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Daily news on ASX-listed biotechnology companies

Dr Boreham's Crucible: Proteomics International Laboratories

By TIM BOREHAM

ASX Code: PIQ

Market cap: \$10.6 million; **Share price:** 18 cents; **Shares on issue:** 59.0 million

Chief executive officer: Dr Richard Lipscombe

Board: Terry Sweet (chairman), Dr John Dunlop, Roger Moore*

* Has been known to alternate with Sean Connery and George Lazenby

Financials (June quarter): revenue \$184,000, full 2016-'17 year \$874,000 (up 8.8%), cash used \$575,000 (full year \$1.502 million), cash \$1.245 million (previous quarter \$1.824 million), estimated September quarter cash outflows \$790,000

Major shareholders: Richard Lipscombe 27.6%, Xylo Pty Ltd (family of founder, the late Dr Bill Parker) 10.6%, John Dunlop 9.2%, Randolph Resources (John Dunlop) 2.7%

In a corporate tale with a twist, the Proteomics board recently made a submission to ASIC (the corporate regulator) in relation to the escrow period for the sizeable wad of the company's shares – 39 percent of the register -- accounted for by management.

A plea for an early exit? On the contrary, the company wanted to extend the recently expired one-year prohibition on selling by another year. ASIC declined the request.

After all, what's to stop the affected shareholders – notably co-founder and 27 percent holder chief executive officer Dr Richard Lipscombe – from voluntarily agreeing not to sell in the near future?

Hearteningly, that's indeed what they pledged – in blood.

Spawned from the University of Western Australia (UWA), Proteomics is developing diagnostic tests for common disorders. It's also researching biologics (protein based compounds) as generic drugs to replace versions going off patent. Biologics account for 20 percent of the drug market and at last count turned over close to \$US50 billion a year.

Proteins are present in every bodily cell, but not consistently so. Proteomics is the art of mapping the structure and function of proteins that, unlike genes, differ from cell to cell.

Proteomics currently earns its revenue from analytic services to support clinical trials.

In June, the company won its biggest contract to date: a \$200,000 agreement with the private Biosanapharma to test a new asthma drug.

In Australia alone, 1500 clinical trials are taking place, mainly in the phase I safety phase.

“Approximately 10 percent of clinical trial costs are related to analytical testing and consequently these new services are expected to add significantly to our analytical business,” Dr Lipscombe says.

Globally, Proteomics is one of only a handful of companies able to provide protein analysis services.

Clients include the esteemed Commonwealth Scientific and Industrial Research Organisation, the Australian National University, the National University of Singapore and Sweden's Royal Institute of Technology (a.k.a 'we're not all about Abba, Volvos and Scandi noir movies').

Giving kidneys a break

The company's flagship product is a diagnostic tool called Promarkerd, a blood analysis tool that can predict whether people with diabetes will go on to develop chronic kidney disease.

A four-year validation study of 792 patients showed Promarkerd was able to predict with 86 percent accuracy the incidence of disease-free candidates going on to develop the ailment.

In a deal valued at \$US1.5 million over nine years, Proteomics has licensed two related companies - Omics Global Solutions and Macrotech Farmaceutica - to distribute the test kits in the Dominican Republic.

The components for the kits will be made in Melbourne and assembled in Puerto Rico.

But why the unwieldy supply chain? The answer is that Puerto Rico is US territory and covered by the Food and Drug Administration and hence is a low-cost pathway into the US market.

Proteomics also has a tie-up with Chinese pharma company Newsommit Biopharma to make and distribute the tests in the Middle Kingdom, but this may take some time.

Elsewhere, Proteomics is desperate and dateless, partner wise, but doesn't love blossom from unlikely sources?

Drug discovery journey

The potential for drug development is huge because between 2013 and 2017 dozens of protein-based drugs (biologics) are expected to come off patent.

Hence the potential for developing the generic version, or bio-similars, with Proteomics initially focused on the antibiotic and pain killer market.

A key to developing biosimilars is being able to replicate the proteins on an industrial scale.

Proteomics activities are based at Perth's Harry Perkins Institute of Medical Research, which boasts the first laboratory in the world to receive international standards accreditation for proteomics services.

Dr Lipscombe and fellow company founder, the late Dr Bill Parker, worked on protein analysis at the University of Western Australia.

The company ultimately won't develop diagnosis tools or drugs itself, but licence out the intellectual property to deep-pocketed parties.

By the numbers

Proteomics listed in April 2015, having raised \$3.1 million at 20 cents apiece (the offer initially targeted a minimum of \$4 million). The shares haven't done too badly, peaking at 77.5 cents in June 2015 and bottoming at 14.5 cents in May this year.

The company raised \$2 million in the first (December) half, \$1.44 million through a placement at 24 cents a share and \$574,500 through a share placement plan.

"What we have in the bank is sufficient," Dr Lipscombe says.

The company had a cash balance of \$1.245 million at the end of March and expects a \$750,000 R&D Tax Incentive in the current quarter. Next year, the company hopes to raise \$3 million from options that, although with a 20 cents strike price currently they are underwater.

Dr Boreham's diagnosis:

Proteomics' current revenues help keep the joint ticking over but in isolation are nothing to get excited about. Then again, the market values the company at a mere \$10 million or so. They were also enough to earn the company the WA Exporter of the Year gong in 2016, edging out that Twiggy bloke and his iron ore.

"We feel we are little bit unloved in terms of people not understanding the story," Dr Lipscombe says.

"We have a world leading technology that no one else has. That alone could make tens of millions of dollars, if not hundreds of millions," Dr Lipscombe says

Commercialising Promarkerd is a key priority and that's where Roger Moore, who joined the board last October, comes in handy.

In between his James Bond roles, the Danish knight of the realm* spent 30 years as president of Japan's Novo Nordisk, the world's biggest insulin maker**.

* this bit is true

** so is this

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. His knowledge of protein analysis is confined to jabbing a steak on the barbie.