



Biotech Daily

Friday December 1, 2017

Daily news on ASX-listed biotechnology companies

- * NOVEMBER BDI-40 UP 1%, ASX200 1%, BIG CAPS 3%, NBI 0.55%
- AVITA UP 83%, COMPUMEDICS 34%; LIVING CELL DOWN 85%, VIRALYTICS 21%
- * TODAY: ASX UP, BIOTECH EVEN: VIRALYTICS UP 11%; OPTISCAN DOWN 6%
- * DR BOREHAM'S CRUCIBLE: PROBIOTEC
- * NOXOPHARM SUBSIDIARY NYRADA TO RAISE \$6m
- * NANOSONICS: 'EUROPEAN RECOMMENDATIONS BACK TROPHON'
- * GENETIC TECHNOLOGIES TAKES LEGAL ADVICE ON BOARD SPILL CALL
- * ORTHOCELL WINS EURO PATENT FOR ORTHO-ACI CARTILAGE REPAIR
- * IMPEDIMED: '4 ABSTRACTS BACK L-DEX FOR LYMPHOEDEMA'
- * NUHEARA IQBUDS APPROVED IN 9 COUNTRIES
- * DIMERIX REQUESTS CAPITAL RAISING TRADING HALT
- * PHARMAUST REQUESTS CAPITAL RAISING TRADING HALT
- * TOM GRANGER, ANACACIA, WATTLE TAKE 5.5% OF COGSTATE
- * MORGAN STANLEY, MITSUBISHI BORROW, TAKE 5% OF VIRALYTICS
- * INVION APPOINTS THIAN CHEW CHAIR, DR GREG COLLIER BACK TO CEO
- * ANALYTICA LOSES DIRECTORS WARREN BROOKS, CARL STUBBINGS
- * MMJ: PHYTOTECH CEO DR DAPHNA HEFFETZ TO RESIGN
- * COGSTATE CO SEC CLAIRE NEWSTEAD-SINCLAIR RETURNS

MARKET REPORT

The Australian stock market climbed 0.33 percent on Friday December 1, 2017 with the ASX200 up 19.9 points to 5,989.8 points. Seventeen of the Biotech Daily Top 40 stocks were up, 16 fell, five traded unchanged and two were untraded.

Viralytics was the best, up 6.5 cents or 10.8 percent to 66.5 cents with 356,829 shares traded. Actinogen, Cyclopharm and Oncosil climbed more than six percent; Benitec, Orthocell and Polynovo rose more than five percent; Nanosonics improved 4.7 percent; Biomix and Opthea rose more than two percent; with Avita, Compumedics, CSL, Impedimed, LBT and Sirtex up more than one percent.

Optiscan led the falls, down 0.6 cents or 6.4 percent to 8.8 cents with 728,601 shares traded. Neuren and Universal Biosensors lost more than five percent; Telix fell 4.25 percent; Acrux, Admedus and Starpharma were down more than three percent; with Factor Therapeutics and Medical Developments shedding more than two percent.

[BIOTECH DAILY TOP 40 INDEX \(BDI-40\)](#)

Summer's here and the time is right for the biotechnology sector – and the Big Caps continue to set new records (see charts below).

The Biotech Daily Top 40 Index (BDI-40) improved 1.2 percent in November, slightly ahead of the ASX200, which was up 1.0 percent, consolidating the Spring gains and recovering from earlier falls by Sirtex and Mesoblast.

Most of the BDI-20 companies were up, while the Second 20 lost ground.

Eighteen of the BDI-40 companies (not including Cochlear, CSL and Resmed) were up, 20 fell and two were unchanged.

Eleven climbed more than 10 percent, of which five were up by more than 20 percent and eight fell by more than 10 percent, with three down by more than 20 percent.

Avita was the best, recovering 93.3 percent to \$66 million, but still \$20 million below its market capitalization 12 months ago. Compumedics rebounded 33.9 percent to \$75 million, followed by Impedimed also in recovery up 31.9 percent, Psivida (26.2%), Admedus (23.3%), Orthocell (16.7%), Clinuvel (15.0%), Polynovo (14.8%), Pro Medicus (12.7%) and Oncosil (10.6%).

