



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: 10 cents; **Shares on issue:** 551,965,637; **Market cap:** \$55.2 million

Chief executive officer: Rick Ratliff

Board: Linda Jenkinson (chair), Mr Ratliff, Jim Xenos, Lucas Merrow, Catherine (Kate) Jane Hill, Kevin Hutchinson

Financials (December half 2024): revenue \$57.1 million (down 24%), earnings before interest, tax depreciation and amortization \$4.8 million (down 54%), net profit \$1.4 million (down 80%), cash \$12.4 million (down 45%), debt of \$17.6 million (up 43%)

Major identifiable holders: Guildgroup Nominees 17%, Perennial 13.3%, EBOS Group 9.8%, Cotiviti Inc 8%, Jencay Capital 6.2%, Mercer Investments 5.0%

Medadvisor is a victim of a sharp drop-off in vaccination rates in the US.

But don't blame anti-vaxxer and US health secretary Robert F Kennedy Junior, or at least not directly: the downturn began well before the American people voted in Cyclone Donald last November.

According to Medadvisor, the nation's adult vaccination coverage is low, not helped by conflicting official guidelines on the influenza-like respiratory syncytial virus (RSV).

(Seventy-six percent of over-60-year-olds still aren't vaccinated for RSV – and they don't have Ita Buttrose to drive home the message of how dangerous it can be).

Medadvisor doesn't make vaccines, but the 'medical communications' house helps the vaccine makers promote the importance of immunization (and boost sales).

Medadvisor's proportion of its US revenue from vaccines ranges from 30 to 50 percent, depending on the season.

What the unpredictable RFK Junior says and does is crucial, not just in relation to vaccines but other factors such as drug pricing (see below).

"We remain extremely optimistic about the fundamentals of our US business," says Medadvisor CEO Rick Ratliff.

"We are executing strategies to address these market shifts."

About Medadvisor

The Melbourne-based, US-focused Medadvisor says despite the billions of dollars spent on developing new drugs, many of them are ineffective for many patients.

Around one-fifth of adults with chronic health conditions don't fill their prescriptions in the first place. Of the remainder who do, half of them stop taking the treatment after 90 days.

In Australia and New Zealand, the company's paying clients are the chemists; in the US it's the drug makers.

Locally, the company operates Medadvisor for Pharmacy, a cloud-based subscription workflow tool for repeat prescription reminders, scheduling for 'flu shots and the like.

The company has signed up more than 95 percent of pharmacies accounting for 3.7 million prescriptions annually.

In the US, the drug companies pay Medadvisor to convey drug information via pharmacy intermediaries. This includes regulators' drug warnings and - crucially - facilitating vaccination campaigns.

"If they are picking up their prescription for Ozempic they will get information we have developed with the manufacturer and delivered to the pharmacy," Mr Ratliff says.

In the US, the company has rolled out Thriv, an analytics platform that scores an individual's propensity to adhere to medication based on history and fill rates.

"It determines how frequently chemists communicate with a particular patient," Mr Ratliff says.

The company works with more than 34,000 chemists in the US that service two-thirds of the population.

By Josh! What a good idea

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.

Medadvisor's US business is based on the medication communications platform Adheris, acquired from Syneos Health LLC in 2020.

In 2022, local founding CEO Robert Read stepped down in favor of the Charlotte, North Carolina-based Mr Ratliff. Previously, Mr Ratliff spent more than 30 years building technology healthcare businesses.

Mr Swinnerton also stepped down from the board.

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

This might hurt a little ...

Medadvisor's half-year results in February showed the impact of the vaccination slide, with two big pharma customers adjusting their promotional budgets.

There's a lot going on, with Mr Ratliff pointing to a mix of vaccine fatigue and vaccine hesitancy. "There are so many vaccines for many different purposes," he says.

As well as multiple 'flu and Covid vaccines, drug makers have released new shingles and pneumococcal vaccines, as well as two new prophylactics against the dangerous RSV.

These drug makers' RSV sales targets were off by 60-70 percent, so they pulled back their promotional budgets at Medadvisor's expense.

Citing the US Centers for Disease Control and Prevention (CDC), Medadvisor says 45.8 percent of American adults are vaccinated for 'flu and that number should be closer to 75 percent.

Usually starting in September, (Fall/Autumn), the US 'flu season was delayed with abnormally warm weather. But with ensuing colder conditions, hospitalizations are higher than they have been in more than a decade.

The CDC recommends that over 50s should get multiple key vaccinations at a time, especially if their health is compromised.

"But they say: 'My arm is sore'", Mr Ratliff says.

Finances and performance

Medadvisor reported revenue for the December 2024 half of \$57.1 million, down 24 percent, with net profit declining 80 percent to \$1.4 million.

US revenue declined 29 percent to \$45.7 million, with gross profit falling 24 percent to \$25.6 million.

Vaccine revenue fell 33 percent, with RSV and Covid programs accounting for most of the decline.

