



Biotech Daily

Thursday December 21, 2017

Daily news on ASX-listed biotechnology companies

2017 - The Year In Review

The year started on a real high with a dozen marijuana companies competing for oxygen and confusing investors, seasoned reporters and speculators. Nearly all have been on a roll since listing.

During the year, several more jumped onto the cannabis caravan and it became increasingly difficult to understand which were biotechnology companies developing medical marijuana for human health purposes, which were developing cannabis products for cosmetics or food additives and which were nobly identifying themselves as pursuing a straight – or should that be bent ? – recreational market.

But it was Stemcell United that impressed the most: soaring 8,941.7 percent from 1.2 cents to \$1.085 in May on the hire of marijuana consultant and “king of cannabis” Nevil Schoenmakers, but clinging to its Dragon’s Blood Chinese herbal remedy, despite the disclaimer that it probably didn’t work for anything, then tumbling back to 2.5 cents when the king abdicated in September. And we can’t even begin to comment on cannabis beer, dope-infused honey and marijuana-flavored chocolate. Really? People don’t smoke that stuff for its taste.

One thing that became increasingly certain was the some of the marijuana companies required trading halts for every announcement - not just for every mouse recruited, but for even more mundane purposes such as signing a previously flagged agreement. Some of the announcements read like the writer had been sampling the product.

The ASX should fine companies calling unnecessary trading halts.

Regulation

Speaking of the ASX, Biotech Daily learnt during 2017 that the Australian Stock Exchange has heeded some of our complaints and we have been responsible for two changes to ASX policy, with a third hopefully on the way.

Listing Rule 3.1 has adopted “the reasonable person” test for what is material – a very welcome change from the previous ASX in Wonderland “what the company believes to be material” test.

The ASX has also introduced Guidance Note 8 to Listing Rule 3.1 that says companies can no longer bury important information like a failed or delayed trial or the loss of funds under the title “Investor Update” or “Announcement”.

The next target is mandatory separate announcements for any board change.

A tale of two Prime Ministers’ 1st degree relatives

Biotech Daily was most surprised to discover from an Appendix 3Z announcement that Prima (now Immuteq) had lost the services of seven-year chair Lucy Turnbull, whose husband Malcolm is currently Australia’s Prime Minister.

That the announcement was made to those few people able to attend the annual general meeting and was in the chair’s address posted on the ASX is nowhere near as clear as the separate stand-alone announcement that Ms Turnbull was appointed to the position seven years earlier, entitled ‘Prima Biomed Appoints Lucy Turnbull as Chairman’, as compared to ‘2017 Chairman’s AGM Address’.

If an appointment, trial, distribution agreement or capital raising deserves a stand-alone announcement at the beginning, it deserves the same treatment at the end.

Ironically for the Turnbells, the day after Lucy filed her 3Z, GI Dynamics posted the attention-attracting ‘Change to Board of Directors’ saying that director Anne Keating had tendered her resignation. Ms Keating’s big brother Paul was the Prime Minister of Australia from 1991 to 1996 and Treasurer from 1983 to 1991.

It’s called transparency.

Feeding the chooks

A new biotech lurk popped up during the year: feeding stories to tame reporters who then claim “Scoop Exclusives” ahead of the company telling investors and the ASX.

It is a breach of Listing Rule 15.7 and re-publishing a public relations company’s spin is about as far from a journalism scoop as one can get.

Biotech beats ASX, Big Caps boom

As we reported in July, for the 10 years to June 30, 2017, the Biotech Daily Top 40 Index (BDI-40) climbed 79.6 percent compared to the ASX200 down 8.8 percent, with the three Big Caps of Cochlear, CSL and Resmed (which are not included in the BDI-40) up 270.4 percent.

The 11-year data shows the significance of specific time points, with the BDI-40 up 166.6 percent, the ASX200 up 12.8 percent and the three Big Caps up 400.1 percent.

Highs and lows

There were some outstanding rises and falls over the past 12 months along with a great deal of solid progress by companies not rewarded by share price movements.

