

Ag & Vet Weekly



Monday August 7 - Friday August 11, 2023

All the news on ASX-listed agriculture and veterinary companies

- * **ASX DOWN, AVW-42 EVEN: MGC UP 25%; MELODIOL (CRESO) DOWN 12.5%**
- * **FONTERRA EXPECTS EARNINGS UP 100% - \$964m TO \$1.19b**
- * **APIAM REVISES UNAUDITED PROFIT DOWN 41% TO \$2.3m**
- * **FONTERRA FARMGATE MILK MIDPOINT \$6.49/kgMS**
- * **SYNLAIT REDUCES MILK FORECAST TO \$6.44/kgMS**
- * **FEDERAL COURT APPROVES ELIXINOL SUSTAINABLE NUTRITION ACQUISITION**
- * **MEMPHASYS APPOINTS VITROLIFE JAPAN FELIX IVF SYSTEM DISTRIBUTOR**
- * **NEXT SCIENCE: 'XPERIENCE REDUCES TOTAL KNEE INFLAMMATION'**
- * **NZ HIGH COURT APPROVES FONTERRA \$742m CAPITAL RETURN**
- * **ALTHEA, PEAK PROCESSING EXTENDS ELECTRIC BRANDS SUPPLY**
- * **PHARMAUST DOSES 3rd MONEPANTEL FOR MND COHORT**
- * **DIMENSIONAL ENTITIES BELOW 5% OF SELECT HARVESTS**
- * **SHENASABY, CALLAHANS INCREASE, DILUTED TO 5.25% IN BOTANIX**
- * **SYNLAIT APPOINTS GLENN LAING DIRECTOR OF MANUFACTURING**

MARKET REPORT

The Australian stock market fell 0.24 percent on Friday August 11, 2023, with the ASX200 down 17.3 points to 7,340.1 points. Thirteen of the AVW-42 stocks were up, 14 fell, seven traded unchanged and eight were untraded.

MGC was the best, up 0.05 cents or 25 percent to 0.25 cents, with 893,890 shares traded. Seafarms climbed 20 percent; Select Harvests was up 11.0 percent; Avecho improved 7.7 percent; Botanix and RLF improved more than six percent; Epsilon was up five percent; Althea and Cann Group climbed more than four percent; Fonterra was up 3.1 percent; Clean Seas rose two percent; Elders was up 1.3 percent; with Bega up by 0.9 percent.

Melodiol (Creso) led the falls, down 0.1 cents or 12.5 percent to 0.7 cents, with 35.2 million shares traded. Memphasys was down 6.7 percent; Nanollose lost 5.2 percent; Original Juice and Terragen fell more than four percent; A2 Milk was down 3.1 percent; Bubs shed 2.6 percent; Australian Agricultural, Clover and Pharmaust were down more than one percent; with Cobram, Nufarm and Synlait down by less than one percent.

FONTERRA SHAREHOLDERS FUND

Fonterra it expected normalized earnings for the year to July 31, 2023 to be at the top end of 65-to-80 NZ cents (60-to-74 cents) per share, and a 40-to-60 percent dividend.

Last year, Fonterra had normalized earnings per share of 35 cents for the year to July 31. Today, the company said the full year dividend comprised the interim dividend of 10 cents per share already paid, plus the final dividend expected in October.

Fonterra chief executive officer Miles Hurrell said the company had “reported strong earnings through 2023 off the back of favorable ingredients margins”.

According to its half-year report, Fonterra had 1,609,294,669 shares on offer at January 31, 2023, and Ag & Vet Weekly calculates Fonterra’s expected earnings to be at the top end of the range from \$NZ1,046,041,535 (\$A963,730,371) to \$NZ1,287,435,735 (\$A1,186,129,688).

Fonterra said it would confirm its final earnings it reports its financial results in September. Fonterra was up 11 cents or 3.1 percent to \$3.62.

APIAM ANIMAL HEALTH

Apiam has corrected its unaudited net profit after tax for the year to June 30, 2023 from \$3.9 million to \$2.3 million, down 50 percent compared to the prior corresponding period.

Last week, Apiam said unaudited revenue for the year was up 22.6 percent to \$192.8 million, with net profit after tax down 14.9 percent to \$3.9 million (AVW: Aug 4, 2023).

At that time, the company said its earnings were impacted by increased wage costs following the recruitment of more skilled veterinarians, with profit impacted by rising interest rates and loans to fund acquisitions increasing its interest expenses.

Today, the company said the 41.0 percent reduced net profit after tax was recognition of a \$2.4 million provision for inventory, which would be a non-cash expense and impact reported profit by \$1.7 million in 2023.

Apiam was untraded at 48 cents.

