



# Biotech Daily

Friday July 6, 2018

*Daily news on ASX-listed biotechnology companies*

- \* **ASX UP, BIOTECH EVEN: PRANA UP 15%; IMUGENE DOWN 16%**
- \* **DR BOREHAM'S CRUCIBLE: ALCIDION GROUP**
- \* **ALCIDION 5-YEAR, \$4.75m ACT HEALTH CONTRACT**
- \* **IMUGENE UNDERWRITTEN RIGHTS ISSUE RAISES \$8.1m; TOTAL \$20m**
- \* **ACTINOGEN: 5 MORE US XANAMEM FOR ALZHEIMER'S TRIAL SITES**

## MARKET REPORT

The Australian stock market was up 0.91 percent on Friday July 6, 2018 with the ASX200 up 56.8 points to 6,272.3 points.

Fifteen of the Biotech Daily Top 40 stocks were up, 16 fell, eight traded unchanged and one was untraded. All three Big Caps were up.

Prana was the best, up 0.7 cents or 14.9 percent to 5.4 cents with 939,863 shares traded.

Immutep, Mesoblast and Universal Biosensors climbed three percent or more; Actinogen, Avita and Resmed rose more than two percent; Pharmaxis and Volpara were up more than one percent; with Bionomics, Cochlear, CSL, Cyclopharm, Medical Developments, Nanosonics, Neuren, Sirtex and Starpharma up by less than one percent.

Imugene led the falls, down half a cent or 15.6 percent to 2.7 cents with 27.2 million shares traded.

Dimerix lost 9.5 percent; Airxpanders was down seven percent; Cynata retreated five percent; Ellex, Impedimed, LBT and Orthocell fell more than four percent; Factor Therapeutics, Pro Medicus, Telix and Uscom shed more than two percent; Optiscan was down 1.7 percent; with Clinuvel, Compumedics and Opthea down by less than one percent.

## DR BOREHAM'S CRUCIBLE: ALCIDION GROUP

**By TIM BOREHAM**

**ASX Code:** ALC

**Share price:** 5.5 cents

**Market cap:** \$44.3 million

**Shares on issue:** 805,799,759\*

**Financials (March quarter):** receipts \$519,000, net operating cash outflow \$1.033 million, end of quarter cash balance \$3.16 million

**Chief executive officer:** Kate Quirke

**Board:** Ray Blight (executive chairman), Prof Malcolm Pradhan, Nick Dignam, Geoff Rohrsheim, Rebecca Wilson.

**Identifiable major shareholders:** Malcolm Pradhan 16.7%, Ray Blight 12.4%, BPSE Medical 10.53%, Caledonia Nominees (Donald Kennedy) 6.4%, Isle of Wight Pty Ltd (Colin MacKinnon) 6.4%

\* Includes 198,019,802 shares issued this week to MKM Health vendors

We've all heard the joke about being admitted into hospital and leaving even sicker – or even on a slab.

But it's no jape. In the US, arguably the most advanced healthcare system in the world, the three biggest killers are cancer, heart disease and ... drum roll ... preventable hospital deaths.

One reason that doctors need to bury their mistakes is that the flow of patient information is deficient, resulting in physicians and nurses working with flawed or incomplete patient data.

For example, Alcidion reckons 40 percent of tests ordered in emergency wards are not witnessed or properly overseen.

Alcidion executive chairman Ray Blight says western healthcare systems have been slow to implement digitalisation of data compared to other sectors such as banking.

“However, that is now rapidly changing, with a widespread shift to e-health records and digital decision support technologies.”

The Adelaide-based Alcidion's product is Miya (pronounced Myer), a platform to consolidate data from several sources and apply the 'smarts' to that data through artificial intelligence and algorithms.

In effect, Miya alerts the docs to the information they really need to know.

Alcidion's business is about to be transformed with the recent purchase of the private MKM Health, which also plays in the health informatics sector.

"It's an amazing coupling that will turn one plus one into more than two," Mr Blight promises.

### **Informatics trailblazer**

Alcidion back-door listed in February 2016 via the shell of Narracoota Resources which decided health informatics was more lustrous than gold and copper exploration.

Alcidion was founded by Mr Blight, the former head of the South Australian Health Commission and Prof Malcolm Pradhan, a health informatics guru and medical practitioner.

"The focus of Alcidion from day-one was to help doctors and nurses make a better clinical decision in the shortest possible time," says Mr Blight.

