

## Rhinomed (RNO)

### RECOMMENDATIONS

Rating	<b>BUY ▲</b>
Risk	High
Price Target	<b>\$0.12</b>
Share Price	\$0.02

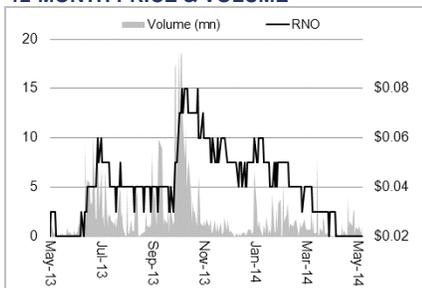
### SNAPSHOT

Monthly Turnover	\$0.4mn
Market Cap	\$8mn
Shares Issued	395.4mn
52-Week High	\$0.09
52-Week Low	\$0.02
Sector	Health Care

### BUSINESS DESCRIPTION

Rhinomed is a Melbourne-based company commercialising an internal nasal dilation device called BreatheAssist. The initial BreatheAssist product, called Turbine, was launched into the sports performance market in January 2014. Other applications in the works for BreatheAssist include its use in snoring reduction and drug delivery.

### 12-MONTH PRICE & VOLUME



### RESEARCH ANALYST

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### Disclosure

The author owns no shares in RNO.

Baillieu Holst Ltd has raised funds for Rhinomed Ltd and earned fees in relation to those activities in the past 12 months.

### COMPANY REPORT

#### Breathtaking early stage opportunity

- **Company summary.** Rhinomed is commercialising an internal nasal dilation platform called BreatheAssist. The initial BreatheAssist product, called Turbine, was launched into the sports performance market in January 2014. Other applications in the works for BreatheAssist include its use in snoring reduction and drug delivery.
- **Turbine may represent the Next Big Thing in sports medicine,** with clear advantages for users based on a 38% increase in air delivery to the lungs. We see potential for Turbine to be used across a range of sports beginning with cycling, where favourable clinical data showing a 6.5% power advantage was recently announced.
- **We believe that BreatheAssist can help Rhinomed follow the 'CNS Inc. Playbook'** to commercial success. CNS Inc. built a US\$100m business out of Breathe Right nasal strips which ultimately allowed it to be sold to GSK for US\$566m in mid-2006. We see potential for Rhinomed to follow a similar pathway given the superiority of its product.
- **BreatheAssist may represent a new product in sleep disorders,** with work planned to show that it can cut snoring (an indicator of sleep apnoea) as well as work synergistically with CPAP therapy in moderate-to-severe sleep apnoea and as a stand-alone product in mild-to-moderate sleep apnoea.
- **BreatheAssist has potential to be a serious drug delivery technology,** with evidence that it can be used for nasal delivery of a range of drugs. Rhinomed is currently working on BreatheAssist delivery of the migraine drug Sumatriptan, where dissatisfaction with current delivery modalities is high.
- **Rhinomed has strong leadership.** CEO Michael Johnson brings to Rhinomed a marketing background with experience in positioning new medical therapies. His skills have proved instrumental in bringing Turbine to market. Backing Johnson is a board chaired by Martin Rogers with relevant experience. It includes Brett Scrimshaw, formerly Vice President & Chief Executive Western Europe for Nike.
- **Rhinomed is undervalued on our numbers,** with a base case valuation of \$0.12 per share and optimistic case of \$0.38 on a probability-weighted DCF valuation. Our target price sits at our base case valuation.

### INVESTMENT SUMMARY

Year End: 30 June		2012 (A)	2013 (A)	2014 (E)	2015 (E)	2016 (E)
Revenue	\$mn	0	0	0	1	4
EBITDA	\$mn	-0.8	-15.6	-1.5	-1.3	0.3
EBIT	\$mn	-0.9	-15.6	-1.5	-1.3	0.3
Reported Profit	\$mn	-0.8	-15.0	-1.1	-1.3	0.3
Adjusted Profit	\$mn	-0.8	-15.0	-1.1	-1.3	0.3
EPS (Reported)	¢	-0.3	-3.5	-0.2	-0.2	0.0
EPS (Adjusted)	¢	-0.3	-3.5	-0.2	-0.2	0.0
EPS Growth	%	N/A	N/A	N/A	N/A	N/A
PER (Reported)	x	N/A	N/A	N/A	N/A	40.2
PER (Adjusted)	x	N/A	N/A	N/A	N/A	40.2
Dividend	¢	0.0	0.0	0.0	0.0	0.0
Yield	%	0.0	0.0	0.0	0.0	0.0
Franking	%	0	0	0	0	0

## Financial summary

Code RNO  
Analyst Stuart Roberts  
Date 23 May, 2014  
Share price \$0.02  
Market capitalisation \$8m  
Year end 30 June

Rating BUY  
Price target \$0.12  
Upside/downside 531.6%  
Valuation \$0.115 / \$0.382  
Valuation method Probability-weighted DCF  
Risk High

PROFIT AND LOSS (A\$m)					
Y/e June 30 (A\$m)	FY12A	FY13A	FY14E	FY15E	FY16E
Revenue	5	0	0	1	4
<b>EBITDA</b>	<b>-1</b>	<b>-16</b>	<b>-1</b>	<b>-1</b>	<b>0</b>
D&A	0	0	0	0	0
<b>EBIT</b>	<b>-1</b>	<b>-16</b>	<b>-1</b>	<b>-1</b>	<b>0</b>
Net interest	0	0	0	0	0
Pre-tax profit	-1	-16	-1	-1	0
Tax	0	1	0	0	0
NPAT	-1	-15	-1	-1	0
Minority interests	0	0	0	0	0
Net profit after minorities	-1	-15	-1	-1	0

BALANCE SHEET (A\$m)					
Y/e June 30	FY12A	FY13A	FY14E	FY15E	FY16E
Cash	0	0	1	1	2
Current receivables	0	1	1	1	1
Inventories	0	0	0	0	0
Other current assets	3	0	0	0	0
<b>Current assets</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>
PPE	0	0	0	0	0
Intangible assets	22	5	5	5	5
Other non-current assets	0	0	0	0	0
<b>Non-current assets</b>	<b>22</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Total assets</b>	<b>26</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>8</b>
Payables	1	1	1	1	1
Debt	0	0	0	0	0
Other liabilities	4	0	0	0	0
<b>Total liabilities</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Shareholders' equity	20	6	6	7	8
Minorities	0	0	0	0	0
<b>Total shareholders funds</b>	<b>20</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>8</b>
<b>Total funds employed</b>	<b>26</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>8</b>
W/A shares on issue	147	239	333	458	458

