

Secure
Your Copy of
Bioshares
for
\$470/
48 issues

More details can be found
on the back page

Companies covered: ACR, CGS, CUV, MX1,
LBT

	Bioshares Portfolio
Year 1 (May '01 - May '02)	21.2%
Year 2 (May '02 - May '03)	-9.4%
Year 3 (May '03 - May '04)	70.6%
Year 4 (May '04 - May '05)	-16.3%
Year 5 (May '05 - May '06)	77.8%
Year 6 (May '06 - May '07)	17.4%
Year 7 (May '07 - May '08)	-36%
Year 8 (May '08 - May '09)	-7.4%
Year 9 (May '09 - May '10)	50.2%
Year 10 (May '10 - May '11)	45.4%
Year 11 (May '11 - May '12)	-18.0%
Year 12 (May '12 - May '13)	3.1%
Year 13 (May '13 - May '14)	26.6%
Year 14 (May '14 - May '15)	23.0%
Year 15 (May '15 - May '16)	33.0%
Year 16 (May '16 - May '17)	16.8%
Year 17 (May '17 - May '18)	-7.1%
Year 18 (May '18 - current)	4.4%
Cumulative Gain	735%
Av. Annual gain (17 yrs)	17.1%

Bioshares is published by Blake Industry & Market Analysis Pty Ltd.

Blake Industry & Market Analysis Pty Ltd
ACN 085 334 292
PO Box 193
Richmond Vic 3121
AFS Licence
No. 258032
Enquiries for Bioshares
Ph: (03) 9326 5382
Fax: (03) 9329 3350
Email: info@bioshares.com.au

David Blake - Editor/Analyst
Ph: (03) 9326 5382
Email: blake@bioshares.com.au
Mark Pachacz - Editor/Analyst
Ph: 0403 850 425
Email: pachacz@bioshares.com.au

Individual Subscriptions (48 issues/year)
\$470 (Inc.GST)
Edition Number 755 (3 August 2018)

Copyright 2018 Blake Industry and Market Analysis Pty Ltd. ALL RIGHTS RESERVED.
Secondary electronic transmission, photocopying, reproduction or quotation is strictly prohibited without written consent of the publisher.

Bioshares

3 August 2018
Edition 755

Delivering independent investment research to investors on Australian biotech, pharma and healthcare companies

Extract from Bioshares –

The Investment Proposition – Does the Means Justify the End?

At the 14th Bioshares Biotech Summit, the CEOs of four companies – Micro-X, LBT Innovations, Osprey Medical and Adherium – were each asked to address the topic, ‘The Investment Proposition – Does the Means Justify the End?’. The inspiration for this topic is that while the development and commercialisation of medical devices and diagnostics is not only capital intensive but lengthy, success is to be measured by product revenues. Below we summarise the presentations from Micro-X and LBT Innovations.

LBT Innovations Compares APAS to MALDI-TOF Uptake Curve

Over the last eight years, LBT Innovations (LBT: \$0.13) has been developing APAS Independence, an instrument for use in the clinical microbiology departments of pathology laboratories. The instrument uses robotics and algorithms (artificial intelligence) to sort and detect cultured agar plates, supplementing human readers. Clearly positive and indeterminate results – about 30% of urine samples – are sent to human readers for re-assessment and qualification, with other analyses to follow.

A driver for automation has been the change of the labour demographics of the clinical microbiology workforce, which has been aging, and not been adequately renewed by younger replacements.

LBT Innovations has been developing additional modules for APAS, covering MRSA (drug resistant staph infections), for sputum and faecal samples, and for dairy and water industry applications.

The company has taken a strategic decision to in-source core capabilities in the areas of science, artificial intelligence and software engineering so that it can control and optimise the development of these new modules and opportunities.

LBT has commenced selling APAS, but the focus (initially) has been on labs which process more than 400 plates a day. It has identified a target group of 100 labs in Australia, New Zealand, Germany and the USA.

Sales Process

A challenge for selling into the clinical microbiology sector is that it is a highly conservative, science-based community. LBT Innovations CEO Brent Barnes said that the company is being very realistic about bringing a new capability to the market, with an emphasis on the need for reference sites and publications. Barnes expects to have five instrument sales by the end of this calendar year, a quite modest number for the first year of launch.

Barnes said that it took six years and about \$12 million to take APAS to from concept through to clinical trials. The following product development stage involved \$12 million over two years, but this was a de-risking stage for the program.

Continued over

The current third stage of market development is funded until 2020, when positive cashflow from the APAS product are expected.