The IPO, which involved raising \$2 million at 3.1 cents apiece, was backed by tech entrepreneur Nathan Buzza and his vehicle Allure Capital, as well as the now-troubled Blue Sky Alternative Investments.

In February, Alcidion also acquired a New Zealand mob called Oncall, which runs the cloud-based Smartpage (now Miya Smartpage) to contact orderlies and clinicians via the cloud.

The deal involved a \$NZ750,000 (\$A680,000) upfront payment and up to \$NZ2.25 million in performance-linked payments.

### **About the MKM deal**

The \$12 million headline deal involved the MKM vendors (a group of ex Deloitte consultants) pocketing \$2 million in cash, with the remainder satisfied by 198 million Alcidion shares at a deemed 5.05 cents apiece.

If earnings expectations are tickety-boo, they receive an extra \$4 million in shares in 12 months.

MKM has about 80 customers, including 40 UK, NZ and local hospitals using its signature offering Patientrack.

Alcidion currently sells Miya to 15 hospital customers but hopes to use MKM as a springboard for expansion.

“A key aspect of the acquisition is to allow Alcidion to cross sell product into Miya’s customer base and vice versa,” says Mr Blight.

The company adjudged the MKM purchase to be a quicker and lower-risk way of accessing offshore markets, especially the UK, rather than by organic expansion.

Reflecting the importance of the deal to Alcidion, MKM’s Kate Quirke has been anointed Alcidion’s CEO, with Mr Blight remaining as executive chair.

### **About Patientrack**

Mr Blight says that as a mobile platform for nurses, Patientrack sits nicely along with Miya, which brings together information from different departments such as oncology and pathology and ensures the full patient diagnosis and history is available on the doc’s Ipad.

With Patientrack, an Ipad-wielding nurse inputs patient observations directly, instead of plotting progress on a chart.

If the patient’s vital signals decline, the platform alerts the nursing station via a hard to ignore visual signal on the patient flow boards.

The obvious next step is 24-hour real-time monitoring of patients with ‘wearables’ and indeed the technology already exists.

“It really is only a matter of time for the investment to be made in around-the-clock wearables-based monitoring,” Mr Blight says.

According to Mr Blight, a UK study showed Patientrack saved nurses two-thirds of their time.

“For highly trained clinical nurses, 50 percent of their time goes into delivery of care, the rest is siphoned into observations, tracking equipment or trying to get a patient into radiology.”

While Patientrack is the exciting front-end component of the purchase, Mr Blight says MKM’s information technology services capacity is also important for Alcidion.

“MKM has proven sales and marketing performance and a great reputation for executing complex projects and that’s what we need as we ramp up sales of our product.”

### **Financials and performance**

Alcidion turned over \$3.5 million in 2016-’17 and lost an underlying \$1.38 million. If MKM/Patientrack had been owned during that year, revenue would have been a pro-forma \$13 million.

MKM Health also made a \$700,000 net profit in that year.

The company envisages bundling Miya, Patientrack and Smartpage as the one offering, although the hospitals will still be free to choose only one or two components.

Alcidion's pricing for Miya is based on an up-front software cost, with ongoing licencing, maintenance and support fees delivering annuity income.

MKM has sold Patientrack under a similar model. Some UK hospital clients prefer a capital up-front cost, which has nothing or everything to do with the need to expend budgets before a financial-year close-out.

Alcidion shares have traded as low as 3.5 cents in July 2016 and as high as 13.8 cents in November 2016. More recently they have recovered from a 12-month low of 3.6 cents attained in mid-April.

### **Dr Boreham's diagnosis:**

We hate to use the term transformative, but the acquisition is, well, transformative - in terms of the size and scope of the engorged Alcidion.

To date, Alcidion has found the path to local market adoption a tad rockier than expected, given the company was aspiring to \$40 million to \$50 million of annual revenues across 1,300 hospitals at the time of the IPO.

Given Alcidion turned \$5.05 million in the year just before listing, the company has gone backwards revenue wise.

Alcidion initially was talking up the US opportunities, given the requirement of Obamacare for hospitals to introduce proper digital records.

"We are not giving up on the US market but [the election of Trump and partial dismantling of Obamacare] has brought many uncertainties," Mr Blight says.

To be fair though, Alcidion isn't the only ASX minnow to take a misstep and the MKM purchase could well forge an alternative path to prosperity. Given the Deloitte bods largely took scrip as consideration, they have their sensitive bits on the line as well.

