



Biotech Daily

Tuesday February 13, 2018

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP: FACTOR THERAPEUTICS UP 11%; USCOM DOWN 7%**
- * **COCHLEAR H1 REVENUE UP 7% TO \$640m, PROFIT DOWN 0.5% TO \$111m**
- * **RESONANCE: 3rd UNNAMED COMPANY ORDER TAKES REVENUE TO \$861k**
- * **CRESO 3.35m ADVISOR SHARES; 1.8m EVERBLU RIGHTS, OPTIONS**
- * **PLATINUM ROAD TAKES MEMPHASYS TO VICTORIA SUPREME COURT**
- * **ESENSE: 'ISRAEL COURT BACKS BOARD'; EGM, AGM ON MARCH 29**
- * **MTP CEO SUE MACLEMAN TO REPLACE CHAIR DR BRONWYN EVANS**
- * **CRESO APPOINTS AMIT EDRI FOR BUSINESS DEVELOPMENT**
- * **HYDROPONICS AGM TO OVERTURN EGM**

MARKET REPORT

The Australian stock market was up 0.6 percent on Tuesday February 13, 2018 with the ASX200 up 35.2 points to 5,855.9 points.

Fifteen of the Biotech Daily Top 40 stocks were up, 11 fell, 11 traded unchanged and three were untraded.

Factor Therapeutics was the best, up 0.4 cents or 11.1 percent to four cents with 837,560 shares traded.

Avita, Ellex, Osprey and Pharmaxis climbed more than five percent; Clinuvel and Impedimed were up more than four percent; Nanosonics rose 3.4 percent; CSL, Medical Developments, Polynovo, Universal Biosensors and Viralytics were up more than one percent; with Sirtex, Starpharma and Volpara up by less than one percent.

Uscom led the falls, down two cents or 7.4 percent to 25 cents with 357,494 shares traded.

Genetic Signatures lost 6.35 percent; Optiscan fell 5.9 percent; Acrux, Benitec, LBT and Mesoblast shed more than two percent; Admedus, Opthea and Orthocell were down more than one percent; with Cochlear, Pro Medicus and Resmed down by less than one percent.

COCHLEAR

Cochlear says that revenue for the six months to December 31, 2017 was up 6.7 percent to \$639,600,000 with net profit after tax down 0.5 percent to \$110,800,000.

Cochlear said diluted earnings per share was down 0.7 percent to \$1.927 with net tangible assets per share down 16.4 percent to \$4.011 compared to December 31, 2016.

The company said that a fully-franked interim dividend of \$1.40 a share for shareholders on the record date of March 20 would be paid on April 12, 2018.

Cochlear said research and development expenditure was up 12.7 percent to \$72,207,000 compared to the previous period or 11.9 percent of total revenue.

The company said sales revenue was up led by cochlear implants, up 4.3 percent to \$393,300,000, the services sector of sound processor upgrades and accessories up 11.6 percent to \$161,600,000 and the acoustics division which included bone conduction and acoustic implants up 2.7 percent to \$84,700,000.

Cochlear said that sales revenue in the Americas was up 11.2 percent to \$317,200,000, with Europe, Middle East and Africa up 6.6 percent to \$221,700,000 and sales in Asia Pacific down 9.5 percent to \$100,700,000.

Cochlear chief executive officer Dig Howitt said "the positive momentum we have experienced across the developed markets over the past few years has continued into [2017-'18] with a 12 percent increase in cochlear implant units delivered across these markets".

"Cochlear's market leadership position has strengthened with new products broadening the portfolio and driving share gains," Mr Howitt said.

"Over the past 18 months we have released the Nucleus 7 sound processor, the world's first made for Iphone cochlear implant sound processor, the Kanso sound processor, our first off-the-ear sound processor, the Nucleus Profile Slim Modiolar (C1532) electrode, the world's slimmest electrode, and the Baha 5 Superpower sound processor, with strong demand experienced for each product," Mr Howitt said.

"The Nucleus 7 sound processor was launched across markets including the US, Western Europe and Australia, performing well in its first three months," Mr Howitt said.

"The technology allows users to stream sound from an Iphone, Ipad and Ipod touch directly to their sound processor, offering greater accessibility, connectivity and wireless solutions," Mr Howitt said.

Cochlear said the recently passed US Tax Cuts and Jobs Act would reduce its US federal corporate tax rate from 35 percent to 21 percent, effective from January 1, 2018, but the reduction in corporate tax rates required it to revalue its US deferred tax assets, which resulted in a reduction in the value of the asset.

