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‘Proven they can deliver’: EZZ ready to be life sciences leader

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EZZ is ready to be a leader in life sciences. Pic: giphy.com

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EZZ has ticked all the right boxes as that rarest of ASX biotech beasts – an innovative leader in the genomic-tech space AND already turning a profit.

EZZ Life Science Holdings (ASX:EZZ) is one of a very few biotech firms on the ASX making a profit while transitioning into a fully integrated life sciences company.

And keeping the money rolling in is all part of the transition plan according to EZZ’s new chair Glenn Cross.

The former CEO and COO of AusBiotech (Australia’s biotechnology organisation) Cross told *Stockhead’s* Nadine McGrath, of just how carefully he’s been tracking EZZ over the last few years.

Cross pollination

“At the time of being CEO of AusBiotech we had around 3500 members in Australia, and I knew a big chunk of them,” he said. “I’ve known some of the senior people at EZZ for a number of years... and when they listed, I was very interested in what they were doing in their pivot to core life sciences.”

Established just three years ago, EZZ listed on the ASX in March after an oversubscribed public offering.

Cross has more than 40 years’ experience in the life science sector domestically and internationally, including ~20 years in senior executive roles.

As EZZ’s new chairman and non-executive director, Cross will play a pivotal role in the company’s evolution into a fully integrated life science innovator, with a mission to apply genomic science to human quality of life.

“Their core business is at the moment around supplements and beauty products, but they had always talked about pivoting into more core life science activities and when they told me about plans for genomics then I became very interested,” Cross said.

Very personal medicine

EZZ is focused on nothing less than the improvement of quality of life and human health.

The company has already begun leveraging its genomic research and product development to isolate and unpack four key areas of being alive that are affecting all of us, even if you’ve not really been noticing:

- genetic longevity (yes, you’re getting older)
- human papillomavirus (some 80% of sexually active adults have it, so...)
- helicobacter pylori (it’s not stress causing that ulcer)
- weight management (it’s probably stress)

EZZ has been engaging our best and brightest, opening up to local and international university partnerships to drive the momentum of groundbreaking research into these four key areas.

Cross says EZZ has also earmarked establishing a Good Manufacturing Practice (GMP) certified manufacturing facility in Australia or New Zealand to improve and fast track production-to-market efficiencies.

Crossing the Rubicon

“Talk about personalised medicine has been around for a while with an increased focus on genomics, which is your DNA and why some treatments work for some people and not others,” Cross said.

Genomics is already being used extensively in cancer and infectious diseases, but Cross believes EZZ is one of the first companies to focus on its key areas.

“There’s not any other companies to which I’m aware are looking at these particular areas so we are part of an exciting future,” he said.

While working with doctors and health professionals, EZZ plans to also roll out its products direct to consumers.

“We are talking to laboratories, diagnostic companies and potential medical staff and to hospitals as well,” Cross said.

“Discussions are across a broad range of areas, and we will be in position to make more announcements in the new year.”

Genomic testing

Cross believes individualised testing will be a key profit-making component for EZZ as it moves forward in the genomic space.

“If we can do some diagnostic testing and find out what treatments work for an individual, we can personalise our treatments for better outcomes.

“People will pay for the test because they want to know: if they go through a treatment regime will it be of benefit?”

He said while scientists started sequencing the human genome several years ago, “the high costs of genomic testing were a curtailing impediment to personalised medicine.

“Genomic testing is continuing to come down year on year and will continue to do so as processes improve,” he said.

EZZ the profit-making biotech

Unlike the great majority of biotech companies on the ASX still in cash-burn mode, EZZ is profitable.

EZZ recorded strong FY21 results across all key metrics with a strong balance sheet and no external debt other than leases.

Revenue increased by 29% to \$22.3m, exceeding the expected growth of 25%, while gross margins rose from 23% to 56%.

As a result, there was a material uplift in EBITDA, up 66% to \$2.8m with net profit after tax improving 28% to \$2m.

“The most exciting aspect of EZZ is it’s a life sciences company that actually makes revenue and have proven they can make money, which on the ASX is quite rare,” Cross said.

“Our balance sheet is very strong, and we have \$8.9 million in cash and no external debt so we are in a good position to move forward into genomics with new diagnostics regime and products.”

Maiden dividend

EZZ rewarded investors with a maiden, fully franked dividend of 0.45 cents per share. The dividend represented a payout ratio of 7.5% based on the company’s earnings per share of 5.98 cents, which increased by 13% throughout FY21.

“We paid a maiden dividend of 0.45c per share which is quite unusual, but we wanted to reward our shareholders,” Cross said.

Move to selling own products

The company moved away from the distribution of EAORON branded products and toward more of an emphasis on expanding EZZ branded health supplements, which were launched in March 2020.

Its products started at a low base of \$800K – representing less than 5% of revenue in that year. However, that figure has risen to \$11.4m in FY21, representing 51% of the company’s total revenue.

EZZ recently added two new consumer health products to its range, which will be sold in pharmacies around Australia.

EZZ Biotic EnGastro Capsule and EZZ Biotic HHP Support Probiotic will help promote a healthy digestive system and immune system function, treat diarrhea and reduce symptoms of medically diagnosed irritable bowel syndrome (IBS).

“We will continue to introduce new products through EZZ and the EAORON brand through 2022,” Cross added.

Focus on key international markets

In Australia and New Zealand EZZ is developing new distribution channels for its branded products, including establishing online stores on key e-commerce platforms for direct-to-consumer sales.

EZZ has already built strong brand awareness in China, with the opening of a flagship online store on Tmall Global in the country.

The company is also working to build a presence in other Southeast Asian markets including Singapore, Malaysia, Thailand, Philippines, Indonesia, and Vietnam by setting up stores on major e-commerce platforms.

North America and Europe are also target markets for EZZ products.

“There’s been growth across the board in sales but certainly also good strong growth in our China business,” Cross said.

Confidence in future growth

Equity firm ASR Wealth recently found the share price for ESP should be valued much higher. At the time of writing their report EZZ shares were at 53 cents, but ASR placed an implied share price up ~64% at 87 cents.

“If you talk to ASX about your plans and what you are going to do then deliver on that those plans then that’s a big plus to investors,” Cross said.

“As we pivot to these new areas, there is evidence EZZ can do it because they’ve continually delivered on their plans.”

Cross is on the board of a biotech fund and involved with another early-stage biotech fund so has a strong understanding of what makes a good investment.

“We look very strongly at companies which can deliver on what they say they will do,” he said. “If a company has a good management team, proven they can deliver a profit then you will believe they can do that in the future.

“Anyway, doing good with genomics... it’s just in our DNA.”

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