



# Biotech Daily

Friday December 10, 2021

*Daily news on ASX-listed biotechnology companies*

## Dr Boreham's Crucible: Visioneering Technologies

By **TIM BOREHAM**

**ASX code:** VTI (Chess depositary interests)

**Share price:** 92.5 cents; **Shares on issue:** 23,635,500; **Market cap:** \$21.9 million

**Chief executive officer:** Dr Stephen Snowdy\*

**Board:** Dr David Mazzo (chair\*), Dr Snowdy, Dr Dwight Akerman, Christine Van Heek, Jean Franchi, Zita Peach, Andrew Silverberg

\* Dr Mazzo will temporarily run the company after Dr Snowdy's departure on January 9 2022

**Financials (September quarter 2021):** revenue \$US1.97 million (\$A2.75 million) (up 19%), operating cash outflows \$US1.87 million, cash balance \$US13.1 million (down 13%), quarters of available funding: 7 (the company has a fully-drawn \$US2.87 million debt facility)

**Identifiable major holders:** Tiga Trading (Thorney Investments) 25.4%, Regal Funds Management 19.2%, Dr Paul Joseph Cozzi 6.7%

According to the consulting firm Korn Ferry, the average tenure of an Australian CEO is now 6.9 years - and falling.

So, announcing his resignation this week, Visioneering founder and CEO Dr Stephen Snowdy can be satisfied that he has beaten the average with his reign of eight years (and 13 years as a director).

What's more, the specialist vision outfit appears to be finding its groove, with forecast sales in calendar 2021 of \$US7 million (\$A9.85 million).

Often the optics of a CEO departure aren't good, such as this week's exit of Brett Cairns at fund manager Magellan Financial Group.

But there's a personal tinge to the aviation-loving Dr Snowdy's decision to remove the chocks and fly out.

"I am leaving to work in the oncology space," he says.

"As a cancer survivor, the husband of a cancer survivor and the father of children who run a not-for-profit organization, this is an area of great interest and passion."

Chair David Mazzo will run the show after Dr Snowdy leaves on January 9, pending a recruitment search.

## **Eyeing the problem**

The Great Plague of 2020-'21 has done more than worsen the swelling problem of childhood obesity - it's also hurting kids' eyesight.

According to Dr Snowdy, the number of myopic (short-sighted) children has tripled since the pandemic began because of the extra time they are in front of screens.

About one-third of the world's kids are myopic, while in Asian nations the figure is more like 90 percent. The danger with too much screen time is not just squinting at the pixels all day, but not getting enough sunlight (which helps eye development).

Of course, there's nothing new about myopia, but the difference now is that parents are demanding answers.

"It's becoming much more common practice to actually do something about it, rather than just slapping on glasses."

There's growing corporate interest in the sector, which is said to be worth \$US10 billion a year in China and more than \$US2 billion in North America.

Visioneering's core product is a disposable contact lens called Naturalvue, which is custom designed for both myopia and presbyopia - the inability to see things up close - in older people.

Presbyopia is actually a bigger market than myopia, but it's more heavily competed.

"It may account for the majority of Naturalvue sales - we can't be sure - but the company's potential is really driven by myopia," Dr Snowdy says.

## **Vision statement**

The Atlanta, Georgia-based Visioneering sells disposable single-day contact lenses, as do much bigger players such as Alcon, Bausch + Lomb, Johnson & Johnson, Essilor and Cooper Vision.

But Visioneering contends the competitor offerings simply don't do the job as well as its own lenses that have a special patented shape.

With a doctorate in nerve sciences, Dr Snowdy founded Visioneering in 2008. The company raised around \$15 million ahead of listing on the ASX in 2017, when it gathered \$25 million.

In 2013, Visioneering won US Food and Drug Administration (510k) clearance for its Naturalvue lenses. Since then, the lenses have been approved in Europe, Australia, New Zealand, Hong Kong, Singapore and Canada.

Now, the company is preparing to sell its next-generation lenses in the US, where it currently derives most of its sales. The new lenses have the same optics, but are thinner with in-built lubricants to make them more comfortable. They are manufactured in Taiwan.

## **Eyeing the competitive landscape**

Visioneering is a myopia minnow in a field of eyecare giants, albeit with an intense focus (sorry) on the condition.

In 2019, Visioneering signed a European distribution deal with Japanese contact lens maker Menicon to produce a private-label myopia brand, called Menicon Bloom Day.

The lenses were to be launched in Europe in March last year and after the pandemic delays, the event has just been revived.

Menicon Bloom Day shouldn't be confused with Menicon Bloom Night which is a hard-lens ortho-keratology product.

Likened to orthodontics for the eyes, ortho-keratology is the use of specially designed and fitted contact lenses to temporarily reshape the cornea to improve vision.

In cahoots with Menicon, Johnson & Johnson has started an ortho-keratology based childhood myopia brand, Abiliti.

