

BIOTECH SPECIAL REPORT PART 1

Between us, Tim Boreham and I have over 20 years of researching biotechnology stocks. We also have a strong track record of picking winners in this sector.

I first looked in detail at the sector when I covered them in the UK for the Investors Chronicle and the Financial Times, while Tim has been close to the sector while writing his long-running Criterion column for The Australian.

We both came from different spheres, but we've come up with the same conclusion: the best bang for your buck on a risk/reward basis in the sector is in the medical technology realm.

While drugs metabolise in a human's system, medical devices don't. Consequently the hurdle for a device being approved is much lower than it is for drugs.

Ever since it became evident in the 1950s that the morning sickness treatment Thalidomide resulted in phocomelia, or malformation of the limbs, regulatory agencies such as the US Food and Drugs Administration have become increasingly strict on what passes muster. In any one year only about 20 new drugs gain approval in the US. In contrast medical devices are approved every day.

Simply put, the regulatory risk is that much lower and this is the basis for much of our investment success. When we first looked at **Sirtex Medical (SRX)** whose shares were below \$6 and **ImpediMed (IPD)** were sub 20c they both had approved devices. These companies were still early stage, but a critical hurdle had been overcome. We think **LBT Innovations (LBT)** has similar potential.

The biggest challenge for these med tech companies isn't necessarily approval from regulators, but in maintaining their proprietary edge. We put a great deal of effort into staying on top of this sector.

I hope you enjoy and profit from our hard work. ■



*Richard Hemming
Editor*

the issue

BIOTECH SPECIAL REPORT 02

Tim Boreham delivers a sector run-down and we discover more opportunities to make big money from the makers of devices and diagnostic tools.

RESEARCH TIP 03

LBT Innovations (LBT)

Robotics is a hot area for investors and LBT is likely to be well supported if it can parlay its potential into solid sales.

MED-TECH TIP UPDATES 05

Ellex Medical Lasers (ELX)

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Small Talk

"If there's one area of manufacturing Australia can compete in, it's this space. Devices are faster to market than pharmaceuticals and the cost of marketing is a lot less."

**ZITA PEACH, FORMER VP BUS DEV
AT PLASMA GIANT CSL**

99% of all financial news relates to the 40 to 50 biggest companies. So what about the rest? They're Under the Radar.

BIOTECH SPECIAL REPORT

13 JULY 2017

BIOTECH SECTOR SPECIAL REPORT PART 1

Subscribers of Under the Radar Report have made big profits buying and selling med-tech stocks including Sirtex Medical, ImpediMed, Ellex Medical Lasers, SomnoMed and Medical Developments. Tim Boreham delivers a sector run-down and we discover more opportunities to make big money from the makers of devices and diagnostic tools.



WHY MED-TECH IS WINNING INVESTORS OVER

While the ASX biotech sector has been marked by sorry episodes of failed drug development programs over the years, the track record of companies with medical devices and diagnostic tools has been much rosier. Consequently, of the 40 biggest ASX-listed biotechs, roughly two-thirds are classed in the 'device' or 'diagnosis' category.

There are a number of reasons for the outperformance of the med-tecs over the drug developers. For a start, development timeframes are shorter and cheaper and the product is more likely to win regulatory approval. According to Zita Peach, a director of several biotech stocks and former vice president for business development at plasma giant CSL, Australia has the advantage of a solid track record on the global stage.

ResMed (RMD, \$14bn market cap) is a global giant in sleep apnoea and other nocturnal disorders, with its products based on sleep masks and continuous pressure air pumps. Likewise, hearing implant pioneer **Cochlear (COH, market cap \$8.7bn)** boasts more than a \$1bn of annual turnover and a 70% share of the global market. Liver cancer house **Sirtex Medical (SRX, market cap \$950m)** has had its recent clinical setbacks but is still a global force with its SIR-Spheres to deliver targeted radiation treatment.

