

LBT Innovations Ltd

More efficient pathology with AI and Automation

LBT Innovations (ASX:LBT) is an Adelaide-based company specialising in automation of processes in clinical laboratories. LBT's flagship product has been in development since 2010 and first received regulatory approvals in 2016. The company's Automated Plate Assessment System (APAS) uses imaging technology and machine learning to automate imaging, analysis and interpretation of culture plates following incubation. The technology is the only US FDA-approved AI technology for automated plate reading. LBT took control of the 50/50 joint-venture technology partner Clever Culture Systems AG in December 2021 for \$4m and has focused on sales growth since. The COVID-19 pandemic has resulted in a substantial increase in testing demand and highlights the need for efficiency gains in testing laboratories. APAS has approval for the two largest specimen testing types in US laboratories and has significant potential in other testing areas. LBT has ten machines active in four countries with interest rising and improved sales focus. The need for automation of clinical testing is expected to increase as labour-force constraints and volumes move in opposing directions. Like many Australian medical technology companies LBT sees the US market as the most easily addressable large market and sought and received FDA approval early in the development process of APAS.

Business model

LBT's APAS Independence product sells for a list price of US\$300,000 plus annual software licences of US\$20k-40k. US sales and distribution are through Thermo Fisher Scientific (US) and Beckman Coulter for selected European countries. The company expects improved market conditions in 2023 following the major impact of the COVID-19 pandemic. LBT expects to expand the addressable market (already substantial at an estimated US\$3.9b p.a.) by using the existing APAS platform to deliver a suite of products which improve processes for microbiologists in medical and non-medical (eg pharmaceutical) settings.

Commercialisation foundation established in FY22

During FY22 LBT appointed Thermo Fisher the exclusive distributor of the APAS Independence in the US with five orders placed and direct sales made to Albany Medical Centre and LADR Group (Germany). LBT also received FDA clearance for an additional analysis module in October 2021 and is seeing a growing library of independent clinical data supporting APAS. LBT appointed a new chairman and non-executive director adding relevant commercialisation expertise to the board. Annual revenues nearly doubled, and costs were held down, resulting in a smaller full-year loss.

A vibrant sector selling to the US

LBT's product is currently the only one with FDA approval for automated plate testing. Medical device and technology companies in the Australian market include Oventus Medical, Imicor Medical Systems, Optiscan Imaging, 4D Medical, Alcidion, Pro Medicus, Cochlear and Resmed. The sector is diverse in technology, use, target consumer and maturity. As a company still developing a sales presence LBT is at the smaller end and valuation ratios based on short-term earnings are not yet relevant.

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

Year end	Sales Revenue	EBITDA adj.*	NPAT adj.*	NPAT rep.	EPS adj.* (c)	EV/Sales (x)
06/19a	2.9	(1.5)	(4.3)	(4.4)	(0.021)	12.0
06/20a	1.8	(3.0)	(5.6)	(5.6)	(0.024)	32.7
06/21a	1.4	(3.9)	(8.0)	(7.3)	(0.028)	18.6
06/22a	2.9	(6.1)	(6.3)	(6.6)	(0.022)	8.9

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

Software / Medical Devices

9th September 2022

Share Details

ASX code	LBT
Share price (8-Sept)	\$0.086
Market capitalisation	\$27.6M
Shares on issue	321.2M
Net cash at 30-Jun-2022	\$1.7M
Free float	~65%

Share Performance (12 months)



Upside Case

- US market penetration increases
- Awareness increases through clinical use
- European sales strengthen with additional resources

Downside Case

- Slow take-up due to customer funding constraints
- Capital requirements constrain development
- Small establishment faces difficulty in up-scaling

Catalysts

- Sales announcements in US and Europe
- Capital raising

Comparable Companies (Aust/NZ)

Oventus Medical (ASX:OVN), Imicor Medical (ASX:IMR), Respiro (ASX:RSH), 4D Medical (ASX:4DX), Alcidion (ASX:ALC)

Board and Management

Joanne Moss	Ind. Non-Exec. Chair
Brent Barnes	Managing Director
Simon Arkell	Non-Exec. Director
Damian Lismore	Non-Exec. Director
Brian O'Dwyer	Non-Exec. Director

Company Contact

Brent Barnes (MD) +61 (0)8 8227 1555
info@lbtinnovations.com

RaaS Contact

Scott Maddock +61 418 212 625
scott.maddock@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



About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR. This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

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

Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd trading as Research as a Service ("RaaS"). This research is issued in Australia by RaaS and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2022 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.