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Bioshares

12 September 2014
Edition 568

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

Companies covered: CGS, PVA, UCM,
Sales Review FY13

	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 - current)	24.6%
Cumulative Gain	461%
Av. Annual gain (14 yrs)	17.9%

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Cogstate Signs Important Precision Recruitment Contract

Cogstate (CGS: \$0.29) has signed its second contract for its Precision Recruitment product, this one for a Phase III study in Alzheimer's disease. This contract is important because it is under a new model, whereby Cogstate is paid for each patient it screens that is confirmed to have early stage Alzheimer's disease. This is potentially a more commercially valuable product for the company, and one where at this point, it does not have competitors.

Cogstate has invested in product development over the last 12 months to bring this new product to the market. It expects to generate between \$3-\$6 million in revenue from this product this financial year.

The trial will recruit just over 1,500 patients and Cogstate has already secured the rater training services for the trial, worth \$7.3 million. The trial is being conducted in 15 countries, with Cogstate to screen patients in five of those countries, representing around 40% of the total patients expected to be recruited.

Addressing Screening Failure

What is important about this trial is that Cogstate will gain valuable data as to how effective its technology is in picking up people with early stage Alzheimer's disease. It will be able to gain this data quickly, because it will invoice its client for each patient successfully enrolled into the trial. To be enrolled into the trial, patients will need to show amyloid build up in the brain through a PET scan using tracers that have been commercialised in recent years.

Cogstate CEO, Brad O'Connor, said currently there is a high screening failure rate for Alzheimer's disease trials. Any improvement to the screening success rate would be a good result said O'Connor, as long as it justifies the added cost. A 50% positive screening rate would be viewed as a great result. Cogstate should have some data on its success rate by the half year results, with the trial expected to start around November this year.

If Cogstate can achieve a good success rate, then there is the potential that the product could be used in other countries involved in this trial. It will also be a valuable marketing tool with other biotech and pharmaceutical companies undertaking clinical trials in the Alzheimer's disease space.

Cogstate is capitalised at \$29 million.

Bioshares recommendation: Speculative Buy Class A

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Bioshares Model Portfolio (12 Sept 2014)

Company	Price (current)	Price added to portfolio	Date added
Actinogen	\$0.047	\$0.050	September 14
Benitec Biopharma	\$1.055	\$1.025	September 14
LBT Innovations	\$0.130	\$0.130	July 14
pSivida	\$4.900	\$3.800	May 14
Invion	\$0.083	\$0.089	February 14
Impedimed	\$0.480	\$0.245	December 13
Analytica	\$0.036	\$0.025	December 13
Imugene	\$0.016	\$0.022	November 13
Oncosil Medical	\$0.130	\$0.155	September 13
IDT Australia	\$0.240	\$0.260	August 13
Viralytics	\$0.280	\$0.300	August 13
Tissue Therapies	\$0.410	\$0.255	March 2013
Somnomed	\$2.10	\$0.94	January 2011
Cogstate	\$0.290	\$0.13	November 2007

Portfolio Changes – 12 September 2014**IN:**

No changes

OUT:

No changes

USCOM – A Further Update

Uscom (UCM: \$0.25) CEO Rob Phillips presented to investors this week. The company's lead product, the USCOM 1A cardiac output monitor, is saving lives and is slowly being accepted globally said Phillips, with 650 installed systems, and 70 sold in the last year.

Phillips speculated that if a major company such as GE Healthcare was selling its USCOM 1A, there would be 10 in every hospital. In the last financial year, there were 36 new publications covering what the company calls its premium cardiovascular devices.

The company now has 30 distribution deals in place, up from 12 a little over a year ago. It's biggest future distribution deal is in China with China Pioneer Pharma Holdings. Pioneer is expected to start selling the company's BP+ device for measuring central pressure in 2015, once regulatory approval is received. That will trigger a five year, \$7 million distribution deal.

Pioneer has over 1,000 sales reps, links with 510 regional distributors and sells to over 20,000 hospitals in every region in China.

