



Biotech Daily

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Daily news on ASX-listed biotechnology companies

Dr Boreham's Crucible: Medadvisor

By Tim BOREHAM

ASX code: MDR

Share price: 26 cents; **Shares on issue:** 544,218,936; **Market cap:** \$141.5 million

Chief executive officer: Rick Ratliff

Board: Linda Jenkinson (chair), Mr Ratliff, Jim Xenos, Raeann Grossman, Sandra Hook, Lucas Merrow, Anthony Tassone, Kevin Hutchinson

Financials (December half 2022): revenue \$64.08 million (up 66%), earnings before interest, tax, depreciation and amortisation \$8.58 million (previous \$4.51 million loss), net profit \$4.6 million (previous \$6.7 million loss), cash \$32.7 million (up 512%), net cash \$21.2 million (previously net debt of \$3.55 million)

Major identifiable holders: Guildgroup Nominees 17.4%, Perennial Value Management 12.3%, Cotiviti Inc 8.1%, EBOS Group 4.9%.

Despite the billions of dollars spent on developing new drugs, many of them are ineffective for a large number of patients.

Is that a Big Pharma conspiracy to be revealed on the ABC's Four Corners next Monday night? Er - no, actually. The more mundane reason is that around one-fifth of adults with chronic health conditions (about half the population in most countries) don't fill their prescriptions in the first place.

Of the remainder who do, half of them stop taking the treatment after 90 days.

“Medication adherence is one of the most common and costly - yet preventable - issues in healthcare globally,” says Medadvisor chair Linda Jenkinson.

The World Health Organisation concurs, citing a \$600 billion - yep, billion - annual cost to the global health system (non-compliant patients require three extra medical visits a year on average).

The Melbourne-based, US-focused medication communications house Medadvisor is on a quest to raise this compliance bar, via its tie-ups with chemists and drug companies.

At a simple level, Medadvisor’s local platform reminds patients (via mobile software application or text) to take their meds. But the company’s reach has extended to other forms of health communication, such as conveying regulators’ drug warnings and facilitating vaccination campaigns.

In the US, the drug companies pay Medadvisor to convey drug information via pharmacy intermediaries.

About Medadvisor

Medadvisor was founded in 2012 by local software engineer Josh Swinnerton, after watching his mother (a Parkinson’s disease sufferer) trying to manage 10 daily medications.

The company listed in December 2015 via the shell of Exalt Resources, raising \$5 million at three cents apiece.

In November 2019, the company signed a deal with logistics company Kings Transport to deliver medication to patients’ homes, with Medadvisor receiving a cut of the delivery fee.

In October 2019, the company broadened an existing deal with Chemist Warehouse, extending a text message reminder service to healthcare programs.

Other chemist groups on Medadvisor’s books include Amcal, Guardian, Terry White, Pharmasave and National Pharmacies.

Medadvisor’s US business is based on the medication communications Adheris, acquired from Syneos Health LLC, in 2020. The year before, the companies entered a joint venture to sell Medadvisor’s programs to Adheris’s pharmacy base.

In a tie-up with 32,000 pharmacies - roughly half of the total US drugstores - Adheris helps drug makers to get information on use is delivered to the patient when they pick up their prescription.

Locally, in July 2022, the company acquired Guildlink from the Pharmacy Guild of Australia in a scrip deal. Guildlink provides a range of services - including medication information - to more than 900 pharmacies.

US plan going to script

With a dominant position in the Australian market - 95 percent of pharmacies - Medadvisor now emphasises the US market which accounts for around 85 percent of its revenues.

Recognising this, founding CEO Robert Read stepped down at last year's AGM in favour of the Charlotte, North Carolina-based, Oklahoma born Rick Ratliff.

Mr Swinnerton also stepped down from the board.

Mr Ratliff spent more than 30 years building technology healthcare businesses. At Surescripts, he helped to build the electronic prescribing platform that connects the 65,000 independent US chemists to the doctors.

Illegible GP handwriting? Solved!

He then spent time at management consultancy Accenture as a partner, leading the digital health business. His responsibilities included a Sydney team that assisted the Australian Federal Government to build My Health Record.

He was also chief commercial officer of Connectiverx, "the first nationwide software-as-a-service based health information network company".

How the food chain works

In the US, the company has relationships with organisations that account for about 60 percent of all pharmacy locations - 32,000 - and covers two-thirds of the population. Medadvisor has about 44 percent of the independents.

Of the 60,000 US pharmacies, about one-third are independently owned. As with Australia, they tend to be organised under banner groups.

US regulations allow for supermarkets such as Walmart to own chemists - a situation that would make the chemist-craving Australian Woolworths greener than its logo with envy.

