

EXO-NET kicks off in US; exosome work centralised in Melbourne

US commercial roll-out for EXO-NET: off to a running start as awareness grows

After engaging Percorso Life Sciences in mid-CY22 for US-based contract sales and logistics, INOVIQ (IIQ) has lost no time in kicking off its EXO-NET commercial rollout. The initial sales campaign has already targeted over 1,000 extracellular vesicle (EV) researchers and has registered strong interest from potential customers for multiple EV-based applications. IIQ is following up on leads with meetings, samples and technical support, and expects to see US-based EXO-NET revenue starting 1HCY23.

Melbourne lab new hub for exosome R&D and production

IIQ has announced that it has transferred all R&D and manufacturing for EXO-NET to its Melbourne facility. The company has indicated that this ‘exosome core facility’ will allow IIQ to streamline its R&D, expand its capacity to permit large-scale GMP production, automate exosome isolation, and develop next-generation products. The move will also expand IIQ’s access to the Australian government’s R&D Tax Incentive scheme (which refunds up to 43.5% of eligible R&D spend).

hTERT distribution goes direct in US

IIQ will directly distribute the hTERT ICC test for bladder cancer starting January 2023 in the US. The company believes that direct sales to lab customers will boost margins and revenues and increase its access to customers. IIQ expects hTERT sales will remain modest but believes these are positive changes nonetheless. Warehousing and logistics will be managed by Percorso.

Settlement removes litigation risk

INOVIQ has settled the legal proceeding related to the BARD1 performance shares, a matter which has been weighing on IIQ shares. The settlement terms are:

- plaintiffs (shareholder Tony Walker and former Executive Director and CSO Dr Irmgard Irminger-Finge) will receive BARD1 Lung Cancer Test IP, commit \$300K to its development, and a \$1m payment.
- IIQ will retain Breast and Ovarian Cancer IP and will receive 10% of future sales of BARD1 Lung Cancer Test until the expiry of relevant patents, and 5% thereafter.

We view this outcome as positive, as it provides certainty by avoiding further legal action through the courts, quantifies settlement amount and secures future revenue streams in lung cancer if that were to proceed.

Valuation – retained at A\$2.11/share

We value IIQ at A\$195m or A\$2.11 per share (undiluted), 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. Key risks to our valuation: demonstrating efficacy, establishing clinical utility, meeting regulatory requirements.

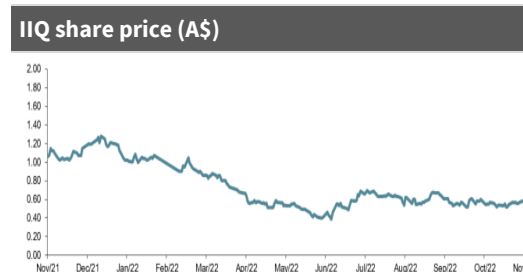


INOVIQ is developing and commercialising next-generation exosome capture tools and precision diagnostics to improve the diagnosis and treatment of cancer and other diseases. The company has commercialised the EXO-NET pan-exosome capture tool for research purposes and the hTERT test as an adjunct to urine 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.

Stock	IIQ.ASX
Price	A\$0.57
Market cap	A\$52m
Valuation	A\$2.11 (unchanged)

Company data	
Net cash (as at 30 Sept 2022)	\$13.5m
Shares on issue	92.0m

Share price catalysts – 2HCY22	
SubB2M clinical testing – BC and OC monitoring	
Exosome-based OC test development progress	



Source: FactSet.

