



# Biotech Daily

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*Daily news on ASX-listed biotechnology companies*

## Dr Boreham's Crucible: Imex Health Services

By TIM BOREHAM

**ASX code:** IME

**Market cap:** \$49.0 million; **Share price:** \$1.65\*; **Shares on issue:** 29,699,842\*;

\* Post 50:1 share consolidation

**Co-founder and chief executive officer:** Dr German Arango

**Board:** Doug Flynn (chair), Carlos Palacio, Dr Arango, Dr Douglas Lingard, Damian Banks

**Financials (September quarter):** receipts \$1.7 million, cash outflows \$996,000, cash balance \$3.8 million, loan facilities \$1.7 million, quarters of available funding 3.85

**First half to June 2020:** revenue \$4.49 million (up 68%), loss of \$2.36 million (previously \$2.17 million loss).

**Identifiable major holders:** Digital Imaging Solutions SAS 10.6%, Perennial Value Management 7.8%, Milla Paula Inari Palacio 6.99%, Jaava Asesores integrates SAS 6.98%, Volegna Holdings (CSA Trust) 4.1%

At Planet Crucible we're always wary of labeling a stock or sector the 'next big thing', as such pronouncements are just as likely to deliver the kiss of death.

Having said that, the radiological diagnostics sector has been on a tear, the result of improvements in artificial intelligence, internet cloud-based delivery and regulatory requirements for centralized and digitized patient records.

Oh, and we're all getting older, which increases demand for the core product.

Awed shareholders in the home-grown, ASX-listed Pro Medicus have seen their investment emerge from small-cap status to a global provider now worth more than \$3 billion.

Specializing in breast cancer diagnostics, the Kiwi-based Volpara Health Technologies is now valued at around \$350 million.

Mach7 Technologies has emerged from nowhere at, well, mach speed and is now valued at \$300 million.

(We covered this one on November 6 this year).

This brings us to the obscure Imex, the Latin American-based diagnostics play which back-door listed on the ASX in September 2018 and has been as quiet as a church rodent ever since.

Few investors would be able to pronounce the company's name. But this is likely to change as the company expands from its South American foothold into the US market, as well as Europe and Australia.

### **It's IMEXHS, not INXS**

The company's moniker, by the way, abbreviates "imaging experts and healthcare services" and has nothing to do with the great Aussie rock band InXS. To simplify matters, Biotech Daily uses the short-form Imex, but you still can't use it to watch movies on big screens.

Imex is headquartered in Sydney's Mascot but most of its activities are carried out from the Colombian capital of Bogota.

Based on its patented software called Hiruko, Imex has three product lines covering radiology (Aquila), pathology (Alula) and cardiology (Anteros).

Hiruko is approved in the US and Europe.

In May this year, the company launched Aquila in the Cloud (AIC), an off-the-shelf product which is aimed at small to mid-sized facilities with small budgets.

The Imex product suite covers radiology information systems (RIS) and picture archiving and communications system (PACS).

RIS is all about workflow management of patient data and imaging. PACS is about capturing, storing and viewing the images.

The functions include ordering patient scans, booking the patient with the radiographer and sending the image to a radiologist for interpretation and back to the referring doctor. Imex also facilitates "tele-radiology": the ability of practitioners to view and interpret data from their device anywhere at any time.

Yep – no need to leave the nineteenth hole at the golf course.

Currently Imex operates in 15 regions: 12 Latin American nations, Spain and Florida and Texas in the US.

Imex also has a fledgling presence in Australia, if only to show local shareholders what it's up to.

Cut another way, the company's products (mainly Hiruko) are used across 270 sites by more than 600 radiologists.

### **How the 'band' was formed**

Imex was co-founded in 2012 by Latin American neuro-radiologists Dr German Arango and Dr Jorge Marin, as well as radiology software industry veteran Andres Vanegas.

Dr Arango is currently on the neuro-radiology staff at Bogota's University of Rosario's Hospital Universitario Mayor-Mederi.

Dr Marin is at the Hospital Universitario San Jose in Bogota and is the company's chief medical officer, while Mr Vanegas is chief sales officer.

Dr Arango says the founders were motivated by the need to solve "specific aspects" of their work practices, such as downloading bulky images from remote parts of the Amazon.

"When practicing in Colombia, a developing country, it was challenging to find an efficient tele-radiology tool because of bandwidth restrictions," Dr Arango says.

Dr Arango says that with two engineers they worked out their own platform for teleradiology and they decided to create the company around initial product.

The company listed here in September 2018 on the back of investor relations application developer Omni Market Tide, after raising \$5.5 million at 2.5 cents apiece (\$1.25 post consolidation).

Imex's recently-anointed chair Doug Flynn is an experienced ASX-listed company board hand who also chairs the data centre giant Next DC.

### **Aquila in the Crowd**

Dr Arango says while the pandemic is "challenging" it did no harm to Aquila in the Cloud's prospects after its May launch, given the tool allows for efficient remote teleradiology.