CASH FLOW (A\$m)					
Y/e June 30	FY12A	FY13A	FY14E	FY15E	FY16E
NPAT plus discontinued ops.	-1	-15	-1	-1	0
Non-cash items	2	12	0	0	0
Working capital	-4	1	0	0	0
Other operating cash flow	0	0	0	0	0
<b>Operating cashflow</b>	<b>-3</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>1</b>
Capex	0	0	0	0	0
Investments	0	0	0	0	0
Other investing cash flow	0	0	0	0	0
<b>Investing cashflow</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in borrowings	0	0	0	0	0
Equity raised	3	2	1	2	0
Dividends paid	0	0	0	0	0
Other financing cash flow	0	0	0	0	0
<b>Financing cashflow</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>0</b>
<b>Net change in cash</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>
Cash at end of period	0	0	1	1	2

EARNINGS (A\$m)					
Y/e June 30	FY12A	FY13A	FY14E	FY15E	FY16E
Net profit (\$m)	-0.8	-15.0	-1.1	-1.3	0.3
EPS (c)	-0.5	-6.3	-0.3	-0.3	0.1
EPS growth (%)	N/A	N/A	N/A	N/A	N/A
P/E ratio (x)	-3.7	-0.3	-6.0	-6.9	26.2
CFPS (c)	-2.0	-0.7	-0.3	-0.2	0.1
Price/CF (x)	-1.0	-2.7	-6.1	-9.1	15.5
DPS (c)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	N/A	N/A	N/A	N/A	N/A
EV/EBITDA	-5.8	-0.3	-3.4	-3.9	15.1
EV/EBIT	-5.7	-0.3	-3.4	-3.9	15.2

PROFITABILITY RATIOS					
Y/e June 30	FY12A	FY13A	FY14E	FY15E	FY16E
EBITDA/revenue (%)	-15.6%	-5373.2%	-1713.6%	-114.0%	8.8%
<b>EBIT/revenue (%)</b>	<b>-15.8%</b>	<b>-5375.6%</b>	<b>-1718.3%</b>	<b>-114.3%</b>	<b>8.7%</b>
Return on assets (%)	-2.9%	-232.5%	-16.1%	-16.8%	4.0%
Return on equity (%)	-3.7%	-263.7%	-17.6%	-18.2%	4.3%
Return on funds empl'd (%)	-3.7%	-253.5%	-17.6%	-18.1%	4.3%
Dividend cover (x)	N/A	N/A	N/A	N/A	0%
Effective tax rate (%)	7.2%	4.3%	26.9%	0.0%	0.0%

LIQUIDITY AND LEVERAGE RATIOS					
Y/e June 30	FY12A	FY13A	FY14E	FY15E	FY16E
Net debt/(cash) (\$m)	0	0	0	-1	-2
<b>Net debt/equity (%)</b>	<b>-2.0%</b>	<b>-1.7%</b>	<b>-8.0%</b>	<b>-20.5%</b>	<b>-25.9%</b>
Net interest cover (x)	N/A	N/A	N/A	N/A	N/A
Current ratio (x)	0.7	1.4	2.0	3.7	4.5

INTERIMS					
Y/e June 30 (\$m)	2H12A	1H13A	2H13A	1H14F	2H14F
Revenue	0	0	0	0	0
<b>EBITDA</b>	<b>-2</b>	<b>-12</b>	<b>-4</b>	<b>-1</b>	<b>0</b>
D&A	0	0	0	0	0
<b>EBIT</b>	<b>-3</b>	<b>-12</b>	<b>-4</b>	<b>-1</b>	<b>0</b>
Net interest	0	0	0	0	0
Pre-tax profit	-2	-12	-4	-1	0
Tax	0	0	1	0	0
NPAT	-2	-12	-3	-1	0
Minority interests	0	0	0	0	0
Net profit after minorities	-2	-12	-3	-1	0

VALUATION		
	Base	Optim.
Turbine (A\$m)	20.7	79.6
Snoring / apnea (A\$m)	30.3	139.5
Sumatriptan (A\$m)	16.7	61.1
Value of Rhinomed technology	67.7	280.3
Value of tax losses	8.0	8.0
Underlying R&D cost	-9.6	-9.6
Cash now (A\$m)	2.6	2.6
Cash from options and cash to be raised	23.3	23.3
<b>Total value (A\$m)</b>	<b>92.0</b>	<b>304.6</b>
Total diluted shares (million)	796.6	796.6
Value per share	\$0.12	\$0.38
Valuation midpoint	\$0.25	
Share price now (A\$ per share)	\$0.019	
Upside to midpoint	1210.2%	

## Summary investment view

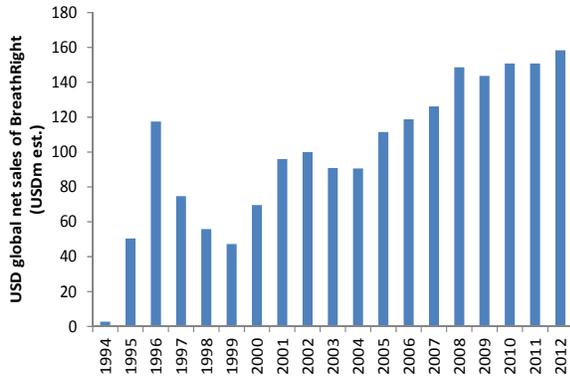
- We rate Rhinomed a BUY with a target price of \$0.12 per share. We see seven reasons to buy Rhinomed at current prices:
  - **Turbine.** Rhinomed has its first commercial product from its BreatheAssist platform technology, with Turbine, a product to improve breathing in sports, launched commercially in January 2014;
  - **Next Big Thing in sports medicine.** Turbine may represent the Next Big Thing in sports medicine, with clear advantages for users based on a 38% increase in air delivery to the lungs. We see potential for Turbine to be used across a range of sports beginning with cycling;
  - **Commercial success.** We believe that BreatheAssist can help Rhinomed follow the 'CNS Inc. Playbook' to commercial success. CNS Inc. built a US\$100m business out of Breathe Right nasal strips which ultimately allowed it to be sold to GSK for US\$566m in 2006. We see potential for Rhinomed to follow a similar pathway given the superiority of its product;
  - **A new product in sleep disorders.** BreatheAssist may represent a new product in sleep disorders, with work planned to show that it can cut snoring (an indicator of sleep apnoea) as well as work synergistically with CPAP therapy in moderate-to-severe sleep apnoea and as a stand-alone product in mild-to-moderate sleep apnoea;
  - **Great potential.** BreatheAssist has the potential to be serious drug delivery technology, with evidence that it can be used for nasal delivery of a range of drugs. Rhinomed is currently working on BreatheAssist delivery of the migraine drug Sumatriptan, where dissatisfaction with current delivery modalities is high;
  - **Strong leadership.** CEO Michael Johnson brings to Rhinomed a marketing background with experience in positioning new medical therapies. His skills have proved instrumental in bringing Turbine to market. Backing Johnson is a board Chaired by Martin Rogers with relevant experience. It includes Brett Scrimshaw, formerly Vice President & Chief Executive Western Europe for Nike.
  - **Undervalued.** Rhinomed is undervalued on our numbers with a base case valuation of \$0.12 per share and optimistic case of \$0.38 on a probability-weighted DCF valuation. Our target price sits at our base case valuation.

