



# Biotech Daily

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*Daily news on ASX-listed biotechnology companies*

## Dr Boreham's Crucible: Initial Public Offers

By **TIM BOREHAM**

**Lumos Diagnostics (LDX):** IPO price \$1.25, current price \$1.22, amount raised \$63 million, market cap \$187 million, listing date July 5, 2021

**Trajan Group (TRJ):** IPO price \$1.70, current price \$2.69, amount raised \$90 million, market cap \$337 million, listing date June 7, 2021

**Australian Clinical Labs (ACL):** IPO price \$4.00, current price \$3.74, amount raised \$408 million, market cap \$727 million, listing date May 14, 2021

**Doctor Care Anywhere (DOC):** IPO price 80 cents, current price 85 cents, amount raised \$102 million, market cap \$151 million, listing date December 4, 2020

**4D Medical (4DX):** IPO price 73 cents, current price \$1.365, amount raised \$55 million, market cap \$290 million, listing date August 7, 2020

**Aroa Biosurgery (ARX):** IPO price 75 cents, current price \$1.195, amount raised \$45 million, market cap \$369 million, listing date July 24, 2020

*These are the six biggest IPOs based on current market capitalization. All figures, courtesy of Commsec Iress, current at the close of trade on July 23, 2021.*

The cavalcade of life science initial public offers (IPOs) and ASX listings shows few signs of receding, with BCAL Diagnostics (ASX code BDX) on Wednesday braving the bourse amid choppy global market conditions.

In the life sciences IPO Olympiad, who are the grinning medallists and who gets a participation award?

Since the start of calendar 2020 - in the pandemic era, that is - no fewer than 19 drug, device and diagnostic outfits have listed on the ASX, ranging from a slew of sub \$10 million minnows to Australian Clinical Labs (ACL) which raised a meaty \$408 million.

Having raised \$10 million, BCAL shares traded a couple of cents north and south of their 25 cents issue price before ending dead flat.

BCAL is developing a new approach to breast cancer diagnosis with an in-vitro diagnostic blood test.

Only two weeks earlier Lumos Diagnostics (LDX) listed on the back of its fingerprick blood test to diagnose respiratory diseases. Lumos shares have held their ground, valuing the company at a cool \$187 million.

As has been the experience with IPOs more broadly – and there's been a spate of them - the only distinct trend from the covid-era biotech listings is that there's no distinct trend.

Of the 19 debutantes, 11 are trading ahead of their listing price, six are behind and two are even-Stevens. We would like to say there's a distinct pattern between how the drug developers have performed vis-a-vis the diagnostics or device plays, but there's not.

Size doesn't seem to matter, either: the \$744 million market cap Australian Clinical Labs has been one of the worst performers. But Aroa Biosurgery (ARX, market value \$373 million) and 4D Medical (4DX, \$293 million) have been among the best.

## **The medallists**

The gold medal performer to date has been 4D Medical, which listed in August last year on the back of its portable algorithm-based scanner to detect respiratory diseases earlier.

4D Medical shares closed at a day-one premium of 177 percent and remain 93 percent in the black.

The unlikely silver medallist was cannabis drug play Little Green Pharma (LGP), which recently bought a Danish facility to bolster its exports of cannabis oils. Little Green shares are well in the green, er, black - up 89 percent (with a little help from their friends Gina Rinehart and the Pratt Family's Thorney and Tiga).

(We say 'unlikely' because the pot sector has been off the boil for some time).

On the bronze medal dais is Aroa Biosurgery, with its shares also gaining 66 percent since listing in July last year. A mini-me version of the \$1.4 billion market cap Polynovo, the Auckland-based Aroa has devised a wounds scaffold that promotes new tissue growth and blood supply.

Among the runners-up, scientific instrument maker Trajan Group (TRJ) trades at a carefully-calibrated 56 percent premium, having raised \$90 million in what was a partial sell-down for founders Stephen and Angela Tomisich.

Trajan commands a hefty \$344 million market cap but the company can boast the rare status of being profitable: a \$2.8 million surplus in the December half, on revenue of \$37 million.

Immuno-oncology play Chimeric Therapeutics (CHM) jumped pertly out of the blocks when it listed in mid in January, defying the traditional summer slumber.

Chimeric has launched a clinical program to treat glioblastoma (brain cancer) with a peptide derives from scorpion venom.

Backed and run by biotech entrepreneur and certified legend Paul Hopper, Chimeric shares are trading at close to 50 percent above the IPO price.

