



Biotech Daily's Ag & Vet Weekly

Monday August 5 – Friday August 9, 2019

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, BD-AV30 UP: UP 7%; DOWN 13%**
- * **DR BOREHAM'S CRUCIBLE: SHAREROOT**
- * **ELDERS RIGHTS RAISE \$32.7m, TAKES EQUITY RAISING TO \$137m**
- * **BIOSCIENCE MANAGERS \$5.5m FOR CSIRO, PHARMAMARK INTENCAP**
- * **CRESO, MEDLEAF NZ 'TARGETS NOT MATERIAL'**
- * **ANATARA TO LICENCE DETACH PIGLET DIARRHOEA TREATMENT**
- * **FONTERRA TO SELL PORTION OF BEINGMATE SHARES**
- * **MITSUBISHI TAKES 7.5% OF A2 MILK**
- * **SUMITOMO MITSUI INCREASES TO 9.2% IN NUFARM**
- * **ALLAN GRAY INCREASES TO 6.4% IN NUFARM**
- * **COOPER INVESTORS DECREASES TO 6.4% IN BEGA CHEESE**
- * **COMMONWEALTH BANK TO CEASE SUBSTANTIAL IN RIDLEY**

MARKET REPORT

The Australian stock market rose 0.25 percent on Friday August 9, with the ASX200 up 16.3 points to 6,584.4 points. Thirteen of the Biotech Daily Ag & Vet 30 stocks were up, nine fell, four traded unchanged and four were untraded.

Creso Pharma was the best, up 4.0 cents or 7.23 percent to 44.5 cents with 399,586 shares traded. Wattle Health and Pharmaust climbed more than six percent; Food Revolution Group and Abundant Produce were up five percent or more; Zelda Therapeutics, Tasfoods and Ocean Grown Abalone improved more than three percent; Nufarm and Costa Group rose more than two percent; Avita, Mesoblast, Pharmaxis and Volpara were up more than one percent; Bega increased by more than percent, with Ridley Corporation and Fonterra up by less than one percent.

Wide Open Agriculture led the falls, down 2.0 cents or 13.33 percent to 0.130 cents with 43,334 shares traded. Regeneus lost 9.5 percent; Anatara fell more than eight percent; Memphasys shed more than five percent; National Vet Care lost more than two percent, Elders, Tassal and Clean Seas fell more than one percent; with A2 Milk down by less than one percent.

DR BOREHAM'S CRUCIBLE: SHAREROOT

By TIM BOREHAM

ASX Code: SRO

Share price: 0.1 cents; **Shares on issue:** 2,849,065,499; **Market cap:** \$2.85 million

Chief executive officer: Michelle Gallaher

Board: Dr Julian Chick (chairman), Damon Rasheed, Marat Basyrov

Financials (year to June 30, 2019): revenue \$900,000, loss of \$3.4 million, June quarter receipts of \$194,000, cash outflows of \$218,000, cash of \$99,000*, estimated current quarter outflows \$609,000.

* Ahead of July capital raising of \$1.3 million

Major shareholders: Antanas Guoga 9.4%, Scintilla Strategic Investments 4.2%, Rewop Pty Ltd (Scott Power** Super Fund) 2.95%, Marat Basyrov 2.56%, Derek Jellinek** 2.4%, Gavin Dunhill 1.76%, Noah Abelson 1.72%

** Morgans biotech analysts.

"If pain persists, see your doctor," intone the ads for over-the-counter pills and potions - if only as an afterthought demanded by the lawyers.

But these days, patients are skipping the doctor's surgery and the dog-eared mags in favor of Tweeting about their severe migraines or Instagramming their exotic ulcers.

"It's the way people talk and engage, now," says Shareroot chief Michelle Gallaher.

Shareroot's key premise is that when prudently and strategically tapped, such "unstructured" data can be highly useful.

Social media posts are a subset of 'real world' data, which means delving beyond rarefied clinical trials to sources such as patient health records, patient surveys, disease registries and - when it's all gone pear shaped - mortality data.

