



Biotech Daily

Tuesday October 22, 2019

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP: ORTHOCELL UP 20%; DIMERIX DOWN 9%**
- * **COCHLEAR: FORECAST OK, EPS TARGET DOWN, GOING GREENER**
- * **COCHLEAR 12.35% OPPOSE DIRECTOR DONAL O'DWYER**
- * **VOLPARA H1 RECEIPTS UP 171% TO \$6.8m**
- * **MEDICAL DEVELOPMENTS: PENTHROX SUPERIOR FOR PAIN**
- * **BLUECHIIP REQUESTS 'CAPITAL RAISING' TRADING HALT**
- * **BOTANIX REQUESTS 'BTX1503 TRIAL RESULTS' TRADING HALT**
- * **MEDIBIO 2nd STRIKE, 16.6m 'IN LIEU' DIRECTORS OPTIONS AGM**
- * **LBT 1m DIRECTOR OPTIONS AGM**
- * **MEDADVISOR 13m DIRECTOR OPTIONS, 7-TO-1 CONSOLIDATION AGM**
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- * **BLACKROCK TAKES 7.2% OF COCHLEAR**
- * **MARK KERR TAKES 12.7% OF AVECHO**
- * **JIMMY THOMAS, IVY PONNIAH 'BELOW 5%' IN GENETIC TECHNOLOGIES**

MARKET REPORT

The Australian stock market was up 0.3 percent on Tuesday October 22, 2019, with the ASX200 up 19.7 points to 6,672.2 points. Eighteen of the Biotech Daily Top 40 stocks were up, 14 fell, seven traded unchanged and one was untraded.

Orthocell was the best on no news, up nine cents or 19.8 percent to 54.5 cents, with 5.1 million shares traded. Medical Developments climbed 12 percent; LBT was up 10.3 percent; Prescient improved 8.9 percent; Avita rose six percent; Actinogen, Cyclopharm, Imugene and Opthea were up five percent or more; Mesoblast climbed 4.55 percent; Kazia and Proteomics were up more than three percent; with Compumedics, Neuren, Polynovo and Volpara up by more than one percent.

Dimerix led the falls, down one cent or 8.7 percent to 10.5 cents, with 264,508 shares traded. Alterity lost 7.7 percent; Cochlear and Pro Medicus fell more than five percent; Antisense, Clinuvel, Ellex and Genetic Signatures fell more than four percent; Cynata, Immutep and Resonance were down more than three percent; Optiscan and Telix shed more than two percent; with Paradigm down 1.8 percent.

COCHLEAR

Cochlear says forecast net profit is on-track, but earnings per share targets have been reduced, impacting management incentives and the company is environment-aware. In his chairman's address to the annual general meeting, chairman Rick Holliday-Smith said that the August forecast net profit after tax for 2019-'20 of \$290 million to \$300 million was nine to 13 percent increase "and this continues to be the case".

Mr Holliday-Smith said that growth was "expected to broadly continue across the business" the company would maintain the net profit margin, the balance sheet and free cash flow generation were strong and "we continue to target a dividend payout ratio of 70 percent of net profit".

Mr Holliday-Smith said the long-term incentive plan for executives would be extended from three to four years and the earnings per share targets would be reduced from 10 to 20 percent compound annual growth to 7.5 percent to 12.5 percent.

He said "the change is material and requires some context" and said that the targets had been in place for more than 15 years and were "inconsistent with our expectations and our strategic objectives for growth".

Mr Holliday-Smith said 15 years ago, the industry was at an earlier stage of development with 15 to 20 percent unit growth more common "as we penetrated the newborn segment across our developed markets ... [but] today, cochlear implantation for newborns is the standard of care across most developed markets ... [and] growth will be focused on the adults in developed markets and children in emerging markets".

Mr Holliday-Smith said the company wanted "to deliver consistent growth in revenue over time, with earnings expected to grow at a similar rate to revenue as we invest strongly to grow the business into the future, with an intention to hold the net profit margin".

Mr Holliday-Smith said the company was "conscious of the need to diversify the board and there are active plans to do that over the next few years and before I leave".

He said he had been a Cochlear director for 14 years and it was "likely I will retire from the board during this new three-year term".

Mr Holliday-Smith said that Cochlear was expanding its environmental management to capture its environmental impact and would transition to renewable sources.

"While we are making progress in reducing our carbon footprint, we are seeking new ways to improve our energy efficiency and other opportunities in our global operations and our partners across the supply chain," Mr Holiday-Smith said.

"As part of this process we have sourced renewable energy in Australia, Belgium, Sweden, Switzerland and UK, including the installation of roof-top solar at our head office in Macquarie Park, Sydney," Mr Holliday-Smith said.