"If there's one area of manufacturing Australia can compete in, it's this space," Peach says. "Devices are faster to market than pharmaceuticals and the cost of marketing is a lot less." According to LBT Innovations chief Brent Barnes, devices offer a more assured development path. "I like devices because they are a lot more predictable than drugs," he says. "The challenge lies with the regulatory pathway and what product claims you want to make."

As with biotech stocks generally, Australian investors are a target audience because they are used to the speculative risk of investing in early stage resource stocks.

THE DEVICE MARKET SNAPSHOT

Device and diagnostic products can be highly complex, or deceptively simple. According to the US Food & Drug Administration,

devices range from manual tongue depressors and bedpans to programmable pacemakers with microchip technology. Naturally, the regulatory hurdles are greater for devices that are inserted into the body, such as pacemakers, stents or artificial hips.

Notable ASX device stocks include breast density analysis outfit **Volpara (VHT)**; mobile app based respiratory analysis tool **ResApp (RAP)**; and automated medical probe steriliser **Nanosonics (NAN)**. **PolyNovo (PNV)** and **Avita Medical (AVH)** are developing artificial skins as a better alternative to traditional skin grafts for burns victims. While at the simpler end, **Rhinomed (RNO)** is marketing a plastic clip worn on the nose, to expand the nostril and increase aerobic capacity. **Oventus (OVN)** and **SomnoMed (SOM)** are developing and marketing variants of mouthguard-like devices to treat sleep apnoea. Others are focused on better delivery of existing drugs that are difficult to administer. **Psivida (PVA)** developed a steroid-based treatment for back of the eye diseases obviating the need for painful regular injections.

BIG WINNERS

Under the Radar has ridden the sector's stellar performance, with seven device/diagnostic plays on our coverage list. These stocks have gained an average 130% since recommendation date. One of our big performers is **Medical Developments (MVP)** and we continue to rate this stock a Spec Buy. While the company is largely a drug developer with its re-purposed Penthrox pain relief, MVP is also doing a growing trade in plastic devices for efficient delivery of asthma medication.

Other big performers in the sector include **ResApp (RAP)** whose IP is based on an algorithm that enables a mobile phone to analyse a wheeze or a cough. Clinical tests to date suggest that it is much more effective than a physician with a stethoscope in detecting chest conditions such as asthma and pneumonia. To date there has been no way to remotely analyse respiratory conditions, which in the US accounts for 10% of all GP visits. Despite its \$170m market valuation, ResApp is yet to generate revenue and has not yet gained crucial FDA approval.



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In contrast **Nanosonics (NAN)** is generating strong revenue and earnings on the back of its Trophon, a unit that sterilises equipment such as bodily probes. Nanosonics has tapped a yawning gap in hospital disease control, because to date the usual sterilisation method has required a room full of dangerous chemicals.

A NEW MED-TECH BUY

In the first part of a two-part series, this week, we introduce **LBT Innovations (LBT)** which is seeking to automate the process of collating and analysing samples in pathology labs. We also review the prospects for three on our list: **Ellex Medical Lasers (ELX)**, **Sirtex Medical (SRX)** and **SomnoMed (SOM)**.

RESEARCH TIP

LBT INNOVATIONS

LBT's tool "Automated Plate Assessment System" (APAS) is another example of how robotics and automation is taking over so many industrial functions. Robotics is a hot area for investors and LBT is likely to be well supported if it can parlay its potential into solid sales. It's definitely speculative but with a global deal in the offing, we think it's in the right place to have a big future.

THE PETRI DISH REVOLUTION

The robots are on the march and they're coming to a pathology lab near you, thanks to this inventor of an automated device to sort and to analyse bodily samples. Path labs are big businesses globally, yet to date the process of screening microbiological specimens has been labour intensive. This Adelaide-based minnow is seeking to change all that with its APAS Independence (Automated Plate Assessment System) device, which has been approved by the major regulators.

As we explain in "What's New", the APAS Independence device is owned by a 50:50 joint venture between LBT and the Swiss group Hettich, called Clever Culture Systems and is expected to strike a global distribution deal for APAS by 30 September 2017.

