Biotech Daily

Friday April 21, 2017

*Daily news on ASX-listed biotechnology companies*

# Dr Boreham's Crucible: Osprey Medical

By TIM BOREHAM

**ASX Code:** OSP

**Market cap:** $111 million; **Share price:** 43 cents; **Shares on issue:** 258 million CDIs

**Chief executive officer:** Mike McCormick

**Board:** John Erb (chairman), Mike McCormick, Andy Jane, Neville Mitchell, Dr Chris Nave, Brendan Case (Australian secretary)

**Financials (March quarter 2017, compared with December quarter 2016):** customer receipts $US291,000 (up 41%); net operating cash burn $US3.62 million (down 45%); cash $US18.17 million (down 17%); estimated current quarter cash burn $US4 million

**Major shareholders:** CM Capital (14.2%), JP Morgan Nominees (9.8%), HSBC Custody Nominees (7.6%), Citicorp Nominees (5.76%)

The first customers for Osprey's device to reduce the amount of x-ray contrast dye used in heart procedures are about to be offered the medical version of the Demtel steak knives: a free upgrade to a better product.

That's right, free for a limited time only. CALL NOW!!!

Actually, Osprey's hospital clients take a far more measured approach to new products and the same will apply to Osprey's Dyevert Plus which last month won US Food and Drug Administration approval.

They'll try before they buy, with a typical appraisal period of three to four months.

The hospitals we refer to are Osprey's initial buyers of Dyevert, a stent-type device that recovers a portion of the dye used in procedures such as cardiac surgery (stents and angiograms).

It is well known that the toxic dye can induce a kidney condition called contrast-induced nephropathy, with 25 percent of patients considered to be vulnerable.

Dyevert is a one-use consumable that sells for $US350. Dyevert Plus adds a monitoring screen (the size of an Ipad) that monitors the amount of dye going into the patients and (crucially) whether they have exceeded the allowable dose.

The monitor connects wirelessly to Dyevert. The 'Plus' bit will be offered on a consignment basis to the existing Dyevert customers, which currently consist of 55 US hospitals.

"Dyevert is the workhorse," says Osprey chief Mike McCormick. "Plus is the added feature reporting exactly what is going in to the patient."

Osprey's March quarter this week showed revenue climbed 41 percent to $US291,000 ($A386,681), the tenth consecutive quarter of growth.

For most of this time, the sales have come from a sole sales rep based in the San Antonio area of Texas. That region has been profitable and now too is the Atlanta territory. Osprey claims a 70 percent take-up of hospitals (16 out of 23) in the pilot San Antonio sales patch.

Overall, Dyevert unit sales grew by 28 percent to 812, compared with 636 units in the December quarter.

Given Osprey now has 19 representatives on the payroll nationally, revenue should be expected to grow exponentially, although the company says 70 percent of sales came from existing accounts.

Osprey already had European approval for Dyevert Plus, but as is the norm, will focus on the US.

Combined, seven million heart and leg (angiogram) procedures are carried out in the US and Western Europe annually. Of these, 1.3 million have dodgy kidneys.

In the US, this translates to an addressable market of 700,000 to 800,000 patients worth $US350 million a year.

Mr McCormick says the guidelines from bodies such as the American Heart Association stipulate the three measures to take to avoid kidney damage: screen the patient for renal function, hydrate them with an intravenous drip and use as little dye as possible.

"We are the only FDA assured product that can lower the use of dye," Mr McCormick says.

Patient danger aside, there's an offsetting cost benefit because the reduced dye usage saves an average $US50-75 per procedure.

**Past woes:**

In 2015 Osprey reported embarrassing trial results that failed to demonstrate a reduced incidence of kidney damage, sending the shares down 72 percent in a one-day rout.

Mr McCormick argues the company met three out of five endpoints – dye savings (usage dropped by 15%), reduced reflux (a cause of increased dye usage) and no reduction in X-ray image quality.

There was an improvement in kidney function, but it was not "statistically powerful" and there were little or no hospital cost savings.

Mr McCormick says it is self-evident that reduced dye (contrast) use will reduce incidence of the condition: that's why it's called contrast-induced nephropathy.

We guess no mortal CIN was committed with the missed endpoints, then.

Given Dyevert already had FDA approval, the 578-patient, $5 million patient trial was to improve marketing claims only.

"I was surprised by the (share price) dip," Mr McCormick says. "Maybe I didn't do a very good job explaining it."

**Dr Boreham's diagnosis:**

With cash of $28 million and a $120 million market cap, Osprey is on the cusp of meaningful sales – and is also running out of excuses.

Osprey listed in 2012 after raising $20 million. The shares have traded between 20 cents and 51 cents over the last year and Mr McCormick has no reservations about the Minnesota-based company's decision to list down here.

"The Australian market has been very good to us, I have no complaints about it," he says.

The March quarter sales suggest Osprey is indeed gaining meaningful traction for its product, which, by the way, was developed at Melbourne's Alfred Hospital.

***Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. But he would like to think he possesses a 'do or dye' attitude.***