Essentially a medical marketing company, Shareroot is all about scraping this freely available data and then slicing and dicing it into material clients will buy.

Ms Gallaher cites a family member with breast cancer, who would take a selfie and post it on Facebook every time she went to hospital, along with an update on how she felt.

"That's actually valuable information," Ms Gallaher says. "Such unstructured data is helpful to round out observational studies or to track off-label use."

The key, of course is to make the data useful while respecting privacy protocols and other ethical considerations.

Shareroot's ultimate goal is to develop a platform that enables parties to use patient data, with permission, which will allow for more granular information to be collated.

Ms Gallaher hopes that platform could be a conduit for patients to donate their data to medical research with no privacy fears.

Shareroot's roots

Founded by Silicon Valley entrepreneurs Noah Abelson-Gertler and Marc Angelone, Shareroot back-door listed on the ASX in late 2015 when the local bourse was the vehicle of choice for California tech titans.

The company raised \$5 million in the process, at five cents apiece.

Initially, Shareroot's charter was to provide a platform for enterprises to obtain user-generated content legally. The idea was that if McDonald's liked a pic of a couple walking the beach at sunset while scoffing a Chicken McNugget, it could obtain consent from the snapper to use the image in its advertising. Or something like that.

The business didn't exactly hit its stride, but in April last year it paid \$500,000 for Ms Gallaher's business The Social Science, which provides social media marketing and material for the health sector.

In January this year, the whole Shareroot board resigned after a revolt led by shareholders of the shell company Monto Minerals, over a proposed share consolidation (which was shelved).

In what she dubs her Steven Bradbury moment, Ms Gallaher received a late-night phone call informing her she was the last person standing in management and could she fill the CEO chair?

"I had to decide whether to run away or to step up and do it," she said.

As with Keanu Reeves in The Matrix, she chose the red pill.

A former Telstra Businesswoman of the Year, Ms Gallaher is well-known for her involvement in health sector policy, including advocating laws that allow wider scope for in-vitro fertilization and stem cell research.

She also had wide experience in pharmaceutical marketing and product development before co-founding The Social Science in 2014.

Ms Gallaher says when she started doing pharma marketing in the 1990s, the industry had little understanding of the value of data.

"Fast forward 20 years and not much has changed: pharma marketers are still quite challenged as to how they use the data and how the regulators will let them access the data."

The reconstituted board also includes chairman Dr Julian Chick, best known as former CEO of Avexa. Two other tech-savvy directors, Damon Rasheed and Marat Basyrov, have also come on board.

Shareroot has a fascinating largest shareholder in Antanas Guoga, better known as Mr T - a Lithuanian businessman, poker player philanthropist and Australian permanent resident, Mr Guoga is also a former member of the European Parliament.

The link is not as obscure as one might think: like most Eastern European countries, Lithuania is streets ahead with the digital transformation of its health system.

Opyl mining for valuable data

Gallaher says she sold The Social Service to Shareroot on the back of its Mediaconsent Medical platform.

As the name implies, Mediaconsent Medical is about facilitating patient consent to use information, which may be hidden in private postings (such as Facebook groups for cancer sufferers).

“I wanted my hands on that platform because I could see the opportunity around digital and rights management in healthcare, particularly around clinical trials,” Ms Gallaher says.

But funds were - and are - short at Shareroot and Ms Gallaher realized the company needed a non-permission-based business for short-term revenue.

Last month the company unveiled Opyl, which slices and dices public data using artificial intelligence and machine learning.

The division, which is in its start-up phase, aims to leverage The Social Science’s existing client base.

Ms Gallaher cites an unnamed client who discovered, via Opyl’s work, that the barrier to its proposed remedy was not doctor acceptance as assumed, but resistance among potential patients for social reasons.

“The key (impediment) was the social consequences in relation to their peers: they didn’t want to be the first ones to use it.”

Hey Michelle! That client sounds awfully like a cannabis drug developer.

While Opyl’s revenue model is still being tweaked, clients currently are charged \$30,000 to \$200,000 for a project that might take four days or three weeks.