The BP+ device will compete on quality and price, with Phillips saying it's a good device and the least expensive on the market. It costs US\$3,950, compared to the Atcor Medical device which costs US\$14,000, and four other devices priced between US\$6,000-\$7,000.

The USCOM 1A competes as a unique product offering, being the only non-invasive ultrasound device for cardiac output measurement in the market.

The milestones for the company in the coming year include: appointment of additional distributors, increasing the capacity of its manufacturing, new product partnerships, expanding its management and board, and the company targeting profitability in FY2015.

Uscom generated revenue of \$1.1 million last year with a loss of \$1.5 million. The company's annual cost base is \$2.3 million. Its products are currently made in Sydney.

Uscom always includes some testimonials with its presentations. The following is from Anaesthetist Professor Brendan Smith, from the NSW Department of Health. "This machine is saving lives, there are no two ways about it," in reference to the USCOM 1A monitor.

Patents: The company has 22 granted patents around the USCOM 1A and 34 granted patents around the BP+, with patent life running out past 2024.

Capitalisation: \$20 million

Bioshares recommendation: **Speculative Buy Class B**

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Positive Signs for pSivida for September 26 FDA Decision

pSivida (PVA: \$4.90) has only two weeks to wait for a decision from the FDA around approval of the eye treatment drug Iluvien, which is being commercialized by its licensee, Alimera Sciences. The PDUFA date is 26 September.

This is the third time that Alimera has filed Iluvien for approval with the FDA. This time, the distinction is likely to be for the treatment of patients with chronic diabetic macular edema (DME) rather than all patients with DME. The FDA has informed Alimera that an Advisory Committee meeting would not be necessary and Alimera has been in labeling discussions with the FDA, which is good news for Alimera and pSivida.

If Alimera receives FDA approval for Iluvien, it will be required to pay pSivida a US\$25 million milestone payment. pSivida had US\$18.4 million in cash at the end of June, and the company indicated that if it receives that milestone payment, it will be funded out to 2017. pSivida is also entitled to 20% of any net profits, on a quarter-by-quarter basis, and on a country-by-country-basis. It is also entitled to 33% of any non-royalty consideration received by Alimera, such as license fees.

Alimera's Cost Recoupment

On the flip side, Alimera can recoup 20% of previously incurred net losses on a country-by-country basis from pSivida. At June 30, 2014, Alimera stated that it was owed US\$13 million in commercialisation costs by pSivida. However, according to pSivida, Alimera can only recoup these costs by an offset of up to 4% of net profits in each country, which means that pSivida should still receive a 16% net profit share until those costs are fully recouped.

Iluvien was launched in the UK and Germany last year. In the last quarter, Alimera generated a net revenue of US\$2.2 million from Iluvien sales. Alimera expects to launch Iluvien in Portugal and France by the end of this year. The product is currently approved for sale in 10 European countries with approval pending in a further seven countries. pSivida has yet to receive any royalties from Iluvien sales.

Phase III Medidur Trial Progressing Well

pSivida is forging ahead with its own development projects while it awaits for money to flow in from Iluvien sales and approvals. Last year it started a Phase III trial with its own eye product, Medidur, for the treatment of posterior uveitis. This is a condition that affects 175,000 people in the US, and which is characterised by the swelling of the uvea at the back of the eye. It is responsible for blindness in around 30,000 people.

The trial will recruit 120 patients. Recruitment is expected to be completed by the first quarter of next year, with a 12 month follow up. This means results will be available in 2016.

Medidur is essentially the same product as Iluvien. However it is 100% owned by pSivida. pSivida can reference the data from the Phase III trials that Alimera has conducted with Iluvien. pSivida now believes that only one Phase III trial will be required to bring this product to market in the US.

