



# Biotech Daily

Thursday April 18, 2019

*Daily news on ASX-listed biotechnology companies*

- \* **ASX FLAT, BIOTECH DOWN: PROTEOMICS UP 7%; ALTERITY DOWN 14%**
- \* **DR BOREHAM'S CRUCIBLE: COMPUMEDICS**
- \* **NEXT SCIENCE OPENS 40% ABOVE \$1 IPO PRICE**
- \* **VICTORIA SUPPORTS TRAJAN EXPANSION**
- \* **CE MARK FOR ANALYTICA PERICOACH FOR PELVIC PROLAPSE**
- \* **TOTAL BRAIN PLACES \$1m SHORTFALL SHARES**
- \* **VISIONEERING AGM FACES 12% DISSENT**
- \* **TELEX 895k DIRECTOR OPTIONS, 25% PAY POOL HIKE AGM**
- \* **PHOSPHAGENICS NAME CHANGE AGM, AGAIN**
- \* **ELIXINOL: STRATOS KAROUSOS CCO; RIGHTS, 46% POOL HIKE AGM**
- \* **NOVITA TALI ATTENTION TRAIN 1<sup>st</sup> US SCHOOL DISTRICT SALE**
- \* **CRESO: BRAZIL LICENCES CANNAQIX50 FOR CHRONIC PAIN**
- \* **SUDA REQUESTS 'TGA ARTIMIST MALARIA SUBMISSION' TRADING HALT**
- \* **ONCOSIL TO RELEASE 6.5m ESCROW LOAN SHARES**
- \* **THC RELEASES 37.5m ESCROW SHARES**

## MARKET REPORT

The Australian stock market edged up 0.05 percent on Thursday April 18, 2019, with the ASX200 up 3.4 points to 6,259.8 points. Nine of the Biotech Daily Top 40 stocks were up, 16 fell, 10 traded unchanged and five were untraded. All three Big Caps fell.

Proteomics was the best, up two cents or 7.4 percent to 29 cents with 50,000 shares traded, followed by Impedimed up 7.3 percent to 22 cents with 2.9 million shares traded. Starpharma climbed 5.9 percent; Antisense and Compumedics improved more than four percent; Osprey was up 3.2 percent; Avita and Mesoblast rose one percent or more; with Ellex up 0.85 percent.

Alterity (Prana) led the falls, down 0.7 cents or 13.7 percent to 4.4 cents, with 225,000 shares traded. Clinuvel fell 10.7 percent; Paradigm retreated 7.5 percent; Imugene lost 5.6 percent; Kazia, Pro Medicus, Resmed and Volpara fell more than four percent; Immutep was down 3.6 percent; Cochlear, Cyclopharm, Cynata, Neuren and Universal Biosensors shed more than two percent; with Actinogen, CSL, Nanosonics, Polynovo and Telix down more than one percent.

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

**By TIM BOREHAM**

**ASX code:** CMP

**Share price:** 47 cents; **Market cap:** \$83.3 million; **Shares on issue:** 177,162,948

**Executive chairman:** Dr David Burton

**Board:** Dr David Burton, David Lawson, Tucson Dunn

\*Dr Alan Anderson stepped down in October last year

**Financials (December half):** revenue of \$18.7 million (up 16%), net profit \$811,000 (up 26.5%), earnings per share 0.5 cents (up 25%), net tangible assets 10.8 cents (up 13.7%), cash of \$4.3 million (up 13%)

**Identifiable major shareholders:** D and DJ Burton Holdings (David Burton) 55.3%, Teijin Pharma 4.7%, Beijing Bestmed Tech 2.8%, Medigas Italia 2.45%

Perseverance is the byword at the Melbourne based Compumedics, which has become a global market leader in sleep and brain diagnostics.

Not that Compumedics has been an overnight success: executive chairman David Burton founded the company way back in 1987 - just before the stock market caved in for the paper shuffling entrepreneurs of that era.

In that year, Dr Burton installed Australia's first computerized sleep clinic, at Melbourne's Epworth Hospital.

Listed since 2000, Compumedics has not changed its spots - which is more than one can say for most of its tech boom-era contemporaries. Come to think of it, not many of them still exist.

"The company has continued to generate cash and grow profitably," Dr Burton says.