Living Cell led the falls, down 85.1 percent to \$17 million following non-significant results for its NTCcell for Parkinson's disease. Viralytics eased 21.2 percent to \$145 million, followed by Genetic Signatures (20.5%), LBT (18.2%), Dimerix (17.6%), Nanosonics (15.4%), Uscom (15.0%), Cellmid (13.0%), Actinogen (12.5%) and Bionomics (11.9%).

The three Big Caps of Cochlear, CSL and Resmed hit record highs, again, at the end of November, up a collective 3.2 percent for the month (and 44.3 percent for the year to November 30), with Resmed up 3.7 percent to \$15,976 million, CSL up 3.1 percent to \$64,828 million and Cochlear up 2.7 percent to \$10,400 million.

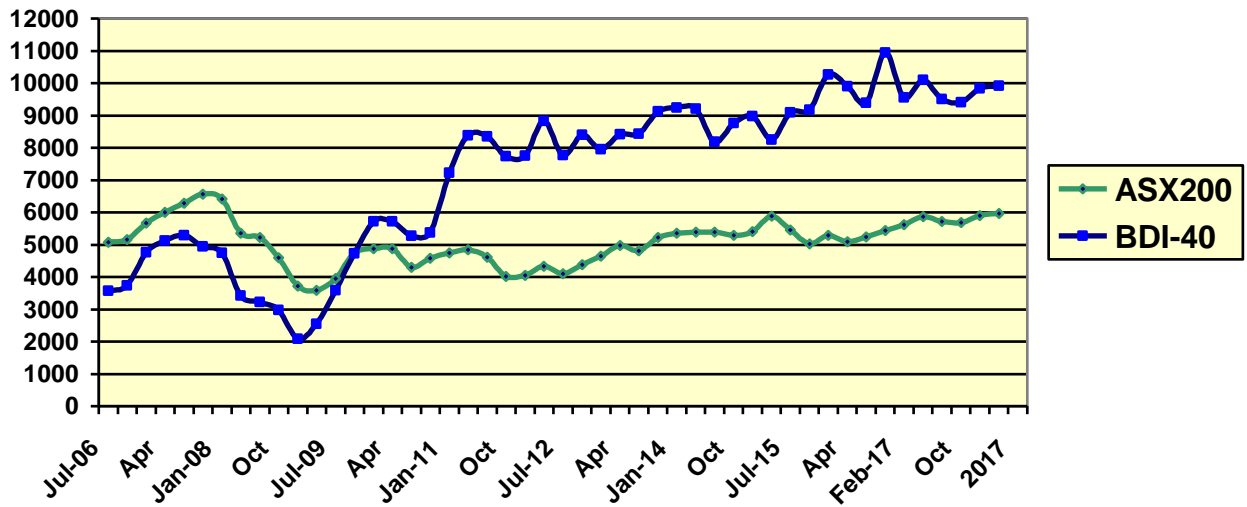
Outside the BDI-40, Anantara was up 12.8 percent for the month and 57.1 percent to a high of \$88 million, Probiotec climbed 53.6 percent to \$43 million and Noxopharm was up 210 percent in 12 months to \$52 million.

Cannabis Corner's 13 listed medical marijuana companies climbed 39.1 percent in November with stand-outs from Cann Group up 72.0 percent to \$227 million, Hydroponics (160.0%), Zelda (106.5%), Auscann (50.0%) and MGC (47.1%).