GSK paid US\$566m in 2006 to acquire a product similar to BreatheAssist.

## Summary investment view

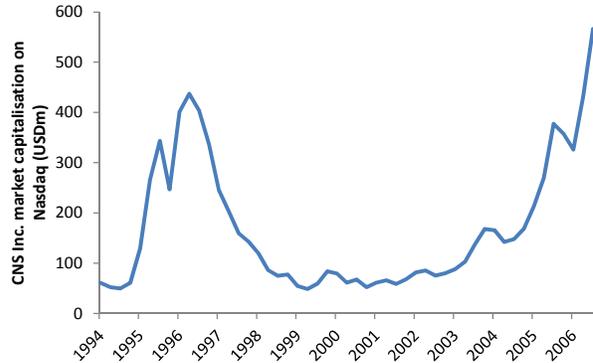
- Our probability-weighted DCF of Rhinomed was built using various assumptions:
  - A WACC of ~14.2% (high risk);
  - We modelled payoffs for Turbine, for a BreatheAssist product targeted at snoring and sleep apnoea, and for a Sumatriptan delivery product;
  - We used a 20% probability of success for the Sumatriptan project, and 100% to Turbine and BreatheAssist, taking the view that there was little technology development risk remaining;
  - We assumed that Turbine can reach US\$10-20m in net sales within five years of launch, while for BreatheAssist in snoring/apnoea the comparable figures are US\$20-40m; and
  - We assumed a further \$2m needs to be raised before Rhinomed becomes break-even from sales of Turbine and BreatheAssist in snoring/apnoea.

**FIG.1: WE ESTIMATE BREATHE RIGHT BECAME A ~US\$150M PRODUCT FOR GSK**



Source: CNC Inc., GSK, Baillieu Holst estimates

**FIG.2: GSK ULTIMATELY BOUGHT CNS INC. FOR US\$566m IN 2006**



Source: CNC Inc. 10-K filings, Baillieu Holst

**FIG.3: BREATHEASSIST IMPROVES NASAL AIRFLOW BY 38%**



Source: Rhinomed

**FIG.4: RHINOMED HAS MADE CLEVER USE OF SOCIAL MEDIA TO PROMOTE TURBINE**



Source: Rhinomed

## BreatheAssist has potential to become a valuable platform technology

- **BreatheAssist makes breathing easier.** BreatheAssist is a disposable plastic device made out of a soft medical-grade polymer which, inserted into the nasal cavity, dilates the nasal passages and thereby improves breathing<sup>1</sup>. The device consists of two independently adjustable structures, one for each nostril, joined by a strip of plastic that crosses the nasal septum<sup>2</sup>. BreatheAssist was invented around 2003<sup>3</sup> and vended into the publicly-traded Rhinomed in 2010<sup>4</sup>.
- **BreatheAssist represents a genuine platform technology.** The device was originally envisaged as a treatment for snoring and related breathing difficulties, and Rhinomed is currently working on four different applications<sup>5</sup>:
  - **Sports performance enhancement** – Off the back of clinical evidence that BreatheAssist can increase nasal airflow by 38%, Rhinomed developed a BreatheAssist product targeted at sports people called Turbine and launched it commercially in January 2014. In May 2014 Rhinomed reported data from a clinical study in cyclists showing Turbine contributing to a 6.5% improvement in power output and a 1.2% improvement in distance during threshold exertion;
  - **Snoring** - Rhinomed believes that its product can markedly improve wellbeing outcomes for people who snore as well as their sleeping partners;
  - **Drug delivery** – Rhinomed has evidence that BreatheAssist can effectively deliver drugs into the nasal passages more effectively than nasal sprays. The company is currently working on a nasal delivery system for the migraine drug Sumatriptan; and
  - **Sleep** – Rhinomed has evidence that BreatheAssist can improve the efficacy and compliance associated with treatment solutions in sleep apnoea.
- There is substantial commercial upside for Rhinomed in all target markets, and we believe that Rhinomed can create significant shareholder value from them all:
  - Only around 5% of all American adults do some sort of physical activity on any given day<sup>6</sup>, however that represents 11-12 million people who are heavy buyers of sports equipment and supplements;
  - Around 20% of adult women and 40% of adult men snore<sup>7</sup>;
  - There is strong demand by pharma companies for new delivery systems that can improve compliance and extend the franchise life of major drugs; and
  - Around ~9-10% of US adults are believed to have moderate-to-severe sleep apnoea<sup>8</sup>.
- **CNS Inc. wrote the book on how to commercialise an inexpensive breathing assistance device like Rhinomed's.** In 1994 the Minneapolis-based CNS Inc., then a relatively unknown company, was capitalised on Nasdaq at only ~US\$50-60m<sup>9</sup> as it got ready to launch Breathe Right<sup>10</sup>, recently FDA-approved<sup>11</sup>. As a medical device, Breathe Right didn't look all that sophisticated – it was merely an adhesive band with a central elastic piece which, applied placed over the nose across the nasal valve, was designed to increase nasal valve area, and thereby improve breathing. However twelve years later Breathe Right was a ~US\$120m pa product for CNS in the US alone<sup>12</sup> and CNS's Inc's market capitalisation had increased ten-fold, which the company bought for US\$566m<sup>13</sup> by GSK so that that company could add Breathe Right to its market-leading Consumer

20% of women and 40% of men snore - that's a big market opportunity

<sup>1</sup> Specifically, BreatheAssist is a nasal 'cannula', a cannula being any flexible tube that is inserted into the body for medical purposes, such as to administer drugs or drain off fluid.

<sup>2</sup> The part of the nose which separates the nostrils.

<sup>3</sup> See Paz Maryanka's patent application, 'A nasal cavity dilator' (WO/2004/026391, priority date 19 September 2002). Paz Maryanka currently lives in Israel but in the 1990s he was a senior manager in the credit cards operation of ANZ in Australia as well and also worked in network and data security at Telstra.

<sup>4</sup> The company was called Helicon (ASX: HCG) until 2011, when it became Consegna Group (ASX: CGP) before adopting the present name in November 2013.

<sup>5</sup> Initially Rhinomed talked of BreatheAssist as a filtration device for hay fever or influenza minimisation, as well as a tool for odour masking, but these applications have now been deemed lower priorities.

<sup>6</sup> See Am J Prev Med. 2010 Oct;39(4):e13-20.

