

New products and cost efficiencies set to flow

CardieX’s quarterly update highlighted significant progress across multiple fronts spanning the traditional ATCOR medical business and growing portfolio of new consumer product initiatives. The company reported sales of A\$3.2m for the 9 months ending 31 March 2021, up over 30% year on year (excluding royalties) and guided to a 40% increase for FY21 both on a constant currency basis; and provided a detailed roadmap of new product launches for the coming 12-18 months. Management also provided some initial details of its new health wearable device – code named: “the Arty Band” - which the company will be formally announcing in the next 2-4 weeks, as well as the “PULSE” - the world’s first “dual” blood pressure monitor.

Introducing Arty Band.

CardieX gave some early details of what they are currently calling the “Arty Band”, a new consumer health wearable incorporating proprietary (patent-pending) PPG sensor technology and a suite of consumer and clinically relevant health parameters. Subject to FDA clearance, the wearable will target the clinician/physician market looking to recommend a clinical grade remote wearable monitor to their patients as well as being a fully featured health wearable device for the everyday consumer. On release, it should also boost ATCOR’s core research business by offering clinical trial managers a wearable solution to support their trials for heart failure and other vascular health disorders. CardieX cited exercise capacity, heart stress, and arterial stiffness as examples of future health parameters for the device under consideration. We also believe they are working on a cuffless blood pressure solution based on their FDA-cleared SphygmoCor® technology. Unlike Apple and other wearable companies that are focused on general consumer health, ATCOR is targeting FDA clearance for its key health parameters which will give the company a significantly broader market in both consumer and clinical health applications. Official announcement of the new wearable is expected in the coming weeks along with details of initial partnerships.

Manufacturing restructure adds significant efficiencies.

During 3QFY21, CardieX completed the outsourcing of its manufacturing to a new Sydney based manufacturing group and closed its West Ryde facility. Management expects the move to deliver significant efficiencies in both expenses and logistics for the company’s ATCOR division.

Cash balance secure.

CardieX’s cash balance at end of March 2021 was A\$4.8m, which included A\$3.15m raised in the SPP after costs. Further, CardieX’s listed options (5 cents exercise price and November 2021 expiry) could raise a further A\$6.35m if fully exercised. This should provide sufficient funding for the launches of both Pulse and “Arty Band”, which are expected to cost A\$1.5m each as well as the company’s contribution to co-marketing of the Mobvoi smartwatch on release.



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\$0.066
Market cap	A\$61m
Valuation	A\$0.11

Next steps

Q1FY22	Limited market release of Mobvoi smartwatch
Q2FY22	Launch of “Pulse” platform for US home BP monitor market.

CDX Share Price (ASX)



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Shanty to lead re-branding of consumer wellness division.

The move into consumer wearables is a key aspect of the transformation currently underway. As such, CardieX has engaged leading US based marketing and brand agency – Shanty, to guide re-branding of the consumer wellness business. Shanty’s other clients include Netflix, Sonos, Twitter, Adidas and Nike.

Valuation: Fair value of A\$0.11 per share

Our base-case valuation remains steady at 11.1 cps (cents per share), using DCF methodology, representing a ~ 60% premium to the closing price of A\$0.07 as at 28 April 2021. Our fair value incorporates the increase in shares on issue following the company’s capital raise in the SPP. Key risks to our valuation include delays in new product launches and lower than expected adoption by end-users.

Multiple new product launches – Key dates

CardieX remains on track to launch both the Mobvoi smartwatch and telehealth-connected “Pulse” home device by Q1FY22 and Q2FY22, respectively. CardieX’s new Arty Band incorporating proprietary PPG sensor technology with Arty™ health parameters, is expected to launch by Q3FY22, subject to FDA clearance.

Date	Mobvoi (MVP) Project Key Events
Q4 FY21	MVP development work completion.
Q4 FY21	Pre-launch marketing including key opinion leader (KOL) reviews begin.
Q4 FY21	Factory shipment of the first batch of products.
Q1 FY22	Limited market release in the US and Australia/NZ– targeting Amazon Prime Day shoppers.
Q3 FY22	Full market release in the US, Australia/New Zealand, as well as global markets. (EU andChina)

Source: CardieX

Date	Pulse Project Key Events
Q4 FY21	Clinical validation study of patented CBP parameters in the Pulse device target completion date.
Q4 FY21	Additional testing of the Pulse device in combination with the ArtyGo App to be completed.
Q1 FY22	Trial Production will begin.
Q1 FY22	FDA, CE Mark, & NMPA (China) regulatory submission anticipated to be filed.
Q2 FY22	Mass production (up to 50,000 units) will take place.
Q2 FY22	CE Mark approval anticipated.
Q2 FY22	FDA and NMPA approval anticipated.
Q2 FY22	Initiation of the ATCOR Pulse & ArtyGo app pre-launch marketing campaign.
Q2 FY22	Product launch of the ATCOR Pulse anticipated.

