

Grafting a new footprint

Osteopore specialises in the production of 3D printed bio-resorbable implants used in conjunction with surgical procedures to assist with the natural bone healing process. The company currently has three products, Osteoplug, Osteomesh and Osteostrip, which are all US FDA (510k) cleared and CE Mark approved for cranial face application. The products are commercialised and generating revenue. The company manufactures its products using a US FDA approved polymer called polycaprolactone (PCL) which is bio-resorbable, malleable, slow-degrading and possesses mechanical strength similar to trabecular bone. Osteopore listed on the ASX in August 2019 after raising \$5.25m at \$0.20/share. The IPO also saw the issue of 71.03m shares to the vendors of Osteopore International Pte to acquire the Singapore-based business. At IPO, the company had a market capitalisation of \$20.25m. On August 21, Osteopore announced it had secured commitments to raise an additional \$8.5m from existing and new shareholders at \$0.53/share, with funds to be used for clinical trials in orthopaedic and dental uses, business development, product development and R&D and working capital.

Business model

Company sales to date have primarily been from eastern Asian markets, in particular Korea, Vietnam and Singapore, which combined generated some 80-90% of revenues over CY18 and CY19. To date, the technology has been used in more than 40,000 surgical procedures. Since IPO, Osteopore has secured Australian TGA approval for its entry into the Australian market, established a partnership for initial entry into the Chinese market and signed an initial US distribution agreement with Bioplate. Osteopore's products are fabricated in-house using proprietary 3D printing technology that bio-mimics the cancellous bone and allows for customisation of geometry and shape. Over time the implants dissolve naturally, significantly reducing post-surgery complication rates. This far the company's three products, Osteoplug, Osteomesh and Osteostrip, have been designed and approved for cranial maxillofacial (CMF) application. CMF bone graft opportunities account for just under 20% of the total bone graft substitute market. With its recent capital raise, Osteopore outlined plans to extend its penetration into dental and cosmetic and look to untapped markets such as orthopaedic and spine.

Recent company commentary

Osteopore has announced a 100% increase in H1 CY20 sales to \$0.67m with momentum from Q1 CY20 continuing into Q2. Q2 CY20 sales were \$0.348m, up from Q1 sales of \$0.27m and 52% ahead of Q2 CY19. Total sales in CY2019 were \$1.015m (the company reported statutory sales of \$0.411m) and management recently noted in a presentation that sales in the 12 months to June 30 were \$1.3m. The company reported a net loss of \$0.67m for the half, a reduction of 22% on the net loss of \$0.91m posted in H1 CY19. The company's cash balance post its just completed capital raise is \$10.3m.

Peers in Australia and US

Peer comparisons are challenging with medical device manufacturers given the novel status of many devices and fluctuating estimates of total addressable markets (TAM) for these devices. However, investors could look to Avita Medical (ASX:AVH) or Polynovo (ASX:PNV) for comparative peers in regenerative medicine or Oventus Medical (ASX:OVN) for a comparative at a similar stage of commercialisation using 3D printing technology, with early revenues and not dissimilar EV/sales multiple. For a direct comparative in 3D bioprinting technology, we would look to Nasdaq listed Organovo (NASDAQ: ONVO).

Historical earnings and ratios

Year end	Revenue (A\$m)	Gross Profit (A\$m)	*EBITDA Adj (A\$m)	*NPAT Adj (A\$m)	NPAT Rep. (A\$m)	*EPS Adj (c)	EPS Rep (c)	EV/Sales [^] (x)
12/19a	0.411	0.288	(0.837)	(0.926)	(2.382)	(3.2)	(8.3)	173.1

Source: Company data *EBITDA and NPAT adj for one-time, non-cash items ^year end share price used

Healthcare Equipment & Supplies

4 September 2020

Share details

ASX Code	OSX
Share price (3-Sep)	\$0.59
Market Capitalisation (post raise)	\$70.4M
Shares on issue (post raise)	117.3M
Cash balance post raise	\$10.3M
Free float	76.0%

Share performance (12 months)



Upside Case

- Opportunity to leverage its technology into other bone graft substitute markets – dental/cosmetic
- Opportunity to expand into new geographies
- Well proved in more than 40,000 surgical procedures

Downside Case

- No guarantee sales will extend beyond current east Asian markets
- Reliant on distributors in key markets like USA
- COVID-19 could delay regulatory approvals

Catalysts/upcoming events

- Securing regulatory approvals in other territories
- Conversion of partnerships/distribution deals into revenues

Comparable companies (Aust/NZ)

Avita Therapeutics (ASX:AVH) Oventus Medical (ASX:OVN), Polynovo (ASX:PNV)

Top 5 shareholders

Rain Maker MGMT Pte Ltd	15.1%
Hanry Yu	9.0%
Marcus Liew	7.1%
Professor Teoh Swee Hin (Founder/NED)	7.0%
Goh Koon Seng (CEO)	6.8%

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FINANCIAL SERVICES GUIDE

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