Medadvisor represents the large US chemist chains such as Riteaid, Kroger and Walgreens.

Under the company's subscription-pricing model here, the individual chemists pay a small monthly fee but the deal is arranged via the banner groups.

But in the US, the drug companies pay for the campaign, because legally they have much more scope to promote prescription drugs.

"We help design the communication - for example a diabetes campaign - and enable the communication to the patient when they pick up their prescription and when they get home," Mr Ratliff says.

Locally ...

In Australia, Medadvisor covers 95 percent of pharmacies reaching 3.1 million patients (this number is growing by 15,000 per month).

Medadvisor also has 45 drug company-sponsored health programs, which are allowable because they focus strictly on medication adherence rather than serving as a drug advertisement.

Locally, the platform allows for in-pharmacy scheduling of vaccines - and facilitated 6.7 million of them under government-sponsored pandemic programs.

In Queensland, Medadvisor is tendering for a pilot program that will allow pharmacies to prescribe medications for lower-level conditions such as urinary tract infections or for contraception.

In New Zealand, the company services 211 pharmacies and has a partnership with Greencross Health for the country's first medical management software application.

The company claims a 50 percent pharmacy footprint and expects to access 600,000 Kiwis by mid-2023.

The UK market – the next prescription for growth

Medadvisor is cautiously rolling out its platform in the Old Dart, having signed up its inaugural client, the Day Lewis pharmacy chain in 2018.

The UK has about 12,000 pharmacies, 8,000 of which are independents linked to the National Pharmacy Association (NPA, similar to the Australian Pharmacy Guild).

Medadvisor has a business relationship with the NPA and is experimenting with a similar platform to the Australian business, albeit modified.

"But the UK is a very competitive market and we are going into it with our eyes wide open," Mr Ratliff says.

The company aims to sign up 500 of the British independent chemists, with an average per-store reach of 100 patients.

"This would enable the business to be run profitably," he says.

Finances and performance

Medadvisor posted record revenue of \$64 million in the December 2022 (first) half, 66 percent more than previously. The company also posted a maiden net profit of \$4.67 million, compared with a \$6.6 million loss previously.

Mr Ratliff says the last couple of months of the period were seasonally high, as patients rushed to avail of their insurance coverage before it reset for the new year.

These colder months are also the peak season for colds and 'flus, bearing in mind the company's revenues closely track overall US prescribing volumes.

While March 2023 quarter revenues were expected to moderate, the company has an eye on maintaining profitability because of efficiency benefits arising from the Adheris integration.

The Adheris purchase was funded by a \$45 million placement and rights issue, while the cash-scrip Guildlink acquisition was accompanied by a \$14.6 million accelerated rights offer.

In November 2019 shareholders approved a seven-for-one share consolidation.

Allowing for this, Medadvisor shares over the last year have varied between an all-time low of 13 cents in mid-October 2022 and 30 cents in late January 2023. The shares peaked at 60 cents in May 2020.

The Pharmacy Guild is now the company's biggest shareholder courtesy of the Guildlink sale, with a 17.5 percent stake. The acquisition involved the issue of 57.1 million shares to the vendors at 16 cents apiece (\$9.14 million).

Dr Boreham's diagnosis:

When we last covered Medadvisor in December 2019, then CEO Robert Read said he expected the US to be the company's biggest business within five years.

Prescient words indeed! But how much room is left for the company in the US?

Mr Ratliff says the company could increase its US market share a little further, but the focus is on deepening the access to the 60 million 'reachable' patients who have opted to receive communications about their medications.

This number is expected to improve to 100 million by the end of 2023.

"There's still a lot of opportunity, but the key is to do more with what we have," he says.

The company does have competitors, including Surescripts and Connectiverx. But if anything, the company is vying for the broader \$US16 billion that drug makers shell out on digital spending each year.

Of that number, Medadvisor has a mere one percent market share

Medadvisor also represents about half of the top 50 US drug makers, so there is an obvious opportunity to snare some of the others.

Meanwhile, the company, on average, works with only 20 percent of its existing clients' drug brands.

Management reckons it can increase this penetration as drug makers up their marketing spend to extend the life of old drugs and expand into niche drug areas that require consumer education.

Mr Ratliff argues the company's \$150 million market capitalisation only reflects the Australian business which - of course - is a declining fraction of the total.

Given unprofitable Nasdaq-listed rival Optimizerx has similar revenue and is valued at \$US250 million (\$A380 million), he has a valid point.

"We just need a little bit of credit from investors for the US business," he says.

He adds that while revenue will grow over time, the company can maintain profitability at current levels – surely a prescription for success.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. Increasingly, he's reminded that things are not going to script with the world and needs to be informed of the correct medication.