



Biotech Daily

Friday June 11, 2021

Daily news on ASX-listed biotechnology companies

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MARKET REPORT

The Australian stock market was up 0.13 percent on Friday June 11, 2021, with the ASX200 up 9.8 points to 7,312.3 points. Twenty-one of the Biotech Daily Top 40 stocks were up, eight fell and 11 traded unchanged. All three Big Caps were up.

Avita was the best, up 47 cents or 10.4 percent to \$4.97, with 2.3 million shares traded. Imugene, Patrys and Telix climbed more than nine percent; Medical Developments was up eight percent; Actinogen was up 6.1 percent; Mesoblast and Universal Biosensors were up more than five percent; Immutep improved four percent; Nanosonics, Optiscan and Starpharma were up more than three percent; Kazia and LBT rose more than two percent; with Clinuvel, Cochlear, CSL, Cynata, Neuren, Opthea, Paradigm, Pro Medicus, Resmed and Volpara up by less than one percent.

Proteomics led the falls, down six cents or 5.5 percent to \$1.025, with 61,156 shares traded. Compumedics, Next Science and Prescient lost more than three percent; Antisense and Cyclopharm shed more than two percent; Resonance retreated 1.4 percent; with Genetic Signatures down by 0.4 percent.

[DR BOREHAM'S CRUCIBLE: TRAJAN GROUP HOLDINGS](#)

By **TIM BOREHAM**

ASX code: TRJ

Share price: \$2.35; **Market cap:** \$304.4 million; **Shares on issue:** 129,552,885

Financials (first half to December 31, 2020): revenue \$37.4 million (up 3.6%), earnings before interest, depreciation and amortization \$5.07 million (up 123%), net profit \$2.83 million (up 300%), cash of \$41.8 million (post IPO)

Chief executive officer: Stephen Tomisich (co-founder)

Board: John Eales (chairman), Mr Tomisich, Robert Lyon, Tiffany Lewin, Dr Rohit Khanna, Sara Watts

Identifiable major shareholders: Tomisich family 59%, Australian Super 11.1%, Ruck & Maul Pty Ltd (John Eales family) 0.68% (full breakdown is not yet available).

As the legendary management consultant Peter Drucker asserted: what gets measured gets improved. But in the exacting scientific world it's not as easy as whipping out the scales or the tape measure.

Extreme precision is required to deliver the best results in areas such as personalized medicine, in which quality standards have to be applied to non-uniform batches.

And extreme precision is the byword for the home-grown scientific instruments play Trajan, which listed on Monday at a 17.6447 percent first-day premium, implying a market capitalization of \$259,105,770. To be exact.

Trajan's charter is to "enrich human wellbeing through the design, manufacture and supply of products and solutions that enhance scientific measurement".

Trajan co-founder Stephen Tomisich says the company's core belief is about translating science to deliver tangible benefits. "We often encountered scenarios where the technology and products existed, but it wasn't converting into meaningful outcomes."

Trajan's instruments - or instrument components - are used for detecting contaminants in biological, food and environmental samples. They also have applications in pharmaceutical development, clinical diagnosis and pathology.

Trajan is based in the outer eastern Melbourne suburb of Ringwood, which houses its manufacturing and research functions. The company also has a big manufacturing site in Penang, Malaysia and three US facilities (in Texas, Connecticut and North Carolina), with 450 staff across the globe, of which 86 are qualified engineers or scientists.

The company, by the way was named after the 13th Century Roman emperor who was one of the good guys among a pretty dodgy lot.

About Trajan

Trajan was founded in 2011 by analytical chemist Stephen and his wife Angela, who met over the lab benches at the Royal Melbourne Institute of Technology. Between them they have 50 years of experience: Stephen in analytical sciences (working for a number of multinationals) and Angela in applied science (biomedicine and clinical trials).

“For many years we had flirted with the idea of starting an enterprise in some way, shape or form and had a few false starts,” Mr Tomisich said.

After their daughter completed school, the couple decided “it’s time” and acquired the anatomical consumables business Grale Scientific (Angela quit her day-job to run it).

While only a \$3 million a year turnover business, Grale offered an entrée into the hospital and private pathology sectors. Over the next 10 years Trajan made six more acquisitions, the biggest being the liquids handling business of SGE Analytical Science in 2013. Mr Tomisich actually worked in the business at the time.

“We were able to take each of those businesses and hone them, grow them and generate our own cash,” Mr Tomisich says. “We never used an ounce of capital from any other source.”