Cochlear said the six month result included a one-time non-cash expense of \$5.5 million which reflected the revaluation of the deferred tax asset, reducing net profit growth by five percent, and it expected the full year impact to reduce net profit by \$3 to \$4 million.

The company said it expected the full year impact of the change in US tax legislation to reduce net profit by \$3 million to \$4 million, or 1.5 percent, with tax savings expected in the second half from the reduction to partly offset the impact of the revaluation of the deferred tax asset.

Cochlear said it reaffirmed its expectation of delivering reported net profit of \$240 million to \$250 million for the year to June 30, 2018.

Cochlear said it expected growth in developed market unit to continue and to be supported by investment in market access and market growth activities.

The company said it expected to start shipping the 1,491 China tender units awarded in October 2017.

Cochlear fell five cents or 0.03 percent to \$171.74 with 409,922 shares traded.

RESONANCE HEALTH

Resonance says it has a new work order from an unnamed pharmaceutical company for an undisclosed confidential sum for a trial scheduled to begin by April 2018.

Resonance said that the order was in addition to two previously announced trials and the total value of work for the three multi-year clinical trials was about \$US677,000 (\$A861,009) (BD: Jan 21, 2018).

The company said the full payment was contingent on the successful completion of the clinical trials.

Resonance was unchanged at 2.3 cents.

CRESO PHARMA

Creso says it will issue 3,350,000 shares to advisors, as well as 1,800,000 performance rights and options to related party Everblu Capital.

Creso said that in December 2017, it had issued 3,142,774 shares to unrelated parties Asenna Wealth Solutions, TAC Professional Services, DHJPM, MFCM Nominees and 153 Fish Capital for corporate advisory, marketing and business development services provided in relation to a \$15.5 million placement (BD: Nov 28, 2017).

Creso said the shares were issued under its 15 percent placement capacity and under the advisor mandates.

A Creso spokesperson said that not all of the 3,350,000 shares had been issued to date.

The company said that formal mandate agreements had been entered with the advisors to provide ongoing services to the company with Asenna contracted in March 2017 for one year to provide marketing and promotional services to potential investors.

Creso said that it issued Asenna 1,000,000 shares at \$1.10 a share.

The company said it engaged TAC for 12 months from June 2017 as a business development and marketing advisor to evaluate funding opportunities, for a 12 month retainer of \$1,375,000 plus goods and services tax (GST) as 1,250,000 ordinary shares at \$1.10, excluding the GST to be paid in cash.

Creso said that MFCM was engaged on November 28, 2017 for two years of business development and corporate services with a focus on Asia, mainly Indonesia, to develop opportunities and investor interest in medical marijuana businesses and assets.

The company said it agreed to pay MFCM \$550,000 through the issue of 500,000 shares at \$1.10, excluding GST to be paid in cash.

Creso said 153 Fish Capital engaged on July 1, 2017 for six months to assist find investment leads, with payment of 500,000 shares as a finder's fee.

The company said that DHJPM was engaged for business development and corporate services for 100,000 shares.

Creso said that Everblu was contracted for 18 months from July 1, 2017 to introduce and assess potential acquisitions, collaborations and opportunities, explore dual-listing for 1,800,000 performance rights which vest on the first of either six months from the grant or the share price exceeding \$1.00 for five consecutive days, as well as 1,800,000 options, exercisable at \$1.00 within three years from issue, along with a monthly marketing and corporate advisory fee of \$10,000 plus GST for each capital raising via equity or debt as well as a fee of four percent plus GST and for managing and marketing each capital raising via equity a fee of two percent plus GST, subject to shareholder approval.

The company said that Everblu was a related party with chairman Adam Blumenthal a Creso non-executive director.

Creso said it proposed to issue performance rights to directors, subject to approvals.

Creso climbed 13.5 cents or 15.25 percent to \$1.02 with 1.2 million shares traded.

MEMPHASYS

Memphasys says former financiers Platinum Road Pty Ltd and Bridge Road Capital Pty Ltd have named it as a defendant in a Supreme Court of Victoria writ.

Memphasys said the writ claimed damages, or in the alternative monies received, interest and costs related to financing agreements between March and June 2017, but the quantum of the claim was not specified.

The company referred to their 2017 notice of annual general meeting for resolutions relating to the loan agreements.

