



# Biotech Daily

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*Daily news on ASX-listed biotechnology companies*

## Dr Boreham's Crucible: Alcidion

**By TIM BOREHAM**

**ASX code:** ALC

**Share price:** 7.9 cents

**Shares on issue:** 1,342,473,221

**Market cap:** \$106.1 million

**Financials (Year to June 30, 2024):** receipts \$43.9 million, positive cash flow \$5.64 million, cash of 11.8 million.

**Chief executive officer:** Kate Quirke (a.k.a. Katrina Elizabeth Doyle)

**Board:** Rebecca Wilson (chair), Ms Quirke, Simon Chamberlain, Danny Sharp, Victoria Weekes

**Identifiable major shareholders:** Prof Malcolm Pradhan (co-founder) 10.6%, Australian Super 9%, Ray Blight 5.98%, Salter Brothers 5.11%, Smallman family 2.35%, Kate Quirke 3.5%

The resounding message across the seas that Great Britain used to rule is that the state of the Old Blighty is not at all healthy, with the country just exiting recession.

But what resiliently remains healthy is the 'growth' prospects for the beloved public National Health Service (NHS), as it creaks and groans into the modern era of electronic patient records and streamlined patient flows.

One of the few ASX life-science plays to focus on the UK, Alcidion has developed technology that manages patient flows and integrates data across multiple healthcare facilities and functions into the one handy digital repository.

The result, hopefully, is more useful information for doctors and nurses - such as the correct leg to amputate.

After a few years in intensive care, Alcidion looks to be turning the corner with a revenue spurt and positive cash flow.

CEO Kate Quirke says it's been a challenging year for growth, with slower than expected tender processes and lengthier procurement cycles.

"Regardless of that, we continue to sign new customers and significant long-term renewals that continue to underpin our long-term financial strength," she says.

### **Taking on the world from Adelaide**

Alcidion's products are used by 400 hospitals and 87 healthcare organizations in the UK, New Zealand and Australia.

Alcidion was the brainchild of director Ray Blight, the erstwhile head of the South Australian Health Commission and Prof Malcolm Pradhan, a general practitioner and health informatics buff.

Starting out with its foundation product Miya Precision, Alcidion back-door listed in February 2016, having raised \$2 million at 3.1 cents a share.

In 2018, Alcidion bought the private MKM Health for around \$12 million. MKM owned Patientrack, which ensures that doctors and nurses have the full patient information from different departments.

MKM's chief, Ms Quirke became Alcidion CEO in mid-2018.

Then chairman and executive director Mr Blight became a non-executive director, before quitting in June 2021. Prof Pradhan retired in 2022 but remains a 10.6 percent shareholder.

In April 2021, Alcidion acquired UK mob Extramed, which manages the flow of patients from the emergency department to outpatient services.

This opened the way for Alcidion to sell its products to additional hospital sites.

In December 2021, the company paid \$55 million for Silverlink Software, "one of the largest and few remaining specialist patient administration systems in the UK NHS market".

## **Miya my, what a good idea**

Alcidion's flagship product, Miya Precision, augments a customer's existing information technology (IT) systems. Sitting beneath Miya Precision, 16 Miya modules cover functions including patient flow and bed management, vital signs recording and - of course - patient records.

In short, the platform "transforms inputs from multiple systems to present consolidated, meaningful information".

Now known as Miya Assessments and Observations, Patientrack is all about nursing care at the bedside. Silverlink is non-clinical patient administration, but the Silverlink name is no longer used.

## **Winning deals in the UK ...**

In July this year, Alcidion become preferred electronic patient record (EPR) supplier for the North Cumbria Integrated Care NHS Foundation Trust, which provides hospital and community health care for about half a million people across two acute care hospitals and eight community-based hospitals.

Won via tender, the deal extends an existing relationship for patient administration systems to the total Miya suite. While the deal is being negotiated, it is expected to be Alcidion's biggest with total contract revenue of \$30 million to \$40 million over 10 years.

Earlier in the year, the company won a contract extension with the South Tees NHS Trust, an existing EPR customer, worth \$23.3 million over 10 years. But with extra product and contract extension options, the deal could be worth as much as \$54 million over 15 years.

Miya Precision also went live at the Hampshire Hospital Trusts emergency department division, creating 2,700 documents over three hospitals in the first 12 hours. Because emergency departments operate under stress, the Hampshire assignment was important for cementing Alcidion's street credibility.

Earlier sign-ons included University Hospital Southampton and the Herefordshire and Worcestershire Health and Care NHS.

## **And here ...**

Let's not forget that in the December 2023 half year, Alcidion still derived 58 percent of its revenue from Australia and New Zealand.

Locally, the Shepparton, Victoria-based Hume Rural Health Alliance said it would adopt Miya Precision to consolidate data across several health services and locations into a single regional platform. The deal is worth \$4 million over five years.

Other local contracts include with the Northern Territory health system, Melbourne's Western Health and Alfred Health and home-care contracts with the Sydney and Murrumbidgee local health districts.

In 2022, Alcidion was selected as part of a global consortium to build a new 'health knowledge management' platform for the Australian Defence Force (ADF).

