

Hydrix on lookout for innovative IP acquisitions and equity investments - exec

by Louise Weihart in Sydney 12/06/20

Hydrix [ASX:HYD], a Victoria, Australia-based design, development and commercialisation company, is on the lookout for intellectual property (IP) acquisitions as well as equity investments, particularly in the medtech innovation sector, said Executive Chairman Gavin Coote.

Founded in 1993, the AUD 10m (USD 7m) market cap company, which has partnered with clients to bring to market more than 300 technologies in health, safety, industrial and mining, is now looking to leverage its product innovation capability to generate more long-term recurring revenues and to build further value through a 'buy, build and invest' strategy, Coote said.

The company welcomes approaches from advisors with potential targets or investment opportunities in Australia, the Asia-Pacific region including Singapore, and the US, where it is seeing some interesting innovations, Coote said.

Its preference is for scrip or earn-out-type funding options, but it would consider raising capital, if necessary, for such investments, he said.

Hydrix is seeking acquisitions of IP in Internet of Things (IOT) and other connectivity technologies as well as monitoring or diagnostics technologies in medtech, primarily in the cardiovascular space, Coote said.

It is also seeking to invest in market leaders in their categories, especially in the medtech space and has an active pipeline, having looked at several potential deals in the past 12 months, he said.

In one of its most recent investments, Hydrix secured a 4.6% stake for USD 1m in Eatontown, New Jersey-based **Angel Medical Systems**, developer of the world's first and only US Food and Drug Administration (FDA)-approved implantable heart attack alert system, Coote said. Hydrix will also help the company to develop product upgrades and has secured an exclusive seven-year product distribution agreement for Japan, Singapore, Australia, Indonesia, Hong Kong, Malaysia, New Zealand, and Thailand.

The Hydrix group is structured into three separate entities. Hydrix Services is its core product design and development arm, which it leverages into its venture arm Hydrix Ventures to pick winning investments in high-potential medical innovations, and its medical arm Hydrix Medical to create recurring product revenues in the medtech space, Coote said.

Hydrix could be attractive to acquirers or investors for its long track record in one-stop-shop product development, its relationship with Angel Medical Systems, and upside from other early-stage investments, Coote said. It is, however, at a value-add inflection point now and is focused on growth, he said, adding that its market cap is not reflective of its potential value.

Hydrix's largest shareholder is private investor John King with some 20%, and the top 20 shareholders, including high net worth individuals and institutions, hold around a 50% stake, Coote noted.

Companies with similar business models to Hydrix include Victoria-based **Planet Innovation** and **Invetech** (now owned by **Fortive Corporation** [NYSE:FTV]), which was acquired as part of **Vision Biosystems** in 2019 for USD 570m by **Danaher Corporation**, he added.