Biotech Daily

Tuesday February 22, 2022

Daily news on ASX-listed biotechnology companies

*** ASX, BIOTECH DOWN: COCHLEAR UP 9%; ATOMO DOWN 22%**

*** COCHLEAR H1 REVENUE UP 10% TO $821m, PROFIT DOWN 28% TO $169m**

*** NANOSONICS H1 REVENUE UP 40% TO $61m, PROFIT UP 165% TO $3.9m**

*** SOMNOMED H1 REVENUE UP 10% TO $34m, LOSS DOWN 14% TO $2.95m**

*** ATOMO H1 REVENUE UP 17% TO $5.3m, LOSS DOWN 5% TO $2.4m**

*** DORSAVI H1 REVENUE DOWN 14% TO $1.6m, LOSS UP 177% TO $907k**

*** BIOXYNE H1 REVENUE UP 12.2% TO $1.4m, LOSS TO $5k PROFIT**

*** EDITORIAL: YOUR R&D TAX INCENTIVE IS NOT REVENUE**

*** MICROBA RAISING $30m FOR GUT HEALTH TESTS, TREATMENTS**

*** CHIMERIC RIGHTS OFFER TO RAISE $18m**

*** CRESO REQUESTS CAPITAL RAISING TRADING HALT**

*** PROTEOMICS PROMARKERD PREPARES FOR AUSTRALIAN REBATE**

*** EMYRIA EXPANDS MDMA ANALOGUES**

MARKET REPORT

The Australian stock market fell one percent on Tuesday February 22, 2022, with the ASX200 down 72.3 points to 7,161.3 points. Four of the Biotech Daily Top 40 (BDI-40) stocks were up, 31 fell, three traded unchanged and two were untraded.

Cochlear (which is not included in the BDI-40) was the best, up $17.12 or nine percent to $207.37, with 385,037 shares traded. Compumedics climbed 7.25 percent; CSL, Paradigm and Pro Medicus were up more than one percent; with Next Science up by 0.5 percent.

Atomo led the falls, down four cents or 22.2 percent to 14 cents, with 15.8 million shares traded. Prescient lost 16.7 percent; Actinogen fell 14.55 percent; Nanosonics shed 13.1 percent; Dimerix was down 10.4 percent; Genetic Signatures and Micro-X were down more than nine percent; Imugene, Kazia, Neuren lost eight percent or more; Proteomics and Telix fell more than seven percent; Alcidion, Immutep and Pharmaxis were down more than six percent; Emvision and Impedimed retreated more than five percent; Starpharma fell 4.6 percent; Antisense, Mesoblast, Nova Eye and Volpara were down more than three percent; Avita, Opthea and Orthocell shed more than two percent; Cynata, Cyclopharm and Polynovo lost more than one percent, with Clinuvel, Medical Developments and Resmed down by less than one percent.

