



Biotech Daily

Friday May 28, 2021

Daily news on ASX-listed biotechnology companies

- * **ASX, BIOTECH UP: ACTINOGEN UP 24%; AMPLIA DOWN 4.55%**
- * **DR BOREHAM'S CRUCIBLE: AUDEARA**
- * **RESPIRI FILES REPLACEMENT ADHERIUM BIDDER'S STATEMENT**
- * **AUSTCO EXPECTS PROFIT UP 12%-32% TO \$2.8m-\$3.3m**
- * **CANN GROUP HALVES 2020-'21 REVENUE FORECAST TO \$4m-\$5m**
- * **AZURE OPENS UP 25% AT 25c ON NSX**
- * **IMAGION AGM 23% DISSSENT, AVOIDS REM REPORT 1st STRIKE**
- * **GENETIC TECHNOLOGIES REQUESTS 'COVID-19 RISK TEST' HALT**
- * **PERENNIAL REDUCES TO 6.6% OF HYDRIX**
- * **ALCIDION APPOINTS MATTHEW GEPP CFO**

MARKET REPORT

The Australian stock market was up 1.19 percent on Friday May 28, 2021, with the ASX200 up 84.6 points to 7,179.5 points. Twenty-two of the Biotech Daily Top 40 stocks were up, 12 fell and six traded unchanged.

Actinogen was the best, up 2.1 cents or 23.6 percent to 11 cents, with 28.2 million shares traded. Imugene improved 7.1 percent; Osprey climbed 6.7 percent; Next Science was up 5.35 percent; Avita, Genetic Signatures, Impedimed, Kazia, Mesoblast and Prescient were up four percent or more; Nanosonics and Uscom were up more than three percent; Dimerix rose 2.3 percent; Cyclopharm, Immutep and Pro Medicus were up more than one percent; with Cochlear, CSL, Neuren, Opthea, Paradigm, Polynovo, Resmed, Telix and Volpara up by less than one percent.

Amplia led the falls, down one cent or 4.55 percent to 21 cents, with 207,689 shares traded. Compumedics and Optiscan lost more than three percent; LBT and Resonance shed more than two percent; Clinuvel, Nova Eye, Orthocell and Universal Biosensors were down more than one percent; with Medical Developments, Proteomics and Starpharma down by less than one percent.

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

By TIM BOREHAM

ASX code: AUA

Share price: 14.5 cents; **Market cap:** \$15.2 million

Shares on issue: 105,000,000 (40.8 million in escrow for 48 months)

Chief executive officer: Dr James Fielding (co-founder)

Board: David Trimboli (chairman), Dr Fielding, Pasquale Rombola

Financials: (December half 2020): revenue \$526,369 (up 13.5%), net cash used in operating activities \$184,308 (previously a \$3,557 surplus), net loss after tax \$283,019 (previously a \$461,396 loss)

Identifiable major holders: Audeara Investments Pty Ltd (Mr Trimboli) 14.5%, JDB Services Pty Ltd (JD Brice Investment Account) 11.8%, CJ New Ventures (Jeffery Family) 9.2%, James Fielding Family 7.8%, Alex John Afflick 4.7%, Uniquet 2.8%.

The core proposition of the freshly-listed assisted hearing group is that it's a struggle to convince people to get a hearing test, let alone persuade them to do something about their aural deficiencies.

Audeara CEO Dr James Fielding says it takes an average seven years between diagnosis of a hearing problem and remedial action: "Only 10 percent of people who should be doing something about their hearing do anything about it," he says, adding that a wife typically will drag her hubby to the clinic when he can't hear the grandkids any more.

But what if the solution is much more appealing than a hearing aid or even an old-fashioned ear trumpet?

Audeara has devised headphones that improve hearing in contexts such as listening to music, Zoom calls and talking on a scratchy mobile phone. This is achieved through a hearing profiling algorithm that tailors sound output based on the user's unique hearing profile.

While the company started out by marketing its A-O1 headphones directly to consumers via Amazon, it sells mainly through audiologists.

"Our foundation is that every person hears differently," Dr Fielding says. "Every person's left ear is different to their right ear."

He says there's an "eyes wide open moment" - or surely ears wide open moment - when people realise the extent of their hearing loss. "Even if there are only small changes you will get a great outcome," he says.

