



# Ag & Vet Weekly

Friday August 9, 2019

*All the news on ASX-listed agriculture and veterinary companies*

## 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.***