



# Biotech Daily

Thursday August 10, 2017

*Daily news on ASX-listed biotechnology companies*

- \* **ASX FLAT, BIOTECH DOWN: USCOM UP 10%, PRIMA DOWN 9%**
- \* **PHOSPHAGENICS SELLS BIOELIXIA FOR \$200k, ROYALTY**
- \* **ICU MEDICAL TO BUY MEDICAL AUSTRALIA FOR \$12m**
- \* **AIRXPANDERS H1 REVENUE UP 341% TO \$1m, LOSS UP 73% TO \$19m**
- \* **LIFE SCIENCES QUEENSLAND APPOINTS PROF PETER ANDREWS CHAIR**

## MARKET REPORT

The Australian stock market slipped 0.08 percent on Thursday August 10, 2017 with the ASX200 down 4.8 points to 5,760.9 points.

Twelve of the Biotech Daily Top 40 stocks were up, 15 fell, 10 traded unchanged and three were untraded.

Yesterday's 11.8 percent worst, Uscom, was today's best, up 1.5 cents or 10 percent to 16.5 cents with 25,000 shares traded.

Compumedics climbed 6.8 percent; Living Cell improved 4.2 percent; Mesoblast, Opthea and Starpharma were up more than three percent; Polynovo, Pro Medicus and Sirtex rose more than two percent; Factor Therapeutics, Pharmaxis and Universal Biosensors were up more than one percent; with Cochlear up 0.4 percent.

Prima led the falls, down 0.2 cents or 8.7 percent to 2.1 cents with 13.2 million shares traded.

Admedus, Airxpanders, Genetic Signatures, Oncosil, Orthocell and Osprey fell more than four percent; Acrux, Benitec and Bionomics lost more than three percent; Actinogen, Avita, LBT, Medical Developments and Viralytics were down more than one percent; with CSL and Resmed down by less than one percent.

## PHOSPHAGENICS

Phosphagenics says it will sell its Bioelixia cosmetics to Pure Beauty Australia for \$200,000 and five percent of product sales containing its tocopheryl phosphate mixture. Phosphagenics said the agreement allowed the Melbourne-based CEM Group of Companies-owned Pure Beauty to market the Bioelixia range and expand the range with new products containing its proprietary tocopheryl phosphate mixture (TPM) technology. The company said that Pure Beauty would pay \$200,000 upfront, on-going royalties of five percent based on net sales of product incorporating TPM and income from Pure Beauty Australia's purchases of TPM as part of an associated 10 year supply agreement. Phosphagenics chief executive officer Dr Ross Murdoch said that the sale was delayed by the Prophase arbitration, "but the positive resolution of this arbitration has at last enabled it to be finalized" which would occur next week.

"This is a tremendous endorsement for our TPM technology and ... this arrangement will at last allow Phosphagenics shareholders to see Bioelixia reach its potential, whilst also allowing them to share in the brand's future success," Dr Murdoch said.

Phosphagenics launched the Elixia cosmetic range in 2010 with then chief executive officer Harry Rosen telling Biotech Daily that the expected sales of the cosmetics range would help fund the company's transdermal research (BD: Apr 21, 2010).

Mr Rosen said that both the biotechnology research and the cosmetic range used the TPM technology to penetrate the skin, which the company hoped to carry insulin and the opioid oxycodone through the skin.

The company said that the Elixia range included moisturizers, cream skin cleanser, body lotion and several products described as "anti-ageing".

In October 2010, under the direction of former chief executive officer Dr Esra Ogru, Phosphagenics said it would market the alleged anti-obesity drug AOD9604 as a "fat-buster" cosmetic (BD: Oct 19, 2010).

In 2007, the then Metabolic (later Calzada and now Polynovo) said the trial of 536 subjects showed that AOD9604 did not demonstrate the weight loss required to support commercial outcomes (BD: Feb 21, 2007).

In 2012, Dr Ogru said that from June 1, 2012 the UK's Boots chemists would stock the Bodyshaper anti-fat cream with TPM-AOD9604, but buried on page six of a 10 page 'September 2012 Newsletter' four months later, said that Boots had dropped the product (BD: May 21, Sep 26, 2012).

In 2014, Dr Ogru was gaoled for two years along with co-conspirators scientist Dr Robert Gianello and AOD9604 co-inventor Dr Woei-Jia Jiang for stealing \$6,146,732.70 from Phosphagenics (BD: Nov 7, 2014).

In January 2015, Dr Murdoch was appointed chief executive officer (BD: Jan 18, 2015).

Today, Phosphagenics said that Pure Beauty owned a portfolio of Australian skincare brands and CEM was a private investment group focussed on "innovative businesses".

CEM chief executive officer Neale Joseph said that Bioelixia was "based on more than 14 years of science and [research and development] and with an already strong customer following, Bioelixia has the potential for significant market differentiation and a strong market share".

