

New investment in the medical device sector

25 January 2019

Adamas Finance Asia (ADAM) has announced a proposed new US\$5m investment in a medical devices company called PharmaJet Inc (PharmaJet). This follows a US\$4m investment in a residential project in a popular Japanese ski resort in December 2018, which provided it with initial exposure to Asia's winter tourism industry.

PharmaJet Inc. innovative products marketed across Asia

PharmaJet has developed innovative, needle-free injectors, which have US Food and Drug Administration marketing clearance, European Union CE Mark and World Health Organisation Personal Quality and Safety certification for the suitability of delivering medication and vaccines. ADAM was attracted by the underlying growth potential for the medical devices sector within Asia and the significant demand for needle-free injectors.

PharmaJet has a partnership with Mundipharma, a multinational healthcare organisation, for them to market and distribute its needle-free devices across more than 120 markets worldwide. Mundipharma has a vertically integrated R&D-to-distribution pipeline, and a track record of building successful alliances with industry partners. PharmaJet also has a multi-year agreement with the World Health Organization (WHO) to supply them its needle-free injectors to try to eradicate polio globally.

Lead investor, US\$5m commitment to convertible bond

PharmaJet is seeking to raise between US\$12M and US\$20M for business expansion, particularly within Asia, and to move it towards a potential IPO. As the lead investor, ADAM intends to subscribe up to US\$5M in a convertible bond and has agreed to a non-binding term sheet, subject to final legal documentation. The convertible bond has a four-year maturity and a 10% pa coupon (6% cash, 4% Payment-in-Kind). It will be drawn in tranches, with the first subject to satisfaction of certain conditions (eg completion of legal due diligence and execution of legally binding documentation).

Once issued, the bond will be convertible at the holders' discretion at a 40% discount to a pre-money valuation established by any 'liquidity' event which would include an IPO. PharmaJet is contemplating an IPO in Singapore and/or the NASDAQ in due course, subject to market conditions.

Building income and medium-term capital growth potential

This investment reflects the investment mandate of ADAM to seek an immediate, attractive income stream to underpin future distributions, and medium term capital growth. It is an example of ADAM's ability to access niche investment opportunities not normally available to European investors. Detailed due diligence was carried out by Harmony Capital. PharmaJet regarded it as vital to secure a lead investor with a profile and reputation acceptable to significant government and industry bodies e.g. the FDA, CDC and WHO.

We are encouraged by two recent investments in rapid succession, and expect the significant 93% gap between the share price and reported NAV to shrink on further activity.

Company Data

EPIC	ADAM
Price	60.5c
52 week Hi/Lo	76.0c / 58.6c
Market cap	\$49.0m
Reported NAV/share	117c

(Unaudited, as at 30 June 2018)

Share Price, p



Source: ADVFN

Description

Adamas Finance Asia aims to be the leading London-quoted pan-Asian focused diversified SME investment holding vehicle. It targets above average income and capital growth, with a stated objective to provide shareholders with unique access to a diversified portfolio with access to high-growth Asian economies.

ADAM appointed a new Investment Manager, Harmony Capital Investors Limited ("Harmony Capital"), in May 2017. Harmony Capital has a dedicated Asian focus and is based in London, Hong Kong and Singapore.

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About PharmaJet

Our conversation with Ron Lowy, PharmaJet's Chairman and CEO, provided an opportunity to explore the company's products, growth strategy and outlook.

What are the benefits of needle free injections?

PharmaJet's needle free injection devices are safer, faster and easier to use than traditional syringes. They can effectively deliver a precise dose of a broad range of pharmaceuticals and also provide an alternative for the estimated one in four adults with a fear of needles.

Other advantages over traditional methods include significant reduced expense. These relate to handling and disposal costs versus needles, dose accuracy, ease of use and simpler training for care-givers.

Further advantages include the way that the devices help to reduce sharps waste disposal, and eliminate both needlestick injuries and any potential for cross contamination due to needle reuse.

Around **500m used needles** are added to dumps and landfills each year as a result of vaccination, an estimated 75m of which may be infected with blood borne illnesses. OSHA estimates put annual US needlestick injuries at 600,000-800,000, which expose healthcare workers to a range of blood borne pathogens including HIV and hepatitis B and/or C. The estimated cost of each US needlestick injury is c US\$3,000 in lab fees, labour and post-exposure follow ups.

Strategy: Four key opportunities identified

PharmaJet's four key strategic opportunities are set out below. These clarify the above plus other benefits, and why the technology is of interest to worldwide vaccination programmes.

Fractional or interdermal delivery to improve efficacy

The appeal of PharmaJet's technology is underpinned by its ability to deliver at least equivalent - typically better - efficacy than traditional methodologies while using significantly lower vaccine dosages in multiple cases. This is a potentially huge benefit where proposed programmes, such as that to eradicate polio, are frustrated as vaccine manufacturing capacity is insufficient to meet demand.

The company's studies in conjunction with WHO, have demonstrated that fractional delivery with its needle-free devices, using c 40% of the typical dose, is more efficacious than vaccination by traditional methods. PharmaJet has signed a US\$10m contract with WHO to deliver treatments, initially in Pakistan and Cuba. It is also testing rabies and Yellow Fever treatments on the same basis.

Roll-out of influenza vaccines into global markets

In August 2014, PharmaJet's Stratis Needle-Free Injector was approved for delivery of an influenza vaccine to deliver needle-free flu shots. This is a major opportunity for the company, which is already working with Mundipharma to expand its reach into its 120 plus markets.

Integration with pipeline of novel pharmaceuticals

PharmaJet works in partnership with producers of innovative new pharmaceuticals, including vaccines, to use its devices as a method of delivery. It currently has partnerships with c 50 companies for a pipeline of approximately 70+ distinct pharmaceuticals that are currently progressing through the various stages of trials and approvals. If successfully launched and adopted, these partnerships represent a potentially significant revenue stream from future product sales and royalties. PharmaJet currently receives up-front fees and milestone payments for its contribution to these development programs.

US Market – pandemic preparedness

The company is already working with relevant US authorities to support strategies for pandemic preparedness, to ensure that the necessary skills and resources are in-place to deal with potential medical emergencies.

These strategies consider what would be required to respond effectively at scale. PharmaJet's injection free devices could represent a core component of that, enabling rapid training and treatment countrywide.



Investor Access

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