

# VHT Broker Meets Biotech 2017 Presentation

ASX:VHT



Ralph Highnam, PhD (Oxford)  
*Chief Executive Officer*



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# Volpara Health Technologies ("Volpara", ASX:VHT)



**Volpara is a digital health company focused on the early detection of breast cancer**

- Original technology concepts and founders out of Oxford
- Regulatory cleared, clinically validated with patents & trademarks
- We have ~40 FTE, mostly based in Wellington & the USA
- Total orders over **US\$11M** since 2009 & installs in **36** countries

In 2016, we raised A\$20M, listed and expanded onto the Cloud and started providing our Software-as-a-Service (SaaS), this has led to a substantial increase in Annual Recurring Revenue (ARR):

- At end FY2017, ARR was NZ\$1.1M, up ~600% from FY2016 (NZ\$160K)
- To date FY2018, ARR is NZ\$2.1M, up ~90% from end FY2017 (March 31<sup>st</sup>)

**Our aim this year is to exceed 200% growth in ARR**



TGA



244+  
publications

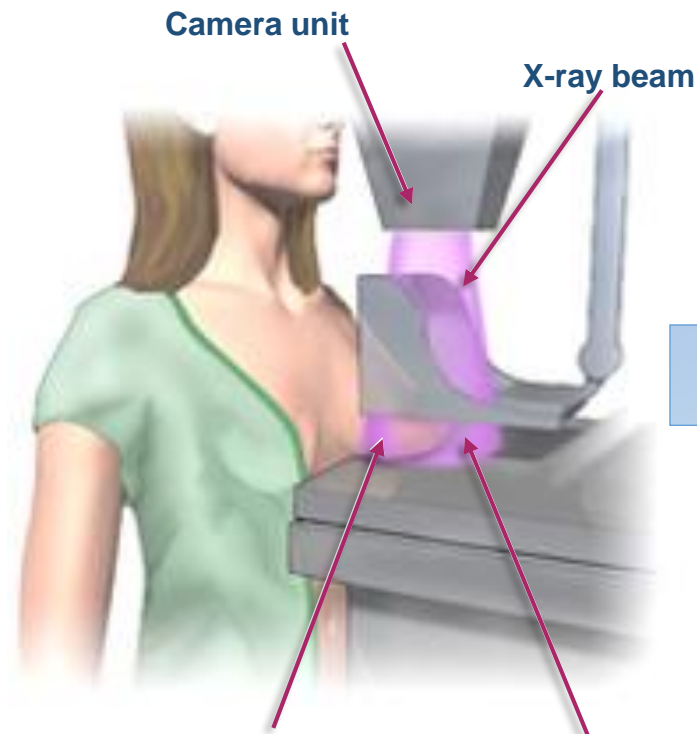


TM





# Breast cancer screening using mammography (x-ray) – key to early detection



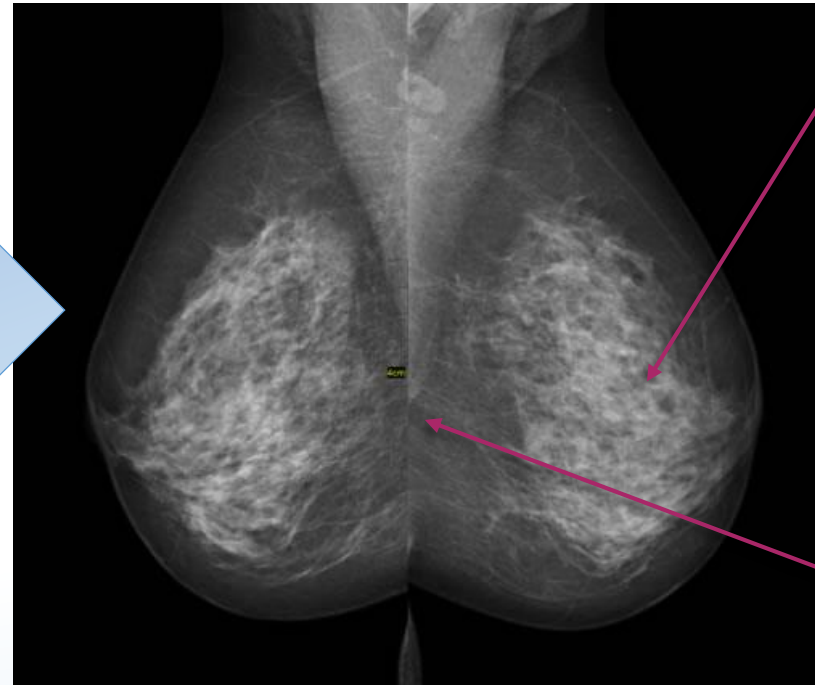
## Breast compression:

Too hard, exam is painful but usually good images & low dose. Too soft, tissue is not spread enough, high dose, but no pain.