Dr Murdoch said that in 2015 "we made the strategic decision to focus on our core TPM businesses and find a buyer for the Bioelixia branded products range".

"The intent was to identify a partner that could make Bioelixia a strong and successful global brand," Dr Murdoch said.

"We are very pleased that a company such as Pure Beauty Australia has emerged as the purchaser," Dr Murdoch said.

Phosphagenics was up 0.1 cents or 5.6 percent to 1.9 cents.

## MEDICAL AUSTRALIA

Medical Australia says the San Clemente, California-based ICU Medical is offering 8.6 cents a share to buy the company, valuing it at \$11.8 million.

Medical Australia said that the price is a 30.3 cents premium to its 15-day volume-weighted average price to August 10 of 6.6 cents a share and the acquisition would be through a scheme implementation agreement.

Medical Australia chief executive officer Darryl Ellis told Biotech Daily that because it was through a scheme of arrangement, 75 percent of shares would need to be acquired before going to compulsory acquisition, compared to 90 percent in a takeover bid.

Mr Ellis said the top 25 shareholders of Medical Australia held 86 percent of the company. Mr Ellis said that having sold the Medivet section of the company, he had hoped that company would continue but losing the Carefusion contract for transfusion pump sets had a major impact.

In a media release business Medical Australia said that shareholders would receive 8.6 cents a share in cash, subject to all applicable conditions being satisfied or waived and the scheme being implemented.

The company said that ICU Medical was “one of the world's leading pure-play infusion therapy companies with global operations” and a product portfolio that included intravenous (IV) solutions, pumps, dedicated and non-dedicated sets and needle-free connectors, along with pain management and safety software technology designed to help meet clinical, safety and workflow goals and manufactured automated pharmacy IV compounding systems with workflow technology, closed systems transfer devices for hazardous IV drugs and cardiac monitoring systems.

Medical Australia said that subject to a favorable independent expert's report the board unanimously recommended the scheme and that shareholders vote in favor of it, in the absence of a superior proposal and all directors intended to vote for the scheme.

The company said it had “spent considerable time evaluating earnings accretive merger and acquisition opportunities and organic growth prospects in Australia and New Zealand, however, none of these opportunities would deliver the shareholder value that can be realised through this scheme”.

Medical Australia chairman Bruce Hancox said that “over the past 18 months, and following extensive restructuring, the board has been very focused on building greater value into [the company's] human healthcare business”.

“The relatively small size of the business has made meaningful organic growth challenging, despite the commendable efforts of the management team,” Mr Hancox said.

“As well, growth through acquisition would require [Medical Australia] to raise capital at a discount, which would dilute existing shareholders considerably,” Mr Hancox said.

Mr Hancox said that the ICU Medical scheme was “in the best interests of shareholders, staff and customers”.

Mr Ellis said that Medical Australia's business complemented ICU's Australian operations “and by bringing the two together through this scheme, we deliver meaningful gains to shareholders and ... healthcare professionals and their patients across the region”.

Medical Australia said it had appointed William Buck Corporate Advisory Services as the independent expert with a report expected by October 5, 2017, with details of the scheme expected to be sent to shareholders by October 13, 2017.

The company said that a general meeting to vote on the scheme was expected to be held by November 15, 2017 and subject to approvals the scheme was expected to be implemented by November 29, 2017.

Medical Australia climbed 1.6 cents or 23.9 percent to 8.3 cents with 1.3 million shares traded.

## AIRXPANDERS

Airxpanders says that revenue for the six months to June 30, 2017, was up 341.0 percent to \$US957,000 (\$A1,213,040) with net loss after tax up 73.3 percent to \$US15,320,000 (\$A19,424,530).

Airxpanders said that diluted loss per US share increased 41.7 percent to 17 US cents for the six months to June 30, 2017, with net tangible assets per US share up 12.1 percent to 37 US cents at June 30, 2017 compared to 33 US cents at June 30, 2016.

The company said it had cash, cash equivalents and short-term investments of \$US27,153,000 at June 30, 2017, compared to \$US11,477,000 at December 31, 2016.

Airxpanders fell 3.5 cents or 4.35 percent to 77 cents.

## LIFE SCIENCES QUEENSLAND

Life Sciences Queensland says it has appointed Prof Peter Andrews as its chairman, effective from July 2017.

Life Sciences Queensland said that Prof Andrews had “years of experience in academia leading multidisciplinary scientific teams and establishing entrepreneurial research centres”.

The industry organization said that Prof Andrews was Queensland’s chief scientist from 2003 to 2010, “during which time he was a pioneer of innovation and knowledge industries in Queensland”.

Life Sciences Queensland chief executive officer Mario Pennisi said that he was “confident that Prof Andrews’ dedication and ability to work with both the private and public sectors will help LSQ to continue its important role in the growing life sciences sector, and I look forward to working with him”.

Mr Pennisi said that the “innovation from life sciences is what will feed, fuel and heal Queenslanders and thus will in time create the new industries and the associated jobs”.