

## Breaking through in the UK's NHS

Alcidion was founded in Adelaide in 2000 with the aim of driving meaningful change in health outcomes with smart technology. ALC joined the ASX in Jan 2016 as a backdoor listing via Naracoota Resources. The company delivers patient and clinician information systems for Emergency Department, Outpatient and Inpatient management and medical records. ALC has expanded organically and by acquisition into the Australian, New Zealand and the UK markets with a significant step-up in the UK since acquiring MKM Health in 2018. The company's main products are: Miya Precision – a platform which delivers a suite of flexible modules which allow consolidation of patient information from disparate sources, and Smartpage, a secure smartphone and web-based system for hospital communication and task management which provides clear and secure patient handover as well as management of non-clinical patient services. A key issue underpinning the business is that there has been a significant increase in patient-related data which hospital systems grappling with legacy IT have struggled to handle.

### Business model

Alcidion's focus on data integration, analytics and presentation allows the company's products to be integrated with larger Electronic Medical Records (EMR) systems – adding value to hospital administration and clinical outcomes through better, timely, analysis of a patient's treatment, test results and outcomes. Products are provided via a 3-5 year ongoing contracted licence fee payable by the hospital, with one-off implementation fees and recurring technical service fees. Product sales represent 80% of revenue with technical services the remaining 20%. ALC serves 307 hospitals, 63 Healthcare organisations and has 68k users of Miya Precision and Smartpage.

### Already well ahead of FY20

The Q2 FY2021 business update highlighted a strong sales quarter (+\$12.6m, +260% on pcp) with FY21 revenue to date of \$21.7m, 17% higher than the FY20 full year figure. ALC booked a further \$23m in revenue to be recognised out to FY26. The company signed a five-year \$11.3m deal with South Tees Hospital in the UK for Alcidion's full suite of products and services. The impact of COVID has tended to drive moves towards better integration and management of patient information. In the HY ALC's gross profit rose 37%, NPAT loss reduced to -\$1.3m for the half-year and cost base stabilised.

### Moving down the same path as larger peers

Comparable ASX listed peer companies are not direct competitors however companies like PME and 4DX are offering medical facilities similar transformative IT solutions. The health sector is slowly moving into the second stage of IT development post the development of the world-wide web. These companies are all expected to benefit and ALC trading at 10x sales and 4.8x Price/Book appears appropriately priced for this stage of the company's development.

#### Historical earnings and ratios

Year end	Revenue (A\$m)	EBITDA Adj.* (A\$m)	NPAT Adj.* (A\$m)	EPS (c)	EV/Sales (x)
06/17a	2.4	(3.2)	(2.1)	(0.3)	109.3
06/18a	4.2	(2.2)	(2.1)	(0.3)	62.4
06/19a	16.9	(0.0)	(0.1)	(0.0)	15.4
06//20a	18.6	(3.9)	(3.1)	(0.3)	14.0

Source: Company data

12<sup>th</sup> March 2021

#### Share details

ASX Code	ALC
Share price	\$0.25
Market Capitalisation	\$247.7M
Shares on issue	990.7M
Net cash at 31/12/20	\$12.5M
Free float	55.1%

#### Share performance (12 months)



#### Upside Case

- COVID accelerates improvements in hospital information systems.
- Significant Q2 contract drives faster penetration of similar hospitals in the UK / NHS network
- Increased take-up in Australia and NZ

#### Downside Case

- Budget constraints prevent hospitals committing to new contracts
- Fear of instability while under pressure from COVID slows sales progress
- Competitors improve data integration offers

#### Catalysts/upcoming events

Potential H2 contract wins in the UK  
FY21 full year report in August.

#### Comparable companies (Aust/NZ)

Pro Medicus Ltd (ASX: PME), Volpara Health Technologies Ltd (ASX: VHT), Mach7 Technologies (ASX: M7T), 4D Medical Ltd (ASX:4DX), MedAdvisor (ASX: MDR), PainChek (ASX: PCK), ImExHS (ASX: IME), PKS Holdings (ASX:PKS)

#### Top 5 shareholders

Malcolm Pradhan	13.58%
Raymond Blight	10.13%
Isle of Wight (Colin MacKinnon)	7.12%
Kate Quirke	5.86%
Caledonia Nominees (Donald Kennedy)	5.12%

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# FINANCIAL SERVICES GUIDE

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**of**

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**ABN 92 168 734 530**

**AFSL 456663**

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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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