Cochlear fell \$11.83 or 5.5 percent to \$202.42 with 305,790 shares traded.

COCHLEAR

All Cochlear annual general meeting resolutions were passed but with up to 12.35 percent dissent against the re-election of director Donal O'Dwyer.

Cochlear said that 34,977,466 votes (87.65%) supported Mr O'Dwyer with 4,926,573 votes (12.35%) opposed, Rick Holiday-Smith faced 10.33 percent dissent and Yasmin Allen was opposed by 7.22 percent of votes cast at the meeting.

Cochlear's said the grant of \$1.8 million performance shares to chief executive officer Dig Howitt, the re-election of Abbas Hussein and the remuneration report passed easily.

The company's most recent Appendix 3B new issue announcement said Cochlear had 57,814,957 shares on offer, meaning that the votes against Mr O'Dwyer amounted to 8.5 percent of the company, sufficient to requisition extraordinary general meetings.

[VOLPARA HEALTH TECHNOLOGIES](#)

Volpara says that customer receipts for the six months to September 30, 2019 was up 171.3 percent to \$NZ7,240,000 (\$A6,771,000), with a cash burn for the three months to September 30 of \$NZ4,240,000.

The company said it had cash and equivalents of \$NZ40,238,000 at September 30, 2019 with an expected cash burn of \$NZ8,970,000 for the three months to December 31, 2019. Volpara said that annual recurring revenue for Volpara and Medical Reporting Software (MRS) Systems at September 30 was \$NZ15.7 million, of which \$NZ14.9 million came from breast cancer software sales and \$NZ800,000 from lung cancer software sales. The company said that the three months to September 30 was previously its “weakest quarter for sales, so adding approximately \$NZ1 million in new [annual recurring revenue] is encouraging”.

Volpara said it expected an annual recurring revenue for the year to March 31, 2020 of \$NZ17.1 million.

The company said it was “on track to achieve its forecast of 27 percent of US women having a group product applied on their images and data”.

Volpara chief executive officer Dr Ralph Highnam said that “the positive results for the quarter are particularly pleasing, given that [the three months to September 30] is traditionally our weakest quarter for sales and we were also integrating MRS, which we acquired late in the prior quarter”.

“The MRS integration has gone very smoothly, which has enabled us to continue to grow both the Volpara and MRS businesses,” Dr Highnam said. “We’re very much looking forward to [the three months to December 31, 2019] with the delivery of new integrated products at [the] Radiological Society of North America, our big trade show in Chicago; the publication of the Dense [study] results from the Netherlands after a 10-year randomized control trial using Volpara Densit software; and a possible breast density announcement from the ... US Food and Drug Administration.”

Volpara was up three cents or 1.85 percent to \$1.655 with 1.9 million shares traded.

[MEDICAL DEVELOPMENTS INTERNATIONAL](#)

Medical Developments says its Pentrox inhaled methoxyflurane analgesic is superior to intravenous morphine and other standard-of-care drugs for acute trauma pain.

Medical Developments said that data from 11 studies presented at the European Society for Emergency Medicine between October 12 and 14, 2019 showed that Pentrox performed better than paracetamol, ketoprofen and non-steroidal anti-inflammatory drugs in trauma cases, and the data indicated that Pentrox was effective, rapidly acting, safe, and well tolerated, with most adverse event being “mild and transient”.

Medical Developments chief executive officer John Sharman said the results reinforced the “potential for Pentrox as a simple, fast and effective non-opioid pain medication”.

Medical Developments provided references to the abstracts in its announcement.

Medical Developments was up 62 cents or 12 percent to \$5.79 with 259,733 shares traded.

[BLUECHIIP](#)

Bluechiip has requested a trading halt pending an announcement “in connection with a proposed capital raising via an institutional placement and a security purchase plan”.

Trading will resume on October 24, 2019 or on an earlier announcement.

Bluechiip last traded at 15 cents.

BOTANIX PHARMACEUTICALS

Botanix has requested a trading halt pending “announcement in relation to results of the BTX1503 phase II acne study”.

Trading will resume on October 24, 2019 or on an earlier announcement.

Botanix last traded at 24 cents.

MEDIBIO

Medibio says it will face a potential annual general meeting spill resolution, following more than 25 percent opposition to last year’s remuneration reports.

Last year, Medibio said that the remuneration report earned a first strike at its annual general meeting, with 36,937,102 votes (29.9%) against and 86,431,893 votes (70.1%) in favor (BD: Nov, 16, 2018).