### **About Compumedics**

Compumedics products range across sleep diagnosis, clinical electro-encephalogram (EEG) scans, brain monitoring and ultra-sonic blood-flow systems.

Products include Grael and Siesta for sleep, Neuvo LTM for neurology and Neuroscan, Synamps RT and Curry for brain research.

In brain imaging, Compumedics is a leader in magneto-encephalography, or MEG, regarded as the most reliable form of brain imaging.

One of the company's flagship products is the Orion Lifespan Curry MEG, a "patented double relaxation oscillator super conducting quantum interference device." Of course.

MEG is considered a high-growth sector given the prevalence of Alzheimer's disease and other dementia conditions, not to mention the enormous research dollars.

## **A global pygmy**

In size terms Compumedics is a mere flea in the global pantheon of health diagnostic companies, but it has a true global presence nonetheless across an installed base of 25,000 units.

Last year, 40 percent of the company's revenues came from the US, 30 percent from Asia (notably China) and a further 30 percent from Asia and 12 percent from here.

Compumedics owns the US-based Neuroscan and Germany's DWL Elektronische (which delivered the company's Doppler transcranial scan capacity: that is, ultrasounds to detect vascular systems within the brain).

Locally, Compumedics claims to be the number one provider of sleep and neurological diagnostics and is number one for sleep in that land of work-obsessed insomniacs, Japan.

Half of Australian hospitals use Compumedics neuro-diagnostics and EEG products, while the company has also tied up the majority of sleep clinics.

Compumedics is targeting a sleep diagnostics market worth \$US250 million and a neuro-diagnostics market valued at \$US1.3 billion. But its dominant market share is in the smaller markets for brain research (worth \$US20 million) and brain blood flow diagnostics (\$US15 million).

## **MEG is the word**

Compumedics' MEG business promises to be a transformative one for the company, which in mid-2017 won its first (and to date only) customer for its new, improved machine: the Barrow Neurological Institute in Phoenix, Arizona. Home to the Muhammad Ali Parkinson Centre, Barrow is considered number one in the US for both neurology training and neurological vascular surgery.

Compumedics won the deal after a nine-month tussle with rival Electa, which was widely expected to be the victor as it already provided cancer scanning equipment.

"That was a big statement for us to win the order, especially as Electa already had an installation with Barrow," Dr Burton says.

Dr Burton helpfully describes the MEG units as a "Marge Simpson type hairdryer" that sits on top of the head. It works with magnetic sensors operating at very high temperatures. With two modes for adults and children, it can detect early markers of autism, dementia and epilepsy.

Compumedics claims several advantages over the existing MEG devices: it is 50 percent more effective and can re-use all of the helium (a coolant) which otherwise cannot be fully recycled. Unlike its rivals, the units can operate around the clock.

Dr Burton describes MEG as “MRI of the brain” and hopes it will take off in the same way that MRI (magnetic resonance imaging) devices did after widespread reimbursement.

“There were 100 to 200 MRI units in the early 1980s,” Dr Burton says. “Now there are 34,000 MRIs globally. What happens is the medicine follows the money.”

Compumedics licensed the MEG hardware from the Korean Research Institute of Standards and Science (KRISS), that country’s equivalent of the CSIRO.

## **Financials and performance**

Compumedics generated revenue of \$18.7 million in the half-year to December 31, up 16 percent, and grew net profit by 26.5 percent to \$811,000. Earnings before interest, taxation, depreciation and amortization (ebitda) grew 55 percent to \$1.3 million. Asian and US revenues grew 37 percent and 19 percent respectively.

Chief financial officer David Lawson says underlying earnings (ebitda) was not up as strongly as hoped, but that was the result of investing in additional activities, including building the sales and marketing capabilities.

Compumedics has provided guidance of \$40 million to \$42 million in revenue for the full 2018-'19 year (up eight to 13 percent), ebitda of \$5.5 million to \$6.5 million (up 31 to 54 percent) and a net profit of \$4 million to \$5 million (up 43 to 78 percent).

This implies a very robust second half, but the company has the advantage of \$7 million of forward orders and its first Japanese sales.

“It may look like a step up but it’s a logical step up when you break down where the growth might come from,” Mr Lawson says.