‘Ears to Brizzie innovation

A business and medicine graduate “with an interest in fixing the health system and love of music”, Dr Fielding devised the technology along with fellow Queensland students Chris Jeffery and Alex Afflick (now the company’s chief technology officer).

While doing his training, Dr Jeffery was frustrated at how long it was taking to carry out hearing tests: “We said surely we can build something that could do the job better. So confidently - and naively - we resolved to design and manufacture a device.”

From their “mucking about with prototypes” in 2015, an algorithm-based product was born to assay hearing loss more effectively. It then dawned on the trio that they could incorporate the software into a custom-built headphone.

“Part of our secret sauce is the tech in the headphones,” Dr Fielding says. “Most [audiometers] need a computer, cables and headphones.”

“We put the tech inside the headphones, which means you get the same quality hearing profile from a \$20 burner ‘phone from the petrol station as from a \$20,000 audiometer.”

In the testing process, the user dons the headphones and via beeps the volume is turned down to the hearing threshold.

“We map that across different frequencies and then we apply the secret sauce,” Dr Fielding says. “We will make it sound amazing and as it should be.”

The role of clinics

While Audeara’s headphones are available through the usual online retail channels, the company’s main customers are audiology clinics and Hearing Australia (the biggest provider of government-subsidized services).

“We prefer clinics to direct-to-consumer, because it’s simpler,” Dr Fielding says. “With direct-to-consumer you have to educate people that they may have a hearing loss, encourage them to do something and convince them you are the solution.”

Most hearing customers are deaf to the reality that the worldwide audiology industry is dominated by five groups which account for 90 percent of the market. The Milan-based Amplifon has 5,700 centres in 29 countries, including more than 300 of Australia’s 1,580 clinics. The Denmark-based Demant Group trades as 160 different entities.

Having said that, the on-the-ground clinicians are usually empowered to stock products as they see fit.

Audeara’s via-the-clinic approach means the headphones are subsidized by parties including the Department of Veterans Affairs, the Federal Hearing Services Program and the National Disability Insurance Scheme. So far, the company has sold 12,000 units, which retail for \$349 (plus \$150 for a transceiver if you want to watch the TV in glorious high fidelity).

Global markets beckon

Audeara recently struck a US distribution deal with the Colorado-based custom earpiece maker Westone, which has access to more than 16,000 audiologists. Hearing loss is the most common military-induced disability in the US, affecting 2.7 million veterans.

“We’re not going to go hell-for-leather,” Dr Fielding says. “We’re not throwing millions of dollars [at the US market]; we’re going to go through a staged process as we have here and we need to finish the job in Australia first.”

In the UK, the company is pursuing “beachhead” deals to enable a better understanding of the market. Dr Fielding says the company is “laser focused” on Australian sales, with an eye (or ear) on China, where there are 1.4 billion people and (about) 2.8 billion ears.

Finances and performance

Audeara listed on May 18 this year, having rustled up \$7 million at 20 cents apiece.

The raising was over-subscribed and we would like to say that this investor zeal has perpetuated post listing. But the shares traded between 20.5 cents and 17 cents on debut and last changed hands at 13 cents.

“It would have been nice if it had popped but we know we just need to get to work,” says a philosophical Dr Fielding.

Post IPO, Drs Fielding and Jeffery and Mr Afflick retain a combined 21.7 percent stake. Mr Afflick is also the company’s chief technical officer. The company’s chairman and seed investor, David Trimboli, remains the biggest shareholder with a 14.5 percent stake.

In private hands, the company chalked up revenue of \$526,000 in the December 2020 half-year, 13.5 percent higher than the previous. The company also lost \$283,000 compared with a very small surplus previously. In a May 25 update, the company reported revenue of \$284,967 for the January to April period this year, with just over half derived from 712 local hearing clinics.

Sounds like Nuheara

Investors inevitably will compare Audeara with the ASX-listed Nuheara, which also markets assistive hearing products for people “not being serviced by traditional means”.

Nuheara’s earpieces, called Iqbuds, are sold via retail channels. With a market valuation of \$76 million, Nuheara generated invoiced revenue of \$2.3 million in the March quarter, with \$9.2 million for the first nine months of the financial year (440 percent higher).