Today, Trajan’s customers include some of the biggest life sciences, biopharma and analytic companies.

Tech-ionic shifts in measuring and analyzing

Trajan’s ethos is that the human condition stems from genetics and exposomes, or non-genetic exposures.

We can’t help our genes, but detecting and monitoring exposomes can improve human health. Exposomes are environmental factors such as air, dust, diet, soil and internal bodily influences such as hormone levels and inflammation.

Most of Trajan’s revenue derives from chromatography and mass spectrometry.

Chromatography is the process of separating the components of a liquid or gas so they can be sampled or tested.

Mass spectrometry is about detecting and separating components of a sample by identifying ions based on their mass-to-charge ratio. Chromatography can be used in conjunction with mass spectrometry.

Areas where Trajan products are used include chemical separation of components in a sample, analytical syringes to “aspirate and dispense” minute volumes and precision fluidic systems (precise and inert tubing).

The company sells to “original equipment manufacturers”, contract research organizations and scientific distribution businesses.

Honing-in on the personal touch

Trajan has a keen appreciation of the emergence of personalized medicine, with the quality of care determined by the quality of the underlying data.

“We bring the physical precision that allows much of this analytical work to happen, with integrity that underpins selectivity and sensitivity,” Mr Tomisich says.

In a practical sense, this has meant that Trajan has invested in the “boring stuff” such as devising better tubes and blood collection, or a superior way of separating components using smart chemistry.

For example, the company has devised glass tubing with an internal diameter of five microns: one-tenth the width of a human hair. Accuracy also depends on the smoothness and consistency of the inside of this tubing.

Much of Trajan’s business is about supplying the critical technology to instrument makers, such as emitter tips used in electrospray mass spectrometers (a common technique used in proteomics and metabolomics).

In automated workflows, the company is a leader in hydrogen deuterium exchange, or HDX, which allows scientists to understand the behavior of proteins. Mr Tomisich says the company derives recurring revenue from components and consumables that are close to - or embedded in - instrument platforms.

In the pipeline

While Trajan is based on its acquired businesses, it has developed its own products. One such device is Hemapen, which allows a non-technical person to take a micro blood sample with an accuracy and integrity better than what can be achieved in a lab.

The device ensures the integrity of data, such as in longitudinal studies (such as gauging the efficacy of Covid vaccinations, over time). The sample can’t be polluted, as it’s sealed in the pen and dried with an in-built desiccant.

At the other end of the scale there’s Hummingbird, which is a miniaturized analytical instrument for real-time measurement of output (such as medicines).

“The driver is big pharma in the US moving away from large-scale blockbuster drug making practices to small scale precision medicine and biosimilars,” Mr Tomisich says.

Financials and performance

The Trajan prospectus shows the company turned over \$37.4 million in the six months to December 31, 2021, 3.6 percent higher year-on-year. Net profit tripled to \$2.83 million.

Management forecasts a net profit of \$4.99 million in the 12 months to June 30, 2021 and a \$5.83 million surplus in the 2021-'22 year. In the same period, revenue is predicted to increase to \$74.6 million and then \$82.56 million.

Post the initial public offer (IPO), the Tomisich interests retain 59.1 percent of the company, with their 76.4 million shares escrowed for two years.

The raising involved the issue of 29.4 million shares at \$1.70 apiece, to raise a chunky \$90 million.

Trajan shares had a sound debut on an otherwise lacklustre day, with the shares peaking at \$2.05 a share – a 20 percent gain – and closing the day at an even \$2, and at last glance held their gains.

Trajan's sales in the December 2020 half were split between analytical products (\$25.7 million, or 68.7 percent) and the remainder (\$11.7 million) from "life science solutions". Cut another way, the Americas accounted for 40 percent of sales in the 2019-'20 year, with Oceania (mainly Australia) chipping in only 10 percent.

Post raising, Trajan has just under \$42 million of cash and expects to be self-funded by cash flow. A loan facility (with HSBC) is on standby if the company has the urge to action its "deep pipeline" of acquisition targets.

On the hunt

Did someone say acquisitions? Mr Tomisich says Trajan has listed with its infrastructure already built and management in place. As a result, most of the IPO funds are earmarked for more purchases, either in areas where Trajan does not have a strong market share, or in strategic new sectors.

"We have developed a 'founder friendly' model," Mr Tomisich says.

"They tend to be businesses we already know and it is rarely a competitive scenario. Often [the founders] don't have a well-defined exit strategy and Trajan is a safe home for continuing their legacy."