<sup>7</sup> See Wheaton et al., Sleep. 2012 Apr 1;35(4):461-7.

<sup>8</sup> See Peppard et al., Am J Epidemiol. 2013 May 1;177(9):1006-14. Epub 2013 Apr 14.

<sup>9</sup> It was called CNS because it had originally been a developer of monitoring equipment for brain activity. The Nasdaq code was CNSX.

<sup>10</sup> See [www.breathright.com](http://www.breathright.com).

<sup>11</sup> Breathe Right had been developed in the late 1980s and early 1990s to help people who snore or had trouble breathing at night. Its inventor, Bruce Johnson of St Paul, Mn., suffered from chronic nasal congestion. Breathe Right gained 510(K) FDA approval for the improvement of nasal breathing in October 1993.

<sup>12</sup> We estimate ~US\$80m pa in Rest of World net sales for distributors at that time.

<sup>13</sup> Representing a ~20% pa increase in market capitalization for CNS.

Healthcare portfolio<sup>14</sup>. The playbook that CNS Inc.'s leadership wrote to engineer this outcome had five main objectives:

- To sell the product over-the-counter with wide distribution in the US;
- To target the product primarily at the large market opportunity in snoring reduction or elimination;
- To gain early exposure for the product from its use in improving sports performance;
- To develop the evidence for other uses beyond snoring; and
- To grow Rest-of-World sales through the right distributors – this was a key challenge in the late 1990s and early 2000s.

■ **BreatheAssist better than Breathe Right.** We see potential for Rhinomed to use the CNS Inc. Playbook to delivery serious value upside for its shareholders, thanks to an intriguing study showing that BreatheAssist may be much better than Breathe Right at boosting nasal airflow. In 2003 BreatheAssist's developers collaborated with investigators at the Royal Victorian Eye and Ear Hospital in a clinical trial of the device using 20 healthy volunteers; where nasal air flow was measured by rhinomanometry, at rest conditions. The results were stunning. Baseline airflow in the test subjects was 467.15 cc of air per second. When test subjects used Breathe Right they did 3.5% worse than baseline at only 450.75 cc. But when test subjects used BreatheAssist, they did 37.6% better than baseline at 642.8 cc. This result had high statistical significance - the p value of the comparison between baseline and BreatheAssist as well as between Breathe Right and BreatheAssist had four zeroes after the decimal point. Moreover the study had a crossover design to remove the bias from subject selection<sup>15</sup> and there was exclusion criteria to make sure that people with normally functioning nasal passages were recruited. Consequently it was reasonable to say, even though the results were never published<sup>16</sup>, that BreatheAssist may be a superior product to Breathe Right in terms of nasal airflow.

■ **Why the BreatheRight story is important for BreatheAssist and Rhinomed:**

- Breathe Right has helped establish public perception that nasal dilation is performance-enhancing in sport, which is BreatheAssist's first indication;
- Breathe Right remains well known globally as an over-the-counter snoring remedy that works; and
- As of July 2013, Breathe Right is now longer under patent protection<sup>17</sup>, meaning that the product is in decline for GSK<sup>18</sup> and the way is open for superior products like BreatheAssist, patent protected until at least 2023<sup>19</sup>, to step up.

■ **Rhinomed can produce a case that its product is better than Breathe Right on multiple fronts.** Not only does BreatheAssist seem to promote more airflow, as we noted above, it is also:

- Visually discrete, unlike Breathe Right (see FIG.4, where the girls in the photo actually have to point the product out);
- Able to independently dilate each nostril, something Breathe Right cannot do; and
- Able to be used on multiple occasions - unlike Breathe Right strips<sup>20</sup> where you only get one chance to apply the product properly.

**GSK's Breathe Right product went off patent in the US in July 2013.**

<sup>14</sup> CNS Inc.'s other major product was FiberChoice dietary fibre supplements. In Consumer Healthcare GSK also owns powerful brands like Nicorette for smoking sensation and Sensodyne for sensitive teeth.

<sup>15</sup> That is, test subjects rotated through all three cohorts.

<sup>16</sup> Study protocol and results are available at the Rhinomed web site. The Principal Investigator in the study was the Royal Eye and Ear's Simon Braham.

<sup>17</sup> With the expiration of US Patents 5,533,499 and 5,533,503.

<sup>18</sup> Sales are undisclosed, but GSK reported that they fell 21% in the fourth quarter of 2013.

<sup>19</sup> On the original patent. Subsequent design improvements are likely to have further extended this.

<sup>20</sup> Rhinomed recommends disposal after about three uses. Fair enough – these things go inside people's noses.

## A first entry in sports and 'wellness'

- **Dilation of the nasal passages is believed by many to improve sports performance.** CNS Inc. gave Breathe Right its initial commercial boost by persuading American football players that the product would improve performance on the field. The key date here was 28 November 1994, when Jerry Rice, the star receiver for the San Francisco 49ers, played in a Monday night game against the New Orleans Saints wearing the product<sup>21</sup>. CNS Inc. had earlier mailed samples to trainers for all the NFL teams<sup>22</sup> with suggestions that, since NFL players need to breathe a lot, Breathe Right could improve their performance. After the Rice exposure on Prime Time, many players in the NFL began using Breathe Right<sup>23</sup> and the resulting publicity markedly increased sales for its maker from US\$2.8m in 1994 to US\$48.6m in 1995. In the two decades since its launch, various studies have attested to Breathe Right's effectiveness in snoring and other breathing difficulties<sup>24</sup>, but the evidence in sports performance has been more controversial. A number of published studies found no benefit from Breathe Right<sup>25</sup>, which is why those nasal strips are less common on the sporting field today. However enough studies did find benefit<sup>26</sup> to suggest that something was good going on<sup>27</sup>, if only for players with structural issues in the nasal passages, or for players that have allergies or a cold. We argue that Rhinomed's work with its newly launched Turbine product, which is BreatheAssist for use in sports, has potential to invigorate the use of nasal dilation by sports people.
- **Rhinomed has now launched its answer to Breathe Right in the sporting market.** After various design improvements during the course of 2012 and 2013, Rhinomed launched BreatheAssist for use in sports use in the Australian market in January 2014. We expect the product, branded Turbine, which sells over-the-counter<sup>28</sup>, will begin the process of unlocking the value for Rhinomed from BreatheAssist:
  - The product has been carefully branded, using Whybin\TBWA<sup>29</sup> for regular promotion and Citrus<sup>30</sup> for digital promotion. We think the clever use of Twitter<sup>31</sup> and Facebook<sup>32</sup> as well as video advertising by Rhinomed and its partners will help establish a following for Turbine;
  - The initial sport targeted: cycling, is one where breathing is crucial to performance. Various cyclists have already attested to the product's benefits including European Tour professional road cyclists Calvin Watson<sup>33</sup> and Baden Cooke<sup>34</sup>; and
  - The smaller fan base of cycling compared to other sports allows Rhinomed to be a notable sponsor. Rhinomed has been a sponsor of events such as the Tour Down Under<sup>35</sup>, the Herald Sun Tour<sup>36</sup> and the Melbourne Ironman.
- **The clinical data on Turbine in cycling is compelling.** Rhinomed announced in May 2014 the results of the 'Ridewiser' trial, which was conducted at a clinic run by the Melbourne-based cycling coach Rob Crowe<sup>37</sup>. This study showed that Turbine could increase a cyclist's power and distance:
  - A total of nine A and B grade qualified racing cyclists<sup>38</sup> were tested while riding at endurance levels of racing (65-75% of maximum heart rate) as well as threshold levels

Forget EPO – Turbine is better, legal and safe.