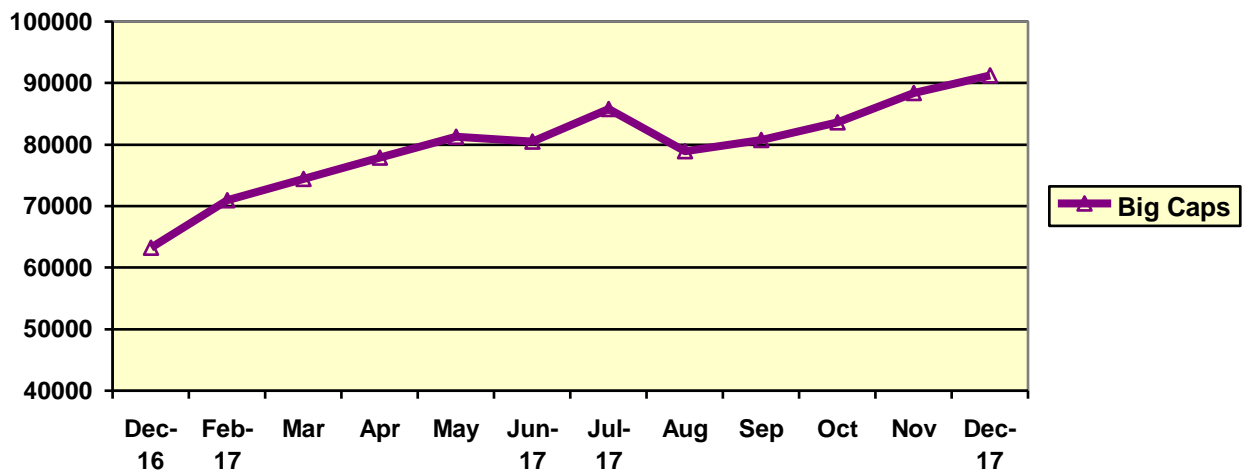
In the US, Redhill lost 29.0 percent to \$142 million on a discounted capital raise, Queensland's Protagonist jumped 60.9 percent to \$531 million and Aviragen (Biota) struggled up 9.7 percent to \$34 million, with the Nasdaq Biotechnology Index up 0.55 percent for the month and 5.0 percent for the year.

Telix has listed on the ASX with phase III cancer imaging and phase II treatment trials and will replace Admedus in the Top 20, which joins Optiscan returning to the Second 20, proving, again, that what goes down can come up. Living Cell and Cellmid move to the Third 20.

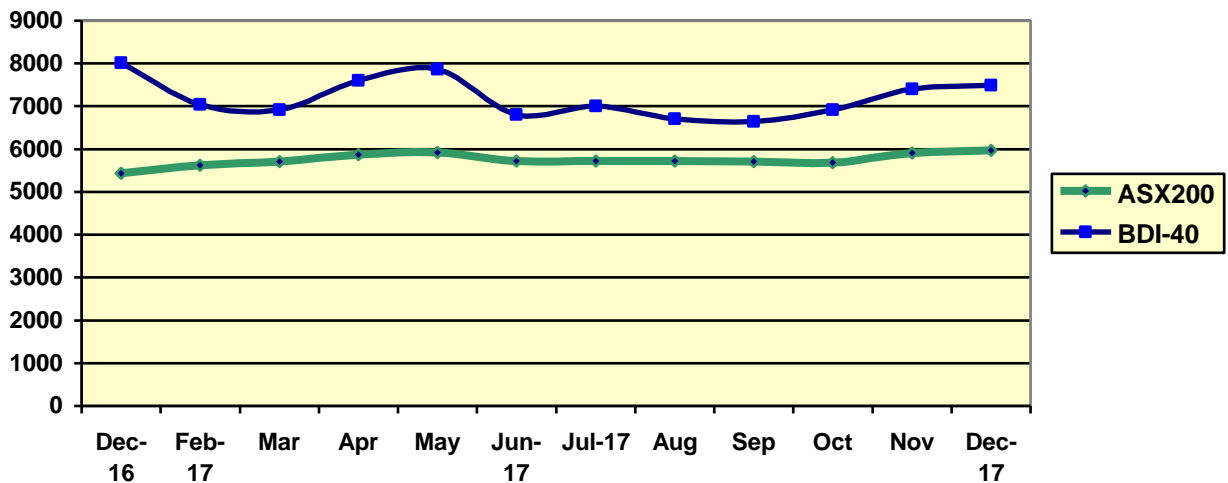
BDI-40 v ASX200 Jun 30, 2006 to November 30, 2017- Adjusted



Big Caps \$m (Cochlear, CSL, Resmed) November 30, 2016 – November 30, 2017



BDI-40 (\$m) v S&P ASX 200 – November 30, 2016 – November 30, 2017



[DR BOREHAM'S CRUCIBLE: PROBIOTEC](#)

By TIM BOREHAM

ASX Code: PBP

Share price: 73 cents

Shares on issue: 60,829,356

Market cap: \$44.4 million

Managing-director: Wes Stringer

Board: Geoffrey Pearce (chairman), Wes Stringer, Greg Lan, Alexander Beard

Financials (year to June 30, 2017): sales \$62.5 million (down 4.7%), net profit after tax \$2.51 million (up 7.3%), earnings per share 5.1 cents (up 16%), dividend 2 cents (previously 1.5 cents), cash \$321,000 (down 36%).