In the longer term, the MEG business could take the company’s financial performance to a new level: While the Curry software sells for around \$30,000, the MEG sells for \$3 million to \$5 million a pop.

Sleep beds and basic neurology systems - from which most of Compumedics revenue currently is generated - sell for \$15,000 to \$25,000 and \$20,000 to \$45,000 respectively.

The company has an initial target list of 40 potential MEG buyers, mainly research institutions.

“Selling two or three systems a year obviously changes the financial performance of the business,” Mr Lawson says.

Compumedics last raised equity in a \$4.5 million placement in September 2016, so can’t be accused of going to the well for more funds every five seconds.

## Other catalysts

MEG aside, Compumedics is close to rolling out Somfit, an internet “cloud”, home-use sleep diagnostics tool based on a single-use disposable monitor.

In effect, Dr Burton says, Somfit migrates 30 years of the company’s sleep development into the internet cloud. The company expects Somfit to be available for less than \$200, or by monthly subscription.

Dr Burton notes that 30 percent of adults suffer sleep disorders, including insomnia and “disordered breathing”. In all, there are 85 recognized sleep ailments. Apart from intense grumpiness, inadequate sleep is also recognized as a factor in diabetes, given insulin is produced at night.

This month Compumedics attained ‘preferred vendor’ status with Adventist Health Systems of the US, which has 48 hospital campuses in the south and southwest US.

In an initial order, a Tampa, Florida hospital has ordered 19 epilepsy monitoring systems. It’s now competing with the Nasdaq-listed Natus for the business of a much bigger hospital in Orlando.

“The US neurology business has been small to date,” Dr Burton says. “But having won Tampa and with a good shop at Orlando, between them that’s a \$US5 million neurology business.”

Compumedics presence in China - where it is in seven of the top hospitals - also should not be sneezed at.

## Dr Boreham’s diagnosis:

With a board contingent of a mere three souls and with Dr Burton owning 55 percent of the register, Compumedics is one of the tightest biotech stocks we’ve come across, so with little liquidity the stock is prone to volatile daily movements when it does trade.

Despite the company’s progress, Compumedics has been trading water valuation-wise over the last two years. When we covered them in July 2017, the stock traded at 45 cents.

The stock listed at the turn of the century at 50 cents apiece. While the MEG business has the potential to take the company to the next level, another event to watch out for is a possible deal to spin off the Somfit business in some way.

As management concedes, the consumer market is not its forte.

Despite its indifferent share performance Compumedics still ranks as a dinky-di Aussie national champion, albeit a tad smaller than the Resmeds and Cochlears of the world.

***Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. Without a good night’s sleep, he is prone to intense grumpiness.***

## NEXT SCIENCE

Next Science opened up 40 percent on its \$1.00 a share initial public offer price, rising as high as \$1.48 and falling to a low of \$1.24.

Yesterday, Next Science said it had raised \$35 million in its initial public offer at \$1.00 a share to list on the ASX under the code NXS and commercialize its bio-film destroying Xbio technology.

Next Science chief executive officer Judith Mitchell told Biotech Daily that Xbio had applications beyond human health in the food industry, oil and gas industries and agriculture.

"We are very rewarded by people's faith in our technology and what it can mean for the world," Ms Mitchell said of the successful offer. "And grateful that we can now concentrate on the science and the business."

Next Science closed up 35 cents or 35 percent at \$1.35 with 252,736 shares traded.

## VICTORIA GOVERNMENT

The Victoria Government says it has supported the expansion of the Ringwood-based Trajan Scientific and Medical facility.

A media release from Victoria's Minister for Jobs, Innovation and Trade Martin Pakula said the expansion would create 40 new jobs and increase the skills of 30 employees.

The Government said Trajan developed and manufactured medical devices including the Hemapen, a replacement for blood tests using a small pinprick.

The media release said support from the Victoria Government helped secure the investment to expand the Trajan facility.

"Trajan's choice to further develop its global [headquarters] in Melbourne and expand its local manufacturing capability will strengthen Victoria's global reputation as a thriving hub for biotechnology and pharmaceuticals," Mr Pakula said.

Trajan is a private company.

