



Biotech Daily

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Daily news on ASX-listed biotechnology companies

Dr Boreham's Crucible: Painchek

By TIM BOREHAM

ASX code: PCK

Share price: 22.5 cents

Shares on issue: 945,324,245

Market cap: \$212.7 million

Chief executive officer: Philip Daffas

Board: John Murray (chairman), Philip Daffas, Adam Davey, Ross Harricks

Financials (year to June 30 2019): revenue \$215,464 (up 325%), loss of \$3.26 million (previous deficit of \$4.81 million), cash of \$4.56m (up 26%)

Also received a \$745,258 research and development tax rebate

Identifiable major holders: Peters Investments 10.4%, J&E Consulting 4%, Kreshnik Hoti 4%, Mustafa Abdul Wahed Atee 4%.

In a submission to the ongoing aged care royal commission, Queen of Pain Prof Jennifer Abbey presented a harrowing case study of a resident with a gangrenous-looking foot.

We'll spare you the pic that was provided.

The Adelaide professor of nursing and dementia specialist noted that while the resident spent most of her day screaming, visiting doctors believed her foot was 'dead' and could feel no pain.

Instead, they attributed the screaming to a loss of cognitive ability resulting from dementia and prescribed anti-psychotics.

“I recorded a 12-week battle between staff, doctor and family over whether she should instead receive pain relief such as morphine,” she writes.

“That prompted me to devise a pain scale [the Abbey Pain Scale] now translated into about six other languages and thoroughly tested by the Australian Pain Society.”

But the submission was far from an advert for her self-titled measuring stick, as she acknowledges pain scales have limited utility when the patient cannot verbalize their discomfort.

At the coal face of aged care, staff do not use the scale consistently - if at all - meaning there is no recording of patterns over time.

In this context, Painchek has been making huge and painless strides since rolling out its eponymous pain-measurement device in October 2017.

The smart-phone-based device assesses and scores pain levels in real time and then uploads the results to the internet ‘cloud’.

The score is based on 42 checkpoints across six domains including facial expression, behavior, body movements and, when possible, vocalization.

Nine checks relate to the face, while the other 33 are assessed by way of a binary ‘yes-no’ checklist.

The pain is assessed on a 42-point scale, zero to seven being little or no pain and anything over 16 being ... ‘just shoot me’.

An adviser to Painchek, Dr Abbey says the ability to upload the results at the point-of-care directly to patient records is a “great advantage”.

Painchek’s purple patch

Painchek has been enjoying a pain-free purple patch since then Minister for Senior Australians and Aged Care Ken Wyatt announced a \$5 million trial of the device on April 29.

By that time the Coalition was in caretaker mode ahead of the May 18 election which, of course, it won, with Mr Wyatt replaced by Senator Richard Colbeck.

But the measure had a long gestation time and was executed at departmental level, so didn’t fall into the arbitrary election promise category.

In any event, Painchek CEO Philip Daffas describes the program as a “big tick” for Painchek, given the Department did extensive due diligence.

The funding extends a Painchek licence to more than 1,000 residential facilities and 100,000 residents for one year.

In the June quarter, the company quadrupled its local penetration, increasing the number of contracted beds from 2,542 to 10,590 and the number of contracted facilities from 34 to 142.

This growth excludes the government-funded trial, which is expected to start by the end of the year and is being delivered via a tie-up with aged-care service provider Ward Medication Management.

Client sign-ups include Churches of Christ in Queensland (28 facilities), the Baptist Union of Queensland - Carinity (11 facilities) and IRT Aged Care services (20 facilities).

An existing customer, Allity, agreed to increase the coverage of Painchek to 42 facilities, covering 3,620 beds.

Pain of course is a global phenomenon and the company is eyeing offshore markets.

In August, Singapore’s Health Sciences Authority approved the use of the devices in the Lion City, with Painchek also signing a deal with premium nursing home provider Allium Healthcare.

In England, the company has struck a distribution agreement with Person Centred Software, which provides ‘care management’ systems to 1,200 providers covering 40,000 residents.

