



# Biotech Daily

Friday June 12, 2020

*Daily news on ASX-listed biotechnology companies*

## Dr Boreham's Crucible: Alcidion Group

By **TIM BOREHAM**

**ASX code:** ALC

**Share price:** 16 cents; **Market cap:** \$158.5 million; **Shares on issue:** 990,694,052

**Financials (December half 2019):** revenue \$8.2 million (up 12%), net loss after tax \$1.8 million (\$568,000 deficit previously)

**March quarter 2020:** receipts \$3.97 million, cash outflows \$1.2 million, cash on hand \$15.9 million, number of quarters of available funding 13.2

**Chief executive officer:** Kate Quirke

**Board:** Rebecca Wilson (chair)\*, Kate Quirke, Prof Malcolm Pradhan, Nick Dignam, Ray Blight, Simon Chamberlain

\* Assumed the chair from Ray Blight in August 2019

**Identifiable major shareholders:** Malcolm Pradhan 13.6%, Ray Blight 10.15%, Isle of Wight Pty Ltd (Colin MacKinnon) 7.1%, Caledonia Nominees (Donald Kennedy) 6.1%, Kate Quirke 5.7%.

In the current corona-crisis, what bedside doctor or nurse wouldn't like to know a bit more about the current status of a patient and the availability (or otherwise) of beds across a sprawling hospital?

In providing such tools, the Adelaide-based Alcidion taps the zeitgeist although it's been beavering away for the best part of a decade on developing its digitized clinical organization tools.

(The folk who devise share market indices certainly think so, promoting Alcidion into the All Ordinaries, just this morning.)

In short, Alcidion's decision support products help hospitals to understand where there is excess demand for services - and who to treat as well as how and when.

"Hospitals are at a real advantage if they can look at the totality of what's going on and identify the hot spots," says Alcidion CEO Kate Quirke.

We can't argue with that. Most western health systems are well behind the curve on digital delivery, which threatens the quality of healthcare delivery when it most counts.

Like now.

"We have had more engagement with existing customers to cope with the tsunami ahead of them," Ms Quirke said ahead of the expected flood of intensive care patients - that thankfully did not happen in Australia.

### **Miya my, what useful products**

Alcidion was founded by director Ray Blight, the erstwhile head of the South Australian Health Commission and Prof Malcolm Pradhan, a general practitioner and health informatics buff.

The company back-door listed in February 2016 via the shell of Narracoota Resources, which obviously had little luck tapping the Earth's riches.

Alcidion developed a product called Miya, which consolidates clinical data from multiple sources in one spot for the clinicians.

But the company's hue changed in 2018 when it bought a private mob called MKM Health from a group of ex Deloitte consultants, for a headline \$12 million.

MKM has an established product called Patientrack, which ensures that doctors and nurses have the full patient information from different departments.

If a patient takes a turn for the worse, the nurses are alerted at the central nursing station.

Notably, MKM has a presence in Britain, which Alcidion is targeting as its preferred expansionary geography.

MKM's Ms Quirke was anointed Alcidion CEO in July 2018, with then chairman and executive director Mr Blight stepping back to a non-executive director role.

## **Building a better mousetrap**

Currently about 250 hospitals are using Alcidion's products or services in some way or other. About 15 have taken up its core product, Miya, while a further 40 use Patientrack.

Alcidion's latter day efforts have revolved around a next-gen version of Miya, called Miya Precision and Miya Memre. Miya Precision is an internet cloud-based version of the original product, while Miya Memre is fully mobile phone based.

In April, Alcidion said it had struck a deal with the Murrumbidgee Local Health District to supply both Miya Precision and Memre for 12 months. The use includes monitoring patients at home with the coronavirus.

In March, Alcidion said its established client ACT Health had rolled out Miya Precision across two sites, accounting for 600 beds: Canberra Hospital and the University of Canberra Hospital.

Ms Quirke says: "The platform at ACT Health is all about looking at patient flow and logistics: who is taking up beds and how quickly we can move patients through the system. Hospitals are at a real advantage if they can look at the totality of what's going on and identify the hot spots."

## **Fewer patients, better hospitals**

As attested in the famous Yes Minister episode, the most efficient hospital is the one without any patients. While achieving wards full of neat empty beds is beyond the reach of health bureaucrats, what hospital would balk at sending patients home if they could?

