



Biotech Daily

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Daily news on ASX-listed biotechnology companies

Dr Boreham's Crucible: LBT Innovations

By TIM BOREHAM

ASX code: LBT

Market cap: \$45 million; **Share price:** 32 cents; **Shares on issue:** 140m

Chief executive officer: Brent Barnes

Board: Robert Finder (chairman), Brent Barnes, Catherine Costello, Stephen Mathwin, Caroline Popper

Financials (December quarter 2016): revenue nil, cash \$5.28 million*, cash from operating activities \$800,000 (previously outflow of \$195,000); estimated current quarter cash outflows \$3,336,000.

*Includes \$3.54 million from two-tranche capital raising and Federal R&D Tax Incentive of \$1.1m. Further \$3.47 million from placement received in January

Shareholders: Biomérieux 7%, B Moran & Morcap 4.8%, Robert Finder 4.6%, Lusia Guthrie 3.2%

The path to market for device and diagnostics is mercifully shorter relative to drug development, as evidenced by the fine work at the likes of Nanosonics and Airxpanders.

"I like devices because they are a lot more predictable than drugs," says LBT chief Brent Barnes. "The challenge lies with the regulatory pathway and what product claims you want to make."

Having listed in mid-2006, LBT has been at it for some time but now looks to be gaining traction with its automated processing of microbiological samples (urine, poo, swabs and blood samples smeared on Petri dishes).

While the bigger commercial pathology labs process thousands of samples a day, plate streaking and diagnosis has remained a stubbornly manual activity.

LBT's first product Microstreak, was for automated streaking of the samples on the culture plates.

The device was invented by the Adelaide-based company's scientific director John Glasson in 1979.

LBT licensed Microstreak to Biomérieux in 2007. But the Gallic diagnostics giant changed its mind and handed back the franchise in August 2015.

The gall of them!

LBT has since changed focus and expanded its intellectual property to the reading of culture plates, with its automated plate assessment systems (APAS).

This is by way of a 50-50 joint venture with the Zurich based Hettich AG, called Clever Culture Systems, with former LBT chief executive officer Lusia Guthrie, the chair of Clever Culture Systems.

APAS is being used in two iterations: the most advanced to commercialization is APAS Independence, which handles, reads and interprets up to 200 plates per hour (everything after the streaking and incubation).

In contrast, a toiling lab technician will do 40 to 60 plates an hour (depending on the type of sample).

The second device in development, APAS Incubot, also automates the incubation process.

While more efficacy data is pending, clinical results to date confirm APAS can identify pathogens with more accuracy than a human.

These results relate to the accurate diagnosis of 10,000 urine samples at the pathology arm of Sydney's St Vincent's Hospital, which is no wee feat.

As a case study of the rise of the machines, this is a classic.

Reassuringly for the last Luddites of the medical profession, the human hand and eye is still involved in testing the identified pathogen to determine the best drug and dose.

First to market is APAS Independence, which has FDA regulatory approval.

Having been showcased in Melbourne last March, a working APAS Independence device is due to be unveiled at the European Congress of Clinical Microbiology and Infectious Diseases in Vienna, later this month.

The machines sell for around \$US300,000 up front, with “material” annual licencing fees for the software as well as service and spare parts revenue.

The joint venture will sell through a global distributor or regional intermediaries, with these arrangement expected to be settled later this year.

“Now we have a working demo model we believe all of these options might be possible,” Mr Barnes says.

LBT expects to ship its first batch of APAS Independence units “to fulfil open orders by global alliance and distribution partners” by the end of 2017.

With Microstreak, bean counting firm Deloitte is leading a process to sell or licence the rights, with an outcome expected by October 2017.

Mr Barnes admits it’s a “tough sell” because the devices remain Biomérieux branded (as Previ Isola) and the buyer would need to invest further to develop the intellectual property.

But Microstreak more than wiped its face, generating handy upfront and milestone payments from Biomérieux, culminating in a \$7.9 million “divorce settlement” recognized in LBT’s December 2015 half-year accounts.

LBT has also opened a third product front with a hand-held device called Woundvue, which helps doctors and nurses record the progress of long term chronic wound sufferers.

LBT cites “significant interest in the US where we have undertaken encouraging baseline studies among wound care practitioners”.

Woundvue was cleared by the FDA in October under the 510(k) protocols in a de novo (new device) process. But it’s very much a work in progress.

Intrigue on the register:

A talking point at LBT’s Adelaide HQ is that Biomérieux remains its biggest shareholder, even though there is no longer any strategic reason to be on the register. In the LBT camp, it’s a case of ‘je ne sais rien’ (I know nothing) when it comes to the intentions of Biomérieux, but let’s assume a sell-down in the near future.

LBT is well cashed up after a \$7 million placement in two tranches, one of which required shareholder approval.

LBT shares have given investors a wild ride, streaking to \$1.09 in October on news of the tie up with Hettich.

By March, the shares had sunk to 26 cents. The placement was done at 31 cents, with attached options (on a one-for-two basis) exercisable at 44.25 cents by December 2018.

Dr Boreham's diagnosis:

Your humble (faux) practitioner is wary of biotechs that portray the partnering process as a parade in which the company rates a conga line of beauties.

Desperate and dateless is the more usual scenario.

But in this case maybe LBT really is the belle of the ball as it is not after an injection of funds.

"We don't need to be pushed around by people giving us money to get the distribution deal done," Mr Barnes says.

Mr Barnes says potential partners are waiting to see APAS Independence in action, which makes the show-and-tell in Vienna (and a subsequent microbiologists' confab in New Orleans in June) more than just romps among the alps and the levees.

Viewed under the microscope, LBT is teeming with promise.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. His understanding of culture does not extend beyond a tub of probiotic yoghurt.