If it does gain approval in the US, then it will create pressures on the owner of Iluvien, potentially to acquire the pSivida asset. The company will need approval for a new applicator that will deliver the Medidur product into the eye, with a usability study probably required that pSivida CEO Paul Ashton said can be conducted quickly.

pSivida's core ophthalmic drug delivery technology has represented three of the four long acting depot injections products into the eye that have been approved by the FDA. An earlier pSivida product, called Retisert, used the same generic corticosteroid but with more side effects than Iluvien being commercialised by Alimera. Ashton believes that Medidur, as a (slightly) lower dose form, will be comparable if not have fewer side effects than Iluvien, which has shown to have far fewer side effects than Retisert.

Leveraging Long Acting Drug Delivery Technology

pSivida has also been working on other drug delivery programs with peptides or antibodies into the eye. It has programs being run independently as well as a collaboration with a global biopharmaceutical company. Both its own preclinical programs and that with its partner are progressing well said Ashton. The next peptide drug candidate is expected to move into the clinic next year.

Two of the biggest selling drugs in ophthalmology need to be injected every four to eight weeks. If this frequency could be reduced to once every six months then it would be a large clinical advance as well as providing a significant competitive advantage believes Ashton.

pSivida is also looking to use its sustained release technology outside of the eye, potentially with the ability to offer product differentiation to biosimilars and patent life extensions.

Summary

To date pSivida has received \$55 million in licensing income from its partners. Going forward the company expects to partner some programs and is increasingly looking to develop its own programs where that is manageable. Paul Ashton says there is a large unmet need for sustained release delivery systems for protein and peptide drugs, both in and outside of the eye.

pSivida is capitalised at \$129 million. The company generated a net loss last year of US\$13.4 million.

Bioshares recommendation: **Speculative Buy Class A**

Bioshares

Results Summary June 30 Reporting Companies – FY2014

SORTED BY SALES

All Figures in AUD [USD Reporting Companies Converted with Exchange Rate June 30 for Analysis]– *Invision cont'd*