<sup>21</sup> The 49ers defeated the Saints 35–14 so Breathe Right must have worked!

<sup>22</sup> Rice got the idea because Herschel Walker was wearing one in October 1994 when he helped the Philadelphia Eagles to victory in a game the previous month, and commentators started talking about 'those funny Band Aid things' that may have assisted his performance.

<sup>23</sup> For example, players wearing Breathe Right strips scored eight of the 10 touchdowns during the 1995 Super Bowl, between the 49ers and the San Diego Chargers.

<sup>24</sup> See, for example, Rhinology. 1997 Jun;35(2):50-2 and Am J Rhinol. 1999 Sep-Oct;13(5):385-9. FDA approval for a snoring reduction indication was gained in November 1995 while FDA approval for Breathe Right's use in providing temporary relief from the symptoms of nasal congestion was granted in February 1996.

<sup>25</sup> See, for example, Med Sci Sports Exerc. 2000 Aug;32(8):1491-5 and Med Sci Sports Exerc. 2001 Mar;33(3):454-8.

<sup>26</sup> See, for example, Laryngoscope. 1997 Sep;107(9):1235-8 and Can J Appl Physiol. 2004 Oct;29(5):579-89.

<sup>27</sup> CNS Inc. argued that studies of Breathe Right in sportspeople needed to track changes in the cross sectional area of the nasal valve region across study participants, and when this was done the results were favourable to Breathe Right - see CNS press release headlined 'Manufacturer of Breathe Right nasal strips cautions athletic performance researchers to set proper measures' dated 19/11/1996.

<sup>28</sup> It was able to do so without having to gain regulatory approval from the TGA, Australia's answer to the FDA, since the device in this setting doesn't go under the skin and doesn't deliver materials under the skin.

<sup>29</sup> See <http://wtbwa.com.au>.

<sup>30</sup> [www.citrus.com.au](http://www.citrus.com.au).

<sup>31</sup> See <https://twitter.com/theturbinecom>.

<sup>32</sup> See <https://www.facebook.com/Rhinomed>.

<sup>33</sup> Currently with Trek Factory Racing (<http://www.trekfactoryracing.com/team/riders/calvin-watson>). Trek is a US bicycle manufacturer headquartered in Waterloo, WI, and owned by the Burke family. Another product champion is the British rower Sir Steve Redgrave, a five-times Olympic Gold Medalist ([www.steveredgrave.com/business/com\\_rhinomed.html](http://www.steveredgrave.com/business/com_rhinomed.html)).

<sup>34</sup> Now retired after 13 years of competing professionally. Cooke did six Tour de Frances and was a 2003 Green Jersey winner.

<sup>35</sup> A cycling race in and around Adelaide. See [www.tourdownunder.com.au](http://www.tourdownunder.com.au).

<sup>36</sup> A professional bicycle race held in Melbourne and provincial Victoria in February. See [www.heraldsuntour.com.au](http://www.heraldsuntour.com.au).

<sup>37</sup> See [www.ridewiser.com.au](http://www.ridewiser.com.au). Crowe was a Gold Medalist at the Athens Paralympic Games.

<sup>38</sup> In Australian cycling a grading system operates in which the A grade riders start at the back of the field and the next grade down starts a few minutes ahead of them.

(80-90% of maximum heart rate) with and without Turbine. This was a 'crossover' study, so study participants were in all cohorts;

- When riders used Turbine during threshold exertion they increased their wattage<sup>39</sup> by an average 3.7%. The average for the best six riders was 6.5%; and
  - When riders used Turbine during threshold exertion they increased their 40-minute ride distance by 143 metres, a 1.2% improvement.
- It is reasonable to say that unethical cyclists would use EPO to obtain these kinds of numbers above— even though the evidence for efficacy is lacking<sup>40</sup>.
  - **Whenever Rhinomed has surveyed users of Turbine the feedback has always been strong:**
    - Around 90% notice better breathing ability;
    - Around half notice better endurance and/or speed; and
    - Around half quickly get used to having Turbine in their nose.
  - **Will Turbine be a company maker for Rhinomed like Breathe Right was for CNS Inc.?** Breathe Right was a more or less instant success, however CNS Inc. was well funded for a US nationwide launch in 1995 and got lucky with its initial promotion to NFL trainers. We do not expect big initial sales for Turbine but we do think that the product will 'wash its face' over the next couple of years before take-off. We see three main drivers of value for Rhinomed:
    - Word of mouth increasing usage;
    - Launch into other sports that may bring more visibility, such as running, hiking, ice skating, golfing, football, and aerobics; and
    - Launch in the US and Europe, which is currently being scoped.
  - **We expect further growth channels to open up for Turbine.** At the moment Rhinomed is self-distributing, selling the product through its [www.turbine.com.au](http://www.turbine.com.au) web site – a three-pack current sells for A\$24.95 there - and sourcing it via ChinaMed, a Hong Kong-based medical device manufacturer<sup>41</sup>. We expect that as awareness of the product grows other channels will open up:
    - There is already specialty retail reach via the Giant Hampton bike store in suburban Melbourne<sup>42</sup> and we expect other sporting goods suppliers to ultimately be reached;
    - An affiliate programme with coaches, trainers and clubs is currently being built;
    - We see potential for marketing via TVSN and other home shopping channels;
    - Pharmacy chains such as Priceline are obvious channel candidates; and
    - Launch into other sports that may bring more visibility, such as running, hiking, ice skating, golfing, football, and aerobics.
  - **Large potential user base for Turbine.** As we noted above, the ~5% of the US population who are physically active every day of the week lead the way on a US\$21bn market for sporting goods equipment<sup>43</sup>. We argue that a market this large will find Turbine users across a range of sports. Consider the following figures on sports participation data for 2012, for all Americans aged 6 and over<sup>44</sup>:
    - Running and jogging 29.5 million (50+ times pa);
    - Cycling on paved surfaces 20.8 million (26+ times pa) and on non-paved surfaces 4.0 million; (26+ times pa);
    - Tackle football 3.3 million (13+ times pa);
    - Outdoor soccer 6.2 million (26+ times pa); and
    - Yoga 9.9 million and Pilates 3.3 million (50+ times pa) (it is worth noting that both recreations place a heavy emphasis on nasal breathing).

