



# Biotech Daily

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*Daily news on ASX-listed biotechnology companies*

## Dr Boreham's Crucible: Volpara Health Technologies

### [DR BOREHAM'S CRUCIBLE: VOLPARA HEALTH TECHNOLOGIES](#)

By TIM BOREHAM

**ASX code:** VHT

**ASX Market cap:** \$36 million; **Share price:** 42 cents

**CEO (and co-founder):** Dr Ralph Highnam

**Board:** Roger Allen (chair), Lyn Swinburne, Prof Mike Brady, John Pavlidis, John Diddams, Ralph Highnam

**Financials:** December quarter revenue of \$NZ348,000 (\$A325,000, year to date \$NZ\$1.846 million); loss of \$NZ2.583 million (year to date \$NZ6.34 million)

**Annual Cash burn:** \$NZ6.34 million; **Cash at end of quarter:** \$NZ21.3m (the company raised \$NZ10 million in its April 2016 IPO and \$11.3 million in November's one-for-two rights issue).

**Major shareholders:** Roger Allen (14%), Dr Ralph Highnam (11%), Tina Jennings (8.5%), Prof Mike Brady (5%), Marcus Sarner (4%).

Accosted outside Parliament by a presenter of one of those undergraduate skit shows common in the 1990s, then ALP national president Barry Jones was asked about his party's policy on breasts.

"We're for them," the erudite Jones dead-panned without a moment's hesitation.

We're for them, too, at Biotech Daily HQ. Specifically, we're for any technology that enhances the effectiveness of breast cancer detection.

That's the remit of the Wellington-based Volpara, which listed here last April with a tool to measure more accurately the degree of a woman's breast density.

In a win for buxom types, women with more breast fat content are at less risk of cancer than those with less squishy mammaries.

Tumors are harder to detect in those with 'denser' breasts, that is, containing more glandular tissue.

Globally, 30 to 40 percent of women are classed as dense-breasted and it is estimated that 20 to 30 percent of cancers are missed in this cohort.

On that well-accepted premise, Volpara developed its diagnostic Volpara Density, based on the lifetime learnings of co-founder Dr Ralph Highnam who even completed an Oxford D Phil on the topic.

Volpara Density last year was included on the globally-accepted Tyrer-Cuzick Risk Assessment Tool.

In Volpara's words: "This is a major validation of Volpara's technology [as] it is the only commercial density score that appears to have been included in the tool."

Volpara generated \$NZ2.5 million of revenue from Volpara Density in 2015-'16, under a one-off fee model.

However since listing in April last year, Volpara has emphasised a variant called Volpara Enterprise, which is used by clinics to improve the efficiency, comfort and safety of sites with multiple X-ray machines.

Volpara has both US Food and Drug Administration and Conformité Européenne (CE) mark approval.

Volpara Enterprise is internet "cloud" based and works on a monthly per-patient subscription model.

Volpara Density is now included with this product but according to Dr Highnam "is still an important component of it".

Volpara has also turned to direct distribution rather than an intermediary model, with the proceeds from last year's rights raising earmarked to build the company's US marketing force.

Volpara retains tie-ups with GE Healthcare and Siemens, but the emphasis is now on these distributors introducing subscription clients.

Rather than a one-off product fee, Volpara's revenue model involves an annual licence charge and a fee for each breast screened.

Typical of cloud subscription models, revenue is recognised over the life of the contract which means short-term revenues are more constrained. But as subscriptions grow, more annuity income is generated.

In an update today, Volpara revealed its book had a total long-term contract value of \$NZ3.44 million so far this year, which is expected to generate revenue of \$NZ707,000 over the 12 months to March 31, 2018. Volpara's financial year ends on March 31.

### **Prospects:**

Currently, Volpara accounts for only a fraction of the breast imaging market, with 8,744 imaging clinics in the US alone turning over \$US7.8 billion a year. The FDA imposes higher quality-control standards through a program called EQUIP.

The company currently boasts nine Volpara Enterprise subscribers, including the 'luminary' sites of Stanford University Hospital (California) and the University of Virginia Medical Centre. Locally, Women's Breast Imaging Perth is also a subscriber.

These sites pay a yearly fee of anywhere between \$US12,000 and \$US94,800, with an average payment of \$US40,000 and the biggest deal worth \$US99,000 a year.

Look out for the imminent launch of Volpara Enterprise in Europe this month, as well as appearances at three eminent breast cancer conferences in March and April.

Also watch out for next month's visit of breast cancer survivor Dr Nancy Capello, founder of the public awareness site 'Are You Dense?' ([www.areyoudense.org](http://www.areyoudense.org)).

Volpara is well-backed, notably by chairman Roger Allen who is an Australian entrepreneur.

The push for better quality imaging is being driven not only by regulator and clinicians, but by the health insurers asked to stump up for wider testing of dense-breasted women.

### **Dr Boreham's diagnosis:**

Volpara shares peaked at 85 cents in November 2016 after the shares listed at 50 cents apiece.

Since then have done a reverse Dolly Parton and are well under water, with Friday's update failing to titillate investors.

At the risk of looking a complete boob, Dr Boreham considers the stock as one to stash away in the bodice with a longer-term view.

As with fellow Kiwi cloud play Xero and its accounting software, Volpara is likely to take some years to produce meaningful revenues.

But it's a happy time for diagnostic products and the share weakness presents an opportunity.

Volpara's catchphrase by the way is We Save Beautiful People, but we're assured they will take all comers.

***Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. But he assures readers his interest in breasts is entirely professional.***