



Biotech Daily

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Daily news on ASX-listed biotechnology companies

Biotech Revenue Up 194% In 8 Years To \$1.4b

In the eight years since June 30, 2009 the total biotechnology sector revenue – excluding the three Big Caps – has climbed 194.1 percent from \$464.3 million to \$1.366 billion.

For two years around the Global Financial Crisis, Biotech Daily kept a record of revenue and profits posted by companies with revenue of more than \$1 million a year.

Following the calming of the markets, we discontinued the somewhat onerous collection of the data.

At the suggestion of a new publication, Stockhead, which re-publishes the Dr Boreham Crucible, we again collected data from this financial year.

The 21 companies covered in the 2008-'09 financial reporting season showed a total revenue of \$7.3 billion with a total net profit after tax of \$1.54 billion.

Most of the revenue and profit was generated by the three Big Caps of Cochlear, CSL and Resmed, which are large and stable and hence distort the greater volatility of the rest of the sector.

In 2009-'10, as the GFC receded, total revenue for the sector slipped 3.0 percent or \$217 million to \$7.1 billion, while total profit was down 0.4 percent (or \$6.4 million) to \$1.5 billion.

For the reporting season just closed, total revenue was \$11.686 billion. up 39.4 percent compared to 2009-'10, with total profit up 24.4 percent to \$1.9 billion.

Compared to 2008-'09 revenue was up 60.0 percent.

While the revenue figure is strong – again skewed by the three Big Caps – the profit figure includes the losses of the smaller companies.

In 2008-'09, Biotech Daily covered 21 companies with revenue of more than \$1 million for the year.

In 2009-'10 the number rose to 27, and for the reporting season just concluded we have 56 companies reporting revenue of more than \$1 million. Many of them still have product in development, with changing profit and loss statements.

For example, Mesoblast receives licencing revenue, milestone payments and last year claimed \$US22.5 million (\$A29.9 million) in revenue which was an accounting procedure of non-cash recognition of Teva Pharmaceutical's return of the cardiac program. So the dramatic fall in revenue of 94.3 percent to \$3 million and consequent leap in loss of 1,761.3 percent to \$96.1 million is more accountancy-related than actual changes.

There's been a lot of accountancy games played this year, with impairment costs written off and Sirtex claiming it had a \$26.3 million loss when in the real world of money in the bank its net profit after tax was down 20.9 percent to \$42.4 million.

Some companies have reported in "constant currency" which is what the result would have been if they used volatile exchange rates from the previous year.

Biotech Daily tries very hard to make accurate comparisons. The actual money received is what matters, not what it might have been. Worse, a number of companies have reported different data for the previous year, compared to the previous year's report.

Some companies describe receipt of the 43.5 percent Federal Government Research and Development Tax Incentive as "revenue", when there has been no sale of product, milestone payments or licence fees. They are not included in the data.

Non-Big Cap Revenue and Profit

Stripping out the three Big Caps of Cochlear, CSL and Resmed, in 2008-'09 the other 18 companies in the sector with revenue of more than \$1 million posted a collective revenue of \$464.3 million and a cumulative profit of \$68.24 million.

In 2009-'10, the then 24 companies recorded collective revenue up 9.5 percent to \$508.33 million with profit up 42.4 percent to \$97.2 million.

For the 2016-'17 financial year the 53 companies with more than \$1 million in revenue announced total revenue up 168.7 percent over seven years to \$1.366 billion, but overall profit down 16.9 percent to \$83.15 million.

Excluding the loss-makers, the cumulative profit this year was \$198.8 million, most of it thanks to Mayne Pharma, Sirtex, Nanosonics and Pro Medicus.

As the number of innovation companies earning their first revenues increase, they bring with them their investment in research and development and consequent losses.

As they mature, the revenues (hopefully) increase and the losses turn to profits.

For some companies it can be very lumpy with the first few years of solid revenue coinciding with turnaround maiden profits, followed by the loss of a single contract returning them to losses.

But the eight year pattern is unmistakable. We have nearly three times the number of companies earning significant revenues and many of them are learning how to manage their businesses accounts.

Companies like Ellex, Compumedics, Medical Developments, ITL, Acrux, Cyclopharm, Admedus and Uscom are selling product world-wide and earning substantial export income and all are on the verge of moving from losses to sustainable profits.

Biotech Revenue & Profit 2008-'17

Year	Revenue (All)	Revenue (-Big Caps) \$m	Profit \$m	Profit (-Big Caps) \$m
2008-09	\$7,296.46	\$464.31	\$1,519.24	\$68.24
2009-10	\$7,079.13	\$508.33	\$1,512.80	\$97.2
2016-17	\$11,685.85	\$1,365.65	\$1,881.75	\$83.15