



CARDIEX LTD

Digital Dawn on the Horizon

Quick Update

2 October 2020

Digital Transformation Remains on Track

On 24 September 2020, CardieX announced a new commercial partnership agreement with Mobvoi, Google’s wearable platform partner in China, to launch a next generation smartwatch, incorporating proprietary algorithms developed specifically for Mobvoi - and made possible through the use of CardieX’s subsidiary ATCOR’s new PPG (photoplethysmography), based sensor technology. This follows an earlier joint development agreement between both parties that commenced in September 2019. Separately in September, CardieX also entered into an agreement with China-based medical device company Andon to develop a cloud-connected blood pressure monitor for the home market. Both these announcements significantly accelerate CardieX’s strategy of leveraging its novel FDA-cleared central blood pressure (cBP) technology into new market verticals globally.

First Wearable Consumer Product for CardieX

The new Mobvoi smartwatch will represent the first integration of ATCOR’s wearable health analytics platform known as Arty™ (an anagram of “Heart” and “Artery”), and will feature branded measures of heart stress, heart age, exercise capacity (eCap™), and an overall heart health score which the company is branding as an “Arty™ Score”. CardieX is also developing active community and AI-powered health coaching services for the new device. The initial six-month market release of the new Mobvoi smartwatch in Q1CY2021 in the US will herald the first wearable device for the company and the first of multiple new devices planned by CardieX over the next 15 months.

Under the two-year agreement, Mobvoi will drive commercialisation in North America, while CardieX will hold distribution rights in Australia, New Zealand and non-competitive channels in North America. The smartwatch will be marketed with a CardieX trademarked Health360™ premium subscription service, which includes a three-month free trial. Following the free trial, consumers will be required to pay a per-month subscription fee, which will be split 60:40 between CardieX and Mobvoi. Following the initial six-month release period, both companies will determine a full worldwide market release strategy.

Andon Partnership Targets Home BP Market

On 7 September 2020, CardieX also announced a joint development agreement with Andon to co-develop and manufacture a home blood pressure monitoring device incorporating ATCOR’s patented SphygmoCor® technology and a world-first series of multiple new patented-pending health analytics. Andon (002432.SZ) is one of China’s largest manufacturers of home-use medical electronic devices with a market capitalisation of ~ RMD 5.3B (A\$1B). The new consumer device will be marketed as the ATCOR “Pulse” and will integrate with ATCOR’s companion app, cloud infrastructure, and multi-platform physician portal to support remote patient monitoring and telehealth communications. In addition to conventional blood pressure parameters, the ATCOR “Pulse” will measure central blood pressure, heart rate, arterial stiffness, arterial age, heart stress, and will also render a “Vital Risk Score™”, a users exercise capacity (eCAP™), and an Arty™ Score which measures overall cardiovascular health. On launch, the



CardieX is a global health technology company that focuses on hypertension, cardiovascular disease, and other vascular health disorders. The company’s ATCOR division is the world leader in medical devices for measuring arterial stiffness and central blood pressure waveforms based on its unique FDA-cleared and patented SphygmoCor® technology. Under the ATCOR·X brand, the company also develops and licenses its Arty™ platform consisting of physiological and health analytics for wearable devices.

Stock	ASX: CDX
Price	A\$0.049
Market cap	A\$41m

Company data	
Cash on hand	A\$4.3m
Shares on issue	837.7m
Code ASX	CDX
Primary exchange	ASX

Next steps	
1QCY2021	Launch of Mobvoi smartwatch



“Pulse” will be the first vital signs monitor that brings specialist level diagnostics and health data into the home and into the hands of consumers. Under the three-year agreement, Andon will be responsible for obtaining regulatory approval in all target markets. These include the USA, Australia, Europe and China with commercial launch slated for 4QCY2021. Importantly, US regulatory approval will provide access to reimbursement for physicians for remote patient monitoring through Medicare and Medicaid. ATCOR revenues will be generated through the sale of its SphygmoCor® chip to Andon, the retail & online sale of ATCOR “Pulse” devices, together with subscription revenue from the Arty™ app and SaaS revenues from physicians.

Strategy Remains Intact – Scope for Multiple Partnerships and Markets

Under the Andon agreement, all intellectual property pertaining to ATCOR technology is retained by ATCOR exclusively. ATCOR also has the sole exclusive right to distribute the ATCOR “Pulse” device in certain defined global markets. Importantly, the company remains free to continue developing its product offering with other partners in the consumer home health and professional primary care markets consistent with its stated corporate strategy.

Similarly, on the wearable front, under the Mobvoi agreement, CardieX remains free to licence its proprietary technology platform to third party device manufacturers to other major device companies. CardieX is also continuing to fast-track its own in-house wearable for the medical market targeted at the 100m+ Americans that suffer from hypertension. Details of that new device at this stage are being closely guarded by the company.

Valuation

Our base-case valuation has risen to 10.3 cents per share using DCF methodology with key assumptions listed in Exhibit 1. This compares with 8.2 cents per share previously and incorporates time value of money and the increase in shares on issue following the company’s recent A\$2.37m capital raise after costs.