Aquila in the Cloud is aimed at the low to mid end of the market and is pitched as easy to use. Think of it as the imaging equivalent of the trans-Tasman accounting software company Xero, the first to migrate its small business offering to a 'cloud' software-as-a-service (SaaS) business.

In an update in early December, Imex said it had signed 28 Aquila deals in six countries, equating to \$675,000 in annual recurring revenue

Dr Arango says the company is devoting the same effort to its legacy products and Aquila in the Cloud, but expects the latter will gain more traction “because the whole market is moving in that direction”.

As always, price is a key competitive factor.

“We can be 50 percent cheaper than our competitors and still have very good margins,” he says.

## **Brazil and beyond**

The company plans to focus on developing markets, which doesn’t mean it will ignore Latin America. In fact, it’s not yet operating in Brazil, the region’s biggest market. But the company’s products are approved there and management has enrolled in a Portuguese language crash course.

China and greater Asia also beckon - but not yet.

In the US, the company recently appointed its first salesperson and two distributors and has just signed up its first client (in Miami) on a 30-day trial.

Under its “land and expand” strategy, the company will focus on the radiologists before selling to pathologists and cardiologists.

“We already have a platform for radiology and pathology and cardiology but the plan is to deliver a few more ‘ologies’ [such as gastroenterology and haematology],” Dr Arango says.

One client is even involved in airport x-ray screening, which is a routine screening for improvement (read all about mobile x-ray specialist Micro-X’s airport plans next week, in our final report for the year).

## **In the shadow of giants**

Given the segmented nature of the radiology market, Imex competes with different suppliers in different sectors.

At the high end - the mature clinics - it’s most likely to bump into Agfa, Fuji, GE Health and Carestream (formerly Kodak).

“But there’s a big gap,” he says.

“In the US, 80 percent of the market is rural and low end. It’s not well attended by the main players.”

At the top end of the market, it's usually hard to displace an existing provider, given the amount of data that needs to be migrated to the new system.

As for the company's ASX exemplars, he says they are 'same but different' in terms of the markets they tackle.

Mach7 is only in the PACS sector (not RIS) while Volpara is breast-centric, so to speak.

"Pro Medicus is an amazing company; as a radiologist I have to say the [product] they have is top end," Dr Arango says.

He says Imex has enjoyed the positive "collateral effect" from the "good behavior" of the ASX imaging houses, which has stirred investor appetite for medical imaging companies.

### **Finances and performance**

Imex reported revenue of \$4.49 million in the six months to June 30, 2020, up 68 percent. But September quarter recurring revenue came in at a Covid-afflicted \$1.9 million, 16 percent lower.

At the end of September, the company held a light cash balance of \$3.8 million but in October raised \$8.3 million in a placement. The previous October the company rustled up \$10 million, also in a placement.

What's wrong with clockwork reliability?

The company derives revenue from a combination of 'software as a service' (SaaS), 'platform as a service' (PaaS) and one-off sales.

SaaS deals are typically over three to five years. As the name implies, the client pays subscription fees along the way. PaaS includes hardware and other "modalities".

While the company prefers recurring revenue - who wouldn't? - it's common to record a chunk of one-off sales as clients seek to use their budgets by the end of the financial year.

In November, Imex underwent a 50-for-one share consolidation, which means the stock trades at around \$1.70 rather than at a penny dreadful level of 3.4 cents.

Your columnist ponders whether such consolidations ever have helped a share price in real terms, but it certainly makes for a better look.

Allowing for the consolidation, Imex shares have traded as high as \$2.45 (January 22 this year) and as low as 75 cents (March 24 this year).

Dr Arango says the company is happy with being singularly ASX listed.

"We have good connections with Austrade and the [Australian] embassies, they have been very supportive in Latin America and the US," he says.

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

Like its (almost) namesake rock band, Imex is better known overseas than here.

But it's no use pretending ... overall it ranks at close to zero in the investor recognition stakes and perhaps this makes for an opportunity given the company's lowly circa \$50 million market valuation.

On estimates from data cruncher Research and Markets, the overall RIS/PACS market was worth \$US2.7 billion (\$A3.6 billion) in 2018 and is forecast to grow to \$US5 billion by 2027, an annual growth rate of 7.4 percent.

But Imex small to mid-market focus could prove the winning formula.

"I have been astonished by the number of clinics and medical imaging centres that have been completely overlooked by the large on-premise suppliers," Dr Arango says.

More broadly, Imex taps the megatrends of artificial intelligence, the digitization of healthcare and cloud computing and storage.

Like a dodgy lump on an x-ray, Imex is one to monitor closely as it seeks to achieve earnings break-even status by early next year.

And beyond that, could it become the New Sensation in the ASX-listed medical imaging space?

***Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. But he does possess a white coat and clipboard so hopefully no-one will know the difference, particularly at an InXS gig or in a dark IMAX cinema.***