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# Admedus moves from one unlikely area to another

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### A product sale nets the Australian company some much-needed cash, but its plan for the future is highly questionable.

Admedus's core business of developing cellular scaffolds for the surgical repair of heart valves looked reasonable five years ago. But the success of products like Abbott's MitraClip, which can perform valve repair non-surgically, has made it harder to compete, and the troubled company has been forced to sell its bio-scaffolds to Lemaitre Vascular.

Lemaitre is paying Aus$22.8m ($15.2m) up front for the CardioCel and VascuCel product lines, and while the deal is small it is meaningful for Admedus. The smaller group arguably needed to do something drastic, but its latest move might not solve its issues: Admedus is developing a transcatheter aortic valve implant, and thus planning to enter a market dominated by big players in which it will find it hard to compete.

When *Vantage* spoke to Admedus in 2014 the group had a plausible if unspectacular plan. Its cellular matrix was approved in the US as a non-immunogenic tissue graft for indications including valve repair and reconstruction, repair of the aortic arch, carotid endarterectomy and aneurysm repair (*Admedus aims to build a business in the gaps, November 24, 2014*).

It reckoned CardioCel could hold its own against rival products from bigger groups including Baxter, Edwards, St Jude (now part of Abbott) and Medtronic. This always seemed ambitious – and so it has proved.

Over the past half-decade Admedus has grown its sales, but it remains stubbornly unprofitable. Its share price sank into penny stock territory in early 2015 and has been languishing there ever since.

| Admedus's financial performance | | | | | | |
|---|---|---|---|---|---|---|
| | **FYE 30 Jun 2014** | **FYE 30 Jun 2015** | **FYE 30 Jun 2016** | **FYE 30 Jun 2017** | **6mth to 31 Dec 2017** | **FYE 31 Dec 2018** |
| Sales ($m) | 7.9 | 10.1 | 14.2 | 22.3 | 11.3 | 25.6 |
| Profit/(loss) after tax | (9.0) | (26.8) | (25.1) | (12.7) | (8.8) | (24.7) |
| *FYE=fiscal year ending; Admedus changed its fiscal year end from 30 Jun to 31 Dec in 2017. Source: Admedus's 2018 annual report.* | | | | | | |

Perhaps to beef up its cash balance, which at the end of 2018 was just Aus$12m, the company has been divesting various technologies over the past year. It sold its vaccine unit to Constellation Therapeutics in March, and part of its infusion pumps business went to BTC for Aus$6.3m a month later.

**Tricky**

Now Admedus is offloading its flagship offering, although the group does retain the entire IP portfolio for Adapt, the technology used to manufacture the cellular scaffold products. And it is using it to develop the new product onto which it is pinning its hopes: a catheter-mounted aortic valve intended to be very different from the blockbusters already on the market.

This device will be composed of a single piece of Adapt-based scaffold, unlike existing products, which are made from various metal, fabric and animal tissue components. Admedus believes that it will be more resistant to calcification and hence more durable than marketed valves. This is an increasingly important consideration now that transcatheter devices are being used even in low-risk, younger patients (*ACC 2019 – Low risk of patients being denied transcatheter aortic valves, March 20, 2019*).

But if CardioCel was going up against similar products from bigger companies, this is infinitely truer of aortic valves. Edwards Lifesciences has approximately 60% of this $4bn market sewn up, and Medtronic and Boston Scientific have around 35% and 5% respectively.

Admedus would have a hard time competing with these giants were it on the cusp of entering the market. In actuality, it is not even on the cusp of entering the clinic.

The group says its first human trials will begin next year. Even if these are a scorching success and the valve goes straight into pivotal European and US studies, and if then it holds its own in head-to-head trials with the established products – something Abbott's Portico and Boston's Acurate Neo have signally failed to do – it is at least a decade away from approval.

How a small, loss-making Australian company hopes to fund even this highly optimistic developmental scenario is far from clear. Yesterday's Aus$23m deal is certainly not going to cut it.