

# THE AUSTRALIAN BUSINESS REVIEW

## PolyNovo set to re-enter ASX 200 after record year; Macquarie reveals its predictions on other big index movements

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PolyNovo chairman David Williams says ‘surgeons worldwide are heralding the technology as not only life saving but changing the way surgery is done’. Picture: NCA NewsWire / Nicki Connolly

Skin graft-focused biotech PolyNovo is poised to re-enter the ASX 200 in March, with Macquarie analysts expecting \$67m worth of shares to change hands as it reclaims its spot in the benchmark index.

The company, chaired by boutique investment banker David Williams, was removed from the index of Australia’s 200 biggest listed companies last year after its shares sunk as low as 85c in May.

At the time, short-sellers had targeted 11.5 per cent of PolyNovo's stock, and following its exit from the ASX 200 lost the support of index-based funds.

But in the past six months the company's shares have rebounded more than 45 per cent to \$2.39, giving it a market value of \$1.64bn. It has capped off [record half-year sales](#), delivering revenue exceeding \$5m a month for the first time, as it builds momentum in the US and expands into new markets, with short-sellers now targeting 2.5 per cent of its stock.

Macquarie analysts named PolyNovo as one of the "standout" stocks set to re-enter the ASX 200 this year. It is predicting five changes to the benchmark index, with Syrah Resources, Omni Bridgeway, NRW Holdings and Ioneer also on track for addition.

Meanwhile, Macquarie expects SmartGroup, Novonix, Ramelius Resources and Domain Holdings to lose their spots as a result of the ASX 200's rebalancing.

Macquarie estimates there will be about \$67m, or 26.4 million shares, of incremental demand from index funds due to PolyNovo's re-entry to the ASX 200 — the equivalent of about 10 days of daily trading.

From last May, Mr Williams has been on a spending spree, buying almost \$7m worth of PolyNovo shares, saying he "had enough" of the short-sellers and the "dampening effect" of index funds leaving the company following its exit from the ASX 200.

"The company's recent growth in US sales but also sales in Canada, HK, UK, and Australia has been a very impressive 67 per cent increase half on half," he said.

"Surgeons worldwide are heralding the technology as not only life saving but changing the way surgery is done."

PolyNovo has developed a synthetic skin for burns and soft-tissue regeneration, which in recent years has been used to treat Australian bushfire and New Zealand volcano victims.

It received US Food and Drug Administration clearance for its NovoSorb MTX product last September.

MTX leverages the technology platform underpinning the clinical success of the company's other product, BTM, but without a sealing membrane.

With MTX, the wound can be closed either with a skin graft or allowed to heal by contraction and formation of an epithelial layer, simplifying wound management. It is indicated for use in partial and full thickness wounds, pressure ulcers, venous ulcers, chronic and vascular ulcers, diabetic ulcers, and surgical and trauma

wounds. Crucially, the MTX product expands PolyNovo's addressable market in the US by an estimated \$500m.

The company's revenue surged 62.2 per cent to \$29.5m in the six months to December 31, based on unaudited accounts. In three of those months during the half-year, it generated sales of more than \$5m. This compared with delivering \$2m a month in sales in early 2020 before Covid-19 hit Australia.

Elsewhere, Macquarie is only expecting one change to the ASX 50 — with job search company Seek making way for mining giant IGO. Meanwhile, it says Stanmore Resources, Terracom and Silex Systems will be three “automatic” additions to the ASX 300, given the index has 297 stocks currently listed.

“As usual, there is a long list of potential deletions but we only see another seven stocks that are ranking high enough to be added,” Macquarie said of the ASX 300, with other additions including Tietto Minerals, Renascor Resources, Mount Gibson Iron, Bowen Coking Coal, Weebit Nano, Adriatic Metals and Ridley Corp.

It expects Aurelia Metals, Australian Strategic Materials, Pact Group, Betmakers Technology Group, City Chic Collective, Southern Cross Media Group and Bravura Solutions to be deleted from the ASX 300.