The user feedback on Turbine from sportspeople has been very encouraging

The US sporting goods equipment market is worth US\$21bn pa.

<sup>39</sup> In cycling a rider's wattage is the power his effort at the pedals is generating. It is a function of his velocity and all the resisting forces (ie wind, gravity and friction).

<sup>40</sup> See Br J Clin Pharmacol. 2013 Jun;75(6):1406-21.

<sup>41</sup> Which currently has capacity to make 15,000 Turbine units a day, enough for near-term demand.

<sup>42</sup> See [www.gianthampton.com.au](http://www.gianthampton.com.au).

<sup>43</sup> Source: Sporting Goods Manufacturers Association, Manufacturers Sales by Category Report for 2012.

<sup>44</sup> Source: The Sports and Fitness Industry Association, 2013 Sports, Fitness and Leisure Activities Topline Participation Report.

## BreatheAssist has potential in sleep therapy

### Snoring

- **BreatheAssist may be a great snoring therapy.** We noted above the high levels of snoring in adult populations, being ~40% of adult men and ~20% of adult women. Other studies have found that close to 80% of US households have at least one snorer<sup>45</sup>. With these high levels having been reported for many years in spite of the growth of Breathe Right, and the recent rise of dental sleep medicine, we see potential for new products to enter this space.
- **Rhinomed is exploring the use of BreatheAssist in snoring.** The company expects to conduct user trials of a BreatheAssist device suitable for snoring (ie different from Turbine) later in 2014 ahead of a 510(k) filing in the US, after which social media can be used to promote usage in this space, targeting the partner who is kept awake by the snoring.
- **The payoff is strong, if the product is marketed right.** At average retail prices in the US, Breathe Right probably serves around a third of the potential US market for snoring reduction, worth >US\$400m.

### Sleep apnoea

- **Large proportions of the adult population may have sleep apnoea, with most undisclosed.** A 2013 epidemiology study has estimated that 26% of US adults aged 30-70 may have some form of obstructive sleep apnoea (OSA). Of these, 13% of men and 6% of women have moderate to severe OSA<sup>46</sup>. ResMed believes that only 20% of people with OSA have been diagnosed<sup>47</sup>. We argue that this will change over time due to increased awareness and ease of diagnosis as cheap home-based diagnostics replace expensive sleep laboratories as the channel through which patients enter the system. There is increasing evidence that sleep apnoea sits in the middle of various expensive healthcare conditions<sup>48</sup>, providing incentives for finding and diagnosing the other 80% of the patient population.
- **BreatheAssist may be useful in sleep apnoea.** Rhinomed will explore in 2015 whether a BreatheAssist device for sleep apnoea (ie: as with the snoring product, slightly different in design) has clinical effectiveness, with two sets of trials planned:
  - BreatheAssist as a stand-alone EPAP (Expiratory Positive Airway Pressure) device. If BreatheAssist is useful here it could prove a low cost alternative to the US\$500-600 wholesale price of the mandibular advancement splints that SomnoMed<sup>49</sup> and others have been promoting in the dental sleep medicine space; and
  - BreatheAssist as a companion therapy with CPAP. We see potential for BreatheAssist to be synergistic with CPAP, since wider nasal passages could mean less invasive air pressure from the CPAP machine.
- **Improving compliance in CPAP is paramount.** The gold standard treatment for moderate to severe OSA is CPAP therapy. Traditionally, compliance with therapy has been problematic due to discomfort with the masks and the noise of the machines. One estimate has suggested that only around 55% of patients are CPAP-compliant after five years, with 15% giving up before then and 30% never starting<sup>50</sup>. With healthcare funding agencies now becoming concerned about the size of the patient populations potentially eligible for CPAP, compliance is becoming more of an issue.
- **Sleep apnoea has created some powerful companies that will find Rhinowork's work in the field very interesting.** At a US\$7bn market capitalisation and US\$1.5bn in FY13 revenues ResMed has been a major factor in driving awareness of CPAP solutions for OSA and growing the market alongside Phillips and Fisher & Paykel Healthcare. We argue that clinical data showing nasal dilation working for mild-to-moderate patients will prove of great commercial interest to ResMed and its competitors. We regard ResMed's late 2009 acquisition of Laboratoires Narval for €8m in order to get into dental sleep medicine as indicative of that company's willingness to invest in new modalities that could be significant in the future at the mild-to-moderate end of the sleep apnoea spectrum.

26% of US adults aged 30-70 may have some form of obstructive sleep apnoea.

<sup>45</sup> Source: CNS Inc. survey from the mid-1990s.

<sup>46</sup> See Peppard et. al., op. cit.

<sup>47</sup> Source: ResMed 2013 10-K.

<sup>48</sup> See Neurologist. 2010 Nov;16(6):329-39.

<sup>49</sup> Sydney, Australia, ASX: SOM, www.somnomed.com.

<sup>50</sup> See Can Respir J. Oct 2008; 15(7): 365-369.

## BreatheAssist may be the Next Big Thing in drug delivery

- **BreatheAssist can be used to deliver drugs.** The two sides of the BreatheAssist device allows depots to be built – in the form of gels, films or wafers - which would deliver drugs into the mucosal layers within the nasal passages via inhalation. Nasal administration is popular in terms of drug delivery for several reasons:
  - Delivery via the mucosal layers allows drugs to avoid the ‘first pass’ effect on the stomach, which tends to lower bioavailability and can harm the gastrointestinal system;
  - The large surface area of the nasal passages as well as the porous endothelial membrane and high total blood flow in the area makes for rapid uptake of drug;
  - Nasal delivery is a great alternative for patients who don’t like injections or pills;
  - Nasal delivery allows rapid access to the brain, making it ideal for CNS patients; and
  - Nasal delivery via an inserted product allows controlled release of the drug as opposed to the one-off dosing characteristic of sprays.

