



HealthInvestor Index

During the last month, covering the period 3 February to 10 March, the London index of the Top 100 listed stocks hit a record high of 7,382.9. Although it has now come off this high by about - 0.5% (10 March), it has still been a record breaking month. All our comparator indexes rose over the same period in spite of the prolonged political and economic uncertainty in both Europe and the US. In contrast to the first month of 2017, the HealthInvestor Index (HI) slightly outperformed the FTSE100, the FTSE Allshare, and the AIM indices, rising +3.3%. Out of our 54 constituent stocks, 17 outperformed the HealthInvestor Index and 37 underperformed. In absolute terms, 27 companies saw their share prices rise, 25 fell and two did not change during the period. The median change was +0.5% and the difference between the biggest gainer and the greatest faller was 90%. It's interesting to note that healthcare has remained strong during this bull run - traditionally healthcare stocks come into their own when other sectors are out-of-favour.

This month's star performer was Premaitha Health* (NIPT) which rose +50%. Over the last 12 months, the stock has been under a cloud due to ongoing patent litigation. Meanwhile, clinical laboratories are continuing to use its extremely accurate non-invasive pre-natal test (NIPT) for assessing the risk that a foetus has a genetic defect. This, despite one of its biggest customers facing financial difficulties and being replaced by another distributor. The IP risk has been further diminished through the acquisition of Yourgene Bioscience, a Taiwan-based company offering a similar service, but in jurisdictions where rival Illumina has no patent rights, and paves the way to the fast growth opportunities in China and India. The acquisition was in shares, so Yourgene's and Premaitha's shareholders are aligned. A £1.5 million capital increase has helped to strengthen the balance sheet. Overall, we are expecting a strong performance from Premaitha during fiscal 2018.

Kromek (KMK) shares were lifted +44% on the announcement that the company had been awarded a five-year customer contract worth \$3.1 million (£2.5 million). Kromek is a radiation detection technology company and features in the HealthInvestor Index for its operations in the medical imaging sector. The recent news concerns an existing US-based customer in the homeland security marketplace that is developing a security system for detection of explosives, particularly those homemade. Kromek will provide