FONTERRA SHAREHOLDERS FUND

Fonterra says its 2023-'24 forecast farmgate milk price is \$NZ6.25 to \$NZ7.75 (\$A5.80 to \$A7.19) KgMS, with the midpoint \$NZ7.00 (\$A6.49).

Last month, the company said the previous 2023-'24 forecast was \$NZ7.25 to \$NZ8.75 (\$A6.85 to \$A8.27) KgMS, with the midpoint \$NZ8.00 (\$A7.56) (AVW: May 26, 2023).

This week, Fonterra chief executive officer Miles Hurrell; said the revised forecast farmgate milk price range reflected “ongoing reduced import demand for whole milk powder from Greater China”.

“When we announced our opening 2023-'24 season forecast farmgate milk price in May, we noted it reflected an expectation that China’s import demand for whole milk powder would lift over the medium-term,” Mr Hurrell said.

“Since then, overall global dairy trade (GDT) whole milk powder prices have fallen by 12 percent and China’s share of whole milk powder volumes on GDT events has tracked below average levels,” Mr Hurrell said.

“The medium to long term outlook for dairy, in particular New Zealand dairy, looks positive with milk production from key exporting regions flat compared to last year,” Mr Hurrell said.

Separately, Fonterra requested a trading halt for the capital return to run from the market open on Tuesday August 15 to the close on Thursday August 17, 2023.

SYNLAIT MILK

Synlait says it has reduced its forecast base milk price from \$NZ8.00/kgMS (\$A7.37/kgMS) to \$NZ7.00/kgMS (\$A6.44/kgMS) for the year to July 31, 2023.

Synlait said the decrease was “due to dairy commodity prices declining against previous expectations” with whole milk powder and skim milk powder prices falling 12 percent and 11 percent, respectively, to their lowest levels in three years.

The company said “subdued global economic activity continues to weigh down prices, and the slowdown of the Chinese economy and an increase in their domestic milk production also means China’s demand for dairy imports has weakened”.

Synlait said its final milk price for the year to July 31, 2023 would be confirmed in its full year results expected on September 25, 2023.

Synlait fell one cent or 0.7 percent to \$1.44.

ELIXINOL WELLNESS, SUSTAINABLE NUTRITION

Elixinol says the Federal Court of Australia has approved its acquisition of the Sustainable Nutrition Group.

Last year, Elixinol said it would acquire Sustainable Nutrition through a scheme of arrangement for about \$4 million in scrip (AVW: Dec 2, 2022).

This week, the company said the scheme was approved by The Sustainable Nutrition Group shareholders on August 2 and that the record date would be August 10, with implementation August 17, 2023.

Elixinol was unchanged at 1.2 cents.

Sustainable Nutrition was in a suspension at one cent.

MEMPHASYS

Memphasys says it has appointed the Vitrolife Japan KK to distribute its Felix sperm separation system for in-vitro fertilization in Japan.

Memphasys said the Gothenburg, Sweden-based Vitrolife subsidiary was a provider of medical devices, consumables and genetic testing services for the human in-vitro fertilization (IVF) and reproductive health market.

The company said Vitrolife had the exclusive right to sell and distribute the Felix system in Japan for five years, with Vitrolife supporting marketing, sales and training with “an initial focus on key clinicians and high-volume clinics in Japan’s private health sector”.

Memphasys did not disclose the commercial terms of the agreement.

The company said that Felix was an “automated device with single-use cartridges for preparing sperm for human IVF procedures ... [and] gently separates sperm from a semen sample in six minutes using electrophoresis and size exclusion membranes without causing damage to sperm DNA”.

Memphasys chief executive officer Alison Coutts said the agreement was “a significant milestone” for the commercialization of Felix.

“We are thrilled to have reached this agreement to collaborate with Vitrolife, a recognized leader in the global fertility sector,” Ms Coutts said. “This strategic collaboration enhances the availability of cutting-edge fertility treatment for men in Japan, a major IVF market, where population levels have been on the decline for many years.”

Ms Coutts said Memphasys had a long-standing relationship with Vitrolife, which supported the development of the Felix device including providing its media for use in Felix clinical trials.

Memphasys fell 0.1 cents or 6.7 percent to 1.4 cents.

NEXT SCIENCE

Next Science says a 60-patient pilot study of Xperience for surgical irrigation following total knee replacement shows it reduces inflammation statistically significantly.

Next Science said that swelling reduction comparing Xperience to a standard-of-care three-minute sterile dilute iodine lavage reduced swelling at day-14, significantly and at several time points ($p = 0.01$).

The company said that within 14 days of the total knee replacement, Xperience showed a 54 percent lower inflammation than the reference standard.

