



Biotech Daily

Friday December 14, 2018

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH DOWN: ANTISENSE UP 11%; AIRXPANDERS DOWN 8%**
- * **DR BOREHAM'S CRUCIBLE: MEDADVISOR**
- * **ADMEDUS RIGHTS RAISE \$5.4m OF \$20m; \$13.6m UNDERWRITTEN**
- * **AUSTRALIAN SUPER TAKES 8% OF OSPREY**
- * **PARADIGM 'OA, BONE BRUISING TRIAL RESULTS' TRADING HALT**
- * **RESPIRI REQUESTS CAPITAL RAISING TRADING HALT**

MARKET REPORT

The Australian stock market fell 1.05 percent on Friday December 14, 2018, with the ASX200 down 59.6 points to 5,602.0 points.

Eleven of the Biotech Daily Top 40 stocks were up, 17 fell, seven traded unchanged and five were untraded. All three Big Caps fell.

Antisense was the best, up 0.3 cents or 11.1 percent to three cents, with 254,343 shares traded.

Genetic Signatures climbed 4.7 percent; Cyclopharm improved 3.45 percent; Oncosil and Universal Biosensors were up more than two percent; Avita, Ellex and Polynovo rose more than one percent; with Cynata, Medical Developments and Opthea up by less than one percent.

Airxpanders led the falls for the second day in a row, down 0.2 cents or 7.7 percent to 2.4 cents, with 1.4 million shares traded.

Prana lost 5.6 percent; Impedimed, Mesoblast, Prescient and Uscom fell four percent or more; Immutep, Patrys and Telix were down more than three percent; Dimerix and Neuren shed more than two percent; Nanosonics, Pro Medicus and Proteomics were down more than one percent; with Clinuvel, Cochlear, CSL, Resmed, Starpharma and Volpara down by less than one percent.

[DR BOREHAM'S CRUCIBLE: MEDADVISOR](#)

By TIM BOREHAM

ASX code: MDR

Share price: 3.5 cents

Shares on issue: 1,333,127,982

Market cap: \$46.7 million

Chief executive officer: Robert Read

Board: Peter Bennetto (chairman), Robert Read, Sandra Hook, Jim Xenos, Josh Swinnerton

Financials (year to June 30 2018): revenue \$6.8 million (up 55.8%), loss of \$4.5 million (previous \$3.4m loss).

September quarter 2018: revenue \$1.86 million (up 36%), cash outflows \$1.86 million, cash of \$8.7 million, estimated current quarter cash outflows \$2.9 million.

Identifiable holders: Ebos PH Pty Ltd 14%, Wavey Industries Pty Ltd 13.23%, Kojent Pty Ltd 10.87%, Romida Enterprises 7.24%

When you think about it, Medadvisor's business model is reasonably simple: nag patients into taking their subscription drugs and increase the current poor level of compliance.

According to Medadvisor, drug adherence is a huge issue with only about half of Australia's eight million chronic illness sufferers correctly taking their medication.

This could be from fear of side effects, or because of the daily burden of having to manage multiple drugs, or just plain forgetting.

Medadvisor's core business is Plusone, a software application-based platform through which pharmacies communicate via SMS telephone text message with patients.

The next linkage - to their doctors - is a work in progress.

To date 3,100 pharmacies have signed up, with participating chemists accounting for 55 percent of the market. These include the banner groups Amcal/Guardian, Terry White, Pharmasave and National Pharmacies.

As at June 30, 2018, Medadvisor boasted one million patients on the platform, a 23 percent increase on the previous year.

“We only have one out of 12 chronic patients and we are keen to get more on the platform,” Medadvisor CEO Robert Read says.

History

Medadvisor was founded in 2012 by local software engineer Josh Swinnerton, who sits on the board. He was motivated by the experience of his mother, a Parkinson’s disease sufferer trying to manage more than 10 daily medications.

Medadvisor morphed into its current incarnation via a reverse takeover of iron ore explorer Exalt Resources in December 2015. The accompanying fund raising of \$5 million at three cents apiece was “heavily oversubscribed”

In short, Medadvisor’s products are Plusone (the text-message communication systems from pharmacy to patient), the patient platform (allowing automated medical history and online script re-ordering) and general practitioner software, which is largely for patient bookings, but also to renew patient scripts and manage nursing home prescriptions.

Given the sensitivity of holding patient data, the digital appointments sector has had its controversies in recent times (see below).