Chris Kallos, CFA
chris.kallos@mstaccess.com.au

Financials

Exhibit 1: Summary financials

INOVIQ LTD IIQ						IIQ-AU
Year end 30 June, AUD unless otherwise noted						
MARKET DATA						
Price	\$	0.57				
52 week high / low	\$	0.39-1.4				
Valuation	\$	2.11				
Market capitalisation	\$m	52.5				
Shares on issue (basic)	m	92.0				
Options / rights	m	9.3				
Other equity	m	0.0				
Shares on issue (diluted)	m	101.4				
12-MONTH SHARE PRICE PERFORMANCE (AS)						
INVESTMENT FUNDAMENTALS						
		FY20A	FY21A	FY22A	FY23E	FY24E
Reported NPAT	\$m	(3.3)	(11.2)	(18.2)	(10.2)	(9.6)
Underlying NPAT	\$m	(3.3)	(11.2)	(18.2)	(10.2)	(9.6)
Reported EPS (diluted)	¢	(0.2)	(14.4)	(20.0)	(11.1)	(10.4)
Underlying EPS (diluted)	¢	(0.2)	(14.4)	(20.0)	(11.1)	(10.4)
Growth	%	5947.8%	38.8%	-44.7%	-5.9%	
Underlying PER	x	nm	nm	nm	nm	nm
Operating cash flow per share	¢	(0.2)	(6.8)	(6.7)	(9.1)	(9.7)
Free cash flow per share	¢	(0.2)	(3.0)	(7.1)	(9.1)	(9.7)
Price to free cash flow per share	x	nm	nm	nm	nm	nm
FCF Yield	%	nm	nm	nm	nm	nm
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	45.1	48.7	38.1	46.4	45.4
EV/EBITDA	x	(13.9)	(3.7)	(2.1)	(4.9)	(5.1)
EV/EBIT	x	(13.9)	(3.5)	(1.9)	(4.6)	(4.7)
Price to book (NAV)	x	1.7	1.8	1.9	2.8	2.7
Price to NTA	x	1.7	18.0	3.2	6.6	5.9
KEY RATIOS						
		FY20A	FY21A	FY22A	FY23E	FY24E
EBITDA margin	%	nm	nm	nm	nm	nm
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	\$	0.3	0.0	0.2	0.1	0.1
Book value per share	\$	0.3	0.3	0.3	0.2	0.2
Net debt/(cash)	\$m	(7.3)	(3.7)	(14.4)	(6.0)	(7.1)
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						
		FY20A	FY21A	FY22A	FY23E	FY24E
Net Profit Margin	%	nm	nm	nm	nm	nm
Asset Turnover	x	-	0.0	0.0	0.1	0.6
Return on Assets	%	nm	nm	nm	nm	nm
Leverage	x	1.1	1.2	1.1	1.1	1.1
Return on Equity	%	nm	nm	nm	nm	nm
KEY PERFORMANCE INDICATORS						
		FY20A	FY21A	FY22A	FY23E	FY24E
SubB2M					0.2	3.8
SubB2M					0.1	3.5
EXO-NET Research Use Only					1.1	4.5
EXO-NET DX (Clinical)					0.0	0.0
hTert			0.5	0.28	0.3	0.3
HALF YEARLY DATA						
		2H21	1H22	2H22	1H23	2H23
Product revenue	\$m	0.3	0.1	0.2	0.1	0.1
Operating expenses	\$m	(11.9)	(4.4)	(17.9)	(6.0)	(6.0)
EBITDA	\$m	(9.9)	(3.3)	(14.9)	(5.1)	(5.1)
EBIT	\$m	(10.8)	(3.3)	(17.0)	(5.1)	(5.1)
PBT	\$m	(10.8)	(3.3)	(17.0)	(5.1)	(5.1)
Reported NPAT	\$m	(7.9)	(2.7)	(15.5)	(5.1)	(5.1)
PROFIT AND LOSS						
		FY20A	FY21A	FY22A	FY23E	FY24E
Product revenue	\$m	0.0	0.5	0.3	1.6	12.1
income	\$m	0.6	1.0	1.8	1.5	2.3
Operating expenses	\$m	(3.9)	(15.5)	(22.3)	(11.9)	(12.2)