“I’m confident that UK sales will come on very, very quickly,” Mr Daffas says.

Undeterred by the Brexit imbroglio, the company is setting up a London office as a base for pan-European expansion.

Painchek is approved by the local and European regulators, with US approval pending.

What about the kids?

At the other end of the chain of life, the infant market (kids three years and under) presents an even bigger opportunity because globally there are 400 million of them.

Under-threes might bawl like banshees, but it’s hard to tell whether they’re in pain or merely hungry or teething (or taking perverse delight in driving mummy and daddy around the bend).

In July, Painchek said it had partnered with Melbourne’s Murdoch Children’s Research Institute to assess the Painchek application for infants.

Called Painfaces, the study will compare Painchek-derived pain scores with those using observational pain assessment tools.

Overseen by two independent assessors, the study will cover 100 children undergoing painful procedures at the Royal Children's Hospital emergency department.

The research will support Painchek applications for regulatory approval for child indications in the US, Europe and here.

Financials and performance

Painchek recorded a 325 percent revenue boost to \$215,464 in the year to June, with a loss of \$3.62 million (narrowed from \$4.81 million).

Painchek also recorded 'receipts' of \$35,000 in the June quarter, but with cloud-based subscription models the better measurement is annual recurring revenue, or ARR.

As of June 30, ARR stood at \$234,000 across 3,564 licenced beds. But with 7,000 beds signed up and due to be implemented this quarter, rolling ARR is now more like \$586,000.

"There has been zero churn of contracts over the last two years," Mr Daffas says.

Management is not silly enough to forecast profitability but says local take-up of 30,000-35,000 beds would be enough to get to breakeven.

The government contract, if renewed, easily would blow the company over this threshold.

Painchek's cash has been bolstered by a two-tranche placement that raised \$4.15 million, at 14.5 cents apiece.

Painchek shares have been an absolute howler, surging from 3.0 cents in late April to a high of 35.5 cents on September 19.

Painless evolution

For those who like a dollop of history, Painchek emerged from a research project at Curtin University, led by Prof Jeff Hughes and his PhD student Mustafa Atee.

The duo founded Epat Pty Ltd (as in Electronic Pain Assessment Technologies) as an in-house venture, with Epat back-door listing in September 2016.

In early 2017, Painchek acquired the global pain assessment rights to the pertinent facial recognition from Swiss artificial intelligence leader Nviso.

After a shareholder vote, Epat became Painchek on January 22 this year.

Prof Hughes remains as Painchek's chief scientific officer, while Atee is a senior clinical research officer.

Dr Boreham's diagnosis:

Mr Daffas has a simple vision for Painchek: "It will be like a thermometer, available everywhere and used as needed. Pain is almost like another vital sign."

A product called the Neurofen Fever Smart application monitors temperature via a patch, so you can see where the whole connected care game is heading.

While Painchek has been focused on winning aged care facility contracts, the software is also relevant for home care. "Aged care is not the care it used to be," Mr Daffas says.

"People are being encouraged to stay home longer ... so you have to give careers the right tools to let them do their job."

Daffas says about 80 percent of 220,000 aged care residents in Australia are in some sort of pain but many can't communicate. Half of them suffer dementia, while 10 percent to 30 percent of hospital beds are taken up by patients living with dementia.

"But we will go global and keep expanding," Mr Daffas says. "It's what our shareholders expect."

Given we're living in a world of pain, Painchek is proving to be on a winner and so far, at least, it has avoided the setbacks of other ASX-listed application-based healthcare developers Respiri (asthma) and Resapp (respiratory disease).

Prof Abbey says it will still be imperative to educate staff about "differentiating pain from distress or the outpourings of unspeakable anguish that late-stage dementia appears to bring with it".

In your columnist's ever-humble view, Painchek is onto a winner but perhaps, just perhaps, a \$170 million market valuation takes care of the upside for now.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He often experiences a pain in the neck in his working day, but rest assured it's nothing physical.