

Volpara Health Technologies

An integrated platform toward personalised care

Volpara Health Technologies Limited (ASX:VHT) is a New Zealand-based research, development, and manufacturing company that provides AI-powered software for personalised screening and early detection of breast cancer across the North American, European, Middle Eastern, African and Asia Pacific markets. VHT partners artificial intelligence with peer-reviewed science to develop technology products that optimise screening, by providing key insights to radiographers and radiologists. VHT listed on the ASX in 2016 and has raised a total of A\$132m since then, including A\$37m in April/May 2020. In 2019, VHT acquired Seattle-based MRS Systems, Inc adding over 1,500 clinics to its network. The merger also enabled Volpara to build its proprietary *Volpara Breast Health Platform*, a comprehensive clinical and workflow management software. This software provides women a personalised experience at a breast clinic, as well as generating the data needed to optimise the VHT AI. In February 2021, VHT acquired CRA Health, LLC for up to US\$22m on a multiple of 5.5x Annual Recurring Revenue (ARR), adding risk assessment and genetics to VHT's portfolio. Also in 2021, VHT signed a high-value contract with Trinity Health corporation via CRA Health, worth more than US\$400,000 pa of ARR and signed a 5-year SaaS contract with BreastScreen Queensland in the same year. VHT aims to reach ~US\$10 ARPU (US\$ per woman screened) per screen from its SaaS products.

Business model

VHT utilises AI-powered software to optimize breast imaging, which it sells predominantly via a SaaS business model, although there is still a small legacy capital component. VHT has several components in its tech products including subscription products Volpara Scorecard and Risk, Volpara Live, Volpara Analytics, Volpara Patient Hub, Volpara Lung (separately marketed) and Computer-Aided Detection which are sold via distribution agreements with ScreenPoint Medical BV, and Genetics Testing. Legacy capital revenue comes from Volpara Scorecard and Volpara Patient Hub. The combined stack will enable VHT to move toward its ~US\$10 ARPU per screen goal. VHT is also active in the M&A space as well as utilising licensing and distribution deals to increase its market share and scope of offerings.

1QFY22 Update 27 Jul 21 – increasing ARPU and ARR

Revenue guidance for FY22 was reconfirmed at ~NZ\$25m to NZ\$26m. ARPU was US\$1.42, up from US\$1.40 in 4Q. ARR was up US\$0.6m to US\$19.2m. Cash receipts delivered NZ\$6.4m up 30% on the pcp. FY21 results included ARR of NZ\$27.9m, up 55% on FY21 ARR of NZ\$18m. VHT ended FY21 with NZ\$32.2m in cash. The number of images in the cloud has increased from 25.0m to 39.5m in FY21, a measure of the number of people utilising the services and the database size. A key area of focus for FY22 is Risk & Genetics, following FY21 which saw an acceleration in moving towards personalised patient care.

Goals for FY22

VHT has four goals for FY22 including, 1) Increasing its ARPU through the sale of a full platform, or multiple products for each new sale, 2) Organic revenue growth from the pipeline of new deals from customer referrals, networks and digital marketing, 3) Organic growth from upselling, and 4) Continuing low churn.

Historical earnings and ratios

Year end	Revenue (NZ\$m)	Gross Profit (NZ\$m)	EBITDA Adj.* (NZ\$m)	NPAT Rep.	EPS Adj. (c)	EPS Rep (c)	EV/Sales (x)
03/18a	2.8	2.2	(8.8)	(8.8)	(6.0)	(6.0)	33.6
03/19a	5.0	4.1	(11.8)	(11.7)	(6.7)	(7.0)	46.1
03/20a	12.6	10.8	(15.7)	(20.4)	(9.4)	(10.0)	28.5
03/21a	19.7	18.1	(12.4)	(17.5)	(6.9)	(7.0)	15.3

Source: Company data *EBITDA and NPAT adj for one-time, non-cash items

Healthcare

10th September 2021

Share details

ASX Code	VHT
Share price	A\$1.20
Market Capitalisation	\$301.2M
Shares on issue	251M
Net debt at 30/03/2021	A\$27.3M
Free float	75.49%

Share performance (12 months)



Upside Case

- FDA publication mandating breast density info to patients
- Further M&A or distribution deals
- Expansion into new markets

Downside Case

- COVID impacts on new sales from limited on-site and trade show events
- Slower than expected signing of new contracts
- New entry by competitors in key markets

Catalysts/upcoming events

2QFY22 Qtrly Update	October 2021
Interim results FY22	23 November 2021

Comparable companies (Aust/NZ)

Corum (ASX:COO), Cogstate (ASX:CGS), Beamtree Holdings Ltd (ASX:BMT)

Top 5 shareholders

Harbour Asset Management Ltd	9.16%
Roger Allen	7.35%
Ralph Highnam (CEO)	6.45%
John Brady	2.63%
Marcus Samer	2.38%

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FINANCIAL SERVICES GUIDE

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Effective Date: 6th May 2021



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