COCHLEAR
Cochlear says that revenue for the six months to December 31, 2021 was up 10.0 percent to $820,700,000 with net profit after tax down 28.2 percent to $169,300,000.
Cochlear said that it had adjusted costs relating to cloud computing arrangements from capital expenditure to operating expenses effective from June 30, 2021, in line with the International Financial Reporting Standards Interpretations Committee.
The company said that “guidance now factors in $18 million to $20 million of cloud investment [before tax] as a result of the change in accounting treatment from capital expenditure to operating expenses”.
Cochlear said that capital expenditure expectations had reduced to “factor in this change, declining to around $70 million for the year to June 30, 2022”.
The company said that “second half trading to date [was] tracking in line with the first half, with continuing intermittent Covid-related hospital or region-specific elective surgery restrictions”.
“Operating theatre capacity is also being affected by hospital staffing shortages, an issue that emerged during the second quarter, and which may impact capacity for the balance of the half,” Cochlear said.
“As a result, we expect a lower rate of growth for cochlear implants for the year than originally forecast with growth weighted to services and acoustics,” the company said.
Cochlear said that it would “continue [its] investment in R&D and market growth activities to support long-term market growth, with some acceleration in growth investment and increases in travel-related costs as global mobility increases”.
The company said research and development expenditure was up 11.5 percent to $98,600,000 or 12.0 percent of total revenue.
Cochlear said that an unfranked interim dividend of $1.55 a share for shareholders on the record date of March 29 would be paid on April 21, 2022, compared to a $1.15 a share in dividends for the six months to December 31, 2020.
The company said its cochlear implants sales were up 0.7 percent to $457.9 million, and service sales, including sound processor upgrades rose 19.4 percent to $256.5 million, with the acoustics division including bone conduction and acoustic implants was up 37.8 percent to $100.9 million.
Cochlear said that sales revenue in the Americas were up 3.4 percent to $388.4 million, in Europe, Middle East and Africa sales rose 20.7 percent to $286.8 million, with the Asia Pacific up 8.2 percent to $140.1 million.
The company said that it had received $24.6 million in Covid-19 related government assistance, primarily from the Federal Government’s Jobkeeper program.
Cochlear said it had voluntarily repaid the Jobkeeper funds in the second half of 2021 “once trading conditions [had] improved”.
Cochlear said that for the 12 months to June 30, 2022, it expected an underlying net profit of $265 million to $285 million, a 13 percent to 22 percent increase on underlying net profit for the year to June 30, 2021.
“A more material disruption from Covid that significantly impacts sales remains a risk factor that does not form part of guidance,” Cochlear said.” Despite the ongoing disruption to surgeries caused by Covid, we continue to be confident of the resilience of our hearing implant business over the longer term.”
The company said diluted earnings per share fell 28.2 percent to $2.574 with net tangible assets per share up 8.6 percent to $20.395 compared to the previous corresponding period, and it had cash and cash equivalents of $553,100,000 at December 31, 2021 compared to $587,700,000 at December 31, 2020.
Cochlear climbed $17.12 or nine percent to $207.37 with 385,037 shares traded.

NANOSONICS

Nanosonics says revenue for the six months to December 31, 2021 was up 40.1 percent to $60,646,000 with net profit after tax up 164.7 percent to $3,875,000.
Nanosonics said revenue came from sales of its Trophon ultrasound probe cleaning systems and related products.
The company said diluted earnings per share were up 164.6 percent to 1.27 cents with net tangible asset backing per share up 9.65 percent to 42.47 cents.
Nanosonics said it had cash and cash equivalents of $91,931,000 at December 31, 2021 compared to $87,895,000 at December 31, 2020.
Nanosonics fell 62 cents or 13.1 percent to $4.10 with 5.5 million shares traded.

SOMNOMED

Somnomed says revenue for the six months to December 31, 2021 was up 10.1 percent to $33,934,143, with net loss after tax down 14.3 percent to $2,947,778.
Somnomed says revenue not including government grants came mainly from the sales of its Somnodent oral appliance.
The company said that revenue increased "as the ongoing rolling impact of the Covid-19 pandemic continued to drive mixed financial and operational performance across the various markets".
Somnomed said that Europe and the Asia Pacific region were impacted by the recent Omicron wave, while North America "remained largely resilient due to the positive seasonal insurance benefits driving a strong end to the calendar year".
The company said North America sales were up 24.95 percent to $11,867,000, Europe was up 4.7 percent to $19,464,000 and the Asia Pacific region was down 5.2 percent to $2,602,000.
Somnomed said that last year's diluted earnings per share from continuing operations of 0.73 cents, turned to a diluted loss per share of 3.76 cents.
The company said that net tangible asset backing per share was down 37.8 percent to 12.50 cents, with cash and cash equivalents of $17,571,432 at December 31, 2021, compared to $25,075,589 at December 31, 2020.
Somnomed said that it expected that revenue would increase 15 percent for the full year to June 30, 2022, with earnings before interest, taxation, depreciation and amortization (Ebitda) breaking even, assuming no change to the Covid-19 pandemic.
Somnomed fell four cents or 2.1 percent to $1.85.

ATOMO DIAGNOSTICS

Atomo says revenue for the six months to December 31, 2021 was up 16.7 percent to $5,343,469 with net loss after tax down 4.9 percent to $2,424,213.
Atomo said revenue included $4,513,075 from sales of its Covid-19 rapid diagnostic test, $771,512 from sales of its HIV blood test and $58,882 from sales of other products.
The company said that it received $1,648,698 from Covid-19 Government grants and a further $2,158,466 from licence and settlement fees.
Atomo said diluted loss per share was down 4.4 percent to 0.43 cents, with net tangible asset backing per share was down 20.4 percent to 4.28 cents.
The company said it had cash and cash equivalents of $13,683,484 at December 31, 2021 compared to $24,690,790 at December 31, 2020.
Atomo fell four cents or 22.2 percent to 14 cents with 15.8 million shares traded.

