



# Biotech Daily

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*Daily news on ASX-listed biotechnology companies*

## Dr Boreham's Crucible: Pro Medicus

**By TIM BOREHAM**

**ASX code:** PME

**Share price:** \$306.41; **Shares on issue:** 104,462,909; **Market cap:** \$32.0 billion

**Chief executive officer and co-founder:** Dr Sam Hupert

**Board:** Peter Kempen (chair), Dr Hupert, Anthony Hall (co-founder and executive director), Anthony Glenning, Dr Leigh Farrell, Deena Shiff, Alice Williams

**Financials (year to June 30, 2025):** revenue \$213 million (up 32%), net profit \$115.2 million (up 39%), underlying earnings \$157.7 million (up 40%), cash \$107.5 million (up 79%)

**Identifiable major shareholders:** Dr Sam Hupert 24%, Anthony Hall 24%

In a lengthy post-results briefing last week, Pro Medicus co-founder and CEO Dr Sam Hupert went a long way to explaining why the radiology imaging group's market valuation stands at a seemingly staggering \$30 billion-plus.

Put in context, that makes Pro Medicus the 18th biggest ASX-listed company.

One answer is that the US-focused company has a contracted pipeline of close to \$1 billion of unrealized revenue over the next five years.

That's only one leg of the company's "multifactorial" growth strategy.

Other strands are a digital pathology variant - in 'soft' launch stage - and an extension product for cardiologists.

In the meantime, Pro Medicus still accounts only for about 10 percent of its core US radiology market.

Dr Hupert dubs the financial year to June 30, 2025 as “the most successful year in the company’s history by any measure”.

Investors reacted to the news by pushing Pro Medicus shares up as much as seven percent, the best one-day rise in four years.

## **About Pro Medicus**

A home-grown hero, Pro Medicus provides diagnostic imaging, practice management and image archiving software to radiology practices.

The company was founded by Melbourne general practitioner Dr Hupert and his technologist friend Anthony Hall in 1983, when mullets and perms were all the rage and digital imaging was by way of a raised forefinger.

Pro Medicus listed in October 2000, raising \$23 million at \$1.15 apiece. Initially, the company focused on practice management systems for doctors.

These days, Pro Medicus’s products cover image viewing, archiving and streamlining radiologists’ workflows.

The rise and rise of Pro Medicus has been driven by the burgeoning data requirements for radiology examinations and the imperative to move from on-site hardware and storage to the internet ‘cloud’.

The initial workflow product, Radiology Information System (RIS), remains the company’s key product in Australia.

In the US - which accounts for about 90 percent of the company’s revenue - the company mainly sells the Visage 7 viewer.

Visage 7 enables users to consolidate information requiring multiple views into a customized single platform.

The image storage tool Visage Open Archive was introduced in 2017, with Visage Workflow Management emerging in 2020.

Intriguingly, Pro Medicus acquired Visage from a distressed seller in 2009, amidst the global financial crisis.

The price? A princely \$US5 million.

Someone got whacked with the lucky stick, didn’t they?

## **Expanding beyond the ‘sandstone’ clients**

Pro Medicus has signed up 11 of the top 20 ‘sandstone’ teaching hospitals in the US. These include the Mayo Clinic, Johns Hopkins University, New York University and Harvard Medical School’s Massachusetts General Hospital.

But there’s a bigger market in the integrated delivery networks (IDNs) hospital networks that can span many states.

In its biggest client win to date, the company last year signed up not-for-profit IDN Trinity Health, in a \$330 million, 10-year ‘full stack’ deal.

Pro Medicus competes with hardened incumbents including Siemens, Philips and GE Healthcare.

But so far, 100 percent of its clients have renewed.

Dr Hupert says more customers are buying the full stack, which does not refer to Whopper Burgers but signing up for the company’s image viewing, archiving and workflow tools.

## **Hungry for data**

Pro Medicus has been spurred by the radiology sector’s insatiable need for faster access to imaging, the ability to do more with these pictures and the capacity to manage humungous slabs of data.

With new imaging modalities and devices emerging, the need for extra data capacity continues unabated.

“Some of our clients are dealing with petabytes of data a year and ‘cloud’ is also a key part of the equation,” Dr Hupert says.

“Breast cancer [imaging] is usually the canary in the coal mine. In the past, two-dimensional (2-D) mammography was a couple of hundred megabytes. Now 3-D breast tomosynthesis requires as high as six gigabytes for high resolution.”

Dr Hupert says Pro Medicus differs from its rivals because they use a technology known as ‘compress and send’, which involves streaming files from a central spot

“The files come from a scanner and are compressed as much as they can, without losing fidelity,” he says. “The file is sent to a workstation that unpacks the file and does the enhancements.

The visualization is streamed in real time, the file is not moved and the image can be accessed in less than one second, compared with “many minutes” for compress and send.

“It’s a huge differentiator, particularly as organizations get larger and more distributed and pretty much every radiologist wants to work at home for part of the week.”

## **Pathology is the next frontier**

Pro Medicus has started showcasing its digital pathology, also based on the same Visage 7 platform, to potential clients.

“It’s a work in progress, but we believe we will have it out to the market this calendar year,” Dr Hupert says.

He says the pathology sector is about two decades behind radiology, in terms of migrating from film to digital.