If things do go pear-shaped, at least the company can put a decent spin on things with the appointment of PR and IR queen Rebecca Wilson (who runs communications house WE Buchan) to the board.

An important figure in Alcidion's early listed days, Mr Buzza departed the board in July last year but continues to hold 2.75 percent of the register.

***Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He avoids hospitals like the plague - literally.***

## ALCIDION GROUP

Alcidion says it has a five-year \$4.75 million contract with ACT Health for its Electronic Patient Journey Board, integrating its Miya Flow, Patientrack and Smartpage software. Alcidion said the Electronic Journey Board would be rolled out at the Canberra Hospital and the new University of Canberra Hospital with more than 800 beds.

The company said the hospital software would “highlight risks as well as notify clinicians to ensure changes to patient’s health” so that any impediments to patient flow were managed before they impacted length of hospital stay.

Alcidion said the contract included an initial services payment of \$629,000 for installation, customization, implementation and training and was the result of a collaboration with Oncall Systems and MKM Health, prior to their acquisitions.

The company said it “was able to demonstrate a comprehensive Miya Flow solution that included integration with a bedside observations and patient assessments and a clinical handover notes module from Patientrack”.

Alcidion chief executive officer Kate Quirke said that ACT Health was “a significant customer of MKM Health for 15 years”.

“This contract win is a significant development for Alcidion as the Electronic Journey Board ... encompasses all three elements of the enhanced Alcidion Group for the first time since the acquisition of MKM Health and Patientrack was completed,” Ms Quirke said.

ACT Health chief information officer Peter O’Halloran said that Alcidion’s Digital Patient Flow product was “a key element in the delivery of patient-centred care enabling digital capabilities that will improve the delivery of health services to our patients and provide our clinicians with modern integrated technology tools”.

Alcidion was up 0.3 cents or 5.8 percent to 5.5 cents with 2.6 million shares traded.

## IMUGENE

Imugene says its fully underwritten one-for-9.5 non-renounceable pro rata rights issue at 2.7 cents has raised \$8.1 million taking the total raised to \$20.1 million.

In June, Imugene said it would raise about \$12 million from institutional and sophisticated investors to raise to acquire a suite of B-cell vaccines for cancer from the Mayo Clinic and the Ohio State University (BD: Jun 7, 15, 2018).

Imugene said in June that it would licence “the entire body of cancer vaccine work and intellectual property developed by Prof Pravin Kaumaya of the Ohio State University Wexner Medical Centre and the Comprehensive Cancer Centre Arthur G James Cancer Hospital and Richard J Solove Research Institute and the Mayo Clinic”.

Today, Imugene said that it had applications for 139,713,059 shares, raising \$3,772,258, with all eligible directors and senior management participating in the rights issue.

The company said the 160,803,118 shares shortfall would be allocated to three major investors including Private Portfolio Managers, CVC and an unnamed company.

Imugene said the shares and attaching options exercisable at four cents by November 30, 2021 and resulting shortfall was expected to be completed on July 11, 2018 following the July 9 general meeting.

Imugene chief executive officer Leslie Chong said the company was “delighted to have the ongoing confidence and support of our existing shareholders, institutional investors, management and directors of our company”.

The company said Bell Potter Securities was the placement lead manager with Aurenda Partners as co-manager and Roth Capital Partners as US placement agent.

Imugene fell half a cent or 15.6 percent to 2.7 cents with 27.2 million shares traded.

## [ACTINOGEN MEDICAL](#)

Actinogen says it has opened five more US study sites for its Xanadu phase II trial of Xanamem for mild Alzheimer's disease, taking the total to 25 sites.

Actinogen said that the US had been "the most productive [region] in terms of patient enrolment to date, and the region with the greatest potential patient population interested in participating in an Alzheimer's clinical trial".

The company said the five new sites were in addition to the existing 20 trial sites in the US, Australia and the UK, that have enrolled 117 patients of the expected 174 patients to date (BD: Feb 12, 2018).

Actinogen chief executive officer Dr Bill Ketelbey said that "since opening, these new sites have screened a great number of potential new patients".

"It is expected that the majority of these patients will be enrolled into the trial within the month," Dr Ketelbey said.

"These additional positive developments will ensure Xanadu continues on-track to complete patient enrolment before the end of 2018 and for the study to read out top-line results by [April] 2019," Dr Ketelbey said.

Actinogen was up 0.1 cents or two percent to five cents.