Biotech Daily

Friday December 22, 2017

Daily news on ASX-listed biotechnology companies

*** ASX, BIOTECH UP: UNIVERSAL BIOSENSORS UP 10%; ONCOSIL DOWN 6%**

*** DR BOREHAM'S CRUCIBLE: ADMEDUS**

*** ELLEX PLAN RAISES $583k OF HOPED-FOR $5m, TOTAL $24m**

*** CRESO $2m UNDERWRITTEN PLAN RAISES $359k, TOTAL $17.5m**

*** ANTISENSE, MYTOMORROWS ATL1103 ACROMEGALY EARLY ACCESS**

*** TELIX RELEASES 37m ASX ESCROW SHARES, VOLUNTARY ESCROW**

*** ANTEO BOARD SPILL CALL**

*** PHOSPHAGENICS TPM COW FEED 'NO BETTER FOR MILK, FERTILITY'**

*** BAILLIE GIFFORD REDUCES TO 8% OF COCHLEAR**

*** PAUL COZZI TAKES 7% OF ATCOR**

*** CEO RICHARD HANNEBERY TAKES 9.5% OF GENERA**

*** RESPIRI CEO MARIO GATTINO STARTS ON $300k**

MARKET REPORT

The Australian stock market was up 0.15 percent on Friday December 22, 2017, with the ASX200 up 9.3 points to 6,069.7 points. Fifteen of the Biotech Daily Top 40 stocks were up, 12 fell, 10 traded unchanged and three were untraded.

Universal Biosensors was the best, up 2.5 cents or 9.6 percent to 28.5 cents with 241,399 shares traded. Neuren climbed nine percent; Optiscan improved 8.9 percent; Benitec, Opthea and Polynovo were up more than five percent; Factor Therapeutics and Viralytics were up more than four percent; Acrux, Cyclopharm and Volpara rose more than three percent; Clinuvel, Nanosonics, Pro Medicus and Starpharma were up one percent or more; with CSL up 0.1 percent.

Oncosil led the falls, down one cent or 6.25 percent to 15 cents with 915,447 shares traded. Actinogen, Dimerix and Immutep (Prima) fell four percent or more; Airxpanders, Ellex, Telix and Uscom shed more than two percent; Avita, Bionomics and Resmed lost more than one percent; with Cochlear, Medical Developments and Sirtex down more than one percent.

DR BOREHAM'S CRUCIBLE: ADMEDUS

By TIM BOREHAM

ASX Code: AHZ

Share price: 29 cents

Market cap: $73.9 million

Shares on issue: 254,795,534

Chief executive officer: Wayne Paterson

Board: John Seaberg (chair), Matthew Ratty, Dr Simon Buckingham, Wayne Paterson

Financials (September quarter): receipts $5.16 million, net cash loss $3.69 million, cash $7.56 million, estimated current quarter cash burn $9.88 million ($10 million debt facility)

2016-'17 year: revenue $22.3 million (up 57.8%), operating loss $12.5 million (previously $21.9 million loss), Ebitda loss $10.8m ($23.6m loss), net loss $12.67m ($25.13m loss).

Identifiable major holders: Minderoo Group 5.8%, MC Management Group 4.07%, Bulldog Shale Pty Ltd 1.3%, Washington H Soul Pattinson 1.06%, Athanasios Farmakis 1.02%, Rosherville (Rod Gibson) 0.98%.

Any self-respecting company needs a vision statement, preferably one with a reference to 2020 because it sounds so futuristic even though it's a mere two short years away.

We tender as evidence Sirtex's canned 2020Vision charter under sacked CEO Gilman Wong (sorry, a bad example) and Clinuvel's Growth 2020 blueprint.

In the case of the regenerative medicine play Admedus, it's all about "the 2020 Aspiration" -- and my what a noble mission statement it is.

While most managers shy from concrete targets, Admedus boldly aspires to sales of $70 million in 2019-'20, with Ebitda of $22 million (balanced between the US, European Union and local markets).

Admedus in 2016-'17 clicked over $22 million of revenue but lost $10.8 million on the Ebidta line.