Memphasys said that despite a period of negotiation, no consensus had been reached regarding the amount loaned, converted, or due and payable under the agreements.

The company said it intended to take all necessary action to defend the claim.

Memphasys was unchanged at 0.2 cents with 4.5 million shares traded.

ESENSE-LAB

Esense says that legal proceedings against it, begun in Israel by two directors on February 11, 2018, have been dismissed.

Esense said that the board resolved at its meeting on February 8 to appoint Ilan Saad as chairman replacing Dr Brendan de Kauwe, cancel the annual general meeting scheduled for February 15, and convene the meeting with the extraordinary general meeting requisitioned for March 29, 2018 (BD: Feb 9, 2018).

Last week, Esense said that Benjamin Karasik has been appointed as a director and Dr de Kauwe continued as a director (BD: Feb 9, 2018).

In January, Esense said it had a request under Israeli Companies Law from shareholders Romfal Sifat, Buzz Capital and Attollo Investments for a meeting to remove directors Haim Cohen, Eran Gilboa and Ilan Saad; and appoint as directors current chairman Dr de Kauwe, if he was not re-elected at the annual general meeting, as well as MMJ Phytotech chief executive officer Andreas Gedeon and Faldi Ismail (BD: Jan 29, 2018).

Today, Esense said that on February 11, directors, Dr de Kauwe and Quentin Megson, began proceedings against the company and the remaining directors, seeking the cancellation of the resolution replacing Dr de Kauwe as chairman, the cancellation of the annual general meeting scheduled for March 29 and an order relating to the previously scheduled annual general meeting.

The company said that in an urgent hearing held in Lod, Israel on February 12, the Court rejected all motions brought by Dr de Kauwe and Mr Megson and found that the board acted properly in passing the February 8 resolutions and ruled that the meetings were to be held on March 29, 2018 with any further date changes requiring Court approval.

The company said it was committed to holding the meetings on March 29, 2018, with notices of meeting to be provided in due course.

Esense was unchanged at 18 cents.

MTP CONNECT

MTP Connect says that chief executive officer Sue MacLeman will replace Dr Bronwyn Evans when she retires later this year.

MTP said that Dr Evans would retire due to "competing priorities" but would remain with the Federal Government-funded organization until a new chief executive officer was found to replace Ms MacLeman.

Ms MacLeman told Biotech Daily that the company expected the recruitment process to take up to four months.

CRESO PHARMA

Creso says it has appointed Amit Edri as its business development executive.

Creso said that Mr Edri was most recently the Neshet, North Israel-based Bazelet Group chief operating officer.

The company said that Mr Edri would be responsible for business development initiatives, including increasing Creso's presence in the Israeli medicinal cannabis market.

Creso said that Bazelet processed the cannabis grown at four of Israel's eight legal medicinal cannabis operations and supplied product to 10,000 patients each month.

The company said that Mr Edri was formerly a captain with an Israel Special Air Force Unit.

THE HYDROPONICS COMPANY

Hydroponics says shareholders will vote to overturn any decisions made at the March 15 extraordinary general meeting at the March 23, 2018 annual general meeting.

Hydroponics said that the meeting would vote on the remuneration report and the re-election or appointment as directors of Ian Mutton, Steven Xu, and Mary Verschuer, Peter Wallace and Hamish MacDonald.

The company said that investors would vote on resolutions to remove director Alan Beasley and, if applicable, remove directors Louis Cattelan and Gary Radcliff.

Hydroponics said that the meeting would vote on the appointment of chief executive officer David Radford as a director.

Last week, Hydroponics strongly criticized director Alan Beasley who called a board spill extraordinary general meeting for March 15, 2018 (BD: Feb 8, 2018).

In January, Hydroponics said it had received a notice of intention to call the board spill meeting from founding chairman Mr Beasley proposing the removal of directors Ian Mutton, Mary Verschuer, Peter Wallace and Hamish Macdonald and the appointment of Steven Xu, Lou Cattelan and John Radcliff (BD: Jan 21, 2018).

The extraordinary general meeting will be held at Baker McKenzie, Level 46, Tower One, 100 Barangaroo Avenue Sydney on March 15, 2018 at 9am (AEDT).

The annual general meeting will be held at the Function Centre, Level 4, 60 Carrington Street, Sydney, on March 23, 2018 at 11am (AEDT).

Hydroponics was up nine cents or 12.7 percent to 80 cents.