The Corporations Act (Section 250U) provides for a ‘two strikes and re-election’ process if a company’s remuneration report is opposed by more than 25 percent of votes on two consecutive occasions, taking the company to a vote on a board spill motion.

Any company sustaining a vote of 25 percent or more against the remuneration report in two successive annual meetings is required to vote on a board spill and at the later meeting and if passed by more than 50 percent of votes the directors must stand for reelection at a subsequent meeting within 90 days.

If the spill vote fails, the trigger is reset to no strikes.

Today, the company said it proposed to grant 16,600,000 options to directors “in lieu of directors fees” including 2,600,000 options each to Lisa Wipperman Heine, Lisa Ide, Liwanag Ojala, 2,200,000 options to Melanie Leydin, 3,600,000 options for Peter Carlisle and 3,000,000 options for Claude Solitario.

Medibio said that the options would vest immediately and be exercisable at the closing price on the grant date and within four years.

The company said shareholders would vote to elect directors Ms Ide, Ms Wipperman Heine, Ms Ojala, Ms Leydin, Mr Solitario, and Mr Carlisle, ratify the previous issue of shares and attaching options, approve an additional 10 percent placement capacity and the renewal of proportional takeover bid provision.

The meeting will be held at Gadens lawyers, Level 25, Bourke Place, 600 Bourke Street, Melbourne on November 22, 2019 at 10am (AEDT).

Medibio fell 0.1 cents or 8.3 percent to 1.1 cents with 63.0 million shares traded.

LBT INNOVATIONS

LBT says shareholders will vote to issue 1,000,000 options to directors Simon Arkell and Damian Lismore at its annual general meeting,

LBT said it proposed to issue Mr Arkell 500,000 options, exercisable at eight cents each within 10 years and vesting on November 28, 2021, with 500,000 options for Mr Lismore exercisable at 6.3 cents each within 10 years, vesting on November 28, 2021.

LBT said shareholders would vote to adopt the remuneration report, elect Mr Arkell and Mr Lismore as directors, ratify the prior issue of shares, approve the 10 percent placement facility and approve the employee share plan,

The meeting will be held at Thomson Geer Lawyers, Level 7, 19 Gouger Street, Adelaide on November 27, 2019 at 11am (ACDT).

LBT was up 1.5 cents or 10.3 percent to 16 cents with 7.2 million shares traded.

MEDADVISOR

Medadvisor says shareholders will vote to issue 8,250,000 incentive options to chief executive officer Robert Read and 5,000,000 options to director Sandra Hook.

Medadvisor said that said “each employee incentive option is issued for no consideration and has a nil exercise price” with a deemed fair value of \$412,500.

The company said that 1,250,000 options vested immediately as the share price reached 6.0 cents a share before September 30, 2019 and the balance pending performance goals.

Medadvisor said it proposed to grant 5,000,000 options to Ms Hook exercisable at eight cents each, expiring three years from the grant date.

Medadvisor said shareholders would vote on a seven-to-one share consolidation, to adopt the remuneration report, re-elect directors Ms Hook, Peter Bennetto and Jeffrey Sherman, approve the 10 percent placement capacity, and ratify a prior placement of shares.

The meeting will be held at HWL Ebsworth, Level 26, 530 Collins Street, Melbourne on November 18, 2019 at 9am (AEDT).

Medadvisor was unchanged at five cents with 7.7 million shares traded.

BLUECHIIP

Bluechiip says shareholders will vote to issue 856,164 performance rights to chief executive officer Andrew McLellan at its annual general meeting.

Bluechiip said it proposed to issue the performance rights to Mr McLellan as part of his long-term incentive package conditional to achieve a 100 to 120 percent proportionate change compared to the ASX Small Ordinaries Accumulation Index, and vesting in three tranches between August 30, 2020, and 2022.

Bluechiip said shareholders would vote to adopt the remuneration report, re-elect director Michael Ohanessian and approve an additional 10 percent placement facility.

The meeting will be held at Phillips Ormonde Fitzpatrick, Level 16, 333 Collins Street, Melbourne on November 21, 2019 at 11am (AEDT).

GENETIC SIGNATURES

Genetic Signatures says it will face a potential annual general meeting spill resolution, following 31 percent opposition to last year’s remuneration reports.

Last year, Genetic Signatures earned a remuneration report first strike with the annual meeting voting 19,093,528 votes (31.0%) against the report and 42,557,268 votes (69.0%) in favor (BD: Nov 30, 2018).

The Corporations Act (Section 250U) provides for a ‘two strikes and re-election’ process if a company’s remuneration report is opposed by more than 25 percent of votes on two consecutive occasions, taking the company to a vote on a board spill motion.

