



Biotech Daily

Friday February 16, 2018

Daily news on ASX-listed biotechnology companies

- * **ASX DOWN, BIOTECH UP: NEUREN UP 5%; ACTINOGEN DOWN 11%**
- * **DR BOREHAM'S CRUCIBLE: USCOM**
- * **GENETIC TECHNOLOGIES \$15m BLOCKCHAIN TERM SHEET; \$4.5m RAISE**
- * **PRO MEDICUS H1 REVENUE UP 9% TO \$16.6m, PROFIT UP 6% TO \$5m**
- * **MEDICAL DEV H1 REVENUE DOWN 3% TO \$8m, PROFIT DOWN 69%**
- * **STEMCELL UNITED RIGHTS RAISE \$643k; \$1m UNDERWRITTEN**
- * **NOXOPHARM \$4m NOTES FOR NYRADA**
- * **GENERA, BECKMAN COULTER CO-MARKETING PARTNERSHIP DELAYED**
- * **IDT APPOINTS DR DAVID SPARLING INTERIM CEO**
- * **BIOXYNE LOSES DIRECTOR DR PETER FRENCH**
- * **OPTISCAN BEGINS CEO SEARCH**

MARKET REPORT

The Australian stock market slipped 0.08 percent on Friday February 16, 2018 with the ASX200 down 5.0 points to 5,904.0 points. Seventeen of the Biotech Daily Top 40 stocks were up, 13 fell, six traded unchanged and four were untraded.

Neuren was the best, up 14 cents or 4.75 percent to \$3.09 with 117,872 shares traded, followed by Immutep (Prima) up 4.55 percent to 2.3 cents with 293,684 shares traded.

Genetic Signatures climbed 3.6 percent; Admedus, LBT, Opthea, Optiscan, Starpharma and Uscom rose more than two percent; Clinuvel, Compumedics, CSL, Impedimed, Nanosonics, Orthocell, Osprey, Pharmaxis and Prana were up one percent or more; with Resmed up 0.8 percent.

Actinogen led the falls, down 0.6 cents or 11.1 percent to 4.8 cents with 1.5 million shares traded. Pro Medicus lost 6.8 percent; Acrux, Airxanders, Medical Developments and Telix fell more than five percent; Viralytics retreated 4.55 percent; Mesoblast shed 2.3 percent; Avita, Bionomics, Reva, Sirtex and Volpara were down more than one percent; with Cochlear down 0.65 percent.

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

By TIM BOREHAM

ASX Code: UCM

Share price: 25 cents

Market cap: \$34.3 million

Shares on issue: 137,138,160

Financials (December half): revenue \$1.42 million (down 25%), sales revenue \$1.09 million, cash burn \$755,000, net loss \$1.08 million, cash on hand \$3.49 million

December quarter: sales revenue \$730,000, positive cash flow \$40,000, estimated current quarter cash burn \$1.14 million, funds raised \$3.02 million

Executive chairman: Prof Rob Phillips

Board: Prof Phillips, Sheena Jack, Christian Bernecker, Chao Xioa (David) He

Identifiable shareholders: Prof Phillips 17.2%, Stephen Meng 16.8%, John Gleeson 2.7%, Gary Davey 5.48%

The maker of non-invasive cardiac and pulmonary measuring devices deserves high praise indeed as it looks to the heavens for revenue growth from seven planned product releases this year.

We're talking literally: Uscom's BP+ device to measure blood pressure is used on the International Space Station, where hypertension becomes an issue when the cosmonauts break out the vodka and start messing with the controls.

BP+ was also used to measure the blood pressure of 90 British service men and women scaling 5.3km up Mt Everest.

The study, published in the Journal of Human Hypertension, concluded the systolic BP measurement of the device was superior to the old brachial method of blowing up a cuff on the upper arm.

As far as we know, they all made it back with nary a yeti scratch.

