency capers

Pro Medicus receives most of its revenues in US dollars and Euros and so broadly speaking is disadvantaged by a rising Australian dollar, which wiped \$550,000 from reported earnings.

Dr Hupert says the Australian dollar normally moves up or down with the US and the Euro consistently, but recently the Aussie battler has gained against the US but depreciated against the Euro.

“So even though we manage currency fluctuations via various mechanisms, the size and nature of the movements impacted us negatively at least in terms of unrealised proportions,” he says.

We'll settle for the philosophy of erstwhile Cochlear chief executive officer Dr Chris Roberts: “Forex is what forex is.”

Dr Boreham's diagnosis:

Pro Medicus touched \$6 a share in August last year, having traded at 90 cents two years previously and at a mere 38 cents five years ago.

Trading on a Domino's Pizza style earnings multiple of more than 60 times, Pro Medicus is an official inclusion in the “growth stock” cohort. This can get tricky, because investors judge management on its ability to increase profits, rather than just spouting blue sky promises.

The dividend is nice, but like Telstra's payout these days it's more a token of gratitude to shareholders than anything.

Given Hupert and Hall account for 60 percent of the register, they're largely paying themselves anyway.

In March the company announced a buy-back of 10 per cent of the share base, but management is yet to pull the trigger.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. His Alan Bond moment still awaits.

POLYNOVO

Polynovo says it has made its first sales of its Novosorb BTM wound treatment to an unnamed US hospital.

Polynovo said the sale was “on the back of excellent surgeon satisfaction with patient outcomes from multiple hospitals across the US [and] as a consequence, several other new account sales are expected shortly” and its direct sales force had developed a presence in many of the major US hospitals.

Polynovo chief executive officer Paul Brennan said the sale was “an important milestone”. “The commercialization of Novosorb BTM has been our focus since the company restructure in 2014,” Mr Brennan said.

“Appointing a direct sales team in the US was the right strategy to ensure we can achieve market penetration and profitability,” Mr Brennan said.

Polynovo chairman David Williams said it was a “red-letter day for the company and our staff”.

Polynovo was up two cents or 9.3 percent to 23.5 cents with 1.1 million shares traded.

ANTEO DIAGNOSTICS

Anteo says it will sell its recently-acquired Diasource Immunoassays to Biovendo Laboratorni Medicina AS for EURO15,873,000 (\$A23,807,627) in cash.

Anteo said that the Frankfurt, Germany-based Acxit Capital Management co-ordinated the sale to the Czech Republic’s Biovendo Laboratorni Medicina.

The company said that the closing date would be about September 5, 2017.

Anteo said that the expected net cash inflow would be about \$6.0 million in cash.

In 2015, the company said it would buy the Belgium-based Diasource for up to \$34 million in cash and scrip (BD: Aug 26, 2015; Jan 25, 2016).

Anteo said chief executive officer and Diasource principal Dr Jef Vangenechten had resigned, effective immediately, with chairman Dr John Hurrell appointed as interim executive chairman while it sought a chief executive officer and evaluated its strategy.

Anteo climbed half a cent or 27.8 percent to 2.3 cents with 14.25 million shares traded.

IQ3

IQ3 says that revenue for the 12 months to June 30, 2017 was up 177.5 percent to \$5,875,288 with net loss after tax down 97.5 percent to \$49,595.

IQ3 said the “strong growth uplift is a result of investments made in operational capabilities and acquisition of new clients and projects”.

The company said it provided advisory and consulting services on a number of disruptive life science projects, including determining the optimal business model for commercializing new life science intellectual property, market entry, funding, licencing and partnering strategies, as well as identifying counterparties for both local business and expanding on or off-shore.

IQ3 said its IQ Capital subsidiary was granted a New York investment banking licence and the group was able to execute cross border arbitrage transactions, resulting in capital and deal flow, across the US, Australia and China and it had developed the infrastructure to enable digital capital raising for its clients through crowd-sourced funding.

The company said that net tangible assets per share fell 48.1 percent to 0.82 cents at June 30, 2017, diluted loss per share was down 97.4 percent to 0.05 cents, with cash and cash equivalents of \$165,807 at June 30, 2017 compared to \$378,402 at June 30, 2016.

IQ3 was untraded at 30 cents.

ALCIDION

The newly-listed Alcidion says that revenue for the 12 months to June 30, 2017 fell 14.1 percent to \$3,458,112 with net loss after tax down 19.0 percent to \$2,060,980.

Yesterday, Alcidion said it was negotiating a contract with Melbourne's Monash Health for its core technology, the Miya clinical communications platform (BD: Aug 31, 2015). In its financial results the company said it had an installed base of 15 large tertiary hospitals around Australia including Footscray, Sunshine, Williamstown, Royal Darwin and Alice Springs Hospitals and was available throughout Tasmania.

The company said that net tangible assets per share fell 18.2 percent to 0.9 cents at June 30, 2017, diluted loss per share was down 46.0 percent to 0.34 cents and it had cash and cash equivalents of \$5,331,263 at June 30, 2017 compared to \$5,645,357 at June 30, 2016.