Identifiable holders: Charles Wayne Stringer and Jane Stringer 16.4%, CVC 7.85%, Bath Road Pty Ltd (Tony Giam) 6.49%.

No matter how this contract drug manufacturer (and branded pharma owner in its own right) fares, at least investors know that its experienced key management is up to the task.

In 2014 chairman Geoffrey Pearce sold his business Beutiworx to a company that eventually became the listed BWX (which has a current \$660 million market cap).

Probiotec non-executive director Greg Lan was founding managing-director of Aspen Pharmacare Australia, while chief executive officer Wes Stringer was a tax and finance whiz at KPMG as well as Deutsche Bank and BNP Paribas.

Probiotec was founded in 1997 by accountant Wayne Stringer. Backed by private equity house CVC, the company listed on the ASX in November 2006 after raising \$17 million.

Wayne Stringer stepped down as chief executive officer in 2015 and was succeeded by his son Wes, who was chief operating officer. Younger son, Jared, is chief financial officer. A bit too cosy? Crucible has never had a problem with nepotism, as long as it's kept in the family.

Three arms and lots of legs to the business

The Melbourne-based Probiotec has three divisions. Its biggest arm, contract manufacturing, manufactures and distributes a range of prescription up to S8 opiate standard and over-the-counter drugs, complimentary medicines and specialty ingredients.

The plant has 15 to 20 full-time equivalent staff in research and development alone and operates three shifts a day, five days a week.

The company's branded pharma arm owns the well-known Gold Cross, David Craig and Skin Basics range. Gold Cross is the house brand for the powerful Pharmacy Guild - a.k.a. the chemists' union - but Probiotec holds the intellectual property.

Probiotec's obesity management division owns the Impromy weight loss system (developed by the CSIRO) and the Celebrity Slim range.

Impromy, the company's "latest and greatest" weight loss program claims to be a tad more scientific than a lettuce-only diet, although we're not sure whether appearing on A Current Affair at least once commands praise or condemnation.

The Impromy program is exclusively offered through chemists, with candidates receiving a health check and customised weight loss diet.

In early October, the company lashed out between \$11.3 million and \$13.3 million for the privately-owned South Pack Laboratories, a contract pharmaceuticals packaging group.

The deal involved issuing 7.9 million Probiotec shares and \$8 million cash, \$2 million of which is deferred.

The debt-funded purchase is expected to be earnings per share accretive (in other words, it will make money) from day one.

The deal saw South Pack founder Tony Giam emerge with a chunky 6.5 percent Probiotec stake.

CVC was also an investor in South Pack, so re-emerged as a substantial Probiotec holder having sold down its original stake after listing.

Picture of good health

Probiotec's recent AGM presented a picture of wellness that even its fat-burning protein shakes – the winner of ratings house Canstar Blue's customer satisfaction award for the category -- could not evoke.

The company's 2016-'17 earnings rose a creditable seven percent to \$2.51 million, despite revenue coming off a tad to \$62.5 million, mainly because of low-margin lines being rationalised.

Adjusting for these dud lines, underlying sales grew five percent.

Management is upbeat about all three key divisions, citing new contracted work for the current year in manufacturing, several major distribution opportunities and new products in the second half of the year for obesity and health management.

“In the absence of any significant deterioration in economic conditions the board reasonably expects to deliver strong growth in both revenue and earnings in the 2017-'18 year,” chairman Geoffrey Pearce chimed.

He added that the contract manufacturing arm - which accounted for two-thirds of sales in 2016-'17 - would influence things the most heavily.

But the branded pharmaceutical and obesity arms will be pulling their, er, weight as well.

With the branded lines it's more a case of modest growth as baked-on consumers continue to buy the trusted products.

In the first two months of ownership, South Pack (not to confused with Cartwright and buddies from South Park) is performing to plan as well.

The only bum note is that a smaller European business is encountering “difficult economic conditions” in its key UK market.

Probiotec's performance has been helped along by a recent move to rationalise “low margin, capacity-hungry” product lines, which along with some good old fashioned cost cutting resulted in operating margins increasing significantly.

The company spends about \$1 million to \$1.5 million a year on research and development, mainly on lines such as extension formulations.

Wes Stringer says that rather than “cold quoting” a potential contract manufacturing client, the company likes to present them with an opportunity to add value to their portfolio.