### An interesting project is shaping up in Sumatriptan

- **Rhinomed is looking for drugs that still generate a lot of patient dissatisfaction.** In Rhinomed’s view the best way for BreatheAssist to be used in drug delivery is to work on drugs where existing alternatives are still poor. The one that stands out here is Sumatriptan, the migraine drug, where reportedly only around a fifth of patients are satisfied with available delivery alternatives<sup>51</sup>. Rhinomed is now exploring a developing programme with this compound that would provide strong proof of concept.
- **Sumatriptan has large market reach.** Over any three month period, ~16% of US adults experience a migraine, and ~80% of those patients continue to be prescribed a triptan as an anti-migraine drug, of which half is usually Sumatriptan<sup>52</sup>. Around 20 years ago, the high incidence of migraines fuelled blockbuster status for innovator drug, Sumatriptan and GSK’s Imitrex after it gained FDA approval in 1991; it reached peak sales of US\$1.37bn in 2007.
- **Migraine remains a large commercial opportunity for drug developers.** Consider three recent transactions:
  - Allergan spent US\$958m in early 2013 to buy MAP Pharmaceuticals mainly for Levadex, which is orally inhaled dihydroergotamine for the treatment of acute migraine<sup>53</sup>;
  - In July 2013 Avanir Pharmaceuticals<sup>54</sup>, a CNS drug developer, licensed from Optinose<sup>55</sup> a product called AVP-825, which a drug-device combination of low-dose sumatriptan with a breath powered device for nasal delivery. Avanir agreed to pay US\$20m upfront and will pay US\$90m in milestones for the product, which is now before the FDA;
  - Nupathe<sup>56</sup>, a CNS drug developer, was acquired by Teva for US\$213m (\$144m upfront) in early 2014 because of Zecuity, a Sumatriptan patch indicated for the treatment of migraine FDA. This maiden product of Nupathe’s gained FDA approval in January 2013; and
  - Zogenix<sup>57</sup> sold Sumavel DosePro, a needle-free injection of Sumatriptan, to Endo for US\$85m plus US\$20m in milestones in April 2014.
  - Pernix Therapeutics<sup>58</sup> acquired the US rights to Treximet, a Sumatriptan/Naproxen combination, for US\$250m in May 2014. Treximet did US\$78.7m in net sales for GSK in FY13.
- **We expect good things from the Sumatriptan development programme.** Rhinomed is currently conducting studies on the levels of drug payloads that the BreatheAssist

16% of US adults have regular migraines.

<sup>51</sup> Many patients complain about nausea with Sumatriptan use. GSK markets an Imitrex nasal spray, however this product comes with a strong and unpleasant metallic aftertaste as the drug hits the back of the throat (see Neurology. 1997 Nov;49(5):1225-30). Controlled delivery via BreatheAssist could avoid this.

<sup>52</sup> See Headache. 2013 Mar;53(3):427-36.Epub 2013 Mar 7.

<sup>53</sup> The drug received a Complete Response Letter in April 2013 because of FDA concerns about manufacturing. MAP had also received a Complete Response Letter in March 2012 because of manufacturing issues.

<sup>54</sup> Aliso Viejo, Nasdaq: AVNR, www.avanir.com. Avanir’s first product is Nuedexta, for the treatment of pseudobulbar affect.

<sup>55</sup> Yardley, Pa., privately held, www.optinose.com.

<sup>56</sup> See www.nupathe.com.

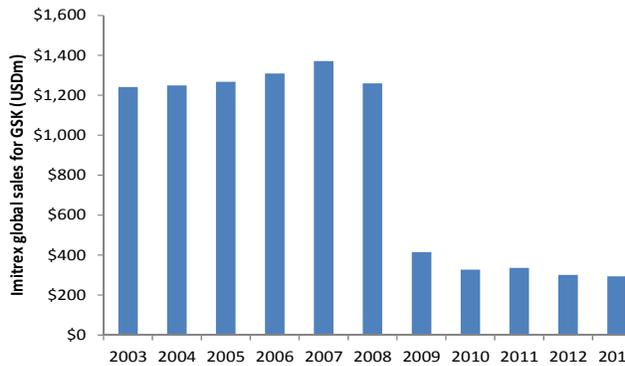
<sup>57</sup> San Diego, Ca., Nasdaq: NGNX, www.zogenix.com.

<sup>58</sup> Houston, Tx., Nasdaq: PTX, www.pernixtx.com.

architecture can handle, as well as animal studies on the pharmacokinetics of the product. We expect the human studies to measure bioequivalence will take place next year.

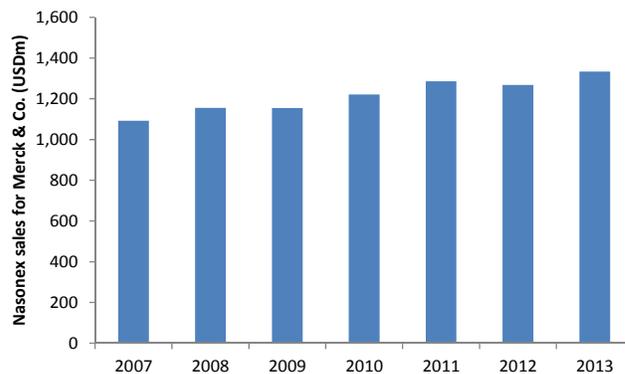
- **There is potential for licensing partners for BreatheAssist to emerge in drug delivery.** A major trend in Pharma in recent years has been the exploration of alternative delivery systems ahead of the expiration of patents over the innovator drug. Should Rhinomed develop a successful Sumatriptan delivery systems we expect other pharma companies will look to explore BreatheAssist for other difficult-to-deliver drugs.

**FIG.5: SUMATRIPTAN WAS A BLOCKBUSTER DRUG FOR GSK**



Source: GSK

**FIG.6: NASONEX HAS BEEN A BLOCKBUSTER FOR MERCK & CO.**



Source: Merck & Co.

**Drug delivery could be the Big Money for BreatheAssist**

- **Rhinomed believes BreatheAssist can be a new delivery alternative for Nasonex.** With around 8% of US adults subject to hay fever<sup>59</sup>, Merck & Co has built huge sales for Nasonex<sup>60</sup>, the glucocorticosteroid spray which it inherited when it bought Schering Plough in 2009. Rhinomed envisages that BreatheAssist could allow controlled release of the drug for better management of the condition by seriously affected patients. The company is also looking at the drug because US courts have affirmed patent protection until 2017, so Rhinomed will have time to market BreatheAssist delivery to companies looking for a 'premium generic'.
- **New delivery systems for old drugs has been a tried and tested way to build value in the Life Sciences,** creating great success stories such as Endo (US\$11.1bn cap, now the world's 46<sup>th</sup> largest pharma company<sup>61</sup>) Alkermes<sup>62</sup> (US\$6.5bn) and Auxilium<sup>63</sup> (US\$1.1bn) as well as emerging companies such as Depomed<sup>64</sup> (US\$664m), BioDelivery Sciences<sup>65</sup> (US\$425m) and Antares<sup>66</sup> (US\$391m)<sup>67</sup>. We argue that if Rhinomed develops a pipeline of drug delivery projects with good pre-clinical and early clinical data, investors would likely see some substantial Blue Sky can be built into the share price, even if they are sceptical about the prospects of management creating the next CNS Inc.

Rhinomed may develop one of the first premium generics for Merck's Nasonex blockbuster.

