

Ellex Medical Lasers

Treatments for chronic eye diseases

Ellex offers products across the glaucoma severity spectrum, with Tango positioned as a primary therapy for earlier stages and iTrack providing further intraocular pressure (IOP) reduction when needed. 2RT provides the potential to tap into the underserved early ARMD market.

Tango leading SLT share in non-invasive glaucoma

Elevated IOP damages the optic nerve in glaucoma patients. When topical therapy fails to control IOP, non-invasive procedures like SLT can be used. Sales of Ellex's Tango family of yttrium aluminum garnet (YAG) SLT lasers grew 35% in H2 CY17. Ellex's total glaucoma device revenue (including iTrack) rose by 37% to A\$19.3m in H2 CY17 and is tracking for further growth, supported by favourable demographics and increasing adoption of non-pharmacological treatment methods.

iTrack showing robust growth in surgical glaucoma

When further IOP control is needed, MIGS procedures using devices such as Glaukos's iStent or Ellex's iTrack can be used. iTrack has US clearance for use in a procedure (Ab-Interno Canaloplasty) that catheterizes, dilates and flushes the eye's Schlemm's canal, to improve ocular drainage flow and reduce IOP. In a two-cohort study (n=48), iTrack reduced IOP by 30% at 12 months. Unlike iStent, iTrack does not need to be performed in conjunction with cataract surgery for reimbursement and does not involve the permanent implantation of a device. In H2 CY17, iTrack sales were up 65% in the US and 30% outside the US, to A\$5.2m (globally).

2RT provides untapped opportunity in early ARMD

Ellex's 2RT intends to treat early ARMD by applying a nanosecond pulse laser to areas above and below the macula (central portion of retina), to stimulate the formation of matrix metalloproteinases (MMP) molecules without causing injury. MMPs are believed to assist in the turnover of cellular waste material. Data from the 36-month double-masked study (n=292) that began in 2012 in early ARMD are expected in mid-2018. If the treatment can reduce further vision loss or the need for invasive anti-VEGF therapies, Ellex plans to roll it out in Europe and other markets, although the approval pathway for the US has not been announced.

Valuation: EV of A\$118m

Ellex had A\$38m in H2 CY17 total sales (including its other ophthalmic units) and a net loss of A\$2.4m, and it expects to incur a mild loss over the next 12 months as it builds its iTrack market presence. Ellex raised A\$23m in November 2017 and had A\$9.7m net cash at end CY17 (A\$25.2m gross cash minus A\$15.4m in debt).

Consensus estimates

Year end	Revenue (A\$m)	PBT (A\$m)	EPS (A\$)	DPS (A\$)	P/E (x)	Yield (%)
06/16	72.9	4.2	2.77	0.0	N/A	N/A
06/17	71.6	(2.0)	(0.76)	0.0	N/A	N/A
06/18e	80.4	(4.3)	(0.03)	0.0	N/A	N/A
06/19e	93.8	(1.5)	(0.01)	0.0	N/A	N/A

Source: Bloomberg

Healthcare equipment

28 March 2018

Price **A\$0.89**

Market cap **A\$128m**

A\$1.294/US\$

Share price graph



Share details

Code	ELX
Listing	ASX
Shares in issue	143.6m

Business description

Ellex Medical Lasers markets laser surgical and medical devices for the ophthalmic sector. Its Tango and iTrack devices for the treatment of glaucoma are showing strong growth. 2RT is being developed for early ARMD, an area of large unmet need as no current treatment exists.

Bull

- Tango has 50% market share among selective laser trabeculoplasty (SLT) providers.
- Significant opportunity for 2RT in age-related macular degeneration (ARMD), which affects over 11 million people in the US (170m worldwide).
- iTrack minimally invasive glaucoma surgical (MIGS) device showing robust growth and differentiated from other MIGS products.

Bear

- Not expected to be profitable until mid-2019.
- Increasing competition in early- to moderate-stage glaucoma space from new topical drugs (Rho-kinase inhibitors) and extended-dose drug treatment platforms.
- Dry ARMD market very challenging as many treatment approaches failed to decelerate disease progression and atrophy.

Analysts

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