Execrable jargon aside, this means consolidating the health records of all 100,000 or so ADF personnel, no matter whether they are fighting in the trenches or confined to barracks.

The \$11 million delivery phase of the program is nearly complete, after which it will deliver annual recurring revenue (for software licencing) of about \$3 million a year. The program is in the third year of a five-year contract, with three likely five-year extensions.

### **Fixing a 'broken' system**

As soon as Keir Starmer's Labour Party won office in the UK on July 4, health minister Wes Streeting appointed a healthcare expert, Prof Ara Darzi - aka Baron Darzi of Denham - to run a "raw and honest" review of the "broken" NHS.

To be completed by September, the lightning review is expected to contain strong prescriptions.

The NHS already is investing GBP1.9 billion (\$A3.7 billion) in the NHS Frontline Digitisation Program, mainly aimed at supporting the rollout of EPR systems.

"I believe there will be a continued commitment to digitization, if it is not increased," Ms Quirke says. "In opposition, Wes Streeting talked about use of digital to transform the NHS ... and I'm confident they will follow through on the rhetoric we heard before the election."

While the authorities claim the NHS EPR process is 90 percent complete, Ms Quirke believes it is not that advanced, with several NHS trusts yet to tender.

She adds that current non-NHS hospitals that want NHS funding will have to implement an EPR program. "There's still a bit to be done."

### **Not just about EPR**

Ms Quirke says some investors are under the misapprehension that EPR is Alcidion's key market.

"Alcidion is a platform with many modules on it," she says. "If you buy all the modules, you can implement it as an electronic patient record. But that is one small moment in time for us."

The Australian EPR market is mature, with most states implementing EPR systems 10 to 15 years ago (in NZ they're still almost non-existent).

Ms Quirke notes that even when the company didn't have an EPR product, it still had a circa 30 percent UK market share with products such as Miya Observations.

"Miya Flow is only in about five percent of the market, so you could argue we still have 95 percent of the market we can sell to."

## **Finances and performance**

Alcidion reported record receipts of \$18.6 million in the three months to June 30, 2024, 5.7 percent better year-on-year and 82 percent better than the March quarter. The fourth quarter traditionally is the strongest for the company.

Operating cash flow of \$5.6 million compared with a March quarter deficit of \$1.3 million. Full year cash flow was \$7.1 million, taking into account \$8.1 million of outflows in the first (September 2023) quarter.

"We have a very lumpy cash situation, so it is very difficult to say every quarter will be positive," Ms Quirke says. "But over a year we are aiming to be cash flow positive and profitable."

Staff costs fell to \$6.3 million in the March quarter, from \$8.1 million previously.

The company had new sales of \$5 million in the quarter and \$35.3 million for the year, of which \$6.2 million was recorded as revenue. The company reports \$130 million of contract and renewal revenue "recognizable" over the next four financial years. This does not consider the ability to expand current jobs, or revenue from the North Cumbria contract.

"We have seen an increase in tendering activity in the first half, compared with the prior year ... and that has translated to an additional pipeline activity but it will take time to move through the processes," Ms Quirke says.

Ahead of the full-year results later this month, the company guided to unaudited revenue of \$37.0 million to \$37.5 million.

Currently, about three-quarters of revenue is from recurring subscriptions and the remainder from services such as product implementation and technical advice. The revenue skew between the UK and Australia/ New Zealand is expected to settle at 50:50 over time. With cash of \$11.8 million and no debt, Alcidion looks self-sufficient as long as it can generate surpluses.

Over the last 12 months Alcidion shares have blipped between 4.0 cents (an all-time low) in mid-April this year and 13 cents in late August last year. The shares peaked at 44 cents in June 2021, before a heavily-discounted \$55 million raising to fund the Silverlink purchase sent the shares plunging.

## **Dr Boreham's diagnosis:**

A criticism of Alcidion is that it competes with established larger providers, including Nervecentre Software, Dedalus Global, Epic Systems and Cerner Corp in the UK.

"In Australia we come up against Telstra Health. They don't compete with us in everything, but we also don't compete with them in areas such as aged care, community pharmacy or primary care," Ms Quirke says.

But the NCIC win in the UK shows that Alcidion is the little engine that can, albeit with some heavy grunting as it navigates the cumbersome UK health system.

"Because we are a platform with 16-plus modules we have quite a bit of differentiation," Ms Quirke says.

"While we might not be their size, we are focused on what we do."

CG Capital Markets (Canaccord Genuity) notes that NHS procurement delays have been an issue for the last two years and have affected the company's "growth cadence".

"Despite the lumpiness of the past, we continue to like Alcidion given (albeit heavily delayed) tailwinds in digitizing systems across the NHS, [opportunities] for improved total contract value and customer upselling and a differentiated and well-regarded product."

Long-suffering investors who have seen their shares halve in value over the last five years will be reassured that management is committed to making Alcidion profitable, as evidenced by its cost-cutting initiatives.

What's more, Alcidion is addressing a clear unmet need.

"Demands for healthcare have never been greater ... and we see greater interest in tech to support efficient care delivery and improved patient flow," Ms Quirke says.

***Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. So, he can't diagnose your skin condition and you will have to join the NHS queue***