The Sydney based, China-focused Uscom (as in Ultrasonic Cardiac Output Monitors) has forged a quiet but successful path in the global medical device sphere since listing in December 2003.

The technology was invented by ultrasound specialist and University of Queensland professor of medicine Prof Rob Phillips.

A Coffs Harbour native, Prof Phillips saw a better way of measuring blood flows in and around the heart than a highly invasive pulmonary artery catheter.

We're sure some folk thought he was bananas, but Uscom has built to a \$3.5 million a year turnover company with one approved product on market.

Prof Phillips is executive chairman with a 17 percent stake.

While the corporate governance rule book frowns on such arrangements, Phillips reckons that a principal with skin in the game is one of the best predictors of success.

Uscom has won the notable support of Chinese health entrepreneur Stephen Meng, who has recently bolstered his holding from 10 percent to 16.88 per cent. This was through a placement at 13.5 cents a share, followed by on-market buying at 22 cents a pop.

Meng is the founder of the \$30 billion Beijing-based, Hong Kong-listed Sihuan Pharma, so he is a key asset for Uscom in terms of navigating China's tricky corporate and regulatory culture.

Prof Phillips says Mr Meng has spent 20 years improving China sales and distribution for Sihuan, which now has 3,000 distributors selling to 10,000 hospitals.

Uscom currently has around 40 global distributors. Given success in China is all about scale, one doesn't have to be a Mensa graduate to nut out what this one's all about.

Sweet product suite

Uscom currently has three products. The first, Uscom 1A, is a cardiac output monitor for sepsis, fluid, heart failure, hypertension and pre-eclampsia (hypertension in pregnancy).

BP+, a central blood pressure monitor, was owned by New Zealand's Pulsecore, and bought by Uscom in 2013.

Acquired via the purchase of the Budapest based Thor Laboratories in 2015, Spirosonic is an ultrasonic spirometer for asthma and chronic obstructive pulmonary disease (COPD).

All three are approved in Europe (CE Mark) and by the Aussie Therapeutics Goods Administration, while Uscom 1A is also approved in China (CFDA) and cleared in the US (as a 510k device).

BP+ and Spirosonic await approval in China, while Spirosonic also awaits US approval.

Last Monday the British and Irish Hypertension Society approved BP+ for specialist use, although for some reason strung-out investors birched the stock by seven percent the next day.

Uscom's focus is heavily on China, with 60 percent of sales derived from selling to the Middle Kingdom via two master distributorships.

This proportion is expected to increase once the BP+ and Spirosonic devices receive Chinese approval.

"Blood pressure measurement techniques have almost always got it wrong because they measure the wrong things using the wrong devices," Prof Phillips says. "It's about the circulation and blood pressure is only a part of that.

"Furthermore, blood pressure in the arm is less accurate and predictive than pressure at the heart, which we measure with BP+."

In the case of pre-eclampsia - the biggest cause of maternal foetal mortality – Uscom 1A can bring forward detection to the fifth week of the pregnancy, rather than the 20th week. In other words, enough time for the clinicians to do something about it.

Uscom's seven new products slated for release this year are best seen as extensions to Uscom's current devices.

"These new devices are all non-invasive and digital and so perfectly suited to the global ehealth [electronic health] revolution," Prof Phillips says.

"While many - Google, Microsoft, Apple, Tencent and Huawei are among those developing ehealth platforms - few have the front end sensors to measure directly and accurately cardiovascular and pulmonary function," Prof Phillips says.

Cardio vascular and pulmonary ailments account for 75 percent of deaths globally (although Alzheimer's disease is rapidly gaining ground in the mortality stakes, as we noted recently).

Progress to date

Uscom turned over \$864,000 in 2011-'12 and \$3.5 million in 2016-17, a growth rate of more than 300 percent.

With the imminent release of the BP+ and Spirosonic devices globally, Uscom should be nudging \$30 million by 2022. Indeed, management has enunciated short, mid and long-term revenue targets of \$10 million, \$20 million and \$50 million, respectively.

