



Biotech Daily

Friday December 9, 2022

Daily news on ASX-listed biotechnology companies

Dr Boreham's Crucible: Alcidion

By TIM BOREHAM

ASX code: ALC

Share price: 15 cents; **Shares on issue:** 1,268,069,053; **Market cap:** \$190.2 million

Financials (September quarter 2022): receipts \$12 million, cash burn \$483,000, cash \$16.2 million, quarters of available funding 33.

Year to June 30, 2022: revenue \$33.4 million (up 33%), underlying profit \$900,000 (up 80%), net loss \$3.53 million (previous deficit \$2.24 million), cash \$17.3 million (down 31%)

Chief executive officer: Kate Quirke (a.k.a. Katrina Elizabeth Doyle)

Board*: Rebecca Wilson (chair), Ms Quirke, Victoria Weekes, Daniel Sharp, Simon Chamberlain

* Co-founder Prof Malcolm Pradhan retired on November 30 2022

Identifiable major shareholders: Prof Pradhan 10.6%, Australian Super 8.75%, Ray Blight 6.8%, Kate Quirke 3.8%, Isle of Wight Pty Ltd (Colin MacKinnon) 2.1%,

As Great Britain strives to restore the 'great' bit with a fiscal austerity drive, Alcidion chief Kate Quirke is confident the nation's beloved National Health Service (NHS) will be spared the brunt of the inevitable cuts under Prime Minister Who is it This Week?

"The NHS is the most loved institution in the UK - you decimate it at your peril," Quirke says.

There's much at stake for Alcidion, which has chosen the UK health market - specifically NHS system hospitals - for its ambitious rollout plans.

Alcidion seeks to transform healthcare delivery, by using data to manage patient flows and provide more usable patient information to doctors and nurses. Their systems track patients from admission, through triage, diagnosis, treatment and follow-up to discharge, as well as out of hospital tracking.

Last year the company derived 47 percent of its revenue from the UK, with the remainder predominantly from Australia and New Zealand.

Following two acquisitions in the Old Dart in 2021, this mix increasingly will be skewed to the UK.

Alcidion already has had significant growth in Britain over the last two years as the NHS invests in modernization - notably the GBP2 billion (\$A3.6 billion) NHS Frontline Digitisation Program.

Ms Quirke likens the company to a bank that monitors customers' suspicious transactions.

"We identify possible areas of risk and alert clinicians to that risk, so that we can impact or prevent those things from occurring."

Moulded by acquisitions

Alcidion had its modest beginnings in Adelaide, on the back of its foundation product Miya.

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

Alcidion back-door listed in February 2016, having raised \$2 million at 3.1 cents a share.

The company has been molded by acquisitions.

In 2018, Alcidion bought the private MKM Health for around \$12 million. MKM owned Patienttrack, which ensures that doctors and nurses have the full patient information from different departments.

MKM also brought Ms Quirke to the table and she became Alcidion CEO in mid-2018. Then chairman and executive director Mr Blight became non-executive director, before quitting in June 2021.

Prof Pradhan retired on November 30 2022, in what chair Rebecca Wilson dubbed a "natural evolution and a well-established succession plan adopted by the board several years ago".

In April 2021, Alcidion acquired UK mob Extramed, which manages the flow of patients from the emergency department to outpatient services.

Extramed had a 19 percent share of the NHS trust system (the bodies that own the various hospitals). This opened the way for Alcidion to sell its products to additional hospital sites.

Before the ink had barely dried on that one, the company acquired Silverlink Software, “one of the largest and few remaining specialist patient administration systems in the UK NHS market”.

The \$55 million purchase was funded by a capital raising (via a placement and rights issue) of the same quantum.

The Silverlink deal enabled the company to provide a “full end-to-end solution” to UK healthcare providers, in relation to electronic patient records.

Sweet product suite

In essence, Ms Quirke says, the company consolidates all available digital data available and, in some cases, enables paper to be converted to digital records.

“The data can be used to improve decision-making and efficiency and safety of healthcare delivery,” she says.

The flagship product, Miya Precision, is an interoperable platform that augments a customer’s existing information technology (IT) system.

Sitting beneath Miya Precision, 16 Miya modules cover functions including patient flow and bed management, vital signs recording and - of course - patient records.

Now known as Miya Assessments and Observations, Patientrack is all about nursing care at the bedside. Silverlink PCS offers non-clinical patient administration, while Extramed is all about patient flow management in the UK.

Hooray for the UK

In the UK, the NHS Frontline Digitisation Program aims to have 90 percent of the NHS trusts on electronic patient records (EPRs) by December 2023, with the remainder converted by March 2025.

The company is also eyeing the amalgamation of trusts into ‘regional integrated care systems’ which in non-health-administrator-speak means that the various hospitals combine and share data.

One benefit is that the administrators know where beds are available across the whole region, rather than one hospital.