A BIT OF HISTORY

LBT listed in mid 2006 to commercialise an initial device called MicroStreak, invented by chief scientific officer John Glasson. The MicroStreaks automated the manual streaking of the petri dishes with the sample ahead of analysis. The company signed a commercialisation deal with French bioMerieux in 2009, but suffered a blow when the French diagnostics company ceded its exclusive rights to LBT in 2015.

LBT has since focused on APAS, a machine the size of a large photocopier that can handle, read and interpret up to 200 plates per hour. In comparison, a lab technician might handle 60 plates on a good day. A second device in development, APAS Incubot, aims to automate the culture incubation process.

The key benefit of APAS is being able to detect the negative plates, which don't require further analysis. In the case of urine half the tests are clear. In tests of a manual-loading prototype carried out by the pathology arm of Sydney's St Vincent's Hospital, the units accurately diagnosed 10,000 urine samples. Even with APAS, positive plates will still be analysed by humanoids. But don't be surprised if this function is also automated in future.

The APAS units are expected to sell for US\$300,000 (A\$393,000) with additional ongoing licence fees and service revenues. LBT plans to distribute the units itself in Australia and NZ, which is not a large market but is favoured by diagnostic companies.

RADAR RATING **SPEC BUY**

ASX CODE **LBT**

SHARE PRICE **\$0.26**

MARKET CAP **\$36M**

NET CASH **\$3.5M***

*Estimate

BULL POINTS

- ▶ GLOBAL DEAL SOON TO BE FINALISED
- ▶ COST SAVING FOR PATHOLOGY LABS
- ▶ REVENUE FROM CAPITAL SALES AND LICENSING FEES

BEAR POINTS

- ▶ NO CURRENT REVENUE
- ▶ DEVELOPMENT LONGER THAN EXPECTED
- ▶ EQUITY CAPITAL RAISING LIKELY

WHY WE LIKE IT

Adelaide based LBT is gaining traction with its next-generation product to automate processing and analysing biological samples in pathology labs. Given the global market is 27,000 labs the potential is enormous given the labour-intensive nature of current processing procedures. Large commercial pathology labs typically process thousands of samples a day. LBT's target market is 12,000 to 13,000 of these labs: the mid to large ones that process at least 400 plates per day. LBT's tool called APAS Independence is another example of how robotics and automation is taking over so many industrial functions. Robotics is a hot area for investors and LBT is likely to be well supported if it can parlay its potential into solid sales.



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Melbourne's St Vincent's Hospital has signed up to be the first lab in the world to test APAS Independence. Last month the units were showcased at the European Congress of Clinical Microbiology and Infectious Diseases in Vienna. "We are actively in due diligence with distribution parties in the US and Europe and will have that nailed down in the third quarter," says LBT managing director Brenton Barnes.

PROSPECTS

LBT did not record any revenue in the June quarter, but recorded a \$38,000 operating surplus because of a \$1.45m expense reimbursement from Clever Culture Systems. In the December half LBT generated \$551,000 of revenue, mainly from a bioMerieux licence fee agreement. bioMerieux is a 7% LBT shareholder.

The Clever Culture Systems JV is expected to ship its first unit in the fourth (December) quarter, to fulfil existing orders.

OTHER IRONS IN THE FIRE

Another potential driver is that the company has engaged Deloitte to find a buyer for MicroStreak. Given the process is expected to be a hard slog, a rosy outcome could spur the share price. Any buyer would have to commit substantial capex to marketing and development costs.

LBT is also exploring using the same machine-learning algorithms to develop a hand-held device called WoundVue, to monitor the progress of long-term chronic wound care patients. We understand that about 50 million globally are affected by chronic wounds, yet the monitoring systems are subjective and manual, and currently it requires practitioners to use a ruler and a visual assessment. LBT is gathering clinical data.

SIZING UP THE MARKET

If LBT penetrates 10% of the addressable market for the APAS units, which is about 13,000 labs, this would generate \$56m of sales revenue. The earnings are split 50:50 in the joint venture, but this still implies enormous upside. Initially, though, the machines are likely to be provided on a "try before you buy" basis.