Revenue from general medicine promotions fell 19 percent, due to spending delays caused by patent issues and “business-related challenges” faced by key customers.

“We did manage to remain profitable across all markets,” adds chief financial officer Ancila Desai.

Medadvisor’s gross margins grew 3.8 percent to 61.3 percent “driven in part by higher margin, Thriv-powered adherence programs in the US”.

Thriv accounted for 35 percent of US revenue, compared with seven percent previously.

Australian and NZ revenue declined 2.7 percent to \$11.4 million, while gross profit fell 2.5 percent to \$9.3 million.

In general medicine, revenues were affected by a heart anti-coagulant drug going generic, which meant less advertising of the product.

Another client shifted budgets into the current year.

“We haven’t seen that uptick yet, but we are cautiously optimistic it will come back,” Mr Ratliff says.

At the end of December, the company held cash of \$12 million.

“With the December quarter lower than expected, the company is monitoring its cash position closely,” Ms Desai says.

Medadvisor shares over the last year have varied between 57 cents in mid-July 2024 and the current trough.

The shares peaked at an all-time high of 62 cents in June 2020.

The Pharmacy Guild is the company’s biggest shareholder, with 17.5 percent stake.

‘Doing a 360’

Launched in October last year, Medadvisor’s Transformation 360° manifesto seeks to address the “value disconnect” between what the company thinks it’s worth and what investors value it at.

Dispensing with the company’s liberal jargon, the program seeks \$1.4 million in savings in the current half and \$5 million annually in the year to June 30, 2026.

The program remains “on track and on budget” – albeit with a modified budget and a few tweakings.

When the company says it is “doing a 360” it means it is taking a wholistic overview.

Drug pricing under pressure ...

A fun fact: the US is one of only two countries to allow prescription drug advertising on TV.

The other one? New Zealand.

US drug companies spend \$US8-9 billion annually on TV advertising, but RFK Junior wants the funds spent on lower drug prices.

That’s not new: the Biden Administration’s Inflation Reduction Act (IRA) aims partly to reduce the cost of medications, especially for the public Medicare and Medicaid.

President Trump looks to be unpicking the IRA bit by bit, but the lower drug price mantra looks like staying the same.

The result is intensifying cost pressures for both the drug companies and pharmacies, who may lose money dispensing some medications (such as the anti-obesity drugs).

The TV advertising dollars are likely to be diverted to cheaper targeted communication channels – such as Medadvisor’s.

“While it might be a negative for the pharma industry overall, it could be a positive for our business,” Mr Ratliff says.

“Time will tell”.

Mr Ratliff says “given what we know at this point”, general medicine promotions are likely to remain safe.

These include programs for conditions such as chronic obstructive pulmonary disease, diabetes and heart and migraine drugs.

... but in adversity lies hope

“We have identified a number of opportunities within the category to drive vaccine messaging and delivery,” Mr Ratliff says.

“With vaccination rates coming down, there is a definite need to educate the market and get a better understanding of the value of vaccinations.”

While the company expects a pull-back in vaccination promotion spend, some categories – such as pneumonia – could increase.

(Merck recently launched a new pneumococcal vaccine and Moderna will come out with a combined influenza/Covid vaccine).

Medadvisor has enjoyed wins elsewhere, with asthma-related revenue doubling year-on-year and thyroid medication surging 180 percent.

Chronic kidney disease and anti-inflammatory drug campaign activity also increased.

The company plans to diversify its US customer base from 52 drug makers to 62 and from 99 drug brands to 144.

Dr Boreham's diagnosis:

“We remain confident in our strategic direction and the value we are building,” Mr Ratliff says.

Put bluntly, the market isn't - as reflected by the almost 60 percent share decline over the last year.

But management is listening and the chances are that Medadvisor will look a very different company in a few months, when a high-level strategic review by an independent Adelaide advisor is completed.

Mr Ratliff says investors don't appreciate the full value of the business, despite the company's attempts to educate them.

“It's a little bit challenging to be honest with you, which is why we are doing the strategic evaluation.”

Options include delisting from Australia and privatizing the US or local operations, which can operate separately.

Maintaining the status quo also is an alternative, but not exactly a favored one.

“There are a number of interested parties in Australia and the US and we hope to see significant progress over the next 30 to 60 days,” Mr Ratliff says.

With considerable understatement, Mr Ratliff says Medadvisor is operating in a “somewhat different time” than 18 months ago – on both sides of the Pacific

Otherwise, Medadvisor’s core purpose remains the same.

“It’s about making sure people stay on their medications and improve their health,” he says.

In the meantime, vaccines remain a \$US23-25 billion a year business in the US, growing at 7-8% annually.

There’s also high growth in specialty drugs, which account for 60 percent of promotional spend in the US.

“This sector will continue to increase as these drugs get more personalized and target certain disease types,” Mr Ratliff says.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. The last time he tried a 180° degree strategy pivot he ended up where he was – on the bones of his backside.