Management also expects staff, general and administrative costs to decline to 37 percent of sales by 2020, compared with an unacceptable 117 percent in 2016-'17.

Leaving nothing to chance, Admedus provides its own report card. It’s redolent of a youthful Crucible’s hit-and miss-efforts, including this blunt but true assessment from his junior PE teacher: “Timothy is uncoordinated.”

Admedus’s self-ascribed “good” attributes includes “credible financial results” and progress on its modified products (called Adapt).

The bad includes “share price trajectory”.

And the challenges for the coming semester? Achieving a stable sales force and overcoming what management darkly refers to as “conspiracy theories” about the business.

Twigging to the opportunity

Admedus was formerly known as Allied Healthcare, but evolved from Biomd which in 2005 acquired a mob called Celxcel. Formed in 2001, Celxcel had been looking at biological implants based on kangaroo tissue. But this opportunity hopped away before the company could tie it down.

Admedus has the privilege of being backed by Minderoo Investments, the private company of iron ore magnate Andrew ‘Twiggy” Forrest and his missus Nicola.

Rumors that Twiggy invested in biotech after misreading haemoglobin for heamatite are merely conspiracy theories. And even though former Fortescue chairman Herb Elliott also chaired wearable play Dorvasi (which we covered last week), we’re not implying any grassy knoll plot to take over the sector.

Admedus is Perth based, with its manufacturing operation in Malaga. But it’s a true citizen of the world, with its HQ in Minneapolis and a corporate services function in Brisvegas.

Adapt-ing to the times

Admedus’s core product is based on its Adapt engineering process, to produce implantable bio-scaffolds for various soft tissue repair applications.

The company’s oldest, flagship product is Cardiocel, an elastic patch for cardiac repairs and reconstructions. The bovine pericardial patch Cardiocel is claimed to be more effective than rival products on measures such as preventing clotting and its ability to grow with native tissue, with little or no calcification.

Compared with artificial valve transplants, patches are less likely to result in infection and rejection by the body.

A 3D version of Cardiocel is due to be released in the US on February 1 next year.

Admedus may also develop a 3D version of Vascucel, a similar collagen scaffold for the "harmonious healing" of dodgy arteries.

While the cardiovascular patch sector is crowded, four of Admedus's rivals have been affected by US Food and Drug Administration recalls.

Admedus also does a strong line in infusion, which is not a reference to a nice Darjeeling but its role as a distributor of medical products such as infusion pumps, tubing and syringes.

Then there's the famous 75 percent-owned Admedus Immunology (AI) arm. We say "famous" because it's run by immunology godfather and Australian of the Year Prof Ian Frazer.

Along with the late virologist, Dr Jian Zhou of the University of Queensland, Prof Frazer developed the Gardasil cervical cancer vaccine that greatly reduced the risk for millions of women.

AI is awaiting final results from a herpes simplex virus 2 (HSV-2) trial, with the phase IIa study showing an encouraging "level of activity" and "interesting trends" in the HSV-2 affected cohort, although the interim analysis showed safety, reduced viral shedding but no benefit for new sores.

The division is also progressing an initial human papillomavirus (HPV) study targeting related head and neck cancers. These cancers - which are believed to be related to oral sex - are on the rise.

The program was backed by a $250,000 grant from the now re-elected Queensland Palaszczuk Government, which enthused about these indications becoming a billion-dollar market.

Taking on the world

In November Admedus won approval from the Indian regulator for Cardiocel, thus opening up an annual market of 50 million cardiac patients (as well as the medical tourism market).

The company also appointed Genpharm as distributor for the Middle East and North Africa region.

Admedus is also looking at launching the Adapt range in Thailand, Vietnam and the Philippines and is also chatting to Chinese regulators.

On the infusion side, Admedus's fortunes were boosted with a recent contract to supply Arcomed infusion pumps to the Royal Adelaide Hospital, which threw open its doors to the ailing masses last September.

Infusion is a significant part of the business: of Admedus's revenue in 2016-'17 $15.5 million derives from infusion and $6.9 million from Adapt.

