

6 November 2023

1Q: Good cash runway as a new year of catalysts gets underway

NEED TO KNOW

- Cash of \$6.29m (more than 4 quarters current costs)
- Raising profile on multiple fronts, awards
- Continued progress across several programs

Adequate cash for strategic priorities and operating expenses: INOVIQ has announced its 1QFY24 results, with cash of \$6.29m and operating cash outflows of \$1.4m. Key line items included research & development costs of \$579k, admin & corporate of \$394k, staff costs (ex R&D) of \$392k, and advertising & marketing of \$107k. Receipts from customers were \$92k. The company is funded for more than 12 months on the basis of this quarter's cash use.

INOVIQ staying in the spotlight: Last month, CSO Prof Gregory Rice presented at the International Federation of Placenta Associations meeting and was awarded the prestigious Joan Hunt Senior Award in Placentology for his contribution to the understanding of placental and reproductive functions. CEO Dr Leearne Hinch also recently presented at the 2023 ASX Small & Mid Cap Conference (Sydney), discussing INOVIQ's programs and upcoming milestones.

News flows imminent: We are positive on the EXO-NET partnerships announced in 1Q with Promega and ResearchDX and expect to see continued announcements over the coming months. We will also watch for updates on the SubB2M/CA15-3 breast cancer test; INOVIQ expects the monitoring study to be completed by the end of CY23 – at which point the company can look to commercialise the test through laboratory partners as a laboratory developed test.

Investment Thesis

Diversified portfolio of proprietary technology platforms and products: IIQ's portfolio is wide, with its EXO-NET and SubB2M technologies creating substantial new opportunities across its research tool and diagnostics business, as well as potential future royalties from BARD1.

Collaboration with UQ to develop ovarian cancer screening test using EXO-NET technology: This collaboration combines best-in-class exosome capture technology with University of Queensland (UQ) biomarkers for application in exosome-based liquid biopsies.

SubB2M platform: strong data in ovarian, breast cancers support potential to supercharge current tests and monitor disease progression: The company expects that the SubB2M-CA15-3 breast cancer test could be ready for partnering with a clinical laboratory for commercialisation as a LDT in CY24.

Valuation

We value IIQ at A\$213m or A\$2.31 per share, using a risk-adjusted net present value (rNPV) method to discount future cash flows through to 2043, consistent with the expiry life of patent families.

Risks

Key risks to our valuation include demonstrating efficacy, establishing clinical utility, and meeting regulatory requirements.

Equities Research Australia

Pharmaceuticals, Biotechnology and Life Sciences

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INOVIQ is developing and commercialising next-generation exosome capture tools and precision diagnostics to improve the diagnosis and treatment of cancer and other diseases. The company has commercialised the EXO-NET pan-exosome capture tool for research purposes and the hTERT test as an adjunct to urine cytology testing for bladder cancer. Its cancer diagnostic pipeline includes blood tests in development for earlier detection and monitoring of ovarian, breast and other cancers. <https://www.inoviq.com/>

Valuation	A\$2.31 (unchanged)
Current price	A\$0.59
Market cap	A\$54m
Cash on hand	A\$6.29m (30 September 2023)

Upcoming Catalysts/Newsflow

Period	
2QFY24	Results of SubB2M SPR feasibility study
2QFY24	Results of SubB2M/CA125 OC analytical validation study
2QFY24	Results of SubB2M/CA15-3 BC monitoring study
2QFY24	Progress in SubB2M partnering
2HFY24	Results of SubB2M/CA125 OC clinical validation studies
2HFY24	New EXO-NET collaborations / partnering
2HFY24	Progress EXO-OC test collaboration and clinical data
2HFY24	Commercial progress of SubB2M/CA15-3 LDT

Share Price (A\$)



Source: FactSet, MST Access.