<sup>59</sup> Source: American Academy of Allergy, Asthma & Immunology.  
<sup>60</sup> Generic name mometasone furoate monohydrate, see www.nasonex.com.  
<sup>61</sup> Source: Pharmaceutical Executive magazine, 2013 list.  
<sup>62</sup> Dublin, Ireland, Nasdaq: ALKS, www.alkermes.com.  
<sup>63</sup> Malvern, Pa., Nasdaq: AUXL, www.auxilium.com.  
<sup>64</sup> Newark, Ca., Nasdaq: DEPO, www.depomed.com.  
<sup>65</sup> Raleigh, NC, Nasdaq: BDSI, www.bdsi.com.  
<sup>66</sup> Ewing, NJ, Nasdaq: ATRS, www.antarespharma.com.  
<sup>67</sup> All market caps as at 22 May 2014 close on Nasdaq.

## Valuing Rhinomed – How we get 12 cents per share

- We valued Rhinomed using a probability-weighted DCF approach.
- Our WACC was 14.2% (High risk)<sup>68</sup>.
- We modelled payoffs for Turbine, for a BreatheAssist product targeted at snoring and sleep apnoea, and for a Sumatriptan delivery product. We think this is conservative since success with Sumatriptan would likely open up multiple drug delivery programmes.

### Risk weightings

- We used a 20% probability of success for the Sumatriptan project, which we believe is conservative since this is the kind of risk-weighting traditionally ascribed to new drugs at Phase I. In this instance however, the risk relates to development of the delivery system, and development expertise is not hard to find.
- We assigned no risk weighting to Turbine and BreatheAssist, taking the view that there is little technology development risk remaining.

### Commercial outcomes

- We assume that Turbine can reach US\$10-20m in net sales for Rhinomed within five years of launch, while for BreatheAssist in snoring/apnoea, the comparable figures are US\$20-40m.
- We assume that a successful Sumatriptan delivery system could license to a Pharma partner in 2017-2018 with US\$20-40 in upfronts and US\$40-80m in milestones, followed by 8-12% royalties and a launch sometime between 2018 and 2010. Peak sales here would be US\$300-500m.

We see potential for Rhinomed to attract licensing partners for Sumatriptan

### Further capital

- We assume that the company raises a further \$2m at \$0.016 before Rhinomed becomes break-even from sales of Turbine and BreatheAssist in snoring/apnoea.

### The path to 12 cents per share

- We see various developments over the next twelve months as contributing towards a re-rating of Rhinomed:
  - Early online sales success with Turbine;
  - Entry of Turbine into new channels;
  - Use of Turbine by various professional athletes, building off the recent Ridewiser trial;
  - Completion of BreatheAssist designs for snoring and sleep apnoea applications;
  - Initiation of clinical work in sleep apnoea as a stand-alone device and as a companion device in CPAP therapy; and
  - Completion of design for a Sumatriptan delivery device, and early clinical work.

<sup>68</sup> For a relevant discount rate, we use WACCs of between 12% and 16.4% depending on the risk for Life Science companies. This is derived from a RFR of 3.8%, a MRP of 7.5%-11.5% (7.5% for 'medium risk' companies, 9.5% for 'high risk' companies like Rhinomed and 11.5% for 'speculative' companies); and an ungeared beta of 1.1. We regard Life Science companies with existing businesses, or who have enough capital to reach the market with their products, as 'Medium' risk. Companies that have small revenue streams from marketed products but that are still potentially in need of capital are 'High' risk. Everything else is 'Speculative'.

## Leadership

- **Martin Rogers** (Chairman) brings to Rhinomed his experience building cancer immunotherapy company, Prima Biomed<sup>69</sup>. Rogers took Prima from near oblivion in 2007 to its entry into Phase III in just four years; and he achieved this by acquiring the right people, and the right capital partners for that company's Cvac technology. As a result, Prima stock re-rated 19-fold between December 2007 and April 2011, creating a company with a market value of ~A\$300m<sup>70</sup>. Prior to Prima, Rogers helped incubate technology for UNSW and gained valuable experience as an entrepreneur and investor.
- **Michael Johnson (CEO)** stepped into the lead role at Rhinomed in February 2013, bringing strong expertise in marketing and communications. Johnson previously built Cogentum, a Melbourne-based strategic advisory firm whose clients included Acrux (transdermal testosterone<sup>71</sup>) and Cogstate (CNS testing<sup>72</sup>). Johnson's expertise is highly relevant given the importance of brand and positioning to a technology like BreatheAssist.
- **Jane Ballantyne** (Head of Sales and Marketing) has held senior marketing roles at sports retail giant Nike<sup>73</sup>, Australian clothing retailer Just Jeans, the travel agency STA and the Australian Football League (AFL). Her willingness to start consulting to a much smaller organisation than those previous says a lot about the inherent product strengths of BreatheAssist.
- **The Rhinomed board**, which includes Rogers and Johnson, has two other people with skills highly relevant to growing small companies. Brent Scrimshaw was Vice President & Chief Executive Western Europe for Nike, overseeing a US\$4bn business. Dr Eric Knight, senior lecturer at Sydney University Business School, previously worked for the Boston Consulting Group and brings strong skills in business strategy. Scrimshaw and Knight both joined the board in February 2014.

Michael Johnson knows how to brand and position medical products

## The risks

- We see four major risks related to Rhinomed:
  - **Sales risk.** There is the risk that sales of Turbine in the early years will be perceived as low, leading to general disappointment with Rhinomed as a stock;
  - **Development risk.** There is the risk that the drug delivery programmes run into problems with product development or in the kind of clinical and regulatory problems routinely faced by drug delivery companies;
  - **Funding risk.** Even though Turbine is now selling, there will likely be further capital required if the other potential uses of BreatheAssist are to be developed; and
  - **Competitor risk.** There is the risk that competing technologies may emerge with more effectiveness in terms of nasal dilation and nasal drug delivery.

## Major shareholders

- **Currently there are no substantial shareholders in Rhinomed that we can identify.** In August 2013 National Nominees Ltd held 5.8% of the stock but Rhinomed did not disclose the beneficiaries of the 19.32 million shares involved.

<sup>69</sup> Redwood City, Ca., Nasdaq: PMBD, www.primabiomed.com.au.

<sup>70</sup> From A\$6.3m to A\$314.6m. The stock has since eased back, and took a hit in September 2013 due to an interim analysis of Canvas, an ovarian cancer Phase III, that did not show clinical benefit to all comers but did show benefit to patients that had previously experienced two relapses.

<sup>71</sup> ASX: ACR, www.acrux.com.au.

<sup>72</sup> ASX: CGS, www.cogstate.com.

<sup>73</sup> Beaverton, Or., NYSE: NKE, www.nike.com. In 2013 Nike was No. 126 on the Fortune 500 list.

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