Probiotec's main facility at Laverton in Melbourne is operating at 60 percent capacity, which means it can win more work without more capital expenditure.

Dr Boreham's diagnosis:

Probiotec has the weighty advantage of operating in the “wellness” space, which is red hot as the ageing populace turn to anything from ginseng to kale to maintain their vim and verve.

Probiotec's high level of manufacturing certification means it competes more in the over-the-counter medicines and prescriptions sector than complementary medicines.

The alternative medicines sector has more than its share of snake oil merchants and out-and-out frauds, but consumers can't go wrong with lines such as Gold Cross Friars Balsam for nasal congestion and soothing calamine lotion.

In terms of listed peers, Probiotec shares traits with Blackmores (vitamins et al), BWX (chemist distribution) and IDT Australia (high-level contract drug manufacturing).

But none is a true rival, with Probiotec competing directly with South Africa's Aspen, US giant Catalent and the local Lipa Pharmaceuticals in the contract manufacturing sector.

In the weight-loss sector, Impromy competes with anything from Lite and Easy diets to Weight Watchers.

But the most direct competitor is the Tony Ferguson weight loss program, which is also sold through chemists.

Probiotec is well backed, with original private equity firm backer CVC remaining on the register.

It also has board representation in the guise of the well-known Alexander (Sandy) Beard, who has played a role in shaking up other biotechs including the drug developer Bionomics.

Our key objection with this one is that the company has been plodding for the last decade, given it made a net profit of \$4.97 million on sales of \$54 million in 2007.

Currently Probiotec shares are trading at seven year highs.

But bear in mind they listed in 2006 at \$1 apiece, with the stock trading in a range of \$2.74 in October 2009 to 15 cents in May 2015.

"The past is the past," Wes Stringer says. "We think the best is certainly yet to come."

Probiotec's balance sheet is a picture of wellness and the 2 cents a share dividend (equating to a 2.8 percent yield) is nothing to sneeze at in biotech terms.

Because the company has a stockpile of franking credits as well as tax losses, it should be able to pay franked dividends for some years to come while not incurring income tax.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He's happy to give a free plug to Gold Cross's Glucojel jelly beans as they're the biggest, juiciest and most wholesome on the market.

[NOXOPHARM](#)

Noxopharm says its US subsidiary Nyrada Inc hopes to raise \$6 million in a placement at \$4.00 a share to sophisticated non-US investors.

Noxopharm said that each three new shares would come with two attaching options exercisable at \$6.00 by November 30, 2020 and the funds would "create a corporate infrastructure, including the appointment of a core scientific team and to progress ... the company's three pre-clinical drugs assets: NYX-104, NYX-205 and NYX-330", following shareholder approval for the transfer of NYX-104 and NYX-205 from Noxopharm to Nyrada and the acquisition by Nyrada of NYX-330 (BD: Sep 25, Oct 4, 2017).

Noxopharm said the offer opened today and would close on December 15, 2017.

Noxopharm fell one cent or 1.1 percent to 92 cents.

NANOSONICS

Nanosonics says the European Society of Radiology has issued ultrasound probe decontamination best practice recommendations supporting its Trophon EPR. Nanosonics said the recommendations followed an initial study by the Society which “identified a wide range of practices amongst European ultrasound practitioners and the need to raise awareness regarding the importance of infection prevention and control measures”.

The company said that the publication, entitled ‘Infection prevention and control in ultrasound – best practice recommendations from the European Society of Radiology Ultrasound Working Group’ was published in the journal Insights Imaging and was available at: <https://link.springer.com/content/pdf/10.1007%2Fs13244-017-0580-3.pdf>. Nanosonics said the publication “highlights the risk of cross-contamination associated with ultrasound procedures when appropriate cleaning and decontamination practices are not followed”.

The company said that best practice recommendations were that “any equipment in direct patient contact must be cleaned and disinfected prior to first use and after every examination”.

Nanosonics said the recommendations included that low-level disinfection was sufficient for standard ultrasound on intact skin but “for all other minor and major interventional procedures as well as all endo-cavity ultrasound, high level disinfection is mandatory”. The company said that a comparison of different decontamination methods was not part of the recommendations but “automated systems were presented as most favorable due to their ability to deliver a standardized and reproducible decontamination process thus avoiding operator associated errors or variations”.