Clearly, investing in LBT is a highly speculative proposition. But with the APAS product offering enormous cost savings to the labs, we expect strong interest from potential global partners. ■

WHAT'S NEW

In May LBT launched a \$500,000 placement and \$3m share purchase plan. Last Friday the \$3m SPP component closed with only \$500,000 raised, which is not surprising given the shares were trading below the 26c a share offer price (the stock traded at 30c at the time of the May 23 announcement). The company says it has "various options available" to raise more cash and alludes to "anticipated positive" news. The cash position will be bolstered with a \$1.9m R&D tax refund in October. The APAS device is being commercialised in a 50:50 joint venture called Clever Culture Systems, with Swiss group Hettich, the other party. Clever Culture Systems is expected to strike a global distribution deal for APAS by 30 September 2017.



THE APAS INDEPENDENCE DEVICE IS OWNED BY A 50:50 JOINT VENTURE BETWEEN LBT AND THE SWISS GROUP HETTICH, CALLED CLEVER CULTURE SYSTEMS AND IS EXPECTED TO STRIKE A GLOBAL DISTRIBUTION DEAL FOR APAS BY 30 SEPTEMBER 2017.



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ELLEX MEDICAL LASERS

Optical equipment

The optical technology specialist has impressed, expanding into more than 100 countries. The group last week reported unaudited sales of \$71.7m for the 2016-17 year, which includes \$8.2m of sales of its non-invasive glaucoma treatment iTrack. The result also includes \$64m of laser and ultrasound sales, steady on the previous year. In the fourth quarter, iTrack sales grew from \$1.6m to \$1.8m.

Ellex's first-half sales of \$34.3m were slightly down and affected by production bottlenecks, which in turn resulted in net earnings falling 39% to \$912,000. While last week's update was well received, investors will need to wait for the August 21 full-year results for earnings commentary.

Meanwhile, Ellex has built a new manufacturing facility at Mawson Lake in Adelaide's north. The 4000 square metre premises will double its capacity to make and market the ophthalmic and laser instruments, which cover diagnosis of glaucoma, wet aged related macular degeneration (wet AMD) and cataracts.

Having won Food & Drug Administration approval in February, the facility, acquired in March last year, is now up and running.

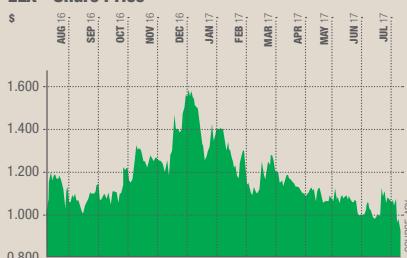
Ellex has a 32-year history it remains at the forefront of innovation. The group's 2RT is a pioneering retinal rejuvenation treatment to slow the progression of wet AMD. Tango Reflex replaces daily drops for glaucoma sufferers, while Ultra Q Reflex is a minimally invasive treatment for cataract-related "floaters".

In May Ellex said it would buy back the royalties for its iTrack device for \$2.9m. The payment, which includes \$US650,000 already made, removes the need to pay royalties to iTrack's original vendor, ISCI Holdings, over the next five years. ■

RADAR RATING: Ellex shares have retreated from their high of \$1.62 in November last year. With the new products providing plenty of momentum, we think the current price makes for an attractive entry point. **SPEC BUY.**

RADAR RATING **SPEC BUY**ASX CODE **ELX**CURRENT PRICE **\$0.93**MARKET CAP **\$113M**NET CASH **\$14M**TIP DATE **01 OCT 2015**TIP PRICE **\$0.40**

ELX - Share Price



SOMNOMED

Sleep disorders therapy

As with most other industries, the 'keep it simple' approach often proves to be the winning strategy with medical devices. When it comes to the reimbursement from the health insurers, it pays to 'keep it cheaper' as well.

SomnoMed has achieved both of these aims with its SomnoDent oral devices, which to all intents are glorified mouthguards to tackle the noisy – and sometimes dangerous -- problem of sleep apnoea (snoring).