Competitors and comparisons

Trajan is not without competition, which comes from the likes of US giants Thermo Fisher Scientific, Agilent Technologies, Waters Corp and Tecan of Switzerland. Most of these are also Trajan customers and there isn't an across-the-board rival for every product.

"Each time a success story sticks its head up, it ends up being acquired by one of those international players," Mr Tomisich says.

But with the Tomisich interests firmly in control of the register, Trajan is going nowhere and could well emerge as an Australian champion if it can continue to build its critical mass.

Eales completes perfect line-up

Trajan is chaired by rugby union star turned businessman John Eales, who played for the Wallabies between 1991 and 2001 and captained the national team on 60 occasions.

Known in his early playing days as Nobody - as in Nobody's Perfect - Mr Eales was assigned as a mentor to Trajan after the company was one of 20 winners of the Westpac Business of Tomorrow Award (out of field of 2,500 entrants).

Mr Eales' involvement with Trajan endured well beyond the 12-month mentorship period "without any expectation of reward or return".

Currently, Mr Eales is also on the boards of the ASX-listed Flight Centre and Magellan Financial.

Dr Boreham's diagnosis:

While the founders now have a Trajan stake worth \$150 million and \$50 million in the bank as a result of their sell-down, building the business took enormous risks in the early days.

"At the low point we had mortgaged the house and ran every credit card to the limit," Mr Tomisich says. "There are points in this journey where, if things had gone further south, we would have been in real trouble. We didn't just have skin in the game, but every vital organ."

He stresses that the IPO was not the Tomisich family's exit route, but a growth strategy. "Angela and I only sold down 23 percent of our holdings, so we are still strong majority shareholders."

According to research house Markets and Markets, the chromatography market was worth \$US8.6 billion in 2020 and expected to grow at a compound annual rate of 5.1 percent to 2025.

The mass spectrometry market is worth \$US4.1 billion last year and is expected to grow to \$US5.6 billion by 2025, a compound growth rate of 6.5 percent.

Mr Tomisich argues that investors can get the best of both worlds from Trajan.

"We're a solid business, funded for the past 10 years by ourselves and have been profitable each year," he says. "We have the upside of new disruptive technologies we are taking to market - and any one of them could be an IPO candidate in their own right."

Add in resilient recurring revenues - even through the pandemic - and Trajan appears to measure up as a sound investment.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. As a professional journalist your columnist strives for utmost accuracy - or thereabouts.

ARGENICA

Argenica opened on the ASX up 35 percent at 27 cents, climbing as much as 60 percent to 32 cents, to develop ARG-007 to reduce stroke brain damage.

The Perth-based Argenica, trading under the code AGN, said that following the initial public offer it would have 73,172,250 shares on offer.

The company said that the pre-clinical ARG-007 was intended to be used by first responders “to reduce brain tissue death after a stroke, improve patient outcomes and reduce long-term healthcare costs”.

In its prospectus, Argenica said that the compound was based on arginine-rich peptides and had been “shown to act as a neuro-protective agent to protect the brain following stroke and other acute central nervous system injuries”.

The company said the funds raised in the initial public offer would support pre-clinical development activities; a phase I clinical trial; product development and planning activities for a phase IIa clinical trial; regulatory approval strategy and preparation; intellectual property costs; and working capital.

Argenica closed up six cents or 30 percent at 26 cents with 5.8 million shares traded.

NEXT SCIENCE

Next Science says it expects revenue for the six months to June 30, 2021 to be in the range \$US3.5 million to \$US4.0 million (\$A4.5 million to \$A5.2 million).

In February, Next Science reported revenue, mainly from sales of the Bactisure treatment for surgical cavities and implants, for the year to December 31, 2020 was \$US3,440,975 (\$A4,360,922) with net loss after tax \$US11,912,004 (\$A15,102,766) (BD: Feb 22, 2021). Today, the company said it expected the six-month revenue to exceed last year’s full year revenue.

Next Science managing-director Judith Mitchell said she expected the company’s “growth rate will be at least 230 percent on the prior corresponding period”.

Next Science fell six cents or 3.3 percent to \$1.76.

AVITA MEDICAL

Avita says the US Food and Drug Administration has expanded the use of its Recell spray-on skin system to children and extensive burns.

In 2018, Avita said the US Food and Drug Administration approved Recell for severe thermal burns in patients 18 years and older (BD: Sep 21, 2018).