Alcidion was unchanged at 5.4 cents with 1.7 million shares traded.

PHARMAUST

Pharmaust said that revenue for the year to June 30, 2017 was up 21.0 percent to \$3,333,505, with net loss after tax down 65.8 percent to \$1,343,614.

Pharmaust said that its Epichem medicinal chemistry subsidiary generated a record \$3.05 million in revenue, up 30 percent, with \$4 million revenues targeted for the 2017-'18 financial year.

The company said that its net tangible asset backing per share was up 16.9 percent to 2.42 cents, diluted loss per share was up 80.0 percent to 1.08 cents, with cash and cash equivalents of \$2,590,330 at June 30, 2017 compared to \$881,823 at June 30, 2016.

Pharmaust was up 0.1 cents or 1.6 percent to 6.3 cents.

PHYLOGICA

Phylogica says revenue for the 12 months to June 30, 2017 was up 1476.7 percent to \$2,838,000, with a net loss after tax down 51.0 percent to \$1,951,000.

Phylogica said it received \$2,760,258 from Roche's Genentech as a milestone payment under a research collaboration and licence agreement (BD: Dec 19, 2016).

The company said that net assets per share was up 43.6 percent to 0.418 cents at June 30, 2017, diluted loss per share fell 52.4 percent to 0.10 cents, with cash and equivalents of \$9,939,943 at June 30, 2017 compared to \$7,073,541 at June 30, 2016.

Phylogica was unchanged at 4.6 cents.

BRAIN RESOURCE

Brain Resource says revenue for the 12 months to June 30, 2017 fell 18.2 percent to \$2,411,000, with a net loss after tax up 145.2 percent to \$9,869,000.

Brain Resource said the main item impacting the loss "was the impairment of intangible assets amount written off".

The company said that net assets per share fell 42.1 percent to 9.2 cents at June 30, 2017 compared to 15.9 cents in the previous period.

Brain Resource said that diluted loss per share was up 127.1 percent to 6.45 cents, with cash and equivalents of \$1,570,197 at June 30, 2017 compared to \$2,790,014 at June 30, 2016.

Brain Resource was untraded at 7.2 cents.

BIOXYNE

Bioxyne says revenue for the 12 months to June 30, 2017 was up 1.5 percent to \$2,054,801 with last year's \$223,846 net profit turned to a \$767,752 loss.

Bioxyne said the revenue was primarily from the sale of probiotics *Lactobacillus fermentum* VRI-003 or PCC with sales down 7.6 percent to \$1,778,059 "with part attributable to a strengthening Australian dollar".

Bioxyne said net tangible assets per share was unchanged at one cent, last year's 0.1 cents diluted earnings per share turned to a 0.33 cents diluted loss per share, with \$3,875,864 in cash and cash equivalents at June 30, 2017, compared to \$1,353,604 at June 30, 2016.

Bioxyne was up 0.1 cents or five percent to 2.1 cents.

ELLEX MEDICAL LASERS

Ellex says it will expand and upgrade its Fremont, California facility to increase Itrack production capacity to 50,000 units a year from the current 20,000 units a year.

Ellex said that in July 2017, Fremont capacity was upgraded from 10,000 units a year to 20,000 units a year and the second stage production was expected to increase capacity to 50,000 units a year by July 2018, adding clean room facilities in an adjacent building and additional technical staff would be recruited.

Ellex chief executive officer Tom Spurling said the increased production would "meet projected demand for Ellex Itrack for at least the next 12 months" with a further doubling to 100,000 units a year being planned.

The company said the expansion would be funded from cash resources and earnings.

Ellex was up 2.5 cents or 2.7 percent to 95 cents.

NANOSONICS

Fidelity Management & Research (FMR) says it has become a substantial shareholder in Nanosonics with 14,975,885 shares or 5.03 percent.

The Boston, Massachusetts-based FMR previously said it was a related party to Fidelity International Limited (FIL) with investments in Acrux, Cochlear, CSL and Heartware and became substantial in Resmed last month (BD: Aug 21, 2017).

According to Fidelity Investments website it was established as the international investment arm of FMR becoming independent in 1980, and was "owned mainly by management and members of the original founding [Johnson] family".

Today, FMR said it acquired shares between May 9 and August 29, 2017, at prices from \$2.20 to \$3.26.

Nanosonics fell one cent or 0.4 percent to \$2.60 with 1.5 million shares traded.

INVION

Invion has requested a trading halt "pending the ASX's determination as to whether the company will be required to comply with ASX Listing Rules 11.1.2 and/or 11.1.3".

Yesterday, Invion said that the Cho Group would take control of the company and it would distribute new generation photo dynamic therapy (NGPDT) for cancers in Australia and New Zealand, as well as attempt to sell or licence its existing respiratory assets.

The ASX said Listing Rules 11.1.2 and 11.1.3 related to "significant changes to activities".

Trading will resume on September 5, 2017 or on an earlier announcement.