The SomnoDents, which simply move the jaw forward to keep the airways open are an alternative to the cumbersome continuous pressure airways pump (CPAP) treatment championed by ResMed. While dentists fit SomnoDents, the company has been pursuing a direct to consumer strategy in the US by rolling out clinics under the banner of Renew Sleep Centres.

RADAR RATING **SPEC BUY**ASX CODE **SOM**CURRENT PRICE **\$3.15**MARKET CAP **\$182M**NET CASH **\$13.8M**TIP DATE **02 OCT 2014**TIP PRICE **\$2.04**



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The fourth was recently opened in St Louis, Missouri and a fifth was expected to start before June 30.

Despite its global success with SomnoDent since launching the product a decade ago, SomnoMed's performance has hit a flat spot: management has revised 2016-17 sales expectations from 71,000 units to 67,000m with revenue expectations abating to \$50m from the expected \$56m.

The company also expects to report a \$1.5m EBITDA loss, compared with a \$1.47m profit previously.

March quarter revenues were 2% higher at \$11.25m, with an operating cash flow deficit of \$1.88m, mainly relating to the start up of the Renew Sleep Centres. European sales have been strong. ■



RADAR RATING: We renew our positive call on the back of the European sales, the favourable reimbursement regime and on the assumption the sleep centre rollout succeeds. SomnoMed CEO Derek Smith describes 2016-17 as a "transitional year", with this year marking a growth spurt "for the next three years and beyond." **SPEC BUY.**

SIRTEX MEDICAL

Targeted liver cancer therapy

Sirtex's 'back to basics' approach under new CEO Andrew McLean has won the support of investors, with the shares gaining 23% since he announced sweeping changes on June 30. Just as importantly, the strife-prone Sirtex has guided to underlying EBITDA at the upper end of its \$65-74m indicated range for the 2016-17 year.

Global sales of the company's SIR-Spheres are expected to be 12,590 units, up 5.5% despite ongoing weak US sales. McLean is taking the time-honoured 'new broom' approach by announcing the write-off of \$90m of R&D costs and retrenching 15% of the workforce at a cost of \$5.3m. The R&D impairment relates to the company's failed clinical trials aimed at extending the use of the spheres from a 'salvage' liver cancer treatment to patients with metastatic colorectal cancer. McLean maintains Sirtex still has plenty of scope for growth in the 'salvage' market, with an addressable patient population of 184,000 in the 40 countries in which the company currently sells. ■

RADAR RATING SELL

ASX CODE SRX

CURRENT PRICE \$15.77

MARKET CAP \$925M

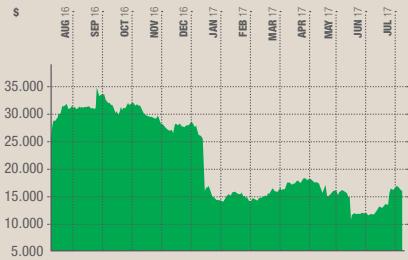
NET CASH \$43M

DIVIDEND YIELD 1.5%

TIP DATE 14 JUN 2012

TIP PRICE \$6.28

SRX - Share Price



RADAR RATING: We downgraded Sirtex to sell at \$14.96 on April 27 after the company's latest clinical setback: a 459-patient trial failed to show that the spheres were more effective than the current drugs for treating patients with metastasised liver cancer. While McLean may be right about growth in the 'salvage' market, competition is increasing (including an oral drug called Lonsurf) and it's getting harder to win reimbursement from insurers. While our sell call was premature, we are content to be onlookers. **SELL.**

under the radar report

RESEARCH TIP UPDATES

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GALE PACIFIC

Shade cloth manufacturer

Gale has released no update since its half year results at the end of February, and the share price has been drifting from there until a few weeks ago when some buyers got interested and its stock spiked back up to 40c. We think that buyers have been reassured that there has not been any profit warning, and the odds have improved for a positive financial report in the upcoming results season.

From a fundamental basis, this was to be expected of a business with a stronger 2nd half in a growth phase, and we still think the results will impress. Other than commenting on the share price action, there has been no news. This is not a bad thing for a company to limit the number of market releases.

