



Biotech Daily

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Daily news on ASX-listed biotechnology companies

Dr Boreham's Crucible: Bluechiip

By TIM BOREHAM

ASX Code: BCT

Market cap: \$10.4 million

Share price: 2.7 cents

Shares on issue: 385,541,806

Chief executive officer: Andrew McLellan

Board: Iain Kirkwood (chairman), Andrew McLellan, Michael Ohanessian, Andrew Cox, Blair Healy

Financials (year to June 30 2017): revenue \$237,000 (up 53 percent), net loss \$2.018 million (previously \$1.7 million loss), cash \$927,767 (up 90 percent)*

*Ahead of the July \$3.4 million capital raising

Identifiable holders: Pulitano Family Super 6.91 percent, Dr Stephen and Patricia Woodford 5.9 percent, Equitas Nominees 5.84 percent, Edwards St Consulting (Iain Kirkwood) 5.62 percent, LGC Super Pty Ltd 5.22 percent.

The developer of a wi-fi-enabled, durable tagging system for bio-specimens is guilty of a less desirable innovation: the deliberately misspelt corporate title.

So, Bluechiip with two 'i's, being funky is well and good but don't expect us to get your name right.

Despite Bluechip's surfeit of vowels, the company looks to be on the cusp of serious revenues after a protracted development period. Your columnist vaguely recalls looking at the stock after it listed in June 2011, spruiking the same technology and same target markets, but with a new approach.

"The technology is the same but the strategy has changed," chief executive officer Andrew McLellan says. "The focus is now on original equipment manufacturing rather than taking the product to market ourselves."

The technology was invented by former Royal Melbourne Institute of Technology academic Dr Ronald Zmood, a world leader in magnetic bearings, micro electro mechanical systems (MEMS) and control systems.

Bluechip was co-founded by Dr Zmood and son-in-law Brett Schwarz, the company's chief executive officer from listing to January 2014.

Defying traditional labels

The Bluechip device is a sensor embedded into bags or vials, recording the details (and temperature) of the specimens in question. The data is wirelessly conveyed to a reader (which looks like a TV remote) and is stored and displayed with associated software.

The sensors are tiny buttons of less than a millimetre diameter, with 60 even tinier metallic beams configured to resonate with specific frequencies (a bit like a tuning fork).

The company describes the system, based on MEMS technology, as a "generational change" on written labels (several generations, actually); and also an improvement on barcodes and radio frequency identification (RFID) tracking.

"About 25 percent of bio-banks are still using handwriting in some form," says Mr McLellan. "At such low temperatures the frost has to be wiped off the labels. And RFID just doesn't work at such low temperatures."

Bluechip readers don't require line of sight to the item to receive accurate data. Another benefit is that the chips can withstand temperatures to minus 196 degrees Celsius, the boiling point of nitrogen. This makes them ideal for cryogenically stored bio-specimens such as stem cells, cord blood and Walt Disney.

The sensors can also survive autoclaving, gamma radiation, sterilization, humidification, centrifuging and ritual humiliation and bullying. Okay, your columnist might have got a little carried away with the last bit, but the point is that the Bluechip system is more durable because MEMS do not have electronic parts or wires.

While the device has other commercial, military and security applications and forensics, Bluechip is targeting the \$2 billion a year bio-preservation sector, with 300 million samples stored globally. Bluechips also has potential application in the food sector, to prevent unnecessary discarding of frozen produce.

IVF spawns commercialization path

At the crux of Bluecheep-cheeps commercialization effort are licencing and supply agreements with three parties: Genea Biomedx (more corporate name bastardization), Planet Innovation and Labcon.

Inked in April, the Labcon deal allows the US company to promote and sell Bluechap products. The tie up with the Melbourne based Planet Innovation is more of a joint project development compact, while the Genea deal targets the in-vitro fertilization sector.

The Sydney-based Genea has a global distribution with Merck and it's hoped Genea's Bluechivf-enabled product will be distributed by Merck and tracking egg and sperm samples from next year.

Off its own bat, the company has sent 14 "development kits" to parties interested in incorporating the technology in their products. The test kits cost \$10,000 a pop, but the company's prosperity lies with upfront licence fees and ongoing revenue from selling the chips and readers.

Dr Boreham's diagnosis:

Bluechiiiiip listed in June 2011 after raising \$3 million at 25 cents apiece. In September last year it raised \$1.49 million in a rights issue and placement and a further \$3.43 million in July this year at 2.8 cents apiece. "We have enough cash to see us through the next 18 months at least," Mr McLellan says.

Bluechirp shares have not exactly been blue-chip performers, falling from a peak of 29.4 cents in November 2011 to as low as 1.9 cents in May, last year. But the recent share recovery means investors who participated in the July raising at 2.8 cents will have wide smiles on their visages.

The company acknowledges that revenues are modest. Last year's turnover of \$237,000 would be a rounding error in CSL's account, but serious money should flow this year.

And this management can't be accused of having a 'one i' view of things.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. His freezer is full of unlabelled bio specimens that are either ancient chicken breasts or Walt Disney's body parts.