Any company sustaining a vote of 25 percent or more against the remuneration report in two successive annual meetings is required to vote on a board spill and at the later meeting and if passed by more than 50 percent of votes the directors must stand for reelection at a subsequent meeting within 90 days.

If the spill vote fails, the trigger is reset to no strikes.

Today, Genetic Signatures said that shareholders would vote to adopt the remuneration report, re-elect director Dr Anthony Radford, and approve an equity incentive plan.

The meeting will be held at BDO Australia, Level 11, 1 Margaret Street, Sydney on November 22, 2019 at 11am (AEDT).

Genetic Signatures fell five cents or 4.5 percent to \$1.07.

G MEDICAL INNOVATIONS

G Medical says the death of its chief principal investigator is the main reason for the delay of Chinese National Medical Products Administration (NMPA) approval.

Last month, G Medical was suspended from the ASX for failure to respond to an ASX query, after it requested a trading halt and voluntary suspension pending “a response to an ASX query” (BD: Sep 6, 10, 17, 2019).

Today, the company said it had been reinstated to the ASX after explaining that the delay in the timeline of the Chinese approval of its Prizma medical smartphone cases with vital signs sensors was due to the untimely death of the principal investigator at the lead hospital of the clinical trial in June 2019.

G Medical said that “additional time was required for the NMPA committee to nominate and approve a new [principle investigator] to the company” along with other preparations. The company said the trial recommenced in August 2019.

In nine pages of notes and questions the ASX said in bold that “the making of a statement that contains prospective financial information ... must have reasonable grounds or it will be taken to be misleading under s728(2) or 769C of the Corporations Act”.

“What are ‘reasonable grounds’ should be determined objectively in light of all of the circumstances at the time of the statement, so that a reasonable person would view as reasonable the grounds for the statement,” the ASX query said.

The ASX query including additional questions regarding prospective contracts with Boletong and Silverlake, which were contingent on receiving NMPA approval

G Medical said that it is not aware of any reason why NMPA approval will not be obtained and if NMPA approval was not obtained it would not proceed with the Boletong Agreement and the Silverlake Agreement.

The company answered the remaining ASX questions and has been reinstated.

G Medical was up 3.9 cents or 48.15 percent to 12 cents with 3.5 million shares traded.

COCHLEAR

Blackrock Investment Management says it has increased its substantial shareholding in Cochlear from 3,545,258 shares (6.16%) to 4,145,347 (7.17%).

The New York-based Blackrock said that between May 28, 2018 and October 18, 2019 it bought, sold and transferred shares in more than 5,600 trades at prices ranging from \$156.03 to \$225.13.

The company said the registered holders included Bank of New York melon, JP Morgan Chase, State Street Bank New York and Singapore, Northern Trust UK, RBC Dexia, UBS Zurich, Citigroup, BNP Paribas, Bank of America Merrill Lynch, Goldman Sachs, Morgan Stanley, National Australia Bank, Brown Brothers Harriman and Company, Royal Trust Toronto, Kas Bank, Northern Trust, HSBC, and others.

AVECHO BIOTECHNOLOGY (FORMERLY PHOSPHAGENICS)

Mark Kerr says he and associated entities have increased their substantial holding in Avecho from 169,583,634 shares (10.725%) to 199,503,526 shares (12.647%).

The Melbourne-based Mr Kerr said the associates were Lindmark Inv Staff Superannuation Fund with Linda Kerr, Berkeley Consultants and Paradyce.

Mr Kerr said that the group bought and transferred shares between December 3, 2018 and October 21, 2019 at prices ranging between 0.4 and 0.49 cents a share.

Avecho fell 0.1 cents or 20 percent to 0.4 cents with 1.5 million shares traded.

GENETIC TECHNOLOGIES

Jimmy Thomas and Ivy Ruth Ponniah say they have ceased their substantial holding in Genetic Technologies, selling 14,487,786 shares for \$92,406 or 0.64 cents each.

Last month, Mr Thomas and Ms Ponniah said they held 177,744,013 shares or 6.05 percent of the company (BD: Sep 17, 2019).

Biotech Daily calculates that Mr Thomas and Ms Ponniah hold 163,256,227 shares, which according to the company's most recent Appendix 3B would amount to 4.02 percent of the company, pending a successful rights offer and the issue of up to 1,125,000,000 shares at 0.4 cents a share to raise \$4.5 million (BD: Oct 4, 2019).

Biotech Daily calculates that until the shares are issued Mr Thomas and Ms Ponniah hold 5.56 percent of Genetic Technologies.

Genetic Technologies was unchanged at 0.6 cents with 19.8 million shares traded.