But each time you review a company's statements you can find something new. Management's commentary at the half year results about the outlook for the second half is remarkably positive for earnings, cash flow and the balance sheet, and if nothing has gone wrong, investors should be rewarded. A repeat of the 1 cent first half dividend would imply an unfranked 5% yield, and it may come in higher than that. A manufacturer exposed to overseas growth, able to supply from an increasingly efficient Chinese plant, with very sound fundamentals should be able to tell a good story.

American sales structures have been adjusted to drive growth, and the 2nd half represents as much as 70% of sales from there. Cash generation will be positive in the second half, leading to a reduction in net debt, and the share buyback will deliver earnings per share growth, such that FY17 EPS might reach almost 4 cents for a P/E ratio of around ten times. ■

RADAR RATING: The stock has returned almost 20% since we upgraded to Buy after the AGM in December, and added it to our Best Ideas list. We like the company and the global opportunity it is addressing, but will remove the stock from our Best Ideas list above \$0.40. But we maintain our rating, anticipating evidence of sustained sales growth in the medium term. BUY.

RADAR RATING BUY

ASX CODE GAP

CURRENT PRICE \$0.39

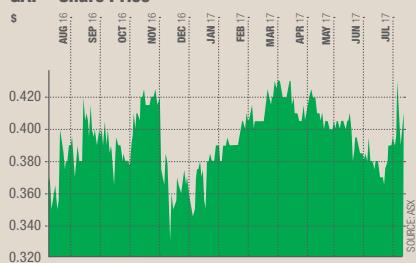
MARKET CAP \$117M

NET DEBT \$14M

TIP DATE 02 SEP 2015

TIP PRICE \$0.22

GAP - Share Price



NEARMAP

Aerial imaging provider

Investors expecting upbeat news about the aerial mapping provider's US expansion haven't been let down, with the company reporting strong customer take-up in the capacious market, of which Nearmap has only a 1% share.

On Friday Nearmap reported US annualised contract value (ACV) of US\$5.3m (A\$7m), a 350% increase on a year ago. The sales trends continue to go the right way, with \$US2.2m of incremental ACV generated in the second half compared with \$US1.6m in the first half.

In its more mature Australian market, Nearmap reports ACV of \$40m, 16% higher, with \$3m of incremental ACV in the second half compared with \$2.6m in the first half.

Nearmap has also guided to full-year group EBITDA of \$5.8-6.2m, at the higher end of guidance of \$4.5-6.5m.

Locally, Nearmap has a 15% share of the \$250m to \$300m market for high-quality imagery for commercial users. The local business is profitable but the US operation isn't.

RADAR RATING HOLD

ASX CODE NEA

CURRENT PRICE \$0.67

MARKET CAP \$250M

NET CASH \$28M

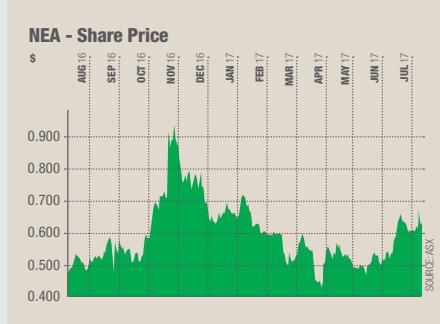
TIP DATE 30 MAR 2017

TIP PRICE \$0.505

If the latter can turn to profit, that's where the near-term opportunity lies. The company values the fragmented US sector at \$US1.5bn a year and turnover is forecast to grow to \$US4.5bn by 2025.

While Nearmap has about 500 US customers compared with 7000 here, the US base contributes more per-customer revenue: \$8,200 compared with \$5,300 here. Nearmap hopes to expand its market by rolling out so-called HyperCameras, capable of oblique and 3D images. Six of these units have been deployed in the US to date. ■

RADAR RATING: Nearmap shares have surged 26% since we recommended the stock as a speculative buy at 50.5c on March 30. Under the Radar expects more good news, but downgrades the stock to a hold because the current valuation arguably factors in the likely short-term growth. In essence we are saying current investors should hold for the journey, newcomers should look for a lower entry price. **HOLD.**



PRAEMIUM

Financial planning tools

Praemium announced a second quarter (3 months to 30 June 2017) surge in inflows to take their funds under Administration total to \$6m. The quarter was the best yet, and the gross inflows were split as to 75% Australia, 25% Britain. The inflow numbers represent quarter over quarter growth of around 10% in FUA in both International and domestic businesses.