## Radiation dose:

Needs be high enough for a good quality image, but low enough so as to not induce a cancer.

**US Govt MQSA sets limits.**



## Breast density:

The more white tissue, the "denser" the breast which is a risk factor for developing and hiding cancer. Assessment by eye is subjective.

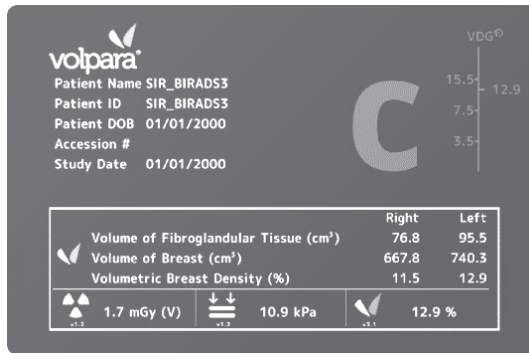
**32 US States legislate telling women their density.**

## Breast positioning:

All the tissue needs to be imaged, otherwise a cancer might be missed.

**FDA EQUIP forcing greater quality control, penalties from 1<sup>st</sup> Jan 2018. Recent FDA survey suggests 44% of sites have issues.**

# Volpara improves the quality & productivity of breast cancer screening



- Global leaders in automated breast density assessment, 100+ sales into the US since 2009 of on-site software.
- Competition lacks clinical validation and tends to be specific to one x-ray machine. We were the winners of the 2016, independent Frost & Sullivan award for density software.



- In July 2016, we launched Cloud-based, analytics software using the results from the on-site software. Enterprise covers radiation dose, compression, density and positioning, and does so on every image – this is big data, and far beyond what visual assessment can do.
- No competition in this space.
- We have 23 sales of Enterprise, averaging ~US\$60K per year, with average contract value of US\$215K.

# We sell direct in our main market, the USA, as of June 2016



**Anton Zerle**  
VP S&M, APAC



**David Lee**  
VP S&M, EMEA



**Mark Koeniguer**  
*Chief Commercial Officer*

- “Land & Expand” strategy, and using long-term partners for customer references, such as:

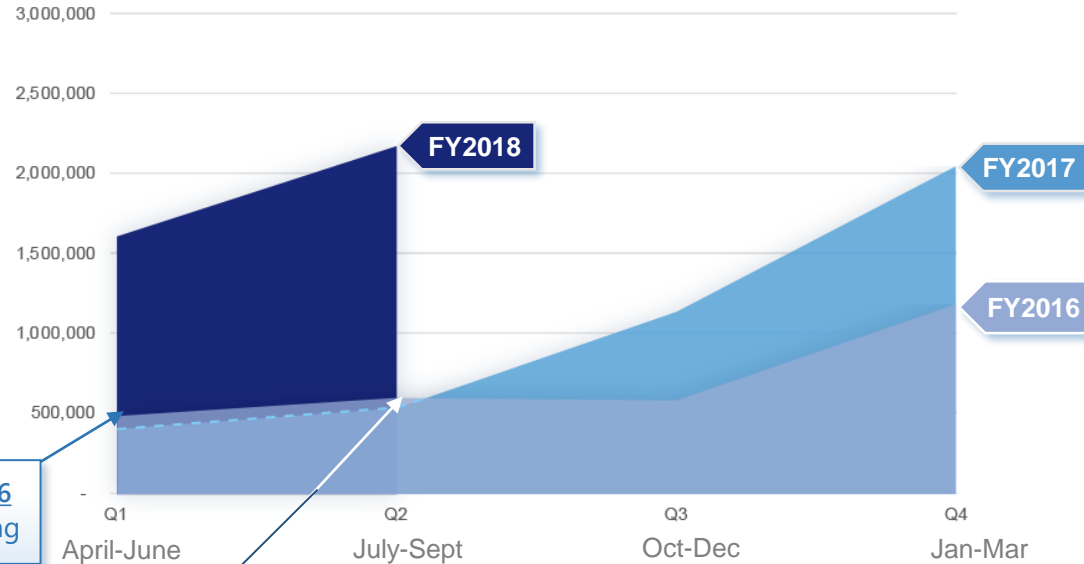


- US has 8,700 sites screening 40M women, spending ~US\$4Bn per year.
- 240,000 cancers found each year, but some 80,000 missed – that’s leading to additional treatment costs of up to US\$10Bn per year, and lives lost.
- We estimate breast data analytics is a A\$1Bn+ market globally.

# Significant sales growth

(NZ\$, 31<sup>st</sup> March is end year, FY18 results are to 1<sup>st</sup> Sept 2017)

Quarter-over-Quarter Total Contract Value



April 2016  
ASX Listing

July 2016  
New sales team and  
product launched

Total Contract Value  
(SaaS, Service & Capital)  
signed in FY17

**NZ\$4.1m**

Up 45% from  
end FY16

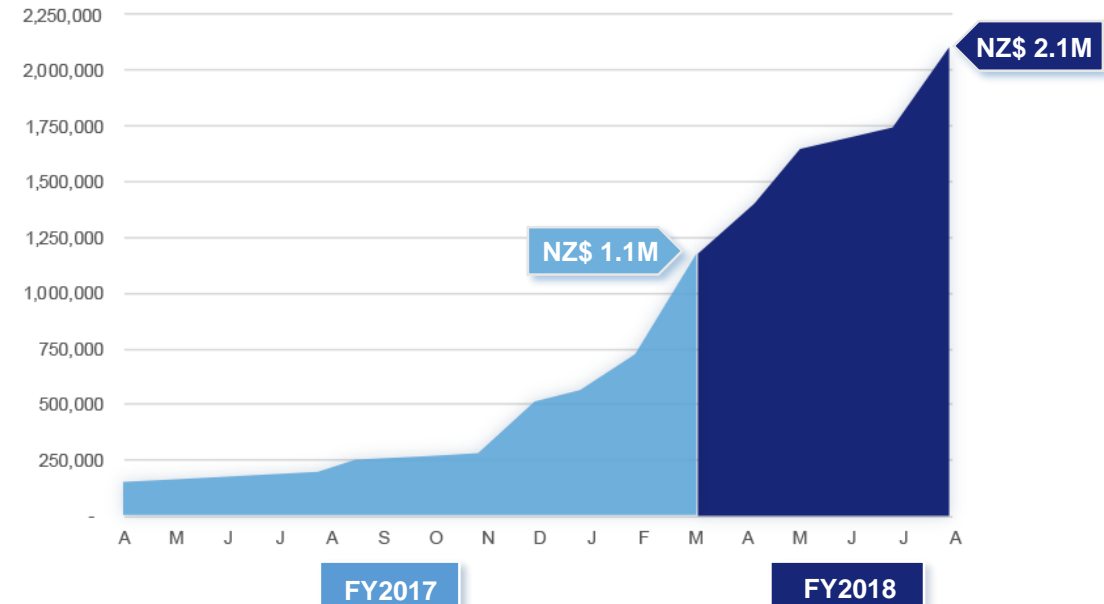
TCV YTD FY18

(SaaS, Service & Capital)  
signed in FY18

**NZ\$3.76m**

Up over 300% YTD  
(with 4 weeks remaining  
in FY18 Q2)