DORSAVI

Dorsavi says revenue for the six months to December 31, 2020 was down 14.0 percent to $1,584,506 with net loss after tax up 177.4 percent to $906,994.
Dorsavi said its revenue came mainly from the sales of its wearable sensors for movement monitoring and patient assessments.
The company said that diluted loss per share was up 100 percent to 0.26 cents, net tangible asset backing per share was down 60 percent to 0.4 cents a share, and it had cash and cash equivalents of $2,143,859 at December 31, 2021 compared to $2,946,289 at December 31, 2020.
Dorsavi fell 0.2 cents or 8.7 percent to 2.1 cents.

BIOXYNE

Bioxyne says revenue for the six months to December 31, 2021 was up 12.2 percent to $1,358,261 with last year's loss turned to a $4,562 net profit after tax.
Bioxyne said revenue came from sales of its consumer dietary supplements, its probiotic Lactobacillus fermentum VRI-003, and food additives, with a shipment of its Colosnz colostrum-based fortified milk formula delayed by shipping logistics.
The company said last year's 0.07 cents diluted loss per share turned to diluted earnings per share of 0.01 cents, with net tangible assets a share unchanged at 0.3 cents.
Bioxyne said it had cash and cash equivalents of $2,083,524 at December 31, 2021 compared to $1,769,334 at December 31, 2020.
Bioxyne fell 0.1 cents or 5.3 percent to 1.8 cents.

BIOTECH DAILY EDITORIAL: YOUR R&D TAX INCENTIVE IS NOT REVENUE

In previous reporting periods, some companies have claimed the Federal Research and Development Tax Incentive as "revenue" when they have little or no revenue, at all.

The Tax Incentive is similar to a tax rebate and is not taxable, so it should not be called revenue; just as one's tax payment in one year is not an allowed tax-deductible expense in the following year.

Unless one goes to the fine detail (and some companies do not provide it) an investor could think the company has money from the sale of product when it doesn't.

Revenue does not include the Tax Incentive or grants. It does include: sales of product, licence fees, milestone payments, royalties and bank interest.

All these sub-units of revenue should be made clear and investors should not need to go searching for the truth, buried deep in the notes, or have to call the company to find out what they have not announced.

Claiming the RDTI as revenue is deliberately misleading the industry and investors.

While the ASX and ASIC refuse to act on this practice, apparently allowed by accountants and auditors, for the companies we cover (with real revenue of more than $1 million a year), we shall strip out the misinformation wherever we find it.

David Langsam, Editor

MICROBA

Microba says it will raise $30 million at 45 cents a share to list on the ASX under the code MAP to test gut microbiome and develop therapies for chronic diseases.

According to the Microba prospectus, the initial public offer was fully underwritten by the financial adviser, joint lead manager and underwriter Bell Potter Securities and the joint lead manager and underwriter Canaccord Genuity (Australia).

The prospectus said that the commercial stage company had technology for measuring the human gut microbiome for consumers, clinicians and researchers, which assisted the discovery and development of therapeutics for chronic diseases, including for inflammatory bowel disease.

Microba said it had sold more than 20,000 microbiome test reports to date and had distribution partners in the US, Europe, Middle East, Australia, and New Zealand.

The company said it planned to start a phase I trial of a therapeutic for inflammatory bowel disease in December 2022.

Microba said that its core technology was developed by co-founder and chair of its scientific advisory board Prof Philip Hugenholtz and co-founder and non-executive director Prof Gene Tyson.

The company said it was formed in 2017 and acquired intellectual property from the University of Queensland that formed the basis of its analysis platform.

Microba said that it launched its first product Microba Insight in Australia in July 2018.

The company said that in June 2019, it launched a gut microbiome testing product, Metabiome, to healthcare professionals in Australia and New Zealand through a distribution partnership.

Microba said that in 2019, it launched another test in the US, and in 2021 launched a test in Europe.

The company said that it had a distribution partnership to deliver a microbiome testing product to healthcare practitioners and consumers in the Middle East Gulf Cooperation Council countries.

