



Biotech Daily

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Daily news on ASX-listed biotechnology companies

Dr Boreham's Crucible: Anatara Lifesciences

By TIM BOREHAM

ASX code: ANR

Share price: 64.5 cents

Shares on issue: 49,413,236

Market cap: \$31.9 million

Interim chief executive officer: Dr Tracie Ramsdale

Board: Dr Jay Hetzel (interim chairman), Iain Ross, Dr Tracie Ramsdale, Paul Grujic

Financials (June quarter): revenue nil, net cash outflows \$1.1 million, cash balance \$7.65 million, estimated September quarter cash burn \$1.3 million

Identifiable holders: Parma Corp (former chairman, Dr Mel Bridges) 11.95%, Myeng Pty Ltd (chief scientific officer, Dr Tracey Mynott) 8.9%, RTL Group (Lederer family) 8.1%, Iain Ross 2.6%, Jacoby Management Services 1.9%, David Charles Venables 1.6%.

If there's ever a case of the devil being in the detail, it's the animal and human health outfit's fall from investor grace after releasing an investor presentation on May 15 about its newly-inked animal health distribution deal with global giant Zoetis.

Anatara shares lost almost 40 percent over the next two trading days, because the disclosed financial terms simply were not as tasty as investors expected.

Oddly enough, Anatarata shares increased 12 percent the day before, when the company announced the deal - but without the confidential details.

If only management could have maintained its cone of silence!

As it happened, the board felt it needed to tell all because investors evidently thought the terms of the deal were much grander than what they actually were.

At least the company managed to forge a deal, unlike so many other biotechs.

Anatarata's interim CEO Dr Tracie Ramsdale said the company was pleased with the Zoetis deal because it was expanded to include multiple livestock, rather than just pigs.

"Zoetis is the largest global animal health company and we could not have hoped to have found a better partner," she said, adding the terms were within the typical range for a global animal health deal.

Rough end of the pineapple

Anatarata's reason for being revolves around the blunt end of the pineapple - and no Queenslander jokes please!

The stems of the tropical fruit produce bromelain, a substance long-known to promote gut health and prevent diarrhoea.

(In a previous life former executive chairman Dr Bridges, chief scientific officer Dr Tracey Mynott and director Dr Tracie Ramsdale attempted to commercialize the bromelain-based ICV0019 for cancer, with Incitive listing on the ASX in 2006, but gave up in 2009 swapping it for a heart monitoring system before de-listing in 2010.)

Anatarata's activities to date have focused on commercializing Detach, a natural alternative to treat scour (diarrhoea). Given scour is caused by multiple organisms such as bacteria, viruses and parasites, it's difficult to treat.

The current standard treatment of antibiotics is problematic, because porkers are becoming increasingly resistant to antibiotics. In any event, health authorities are mandating the removal of antibiotics from the food chain.

Detach doesn't target the pathogens, but the underlying cause of the diarrhoea.

The Zoetis deal frees up management to focus on developing an over-the-counter dietary supplement to treat humanoid disorders such as irritable bowel syndrome (IBS) and inflammatory bowel disease (IBD), ulcerative colitis and Crohn's disease.

Once again, any human product is expected to be partnered-out.

Pigs love it

With a taste akin to citric acid - or so we're told - Detach's active enzyme blocks the receptor sites in the gut to which the parasites attach (thus causing diarrhoea).

Detach was on the market here in the 1991, when it was owned by Ciba-Geigy. However, Ciba-Geigy was taken over by Novartis, which preferred to focus on human health.

The product achieved a 40 percent market share, despite there being no imperative at the time to remove antibiotics from the food chain.

One of the inventors of the original Detach and now Anatar's chief scientific officer, Dr Tracey Mynott dusted off the files and worked on a reformulation.

While not the discoverers of bromelain - its magical powers had been known for some time - Dr Mynott and her PhD supervisor Dr David Chandler were responsible for the discovery that it could prevent the attachment of pathogenic bacteria to receptors in the gut.

Anatar listed in October 2014 after raising \$7 million at 50 cents apiece.