Growth in ARR



FY2017

FY2018

Annual Recurring  
Revenue end FY17

**NZ\$1.1m**

Up 586% from  
end FY16

Annual Recurring  
Revenue Q2 FY18

**NZ\$2.07m**

Up 87% from  
end FY17



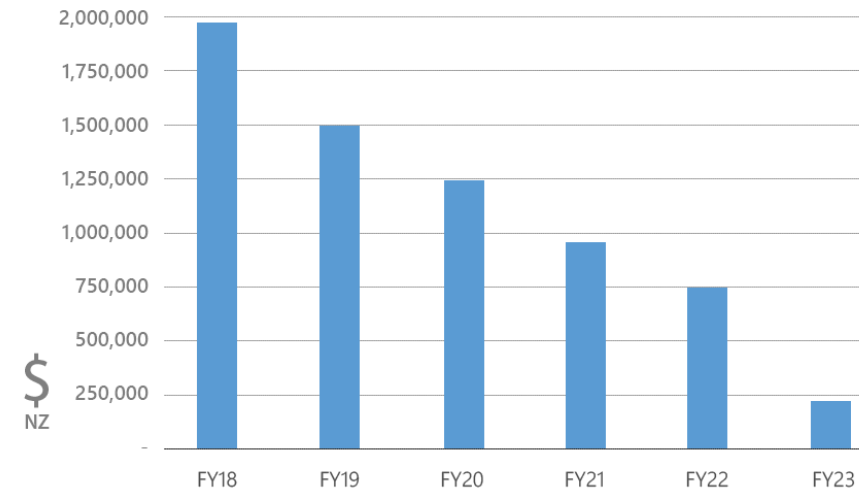
# Cash balance tracking as planned

	For the 3 months ended June 2017 (Q1 FY18)
	NZ\$'000
Cash inflows	1,221
Cash outflows	(2,882)
Cash on hand	11,207

**Operating costs** for FY18 expected to remain similar to FY17. On track at end Q1 FY18.

**Cash balance** is tracking as planned.

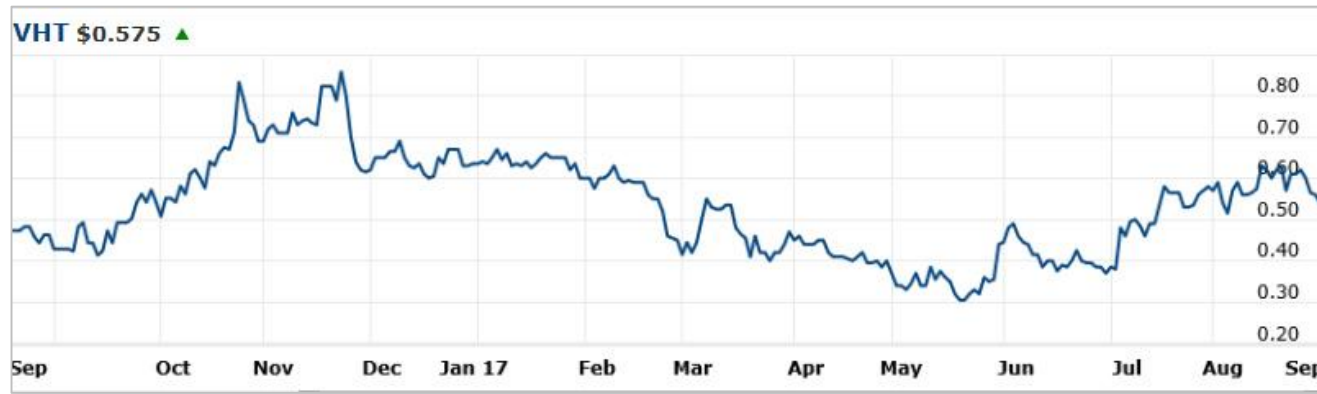
## Contracted Revenue FY18 through to FY23



**Contracted Revenue as at mid-Q2 FY18 of approx. NZ\$6.4m** expected to be recognized between FY18 and FY23



# Capital structure & share register: strong support from top shareholders



- Little movement in Top 20 shareholders since listing
- Remaining escrow shares (April 2018) all belong to the founders and directors

