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Daily news on ASX-listed biotechnology companies

Dr Boreham's Crucible: Cochlear, CSL, Pro Medicus

By TIM BOREHAM

With little regard for the sanity of investors and analysts who follow the life sciences sector, three of the Big Four biotechs dropped their full-year results in quick succession on Tuesday.

Your columnist doesn't subscribe to conspiracy theories about the companies conniving to avoid scrutiny. Still, spread 'em out a bit next time, please!

The reporters were CSL – the biggest ASX listed healthcare company - Cochlear and Pro Medicus. The second biggest, Resmed reported quarterly numbers last week.

With Tuesday's Big Three, investors were looking for evidence that their recent share recoveries were justified.

To varying degrees, the companies did not disappoint. At the very least, their respective management did not drop any further bombshells.

Investors delivered the most heartening endorsement to CSL, with the shares soaring as much as 19 percent. At Wednesday's close, the gains had extended to 24 percent.

Ironically, asset write downs meant CSL also posted the first reported net loss in its 32-year listed history, reversing last year's record profit.

Pro Medicus shares vaulted a convincing 16 percent while Cochlear shares rose as much as 7.6 percent.

In truth, the raw revenue and profit numbers were unlikely to have been out of whack with market expectations, with CSL and Cochlear guiding on the key metrics months ago.

If there was to have been any further deterioration, the companies should have flagged that in a further trading update ahead of results.

CSL

ASX code: CSL; **US (over the counter):** CSLLY

Share price: $168.30; **Shares on issue:** 478,911,979; **Market cap:** $80.6 billion

Financials (12 months to June 30, 2026): revenue $US15,797 million ($A22,218 million) up 1.5%, adjusted net profit after tax and amortization $US3,098 million (down 4%), reported net loss $US2,579 million ($A3,627 million), final dividend per share $US1.62 (steady), cash of $US1,513 (down 30%), total debt $US10,896 million (down 5%)

Chief executive officer: Gordon Mr Naylor (interim)

Board: Dr Brian McNamee (chair), Mr Naylor, Prof Andrew Cuthbertson, Caroline Hewson, Alison Watkins, Samantha Lewis, Elaine Sorg, Dr Brian Daniels, Cameron Price, Constantine Saroukos

Identifiable major shareholders: Blackrock Group 6%

An end to CSL's spell of hell?

CSL reported a 1.5 percent revenue uptick to $US15,797 million and a four percent underlying earnings decline, to $US3,098 million.

The 'official' bottom line came in at $US2,579 million, courtesy of $US7,100 million of pre-tax asset impairments ($US5,500 million for the June half).

In its last update on May 11, CSL further lowered 2025-'26 guidance to revenue of $US15,200 million and adjusted net profit after tax of $US3,100 million, assuming constant currency.

On Tuesday, CSL guided to "flat" revenue for the year to June 30, 2027, with a five percent increment in underlying net profit after tax.

The company had nothing to say about a new CEO, with company veteran Gordon Naylor holding the fort since Dr Paul McKenzie departed in February.

Mr Naylor dubs 2025-'26 as a "year of reset", with management taking "decisive action" to return the company to sustainable growth: "The actions … started well before my appointment and have been delivered with intention and urgency," Mr Naylor told investors.

With suitable urgency, the company lopped $US176 million off costs, ahead of its target.

The flagship Behring plasma arm reported revenue of $US11,387 million, up two percent, with immunoglobulin product sales were flat at $US6,200 million, reflecting the decision to "normalize" US inventory, unfavorable US Medicare (Part D) changes and prior year tender losses.

China-focused albumin sales fell 17 percent to $US1,100 million, reflecting Beijing's measures to contain costs.

The company fared better with its haemophilia product Hemgenix, with a 25 percent sales boost.

CSL's hereditary angioedema product Andembry also did not disappoint, with sales of $US250 million in its first full year on market.

In a seasonally quiet period, the Seqirus influenza drug arm saw an eight percent revenue decline. The White House's well-documented vaccine phobia aside, the division did not report the "non-recurring" avian influenza vaccine sales which bolstered the result in the previous period.