Company	Code	Cap (\$M)	Price 12/09/14	2013	2014	2013	2014	%ch.	2013	2014	% ch.	P	PE	P/S
				Revenues	Revenues	Sales	Sales		Profit/Loss	Profit/Loss				
CSL	CSL	\$34.907	\$73.36	\$5,530.46	\$5,865.06	\$5,337.36	\$5,663.87	6%	\$1,306.09	\$1,387.62	6%	P	25	6.2
Resmed Inc.	RMD	\$8,222	\$5.86	\$1,665.50	\$1,678.48	\$1,632.84	\$1,640.27	0%	\$331.14	\$366.57	11%	P	22	5.0
Cochlear	COH	\$3,818	\$66.99	\$755.03	\$804.94	\$752.72	\$797.08	6%	\$132.56	\$93.71	-29%	P	41	4.8
Blackmores	BKL	\$531	\$31.25	\$327.54	\$347.75	\$326.60	\$346.76	6%	\$24.98	\$25.43	2%	P	21	1.5
Mayne Pharma Group	MYX	\$440	\$0.75	\$84.07	\$143.68	\$83.43	\$143.25	72%	-\$2.84	\$21.29		P	21	3.1
Sirtex Medical	SRX	\$1,232	\$22.00	\$100.30	\$131.29	\$96.77	\$129.36	34%	\$18.92	\$23.87	26%	P	52	9.5
Probiotec	PBP	\$17	\$0.33	\$67.35	\$72.81	\$67.34	\$68.21	1%	\$0.60	\$0.90	51%	P	19	0.3
SDI	SDI	\$67	\$0.56	\$56.68	\$65.44	\$56.61	\$65.33	15%	\$4.69	\$6.47	38%	P	10	1.0
Ellex Medical Lasers	ELX	\$38	\$0.35	\$43.09	\$54.78	\$42.80	\$54.38	27%	-\$0.82	\$0.79		P	48	0.7
Acrux	ACR	\$259	\$1.55	\$16.53	\$53.86	\$15.55	\$53.37	243%	\$6.93	\$27.97	304%	P	9	4.9
Compumedics	CMP	\$19	\$0.12	\$27.93	\$31.74	\$27.15	\$30.84	14%	-\$1.49	\$0.91		P	21	0.6
Somnomed	SOM	\$104	\$2.10	\$18.58	\$25.91	\$18.49	\$25.89	40%	\$0.71	\$0.21	-70%	P	484	4.0
ITL	ITD	\$17	\$0.21	\$24.95	\$25.97	\$24.89	\$25.86	4%	\$2.46	\$2.02	-18%	P	9	0.7
Nanosonics	NAN	\$304	\$1.15	\$17.59	\$25.61	\$14.90	\$21.49	44%	-\$5.77	-\$2.61	-55%			14.1
Bionomics	BNO	\$250	\$0.60	\$3.72	\$19.92	\$1.09	\$19.20	1663%	-\$10.00	\$3.21		P	78	13.0
Mesoblast	MSB	\$1,629	\$5.06	\$28.79	\$25.98	\$18.26	\$16.41	-10%	-\$61.66	-\$80.95	31%			
Unilife Corporation	UNS	\$316	\$0.51	\$3.44	\$15.82	\$2.93	\$15.60	433%	-\$68.14	-\$61.47	-10%			20.3
IDT Australia	IDT	\$18	\$0.24	\$13.38	\$13.37	\$13.31	\$13.17	-1%	-\$5.35	-\$6.63	24%			1.4
Cogstate	CGS	\$29	\$0.29	\$12.60	\$12.44	\$12.46	\$12.27	-2%	-\$2.12	-\$3.89	83%			2.3
Medical Australia	MLA	\$16	\$0.16	\$9.16	\$11.98	\$9.15	\$11.87	30%	-\$1.32	\$0.07		P	224	1.4
Medical Developments	MVP	\$68	\$1.20	\$11.83	\$9.42	\$11.73	\$9.37	-20%	\$2.31	\$0.88	-62%	P	78	7.3
Cryosite	CTE	\$20	\$0.42	\$8.76	\$9.42	\$8.50	\$9.17	8%	\$1.25	\$0.51	-60%	P	39	2.1
SUDA	SUD	\$46	\$0.05	\$4.07	\$8.75	\$4.05	\$8.65	114%	-\$1.67	-\$2.06	24%			5.4
Alchemia	ACL	\$201	\$0.62	\$10.38	\$8.65	\$9.62	\$8.14	-15%	-\$4.77	-\$6.92	45%			24.7
ASDM	AMT	\$3	\$0.06	\$7.18	\$8.79	\$7.16	\$7.97	11%	-\$0.57	-\$0.06	-89%			0.3
Allied Health Group	AHZ	\$209	\$0.15	\$7.42	\$7.94	\$7.40	\$7.90	7%	-\$2.42	-\$6.62	174%			26.4
Living Cell Technologies	LCT	\$25	\$0.07	\$10.59	\$7.94	\$7.51	\$7.39	-2%	-\$2.98	-\$6.78	128%			3.4
Holista Colltech	HCT	\$7	\$0.05	\$5.48	\$6.27	\$5.26	\$6.18	17%	-\$1.70	-\$3.37	98%			1.1
Progen Pharmaceuticals	PGL	\$14	\$0.26	\$3.51	\$5.75	\$3.32	\$5.53	67%	-\$2.09	-\$1.81	-14%			2.5
Genetic Technologies	GTG	\$17	\$0.03	\$8.16	\$5.54	\$6.83	\$5.43	-21%	-\$9.35	-\$10.28	10%			3.1