Still, the company's \$59 million market cap pales in comparison with the \$1.6 billion market cap commanded by the Mr Hopper-chaired Imugene.

### **As long as did your best ...**

The Olympic credo is 'winning isn't everything'. It's all about participating, having fun and doing your best - preferably without performance-enhancing substances.

That's just as well when it comes to Audeara (AUA), which listed on May 18 on the back of its headphones to assist mild to moderate hearing loss.

Despite encouraging early sales here and in the US, investors have been deaf to the company's potential and the shares are 51 percent underwater.

After a bright start in their March 3 debut, EZZ Life Science Holdings (EZZ) shares are 18 percent off the pace (see below).

Hexima (HXL) re-listed on December 1 last year to further its lead peptide aimed at treating toenail fungal infections.

Well, someone has to do it.

As it happens, investors weren't the fun-guys they were cracked up to be and the stock is merely marking time.

In the biggest healthcare IPO of the year Australia Clinical Labs raised \$408 million but the shares are 17 percent off the pace.

This is despite the company's June 3 disclosure that net profit for the year to June 30 2021 would come in at \$82-85.4 million, 10 to 15 percent ahead of the prospectus forecast.

The company is the country's third biggest pathology provider, running eight million tests annually across 86 labs.

## **Love 'em and leave 'em**

When it comes to recent IPOs, the key lesson is to leave declarations of undying love to the dog, or the girl next door. That's because most IPO companies are trading at lower than their value at the end of the first day's trading - sometimes dramatically so.

Take (or maybe don't take) EZZ, which produced a 132 percent 'stag' first day gain and now trades below par.

With its skin care and food additives range, EZZ dwells more in the amorphous "wellness" space than biotech. Still, it's closer to a health stock than a gold or copper explorer IPO, of which there have been many.

A stock for the age, Atomo Diagnostics (AT1) roared to a 95 percent first day gain on the back of its rapid Covid test.

Atomo had a blood-based test for HIV, the only one approved for self-administration by the local Therapeutic Goods Administration. Along came Covid and before you could say 'cluster' the company was shipping its lateral flow immune-assays to all corners of the globe (well, almost).

Atomo stock has slunk back to the IPO price, despite the covid test winning US Food and Drug Administration approval in late June.

With its program of repurposing a drug to treat mosquito-borne viruses, Island Pharmaceuticals (ILA) buzzed to a 110 percent gain when it listed in mid-April, but is now only 18 percent ahead.

Argenica Therapeutics (AGN) shares closed at a 30 percent gain when they listed on June 11. But despite the promise of its flagship peptide to ameliorate brain damage in stroke victims, the stock is back to its issue price.

The outlier is Little Green Pharma, which sagged 22 percent on debut before the powerful share recovery on the back of its transformative Danish deal.

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

According to Scott Power, a biotech watcher at broker Morgans, the sector raised \$1.8 billion in IPOs and raisings in the year to June 30, 2021 - \$224 million in the June quarter alone.

"What this continues to tell us is, there is still money out there looking to back solid healthcare IPOs," he told Biotech Daily.

According to accounting and advisory firm HLB Mann Judd's mid-year IPO review released this week, 42 companies are preparing to list on the ASX across the board, with a planned collective raising of \$1.25 billion.

Given this strong level of overall activity, there should be one or two big biotech listings even if the IPO pipeline is not quite as stuffed\* as it was.

One we know of is Clarity Pharmaceuticals (CU6), which plans to raise \$92 million in a fully-underwritten offer to pursue its radiopharmaceutical cancer therapies.

At this stage the listing is earmarked for August 25.

Struck at \$1.40 a share, the raising would value Clarity at around \$358 million. According to the prospectus, the company's tech involves using the radioisotopes copper-64 for diagnosis and copper-67 for therapy "with the aim of achieving superior imaging and highly precise and accurate therapy".

We're waiting to hear from the Brisbane-based immune-oncology play Zucero Therapeutics, which has deferred a \$30 million IPO and listing aimed for last June.

The trouble is that the US Food and Drug Administration approved the company's major trial, which actually is a good thing. As a material event, however, it requires the prospectus to be rewritten.

With plenty of money still on the table, more IPO prospects are likely to emerge in coming weeks.

But we caution that investors are adopting a more discerning approach, which means that promoters who talk up Covid-related investment themes are unlikely to get the audience they once did.

\* As in replete, not rooted

***Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. But despite this knowledge deficit he can inform readers that IPO can also stand for 'individual pays own' (hotel jargon), 'input-process-output' (geek speak) or, in the case of vendors, 'I'm Perennially Optimistic'.***