“So, we are at the beginning of a new cycle, whereas with radiology it is a replacement cycle because everyone went digital 20 years ago.”

The bulk of pathology flows are bio-chemical tests and not imaging. But the images are in color and high definition, which means file sizes of six gigabytes to eight gigabytes.

“The big drivers for digital pathology are around artificial intelligence (A.I.) and specialization,” Dr Hupert says. “You can’t have a melanoma specialist at every (location), so the ability to remotely read has become more acute.”

While one analyst suggests the pathology market could be two-thirds the size of the radiology sector, Dr Hupert says it’s too early to tell.

## **Cardiology images in a heartbeat**

In July this year, the company implemented its first cardiology product, with the Colorado-based UC Health (a merger of University of Colorado Hospital and Poudre Valley Health).

Cardiology is not a stand-alone product: the module was part of a broader 10-year, \$170 million Visage 7 contract with the not-for-profit network.

Dr Hupert says the company’s first port-of-call is ultrasounds (cardiac echograms).

“We are also seeing more cardiac [computed tomography] CT as a screening test, instead of angiography.”

In dollar terms, he believes cardiology could be 15 to 20 percent of the total radiology market.

“Far fewer tests are done, but each test is more expansive,” he says. “We think we will be able to sell it to existing clients and we are putting it out in conjunction with the full stack that clients can take from the get-go”.

In late 2024, the company announced a \$US5 million investment in cardiac CT A.I. company, Elucid. Not to be confused with rapper of the same name, the private, Boston-based Elucid has won US Food and Drug Administration clearance for a coronary plaque detection algorithm.

## Finances and performance

Dr Hupert describes a “record year of new contract wins, contract renewals and sales of additional modules”.

Pro Medicus posted full year revenue of \$213 million, up 32 percent. Net earnings surged 39 percent, to \$115 million. Margins rose from 72 percent to 74 percent and are “more than any of our competitors by multiples”.

Revenue rose in the three key jurisdictions of the US, Germany and Australia, but North America led the way with a 36 percent increase. During the year, Pro Medicus won \$520 million of new contracts.

Yep, that’s a record.

The monster Trinity Health compact aside, the company also renewed two large contracts worth \$130 million and won \$39 million of upgrades.

In late 2024, the company won a slew of contracts, including Trinity, Bay Care and the University of Kentucky.

Dr Hupert says only two percent of the value of these contracts was recognized in the 2024-'25 year.

That means the company has \$948 million in forward contracted revenue over the next five years, compared with \$624 million a year ago.

Dr Hupert says the contracts are based on 80 percent of the clients’ estimated exam volumes, which implies “material upside” if these projections are correct.

As of June 30, the debt-free Pro Medicus held cash of \$210 million.

The company is likely to pay higher dividends and undertake share buybacks, while keeping a weather eye on possible bolt-on acquisitions and investments.

Over the last 12 months Pro Medicus shares have ranged between \$147 (late August last year) and the July 17, 2025 all-time peak of \$330.

Amid the Trump tariff turmoil and health system upheaval, the shares lost 40 percent of their value before recovering.

Dr Hupert and Mr Hall each own about 24 percent of the company.

Pro Medicus is in the highly unusual position of having a mere 4.4 percent more shares on issue than the 100 million at the IPO a quarter of a century ago.

Yes, that is correct. The company has NEVER done a capital raise and has bought back 250,198 shares since 2016.

It has issued a handful of shares as long-term incentives, but who’s counting?

## **‘Calm your farm’ on 4DX**

In late July, ASX-listed lung imager 4D Medical announced a \$10 million “strategic investment” from Pro Medicus.

A debt and equity loan, the funds will help 4D Medical commercialize approved products, while advancing its ‘computed tomography ventilation perfusion’ (CT VQ) to the FDA. CT VQ is a non-nuclear imaging alternative to both ventilation and perfusion within the lungs.

Dr Hupert says on one level the investment was merely an investment. But Pro Medicus has an interest in CT VQ and it’s A.I. capability, which “could be useful on our platform”.

Mr Hupert knows 4D Medical well: he was once on the company’s advisory board - and recused himself from the Pro Medicus board’s 4D determinations.

## **Dr Boreham’s diagnosis:**

Given the company’s 10 percent market share, Pro Medicus presents a ‘glass half full’ thesis in terms of its established US market. Dr Hupert won’t be drawn on the prospect of further gains but says that about 85 percent of the remaining market is attractive commercially.

“We don’t have a fixed target in mind, our aim is to get as big a percentage market share as possible,” he says. “Importantly, we do not see any technical or capacity-related reason why we will not continue to increase our market share materially from here.”

Your columnist has always been a tad perplexed as to how the imaging giants enabled an Aussie battler to slip into their home turf. The answer is that they had their head in the proverbial clouds, while Pro Medicus seized the actual (internet) cloud opportunities.

Dr Hupert describes rival systems as the “non cloud cloud”, because they still require on-premises hardware.

Still, Pro Medicus needs to be aware of emerging competitive threats - particularly with the advent of artificial intelligence. Ultimately, it will thrive by offering quantifiable productivity benefits to cash-strapped hospitals lashing out for a premium product.

With a 100 percent renewal rate, evidently, they are happy campers. Beyond that, the other ‘ologies’ beckon.

***Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He’s a happy camper, but happier under a more permanent roof, safe from any clouds, and where he can call room service.***