We have had some success with our recommendations, since we first recommended subscribers Buy PPS about a year ago at \$0.28, and the stock continued up to \$0.48 before we downgraded to Take Profits in an article in October.

At four times sales revenue, the Praemium valuation still needs to be justified. Gross margins appear very healthy, the profitable Australian business is showing accelerating growth, with 41% increase in new accounts in the last financial year. International potential remains substantial, starting from Britain, where the Brexit vote has raised a little uncertainty about prospects there. It also seems possible that cost growth will be higher than expected for the full year, both exceptional board spill costs, as well as other internal initiatives to reboot growth after the boardroom action.

Crucially the business is successfully converting a good idea into sales growth delivering a number of products to a range of different market segments. The need for ongoing investment in product, sales and marketing suggests that cash flow will be reinvested indefinitely into the business, with limited cash returned to shareholders. But if the business can show continued strong double-digit top-line growth, earnings will catch up with the share price over the next couple of years.

The shares had fallen back since our latest positive recommendation, but the latest inflow news reignited interest. And as we pointed out last time, the chances are good that the reappointed managing director can reinvigorate the business for the next phase of growth with fresh enthusiasm and plenty to prove. ■

RADAR RATING: The shares are likely to double down on any share market fall, even if things do go well through the results season. And there are some valuation concerns. Our Speculative Buy recommendation envisages that we think the stock is worth a smaller purchase now, hoping to be able to consider additional purchases after the full year results and presentations. **SPEC BUY.**

RADAR RATING SPEC BUY

ASX CODE PPS

CURRENT PRICE \$0.40

MARKET CAP \$162M

NET CASH \$8.2M

TIP DATE 22 JUN 2016

TIP PRICE \$0.28



UNIVERSAL COAL

South African coal miner

Universal's second coal mine is starting to deliver in spades, or excavator buckets, with the miner confirming a rebound in production for the 2016-17 year. Universal has operated the 70.5% owned Kangala Colliery since April 2014; and this year the company re-started its 49% owned New Clydesdale Colliery (NCC). Universal operates both mines.

Combined, the mines are forecast to have produced just over 3 million tonnes of mainly thermal coal during the period. Of that 2mt attributable to Universal, a 47% increase on the previous year.

Universal's operating cash flow has also jumped 180% to \$29m, with expected EBITDA of \$26m, which was almost double on the same period last year. Attributable operating cash has also strengthened to \$19.6m from \$7.6m previously. Management will release is June quarterly activities report in the coming days.

In 2015, Universal's biggest shareholder Ichor lobbed a 16c a share hostile cash bid, while Coal of Africa trumped this with a 25c cash/scrip offer. While both offers fell through, they continue to set a valuation benchmark. Ichor remains a 30% shareholder and another bid is possible.

We called out Universal as being significantly undervalued at 13c on May 11 – even allowing for the so-called Africa Discount. Arguably Universal shares are still cheap, especially as management has pointed to a potential maiden dividend or return of capital. ■

RADAR RATING: We suggest that investors cash in their quick 30% profit, which equates to an annualised return of 180%. Thermal coal is not exactly flavour of the month with investors and this sentiment might constrain further gains. **TAKE PROFITS.**