Uscom lost \$1.8 million in 2016-'17 and has recorded similar deficits over the past five years. However, Prof Phillips said the debt-free company was "intermittently" cash flow positive in 2016-'17.

The December quarter cash generation of \$40,000 is encouraging. "But I would prefer to maintain revenue growth and be cash-flow neutral," he says.

Share price blips after flat lining

In the last 12 months Uscom shares have traded between 15 cents (on August 9) and 26 cents (January 19).

The company listed in 2003 at \$2 a share, which in hindsight was a tad steep given the shares have since traded as low as 6.7 cents (January 2012) recovering to a high of 85 cents (August 2009).

Recent good vibes - including Mr Meng's buying - has seen the stock blip from 15 cents to 25 cents.

December quarter orders were for a record 68 units, up 24 percent.

Prof Phillips and Mr Meng aside, Uscom is supported by a bevy of loyal investors including Gary Davey, who is better known in media as the current programming head of Rupert Murdoch's Sky TV.

Prof Phillips and Mr Davey are old friends, with Mr Davey retiring as chief executive officer of Star in Hong Kong (temporarily as was the case) to Coffs Harbour.

Sheena Jack is a weighty addition to the cosy board, as her day job is as chief executive officer of one of the country's biggest health insurers, HCF.

(Shh! We won't tell about the moonlighting if you don't.)

Dr Boreham's diagnosis:

Uscom is hardly devoid of competitors: its own investor prez lists Uscom 1A as competing with 11 products made by seven manufacturers. But only four are non-invasive. None, except for Uscom 1A, ticks all the boxes (once again, literally) on measures such as simplicity, cost and portability.

Uscom proves the adage that device development takes about five times longer than expected and is five times as hard.

But as Prof Phillips points out, Cochlear's and Resmed's intellectual property dates back to the 1970s.

Given the pending Chinese and US approvals, the next few months promise heart-stopping moments for investors.

Disclosure: Dr Boreham is not a qualified medical practitioner, does not possess a doctorate of any sort and is yet to serve his term on the International Space Station.

GENETIC TECHNOLOGIES

Genetic Technologies says it hopes to raise \$4.55 million and has a non-binding deal with Melbourne's Blockchain Global for medical and biotechnology blockchain applications. Genetic Technologies executive chairman Dr Paul Kasian said blockchain was "effectively a sophisticated computer program that can be used to store information securely and privately, enabling customer control of their own data and makes transactions quick, safe and cost effective".

In a media release to the ASX, the company said that under the term sheet, Blockchain would be entitled to up to 486,000,000 shares in three equal tranches of 162,000,000 shares, pending milestones of reaching 2.5 cents or more for 10 consecutive trading days and subject to the start of one blockchain opportunity; 3.0 cents or more for 10 consecutive trading days and subject to the start of a second blockchain opportunity; and 3.5 cents or better and subject to a third blockchain opportunity.

"The company believes that the ASX market is the best indicator of any potential enhanced shareholder value of blockchain development by [Genetic Technologies]," the company said.

Genetic Technologies said that the milestone shares would be about 15 percent of its issued share capital following a proposed \$4.55 million capital raise by Lodge Partners through the placement of up to 324.7 million shares at 1.4 cents a share, with one-for-one attaching options exercisable at two cents each within three years.

The company said that "while the mandate with Lodge Corporate has been signed; there is no guarantee that [it] will undertake the contemplated capital raise nor that Lodge Corporate will agree to proceed with the private placement" and both the Blockchain Global and Lodge transactions were subject to a number of conditions.

The company said that it had incurred significant losses in its attempts to establish the Brevagenplus non-hereditary breast cancer risk assessment test and in its current state the test was "unlikely to lead to a material increase in ... fundamental value".