HealthInvestor Index 10.03.17

| Listing | Company | Ticker | Share price (p) 03.02.17 | Share price (p) 10.03.17 | Market cap (£m) 10.03.17 | Price change (%) |
|---------|---------------------------|--------|--------------------------|--------------------------|--------------------------|------------------|
| AIM | Abcam | ABC | 850.0 | 908.0 | 1,848.8 | 7 |
| AIM | Advanced Medical Soln | AMS | 200.3 | 253.0 | 532.5 | 26 |
| AIM | Advanced Oncotherapy | AVO | 72.5 | 43.5 | 31.6 | -40 |
| AIM | Allergy Therapeutics | AGY | 25.8 | 27.0 | 160.2 | 5 |
| AIM | Alliance Pharma | APH | 49.8 | 48.8 | 230.4 | -2 |
| Full | Assura | AGR | 53.4 | 58.8 | 973.2 | 10 |
| AIM | Avacta | AVCT | 70.0 | 66.5 | 45.5 | -5 |
| Full | Bioquell | BQE | 130.5 | 132.5 | 29.2 | 2 |
| Full | BTG | BTG | 539.5 | 588.0 | 2,264.5 | 9 |
| Full | Cambian Group | CMBN | 144.8 | 147.5 | 271.7 | 2 |
| AIM | Caretech | CTH | 380.5 | 365.5 | 233.7 | -4 |
| Full | Cathay International | CTI | 17.8 | 14.8 | 54.4 | -17 |
| AIM | Circle Holdings | CIRC | 24.0 | 23.5 | 58.2 | -2 |
| AIM | Collagen Solutions | COS | 5.5 | 5.4 | 17.0 | -2 |
| Full | Consort Medical | CSRT | 991.5 | 1,016.0 | 500.0 | 2 |
| AIM | Deltex Medical Group | DEMG | 4.1 | 3.6 | 10.3 | -12 |
| AIM | Diurnal | DNL | 126.5 | 135.0 | 70.5 | 7 |
| AIM | Eco Animal | EAH | 510.0 | 502.5 | 317.5 | -1 |
| AIM | EKF Diagnostics | EKF | 17.4 | 18.3 | 84.7 | 5 |
| AIM | Emis | EMIS | 888.0 | 885.0 | 560.3 | 0 |
| AIM | E-Therapeutics | ETX | 8.6 | 8.5 | 22.8 | -1 |
| AIM | Futura Medical | FUM | 49.3 | 57.9 | 69.5 | 18 |
| AIM | Genedrive | GDR | 60.0 | 43.5 | 8.1 | -28 |
| Full | Genus | GNS | 1,766.0 | 1,808.0 | 1,105.3 | 2 |
| AIM | Immunodiagnostics | IDH | 280.0 | 277.5 | 81.6 | -1 |
| AIM | Immupharma | IMM | 55.0 | 56.1 | 68.4 | 2 |
| Full | IP Group | IPO | 183.9 | 157.6 | 890.8 | -14 |
| AIM | Ixico | IXI | 36.5 | 29.3 | 7.7 | -20 |
| AIM | Kromek Group | KMK | 23.4 | 33.8 | 51.6 | 44 |
| AIM | Lidco Group | LID | 6.3 | 6.0 | 14.7 | -4 |
| Full | MD Medical Group | MDMG | 10.4 | 10.6 | 652.6 | 2 |
| Full | MedicX Fund | MXF | 89.0 | 88.0 | 360.6 | -1 |
| AIM | Motif Bio | MTFB | 26.2 | 24.9 | 48.7 | -5 |
| AIM | Omega Diagnostics | ODX | 18.5 | 20.4 | 22.2 | 10 |
| AIM | OMG | OMG | 46.5 | 47.0 | 57.8 | 1 |
| Full | Oxford Biomedica | OXB | 4.2 | 4.6 | 143.3 | 12 |
| AIM | Premaitha Health | NIPT | 7.8 | 11.6 | 37.3 | 50 |
| Full | Primary Health Properties | PHP | 106.5 | 110.3 | 659.5 | 4 |
| AIM | Proteome Sciences | PRM | 4.8 | 4.8 | 14.1 | 0 |
| AIM | Realm Therapeutics | RLM | 34.0 | 35.0 | 17.5 | 3 |
| AIM | ReNeuron | RENE | 2.5 | 2.4 | 76.6 | -5 |
| AIM | Sareum | SAR | 1.0 | 1.0 | 25.1 | -5 |
| AIM | Scancell | SCLP | 14.8 | 14.5 | 37.9 | -2 |
| AIM | Sinclair Pharma | SPH | 32.5 | 31.4 | 157.6 | -3 |
| Full | Smith & Nephew* | SN. | 1,211.0 | 1,239.0 | 10,840.5 | 2 |
| AIM | Sphere Medical | SPHR | 6.6 | 5.4 | 7.6 | -19 |
| Full | Spire | SPI | 318.0 | 325.0 | 1,303.5 | 2 |
| AIM | Surgical Innovations | SUN | 3.4 | 3.7 | 18.1 | 10 |
| AIM | Tissue Regenix | TRX | 20.0 | 17.8 | 134.9 | -11 |
| AIM | Tristel | TSTL | 161.0 | 192.5 | 81.7 | 20 |
| Full | Vectura | VEC | 136.4 | 147.0 | 996.6 | 8 |
| AIM | Venture Life | VLG | 56.0 | 60.0 | 22.1 | 7 |
| AIM | Vernalis | VER | 31.5 | 23.5 | 123.7 | -25 |
| AIM | Verona Pharma | VRP | 147.5 | 147.5 | 75.8 | 0 |

*weighted to 15% in total index valuation



key components for the system as part of this first long-term contract, which both validates and lends traction to the commercial phase of Kromek's growth.

At the time of going to press, Advanced Medical Solutions (AMS) was about to announce its final results for 2016. In anticipation of a solid outcome, and following on from the strong growth seen in the first half of 2016, the market was marking the shares up ahead of the announcement, rising +26% over the last month. Key will be the performance of the branded products, sold both directly and through distributors depending on territory, which carry higher gross margins. This is being led by its LiquiBand tissue adhesive range which is doing particularly well in the US (estimated sales growth +40%). AMS has been a strong performer with well above average growth, and new launches/additions to the portfolio suggests that this looks set to continue.

Ranking fourth this month was Tristel (TSTL) with shares up +20%, largely as a result of positive interim results announced on 23 February. The company manufactures infection and contamination prevention products for the human and animal healthcare markets – during H117, underlying sales were up +9% – boosted at the reported level by acquisition and currency. The was underpinned by a large order from NHS Supply Chain, Tristel's biggest customer, giving rise to +9% sales growth in the UK. In line with the company's strategic plan to grow globally and obtain >50% of group sales from overseas markets by 2019, the company recently taken full ownership of its Australian subsidiary, following on from a similar acquisition in Germany last year. Management is continuing to investigate a route into North America in fiscal 2019. Tristel is currently trading at an all-time high.