Widget and other things

The Shareroot business also includes Rank’d, which categorizes the most relevant academic papers and other content based on a search term.

The division works on a subscription fee-based model and has clients including universities, hospitals and medical research institutes.

Rank'd can also be used to disseminate recall notices from health regulators and clinical trial information.

Shareroot also has a social influencer business called Widget, which focuses on better linking the influencer's remuneration with sales achieved. The market here is for purveyors of over-the-counter health products such as skin care or baby products.

Finances and performance

Shareroot doubled revenue to \$900,000 in the year to June 2019, losing \$3.4 million in the process. The fourth (June) quarter showed receipts of \$194,000 and cash burn of \$218,000.

Given the company's radical overhaul, it's hard to read too much into the numbers. But management forecasts "strong" revenue growth in the current 2019-'20 year.

Management also expects to report a reduced cash burn by 40 percent in 2018-'19, having fired 40 percent of the existing staff and closed most of the US operations.

"We have had to pull our belt in," Ms Gallaher says. "Cash burn just wasn't sustainable." Cash? Glad you asked.

Shareroot held \$99,000 at the end of June and in July carried out a two-for-three rights issue, targeting \$954,342 at 0.1 cents apiece. But after professional investors took up an initial shortfall and put out their hands for more, the company raised \$1.3 million.

Shareroot will also boost its coffers by the intended sale of a business called Ludomade, which creates promotional software applications for the entertainment and consumer goods sectors.

Acquired only late last year for \$US500,000 (\$736,000), Ludomade is now deemed a management distraction.

Ms Gallaher is also aggressively chasing the Federal Research and Development Tax Incentive and other government grants hitherto untapped by the company.

Currently, The Social Science is doing the heavy lifting revenue-wise, but Ms Gallaher expects Rank'd - currently based on a 'freemium' model - to be profitable within 12 months.

But the true value of Rank'd lies in generating data to feed into Opyl.

The Widget influence platform was developed as a sideline, but it's generating some income.

"Widget was the unplanned pregnancy but it is still an attractive baby," Ms Gallaher says.

What's in a name?

The Opyl moniker was adopted because 'opal' was trademarked already.

The name was inspired by gemstones because "when you hold the data up you see different things in it."

Noice.

However, Ms Gallaher concurs the name Shareroot isn't so nice. Indeed, it might even have smutty connotations for those of such a mindset (your columnist excluded of course).

Being the good marketers that they are, management will address a name change. "But we need to get the packaging right and it has to be done in an efficient way," Ms Gallaher says.

Dr Boreham's diagnosis:

Ms Gallaher is excited by trends in the US, where the Food and Drug Administration now allows more reliance on real world (or anecdotal) evidence than fuddy-duddy large randomized controlled trials.

Last year US oncology electronic health records outfit Flatiron Health was acquired by Roche for \$US1.9 billion, while health data analytics house Evidation raised \$US30 million of private funding.

Meanwhile, Shareroot shares are trading at one-tenth of a cent, the minimum value allowed by the ASX. But there's a benefit in being rock bottom: "We can't trade any lower, we have nothing to lose."

The Stanford Medical Healthcare Trends report values the healthcare data market at \$US84 billion and reckons it will grow at a compound rate of 21 percent a year up to 2025.

But as any follower of the biotech (or tech) minnows could attest, a capacious potential market does not guarantee success.

Whatever the case, don't expect Shareroot to founder on lack of recognition. "If there's something we can do at The Social Sciences, we can market," Ms Gallaher says.

"A lot of success in the next 12 months will be about me getting out and talking about the company and positioning our company in a really positive way."

It's a case of glory or bust for this one. But you know the company is going down the right path when big pharmaceutical companies hire digital experience officers, who have nothing to do with rectal examinations.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. Rather than Tweeting his man 'flu symptoms, he nobly keeps his suffering to himself.

ELDERS

Elders says it has applications for \$32.7 million in its rights offer at \$5.55 a share, taking its equity raising to \$137 million.

Elders said that applications for the fully underwritten 1 for 6.7 pro rata accelerated non-renounceable rights offer, announced July 15, 2019, represented a take-up rate of about 87 percent.

