



Biotech Daily

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Daily news on ASX-listed biotechnology companies

Dr Boreham's Crucible: Alcidion Group

By TIM BOREHAM

ASX Code: ALC

Share price: 5.5 cents

Market cap: \$44.3 million

Shares on issue: 805,799,759*

Financials (March quarter): receipts \$519,000, net operating cash outflow \$1.033 million, end of quarter cash balance \$3.16 million

Chief executive officer: Kate Quirke

Board: Ray Blight (executive chairman), Prof Malcolm Pradhan, Nick Dignam, Geoff Rohrsheim, Rebecca Wilson.

Identifiable major shareholders: Malcolm Pradhan 16.7%, Ray Blight 12.4%, BPSE Medical 10.53%, Caledonia Nominees (Donald Kennedy) 6.4%, Isle of Wight Pty Ltd (Colin MacKinnon) 6.4%

* Includes 198,019,802 shares issued this week to MKM Health vendors

We've all heard the joke about being admitted into hospital and leaving even sicker – or even on a slab.

But it's no jape.

In the US, arguably the most advanced healthcare system in the world, the three biggest killers are cancer, heart disease and ... drum roll ... preventable hospital deaths.

One reason that doctors need to bury their mistakes is that the flow of patient information is deficient, resulting in physicians and nurses working with flawed or incomplete patient data.

For example, Alcidion reckons 40 percent of tests ordered in emergency wards are not witnessed or properly overseen.

Alcidion executive chairman Ray Blight says western healthcare systems have been slow to implement digitalisation of data compared to other sectors such as banking.

“However that is now rapidly changing, with a widespread shift to e-health records and digital decision support technologies.”

The Adelaide-based Alcidion’s product is Miya (pronounced Myer), a platform to consolidate data from several sources and apply the ‘smarts’ to that data through artificial intelligence and algorithms.

In effect, Miya alerts the docs to the information they really need to know.

Alcidion’s business is about to be transformed with the recent purchase of the private MKM Health, which also plays in the health informatics sector.

“It’s an amazing coupling that will turn one plus one into more than two,” Mr Blight promises.

Informatics trailblazer

Alcidion back-door listed in February 2016 via the shell of Narracoota Resources which decided health informatics was more lustrous than gold and copper exploration.

Alcidion was founded by Mr Blight, the former head of the South Australian Health Commission and Prof Malcolm Pradhan, a health informatics guru and medical practitioner.

“The focus of Alcidion from day-one was to help doctors and nurses make a better clinical decision in the shortest possible time,” says Mr Blight.

The IPO, which involved raising \$2 million at 3.1 cents apiece, was backed by tech entrepreneur Nathan Buzza and his vehicle Allure Capital, as well as the now-troubled Blue Sky Alternative Investments.

In February, Alcidion also acquired a New Zealand mob called Oncall, which runs the cloud-based Smartpage (now Miya Smartpage) to contact orderlies and clinicians via the cloud.

The deal involved a \$NZ750,000 (\$A680,000) upfront payment and up to \$NZ2.25 million in performance-linked payments.

About the MKM deal

The \$12 million headline deal involved the MKM vendors (a group of ex Deloitte consultants) pocketing \$2 million in cash, with the remainder satisfied by 198 million Alcidion shares at a deemed 5.05 cents apiece.

If earnings expectations are tickety-boo, they receive an extra \$4 million in shares in 12 months.

MKM has about 80 customers, including 40 UK, NZ and local hospitals using its signature offering Patientrack.

Alcidion currently sells Miya to 15 hospital customers but hopes to use MKM as a springboard for expansion.

“A key aspect of the acquisition it to allow Alcidion to cross sell product into Miya’s customer base and vice versa,” says Mr Blight.

The company adjudged the MKM purchase to be a quicker and lower-risk way of accessing offshore markets, especially the UK, rather than by organic expansion.

Reflecting the importance of the deal to Alcidion, MKM’s Kate Quirke has been anointed Alcidion’s CEO, with Mr Blight remaining as executive chair.

About Patientrack

Mr Blight says that as a mobile platform for nurses, Patientrack sits nicely along with Miya.

Miya brings together information from different departments such as oncology and pathology and ensures the full patient diagnosis and history is available on the doc’s Ipad.

With Patientrack, an Ipad-wielding nurse inputs patient observations directly, instead of plotting progress on a chart.

If the patient’s vital signals decline, the platform alerts the nursing station via a hard to ignore visual signal on the patient flow boards.

The obvious next step is 24-hour real-time monitoring of patients with ‘wearables’ and indeed the technology already exists.

“It really is only a matter of time for the investment to be made in around-the-clock wearables-based monitoring,” Mr Blight says.

According to Mr Blight, a UK study showed Patienttrack saved nurses two-thirds of their time.

“For highly trained clinical nurses, 50 percent of their time goes into delivery of care, the rest is siphoned into observations, tracking equipment or trying to get a patient into radiology.”

While Patienttrack is the exciting front-end component of the purchase, Mr Blight says MKM’s information technology services capacity is also important for Alcidion.

“MKM has proven sales and marketing performance and a great reputation for executing complex projects and that’s what we need as we ramp up sales of our product.”

Financials and performance

Alcidion turned over \$3.5 million in 2016-’17 and lost an underlying \$1.38 million. If MKM/Patienttrack had been owned during that year, revenue would have been a pro-forma \$13 million. MKM Health also made a \$700,000 net profit in that year.

The company envisages bundling Miya, Patienttrack and Smartpage as the one offering, although the hospitals will still be free to choose only one or two components.

Alcidion’s pricing for Miya is based on an up-front software cost, with ongoing licencing, maintenance and support fees delivering annuity income.

MKM has sold Patienttrack under a similar model. Some UK hospital clients prefer a capital up-front cost, which has nothing or everything to do with the need to expend budgets before a financial-year close-out.

Alcidion shares have traded as low as 3.5 cents in July 2016 and as high as 13.8 cents in November 2016. More recently they have recovered from a 12-month low of 3.6 cents attained in mid-April.

Dr Boreham’s diagnosis:

We hate to use the term transformative, but the acquisition is, well, transformative - in terms of the size and scope of the engorged Alcidion.

To date, Alcidion has found the path to local market adoption a tad rockier than expected, given the company was aspiring to \$40 million to \$50 million of annual revenues across 1,300 hospitals at the time of the IPO.

Given Alcidion turned \$5.05 million in the year just before listing, the company has gone backwards revenue wise.

Alcidion initially was talking up the US opportunities, given the requirement of Obamacare for hospitals to introduce proper digital records.

“We are not giving up on the US market but [the election of Trump and partial dismantling of Obamacare] has brought many uncertainties,” Mr Blight says.

To be fair though, Alcidion isn't the only ASX minnow to take a misstep and the MKM purchase could well forge an alternative path to prosperity. Given the Deloitte bods largely took scrip as consideration, they have their sensitive bits on the line as well.

If things do go pear-shaped, at least the company can put a decent spin on things with the appointment of PR and IR queen Rebecca Wilson (who runs communications house WE Buchan) to the board.

An important figure in Alcidion's early listed days, Mr Buzza departed the board in July last year but continues to hold 2.75 percent of the register.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He avoids hospitals like the plague - literally.