Source: CardieX

Date	Arty Band Project Key Events
Complete	Design mock-ups of Arty Band sensor module and straps sent to US Office.
Underway	Brand strategy and product name due for completion end of April.
Q4 FY21	PPG sensor partner/provider being contracted.
Q4 FY21	Technology partnerships in contract negotiation for other general health algorithms.
Q4 FY21	Contract manufacturer being finalized.

Q2 FY22	FDA regulatory submission anticipated to be filed
Q2 FY22	Commencement of pre-marketing and pre-orders
Q3 FY22	Beginning of mass production.
Q3 FY22	Product launch anticipated.

Source: CardieX

New applications and portals to support Pulse and SaaS solution for physicians.

In parallel with the new product development pipeline, CardieX is also developing two key companion software products – ArtyGo and the ArtyNet.

ArtyGo

ArtyGo, will be a full featured consumer app paired to Pulse and the “Arty Band” that will provide a digital dashboard for all related health parameters, as well as health tips, notifications, live health coaching, and the ability to remotely share health readings with the patient’s physician. The ArtyGo app will have both a free and subscription component.

Date	ArtyGo App Project Key Events
Q1 FY22	Development/testing of the ArtyGo App FDA submission
Q1 FY22	FDA, CE Mark, NMPA (China) regulatory submission to be filed
Q2 FY22	Launch of MPV version with enhanced features on both iOS and Android
Q2 FY22	CE Mark, FDA and NMPA approval anticipated
Q2 FY22	ArtyGo app pre-launch marketing to commence.
Q2 FY22	Launch of ArtyGo application (along with ATCOR Pulse device)

Source: CardieX

ArtyNet

ArtyNet is the physician software platform that will allow integration of all of the patient’s health readings obtained by the CardieX devices into the physicians billing systems and EMR management platform - the software that the physician uses to manage all patient records.

Date	ArtyNet Project Key Events
Q2 FY22	Development/testing of the ArtyNet Portal for FDA submission will be completed
Q2 FY22	FDA regulatory submission anticipated to be filed
Q3 FY22	Launch of ArtyNet Portal pre-launch marketing campaign
Q4 FY22	FDA approval anticipated
Q4 FY22	Product launch anticipated

Source: CardieX

Exhibit 1 – 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	6,755,941	12,174,430	14,750,931
Operating Costs	-6,520,377	-7,221,483	-7,747,901	-8,114,191	-8,100,043	-8,381,086
EBITDA	-2,917,629	-2,763,316	-2,770,795	-2,170,658	2,036,061	3,683,011
EBIT	-2,978,803	-2,879,831	-2,990,947	-2,468,652	1,776,207	3,504,835
Tax	0	0	0	0	0	0
NPAT (Reported)	-2,537,285	-3,015,195	-3,222,541	-2,971,642	1,273,218	3,001,846
NPAT (Underlying)	-2,961,225	-2,979,278	-3,320,427	-2,971,642	1,273,218	3,001,846
Minority Interest	0	0	0	0	0	0
Average Number of Shares Outstanding	294.4	595.9	726.8	857.5	857.5	857.5
EPS (Underlying)	-0.01	0.00	0.00	0.00	0.00	0.00
Dividend per share (cps)	0	0	0	0	0	0
BALANCE SHEET						
Current Assets	6,114,250	6,956,474	4,693,348	4,189,701	5,522,772	8,652,794
Cash	2,736,517	4,980,826	2,061,642	1,557,995	2,891,066	6,021,088
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	5,883,934	5,824,080	5,695,904
PP&E	97,079	657,534	565,636	467,642	407,788	279,612
Goodwill	0	0	0	0	0	0
Other Non-current Assets	299,657	6,255,500	5,981,928	5,883,934	5,824,080	5,695,904
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	5,278,359	6,551,577	9,553,423
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	-52,189,130	-50,915,912	-47,914,066
Minority Interests	0	0	0	0	0	0
Total Equity	4,596,213	6,950,935	5,880,001	5,278,359	6,551,577	9,553,423
CASH FLOW						
Operating Cash Flow	-2,038,320	-2,290,773	-1,698,851	-2,673,647	1,533,072	3,180,022
Working Capital Change	0	0	0	0	0	0
Maintenance Capex	-4,916	-203,849	-175,203	-200,000	-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	-200,000	-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	-503,647	1,333,072	3,130,022

Source: MST Access

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