RADAR RATING **TAKE \$\$\$**

ASX CODE **UNV**

CURRENT PRICE **\$0.17**

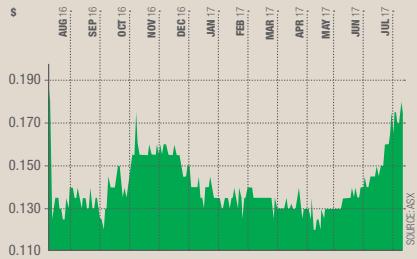
MARKET CAP **\$90M**

NET DEBT **\$10M**

TIP DATE **11 MAY 2017**

TIP PRICE **\$0.13**

UNV - Share Price



BEST MONEY MAKING IDEAS

AS AT 12 JULY 2017

*Return includes dividends and is after brokerage**THIS LIST IS IN ALPHA ORDER.****PLEASE GO ONLINE TO CHECK OUR FULL COMPANY RESEARCH.**

COMPANY	INDUSTRY	MARKET CAP \$M	DIVIDEND YIELD (%)	LAST PRICE \$	RETURN %	WHY WE LIKE IT
INGENIA COMMUNITIES (INA)	Property	540.8	3.9	2.62	2.3	Because of its use of new technology and an innovative funding scheme for retirees, the retirement community specialist is a value proposition that is almost without peer. The trust continues to be good value because its weakness reflects the market's view that its expansion is limited. We beg to differ. This group is in a sweet spot and trading on a PE of 12 times and on a dividend yield of almost 5% it continues to justify a place on our Best Ideas.
MYNETFONE (MNF)	Telecom.	313.3	1.7	4.30	237.3	We have been keeping a close eye on MNF because we like its business model – high growth both at the top and bottom line; low fixed costs; innovative; lots of cash and paying dividends. The problem is that it was too expensive! With some selling related to a big shareholder exiting because of a change in personnel, we believe that there is a buying opportunity for subscribers.
MAYNE PHARMA (MYX)	Pharma	1487.2	-	0.97	193.0	This is a well run company which expanded quickly at the top of the cycle. The shares have more than halved, which is why we see value. The group's balance sheet is not stretched because of capital raisings but it does have some 1.6bn shares on issue. We think it's speculative but worth a punt at current prices.
PHARMAXIS (PXS)	Biotech	82.0	-	0.26	77.2	In short: lots of cash and multiple clinical prospects backed by two global pharma partners. Pharmaxis has received a hefty upfront payment from Boehringer, which acquired the rights to the compound PXS-4728A. Boehringer has confirmed it will undertake a phase-two clinical study to treat the common liver condition non-alcoholic steatohepatitis (NASH). This will trigger a \$27m milestone payment to Pharmaxis, as well as a further \$15m payment if Boehringer pursues a second indication.
PROGRAMMED (PRG)	Services	460.0	3.9	1.79	0.6	Trading at a fifth of the value of its sales and producing strong cash flow, Programmed is a case of a big company in a small market cap disguise. Improved conditions are expected in the current half. The group has impressed by paying down debt, while maintaining dividends. With Programmed's merger with Skilled Group complete, growth is forecast to come from both its sizeable presence in resources and the industrial and infrastructure sectors. Programmed believes that mining conditions look to have bottomed after three years of woe.
SOUTHERN CROSS ELECTRICAL (SXE)	Mining services	92.8	2.3	0.58	73.4	The electrical instrumentation specialist now has a commanding position in big projects in both the West and East of Australia. Its stock has pulled back after an a \$54m acquisition and associated capital raising and no interim dividend. We think it's a buying opportunity because the stock is cheap and management have shown over a long period of time that they have the nous to grow earnings and increase dividends.

COMPANY	INDUSTRY	MARKET CAP \$M	DIVIDEND YIELD (%)	LAST PRICE \$	RETURN %	WHY WE LIKE IT
THE REJECT SHOP (TRS)	Retail	127.4	9.7	4.43	21.4	The stock has been sold off by more than 50% since the April 7 profit downgrade, which stemmed from "extremely challenging" external retail conditions, as well as having the wrong range of merchandise. Management has a track record of managing through previous slumps. With the company worth a fraction of its \$400m worth merely a year ago, we believe the stock has been oversold and a modicum of good news would spur a recovery.

* Gale Pacific (GAP) remains a BUY but has been removed from the Best Buys. See note on page 7.

99% of all financial news relates to the 40 to 50 biggest companies. So what about the rest? They're Under the Radar.

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