Nanosonics said its Trophon system was presented positively as a favored automated system due to its use of hydrogen peroxide.

Nanosonics chief executive officer Michael Kavanagh said the guidance “provides further evidence of the increasing international awareness of the importance of ultrasound probe decontamination to minimize the risk of cross-contamination and improve patient safety”. “Having the peak body for the European radiology community release this guidance is an important driver to ensure that where local guidelines do not exist or don’t represent best practice, they need to be developed or updated to comply with what is now becoming international best practice,” Mr Kavanagh said.

Nanosonics was up 12 cents or 4.7 percent to \$2.66 with 1.1 million shares traded.

GENETIC TECHNOLOGIES

Genetic Technologies says it has received a request for a board spill meeting and is seeking legal advice on the validity of the request.

Genetic Technologies said that the Section 249D of the Corporations Act 2001 notice called for an extraordinary general meeting to remove chairman Dr Malcolm Brandon, director Grahame Leonard and chief executive officer Eutillio Buccilli as directors and appoint Samuel Xue Lee, Peter Irwin Rubenstein and Jerzy Muchnicki in their place.

The company said that the notice was received from Antanas Guoga, Ugnius Simelionis, Security and Equity Resources, SH Rayburn Nominees Pty Ltd, Irwin Biotech Nominees Pty Ltd, MJGD Nominees Pty Ltd and Samuel Lee who claim to hold about 5.5 percent of the issued shares of the Company.

The requisition notice included Melbourne-based shareholders who also have holdings in Paradigm and Benitec (BD: Jul 26, 2013; Mar 6, 2014; Aug 24, 2015).

Genetic Technologies was unchanged at 0.9 cents with 1.2 million shares traded.

ORTHOCELL

Orthocell says it has been granted a European Patent covering the combination of cartilage cells and scaffolds as an aid in the surgical repair of cartilage injuries. Orthocell said the patent, entitled 'Method of Tissue Repair' protected combining cartilage cells and scaffolds in a surgical setting until 2029 and strengthened the intellectual property for its autologous chondrocyte implantation Ortho-ACI cartilage repair product. The company said Ortho-ACI was on the Australian Register of Therapeutic Goods and the US Food and Drug Administration and the UK National Institute of Clinical Excellence had given general approvals for autologous chondrocyte implantation products. Orthocell was up two cents or 5.3 percent to 40 cents.

IMPEDIMED

Impedimed says four abstracts with data from independent prospective studies of more than 1,100 patients back its L-Dex for the early detection of lymphoedema. Impedimed said the abstracts would be presented at Breast Cancer Symposium in San Antonio, Texas from December 7 to 9, 2017. The company said that across all studies there was "a significant reduction in the number of patients who went on to develop later stage lymphoedema" and the studies supported prospective L-Dex surveillance for the early detection of sub-clinical lymphoedema. Impedimed was up one cent or one percent to 98 cents with 1.3 million shares traded..

NUHEARA

Nuheara says its Iqbuds sound filtering and hearing ear buds have been approved in nine countries in Mexico, Europe, Asia and the Middle East. Nuheara said that the certifications allowed its Iqbuds to be sold in Russia, China, Japan, Taiwan, Hong Kong, Singapore, Saudi Arabia, the United Arab Emirates and Mexico. Nuheara was up 0.2 cents or 3.45 percent to six cents with 1.4 million shares traded.

DIMERIX

Dimerix has requested a trading halt pending "a proposed capital raising". Trading will resume on December 5, 2017 or on an earlier announcement. Dimerix last traded at 15.5 cents.

PHARMAUST

Pharmaust has requested a trading halt "pending an announcement of a capital raising". Trading will resume on December 6, 2017 or on an earlier announcement. Pharmaust last traded up 0.1 cents or two percent to 4.9 cents.

COGSTATE

Tom Granger and Anacacia Pty Ltd as trustee for the Wattle Fund say they have become substantial shareholders in Cogstate with 6,246,216 shares or 5.5 percent. The Double Bay, Sydney-based Anacacia notice, signed by portfolio manager Mr Granger, said that between August 22 and November 30, 2017, the fund bought 1,790,727 shares for \$1,717,341 or 95.9 cents a share. Cogstate was up three cents or 3.3 percent to 93.5 cents.

VIRALYTICS

Morgan Stanley and Mitsubishi UFJ Financial Group say they have become substantial shareholders in Viralytics with 12,686,219 shares or 5.27 percent.