Invion last traded at 0.25 cents.

ADHERIUM

Adherium says it has US Food and Drug Administration 510(K) clearance for its new Smarttouch inhaler device for Astrazeneca's Symbicort aerosol inhaler.

Adherium said the Smarttouch for Symbicort was a device installed onto a patient's inhaler to monitor and encourage medication adherence as part of a self-management plan.

Adherium chief executive officer Arik Anderson said it was the third company product to receive US 510(k) clearance to market and, the company has clearances in Europe, Canada, Australia, China, Singapore and New Zealand.

Adherium was up one cent or 11.8 percent to 9.5 cents with 1.4 million shares traded.

PHOSPHAGENICS

Phosphagenics says that if it is successful in its legal action against Mylan and receives a payment it will recommend a return of capital to shareholders.

Phosphagenics chief executive officer Dr Ross Murdoch told Biotech Daily that the arbitration hearing would be conducted in Singapore in October or November 2017, with a decision expected by July 2018.

The company said its intention was to return proportions of any payment to shareholders with 30 percent of net cash proceeds below \$50 million, rising to 50 percent of cash proceeds between \$50 million and \$100 million and 70 percent of cash proceeds above \$100 million, pending shareholder approval after any award is announced and received.

Phosphagenics said that in 2011 and 2012 it signed agreements with Agila Specialties Private Ltd to develop and market its tocopheryl phosphate mixture (TPM) daptomycin injectable and in 2013 Strides Shasun sold Agila to Mylan.

The company said it filed arbitration documents in 2016 asserting that both Agila and Mylan breached the agreements and its independent experts believed the maximum damages could approach \$US300 million (BD: Jan 25, 2016; Mar 3, May 29, 2017).

Phosphagenics was up 0.2 cents or 11.8 percent to 1.9 cents with four million shares traded.

CANN GROUP, THE HYDROPONICS COMPANY

Cann and Hydroponics say they are partners in a Medicinal Cannabis Medicines Portal to facilitate cannabis prescribing and dispensing in Australia.

In separate announcements the two companies said that they had partnered with the Richmond, Melbourne-based Sinapse Pty Ltd and its Pharmaprograms which had developed the Portal, "a collaboration between prescribers, pharmacists and sponsor manufacturers to help patients access appropriate medicinal cannabis treatment in line with national and state [and] territory-based laws and requirements".

The companies said the Portal would provide logistics support for pharmacy wholesaler ordering and pharmacy dispensing.

The Portal said it would launch on September 12, 2017.

Cann was up 0.5 cents or 0.4 percent to \$1.15.

Hydroponics was up 1.5 cents or 5.7 percent to 28 cents.

REVA MEDICAL

Reva says that Brandi Roberts has been appointed as chief financial officer and company secretary, effective from August 28, 2017 replacing Katrina Thompson (BD: Jul 14, 2017).

Reva was up two cents or 2.6 percent to 80 cents.

BIOTECH DAILY TOP 40 WITH MARKET CAPITALIZATION AT AUG 31, 2017

Company \$Am	Sep-16	Aug-17	Sep-17
Cochlear	8,073	8,203	8,985
CSL	49,347	57,073	58,153
Resmed	12,617	13,696	13,649
BDI-20			
Admedus	78	64	64
Airxpanders	272	201	190
Bionomics	115	222	236
Clinuvel	251	307	347
Compumedics	100	80	69
Ellex	122	131	112
Impedimed	576	261	235
Medical Developments	303	300	296
Mesoblast	511	758	625
Nanosonics	923	703	777
Neuren	76	116	121
Opthea	80	147	136
Pharmaxis	94	85	86
Polynovo	151	113	122
Prima	78	54	57
Pro Medicus	640	534	517
Psivida	175	67	60
Reva	555	329	321
Sirtex	1,933	928	865
Viralytics	219	195	229
Second 20			
Acrux	62	50	43
Actinogen	32	37	27
Atcor	22	10	8
Avita	58	49	41
Benitec	19	28	25
Cellmid	29	26	26
Cyclopharm	66	56	53
Dimerix	16	22	16
Factor Therapeutics	36	47	43
Genetic Signatures	35	46	43
ITL Ltd	18	47	39
LBT Innovations	21	45	43
Living Cell	44	71	71
Oncosil	63	43	45
Orthocell	22	23	22
Osprey	69	111	131
Prana	59	30	28
Starpharma	257	281	384
Universal Biosensors	49	68	67
Uscom	33	20	20

* Biotech Daily editor, David Langsam, owns shares in Acrux, Admedus, Benitec, Mesoblast, Nanosonics, Optiscan, Volpara and non-biotechnology stocks. Through Australian Ethical Superannuation he has an indirect interest in a range of other biotechnology companies: <http://www.australianethical.com.au/who-we-invest-in>. These holdings are liable to change.

Biotech Daily can be contacted at: PO Box 5000, Carlton, Victoria, Australia, 3053
email: editor@biotechdaily.com.au; www.biotechdaily.com.au; twitter: @biotech_daily