



Biotech Daily

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Daily news on ASX-listed biotechnology companies

Dr Boreham's Crucible: Suda

By TIM BOREHAM

ASX Code: SUD

Share price: 2.0 cents

Market cap: \$24.4 million

Shares on issue: 1,219,858,520

Chief executive officer: Stephen Carter

Board: Michael Stewart (chairman), Stephen Carter, Joseph Ohayon (CFO).

Financials (June quarterly report): receipts \$1.843 million (full year \$7.134 million); cash burn \$448,000 (\$908,000); cash \$1.77 million, estimated current quarter cash burn \$2.175 million.

Identifiable shareholders*: Michael Stewart 2%, James Richardson 2%

* No shareholder owns more than 5%

If Suda has its way, Viagra users won't have to wait 30 minutes – and crucial ones at that -- for the effects of the so-called Pfizer Riser to become apparent.

With Suda's reformulated oral-spray version of the drug, the active ingredients will hit the blood stream (and hence the targeted appendage) pretty much immediately.

Concurrently, Suda is well advanced with a similar spray-based iteration of the insomnia drug zolpidem tartrate – better known as Stilnox - which raises the prospect of the flesh being willing but the mind being ZZZZZ.

Such conflicting endpoints aside, Suda is at a crucial juncture in its decade-long quest to develop its 300-plus patent portfolio. In each case, the intellectual property is all about allowing drugs to be absorbed directly through the mouth lining, rather than taking the diluted route through the stomach.

According to Suda chief executive officer Stephen Carter, only about 10 to 30 percent of the active ingredients of a tablet reaches the targeted area. Of course drugs injected into the bloodstream remain the most effective, but this involves scary big syringes.

To obtain regulatory approval, Suda only needs to show the sprays are safe and at least as effective as the tablet equivalent.

Wheeling and dealing

Suda isn't re-inventing the wheel with green-fields drug development, but it's very keen on wheeling and dealing with big pharma keen on extending the life of their popular drugs.

After dabbling for more than a decade, Suda is gaining traction with three commercial deals – that is, ones involving decent money changing hands -- inked to date.

In the most substantive one, Chinese drug house Eddingpharm entered an exclusive deal to commercialise Zolpimist (Suda's spray version of zolpidem) in China. Zolpimist is approved and selling in the US, but Suda does not have the rights in this geography.

Stephen Carter says 590 million Chinese have trouble sleeping, which is not surprise when you live next door to North Korea.

Separately, Teva has a similar deal to commercialize Zolpimist in the land of the siesta, Latin America (specifically Brazil, Mexico and China).

The value of the Eddingpharm deal "could exceed" \$34 million, with an upfront payment of \$400,000 and a \$300,000 milestone on registration of the product.

The Teva deal is potentially worth more than \$55 million, with an upfront payment of \$400,000 and milestones of \$2.3 million and double-digit royalties.

Other partnerships are at the courtship (collaboration) phase.

In the case of Pfizer, the world's biggest drug company came to Suda seeking a spray formulation for two unnamed over-the-counter drugs (not Viagra).

Pfizer slung Suda a few bob for its work, but within the next 10 months Pfizer will decide whether to negotiate a broader commercial licence involving upfront royalties and milestones.

“It (a deal) has the potential to be a game changer but it is also a validation of our technology,” Mr Carter says.

The Pfizer riser

There’s no hard proposal so to speak, but Pfizer is almost certain to at least explore Suda’s Duromist, its product name for the reformulated sildenafil, sold as Viagra.

With Viagra coming off patent, Teva and Mylan (which make generic versions) may also be interested.

Multiple opportunities

While Duromist is still in the clinical trial stage, Suda is more advanced with its spray versions of the malaria drug artemether, the migraine headache treatment, sumatriptan and the anti-chemotherapy-related nausea drug ondansetron.

Another interesting one - albeit at an earlier stage of development - is a spray version of midazolam, used to treat epileptic seizures.

Shire Pharmaceuticals markets the drug as Buccolam in 2012 and generates \$US300 million of sales.

The problem is that because patients present with strong muscular convulsions, the drug is difficult to administer in tablet or injectable form.

Suda also owns a non-core business called Westcoast Surgical & Medical Supplies, which distributes medical products such as gauzes and ultrasound devices.

While it’s likely to be sold, the business generates handy revenue (\$7 million last year) that keeps the lights on at Perth HQ.

Financials

Mr Carter laments that Suda’s \$24 million market cap remains unchanged between 2013 and now. Back then, Suda had one patent and one product, compared with 300 products and 30 patents now.

“We have been so busy adding value that we haven’t told people what we have done,” he says.

Given your columnist’s catch-up was wedged between investor appointments on Suda’s recent road show, the shy wallflowers have come of age.

A road show usually infers that a cash-hungry company is priming the market for a capital raising. With about \$1.5 million in the bank, Suda has no immediate need to do so but management admits that finances will be tight for the next 12 months.

Unusually, Suda braves a three-year revenue and profit projection.

Including the Westcoast contribution, management expects turnover of \$9.3 million in 2017-'18, \$15.6 million in 2018-'19 and \$24 million in 2019-'20.

This will generate current-year net cash of \$560,000, rising to \$2.7 million in 2018-'19 and \$14.1 million in 2019-'20.

Dr Boreham's diagnosis:

A question keeping your Zolpimist-deprived scribe awake at night is why the big pharma companies haven't developed their own spray-based delivery systems.

Mr Carter says it's because they tend to have a monolithic focus on getting blockbuster drugs to market in the first place, rather than managing their life cycle.

"It's difficult for them to make a decision quickly," Mr Carter says.

Like that expectant Viagra user, Suda's \$24 million market valuation does not reflect its potential full glory.

But the company's patent position needs to be tickety-boo and we assume that's the case.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. But he will rise to the occasion anyway.