Today, the company said the expanded combination of Recell and meshed auto-grafting would be used to treat full-thickness burns in patients one-month of age and older and for full-thickness burns that extended beyond 50 percent of total body surface area.

Avita said the revised indication was based on clinical data from its compassionate use and continued access studies supported by the US Biomedical Advanced Research and Development Authority (BARDA).

Avita chief executive officer Dr Mike Perry said the company was pleased that Recell could “more broadly support surgeons in treating full-thickness burns of all sizes, including treatment of patients over one-month of age”.

“Supported by a substantive body of clinical evidence and peer-review publications, the Recell system is rapidly becoming the standard-of-care in burn treatment,” Dr Perry said.

Dr Perry said that BARDA and Avita had stopped recruitment of the ongoing paediatric burn study and would follow the currently enrolled patients for 12 months.

Avita climbed 47 cents or 10.4 percent to \$4.97 with 2.3 million shares traded.

STARPHARMA

Starpharma says the Indian Ministry of Health and Family Welfare has registered its Viraleze anti-viral nasal spray for sale in India.

Starpharma said that customers could buy Viraleze through the www.viraleze.co website and discussions were advanced with distributors and potential commercial partners, along with product supply preparations for India.

In February, the company said Viraleze had been registered for sale in Europe and the UK and contained SPL7013, or astodrimer sodium, the same active ingredient in its condom coatings and Vivagel for bacterial vaginosis (BD: Feb 23, 2021)

Today, Starpharma chief executive officer Dr Jackie Fairley said that India “continues to record hundreds of thousands of Covid-19 cases every day”.

“Starpharma has worked extremely hard to achieve expedited registration of Viraleze in India given the significant need, and we are pleased that Indian consumers are able to access the product immediately,” Dr Fairley said.

Starpharma was up 5.5 cents or 3.3 percent to \$1.725 with 852,701 shares traded.

RESPIRI

Respiri says the UK Medicines and Healthcare Products Regulatory Agency has approved the sale of its Wheezo device for asthma management in the UK.

Respiri said Wheezo could apply for the new UK Conformity Assessed mark which replaced Conformité Européenne (CE) mark following Brexit to indicate conformity with applicable regulatory requirements.

Respiri chief executive officer Marjan Mikel said that UK Conformity Assessed marking for Wheezo was “another accomplishment for Respiri” the final regulatory requirement allowing the sale of Wheezo in the UK by the end of 2021.

“Given the high incidence of hospitalization resulting from poorly controlled, asthma we are pleased that Wheezo has been chosen as a technology of choice by a number of prominent UK universities to study its impact on improving patient asthma management and we will keep the market informed of these developments,” Mr Mikel said

Respiri was up half a cent or 6.3 percent to 8.4 cents with 1.55 million shares traded.

CELLMID

Cellmid says that 4,545,455 voluntary escrow shares, issued to chief executive officer Maria Halasz and director Dennis Eck, will be released on June 18, 2021.

According to the company’s most recent Appendix 2A application for quotation of securities, Cellmid would have 185,465,123 shares available for trading, with 465,437 shares voluntarily escrowed until December 15, 2021 and a further 1,500,000 shares in voluntary escrow until January 15, 2022.

Cellmid was up 0.1 cents or 1.6 percent to 6.5 cents.

CRESO PHARMA

Creso says it has completed a dual listing on the US over-the-counter market with trading to begin on June 11 under the code ‘COPHF’.

In March, Creso said that the listing on the US Over The Counter Quality Exchange second board (OTCQB) was due to the “growing interest” from North American investors (BD: Mar 23, 2021).

Creso was up 2.5 cents or 15.6 percent to 18.5 cents with 67.8 million shares traded.

TRAJAN GROUP HOLDINGS

Melbourne's Australian Super says it has become a substantial shareholder in Trajan with 8,341,177 shares or 6.44 percent.

Australian Super said it bought 576,471 shares for \$1.94 a share and converted 7,764,706 shares.

Trajan was up 18 cents or 8.3 percent to \$2.35 with 622,506 shares traded.

LITTLE GREEN PHARMA

Melbourne's Thorney and Tiga Trading say they have become substantial shareholders in Little Green Pharma with 9,531,649 shares or 5.09 percent.

Thorney and Tiga Trading said between February 9 and June 10, 2021, it bought 2,225,025 shares for \$1,454,327 or an average price of 65.36 cents a share.

Little Green fell half a cent or 0.7 percent to 68.5 cents.