Atcor Medical	ACG	\$15	\$0.09	\$9.06	\$5.06	\$9.06	\$5.05	-44%	\$2.37	-\$2.66	-212%			2.9
Pharmaxis	PXS	\$17	\$0.06	\$6.22	\$6.95	\$3.24	\$5.04	56%	-\$38.64	-\$51.82	34%			3.4
LBT Innovations	LBT	\$13	\$0.13	\$4.42	\$3.92	\$4.34	\$3.88	-11%	\$0.53	-\$0.97	-283%			3.4
Impedimed	IPD	\$115	\$0.48	\$2.93	\$3.58	\$2.73	\$3.52	29%	-\$8.46	-\$7.94	-6%			32.6
Avita Medical	AVH	\$34	\$0.11	\$4.05	\$3.28	\$2.82	\$2.68	-5%	-\$8.22	-\$5.15	-37%			12.7
Brain Resource Corp	BRC	\$30	\$0.29	\$3.46	\$2.55	\$3.17	\$2.48	-22%	-\$1.46	-\$1.98	36%			11.9
Bioxyne	BXN	\$4	\$0.02	\$0.90	\$2.40	\$0.88	\$2.31	162%	-\$6.19	\$1.17		P	3	1.6
Resonance Health	RHT	\$20	\$0.05	\$1.71	\$2.31	\$1.53	\$2.28	50%	-\$0.36	-\$0.07	-80%			8.6
Clinuvel Pharmaceuticals	CUV	\$155	\$3.69	\$1.96	\$2.53	\$1.52	\$2.20	45%	-\$6.80	-\$5.53	-19%			
Regeneus	RGS	\$54	\$0.30	\$1.77	\$2.09	\$1.72	\$1.90	11%	-\$5.20	-\$7.52	45%			28.5
Pharmaust	PAA	\$14	\$0.01	\$1.72	\$2.01	\$1.62	\$1.88	16%	-\$0.51	-\$1.32	156%			7.7
pSivida	PVA	\$142	\$4.90	\$2.31	\$3.45	\$1.47	\$1.40	-5%	-\$12.83	-\$14.18	11%			
Cellmid	CDY	\$20	\$0.03	\$0.60	\$2.27	\$0.54	\$1.15	112%	-\$1.54	-\$1.48	-4%			17.3
USCOM	UCM	\$20	\$0.25	\$0.59	\$1.06	\$0.58	\$1.06	82%	-\$1.37	-\$1.52	11%			19.2
Immuron	IMC	\$21	\$0.01	\$0.51	\$1.26	\$0.15	\$1.04	596%	-\$3.54	-\$2.54	-28%			20.1
NuSep Holdings	NSP	\$11	\$0.07	\$0.92	\$0.86	\$0.92	\$0.85	-7%	-\$1.84	-\$3.84	109%			13.5
Orthocell	OCC	\$63	\$0.38	\$1.24	\$1.28	\$0.52	\$0.69	32%	-\$1.32	-\$2.18	65%			
QRxPharma	QRX	\$5	\$0.03	\$4.24	\$0.75	\$4.01	\$0.67	-83%	-\$16.05	-\$13.34	-17%			7.6
Circadian Technologies	CIR	\$9	\$0.18	\$1.15	\$0.88	\$0.62	\$0.60	-3%	-\$5.00	-\$4.00	-20%			14.6
Calzada	CZD	\$42	\$0.10	\$0.28	\$0.27	\$0.01	\$0.56	7900%	-\$1.50	-\$2.94	96%			
Dorsavi	DVL	\$53	\$0.44	\$0.54	\$0.77	\$0.40	\$0.53	33%	-\$1.66	-\$3.56	115%			
Bluechiip	BCT	\$15	\$0.11	\$0.10	\$0.16	\$0.09	\$0.42	393%	-\$3.59	-\$1.06	-70%			34.7
Simavita	SVA	\$36	\$0.54	\$0.57	\$0.47	\$0.32	\$0.35	10%	-\$7.39	-\$10.49	42%			
Anteo Diagnostics	ADO	\$108	\$0.13	\$0.68	\$1.43	\$0.22	\$0.31	41%	-\$2.18	-\$2.49	14%			
Benitec	BLT	\$121	\$1.06	\$0.64	\$0.60	\$0.52	\$0.28	-47%	-\$3.49	-\$7.03	102%			
Starpharma Holdings	SPL	\$200	\$0.70	\$2.43	\$1.25	\$0.84	\$0.27	-68%	-\$5.23	-\$14.64	180%			
Genera Biosystems	GBI	\$23	\$0.26	\$0.07	\$0.21	\$0.04	\$0.20	365%	-\$2.26	-\$2.46	9%			
Rhinomed	RNO	\$18	\$0.04	\$0.30	\$0.29	\$0.00	\$0.20		-\$19.56	-\$3.99	-80%			
Optiscan Imaging	OIL	\$12	\$0.04	\$0.98	\$0.09	\$0.99	\$0.07	-93%	-\$0.64	-\$1.42	120%			
Actinogen	ACW	\$10	\$0.05	\$0.03	\$0.03	\$0.00	\$0.02		-\$0.16	-\$0.44	168%			
Isonea	ISN	\$30	\$0.12	\$0.08	\$0.27	\$0.01	\$0.02	58%	-\$5.58	-\$10.31	85%			
Prima Biomed	PRR	\$48	\$0.04	\$2.59	\$2.73	\$0.00	\$0.02		-\$15.23	-\$13.34	-12%			
Analytica	ALT	\$29	\$0.04	\$0.51	\$0.57	\$0.01	\$0.01	-50%	-\$1.14	-\$3.18	180%			
Phylogica	PYC	\$9	\$0.02	\$0.67	\$0.83	\$0.00	\$0.00		-\$3.44	-\$3.26	-5%			
Prana Biotechnology	PBT	\$127	\$0.26	\$0.15	\$0.36	\$0.00	\$0.00		-\$7.79	-\$13.33	71%			