Microba non-executive director Prof Ian Frazer said that “testing, understanding and modifying the microbiome is key to addressing many diseases and improving our health”.

“Microba’s leading technology is driving this health transformation,” Prof Frazer said.

The company said that its indicative market capitalization would be $93 million before the offer and $123 million after the offer.

Microba said its chair was Pasquale Rombola, Prof Frazer was its deputy chair, with non-executive directors including Prof Gene Tyson, Dr Caroline Popper, Dr Hyungtae Kim and Richard Bund.

The prospectus said that Microba’s chief executive officer was Dr Luke Reid, with chief financial officer James Heath the head of laboratory operations Dr Nicola Angel chief scientific officer Prof Lutz Krause, head of research partnerships Dr Kylie Ellis, business development head Mark Parker, with US business development executive Dr Jean Phillipe Laine and the head of platform products Bernie Woodcroft.

The company said its joint company secretaries were Mr Heath and Peter Webse.

The prospectus is available at https://www.microba.automicipo.com.au/.

Dr Reid told Biotech Daily that there was no general offer.

The offer opened on February 21 and will close on March 14, with trading expected to begin on April 5, 2022.

Microba is a public unlisted company.

CHIMERIC THERAPEUTICS

Chimeric says it hopes to raise $18.1 million through a one-for-3.15 non-renounceable institutional and retail entitlement offer at 17 cents a share.
Chimeric said that offer price was an 11.8 percent discount to the theoretical ex-rights price, an 18.3 percent discount to the five-day volume weighted average price and a 15.0 percent discount to the last traded price of its shares.
The company said that one new option would be issued with each new exercisable at 25.5 cents by March 31, 2024.
Chimeric said that the institutional component was conducted yesterday, February 21, with results to be released on February 23, 2022 the record date for the offer, which would open on February 28 and close on March 11, 2022.
The company said that the proceeds would "fund payments under … [its] licence and sponsored research agreements as well as phase I clinical trials" and provide working capital and pay for the costs of the offer.
Chimeric said Bell Potter Securities managed the offer and would receive fees in cash.
Chimeric was in a trading halt and last traded at 20 cents.

CRESO PHARMA

Creso has requested a trading halt "pending an announcement regarding a capital raising".
Trading will resume on February 24, 2022 or on an earlier announcement.
Creso last traded at 7.7 cents.

PROTEOMICS INTERNATIONAL LABORATORIES

Proteomics says it has completed a "pre-assessment" for its Promarkerd test for diabetic kidney disease, application for the Australian Medicare Benefit Schedule.
Proteomics said Promarkerd used a blood test to detect a fingerprint of the early onset of diabetic kidney disease.
The company said the application laid "the groundwork for the test to be added to the Medicare Benefit Schedule … which would mean eligible patients receive a Medicare rebate for the Promarkerd test".
Proteomics said the pre-assessment included a review of clinical evidence and practice, an economic evaluation and the proposed item descriptor and fee.
The company said it would submit an application for the assessment and expected to meet with the Medical Services Advisory Committee (MSAC) in November 2022, and was pursuing Therapeutic Goods Administration approval for Promarkerd.
Proteomics managing-director Dr Richard Lipscombe said that inclusion on the MBS was "an important step to bring Promarkerd to the Australian market".
"If MSAC recommendation is secured, it will be a key milestone in commercializing Promarkerd in Australia," Dr Lipscombe said.
"It means eligible patients are likely to receive Medicare rebate for the test," Dr Lipscombe said.
"We know the test is safe, it's effective and it significantly outperforms current standard-of-care tests for diabetic kidney disease," Dr Lipscombe said.
"Our studies show Promarkerd will both improve patient quality of life and reduce overall costs to the health system, through fewer patients requiring dialysis and kidney transplants," Dr Lipscombe said.
Proteomics fell 10 cents or 7.5 percent to $1.24.

EMYRIA

Emyria says with the University of Western Australia it has "substantially" expanded the number of its 3,4 methylene-dioxy-meth-amphetamine (MDMA) analogues.

Emyria said that it had synthesized and characterized 17 additional MDMA analogues, after the initial screening results received in December 2021.

The company said that a second batch of compounds would be prepared for shipping and screening this week, with initial results expected by April 2022.

Emyria fell half a cent or 1.85 percent to 26.5 cents.