Starpharma's market capitalization climbed 113.6 percent to \$519 million in the year to December 1, while Phylogica started from a much lower base climbing 206.7 percent to \$92 million, with Benitec recovering 135.3 percent, MMJ up 194.1 percent and Noxopharm up 160.0 percent.

The three Big Caps of CSL, Cochlear and Resmed climbed a collective 44.3 percent in the year to November 30 and all are at record high market capitalizations.

The deepest dollar fall was Mayne Pharma losing \$1.4 billion or 58.4 percent to \$989 million, making Sirtex's 46.0 percent retreat look almost respectable, but failed trials cost Innate 96.4 percent, Resapp 78.5 percent and Living Cell 63.0 percent.

Anteo fell 71.1 percent (see below), Adherium lost 71.1 percent for no apparent reason, IDT fell 57.4 percent, while the biotech formerly known as Biota was down 53.4 percent on its way to American obscurity.

The good news

Companies that announced significant advances through the year included Avita, Bluechiip, Botanix, Compumedics, Cynata, Dorsavi, Ellex, ITL, Memphasys, Nanosonics, Nuheara, OBJ, Patrys, Probiotec, Pro Medicus, Rhinomed, Uscom and Zeld; with the unlisted Atomo, Clarity and Clinical Genomics all reporting good news.

Reva won Conformité Européenne (CE) mark approval for its Fantom stent and began sales, Mesoblast passed its phase III cardiac trial futility test and Cynata graduated from pictures of a mouse re-growing a leg to a clinical trial of its stem cells for graft versus host disease, as well as foreshadowing cancer and asthma studies.

Actinogen is now one of the few companies to have a serious trial underway for Alzheimer's disease, but that's because so many others have failed with the notoriously impossible to treat indication.

The Burnet Institute made several key discoveries, the Walter and Eliza Hall Institute pulled off a \$405 million-plus coup with Venetoclax, and the Murdoch Children's announced hope for peanut allergies, as well as a 100,000-baby long-term study.

Learnings

Prescient gave us a paradigm case in the hardship of biotech, with the death of one very sick patient halting four trials and taking six months to have all studies back on-track.

And not so good news

In the not-so-good news department, the once-great Acrux finally lost all on-going revenue from Axiron. (Despite being an investor this writer always had concerns about selling testosterone to American men.)

Genetic Technologies has struggled for many years, with the sale of its “heritage” genetic testing business the harbinger of the unhappy changes and goes into 2018 with a board spill extraordinary general meeting.

Politics

The world of politics largely left us alone this year, apart from the sour after-taste of the penny-pinching 1.5 percent cut to the R&D Tax Incentive.

The worst Federal Government decision was Prime Minister Turnbull blithely scrapping the 457 temporary skilled work visa, including six life science categories in April, but backing down to industry pressure and reinstating them in July. Pats on the back to the industry organizations who lobbied so well.

IPOs, funding and capital raisings

This year saw at least 10 ASX biotech initial public offers, as well as Immuron trying its luck on the Nasdaq, compared to last year’s 11, but just two of the floats, Telix for \$50 million and Visioneering for \$33 million easily outweighed all the previous year’s combined.

Then Cann Group, which raised a measly \$13.5 million in April to supply the Victoria Government marijuana epilepsy trial, among other targets, raised a further \$58.7 million in the past few weeks, with \$19.3 million more expected in January.