The New York, Sydney and London-based Morgan Stanley said that the shares were held under a “global master securities lending agreement” with parties to the agreement including Fuji Media Holdings, Rothesay Life PLC, the Bank of New York Mellon Trust (Japan), Dekabank Deutsche Girozentrale and Lyb Finance Co BV.

In a separate announcement, Mitsubishi UFJ said it held the same number and percentage of shares as Morgan Stanley, citing the same purchases between July 28 and November 28, 2017 in trades from a single share for 72 cents to 159,187 shares for \$141,101 or 88.6 cents share, as well as “collateral received” for 1,412,976 shares. Viralytics was up 6.5 cents or 10.8 percent to 66.5 cents.

INVION

Invion says it has appointed Thian Chew as a non-executive director and chairman with chief executive officer Dr Greg Collier ending his interim executive chair role.

Dr Collier said the appointment followed yesterday’s annual general meeting which accepted all resolutions relating to the licence to commercialize Photosoft to treat cancer and the issue of shares to the Cho Group (BD: Nov 30, 2017).

Invion said Mr Chew was previously a Goldman Sachs executive director, formerly a Morgan Stanley consultant project manager and worked for KPMG in the Asia Pacific. Invion said that Mr Chew held a Bachelor of Information Systems from Monash University, a Master of Arts from the Lauder Institute, University of Pennsylvania and a Masters of Business Administration from the Philadelphia, Pennsylvania-based Wharton School. Invion was unchanged at 0.6 cents with 3.6 million shares traded.

ANALYTICA

Analytica says that directors Warren Brooks and Carl Stubbings have retired from the company after six years and four and half years respectively.

Analytica fell 0.1 cents or 20 percent to 0.4 cents with 1.05 million shares traded.

MMJ PHYTOTECH

MMJ says that Israel subsidiary Phytotech Therapeutics chief executive officer Dr Daphna Heffetz has resigned effective from December 31, 2017.

MMJ said that Phytotech chief operating officer Catherine Harvey would lead research and development and oversee operations with support from research and development head Dr Hagit Sacks, who had more than 15 years’ experience in pharmaceutical science and research and development.

MMJ fell four cents or 8.4 percent to 43.5 cents with 2.9 million shares traded.

COGSTATE

Cogstate says Cindy Tilley’s appointment as joint company secretary, while Claire Newstead-Sinclair was on maternity leave has been completed.

A Cogstate spokesperson said that Ms Newstead-Sinclair had returned from maternity leave.

Cogstate thanked Ms Tilley for her contribution to the company.

BIOTECH DAILY TOP 40 WITH MARKET CAPITALIZATION AT NOV 30, 2017

Company \$Am	Dec-16	Nov-17	Dec-17
Cochlear	6,817	10,124	10,400
CSL	44,684	62,879	64,828
Resmed	11,694	15,407	15,976
BDI-20			
Airxpanders	268	216	201
Bionomics	176	219	193
Clinuvel	384	334	384
Compumedics	131	56	75
Ellex	181	138	133
Impedimed	457	276	364
Medical Developments	258	372	372
Mesoblast	462	628	635
Nanosonics	1,000	898	760
Neuren	116	248	276
Opthea	112	137	146
Pharmaxis	88	85	82
Polynovo	155	216	248
Immutep (Prima)	77	66	59
Pro Medicus	553	692	780
Psivida	85	61	77
Reva	475	289	264
Sirtex	1,594	788	860
Telix	12	78	128
Viralytics	274	184	145
Second 20			
Acrux	52	27	25
Actinogen	30	32	28
Admedus	91	60	74
Avita	86	36	66
Benitec	17	41	40
Cyclopharm	54	68	64
Dimerix	12	17	14
Factor Therapeutics	58	37	37
Genetic Signatures	47	39	31
ITL Health	25	40	42
LBT Innovations	45	44	36
Oncosil	45	66	73
Optiscan	19	43	40
Orthocell	29	24	28
Osprey	111	132	144
Prana	29	35	37
Starpharma	243	508	519
Universal Biosensors	52	62	60
Uscom	23	20	17
Volpara	47	62	61

* Biotech Daily editor, David Langsam, owns shares in Acrux, Benitec, Mesoblast, Nanosonics, Optiscan, Telix, 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.

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