If the pair is in bitter rivalry, it doesn’t exactly show.

“We don’t operate in the same industry directly but in the same broader world,” Dr Fielding says. “We are both trying to help each other in the hearing health space and I think it’s amazing. They make a great product and they have helped a lot of people.”

What’s next?

Audeara likes to be seen as a platform company rather than a headphone provider, which means its secret-sauce software can be used in other products, or as an adjunct to the established hearing tests.

Gaming (video games, not wagering) is an interesting potential market.

“We dipped our toe in the market to see the response and it’s amazing,” he says. “The industry isn’t about spotty nerds sitting in dungeons but professional ‘athletes’ winning millions of dollars.”

He adds the industry is also tightly held, so the company would need the right partner.

Meanwhile an updated model - predictably dubbed AO2 - will address some issues around dexterity and the fit and feel of the headphones.

A key point is that, strictly speaking, the headphones are not medical devices, as they are not approved by any medical gatekeepers. Pursuing such approval could widen the scope of using the platform in areas such as diagnostic testing.

“It something we’re looking at in future, but it would be for a different product skew,” Dr Fielding says. “It then becomes more about testing and less about the experience.”

Dr Boreham’s diagnosis:

Most device companies proclaim that they don’t have any true competition, but that’s rarely the case. In reality, they just have to be better or cheaper than their rivals.

Apart from the ‘competition’ of so many hard-of-hearing folk being in denial, Audeara’s presence in the clinics is challenged by the likes of German audio heavyweight Sennheiser, which also has a range of hearing-assist headphones.

“There are rival products out there,” Dr Fielding says. “We just do it far better than they do and that is where the art meets the science.”

As always, building sales to decent levels will be hard slog. But loud applause to the backers of Audeara for progressing what was an undergraduate brain fart five years ago to a bona fide business.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He does possess two ears but sorry, you will have to speak up anyway.

ADHERIUM, RESPIRI

Respiri has filed a replacement bidder's statement for its proposed acquisition of Adherium, through the issue of one Respiri share for seven Adherium shares.

In April, Respiri said it would offer one of its shares for seven Adherium shares valuing Adherium at \$19.14 million (BD: Apr 30, 2021).

In March, Adherium raised \$18 million in a placement at 1.5 cents (BD: Mar 18, 2021).

Earlier this month, Adherium rejected the "unsolicited off-market takeover offer" saying it had reviewed the offer, discussed it with major shareholders and rather than "derisk" an investment in Adherium the takeover "would increase risk" as investors would be subject to the risk profile of both companies, there was a "weak strategic alignment" and Respiri's commercialization strategy was "yet to be proven" (BD: May 10, 2021).

Today, Respiri said that it would send the statement on June 15 and the offer would close on July 16, 2021 "unless extended or withdrawn".

Adherium was unchanged at 1.6 cents with 3.9 million shares traded.

Respiri was up 0.3 cents or 3.5 percent to 8.9 cents.

AUSTCO HEALTHCARE

Austco says it expects net profit after tax for the year to June 30, 2021 "to show an improvement in underlying profitability".

Austco said that revenue from customers for its healthcare communication and clinical workflow management products in the five months since December 21, 2020 between \$16.2 million and \$17.7 million was expected which was between 17 and 27 percent above the previous six months.

The company said that confirmed orders continued to increase and it had received funds from access government stimulus packages, primarily from the US.

Austco said that it had a net profit after tax of \$2,504,000 for the year to June 30, 2020 and expected this year's net profit after tax to be between \$2,800,000, up 11.8 percent over the previous year and \$3,300,000, up 31.8 percent.

The company said that some countries were back to pre-Covid-19 levels, but others continued to deal with access restrictions.

"Recent restrictions in Singapore and Melbourne highlight how fluid site access remains and how difficult it is to forecast results," Austco said. "Supply chain challenges also continue to persist and have impacted our results."

Austco said the expected profit was "subject to no new Covid-19 restrictions impacting the remainder of the financial year".

Austco was up 0.9 cents or 9.4 percent to 10.5 cents with 4.5 million shares traded.