Alcidion's Next Big Thing is the home-testing of patients via devices and Bluetooth connectivity. Of course, this tech is already widely available but the art lies in reliable remote monitoring of the patients.

Unrelated to Covid-19, Alcidion has been running a pilot program with an unnamed South Australian house of healing, relating to monitoring patients after a cardiac episode.

"It's a longer-term play," Ms Quirke says. "I would expect a lot of hospitals would be looking at how to keep more patients at home."

Ms Quirke says Alcidion will roll out the home version of Miya Precision "fairly quickly".

## **Hands across the seas**

The Miya products are the growth driver for Alcidion, with the more mature Patientrack still delivering significant contracts especially in Britain and New Zealand.

The company also has a side product, a speedy messaging service called Smartpage.

Geographically, the Old Blighty is appealing because it has a similar publicly-funded health system to Australia (the National Health Service, NHS, or The 'Ealth). For example, the company has rolled out Miya Precision to the Dartford and Gravesham NHS Trust, in a \$1.9 million contract.

During the March quarter, NHS Fife (a Scottish health board) renewed and expanded a contract to use Patientrack for another five years, covering at least 10 of its hospitals. The deal is worth \$1.47 million over the period.

“Patientrack already has a 10-year track record there, so for these reasons it’s a more attractive market than the US,” Ms Quirke says. “The UK is also more receptive to non-UK tech; the US is more insular.”

Covid-19 aside, the UK market has settled down since last year’s general election, with a greater focus on digitized healthcare emerging. One example is the NHSX Tech Plan, which is the NHS’s boffin-y but earnest push to instill digital health across the system.

## **Financials and performance**

In the December 2019 (first) half, Alcidion booked revenue of \$8.2 million and had “total sold revenue” of \$15.4 million so far for the 2019-'20 year.

By the end of the March quarter 2020 the company claimed sold revenue of \$17.2 million for the year (the figure would have been about \$600,000 higher without the coronavirus interruptions affecting the clients).

Of this \$17.2 million, \$9.8 million is classed as recurring.

The company also cites sold (contracted) revenue of \$41.6 million to the 2024-'25 year.

At the end of March, the company held \$15.9 million of cash, bolstered by a \$16.2 million institutional placement during the December half.

The company also recorded cash outflows of \$1.2 million, compared with a net loss of \$1.8 million for the half.

In the year to June 30, 2019, Alcidion was merely \$70,000 in the red and Ms Quirke argues the company would have broken even by now had it not expedited its growth spending.

“We made a decision to go for it, now, rather than go slow,” she says. “We are not cash flow positive because of the lag between making the investment and showing revenue.”

Ms Quirke showed her faith by splashing out \$137,500 to buy one million Alcidion shares in mid-March, as the market rout set in. So that’s how she spent the pay rise the grateful board endowed her in January, when her base salary rose to \$413,461.

(In the 2018-'19, Ms Quirke pocketed a base \$249,820, bearing in mind she was executive director from July 3, 2018 to January 25, 2019 and then head honcho thereafter).

The share splurge takes Ms Quirke's direct and family holding to 27.79 million shares, just under six percent of the register.

Company chair and PR queen Rebecca Wilson also set a good example by splurging \$29,750 on 250,000 shares.

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

Ever a traditionalist, your columnist likes to see companies that are chalking up meaningful revenue increments while not hemorrhaging cash at the same time.

When we last put Alcidion over the Bunsen burner in July 2018, the company had reported March quarter receipts of \$519,000 and it ended up recording \$4.1 million of revenue for the full 2017-'18 year.

Fast forward two years and the sold revenue of \$41.6 million over the next four years looks like the sort of decent logarithmic growth we don't want to see on a Covid-19 infection rate chart.

On a downbeat note, Alcidion back then claimed 15 hospitals had signed up to Miya and that number doesn't appear to have moved.

Selling to hospitals will always be difficult because (a) they're perennially cash strapped and (b) spending decisions have to go through the sort of laborious committee process so beloved of Sir Humphrey Appleby.

But Alcidion has a decent suite of products to sell, while the MKM merger doesn't seem to have created the management friction that besets most integrations.

The company's vital signs look robust, in our view.

***Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. But he is replete with useful facts, such as Miya being pronounced 'Myer' and Alcidion's market cap now being not much less than that of the once esteemed department store that was once worth billions.***

Disclosure: Both Dr Boreham and Biotech Daily editor David Langsam own shares in Alcidion.