The company said an institutional placement and offer component of the entitlement offer, which closed on July 16, 2019, had raised about \$100 million.

Elders said the shortfall stock would be allotted to the sub-underwriters of the rights offer. Elders fell 10.5 cents or 1.54 percent to \$6.72 with 237,286 shares traded.

BIOSCIENCE MANAGERS, PHARMAMARK NUTRITION PTY LTD COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION

Bioscience Managers says it has invested \$5.5 million in Pharmamark Nutrition to develop CSIRO micro-encapsulation technology for food and beverage applications.

Bioscience Managers said the funds would go towards the Sydney-based nutrition technology company Pharmamark to develop Commonwealth Scientific and Industrial Research Organisation invented microencapsulation technology with the initial target the \$US62.5 billion (\$A89.3 billion) global baby milk formula market, and the completion of the company's spray dryer facility in Thailand.

The company said that the Intencap technology was "an innovative technology for lipid and bioactive nutrition, by which bio-active ingredients from marine and algal oils and vegetable and fungal oils are micro-encapsulated for food and beverage applications".

Bioscience Managers said the Intencap technology used a flexible protein and carbohydrate base, on which the specific nutrients were loaded, with an emulsion film then applied as a protective barrier, following which the micro-encapsulated nutrients are incorporated into a spray-dried powder.

The company said that a range of different types of nutrients could be loaded into shelf-stable powder products suitable for infant formula and a range of human food formulations, with a high degree of customization possible.

Bioscience Managers said Pharmamark's primary focus was the omega-3 docosahexaenoic acid (DHA) infant formula market in Asia and Oceania.

The company said that docosahexaenoic acid was a type of omega-3 fat, known to support brain function and eye health.

Pharmamark is a private company.

CRESO PHARMA

Creso says its agreement with the Auckland-based Medleaf New Zealand to distribute its cannabidiol and Cannaqix50 for chronic pain is not material.

On Tuesday, Creso said it appointed Medleaf in an agreement that included undisclosed purchase targets (BD: Aug 6, 2019).

Today, the company said the agreement, running until December 31, 2022, included minimum purchase targets that "do not, themselves, represent material revenue".

Creso said it could terminate the agreement by giving six months' notice if targets were not met.

Creso was up 3.0 cents or 7.23% to 44.5 cents with 399,586 shares traded.

ANTARA LIFESCIENCES

Anatara says it has hired an animal health business development consultant to help licence its pineapple-stem bromelain-derived Detach for piglet diarrhoea.

In June, the Florham Park, New Jersey-based Zoetis Inc terminated its 2018 licence to Detach, but the Anatara said it was bound by confidentiality agreements and provided no reasons for the decision (BD: June 14, 2018).

Last year, Anatara said the Zoetis deal comprised an upfront payment of \$US2.5 million (\$A3.4 million) with milestone payments of up to \$US6.3 million and royalties, but Anatara chief executive officer Steve Lydeamore told Biotech Daily that the company had not received any of the milestone payments nor royalties on sales (BD: May 15, Jul 18, 2018). Today, Mr Lydeamore told Biotech Daily the company was developing the human health variant of the bromelain extract and that licencing the animal health Detach would free it to focus on human inflammatory bowel disease and irritable bowel syndrome.

Anatara said it had begun pre-clinical animal studies in inflammatory bowel disease and a human clinical study in irritable bowel syndrome was expected to begin this year with a view to partnering by the end of 2020.

The company said that Detach oral drench was “suited to pre-weaning piglets however many prefer not to use this dosage form in larger, post-weaning piglets”, formulations needed to be developed and the company was exploring, through animal health partner companies, options to develop and commercialize Detach in multiple species.

The company said that zinc oxide had been used as an alternative to antibiotics for scour control and treatment in piglets, but from 2022 high dosage zinc oxide will not be used in the European Union and Detach benefitted from concerns over traditional antimicrobials.

Anatara said it would explore options to develop and commercialize Detach through animal health partner companies, including for use in other species.