The other dominant contact lens maker, Cooper Vision, already has myopia soft contact lenses.

Arcelor, the world's biggest eyecare company, has bought a small US outfit called Sight Glass Vision, which makes eye glasses to slow myopia progression in children. Arcelor paid \$US180 million for Sight Glass, which has no revenue and is in clinical trial stage.

“So, you have biggest eyecare and contacts companies jumping on board myopia, adding either eye glasses, ortho-keratology or soft disposable contacts to their portfolio,” Dr Snowdy says.

Dr Snowdy attributes the interest to the sheer size of the myopia market - an expected five billion people by 2050 - coupled with parents and paediatricians wanting to do more about the problem.

If left unchecked, myopia can cause conditions such as cataracts and glaucoma later in life. Worst still, the kids might even grow up to be myopic politicians.

## **Clinical approach**

Dr Snowdy says the Sight Glass deal shows the importance of patient data, which is why Visioneering is launching a randomized trial in paediatric myopia.

Starting this quarter, the study will enroll 140 kids in Canada, the US and Hong Kong, with the first (one-year) data expected in mid-2023.

The primary endpoint is slowing myopia progression - duh - while a secondary aim is to curtail the rate of ‘axial lengthening’ of the eyeballs.

Nearsightedness occurs because the eyeball is too far from front to back and growing too quickly.

“We have to show that not only do we stop their vision from getting worse, but we also slow eyeball growth to a normal rate,” Dr Snowdy says.

The FDA has approved Naturalvue lenses for paediatric use, but for correcting near-sightedness rather than stopping its progression.

## **Doing more with less**

With most US optometrists locked down at various stages, last year was difficult for Visioneering.

The first (March) quarter of 2020 was pretty normal, but then sales halved in the June quarter to \$US700,000.

The board responded by laying off half the staff, including two thirds of the sales force. Research ceased and the surviving employees agreed to forego cash salaries.

Activity rebounded in the September 2020 quarter, with \$US1.6 million of revenue and a break-even cashflow position (excluding inventory purchases). The calendar 2020 revenue of \$US5.1 million was flat on the previous year.

“As with a lot of companies, the pandemic taught us how to do a bit more with less,” Dr Snowdy said.

“Picture me going to the board in normal times and telling them to take away two-thirds of the sales force, they would have thought I was crazy.”

A resident of Atlanta, Georgia, Dr Snowdy was in Australia on March 19, 2020, the day before Australia’s borders slammed shut. He rushed to the airport and made it out on the last Delta Airlines flight (yes, a prophetic name) full of fleeing pilots and ticketing agents.

Still, not quite like Saigon in '75 or Kabul in '21 and there are worse places to be stuck, cobber.

## **Finances and performance**

With the calendar year fast drawing to its Gregorian conclusion, management sticks by guidance of \$US7 million of revenue, up 40 percent.

In the September 2021 quarter, the company recorded cash outflows of \$US1.87 million, in a period of relatively high cash use. The December quarter was expected to be similar, given the need to build up inventory of the new Naturalvue line ahead of launch.

The company also had \$US13 million of cash, courtesy of a placement in March that raised \$A22 million. A follow-on share purchase plan raised a further \$A1.17 million.

The raising was backed by a number of new and existing institutions including Thorney Group, Regal Funds Management, Ellerston and Perennial.

Thorney (Tiga Trading) also holds a \$US2.9 million convertible note which matures in July 2023. At the current share price, the ubiquitous Pratt family vehicle would emerge with a hefty chunk of the company.

In May this year, the company did the old trick of a share consolidation, on a one-for-100 basis. The gambit didn’t work and the shares have lost more ground since.

In adjusted terms, over the last 12 months the shares have traded between \$3.40 (November 24 last year) and the current level of 85 cents.

## **Dr Boreham’s diagnosis:**

With a \$20 million market capitalization, Visioneering is one of those intriguing stocks trading only slightly above cash backing.

In a recent research report, Bell Potter forecast calendar 2022 revenue of \$US11.6 million, with a \$US6.6 million operating loss.

“We are not going broke,” Dr Snowdy says.

“From an operational perspective we are doing what we should be doing, building a sustainable company with real product and 99 percent repurchase rates.”

Your columnist is wary that Visioneering is in the presence of the aforementioned industry gorillas and their ability to out-spend Visioneering.

Dr Snowdy’s stance is that there’s plenty of room for all, with the big players’ marketing dollars promoting the available products for the benefit of all competitors.

“We are not fighting over the customers yet. When the market’s new, the tide lifts everyone at the same time.”

Valuing the stock at \$1.31, Bell Potter opines that the market “has not appreciated Visioneering’s armamentarium of assets in the ocular space”.

Apart from having to look up ‘armamentarium’ we concur the share valuation looks unwarranted, with investors taking a myopic - but not entirely unjustified - approach to the company’s prospects.

***Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He agrees with the adage the market is never wrong, but merely short-sighted at times.***