## Upcoming investor events:

### Broker meets Biotech

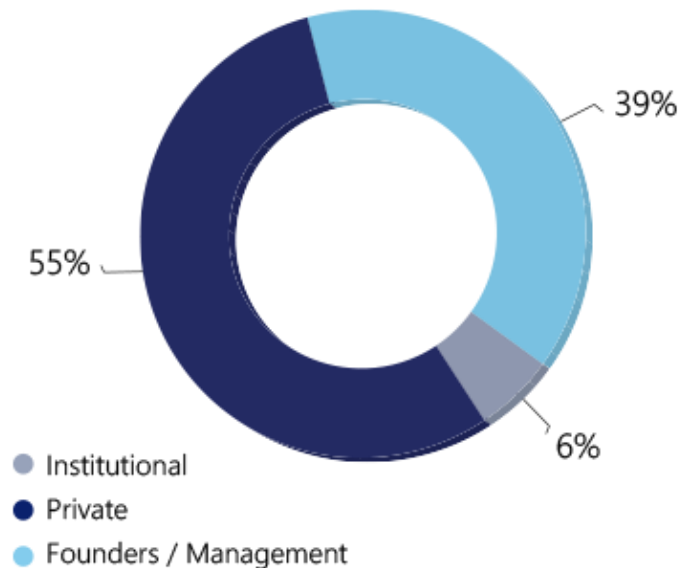
- 7 September – Brisbane
- 13 September – Perth
- 21 September – Adelaide

**FNN/Shaw Event (Sydney)** – 17 October

**Strong news flow coming up**

- **Market cap:** ~A\$83 million
- **Shares on issue:** 145 million

## Share Register Breakdown



# Investment summary

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Volpara is a digital health company focused on the early detection of breast cancer by improving the quality of screening.

Selling a unique cloud-based product, direct via a proven SaaS business model, principally in the US where there are 8,700 sites, increasingly strong drivers for adoption and a market for analytics software of approximately A\$1Bn

Specialised and focused US sales team has delivered strong sales and pipeline growth in its first year.

In FY2017, Total Contract Value rose 45% to NZ\$4.1M, ARR rose ~600% to NZ\$1.1M, we are now at TCV for FY2018 (after 5 months) of NZ\$3.76M, and ARR of NZ\$2.07M

**ARR growth of at least 200% expected for FY2018 through an expansion of coverage to 3% of all US women**

Most “independent” escrow shares now on market with remainder amongst the founders and directors

Continuously improving and evolving product offering based on learnings from customer behaviours and data



# Appendix



# Who are we? A reputable, influential Board



**Roger Allen, AM**

*Chairman*

- Joined the Board in 2010, appointed Chairman in Oct 2015
- Built CPG, co-founded Allen & Buckeridge (VC fund)
- Served on 2 PMs' Science & Tech Councils, Advisory Boards



**Lyn Swinburne, AM**

*Non-Executive Director*

- Joined the Board in 2015
- Founder of Breast Cancer Network Australia
- Chair of the Board of Royal Women's Hospital in Melbourne



**Prof Sir Mike Brady**

*Non-Executive Director*

- Founding Director of VHT and Perspectum Diagnostics
- Author of over 750 articles and 26 patents
- Current professor of Oncological Imaging at Oxford



**John Pavlidis**

*Non-Executive Director*

- Joined the Board in 2015
- Over 25 years' medical device experience
- CEO of VytronUS, former president and CEO of R2 Technology



**John Diddams**

*Non-Executive Director*

- Principal of Australia CPA firm providing corporate advisory service
- Currently NED of Skydive and House with No Steps
- 25 years' experience raising capital, performing due diligence, IPOs



# Who are we? An experienced, qualified management team



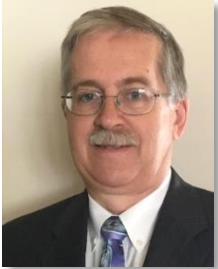
**Ralph Highnam, PhD** *Chief Executive Officer*

- PhD, Breast Imaging, University of Oxford 1992
- Former CEO of Mirada Solutions: medical imaging software sold in US
- Co-founded Volpara (VHT) 2009, time right to exploit concepts from PhD



**David Murray** *Chief Technology Evangelist*

- 25 years experience in medical device companies
- Director of Product Develop for TomoTherapy (acquired by Accuray)
- 10 years as chair of DICOM Working Group 7 (Radiation Therapy)



**Julian Marshall** *Chief Marketing Officer*

- Joined 1st March 2016, based in San Francisco
- 30 years' experience in breast imaging software product management
- Former Senior Director of Global Product Management at Hologic



**Craig Hadfield** *Chief Financial Officer*

- Appointed a full-time CFO, 1<sup>st</sup> March 2017
- Over 8 years experience in senior and managerial auditing roles around the world



**Mark Koeniguer** *Chief Commercial Officer*

- Highly experienced in medical imaging software sales, including SaaS
- Based in Nashville, USA, with over 25 years of leading sales teams
- Worked across radiology, with long tenures in breast imaging specifically

# Intellectual property position

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The Volpara intellectual property portfolio currently comprises

- granted patents in 17 countries
- patent applications in 166 countries
- registered trademarks in 38 countries and 1 new international trademarks pending
- unregistered trademarks
- copyright works (including software, graphical and text) and
- trade secrets (which protect the key part of the code).