The company says electronic ordering accounted for \$235 million of prescriptions in 2017-’18, up from \$167 million previously.

Trial recruitment

Medadvisor recently added clinical trial recruitment to its repertoire.

This industry is worth \$2 billion a year globally, with “significant challenges in finding the most eligible patients in a cost effective and timely manner”.

In fact, 80 percent of trials are delayed because of slow recruitment, which is especially the case with exotic diseases that afflict hundreds rather than thousands of people globally.

But how does this fit in with Medadvisor's existing business? The answer lies in that one million strong patient data-base, which is gold in terms of identifying the ailment, location and age and other demographic factors.

On the other side, Medadvisor has a close relationship with the pharma companies that commission the trials.

“The time taken for clinical trial recruitment is horrific, averaging 240 days,” Mr Read says.

“Every week of delay in recruitment is an extra week of sales if the drug reaches its full potential. We can do what it takes 12 to 14 weeks to do in one week.”

Medadvisor has already facilitated four small-scale trials, with fees charged on a per-patient or trial set-up basis.

“We don’t expect to shoot the lights out in the first year but it is something we will build,” Mr Read says.

Drug education

Medadvisor is supported by 16 drug companies including AstraZeneca, Novartis, Glaxosmithkline, Bristol-Myers Squibb, who fund education programs - 33 at last count - for individual drugs.

Medadvisor charges a set-up fee per relevant patient, typically \$10.

“The drug companies have screeds of information about their drugs, but struggle to reach the audience,” Mr Read says.

“It gives them a pathway to eight million people on chronic medication, a population that is very targeted but hard to reach.”

Medadvisor is also emerging as a preferred platform for chemists to promote non-dispensing services such as health checks, blood pressure monitoring or how to use an inhaler.

Competition and controversies

While Medadvisor claims to be the leader in providing an ‘agnostic’ product that can be integrated across all platforms, there are plenty of reminder and appointment booking “app” services on offer. Medadvisor is the only one offering patient reminders.

The biggest local rival, the privately-owned Health Engine has been in the news for all the wrong reasons amid allegations that it provided patient details to personal injury firm Slater & Gordon under a ‘partnership program’.

Part owned by Telstra and Seven West Media, Health Engine claims 1.5 million patients linked to 13,000 practitioners.

After Federal Health Minister Greg Hunt ordered an urgent review of the matter, the company says the referrals to Slater & Gordon were made with the patient’s consent, but did ‘fess up to doctoring online reviews of general practitioner clinics that removed negative comments.

Also privately owned, Hotdocs recently raised \$5 million to capitalize on Health Engine's stumbles.

The ASX-listed 1st Group facilitates bookings for professional practices including optometrists, dentists, health insurers, veterinarians and pharmacists.

With an \$8 million market cap compared with Medadvisor's \$40 million worth, 1st Group recorded \$3.42 million of revenue in 2017-'18.

Mr Read says: "We are about the right message to the right patient at the right time. They can opt out whenever they want. If you are on heart medication you will get information about heart medication and nothing else."

Chemist chains the key

In October 2017 Ebos Investments, an arm of the listed trans-Tasman chemist group that owns the Terry White chain and the Symbion full-line drug distribution business, invested \$9.5 million in the company at 5.75 cents a share. Ebos now owns 14 percent of Medadvisor.

Sigma Healthcare is also on the register with a three percent stake and white labels the product across three chemist banners.

In June, Medadvisor announced it would integrate its platform with US drug dispensary PDX Inc, which services 10,000 of the country's 60,000 pharmacies (or should that be drug stores?).

"These guys understand the industry really well and the value of the product really well," Mr Read says.

"The ability to deal [with the chains] is really important when you try to connect [doctors] and hospitals to the network. We are in the phase of joining these things together."

Financial and performance

Medadvisor chalked up \$7.24 million of revenue in 2017-'18, including a \$634,000 research and development tax refund.

In 2015-'16 Medadvisor managed revenue of \$1.76 million, rising to \$4.9 million in 2016-'17.

In late November, the company said the annualized contract value of new revenue for the 2018-'19 year had reached 76 percent of the value of the 2017-'18 revenue - an encouraging run rate.

Of the 2017-'18 revenue, 63 percent was recurring (subscription revenue from the chemists). The remainder was "user based": transactional SMS revenue, doctor bookings and such.

Medadvisor says it is profitable "purely on an operational level" with earnings before interest, taxation, depreciation and amortization (Ebitda) last year of \$1.9 million compared with a \$500,000 deficit previously.