AZURE HEALTH TECHNOLOGY (MERGED WITH INVICTUS BIOTECHNOLOGY)

Azure, climbed five cents or 25 percent to 25 cents on listing on the National Stock Exchange (previously Newcastle Stock Exchange) under the code VTL.

Azure, trading as VGI Health Technology, sent Biotech Daily a summary of today's activity showing that it had a market capitalization of \$30.2 million.

In April, Azure said its initial public offer raised \$2,497,000, with the VGI Group investing \$2,250,000 for the company's tocotrienol-based food additives and two phase II-ready clinical development assets (BD: Apr 20, 2021).

The company said at that "in recognition of the importance of the VGI Group" it would change its name to VGI Health Technology, pending shareholder approval.

Today, Azure closed up two cents or 10 percent at 22 cents with 13,000 shares traded.

CANN GROUP

Cann Group says it has halved its revenue guidance for the year to June 30, 2021 from between \$8 million and \$10 million to between \$4 million and \$5 million.

Cann Group said that it had received \$3.2 million in revenue from its marijuana products for the 10 months to April 30, 2021, and had timelines “extended in relation to international regulatory submissions to open pathways for market release, and third-party manufacturing and starting material supplier issues as announced on April 29, 2021 have both caused delays in shipping product to Cann’s customers”.

In April, the company said that one of its customers had begun a recall of 250 units of 50ml medicinal marijuana oil products recently released to the Australian market, but the recall was “not a safety-related recall ... [but followed] identification of particulate matter” in a batch of the product by Cann’s manufacturer (BD: Apr 29, 2021).

Today, Cann Group said that the delays were temporary “and a clearer path to revenue receipts” was expected following the initial shipments to customers.

The company said that the revenue guidance reflected “an update to the expected timing of revenue only, with the balance of the 2020-'21 original forecast revenue now expected to be received in 2021-'22”.

Cann Group fell two cents or 4.55 percent to 42 cents with 2.2 million shares traded.

IMAGION BIOSYSTEMS

Imagion says that all annual general meeting resolutions were passed but 31,409,985 votes (23.35%) opposed the remuneration report, narrowly avoiding a first strike.

Under the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 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.

Last year, Imagion said that the remuneration report faced 2,089,040 opposition votes (2.29%) but there was significant dissent against options for directors and executive chair Robert Proulx.

Today, the company said that 29,195,384 votes (21.80%) opposed the 80 percent hike in the non-executive directors’ fee pool from \$250,000 to \$450,000, with more than 12 percent opposition to the prior issue of placement shares and more than 11 percent opposition to the prior issue of options to the placements lead manager and the the approval of the 10 percent.

Imagion said that the re-election of directors David Ludvigson and Mark Van Asten passed with 95.93 percent support.

According to the company’s most recent Appendix 2A application for quotation of securities, the company had 1,041,421,728 shares on offer, meaning that the 31,409,985 votes against the remuneration report amounted to 3.0 percent of the company, not sufficient to call extraordinary general meetings.

Imagion was up half a cent or 4.35 percent to 12 cents with 8.1 million shares traded.

GENETIC TECHNOLOGIES

Genetic Technologies has requested a trading halt “in anticipation of an update regarding the company’s Covid-19 serious disease risk test”.

Trading will resume on June 1, 2021 or on an earlier announcement.

Genetic Technologies was up 0.2 cents or 25 percent to one cent with 115.3 million shares traded.

HYDRIX

Perennial Value Management says it has reduced its substantial shareholding in Hydrix from 12,588,900 shares (7.73%) to 10,804,263 shares (6.64%).

The Sydney-based Perennial Value Management said that between April 4 and May 25, 2021 it sold shares, with the single largest sale 780,969 shares for \$126,628 or 16.21 cents a share.

Hydrix was up one cent or 6.25 percent to 17 cents.

ALCIDION GROUP

Alcidion says it has appointed Matthew Gepp as its chief financial officer, effective from June 7, 2021, replacing Colin MacKinnon who continues as its chief operating officer.

Alcidion says Mr Gepp had 17 years' experience in finance and leadership and was previously the chief financial officer at MNF Group and Engin.

The company said Mr Gepp holds a Bachelor of Economics from Sydney's Macquarie University.

Alcidion fell two cents or 4.4 percent to 43 cents with 3.1 million shares traded.