With the bird bug once again re-emerging, we're not sure about the "non-recurring" bit.

The Vifor kidney health and iron arm has gone from zero to hero to villain again, the culprit being generic iron treatments that have slashed margins.

CSL expects Vifor revenue to fall 25 percent in the current year.

Otherwise, management guides to mid-single digit revenue growth for Behring and low - single digit growth for Seqirus.

"Immunization rates in the US are anticipated to decline, but at a slower rate than recent seasons," the company said.

Meanwhile, Mr Naylor said the search for a new CEO was "progressing to plan, and the board is impressed with the caliber of talent on our shortlist." As he is not a candidate, Mr Naylor is involved in the process.

COCHLEAR

ASX code: COH

Share price: $135.48; **Shares on issue:** 65,398,917; **Market cap:** $8.9 billion

Chief executive officer: Diggory 'Dig' Howitt

Board: Alison Deans (chair), Mr Howitt, Prof Bruce Robinson, Michael Daniell, Christine McLoughlin, Michael del Prado, Karen Penrose, Caroline Clarke, Richard Freudenstein

Financials (12 months to June 30, 2026): revenue $2,347 million (up 0.2%), underlying net profit $322.4 million (down 22%), reported net profit $147.3 million (down 62%), full year dividend $3.45 a share (down 20%), cash balance $187.7 million (down 32%)

Identifiable major shareholders: Blackrock Inc 6.6%, AFIC 0.72%

Cochlear’s recovery is loud and clear

While CSL’s decline was gradual, Cochlear was humming along until its savage April 22 trading update, which came only three months after the company’s upbeat December half year results and outlook.

Citing factors including eroding US consumer confidence and Middle East disruptions, in April, Cochlear cut February’s full year guidance to an underlying net profit of $290 million to $330 million.

On Tuesday, the company reported an underlying net profit of $322 million – the upper end of management’s April guidance but 22 percent lower than previously.

Revenue rose 0.2 percent to $2,347.6 million, but notably was six percent higher in the second half of the year.

The result reflected “flat cochlear implant revenue, lower gross margin, transitional costs and foreign exchange movements”.

Cochlear flags low-single digit current year revenue growth and an underlying net profit of $330 million to $350 million, 2.5 percent to 8.7 percent higher.

“Current trading conditions remain mixed and many of the actions being taken will take time to translate into more consistent growth,” management cautions.

The company reports that Cochlear implant units actually increased five percent to 56,692. But these generated revenue of $1,435 million, down 2.4 percent because lower-priced emerging market sales accounted for the volume increase.

Revenue from the Americas (read: the US, mainly) edged up 1.4 percent, to $1,153 million.

Europe, the Middle East and Africa sales rose 1.75 percent to $803.5 million, with Asia-Pacific sales down 9.9 percent to $386.5 million.

Cochlear said “strong growth in Latin America and Eastern Europe was offset by declines in the Middle East and China”.

Management highlights the contribution from the Nucleus Nexa System, “the world’s first and only smart cochlear implant system with upgradeable firmware”.

By June, Nexa accounted for 95 percent of implant sales across the developed markets – and the company even managed to bung on an average three percent price rise.

Cochlear’s Western Europe sales proved to be a low-light, with revenue down eight percent owing to “concurrent country-specific challenges”.

These included UK elective surgery backlogs, industrial action in Spain and lower market share in Germany.

Meanwhile, Cochlear remains upbeat about longer term growth, citing the vast untapped opportunities in the adult market.

Of course, that depends on the ability and willingness of individuals and insurers to cough up.

Broker UBS said the ‘low single digit’ sales growth forecast aligned with what the market expected.

“The outlook suggests only modest sales growth in both developed and emerging markets, as current trading conditions remain mixed,” UBS said.