Old fashioned that we are, we'll stick with the reported bottom line loss of \$4,455,211. This reflects \$3.7 million of development costs and a further \$3.6 million in sales and marketing.

Mr Read says Medadvisor's cash balance of \$8.7 million (at the end of September) should be enough to fund the company's growth without a capital raising.

Dr Boreham's diagnosis:

Management reasons it has a long way to go given the chemist population of 5,500 in Australia (owned by 3,500 individuals) and 24,000 full-time equivalent medical general practitioners.

Medadvisor's strategy revolves around increasing the existing business as well as expanding the general practitioner business.

Medical clinic chains are also a target. "We haven't done what we wanted to do but we think we are there now," Mr Read says.

In early December, the company announced a 50:50 partnership with drug giant Zuellig Pharma to enter the Filipino and South Korean markets, "with other markets to follow".

Medadvisor is assessing its US and British entry strategies. Naturally, in the US it's likely to be done hand-in-hand with PDX.

"We know the US market is complex and there are tricks we need to be aware of. There are a lot of opportunities but we need to bring the right technology first," Mr Read says.

While Australia accounts for only 2 per cent of the global medicine market, he expects the local market to drive revenues in the short term.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He has always confused scrip with script but with neither medical nor financial benefits to date.

ADMEDUS

Admedus says it has had applications for \$5,374,530 of its \$20,165,063 majority underwritten rights issue at eight cents a share.

In November, Admedus fell 7.7 cents or 57.04 percent to 5.8 cents when it emerged from its four-month suspension to announce the rights offer (BD: Nov 28, 2018).

Today, the company said it had applications for \$5,374,530 in the five-for-seven rights issue, with underwriters taking \$13,589,668 of the shortfall shares, leaving a balance of \$1,200,865 in shortfall shares.

In November, Admedus said it hoped to raise a minimum cash amount of \$12 million after the payment of underwriter fees and repayment of a \$5 million loan to major shareholder Star Bright through the partly-underwritten rights issue.

The company said at that time that the New York hedge fund SIO Partners LP would underwrite up to \$6 million with Star Bright underwriting \$1 million and also taking up its full entitlement of about \$4 million.

Admedus said that SIO would provide "up to a further \$6.3 million in underwriting" if the offer did not raise a minimum net cash amount after underwriting fees and repayment of the Star Bright loan of about \$12 million, with SIO to be paid 3.0 percent for the initial \$6 million underwriting, but if SIO was required to provide more than \$6 million because the offer did not raise a net \$12 million, it would be paid 12.5 percent on the initial underwriting instead of the 3.0 percent and 25 percent on any amount SIO takes up over \$6 million.

Admedus said Star Bright would receive a fee of 3.0 percent on the underwritten amount of \$1 million and the proceeds would be used to repay a \$5 million Star Bright loan.

The company said that the Cayman Islands-based CVI Investments Inc would underwrite the offer for \$2 million for a 3.0 percent fee, with Admedus chairman John Seaberg and chief executive officer Wayne Paterson taking up their entitlements and underwriting the offer for \$50,000 each, without an underwriting fee.

Admedus fell 0.4 cents or 6.25 percent to six cents.

OSPREY MEDICAL

Australian Super Pty Ltd says it has increased its substantial shareholding in Osprey from 24,983,344 shares (5.29%) to 34,302,093 shares (7.94%).

The Melbourne-based Australian Super said it bought 9,318,749 shares on December 12, 2018 at 16 cents a share.

In November, Osprey said it had raised \$4.3 million of a hoped-for \$10.5 million in a rights offer at 15.5 cents a share, following a \$10 million placement to Allan Gray in October (BD: Oct 30, Nov 29, 2018)

Osprey was unchanged at 11.5 cents.

PARADIGM BIOPHARMACEUTICALS

Paradigm has requested a trading halt "pending an announcement regarding the ... phase IIb, placebo-controlled [osteoarthritis bone bruising] clinical trial results".

Trading will resume on December 18, 2018 or on an earlier announcement.

Paradigm last traded at \$1.32.

[RESPIRI \(FORMERLY KARMELSONIX, ISONEA\)](#)

Respiri has requested a trading halt “pending an announcement in relation to a proposed capital raising initiative”.

Trading will resume on December 18, 2018 or on an earlier announcement.

Respiri last traded at 9.3 cents.