

Launching wearables and a heart health eco-system

CardieX Ltd (ASX:CDX) is a health care device company focused on heart health and arterial data analysis. The company designs, manufactures and markets medical devices used for cardiovascular health management based on its FDA-approved SphygmoCor® blood pressure technology. CardieX has two operating subsidiaries: ATCOR provides US FDA-approved medical devices for measuring hypertension, cardiovascular disease and other vascular health disorders for research, pharmaceutical clinical trials and specialist clinicians; and CONNEQT which develops and markets wearables and consumer, home and primary care heart health devices and digital solutions. CDX expects ATCOR to achieve profitability by the end of 2022. CONNEQT has five new products (digital solutions, devices and wearables) in development which target consumers and physicians which - unlike other wearables - specifically target heart health. Product launches are planned from Q3 FY22. Q2 FY22 results showed the company making progress on corporate goals but following an options exercise in November retains an estimated two quarters of funding with the ATCOR division expected to turn profitable in that period but with the CONNEQT launch likely to require further capital.

Business model

CardieX's ATCOR division sells and leases devices, licenses technology and provides data services to research institutions, pharmaceutical and clinical trial companies, specialist physician practices, US healthcare service providers, and selected partners. CONNEQT expects to drive subscription revenues with the launch a range of digital solutions, medical devices and wearable devices, which the company calls the CONNEQT Eco-System, in 2022 for use by consumers, physicians and clinical trials. Devices include PULSE - a consumer dual blood pressure monitor, and the CONNEQT band for active and remote use.

Product development on track at Q2

The company reported strong shareholder take-up in the exercise of Options in November 2021, raising \$7.7m. In the Q2 FY22 update, management noted continued progress in consumer wearables development and towards FDA clearances, progress on a partnership with Mobvoi to launch a smartwatch using the SphygmoCor® technology, and further development of the company's CONNEQT "go-to-market" strategy. ATCOR's business continues to be dependent on the timing of clinical trials with COVID delays affecting H1 FY22, but remains on track to achieve profitability by Q4 2022. In 2022, CDX intends to apply for a listing on the US OTCQX market to increase the company's profile to coincide with the CONNEQT product launch to consumers. The company has recently undertaken a 10:1 share consolidation in readiness for this listing.

Valuation consistent with peers - waiting for growth

CardieX is trading on 8.0x FY21 sales with strong growth in profitability in H2 FY22 and sales in FY23. The closest listed peer is Uscom (ASX:UCM) which also operates in blood pressure-related analysis in medical settings. UCM is trading on 4.4x sales with 11% FY21 revenue growth vs 8.0x and 14% growth for CDX. Improved valuation depends on a successful launch of the CONNEQT wearable consumer devices in the Sep/Dec quarters of 2022.

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

Year end	Revenue	EBITDA Adj.*	NPAT Adj.	NPAT Rep.	EPS Adj. (c)	EPS Rep. (c)	EV/Revenue (x)^
06/18a	4.02	(2.90)	(2.90)	(2.96)	(0.01)	(0.01)	10.5
06/19a	4.06	(3.66)	(2.92)	(2.98)	0.00	0.00	10.4
06/20a	4.62	(3.56)	(3.47)	(3.32)	0.00	0.00	9.2
06/21a	5.26	(4.95)	(5.50)	(5.55)	(0.01)	(0.01)	8.0

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

^calculated on current enterprise value

Health Care Equipment and Services

11th March 2022

Share Details

ASX code	CDX
Share price	\$0.435
Market capitalisation	\$47.8M
Shares on issue	109.9M
Net cash at 31-Dec-2021	\$5.5M
Free float	56%

Share Performance (12 months)



Upside Case

- Increased take-up of ATCOR products by professional/clinical customers
- Successful consumer wearable positioning
- Regulatory approval follows on from existing technology

Downside Case

- Supply constraints continue
- Lack of cut-through in a crowded professional market
- Bigger consumer brands remain more appealing for heart health

Comparable Companies (Aust/NZ)

Atomo Diagnostics (ASX:AT1), Universal Biosensors (ASX:UBI), Uscom Ltd (ASX:UCM)

Board and Management

Niall Cairns	Executive Chair
Craig Cooper	Chief Executive Officer
King Nelson	Non-Executive Director
Jarrod White	Non-Executive Director

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FINANCIAL SERVICES GUIDE

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