Notes: Revenues exclude R&D Tax Refunds; Sales include Licensing and Royalty Income; P - denotes Profitable, June 30, 2014; PE - Price/Earnings Ratio; P/S - Price/Sales Ratio [less than 50]; ^ - Reports in US dollars

Results Summary June 30 Reporting Companies – FY2014

SORTED BY SALES

All Figures in AUD [USD Reporting Companies Converted with Exchange Rate June 30 for Analysis]

Company	Code	Cap (\$M)	Price 12/09/14	2013	2014	2013	2014	%ch.	2013	2014	% ch.	P	PE	P/S < 50
				Revenues	Revenues	Sales	Sales		Profit/Loss	Profit/Loss				
Oncosil Medical	OSL	\$16	\$0.13	\$0.10	\$0.31	\$0.00	\$0.00		-\$0.88	-\$4.22	380%			
Invision	IVX	\$45	\$0.08	\$0.11	\$0.30	\$0.00	\$0.00		-\$5.17	-\$6.88	33%			
Viralytics	VLA	\$52	\$0.28	\$0.26	\$0.30	\$0.00	\$0.00		-\$4.13	-\$5.53	34%			
Tissue Therapies	TIS	\$108	\$0.41	\$0.28	\$0.23	\$0.00	\$0.00		-\$5.74	-\$6.83	19%			
Patrys	PAB	\$16	\$0.02	\$0.23	\$0.18	\$0.00	\$0.00		-\$3.53	-\$7.28	106%			
OBJ	OBJ	\$138	\$0.09	\$0.11	\$0.14	\$0.00	\$0.00		-\$1.33	-\$2.21	66%			
Cynata Therapeutics	CYP	\$20	\$0.45	\$0.07	\$0.11	\$0.03	\$0.00		-\$0.92	-\$3.04	232%			
Novogen	NRT	\$25	\$0.15	\$1.73	\$0.09	\$1.07	\$0.00		-\$0.78	-\$7.57	865%			
Antisense Therapeutics	ANP	\$19	\$0.14	\$0.20	\$0.08	\$0.00	\$0.00		-\$2.45	-\$3.01	23%			
Agenix	AGX	\$2	\$0.01	\$0.03	\$0.07	\$0.00	\$0.00		-\$3.26	\$0.79	-124%			
Imugene	IMU	\$10	\$0.02	\$0.02	\$0.03	\$0.00	\$0.00		-\$1.56	-\$0.21	-86%			
Bone Medical	BNE	\$5	\$0.02	\$0.00	\$0.02	\$0.00	\$0.00		-\$1.85	-\$3.54	91%			
Virax Holdings	VHL	\$6	\$0.01	\$2.24	\$0.01	\$0.00	\$0.00		\$1.79	-\$1.30	-173%			
Avexa	AVX	\$17	\$0.02	\$0.45	\$0.00	\$0.00	\$0.00		-\$2.98	-\$2.90	-3%			
Biotron	BIT	\$17	\$0.12	\$0.00	\$0.00	\$0.00	\$0.00		-\$3.85	-\$3.09	-20%			
Medigard	MGZ	\$1	\$0.02	\$0.01	\$0.00	\$0.00	\$0.00		-\$0.27	-\$0.33	20%			