Next Science said the Xperience patients had a five degree increase in range of motion, and 10 percent to 20 percent improvement in pain scores and an 18 percent lower opioid use at day-7 “improving to 70 percent less [opioid] usage at day-42, with Xperience patients eliminating opiate (sic) use in half the time of control patients”.

The company said that the two-arm, prospective, randomized study was led by New York orthopaedic surgeon Dr Andrew Wickline and incorporates his inflammation reduction strategies.

The company said the first group of 30 patients received a three-minute sterile dilute iodine lavage, the industry standard, with the second group of 30 patients receiving its Xperience wound care product.

Next Science said the results could help surgeons and hospitals improve patient outcomes, reduce healthcare costs and health system financial performance, and expected the findings to assist with its value assessment committee process in larger hospital groups to approve the use and adoption of Xperience.

Next Science managing-director Harry Hall said that the study showed “the impact of our Xbio technology on inflammation and the positive way it can impact a patient’s post-operative outcome and accelerate return to normal function”.

“I look forward to evaluating further clinical challenges where we can have a similar impact on patient outcomes,” Mr Hall said.

Next Science fell half a cent or 0.8 percent to 61.5 cents.

FONTERRA SHAREHOLDERS FUND

Fonterra says the New Zealand High Court has approved its \$NZ800 million (\$A742.62 million) capital return to shareholders at 50 NZD cents (46 Australian cents) a share.

Fonterra said that the capital return had a record date of August 16 for a payment date of August 18, 2023.

In June, the company said the scheme would return about \$NZ800 million to shareholders and would include the repurchase and cancellation of one in every six shares held (AVW: Jun 16, 2023).

In July, Fonterra said its shareholders had approved the scheme of arrangement for its capital return, with 99.24 percent in favor.

ALTHEA GROUP HOLDINGS

Althea says its subsidiary Peak Processing Solutions has extended its supply deal with the Toronto-based Electric Brands Inc for an additional 2.5 years.

Althea said Electric Brands would buy marijuana-infused beverages from Peak Processing and sell them in Canada, with its own existing range selling about \$C5.4 million (\$A6.2 million) a year.

Althea up 0.2 cents or 4.65 percent to 4.5 cents.

PHARMAUST

Pharmaust says it has completed dosing cohort three of its phase I trial of monepantel for motor neuron disease.

In June, Pharmaust said it had begun dosing the third cohort for its monepantel for motor neuron disease trial at 6.0mg/kg (AVW: Jun 9, 2023).

The company said in June that interim results from the monepantel trial for motor neuron disease showed the tablets to be well-tolerated and reached bloodstream therapeutic levels, and said the trial safety committee had approved the dose-escalation of cohort one patients to cohort three (AVW: Jun 9, 2023).

Pharmaust fell 0.1 cents or 1.3 percent to 7.4 cents.

SELECT HARVESTS

Dimensional Entities says it has ceased its substantial holding in Select Harvests from 4,764,191 shares (5.003%) to 6,048,223 shares (4.996%),

The Austin, Texas-based Dimensional Entities says that between October 21, 2021 and July 25, 2023 it bought and sold shares, with the single largest sale of 288,030 shares for \$1,381,170 or \$4.795 between August 18, 2022 and Aug 3, 2023.

Select Harvests was up 45 cents or 11.0 percent to \$4.55 with 914,459 shares traded.

BOTANIX PHARMACEUTICALS

Perth's Shenasy Investments Pty Ltd says it has increased its holding in Botanix and been diluted from 70,738,187 shares (6.52%) to 74,586,791 shares (5.25%).

Last week, Botanix said its placement raised \$12.5 million, with proceeds expected to be used to extinguish future milestone and royalty payments to Fresh Track Therapeutics (BD: Jul 27, 2023) (AVW: Jul 28, 2023).

The substantial shareholder notice said that the holders were Catherine Callahan, Elise Horgan and Shenasy Investments Pty Ltd.

Last year, Botanix executive director Matthew Callahan told Biotech Daily that Ms Callaghan was his spouse and Ms Horgan was the director of his investment company, Shenasy, that held Botanix shares (BD: Sep 13, 2022).

Today, Shenasy said on December 12, 2022 it bought 1,515,151 shares in a placement at 6.6 cents a share, on March 20 and May 18, 2023 it exercised a total of 2,333,333 performance rights and on July 27, 2023 it was diluted by the placement.

Botanix was up one cent or 6.25 percent to 17 cents with 10.5 million shares traded.

SYNLAIT MILK

Synlait says chief executive officer Grant Watson has appointed Glenn Laing as its director of manufacturing, effective from today.

Synlait said Mr Laing had been with the company since 2021 as head of manufacturing and acting director of manufacturing since March 2023, and was previously a Fonterra executive including as general manager.