EBITDA	\$m	(3.3)	(13.1)	(18.2)	(9.5)	(9.0)
Depreciation & Amortisation	\$m	0.0	(0.9)	(2.1)	(0.7)	(0.6)
EBIT	\$m	(3.3)	(14.0)	(20.3)	(10.2)	(9.6)
Interest expense	\$m	0.0	(0.1)	(0.1)	(0.1)	(0.1)
Pretax Profit	\$m	(3.3)	(14.0)	(20.3)	(10.2)	(9.6)
Tax expense	\$m	0.0	2.9	2.1	0.0	0.0
Reported NPAT	\$m	(3.3)	(11.2)	(18.2)	(10.2)	(9.6)
Weighted average diluted shares	m	1,363.4	77.3	90.9	92.0	92.0
GROWTH PROFILE						
		FY20A	FY21A	FY22A	FY23E	FY24E
Revenue	%	nm	nm	(40.9)	5.0	5.0
EBITDA	%	89.5	303.1	38.4	(47.5)	(6.0)
EBIT	%	89.5	331.1	44.4	(49.7)	(5.9)
Reported NPAT	%	89.5	242.7	63.2	(44.0)	(5.9)
BALANCE SHEET						
		FY20A	FY21A	FY22A	FY23E	FY24E
Cash	\$m	7.3	5.0	15.4	7.0	8.1
Receivables	\$m	0.0	0.2	1.7	0.2	0.2
Other	\$m	0.0	0.4	0.4	0.4	0.4
Current assets	\$m	7.4	5.6	17.5	7.7	8.7
PPE	\$m	0.0	0.6	0.8	0.7	0.7
Intangible assets	\$m	0.0	15.1	11.7	11.1	10.5
Goodwill	\$m	0.0	11.0	0.0	0.0	0.0
Other	\$m	0.0	1.1	0.9	1.8	1.7
Non current assets	\$m	0.0	27.9	13.3	13.6	13.0
Total assets	\$m	7.4	33.5	30.8	21.2	21.7
Trade and other payables	\$m	0.8	0.8	1.0	0.8	0.8
Lease liabilities	\$m	0.0	0.3	0.4	0.4	0.4
Other	\$m	0.1	0.4	0.4	0.4	0.4
Current liabilities	\$m	0.9	1.5	1.8	1.5	1.5
Lease liabilities	\$m	0.0	0.9	0.6	0.6	0.6
Other liability	\$m	0.0	2.1	0.0	0.0	0.0
Non current liabilities	\$m	0.0	3.0	0.7	0.7	0.7
Total liabilities	\$m	0.9	4.5	2.5	2.2	2.2
Net assets	\$m	6.5	29.1	28.3	19.0	19.5
Share capital	\$m	19.3	51.8	69.1	70.3	80.3
Retained earnings	\$m	(12.8)	(24.0)	(41.9)	(52.3)	(61.9)
Other	\$m	0.0	1.2	1.1	1.1	1.1
Total equity	\$m	6.5	29.1	28.3	19.0	19.5
CASH FLOW						
		FY20A	FY21A	FY22A	FY23E	FY24E
Net loss for period	\$m	(3.3)	(11.2)	(18.2)	(10.2)	(9.6)
Depreciation & Amortisation	\$m	0.0	(0.9)	(2.1)	(0.7)	(0.6)
Changes in working capital	\$m	0.4	(0.4)	(1.1)	1.2	0.0
Other	\$m	0.3	7.2	15.3	1.3	1.3
Operating cash flow	\$m	(2.5)	(5.3)	(6.1)	(8.4)	(9.0)
Payments for PPE	\$m	0.0	(0.8)	(0.4)	0.0	0.0
Other	\$m	0.0	3.8	0.0	0.0	0.0
Investing cash flow	\$m	0.0	3.0	(0.4)	0.0	0.0
Equity	\$m	2.5	0.3	18.5	0.0	10.0
Lease liability payments	\$m	0.0	(0.3)	(0.3)	0.0	0.0
Other	\$m	(0.2)	0.0	(1.2)	0.0	0.0
Financing cash flow	\$m	2.3	(0.0)	16.9	0.0	10.0
Cash year end	\$m	7.3	5.0	15.4	7.0	8.1
Free cash flow	\$m	(2.5)	(2.3)	(6.5)	(8.4)	(9.0)

Source: MST Access.

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Level 13, 14 Martin Place, Sydney, NSW 2000
Main +61 2 8999 9988
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