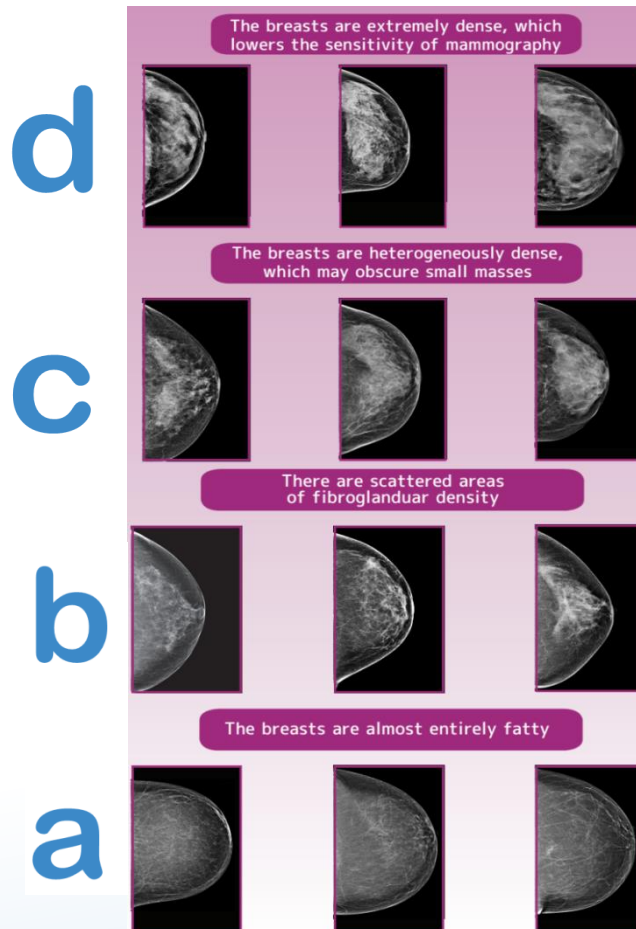
**VHT continues to file and protect ongoing innovation and new product development.**

# Software as a Service (SaaS) Business Model

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- Under SaaS, the customer pays us for a service provided by our software, rather than buys a perpetual license with a once off, up-front fee (a capital sales model).
- Although the customer might pay for the service a year in advance, under accounting standards the majority of revenue can only be recognised once the service has been provided (i.e. over time).
- SaaS is attractive to companies & investors as it is a recurring revenue model (less lumpy), but there are different metrics people use to judge progress, the definitions VHT currently focuses on are:
  - **Total Contract Value (TCV)** - this is the value of contracts signed in the current financial year, the revenue from these deals might be recognised over one or many years and the customer might, or might not have a cancellation clause of some kind.
  - **Annual Recurring Revenue (ARR)** - this is the amount of revenue reasonably expected to be booked for the next 12 months on the basis of the contracts signed previously, and assuming installation upon order.