Financial Summary

INOVIQ LTD IIQ

IIQ-AU

Year end 30 June, AUD unless otherwise noted

MARKET DATA

Price	\$	0.59
52 week high / low	\$	0.47-0.94
Valuation	\$	2.31
Market capitalisation	\$m	53.8
Shares on issue (basic)	m	92.0
Options / rights	m	2.6
Other equity	m	0.0
Shares on issue (diluted)	m	94.6

12-MONTH SHARE PRICE PERFORMANCE (A\$)



INVESTMENT FUNDAMENTALS

		FY22A	FY23A	FY24E	FY25E	FY26E
Reported NPAT	\$m	(18.2)	(9.0)	(8.5)	(5.0)	(0.0)
Underlying NPAT	\$m	(18.2)	(9.0)	(8.5)	(5.0)	(0.0)
Reported EPS (diluted)	¢	(20.0)	(9.7)	(9.3)	(4.5)	(0.0)
Underlying EPS (diluted)	¢	(20.0)	(9.7)	(9.3)	(4.5)	(0.0)
Growth	%					
Underlying PER	x	nm	nm	nm	nm	nm
Operating cash flow per share	¢	(6.7)	(7.6)	(6.4)	(3.1)	0.9
Free cash flow per share	¢	(7.1)	(8.0)	(6.9)	(3.2)	0.8
Price to free cash flow per share	x	nm	nm	nm	nm	76.9
FCF Yield	%	nm	nm	nm	nm	1.3%
Dividend	¢	0.0	0.0	0.0	0.0	0.0
Payout	%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Franking	%	0.0%	0.0%	0.0%	0.0%	0.0%
Enterprise value	\$m	39.4	39.4	46.7	44.4	43.3
EV/EBITDA	x	(2.2)	(5.0)	(6.5)	(11.9)	40.4
EV/EBIT	x	(1.9)	(4.4)	(5.5)	(8.9)	(887.9)
Price to book (NAV)	x	1.9	2.7	3.1	3.4	3.4
Price to NTA	x	3.2	6.0	5.6	5.6	5.3

KEY RATIOS

		FY22A	FY23A	FY24E	FY25E	FY26E
EBITDA margin	%	nm	nm	nm	nm	8.0
EBIT margin	%	nm	nm	nm	nm	nm
NPAT margin	%	nm	nm	nm	nm	nm
ROE	%	nm	nm	nm	nm	nm
ROA	%	nm	nm	nm	nm	nm
Net tangible assets per share	\$	0.2	0.1	0.1	0.1	0.1
Book value per share	\$	0.3	0.2	0.2	0.2	0.2
Net debt/(cash)	\$m	(14.4)	(14.4)	(7.1)	(9.4)	(10.5)
Interest cover/ (EBIT/net interest)	x	nm	nm	nm	nm	nm
Gearing (net debt/EBITDA)	x	nm	nm	nm	nm	nm
Leverage (net debt/(net debt + equity))	x	nm	nm	nm	nm	nm

DUPONT ANALYSIS

		FY22A	FY23A	FY24E	FY25E	FY26E
Net Profit Margin	%	nm	nm	nm	nm	nm
Asset Turnover	x	0.0	0.0	0.1	0.3	0.6
Return on Assets	%	nm	nm	nm	nm	nm
Leverage	x	1.1	1.1	1.1	1.1	1.1
Return on Equity	%	nm	nm	nm	nm	nm

KEY PERFORMANCE INDICATORS

		FY22A	FY23A	FY24E	FY25E	FY26E
SubB2M				0.0	0.0	0.2
SubB2M				0.0	0.2	1.9
EXO-NET Research Use Only				0.0	1.1	3.9
EXO-NET DX (Clinical)				0.0	0.0	0.0
hTert		0.5	0.27	0.4	0.3	0.3

HALF YEARLY DATA

		2H21	1H22	2H22	1H23	2H23
Product revenue	\$m	0.3	0.1	0.2	0.2	0.2
Operating expenses	\$m	(11.9)	(4.4)	(17.9)	(6.3)	(4.5)
EBITDA	\$m	(9.9)	(3.3)	(14.9)	(5.6)	(3.4)
EBIT	\$m	(10.8)	(3.3)	(17.0)	(5.6)	(3.4)
PBT	\$m	(10.8)	(3.3)	(17.0)	(5.6)	(3.4)
Reported NPAT	\$m	(7.9)	(2.7)	(15.5)	(5.6)	(3.4)