Code Red on costs boost bottom line

Despite a $12.67 million loss in 2016-’17, management says the company is still on track to reach financial break-even in the last quarter of 2018, “leading to profitability in the full calendar year 2019”.

As part of a current-year program dramatically titled Code Red, Admedus has undergone a much-needed costs purge, with staff, general and administrative expenses falling by $8.4 million, or 25 percent, to $25 million.

At the end of the September 2017 quarter, Admedus had cash of $7.5 million, down from the June 30 balance of $11.3 million, following a placement and rights issue that raised. $18.3 million in September 2016.

Admedus also entered a $10 million secured debt funding arrangement with Partners for Growth that involved the lender being issued with warrants over 4,938,799 Admedus shares.

Admedus says while AI has sufficient funds for the head and neck study, it is reviewing its options to continue the program “in a manner that balances maximizing their potential with returns for its shareholders.”

Dr Boreham’s diagnosis:

As management opined at the AGM, Admedus shares have not exactly been trajectorizing in the right direction. But they did spurt from 20 cents on November 10 to 29 cents on November 30.

Over time the shares price has ranged from 13.9 cents (July 2012) to $1.72 (February 2014).

The laws of probability suggest that at least one of Admedus’s three arms should come good.

The company’s progress has been slower than expected, but if this were a hanging offence 99 percent of biotechs would be swinging in the breeze.

We’ll leave the last words - and an apt holiday reflection - to Admedus:

“The development of innovative products in the biomedical and healthcare industries will always have an element of risk associated with it.”

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. His favourite conspiracy theory - nay, the truth - is that JFK shot himself.

ELLEX MEDICAL LASERS

Ellex says its $1.05 a share plan raised $582,750 of a hoped for $5,000,000 and with the November placement of $23,200,000 has raised a total of $23,782,750.
Ellex said that it received applications for 555,000 shares.
Ellex fell 2.5 cents or 2.5 percent to 97.5 cents.

CRESO PHARMA

Creso says it has applications for $358,994 in its underwritten share plan to raise $2 million taking the total raised to $17.5 million
In November Creso said it had raised $15.5 million in a "heavily oversubscribed" placement at $1.10 a share (BD: Nov 28, 2017).
Today, the company said the share plan was underwritten to $2,000,000 by Energy Capital Partners Pty Ltd.
Creso was up one cent or 1.3 percent to 80.5 cents.

ANTISENSE THERAPEUTICS

Antisense says the Amsterdam, Netherlands-based Mytomorrows will implement an early access program for ATL1103, or atesidorsen, for acromegaly.
Antisense said the program would begin in the European Union, and subject to regulatory approvals would be supplied to EU treatment centres in the EU.
The company said that Mytomorrows had undertaken product assessments and discussions with acromegaly experts in Europe including some of the investigators from the ATL1103 phase II clinical trial for acromegaly to identify the unmet medical need in the relevant patient group (BD: Jul 27, Oct 11, 2016).
Antisense said that Mytomorrows "received good support for the concept of using ATL1103 in patients not controlled on current acromegaly treatments".
The company said that Mytomorrows would perform at their cost activities including relevant data collection and treatment approvals and would receive a share of related revenue less associated pass-through costs including those to Ionis Pharmaceuticals, formerly Isis Pharmaceuticals from whom it licenced ATL1103.
Antisense said that separate to the early access program it was seeking a partner for the on-going clinical development and potential commercialization of ATL1103 and in the event of licencing revenue and sales of ATL1103, Mytomorrows would be entitled to a percentage of sales and revenue received by Antisense as compensation for the services provided, but only in those countries where an early access program had been established.
Antisense was up 0.6 cents or 27.3 percent to 2.8 cents.

TELIX PHARMACEUTICALS

Telix says that 37,031,165 shares will be released from ASX escrow on January 15, 2018 but remained "subject to various voluntary escrow restrictions".
Telix fell 1.5 cents or 2.4 percent to 60 cents.