In 2016, Genetic Technologies said it had licenced a novel saliva-based colorectal cancer risk assessment test from the University of Melbourne and is continuing to develop the test (BD: Nov 29, 2016).

"The board is extremely excited about the opportunities that the agreement with Blockchain Global presents to not only build on the wonderful assets and expertise that the company has developed to date, but also take advantage of the new and developing opportunities before us," Dr Kasian said. "The merging of genomics and global digital platforms will create exciting opportunities."

Genetic Technologies said that recently-elected directors Peter Rubinstein, Samuel Lee; Dr Jerzy Muchnicki and Dr Kasian were all associated with Blockchain Global, but director Dr Lindsay Wakefield was an independent director with no association with Blockchain and was appointed to consider the proposal.

The company said the original term sheet included a crypto-currency exchange proposal, which subsequent to ASX intervention was removed due to a concern that it might result in a change to its current activities and trigger the application of ASX Listing Rule 11.1.

Genetic Technologies said it began confidential discussions with Blockchain in June 2017 and had continued to evaluate of blockchain products that could be of benefit.

The company said that the strategic alliance would "only become binding upon completion of commercial discussions between the parties, including completion of a due diligence, entry into formal agreements to reflect the alliance, as well as ultimately seeking approval from shareholders".

Genetic Technologies fell 0.15 cents or 9.7 percent to 1.4 cents with 46.5 million shares traded.

PRO MEDICUS

Pro Medicus says revenue for the six months to December 31, 2017, was up 9.0 percent to \$16,574,000 with net profit after tax up 5.7 percent to \$5,069,000.

Pro Medicus said it would pay a fully franked dividend up 66.7 Percent to 2.5 cents a share for investors at the record date of March 9, to be paid on March 23, 2018.

The company said it “continued to make strong inroads into the North America market winning a key \$18.0 million contract with Yale New Haven Health, one of the most recognised health systems in North America”.

“The timing of this contract has meant that the majority of the revenue from professional services will be taken in the second half of 2017-’18,” Pro Medicus said.

“The company continued to make significant progress, with all key implementations being on or ahead of schedule,” Pro Medicus said.

The company said that net tangible assets per security was up 19.0 percent to 25 cents, with diluted earnings per share up 5.4 percent to 4.86 cents at December 31, 2017.

Pro Medicus said it had cash and cash equivalents of \$22,796,000 at December 31, 2017, compared to \$20,278,000 at December 31, 2016.

Pro Medicus fell 54 cents or 6.8 percent to \$7.45 with 432,054 shares traded.

MEDICAL DEVELOPMENTS

Medical Developments says revenue for the six months to December 31, 2017, fell 3.1 percent to \$7,802,000 with net profit after tax down 69.0 percent to \$127,000.

Medical Developments said that sales of its Pentrox inhaled methoxyflurane analgesic Pentrox were “in line” with the six months to December 31, 2016 and the initial stocking order delivered in that previous period for France and Belgium “was not replicated during the current period” and a large order from Qatar was delayed.

The company said that it “delivered good growth in the US and Europe, but in Australia, Breath-A-Tech [spacer] sales were behind” the previous corresponding period.

Medical Developments said that the launch of six new Breath-A-Tech products in the six months to December 31, 2016 “resulted in an excellent sell-in period ... [but] the initial uptick in sales ... was not replicated” in the current period.

Medical Developments declared a fully-franked two cents per share dividend for the half year to December 31, 2017 for record holders at March 5, to be paid on April 13, 2018.

The company said that diluted earnings per share fell 70.4 percent to 0.21 cents at December 31, 2017, with net tangible asset per share down 5,000 percent to negative 10.2 cents and it had cash and cash equivalents at December 31, 2017 of \$913,000 compared to \$5,525,000 at December 31, 2016.

Medical Developments fell 45 cents or 5.7 percent to \$7.48 with 300,094 shares traded.