PROFIT AND LOSS

		FY22A	FY23A	FY24E	FY25E	FY26E
Product revenue	\$m	0.3	0.4	1.6	6.4	13.4
Other income	\$m	1.8	1.5	0.9	1.2	1.2
Operating expenses	\$m	(22.3)	(10.9)	(10.7)	(10.7)	(10.8)
EBITDA	\$m	(18.2)	(7.8)	(7.2)	(3.7)	1.1
Depreciation & Amortisation	\$m	(2.1)	(1.2)	(1.3)	(1.2)	(1.1)
EBIT	\$m	(20.3)	(9.0)	(8.5)	(5.0)	(0.0)
Interest expense	\$m	(0.1)	0.0	(0.1)	(0.1)	(0.1)
Pretax Profit	\$m	(20.3)	(9.0)	(8.5)	(5.0)	(0.0)
Tax expense	\$m	2.1	0.0	0.0	0.0	0.0
Reported NPAT	\$m	(18.2)	(9.0)	(8.5)	(5.0)	(0.0)
Weighted average diluted shares	m	92.0	92.0	111.6	121.4	121.4

GROWTH PROFILE

		FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	%	(41.5)	32.6	(16.9)	5.0	5.0
EBITDA	%	38.4	(56.9)	(7.9)	(48.0)	(128.7)
EBIT	%	44.4	(55.7)	(4.8)	(41.6)	(99.0)
Reported NPAT	%	63.2	(50.7)	(4.8)	(41.6)	(99.0)

BALANCE SHEET

		FY22A	FY23A	FY24E	FY25E	FY26E
Cash	\$m	15.4	7.8	9.8	10.7	11.6
Receivables	\$m	1.7	1.2	1.2	1.2	1.2
Other	\$m	0.4	0.4	0.4	0.4	0.4
Current assets	\$m	17.5	9.4	11.4	12.2	13.2
PPE	\$m	0.8	0.9	1.3	1.3	1.3
Intangible assets	\$m	11.7	10.7	9.5	8.4	7.5
Goodwill	\$m	0.0	0.0	0.0	0.0	0.0
Other	\$m	0.9	0.6	0.5	0.4	0.4
Non current assets	\$m	13.3	12.1	11.3	10.2	9.2
Total assets	\$m	30.8	21.5	22.6	22.4	22.4
Trade and other payables	\$m	1.0	0.8	0.8	0.8	0.8
Lease liabilities	\$m	0.4	0.4	0.2	(0.0)	(0.0)
Other	\$m	0.4	0.4	0.4	0.4	0.4
Current liabilities	\$m	1.8	1.5	1.4	1.2	1.2
Lease liabilities	\$m	0.6	0.4	0.2	0.2	0.2
Other liability	\$m	0.0	0.0	0.0	0.0	0.0
Non current liabilities	\$m	0.7	0.4	0.2	0.2	0.2
Total liabilities	\$m	2.5	1.9	1.6	1.3	1.3
Net assets	\$m	28.3	19.6	21.1	21.1	21.0
Share capital	\$m	69.1	69.1	79.1	84.1	84.1
Retained earnings	\$m	(41.9)	(51.1)	(59.6)	(64.6)	(64.7)
Other	\$m	1.1	1.6	1.6	1.6	1.6
Total equity	\$m	28.3	19.6	21.1	21.1	21.0

CASH FLOW

		FY22A	FY23A	FY24E	FY25E	FY26E
Net loss for period	\$m	(18.2)	(9.0)	(8.5)	(5.0)	(0.0)
Depreciation & Amortisation	\$m	(2.1)	(1.2)	(1.3)	(1.2)	(1.1)
Changes in working capital	\$m	(1.1)	0.2	0.0	0.0	0.0
Other	\$m	15.2	2.9	2.7	2.5	2.2
Operating cash flow	\$m	(6.1)	(7.0)	(7.2)	(3.7)	1.1
Payments for PPE	\$m	(0.4)	(0.3)	(0.5)	(0.2)	(0.2)
Other	\$m	0.0	0.0	0.0	0.0	0.0
Investing cash flow	\$m	(0.4)	(0.3)	(0.5)	(0.2)	(0.2)
Equity	\$m	18.5	0.0	10.0	5.0	0.0
Lease liability payments	\$m	(0.3)	(0.3)	(0.3)	(0.2)	0.0
Other	\$m	(1.2)	0.0	0.0	(0.0)	0.0
Financing cash flow	\$m	17.0	(0.3)	9.7	4.8	0.0
Cash year end	\$m	15.4	7.8	9.8	10.7	11.6
Free cash flow	\$m	(6.6)	(7.3)	(7.7)	(3.9)	0.9

Source: Company reports, MST Access estimates

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