Field trials at European piggeries confirmed that Detach was efficacious with an average 40 percent reduction in scour, a 22 percent weight gain and a 55 percent reduction in antibiotics use.

In 2017, the US Food and Drug Administration confirmed bromelain's 'generally regarded as safe' status. However, Detach is yet to be re-approved by the Australian Pesticides and Medical Veterinary Authority, which is reviewing Anatar's application.

Anatar's listed fortunes were driven by executive chairman Dr Mel Bridges, who retired in May after 40 years' involvement in the biotech sector.

Two-legged health

The company describes inflammatory bowel disease (IBD) and irritable bowel syndrome (IBS) as two areas of huge unmet need.

IBD affects about five million people globally, while IBS afflict about 11 percent of the population. The maladies result in symptoms such as cramping, bloating, appetite loss and - of course - diarrhoea.

Roughly half of IBS sufferers turn to dietary supplements or complementary healthcare.

Known for now as the GAstrointestinal Repositioning Product, or GaRP, Anatar's remedy aims to restore normal microbial functions, treat inflammation and repair mucosal damage. In turn, this should stop the trots.

As novelist John Irving might have said, the word according to GaRP is that Anatara is positioning the product as a “dietary supplement”, which means it can be sold over the counter with fewer regulatory barriers, barring any car crashes.

At this stage there’s no definitive data to show that bromelain works in humans. But Anatara is seeking to rectify this with proof of concept studies and dose optimization studies using our biological near neighbor: pigs.

The company aims for a partnering deal by 2020 and is already having deep and meaningful discussions with the usual suspects.

Four-legged health

At the big picture level, Anatara and the Pfizer spin-off Zoetis are on to something big if Detach can become the standard-of-care in animal husbandry.

Research house Marketsandmarkets estimates the animal antibiotic/antimicrobial market will be worth \$US4.7 billion by 2021, with production animals accounting for 70 percent of this (in turn, pigs account for 25 percent of this portion).

Anatara can develop Detach for other animal types and indications.

The Asian market is of particular interest: China is the world’s biggest producer, with its biggest housing 1.1 million porkers.

The current standard-of-care there is zinc oxide, a soil pollutant banned in Europe. China is also as keen as anyone to take antibiotics out of the food chain.

Finances and performance

Anatara raised \$7 million in the October 2014 listing and then a further \$9 million in 2015. With around \$8.7 million in the bank, the company says it has enough of the folding stuff to last until that human health deal in 2020.

The level of royalties accruing to Anatara over the life of the drug is one of those great unknowns. Broker Wilsons estimates a peak annual market of \$US40 million to \$US50 million, implying annual royalties (at best) of perhaps \$1.5 million.

Under the terms of the Zoetis deal, Anatara pockets \$US2.5 million of up-front payments, \$US2 million of which the company has already received.

Anatara is then entitled to \$US6.3 million of payments based on undisclosed commercial milestones and a royalty of three to four percent.

Anatara shares soared from 50 cents at listing to a December 2016 peak of \$1.78 a share, for a market capitalization nudging \$90 million.

In hindsight, the shares 'ran' far too hard.

But the stock has a true porcine believer in the Lederer family, the owner of Primo Smallgoods that accounts for seven percent of the register. Dr Bridges remains the biggest holder on just under 12 percent.

Dr Boreham's diagnosis:

The global over-the-counter (O-T-C) gastro-intestinal and digestive health market is estimated at \$25 billion, growing to \$36 billion by 2021.

But as anyone perusing the so-called 'wellness' shelves at Chemist Warehouse could attest, a slew of probiotics/prebiotics products target gut health by rebalancing bacteria levels.

"We also aim to do that but also to reduce inflammation and repair the mucosal damage done to the gut as well," Dr Ramsdale says. "As far as we are aware no other product does that."

If Anatara's putative tall handsome partner can demonstrate just that, it could have an O-T-C blockbuster on its hands.

Less clear is how much of the riches trickle down to Anatara.

The salutary warning to investors is not to get too carried away by the overall size of the market if the actual partnering deal only delivers a small size of the pie.

Unlike the underlying affliction, it won't all come in a rush.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. But he is hot to trot on this one.