STEMCELL UNITED

Stemcell United says its one-for-five entitlement issue has raised \$642,958 of the hoped for \$1,664,150.

In November, the company said it had raised \$600,000 in a related placement at two cents a share (BD: Nov 16, 2017; Jan 21, 2018)

Today, Stemcell said it received applications for 32,147,901 shares of the 83,207,534 available in the offer, leaving shortfall of 51,059,633 shares or \$1,021,193.

The company said it had issued a notice to underwriters Cove Capital and Jiangmen Jinxin Yongkang Health Food Co and expected to raise the additional \$1,021,193.

Stemcell was up 0.2 cents or 5.3 percent to four cents with 1.1 million shares traded.

[NOXOPHARM](#)

Noxopharm says it has raised \$4 million for US-based subsidiary, Nyrada Inc through the issue of convertible notes to 40 Australian investors (BD: Sep 25, Dec 1, 2017).

Noxopharm said the Notes would mature in July 2019 and automatically convert to Nyrada shares at the time of a public listing prior to maturity.

The company said Nyrada hoped to list on the ASX during 2018 in association with an initial public offer, prior to a 2019 listing on a US exchange.

The company said the funds would assist the pre-clinical development of NYX-104 to minimize brain damage following stroke and traumatic brain injury, NYX-205 for cancer-related peripheral neuropathy and NYX-330 for high cholesterol levels, with the first phase I study targeted to begin in mid-2019.

The company said that the funds were designed to take each drug through development milestones over the next 12 months, with the potential to re-rate Nyrada's market value. Noxopharm was up two cents or 1.8 percent to \$1.14.

[GENERA BIOSYSTEMS](#)

Genera' says its in-vitro diagnostics partnership with Beckman Coulter has been delayed. Genera said that previously it expected the co-marketing partnership agreement to be finalized last week but "for a number of internal reasons within Beckman Coulter and the wider Danaher Life Sciences group the indicative timeline for completion has been slightly extended" (BD: Dec 6, 2017).

The company said it had "positive and collegiate dialogue with the senior Beckman executives liaising with the regulatory compliance and legal teams at Beckman Coulter and Danaher Life Sciences as we work together to finalize all necessary arrangements". Genera was untraded at 17 cents.

[IDT AUSTRALIA](#)

IDT says it has appointed its head of corporate business development Dr David Sparling as its interim chief executive officer, starting on \$300,000 a year.

IDT's previous chief executive officer Dr Paul MacLeman resigned last year saying he would spend more time on his beef cattle farm (BD: Jul 14, 2017).

The company said Dr Sparling would be paid a base salary of \$300,000, excluding superannuation, with a short-term incentive up to 50 percent of the base salary pending targets and a long-term incentive under the loan-funded employee share plan.

IDT said that directors Graeme Kaufman and Mary Sontrop would cease their executive roles with immediate effect, remaining as non-executive directors.

IDT was up 0.4 cents or 5.2 percent to 8.1 cents.

[BIOXYNE](#)

Bioxyne says that director Dr Peter French has resigned, effective today, "to pursue an opportunity at a senior management level in an international biotechnology company".

Bioxyne chairman Tony Ho said he thanked Dr French "for his scientific leadership in Bioxyne over the past two years, especially in probiotics, where he has built further evidence for the health benefits of PCC, Bioxyne's patented probiotic strain".

Mr Ho said that Dr French would continue as a consultant which would "ensure that his extensive knowledge of probiotics will be available to the company".

Bioxyne fell 0.2 cents or 2.8 percent to seven cents.

OPTISCAN

Optiscan says it has appointed Melbourne's Brooker Consulting to search for a chief executive officer to replace Archie Fraser.

Last month, Mr Fraser resigned unexpectedly and chairman Alan Hoffman was appointed interim executive chairman (BD: Jan 22, 2018).

Optiscan was up 0.2 cents or 2.5 percent to 8.2 cents.