## ANALYTICA

Analytica says it has Conformité Européenne (CE) mark approval for its Pericoach treatment for pelvic organ prolapse, in addition to urinary incontinence.

Analytica said it would be able to sell its intra-vaginal Pericoach sensor system for pelvic organ prolapse in the European Economic Area, Switzerland and Turkey.

The company said its Pericoach system assisted women to properly perform pelvic floor exercises.

Analytica chairman Dr Michael Monsour said that "expanding the indication of Pericoach to include pelvic organ prolapse supports our commitment to offering women and clinicians the best in class conservative treatment tool for pelvic floor disorders including urinary incontinence and sexual wellness".

"In the US alone, as many as 60 million women experience [pelvic organ prolapse], urinary incontinence and sexual wellness concerns," Dr Monsour said.

"As the population ages, more women are at risk for surgery, leaving room for complications and a large burden on healthcare systems," Dr Monsour said.

"This additional capability adds substantial value and progresses the sale of the company and Pericoach system to a multinational," Dr Monsour said.

Analytica was up 0.05 cents or 11.1 percent to half a cent with 1.4 million shares traded.

## TOTAL BRAIN

Total Brain says it has raised \$1,003,223 in the placement of 34,379,768 shortfall shares and 1,449,615 capacity shares at 2.8 cents a share.

Last week, Total Brain said it had raised \$896,777 of \$1.9 million in a rights offer and hoped to raise \$962,634 in a shortfall offer (BD: Apr 10, 2019).

The company said it expected to raise \$6.9 million from the \$3.7 million March 22 placement, \$1.9 million April 11 rights issue and \$1.3 million IN A conditional placement, subject to shareholder approval.

Total Brain fell 0.1 cents or 3.45 percent to 2.8 cents with 1.2 million shares traded.

## VISIONEERING TECHNOLOGIES

Visioneering's annual general meeting passed all resolutions but with 15,366,302 votes (11.6%) against options for chief executive officer Dr Stephen Snowdy.

Visioneering said the same number and percentage of votes opposed the issue of securities under its 2017 Equity Incentive Plan, with 117,054,478 or 88.4 percent voting for the resolution.

The company said that directors Christine van Heek and Fred Schwarzer and the 10 percent placement facility all passed with 1,896,945 votes (1.43%) against or abstaining and 130,523,835 votes (98.57%) supporting the resolutions.

Visioneering said it had 248,619,294 shares on issue, meaning the vote against options for Dr Snowdy and the Equity Incentive Plan share issue amounted to 6.18 percent of the company, sufficient to requisition extraordinary general meetings.

Visioneering fell 0.1 cents or 1.3 percent to 7.4 cents.

## TELIX PHARMACEUTICALS

Telix says it proposes to issue 895,000 options to directors and increase the directors' pay pool by 25 percent to \$500,000 in its annual general meeting.

Telix said it would vote to approve the issue of 400,000 incentive options to Dr Christian Behrenbruch and 495,000 options to non-executive director Jann Skinner, exercisable at \$1.09 a share until January 24, 2023.

The company said it would vote to re-elect Ms Skinner as non-executive director.

Telix said it would vote to increase remuneration to non-executive directors by 25 percent, from \$400,000 to \$500,000.

The company said it would vote to ratify the issue of 14,837,531 shares and 780,923 warrants to Atlab Parties and BZL Biologics, 6,090,805 shares to Advanced Nuclear Medicine Ingredients (ANMI) parties for the ANMII acquisition and 5,950,000 employee options, exercisable at \$1.09 a share by January 24, 2023.

Telix said it would vote on a special resolution for the 10 percent placement facility.

The meeting will be held at the Larwill Studio, 48 Flemington Road, Parkville, Victoria on May 22, 2019 at 10:30am (AEST).

Telix fell one cent or 1.05 percent to 94 cents.

## PHOSPHAGENICS

Phosphagenics says its annual general meeting will vote to change its name to Avecho Biotechnology.

In 2015, Phosphagenics said that a special resolution requiring a 75 percent majority to change its name to Alyptus Biotechnology was opposed by 31.94 percent of votes at the meeting (BD: May 19, 2015).

Today, Phosphagenics said it was “in the process of developing a strategy to refresh and enhance the company's brand ... [and] changing the name ... to Avecho Biotechnology Limited is consistent with the company's current operations”.

