

Echo IQ Limited

AI meets risk identification for structural heart disease

Echo IQ Limited (ASX:EIQ) is a medical technology company that has combined artificial intelligence (AI) and echocardiographic data to develop a system to identify patients at risk of structural heart disease such as aortic stenosis (AS). The company has exclusive commercial access to National Echo Database of Australia (NEDA), the world's largest database of echocardiographic measurements linked to mortality. The commercial agreement with NEDA is for 17 years and delivers 200m cardiac data points. The company's technology aims to improve diagnostic capacity and accuracy, allowing an opportunity for intervention in patients who otherwise were previously missed. The company was originally named Veriluma Ltd but changed its name to Houston We Have (ASX:HWH) in mid-2019 after a board restructure, recapitalisation and acquisition of health-industry focused Prometheus, which sells data analytics software subscriptions to 16 of the 37 APRA-regulated health funds. Houston We Have (ASX:HWH) changed its name in October 2021 after acquiring life-sciences technology company Alerte Echo IQ Pty Ltd via a \$2.5m equity placement in July 2021 to broaden the company's AI and international capabilities.

Business model

Maiden clinical studies of Echo IQ's technology are underway at St Vincent's Hospitals in Sydney and Melbourne and are being fully-funded by Edwards LifeSciences (NYSE:EW). Edwards Lifesciences is a global leader in replacement heart valves with annual sales of more than US\$3.6b. The retrospective observation and evaluation study is expected to be completed by June 2022. The company has identified several industry segments for commercial opportunities including valve manufacturers, hardware producers of echo machines and reporting software, specialist cardiologists and clinics, the health insurance sector and general practitioners. EIQ is initially focused on the US market for its commercialisation where more than 20m echocardiograms are performed each year, at an average cost of US\$2,500. Echo IQ has received preliminary advice from regulatory consultants that its maiden software and reporting solution could be excluded from FDA oversight or fall within the 510 (k) clearance protocols, and is anticipating that its real-time profiling could be in commercial phase by the first half of CY2023.

Pathway to commercialisation may need additional capital

EIQ reported an adjusted net loss of \$1.52m for H1 FY22, on software licence and consulting revenues of \$0.45m. Revenues were down on the \$0.5m reported in H1 FY21 and the net loss was greater than the \$0.49m net loss reported in the pcp. At the end of December, EIQ had net cash of \$2.5m, and it can expect up to ~\$1.4m from the exercise of \$0.03/\$0.04/\$0.05 options by June 2022. Cash burn for the half year was \$1.3m, suggesting that the company may need to look for new sources of capital by the second half of FY23.

Look to screening technologies, medical devices for peers

We look to companies which are focused on screening technologies or medical devices as peers. TruScreen (NZX:TRU) uses AI in its screening technology to detect the presence of pre-cancerous cells. Imricor Medical Systems (ASX:IMR) is focused on seeking regulatory approvals to commercialise its prime product, the Vision-MR Ablation Catheter, which seeks to deliver higher success rates and safe and faster treatment for arrhythmias. Atomo Diagnostics (ASX:AT1) supplies devices for the rapid testing of infectious diseases and chronic health conditions, including COVID-19. Painchek (ASX:PCK) uses AI to detect patient pain via video analysis; while Total Brain uses its proprietary neuroscientific database to assess and support mental health and behavioural markers.

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)^
06/20a	0.7	(2.70)	(2.80)	(2.66)	(0.01)	(0.00)	78.9
06/21a	1.0	(3.10)	(3.34)	(2.99)	(0.01)	(0.00)	55.2

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

^calculated using current enterprise value

Software & Services

11th March 2022

Share Details

ASX code	EIQ
Share price	\$0.14
Market capitalisation	\$55.2M
Shares on issue	394.3M
Net cash at 31-Dec-2021	\$2.5M
Free float	43.7%

Share Performance (12 months)



Upside Case

- Clinical studies fully-funded by global leader in replacement heart valves
- US market represents a significant opportunity
- Building an internationally experienced medical technology leadership team

Downside Case

- Clinical studies fail
- Additional capital could be required before commercial success
- Alternate, superior technology could present

Catalysts

- Outcome of clinical studies
- Announcement of commercial deals

Comparable companies (Aust/NZ)

TruScreen (NZX:TRU), Imricor Medical Systems (ASX:IMR), Atomo Diagnostics Ltd (ASX:AT1), Painchek (ASX:PCK), Total Brain (ASX:TTB)

Board and Management

Andrew Grover	Executive Chair
Steven Formica	Non-Executive Director
Stephen Picton	Non-Executive Director

Company Contact

Andrew Grover (Exec Chair) +61 2 9159 3719
investor@echoiq.ai

RaaS Contact

Finola Burke +61 414 354 712
finola.burke@raasgroup.com



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021



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Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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