MALDI-TOF Comparison

Barnes discussed the introduction of large MALDI-TOF (mass spectrometry) systems by Bruker and bioMerieux into the microbiology lab. MALD-TOF technology has enabled accurate 'finger printing' of pathogens, such as bacteria.

These systems were launched in 2004, achieving sales of 800 units after eight years, before FDA clearance in 2013 paved the way for 700 units being sold thereafter. A corollary for LBT would be for cumulative APAS sales of 1,500 units, 10 years post launch, delivering cumulative revenues of ~\$600 million (shared 50:50 with JV partner, after costs and fees) and nett licence fees building to \$60 million per annum.

LBT must obtain US FDA 510k clearance for its APAS automated system which is expected at the end of this year. This would be a supplemental clearance, to the existing clearance for its APAS manual system.

Bioshares

How Bioshares Rates Stocks

For the purpose of valuation, Bioshares divides biotech stocks into two categories. The first group are stocks with existing positive cash flows or close to producing positive cash flows. The second group are stocks without near term positive cash flows, history of losses, or at early stages of commercialisation. In this second group, which are essentially speculative propositions, Bioshares grades them according to relative risk within that group, to better reflect the very large spread of risk within those stocks. For both groups, the rating “Take Profits” means that investors may re-weight their holding by selling between 25%-75% of a stock.

Group A

Stocks with existing positive cash flows or close to producing positive cash flows.

- Buy** CMP is 20% < Fair Value
- Accumulate** CMP is 10% < Fair Value
- Hold** Value = CMP
- Lighten** CMP is 10% > Fair Value
- Sell** CMP is 20% > Fair Value
(CMP–Current Market Price)

Group B

Stocks without near term positive cash flows, history of losses, or at early stages commercialisation.

Speculative Buy – Class A

These stocks will have more than one technology, product or investment in development, with perhaps those same technologies offering multiple opportunities. These features, coupled to the presence of alliances, partnerships and scientific advisory boards, indicate the stock is relative less risky than other biotech stocks.

Speculative Buy – Class B

These stocks may have more than one product or opportunity, and may even be close to market. However, they are likely to be lacking in several key areas. For example, their cash position is weak, or management or board may need strengthening.

Speculative Buy – Class C

These stocks generally have one product in development and lack many external validation features.

Speculative Hold – Class A or B or C

Sell

Corporate Subscribers: Cogstate, Bionomics, LBT Innovations, Opthea, ResApp, Pharmaxis, Dimerix, Cyclopharm, Adalta, Medibio, Pharmaust

Disclaimer:

Information contained in this newsletter is not a complete analysis of every material fact respecting any company, industry or security. The opinions and estimates herein expressed represent the current judgement of the publisher and are subject to change. Blake Industry and Market Analysis Pty Ltd (BIMA) and any of their associates, officers or staff may have interests in securities referred to herein (Corporations Law s.849). Details contained herein have been prepared for general circulation and do not have regard to any person’s or company’s investment objectives, financial situation and particular needs. Accordingly, no recipients should rely on any recommendation (whether express or implied) contained in this document without consulting their investment adviser (Corporations Law s.851). The persons involved in or responsible for the preparation and publication of this report believe the information herein is accurate but no warranty of accuracy is given and persons seeking to rely on information provided herein should make their own independent enquiries. Details contained herein have been issued on the basis they are only for the particular person or company to whom they have been provided by Blake Industry and Market Analysis Pty Ltd. The Directors and/or associates declare interests in the following ASX Healthcare and Biotechnology sector securities: Analyst DB:ACR,ADR,CGS,COH,CSL, CYC,MEB,NAN,OPT,OSP,PNV,SOM,TPE,UCM,VTI; Analyst MP: ACR, ADR, AXP, CGS,OPT,CUV, MEB, MX1, NAN, PXS,RNO,SOM, VTI. These interests can change at any time and are not additional recommendations. Holdings in stocks valued at less than \$100 are not disclosed.

Subscription Rates (inc. GST)

48 issues per year (electronic distribution): **\$470**

[For multiple email distributions within \$750 2-3 email addresses
the same business cost centre, our \$1010 4-5 email addresses
pricing structure is as follows: \$1280 6-10 email addresses]

To subscribe, post/fax this subscription form to:

**Bioshares
PO Box 193 Richmond VIC 3121
Fax: +61 3 9329 3350**

I enclose a cheque for \$ _____ made payable to **Blake Industry & Market Analysis Pty Ltd**, or

Please charge my credit card \$ _____ MasterCard Visa

Card Number

Signature _____ Expiry date _____

Subscriber details

Name _____

Organisation _____

Ph () _____

Emails _____