The company said it hoped the new name would “help to facilitate an improved understanding of the company's businesses and growth strategy”.

In 2015, Phosphagenics said that Alyptus Biotechnology would “clearly emphasize the company's participation in the biotechnology sector” and a review highlighted that the ASX code of POH “had numerous connotations; there was confusion about the correct spelling; and [a need for] separation from former CEO controversy”.

In 2014, former Phosphagenics chief executive officer Dr Esra Ogru was gaoled for six years with a minimum of two years for her part in stealing \$6,146,733 from the company (BD: Nov 7, 2014).

Today, the company said the annual general meeting would vote on the remuneration report, to re-elect director David Segal, approve the 10 percent placement facility and appoint Grant Thornton Audit as its new auditor.

The meeting will be held at The Clarendon, 209-215 Clarendon Street, South Melbourne on May 22, 2019 at 12:00pm (AEST).

Phosphagenics was unchanged at 0.35 cents with 2.8 million shares traded.

## ELIXINOL GLOBAL

Elixinol says it has appointed Stratos Karousos chief commercial and legal officer, and will vote to issue him 900,000 share rights and increase the directors pool 46 percent.

Elixinol said that Mr Karousos had been a director since September 4, 2017 and would resign from the board and the remuneration and nomination committee on May 23, 2019.

The company said Mr Karousos had experience at firms including Baker McKenzie and Clayton Utz advising on mergers, acquisitions, equity capital markets and restructuring.

Elixinol said its annual general meeting would vote to issue Mr Karousos 900,000 performance share rights and increase the maximum aggregate amount payable to non-executive directors by \$110,000 or 45.8 percent from \$240,000 to \$350,000 a year.

The company said the meeting would vote to ratify the issue of 15,439,281 placement shares and elect directors Gregory Ellery and Andrew Duff.

The meeting will be held at Gilbert and Tobin, Level 35, Tower Two, 200 Barangaroo Avenue, Barangaroo, Sydney on May 23, 2019 at 10am (AEST).

Elixinol fell two cents or 0.4 percent to \$5.13 with 357,300 shares traded.

## NOVITA HEALTHCARE

Novita says the Idaho-based Nampa school district will be the first in the US to use Tali Train for attention disability.

Novita said the Idaho Arts Charter School identified children who would benefit from early intervention to improve core attention skills, with up to 50 children chosen.

The company said the school district had more than 14,000 students.

Novita was up half a cent or 25 percent to 2.5 cents with 2.1 million shares traded.



### [CRESO PHARMA](#)

Creso says it has the Brazilian health regulator Anvisa has licenced it to import Cannax50 for chronic pain related to neuropathic diseases into Brazil. Creso said its medical marijuana product licence, facilitated by its marketing partner SIN Solution, would be imported through the San Paulo-based Meddepot. The company said it would target Sao Paulo, Rio de Janeiro and Curitiba doctors. Creso fell two cents or 4.35 percent to 44 cents.

### [SUDA PHARMACEUTICALS](#)

Suda has requested a trading halt “pending an announcement ... [on] the submission to the [Australian] Therapeutic Goods Administration of its anti-malarial product Artimist”. Trading will resume on April 24, 2019 or on an earlier announcement. Suda last traded down 0.05 cents or 11.1 percent to 0.4 cents with 17.7 million shares traded.

### [ONCOSIL MEDICAL](#)

Oncosil says that 6,500,000 loan shares held in voluntary escrow and exercisable at 13 cents each will be released on May 7, 2019. Oncosil’s most recent Appendix 3B new issue announcement said that the company had 630,708,788 shares available for trading. Oncosil was unchanged at 5.4 cents with 1.2 million shares traded.

### [THC GLOBAL](#)

THC says that 37,514,450 shares, 24,132,225 options and 20,500,000 performance shares will be released from escrow on May 4, 2019. The most recent THC Appendix 3B new issue announcement said that the company had 91,263,622 shares and 31,980,299 options available for trading and following the release it would have 128,778,072 shares available for trading, along with 56,112,524 options, exercisable at 40 cents expiring on December 31, 2019. THC fell 1.5 cents or 2.8 percent to 52.5 cents.