

Alcidion Group Ltd

Breaking through in the UK's NHS

Alcidion (ASX:ALC) was founded in Adelaide in 2000 with the aim of driving meaningful change in health outcomes with smart technology and joined the ASX in January 2016. ALC aims to deliver value to existing patient and clinician information systems by aggregating the data available in healthcare systems, centralising it in the company's Miya Precision platform, and using that data to support health professionals in their clinical decision-making. ALC has expanded organically and by acquisition into the Australian, New Zealand and UK markets with a significant step-up in the UK since acquiring MKM Health in 2018. ALC went on to acquire Silverlink in December 2021 funded by a \$55m capital raising. Silverlink is a Patient Administration System (PAS) provider serving the UK NHS. Alcidion's main products include Miya Precision – a platform which delivers a suite of flexible modules allowing consolidation of patient information from disparate sources, and Smartpage, a secure smartphone and web-based system for hospital communication and task management which facilitates clear and secure patient handover as well as management of non-clinical patient services. A key issue underpinning Alcidion's proposition is a significant increase in patient-related data which hospital systems grappling with legacy IT have struggled to handle. In FY22 ALC has renewed and acquired significant contracts with Australian health systems and UK NHS Trusts resulting in a 42% increase in recurring revenue.

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 ongoing contracted licence fees payable by the hospital, with one-off implementation fees and recurring technical service fees. Product and associated recurring revenue streams make up the majority of revenue, with technical services (including product implementation) making up the remainder. ALC serves 401 hospitals, 87 Healthcare organisations and has 65k beds using ALC technology. ALC is selling systems which are mandated in the UK for NHS facilities by legislation. ALC's modular strategy enables hospitals to progressively add modules, allowing them to move to full digitisation of patient records, administration and clinical processes over time. This strategy is driving contract renewals, upgrades and new business.

Record FY22 recurring, non-recurring and future revenue

Revenue in FY22 rose 33% to \$34.4m with 68% derived from recurring sources. The company starts FY23 with record contracted revenue for FY23 of \$28.3m, which is 87% higher than at the same time in the previous year. FY22 cash receipts were \$41.4m, and the company delivered for a net positive operating cash flow of \$1.0m. The business has low ongoing capex requirements, with spend on PP&E of \$0.3m in FY22. Alcidion reported Q1 FY23 negative operating cashflow of \$0.5m, a significant improvement from the negative \$3.4m reported in Q1 FY22, following an 83% increase in cash receipts to \$12.0m.

Trading at a discount to tech peers

Comparable ASX-listed peer companies are not direct competitors however companies like PME and 4DX are offering similar transformative IT solutions to medical facilities. Post the development of the world-wide web the health sector is moving into the second cloud-based stage of IT development. These companies are all expected to benefit and ALC trading at 3.2x sales appears underpriced given the company's success and balance sheet strength.

Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue*	EBITDA adj.*	NPAT adj.*	NPAT rep.	EPS adj.* (c)	EV/Sales^ (x)
06/19a	16.9	0.0	0.0	(0.1)	0.000	4.3
06/20a	18.6	(3.9)	(3.1)	(3.1)	(0.003)	6.1
06/21a	25.9	0.0	(1.4)	(2.2)	(0.001)	12.9
06/22a	34.4	0.5	(2.4)	(4.4)	(0.002)	3.2

Source: Company data; *Revenue, EBITDA, NPAT and EPS adjusted for one-time, non-cash items and discontinued operations ^Using year end share prices

Technology / Healthcare

8 November 2022

Share Details

ASX code	ALC
Share price (7-Nov)	\$0.15
Market capitalisation	\$190.2M
Shares on issue	1.27B
Net cash at 30-Sept-2022	\$16.2M
Free float	~67.9%

Share Performance (12 months)



Upside Case

- New contract wins in UK and Australia
- Up-selling additional modules to customers
- Continuing contract renewals

Downside Case

- Economic turmoil in UK slows decisions
- Integration issues with Silverlink systems
- Sticker shock reduces take-up of new modules

Catalysts

- Announced contract wins in UK
- Progress on Silverlink product integration

Comparable Companies (Aust/NZ)

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

Board and Management

Rebecca Wilson	Non-Exec. Chair
Kate Quirke	Managing Director/CEO
Malcolm Pradhan	Exec. Director/CMO
Simon Chamberlain	Non-Exec. Director
Victoria Weekes	Non-Exec. Director
Daniel Sharp	Non-Exec. Director
Matthew Gepp	CFO

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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

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