Anatara fell 2.5 cents or 8.93 percent to 25.5 cents with 15,185 shares traded.

FONTERRA

Fonterra says it intends to sell a portion of its 18.8 percent shareholding in Beingmate Baby & Child Food Company, having failed to find a buyer for the entire holding.

Fonterra chief executive officer Miles Hurrel said the sale was brought about by a review of the company’s investments, assets and partnerships and that the relationship with the Hangzhou, China-based Beingmate had been “disappointing”

Mr Hurrel said the first action of the review was “bringing the distribution of [its baby formula] Anmum in China back in-house under our management”.

“We then ended the Darnum joint venture with Beingmate, bought back Beingmate’s share of our Darnum facility in Australia, and entered into a multi-year agreement for Beingmate to purchase ingredients from us,” said Mr Hurrel.

“What remains now is our shareholding Beingmate Baby & Child Food... which we now view as a financial investment only,” Mr Hurrel said.

“We have talked to a number of parties regarding the potential sale of our entire stake in Beingmate, but so far have been unsuccessful in finding a buyer,” Mr Hurrel said.

“As a result of this, we are now considering selling part of our holding and, as required by [the Shenzhen Stock Exchange], need to pre-announce our intention,” Mr Hurrel said.

Fonterra was up 1.0 cents or 0.28 percent to \$3.59 with 200 shares traded.

A2 MILK COMPANY

Mitsubishi UFJ Financial and associated companies say they have become substantial shareholders in A2 Milk with 55,168,048 shares or 7.51 percent in the company. The Tokyo, Japan-based Mitsubishi UFJ Financial, the Sydney-based Colonial First State Asset Management and Realindex Investments said in a substantial shareholder announcement they had bought and sold shares between April 1 and August 2, 2019, with the single-largest purchase by Colonial First State of 400,000 shares for \$5,600,000, or \$14.00 a share, on June 12, 2019. A2 Milk fell 4.0 cents or 0.26 percent to \$15.21 with 3,072,178 shares traded.

NUFARM

Sumitomo Mitsui Trust Holdings says it has increased its substantial shareholding in Nufarm from 29,635,785 shares (7.81%) to 34,978,736 shares (9.21%). The Toyko, Japan-based Sumitomo said it and its subsidiaries bought and sold shares between June 26 and August 7, 2019, with the single largest purchase of 5,765,200 shares for \$25,770,444, or \$4.47 a share, between those dates. Nufarm was up 12.5 cents or 2.72 percent to \$4.72 with 1,356,835 shares traded.

NUFARM

Allan Gray Australia says it has increased its substantial shareholding in Nufarm from 20,250,974 shares (5.33%) to 24,352,699 shares (6.41%). The Sydney-based Allan Gray said it had bought and sold shares between May 30 and August 6, 2019, with the single largest purchase of 797,766 shares for \$3,391,141, or \$4.25 a share, between those dates.

BEGA CHEESE

Cooper Investors says it has decreased its substantial shareholding in Bega Cheese from 15,784,356 shares (7.39%) to 13,626,077 (6.36%). The Melbourne-based Cooper Investors said in a substantial shareholder announcement it sold the 2,158,279 shares between July 15 and July 31, 2019, with prices ranging from \$4.43 a share to \$4.53 a share, and the single-largest sale of 662,028 shares for \$2,974,210.43, or \$4.50 a share, on July 19, 2019. Bega Cheese was up 6.0 cents or 1.52 percent to \$4.00 with 367,422 shares traded.

RIDLEY CORP

The Commonwealth Bank of Australia says it has ceased its substantial shareholding in Ridley Corp. On April 16, 2019, the Commonwealth Bank filed a substantial shareholder notice saying it held 15,393,817 shares or 5.00 percent of Ridley. Today, the Commonwealth Bank said that between October 26, 2018 and August 2, 2019 it bought, sold, borrowed and lent shares, with the single-largest sale of 500,000 shares for \$500,000, or \$1.00 a share, on June 27, 2019. Ridley Corp was up by 0.5 cents or 0.50 percent to \$1.02 with 38,985 shares traded.

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