Futura Medical (FUM) is back in the top five. We suspected last month that the market was waiting to see whether recent announcements about distribution activities would result in sales traction, and although no new results have been reported, the company has published commissioned market research on the sales potential of its erectile dysfunction gel candidate, MED2002. The product has the potential to reach sales in excess of an estimated \$1 billion from both prescription and OTC markets. Consequently, the shares have rallied +18%. Forecasts provided by Ipsos are, apparently, usually within 20% of actual sales volumes – the market will continue to watch with anticipation as MED2002 completes Phase III trials. Preliminary full year results are due at the end of this month.

It's been a bad period for the Advanced Oncotherapy* (AVO). The company is developing a high technology modular LIGHT system, a novel high precision proton-based radiotherapy for

cancer patients. When it embarked on this process, management set out a challenging timetable, given that it needed to contract with a number of technical partners. Additionally, this process does not come cheaply, and it has struggled, until recently, to get the right level of funding in place. At recent investor meetings in London and Zurich, management set out a new timetable with clearly defined technical milestones, and has aligned itself with specialist engineer, Thales. Although the company has little control over the construction of its Harley Street treatment centre, expansion of the plan from one to two treatment rooms also caused inevitable delays, with first patients now expected to be treated there in 2020. Disenchantment with these delays saw the shares fall – 40%. There is little doubt about the benefit and quality of the proposition, the risk lies in the deliverability.

Genedrive* (GDR) has also performed poorly this month, falling – 27%. There was no temporally-associated news. However, the period kicked off with unusually high trade volumes – 702,000 shares changed hands on 3 February compared to the daily average of 23,000 – and shares were sold down through a percentage point. This may have been triggered by January's trading update, which highlighted the slow uptake of its point-of-care TB diagnostic in India. Management is addressing these issues. This has resulted in the share price drifting back – 28%.

Vernalis (VER) has featured in the underperformers relatively frequently during the last year and is down a further – 25% this month, largely a reaction to interim results released on 21 February. The cough/cold pharmaceuticals

company has experienced slower than expected sales of two of its three approved products in the year of their launches. According to the interim announcement, Tuzistra XR growth in the US suffered high levels of lost prescriptions resulting from a variety of setbacks. Expansion of the commercial team in preparation for these launches had a resulting impact on operating costs. Based on the rate of increase of prescription growth, the market could see that it will still be some time before the group reaches profitability.

The market is still waiting from a clear update from Ixico (IXI), which has changed both its chairman and chief executive in the last six months. The company does appear to have some interesting technology that is attracting the attention of the major drug developers, and winning contracts. However, they remain too small at this stage to bring the company into profitability. Throughout all this uncertainty, the stock continues to drift, falling back – 20%.

The market's dissatisfaction with Sphere Medical (SPHR) continues – the stock has been on a downward spiral for the last six months and it has yet again underperformed the index. The company has made multiple cash calls since IPO, and with the release of full year 2016 numbers indicated to the market that it was looking to raise more new capital. This is risky, as it will be seeking this cash at a point which is still too early to see traction in sales of the newly launched device, Proxima 4. Sensing that this will be a distressed cash call, the market has marked the shares down a further – 19%. ■

**Client of Hardman & Co which provides paid-for research*

Dr Martin Hall
mh@hardmanandco.com
020 7929 3399

Dr Dorothea Hill
dmh@hardmanandco.com
020 7148 1433

Dr Gregoire Pave
gp@hardmanandco.com
020 7148 1434

Top five performers

| | |
|-----------------------|-------|
| Premaita Health | 49.9% |
| Kromek Group | 44.4% |
| Advanced Medical Soln | 26.3% |
| Tristel | 19.6% |
| Futura Medical | 17.5% |

Bottom five performers

| | |
|----------------------|--------|
| Sphere Medical | -18.7% |
| Ixico | -19.9% |
| Vernalis | -25.4% |
| Genedrive | -27.5% |
| Advanced Oncotherapy | -40.0% |

| | 03.02.17 | 10.03.17 | |
|--------------------------------------|----------|----------|------|
| Market capitalisation (£bn) | 25.8 | 26.5 | 2.9% |
| Adjusted market capitalisation (£bn) | 17.8 | 18.4 | 3.3% |
| HI Index | 360.7 | 372.5 | 3.3% |
| FTSE 100 Index | 7,188.3 | 7,343.1 | 2.2% |
| FTSE All-share Index | 3,907.7 | 3,996.6 | 2.3% |
| FTSE AIM Index | 893.6 | 916.1 | 2.5% |