PRO MEDICUS

ASX code: PME

Share price: $191.60; **Shares on issue:** 104,469,963; **Market cap:** $20.0 billion

Chief executive officer and co-founder: Dr Sam Dr Hupert

Board: Peter Kempen (chair), Dr Hupert, Anthony Hall (co-founder and executive director), Anthony Glenning, Dr Leigh Farrell, Deena Shiff, Alice Williams

Financials (12 months to June 30, 2026): customer revenue $261.6 million (up 23%), underlying profit 196.1 million (up 24%), net profit $265.3 million (up 130%), full year dividend 69 cents per share (up 25%), cash balance $146.2 million (up 36%)

Identifiable major shareholders: Dr Sam Dr Hupert 23.1%, Anthony Hall 23.1%

Pro Medicus 1, robot 0

In February, Pro Medicus shares tumbled 20 percent, after the company reported a 28 percent surge in half-year revenue and a 30 percent underlying earnings boost.

Yep. You read that right: better performance, lower share price.

It appeared some investors simply expected more, to justify the stock’s high trading multiple. Then there were the broader, ill-defined fears about artificial intelligence (A.I.) enabling customers to bypass Pro Medicus and create their own software.

Known as the ‘SaaS-pocalypse’, (a rather cumbersome portmanteau of software as a service and apocalypse) this phenomenon is not unique to Pro Medicus; most technology companies have been beaten down to a degree.

But on Tuesday, management left investors in no doubt that the company’s US growth prospects remained unfettered.

Full-year revenue gained 23 percent to a record $261.6 million, with underlying earnings before interest and tax (Ebit) rising 24 percent to $196.1 million.

Reported net profit soared 130 percent to an all-time high of $265.3 million.

Astute readers will note the net profit was higher than revenue. That's because the figure includes the company's unrealized, $172 million gain from its $10 million investment in 4D Medical.

"I think everything went in the right direction for us," CEO and co-founder Dr Sam Dr Hupert said.

Talk about everything going right! We must grab Dr Sam's lotto numbers.

The year was the second biggest for contract wins. In the record 2024-'25 year, the company won its biggest client to date, Trinity Health.

In the year to June 30, 2026, the company inked 10 new contracts with a minimal value of $407 million and renewed six worth $141 million over five years.

Deals included a 10-year, $170 million contract with UC Health Colorado for all of the company's modalities, including its new cardiology offering.

Beth Israel Lahey Health signed a similar 'full stack', $90 million seven-year contract.

Pro Medicus remains debt free, with cash and equivalents of $252 million.

Last week, the company signed St Luke's Health System on a $23 million, seven-year deal. Remarkably, Pro Medicus has had zero customer churn.

"We continue to be able to address a broad range of market segments, with clients ranging from smaller sub–specialized health systems through to some of the largest integrated delivery networks and academic medical centers in the US," Dr Hupert said.

He adds the cardiology market is "another string to our bow."

Dr Hupert once again assured investors that artificial intelligence (A.I.) would be a useful tool rather than a bogyman.

"I have always maintained that A.I. and healthcare are a strong match, particularly in diagnostic imaging and we are starting to see examples of this emerging."

Meanwhile, Dr Hupert says Pro Medicus has achieved 11 percent US market penetration, including 11 of the top 20 hospitals.

Of course, that leaves 89 percent of the market to snare.

Pro Medicus does not provide guidance – but rest assured investors will be hard markers.

Dr Boreham's diagnosis:

This week's redemptive lesson is that you can't keep a globalized, home-grown drug, device or diagnostic play down for long.

We're confident that CSL and Cochlear have faced the worst of the market foment and – most importantly – have started to address their underlying issues.

In the case of Pro Medicus, the SaaS-geddon (an equally cumbersome portmanteau of software as a service and Armageddon) theme is yet to play out.

But otherwise, the company didn't have any real problems to be addressed in the first place – except for the stock arguably being overpriced.

On that note, it's also unlikely that any of the trio will recover to their previous record share price levels – at least in the short term.

We also know that investing in the sector is a marathon rather than a sprint.

The smart – or lucky – investors who picked the bottom of the savage sells offs are the winners from this week's onslaught of good news.

The losers are the impatient punters who believed the hype about the sky falling in.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He does possess a persistent cold, but hopefully you can't keep a home-grown biotech columnist down for long