ANTEO DIAGNOSTICS

Anteo says that First Cape Management and Austcorp No 190 have called for the ousting of chairman John Hurrell and director Rolf Sickman.
In a 2011 substantial shareholder notice First Cape and Austcorp No 190 director Richard Martin said the that the two companies held 123,130,835 shares or 16.16 percent of Anteo (BD: Apr 5, 2011).
The company's 2017 annual report said that the combined holding of the two companies was 68,015,482 shares or 5.9 percent.
Anteo said that the notice was received under section 249D of the Corporations Act 2001 requesting a meeting to remove Mr Hurrell as a director and seek an appropriately qualified person as a replacement director.
The company said that under section 203D of the Corporations Act, the notice called for Mr Sickman to be removed as a director.
Anteo said it was seeking advice as to its position in relation to the requisition.
Anteo was unchanged at 1.7 cents with 1.4 million shares traded.

PHOSPHAGENICS

Phosphagenics says a trial of its tocopheryl phosphate mixture as an oral feed additive does not improve dairy cattle milk quality or selected fertility end-points.
Phosphagenics said that the placebo-controlled, blinded trial showed a numerically lower number of mastitis cases requiring treatment, but no statistically significant improvements in milk quality and fertility in treated cows compared to controls.
The company said that previous smaller studies, with tocopheryl phosphate mixture (TPM) formulated as an oral drench showed improvements in milk quality through somatic cell count reductions and increased nutrient uptake in dairy cows with sub-clinical and clinical mastitis.
Phosphagenics said that "pelleted in-feed formulations [were] considered more commercially attractive" for broad use on commercial farms and the trial was designed to assess if TPM could provide similar benefits when delivered in a pelleted ration.
The company said that the differences between the drench and pellet efficacy might be in-part explained by the two dosage forms experiencing a different gastric pathway.
Phosphagenics said that oral drenches could by-pass the first three stomachs of the cow directly entering the final stomach, effectively changing the cow's gastric pathway to more closely resemble a single stomach species such as pigs and poultry, but as a feed ration it was exposed to the full fermentation process and four stomachs of the cow, potentially lowering the effective dose.
Phosphagenics animal health and nutrition general-managerhead, Dr Roksan Libinaki, said the cow results differed from the successful outcomes with similar preparations in pigs and poultry and with the oral drench in dairy cows and "more work is required to optimise the dose and delivery of TPM in products for ruminants".
Phosphagenics was unchanged at 1.9 cents with 3.95 million shares traded.

COCHLEAR

Baillie Gifford & Co and associates have reduced their substantial holding in Cochlear from 5,423,215 shares (9.44%) to 4,852,925 shares (8.43%).
The Edinburgh-based Baillie Gifford said it bought and sold shares between April 28 and December 20, 2017 in more than 800 separate trades.
Cochlear fell 50 cents or 0.3 percent to $174.14 with 141,342 shares traded.

ATCOR MEDICAL

The South Bexley, Sydney-based Paul Cozzi says he has become a substantial shareholder in Atcor with 18,790,054 shares or 6.69 percent.
Mr Cozzi said that between September 13 and December 22, 2017 he bought 2,601,531 shares for $72,842 or 2.8 cents a share.
Atcor was up 0.1 cents or three percent to 3.4 cents.

GENERA BIOSYSTEMS

Genera chief executive officer Richard Hannebery says he has increased his substantial holding from 7,024,401 (6.99%) to 10,169,401 shares (9.46%).
Mr Hannebery said he acquired 3,000,000 shares for $579,300 or 19.3 cents a share "under put/call and call option deeds" along with 145,000 shares for $29,500 or 20.3 cents a share.
Genera was untraded at 21 cents.

RESPIRI (FORMERLY ISONEA, KARMELSONIX)

Respiri says chief executive officer Mario Gattino has been appointed a director and starts on a base salary of $300,000 with a short-term incentive of up to $150,000.
Respiri said the incentive was subject to individual and company performance outcomes.
The company said that executive chairman Leon L'Huillier resumed his role as a non-executive chairman receiving remuneration of $75,000 a year and was "the only current director receiving board fees".
Respiri fell 0.1 cents or 2.8 percent to 3.5 cents.