Notes: Revenues exclude R&D Tax Refunds; Sales include Licensing and Royalty Income; P - denotes Profitable, June 30, 2014; PE - Price/Earnings Ratio; P/S - Price/Sales Ratio [less than 50]; ^ - Reports in US dollars

Method

We have compiled revenue, sales and profit/loss results for 81 ASX listed life science companies that reported their full year results for the financial year ending June 30, 2014.

Companies not included were Asian American Medical Group, Osprey Medical, GI Dynamics, Reva Medical, Universal Biosystems, Phosphagenics, Clover Corp, Cyclopharm, Sigma Pharmaceuticals, API, Reproductive Health Science, Innate Immunotherapeutics, Vita Life Sciences, Scigen and Neuren Pharmaceuticals, which report under different financial years.

Revenues includes sales and all other income, including interest, grants but excluded R&D Tax Incentive scheme refunds.

Sales includes income from sale of products and services as well as licensing and royalties income.

The results for four companies which report in USD (CSL, Resmed, Unilife and pSivida) were converted to AUD for the purposes of this analysis.

Analysis

Of the 81 companies for which financial results were tabulated, 18 were profitable for the year ending June 30, 2014. Companies which posed an increase in net profit were Resmed (11%), CSL (6%), Blackmores (2%), Sirtex Medical (26%), Probiotec (51%), SDI (38%) and Acrux (304%).

Mayne Pharma, Ellex Medical Lasers, Compumedics, Bionomics, Medical Australia and Bioxyme shifted from being loss making into being profitable.

The largest profit was recorded by CSL (\$1.4 billion) followed by Resmed (\$367 million), Cochlear (\$94 million) and Blackmores (\$25 million).

There were 43 companies which reported an increase in sales, 20 companies reported a decrease or no change, with the balance of 18 companies reporting no sales.

There were 25 companies which reported sales of greater than \$1 million but less than \$10 million. Ten companies reported sales of greater than \$10 million but less than \$50 million. Four companies reported sales of greater than \$50 million but less than \$100 million – Ellex Medical Lasers, Acrux, SDI and Probiotec.

Watch List

The sales and profits tabulation has thrown up several companies for investors to scrutinise further. Bioxyme reported a large increase into sales and a shift into profitability. It is trading on a price/earnings ratio of 3 and a price/sales ratio of 1.6. These figures could suggest that the stock is an under-performer and a non-growth play. However, its CAGR since FY2010 is 32%, suggests otherwise and that it potentially is currently being mis-priced. The company has exited its therapeutics program and now is focused on sales of probiotics. At present, there is a lack of clarity behind the FY2014 sales and profit results, with further analysis required.

Similarly, Medical Australia may be another stock to watch with a CAGR of 13% and a price/sales ratio of 1.4.

Somnomed remains attractive at current prices, trading on a price/sales ratio of 4.0, which is below the rule-of-thumb high growth multiple of 5 times. Somnomed's CAGR since FY2010 is 25%. In contrast, Sirtex Medical, which has a CAGR of 19% over the same period, is trading on a price/sales ratio of 9.5 and is beginning to look expensive.

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, Impedimed, QRxPharma, LBT Innovations, Tissue Therapies, Viralytics, Phylogica, pSivida, Benitec BioPharma, Admedus, Calzada, Invion, Circadian Technologies, Imugene, Analytica

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