Exhibit 1 – Base Case DCF valuation and Key Metrics

	2020	2021	2022	2023	2024	2025
A\$						
EBIT	-2,990,947	-1,800,645	923,584	2,690,134	5,552,833	8,726,840
Tax at standard rate	0	0	0	0	0	0
Post-tax EBIT	-2,990,947	-1,800,645	923,584	2,690,134	5,552,833	8,726,840
Depreciation	220,152	453,679	354,944	236,256	163,763	119,485
Amortisation	0	0	0	0	0	0
Post-tax cash flow	-2,770,795	-1,346,966	1,278,528	2,926,390	5,716,597	8,846,326
Less capex	-175,203	-600,000	-200,000	-50,000	-50,000	-50,000
Less change in working capital	0	0	0	0	0	0
Provisions/other	-23,573	0	0	0	0	0
Acquisitions/disposals	0	0	0	0	0	0
Free cash flow	-2,969,571	-1,946,966	1,078,528	2,876,390	5,666,597	8,796,326
Sum of discount streams	33,186,248					
Terminal growth		3%				
Future value into perpetuity	163,041,983					
NPV of terminal value	49,976,007					
PV of cash flows	83,162,255					
PLUS: Value of investments	0					
PLUS: Value of tax losses	0					
LESS: Minority interests	0					
PLUS: Net cash	2,755,011					
Equity value	85,917,266					
Ordinary shares	837,701,426					
Value per share (A\$)	0.103					
Discount Rate	16.5%					

Source: MST Access

Exhibit 2 – Summary Financial Statements

Financial Summary (AUD)	FY18a	FY19a	FY20a	FY21e	FY22e	FY23e
PROFIT & LOSS						
Total Revenue	4,424,459	5,046,606	5,290,390	7,781,301	11,080,788	13,625,829
Operating Costs	-6,520,377	-7,221,483	-7,747,901	-8,293,868	-8,195,133	-8,439,166
EBITDA	-2,917,629	-2,763,316	-2,770,795	-1,346,966	1,278,528	2,926,390
EBIT	-2,978,803	-2,879,831	-2,990,947	-1,800,645	923,584	2,690,134
Tax	0	0	0	0	0	0
NPAT (Reported)	-2,537,285	-3,015,195	-3,222,541	-2,303,634	420,595	2,187,145
NPAT (Underlying)	-2,961,225	-2,979,278	-3,320,427	-2,303,634	420,595	2,187,145
Minority Interest	0	0	0	0	0	0
Average Number of Shares Outstanding	294.4	595.9	726.8	726.8	726.8	726.8
EPS (Underlying)	-0.01	0.37	1.21	0.82	0.80	3.21
Dividend per share (cps)	0	0	0	0	0	0
BALANCE SHEET						
Current Assets	6,114,250	6,956,474	4,693,348	4,613,392	5,188,931	7,562,332
Cash	2,736,517	4,980,826	2,061,642	1,981,686	2,557,225	4,930,626
Receivables	1,113,219	1,014,967	819,523	819,523	819,523	819,523
Inventory	490,362	218,930	259,679	259,679	259,679	259,679
Other Assets	1,774,152	741,751	1,552,504	1,552,504	1,552,504	1,552,504
Non-Current Assets	299,657	6,255,500	5,981,928	6,128,249	5,973,305	5,787,049
PP&E	97,079	657,534	565,636	711,957	557,013	370,757
Goodwill	0	0	0	0	0	0
Other Non-current Assets	299,657	6,255,500	5,981,928	6,128,249	5,973,305	5,787,049
Current Liabilities	1,769,430	5,057,371	3,644,551	3,644,551	3,644,551	3,644,551
Payables	1,469,402	1,360,332	711,530	711,530	711,530	711,530
Short Term Debt	185,000	0	718,464	718,464	718,464	718,464
Provisions & Tax	115,028	346,119	322,547	322,547	322,547	322,547
Other financial liabilities	0	3,350,920	249,447	249,447	249,447	249,447
Non-Current Liabilities	48,264	1,203,668	1,150,724	1,150,724	1,150,724	1,150,724
Long Term Debt	0	0	958,167	958,167	958,167	958,167
Provisions	0	1,181,927	0	0	0	0
Other financial liabilities	0	3,350,920	249,447	249,447	249,447	249,447
Net Assets	4,596,213	6,950,935	5,880,001	5,946,367	6,366,961	8,554,106
Share Capital	46,832,833	51,500,876	53,127,941	55,497,941	55,497,941	55,497,941
Reserves	1,571,498	1,613,332	1,969,548	1,969,548	1,969,548	1,969,548
Retained Earnings	-43,808,118	-46,163,273	-49,217,488	-51,521,122	-51,100,528	-48,913,383
Minority Interests	0	0	0	0	0	0
Total Equity	4,596,213	6,950,935	5,880,001	5,946,367	6,366,961	8,554,106
CASH FLOW						
Operating Cash Flow	-2,038,320	-2,290,773	-1,698,851	-1,849,956	775,539	2,423,401
Working Capital Change	0	0	0	0	0	0
Maintenance Capex	-4,916	-203,849	-175,203	-600,000	-200,000	-50,000
Expansion Capex	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0
Investing Cash Flow	-207,494	-2,165,650	-3,699,113	-600,000	-200,000	-50,000
Equity Issued	4,834,825	4,502,199	1,000,000	2,370,000	0	0
Debt Issued	0	0	1,673,770	0	0	0
Dividends	0	0	0	0	0	0
Financing Cash Flow	4,304,029	6,700,732	2,473,419	2,370,000	0	0
Change in Cash Balance	2,058,215	2,244,309	-2,924,545	-79,956	575,539	2,373,401

Source: MST Access

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