



Sharp cards ahead of pack on winnings

Emerchants (EML) 75c

FUNNY that it's a lot faster for corporate bookies' customers to lodge funds into their account than to recoup winnings.

According to Emerchants chief Tom Cregan, a top-up can be done instantly by credit card but a withdrawal can take four or five days.

The pre-loaded card supplier has been building its client base in the not-for-profit sector and government departments, on the premise that cards are a safer way to control employee expenses. (All too late for Craig Thomson.)

Cregan then figured that a bookie offering instant access to winnings would have a potent

competitive advantage. Under a non-exclusive deal with Ladbrokes, punters can transfer winnings (or any "uninvested" monies) from their Ladbrokes account to the card for ATM withdrawal.

"We will see others adopt it in a market where there's not a lot of differentiation," Cregan says.

Merchant's biggest deal to date is a compact to provide the cards to Queensland public servants.

Its half-year numbers showed rapid growth in card balances and transaction levels, on which it clips the ticket. Still, it has lost \$2.16 million on revenue of \$2.46m. Cregan says all is on track for "positive EBITDA" by 2014-15. A long-term buy is on the cards.

Biotron (BIT) 17c

EVEN Biotron chief Michelle Miller is at a loss to explain why the biotech's shares vaulted up by 314 per cent after yesterday's release of trial results for its anti-viral drug BIT 225, to treat patients co-infected with HIV and hepatitis C (HCV).

"I'm not sure why the market

reacted quite so strongly," she says. "I don't quite get it."

Not that the results were a non-event.

All five co-infected genotype 3 patients were virus-free at the 24-week point.

"We have clearly shown there is a positive benefit with hard-to-treat HIV and genotype 3 patients," Miller says.

In late October, Biotron announced a similar virus-free outcome after 12 weeks — and the shares barely moved.

Miller says the next step is a 60-patient trial to support an investigational new drug application to the US Food and Drug Administration.

This requires funding beyond the company's \$2m of cash. Given yesterday's stock rally (which moderated to a mere 123 per cent gain by the end of trading), surely it's time to pass the hat around?

"(Biotech) IPOs are crazy in the US," Miller says. "It's an interesting opportunity right now for Australian companies."

We rated Biotron a spec buy at 14.5c in October 2012 and guess we should stick with that.

ASX Limited (ASX) \$36.69

EARNINGS risks are mounting for the citadel of capitalism, if only because the market activity of the past six months — notably IPOs — is unlikely to be sustained.

Year to date, cash equities' volumes have gained 18 per cent and average daily trades are up by 17

per cent, which shows why brokers are regaining a spring in their step and a penchant for vulgar behaviour. But last month the total value of trades declined 3 per cent and the average value per trade by 9 per cent.

SFE (futures) derivative vol-

umes fell 3 per cent for the month.

The good news is that the market share of trading platform rival Chi-X looks to have stalled at 13-15 per cent of the market.

The ASX will have to pedal harder than Cadel Evans to justify its earnings multiple of 17-19 times, which is toppish for an industrial stock. Sell.

Calzada (CZD) 12.5c

CRITERION'S loath to crow, but he's long maintained the most promising aspect of this one is its PolyNovo skin-repair arm, rather than its notorious peptide AOD9604.

Now PolyNovo's NovoPore foam dressing has won fast-track FDA assent, opening the way for the company to sell into a US market worth about \$US300m (\$334m) annually.

Aimed at treating bed sores, the topical negative-pressure dressing promotes skin regeneration by

applying a vacuum through a dressing put in the wound cavity.

PolyNovo chief Laurent Fossaert says that, under the fast-track approval, PolyNovo only had to convince the regulator the product was just as effective as the existing device.

As it happens the incumbent product, KCI's GranuFoam, has been subject to FDA concerns about infection from residual foam fragments.

Fossaert says PolyNovo will pursue a distribution deal.

We had Calzada as a spec buy at 6.9c last July, when AOD9604 was embroiled in the Essendon Football Club's drugs saga.

We maintain the call in anticipation of real revenues from NovoPore and in the vague hope Calzada can extract value from AOD9604, which failed fat-busting trials but remains popular