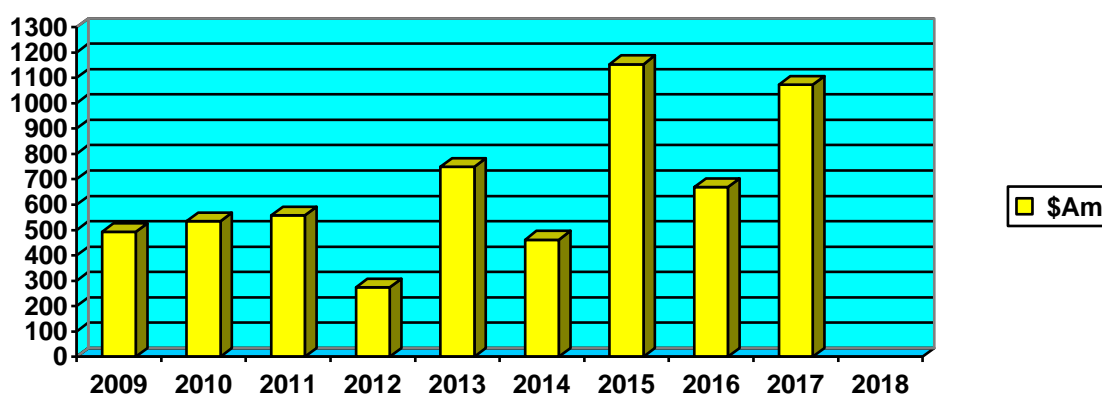
While the Federal Government has finally released \$66 million from the Tony Abbott-Joe Hockey thought-bubble of a proposed \$20 billion Medical Research Future Fund, Andrew Forrest’s Minderoo Foundation shelled out an easy \$75 million for the Eliminate Cancer project.

The Victoria Government and the Federally funded MTP Connect have also contributed millions of dollars to the sector.

Uniseed and the Brandon Capital-managed Medical Research Commercialisation Fund along with a raft of other funds including One Ventures and Bioscience Managers have pumped more than \$100 million into Australian biotech this year.

The year was a bumper one for capital raising, with \$1,068 million* raised so far, second only to the record-breaking \$1,153 million in 2015 and well above the nine-year average of \$661 million. (* Final total to December 31, 2017 was \$1,073 million)

Capital Raising Chart 2009 -2017



Chairman of the Year

This is a new award to give credit to those admirals of the fleet who give strategic directions to the captains of their ships. If the objective is unclear, the mission will fail.

In previous years the award clearly belonged to “Chairman Mel”, Dr Mel Bridges of Too Many Companies to List, but he has been divesting his biotech interests, at least as long as he can until someone begs him to join a new board. The current ones, Anantara and Oventus, are early stage.

The runner-up for 2017 is Paul Hopper, who has juggled several companies to the brink of success. Viralytics is his fleet’s flagship, but all three ventures are in the difficult world of drug development, with Imugene and Prescient (of which he is a mere director), also pursuing a range of cancer trials.

The Chairman of the Year award goes to the corporate advisor who brought Vegemite back to Australia for Bega Cheese, the irrepressible David Williams who appointed last year’s CEO of the Year John Sharman to turn around Medical Developments and Paul Brennan to do the same at Polynovo.

Medical Developments was at 19 cents when Mr Williams gave it a kick-start and is currently trading at \$7.00. Polynovo has improved from 14 cents when Mr Brennan started three years ago and following its first US contracts is now at 44 cents with some saying the company has only just begun its sales and marketing.

(Biotech Daily takes some credit for advising Mr Williams to do exactly what he did: dump the Essendon Football Club-killing peptide AOD9604 and focus on the brilliant CSIRO bio-resorbable polymer Novosorb.)

CEO of the Year

This has been a hard choice given the sector is on the rise and the large number of companies working hard at developing technologies.

Pharmaxis chief executive officer Gary Phillips and chief financial officer David McGarvie have turned their company around and taken back a technology, rather than having the technology thrown back at them. Optiscan's Archie Fraser has done a similarly good turnaround job, not reflected in the share price, yet.

Again, Dr Sam Hupert has continued to build Pro Medicus and the two runners-up should be very proud of standing out from the crowded space biotech has become.

Dr Jackie Fairley has taken Starpharma into the \$500 million market capitalization club and deserves congratulations for unflaggingly promoting Vivagel, or SPL7013, and continuing to maintain big pharma interest in her company.

Paul Perreault at the Magic Pudding we call CSL has led a new round of innovation in the already successful former Federal Government monopoly and we like everything about the company.

But the award has to go to the one person who has tirelessly worn out shoe-leather, defied all critics and taken a drug all the way to European approval and sales, and finally rewarded investors with a maiden profit – take a bow Dr Philippe Wolgen of Clinuvel, who once told Biotech Daily that he would NEVER prescribe a systemic drug for cosmetic purposes, despite some of his shareholders champing at the bit for Scenesse to get US approval for very rare sun-tolerance indications, so that it can be sold as a once-monthly injectable sun-tan.