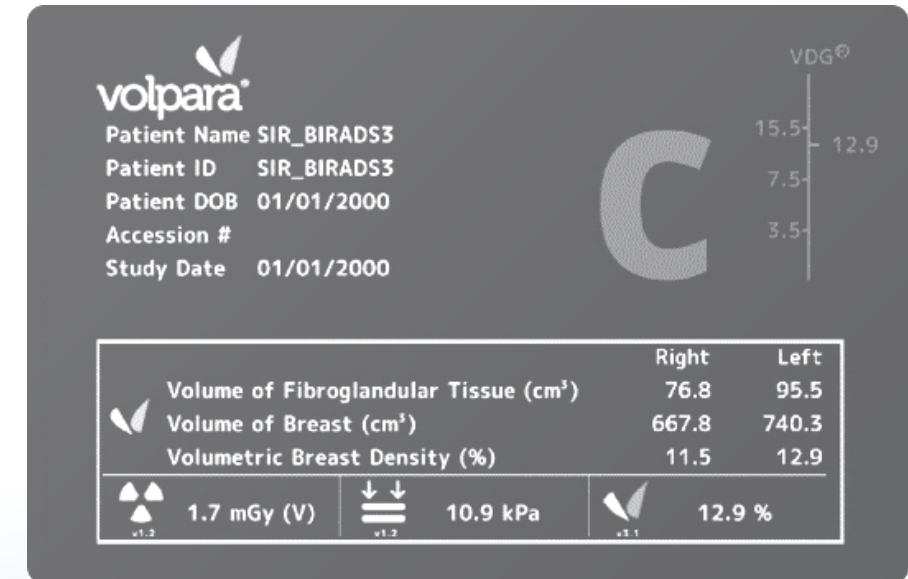
# VolparaDensity – automated, objective density scoring



**Subjective** readings by two expert radiologists will disagree up to 35% of the time.



The Volpara software improves quality of care by providing **objective** evidence for density.





# Anatomy of an Enterprise deal

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## Site Parameters:

- Annual Screening volume: 25,000
- Diagnostic Screening volume: 7,500
- 2 sites and a mobile van
- 6 gantries
- Utilize adjunctive imaging for dense breasts

## ROI-based Enterprise:

- Saves time through reduced retakes and recalls due to better image quality
- Reduces time for mandatory QA for FDA EQUIP and ACR accreditation
- Saves radiologist reading time with better image positioning and compression
- Increase revenues by identifying women with dense breasts or at high risk by moving them to approved adjunctive imaging
- Increases revenue by giving precise information about patients to better market to referring physicians
- Potential savings of \$25,000–\$50,000 per year
- Potential new revenue of \$60,000–\$90,000 per year
- Net benefit of \$85,000–\$140,000 per year

# Volpara revenue from an Enterprise deal

Example of how a typical 5-year deal works from an ARR, TCV and IFRS 15 (Revenue Recognition) perspective\*:

5-year deal signed on 1 April 2017 and fully installed and onboarded within that financial year (i.e., by 31 March 2018).

**Year 1 = US\$70k**

**Years 2–5 = US\$60k per year**

**ARR = US\$62k**

**TCV = US\$310k**

**Cost of Goods (“COGS”) (e.g. Microsoft Azure, etc.) = US\$10k**

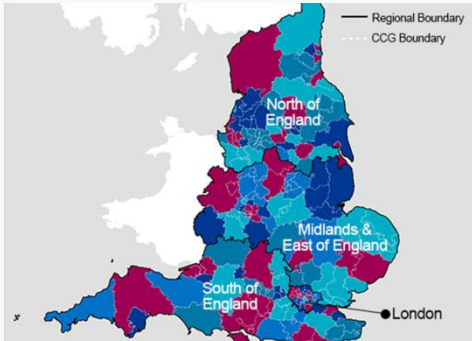
**Onboarding costs (included in COGS) = US\$2k**

**Commission (included in COGS) = US\$15k**

	Year 1	Years 2 to 5
<b>Revenue</b>	70,000	240,000
<b>COGS</b>	(27,000)	(40,000)
<b>Gross Profit</b>	43,000	200,000
<b>Gross Margin</b>	61%	83%

\* Materially correct in terms of timing of revenue recognition. May differ slightly due to overtime vs. at-a-point-in-time deliverables.

## Looking Ahead – Commercial milestones coming up



**Oct 2017**, expected commencement of UK NHS Project moving from scientific evaluation of ***VolparaDensity & competitors*** to a trial implementation into **the world's largest breast screening program**

**1<sup>st</sup> Oct**, Launch new on-line demo's to start reducing customer acquisition costs

**1<sup>st</sup> Dec**, Demonstrate *VolparaDensity* integration with major risk companies

**1<sup>st</sup> Jan**, Release *VolparaEnterprise* 2.1 to reduce cost-of-goods and introduce benchmarking and other new features we can charge additional for.

**By end FY2018: Grow Annual Recurring Revenue (ARR) in excess of 200%**

**By end FY2018:** Capture at least 3% of all women screened in the U.S.