Ms Quirke says the company ended 2022 with sales in 39 NHS trusts - 27 per cent of the total. But all these trusts use only one product, so there's potential for cross selling.

Last week, the company said it had signed up University Hospital Southampton, an NHS trust, to use Miya Precision. The deal is worth \$2.8 million over three years.

Earlier wins included the Herefordshire and Worcestershire Health and Care NHS, which signed a five-year deal to use the Miya Flow patient monitoring product (the first community NHS trust to do so).

"Around 90 [NHS trusts] are seriously in play between now and [the end of] 2023," Ms Quirke says.

Local contract wins

Alcidion's local contracts tend to be for smaller amounts, but the company says its brand is well recognized across the eastern seaboard (although not in its birthplace of Adelaide, oddly enough).

Despite the "continued uncertainty of the external business environment" Alcidion won several new contracts and upgrades.

These include the Northern Territory health system and Melbourne's Western Health and Alfred Health. Earlier, Alcidion won two significant home-care contracts with the Sydney and Murrumbidgee local health districts.

Alcidion has a slice of the \$330 million Australian Defence Force (ADF) contract, which involves consolidating the health records of all employees - not matter where they are in the world.

Announcing the win in April last year, Alcidion estimated its potential share of work at \$21 million over five and a half years. Alcidion's role is to consolidate data from 14 different health providers into a single view.

Sizing up the rivals

Not surprisingly given the interest in electronic patient records, Alcidion does not exactly have the market to itself.

At last week's AGM, management confessed that smaller UK hospitals were unwilling to switch from the established larger providers, citing (perceived) lack of support and little cost difference.

Ms Quirke says the competition depends on the geography and the exact nature of the product and the patient problems it seeks to solve.

Here, the company competes with offshore electronic medical record giants such as Cerner, Epic, Allscripts and Philips.

In niche areas, competitors include Telstra Health in the patient flow management. Other rivals such as Lightfoot and Pascal Metrics dwell in the data analytics segment.

In the UK, the company competes with Nervecentre Software and System C in some sectors.

Finances and performance

Alcidion's September quarter numbers showed receipts of \$12 million, up 83 percent year-on-year.

Operating cash outflows (the cash burn) for the three months to September 30, 2022 narrowed to \$483,000, compared with a \$3.3 million deficit in the June quarter and \$3.4 million the previous September quarter.

The company won \$1.8 million of new contracts in the traditionally quiet quarter, taking total contract value - the worth of all signed deals over their lifetime - to \$29 million (up 69 percent).

And seeing you asked, the contracts are adjusted for inflation or - in some cases - wages.

When releasing the September quarter numbers in October, management said the company was confident of becoming cash flow and earnings before interest, tax depreciation and amortization (Ebitda) positive in 2023. No update was proffered at the AGM, so presumably nothing has changed.

RBC Capital Markets forecasts revenue of \$45.8 million for the current financial year, with adjusted Ebitda of \$7.7 million and a net profit of \$3.4 million.

This rises to revenue of \$49 million and a \$4.4 million net profit in the 2023-'24 year.

RBC values the stock at 19 cents, while fellow broker Canaccord reckons 20 cents should about do it.

Over the last year, Alcidion shares have traded as high as 38 cents (in late October 2021) and as low as 11 cents (June 30 2022).

The stock will be chunked out of the market-capitalization-based ASX All Technology Index as of December 19, 2022, but is secure in the quality-based Biotech Daily Top 40 Index (BDI-40).

Rushed to (virtual) hospital

Alcidion is also targeting remote patient monitoring, which was already burgeoning but was given a gee-up by the pandemic.

Ms Quirke notes that one in four patients with an overnight stay will have an adverse event. So, in truth, patients are safer in their own homes and they usually prefer it.

The Murrumbidgee Local Health District has extended its use of Alcidion products to monitor people at home, starting with Covid patients.

Even before the pandemic Sydney Local Health District was setting up RPA Virtual, the equivalent of a hospital with 900 beds.

As Sir Humphrey insisted, the most efficient hospital is one without any patients.

“They are ... talking to us about how we can use our platform to help take the data of patients monitored from home, allowing the doctors and nurses at the central command centre to monitor patients,” Ms Quirke says.

Dr Boreham's diagnosis:

Ms Quirke says the company has entered the current financial year in a strong position, given the \$29 million of contracted revenue already in the bag.

But she adds the real oomph from the growth initiatives will come in the 2023-'24 and 2024-'25 years.

The company cites a total addressable market of \$105 million here and in New Zealand and \$580 million to \$1.2 billion in the UK. So, that implies the company has a 10 percent market share here and only two to four percent in the UK.

Sadly, Alcidion's current share price doesn't reflect the company's potential to grow market share in these existing jurisdictions, not to mention potential expansion into India, Canada and the US.

In our view, the company's vital signs look positive. On a cautionary note, competition abounds and management needs to continue to invest in innovation to stay a step ahead of pesky rivals.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. But his vital signs look positive.