Philippe, you really have performed a miracle. Mazal Tov from Biotech Daily.

Kamikaze of the Year

There were a few contenders in 2017. Biotech Daily prefers the years when the award is withheld, but with the highs come the lows.

To be fair to both New Zealand companies, Innate Immunotherapeutics' Simon Wilkinson and Living Cell's Dr Ken Taylor undertook rigorous phase II trials in the most difficult of indications, multiple sclerosis and Parkinson's disease, respectively, and when the trials showed their drugs did not work, honorably and honestly told us so in plain language.

Resapp, once the “most improved” stock on the ASX jumping 13,650 percent from 0.4 cents to 55 cents before tumbling to 5.5 cents took a trading halt, a suspension and 10 days from July 31 to August 9, as well as four paragraphs into the announcement to admit similarly non-significant results. Okay, there were problems in the methodology and supervision. We understand.

But Biotech Daily knows that contract research organizations send the results with headline figures and we only ever have trading halts, and especially suspensions, for the bad news trials while the companies go data mining to find something – anything – they can spin for investors. You lose points for doing this. But Resapp is far from alone in this. Even Sirtex needed a couple of one-day trading halts to tell us bad news this year.

But these are the mere runners up.

The Real Kamikaze Award for 2017 must go to Anteo Diagnostics for buying Belgium’s Diasource for \$34 million, changing its reporting into Euros causing everyone headaches, taking an equity finance facility that drove the price down from 9.5 cents to 2.3 cents, and then a capital raise primarily to fund salaries including that of the former chief executive officer who joined the raisings, only to flog off the Belgium subsidiary for \$24 million, to return as an Australian company reporting in Australian dollars and hiring a new chief executive officer with expertise in lithium – no not carbonate for bipolar depression but ion for batteries. Well, that was a fun couple of years, wasn’t it?

Australian financial reporting

While on the topic of reporting currencies, Biotech Daily is increasingly of the view that reporting in foreign currencies is more to do with defensive egos on the board and in management than anything practical.

Come on, guys (it’s still mainly guys, isn’t it?) grow a back-bone. Australia is a serious country in its own right. Do your deals in Australian dollars and stop kowtowing to the US. If President Trump destroys the US economy will you then report in Chinese renminbi?

You are Australian companies, listed on the ASX with most of your investors in Australia. How about reporting in our currency, rather than someone else’s? Last week, Mesoblast did a deal in Euros and bizarrely translated the amount into US, but not Australian, dollars. How does that impress shareholders?

If Cochlear and Sirtex can, you can.

Summer holiday publishing schedule

Biotech Daily has published about 250 editions for the year. For the first few years it was a reasonable five to 10 articles a day, but with the new listings it is now more like 15 to 20 a day, every day. That’s about 4,000 announcements for the year.

In 2017, we added the services of Tim Boreham writing the weekly Crucible and are currently training journalism cadets, who will hopefully graduate to permanent part-time or full-time staff.

We expect 2018 to be an even bigger year and in preparation for the next marathon Biotech Daily will shut down for the long, hot, Australian Summer tomorrow, December 22 and be back on deck refreshed and recharged on January 22, 2018.

Given the whole country stops at this time, we urge all companies NOT to put out any announcements - that no-one will read anyway - for the next month. Go to the beach.

That said, we shall monitor all announcements and publish a Summer Holiday Catch-Up edition, highlighting any companies posting bad news after the market closes on Christmas Eve (technically tomorrow) and New Year's Eve.

Biotech Daily would like to thank its team of advisers: Prof George Fink, Dr Stuart Garrow, Marc Sinatra and Michael Ibbott for invaluable wisdom, insights and cautions throughout the year.

We wish everyone an excellent Southern Hemisphere Summer break, a Merry Christmas, a Happy Hogmanay/New Year and see you all in 2018.

David Langsam
Editor