

Cardiex Ltd

15:22 06 Jul 2020

CardieX strengthens partnership and collaboration deal with US-based inHealth Medical

Cardiex Ltd (ASX:CDX) has strengthened its partnership with US-based inHealth Medical Inc by signing a new collaboration agreement between the two companies and resetting the investment relationship.

This move is aimed at ensuring that the best capital structure is set up to facilitate new investment in inHealth and ensure that the management and founders of the online telehealth platform are appropriately incentivised to drive growth and the continued success of the business.

inHealth operates an online telehealth platform that provides clinically proven lifestyle therapeutics programs and health coaching to patients from inHealth's network of healthcare service providers in the USA, including Anthem, one of the largest healthcare insurers in the country.

Shares higher

The company's shares have been as much as 25% higher to 3 cents intra-day.

CDX said although inHealth's clinically proven lifestyle therapeutics programs were important add-on solutions to its development plans, they were not necessarily core requirements for its 'connected device' strategy.

Over the last 18 months, Cardiex has made great progress towards putting in place the Cardiex Internet of Medical Things (IoMT), an ecosystem of connected medical devices and solutions connecting patients, consumers and physicians all powered by its SphygmoCor® technology & Arty™ cloud infrastructure.

It, therefore, does not believe it needs to own a majority or 100% of inHealth, even though having a successful partnership, access to technology/IP solutions and a significant shareholding in a leading US telehealth business is still strategically, and potentially financially, valuable for Cardiex going forward.

"More value as partners"

Cardiex chief executive officer Craig Cooper said: "Since we invested in inHealth, both Cardiex and inHealth have developed significantly to the point where we believe we can add more value going forward as partners rather than us both being under the same holding company.

"Importantly, we also needed to make sure we balanced the strategic and financial value to Cardiex as a shareholder in inHealth with the need to ensure the correct capital structure and incentives that would allow inHealth to raise new capital.

"The re-set of our investment relationship re-aligns our joint interests and is directed to maximising the commercial benefit to both parties in the long term - while still leaving Cardiex with a significant equity ownership in the company."

Price: 0.052

Market Cap: \$43.56 m

1 Year Share Price Graph



Share Information

Code: CDX

Listing: ASX

52 week High Low
0.068 0.014

Sector: Medical technology & services

Website: www.cardiex.com

Company Synopsis:

Cardiex Ltd (ASX:CDX) is a Sydney-based health technology company that previously traded as AtCor Medical Holdings (ACG) on the Australian Securities Exchange.

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Investment in inHealth

CardieX has re-negotiated its convertible note investment as follows:

- Maturity and conversion date extended from July 2020 to July 1, 2021;
- Repayment of US\$0.5 million of the Convertible Note, reducing the balance from US\$3 million to US\$2.5 million;
- A further US\$1 million may be repaid to CardieX from the new inHealth 2020 capital raising;
- Conversion of convertible note to be at the lower of a discount to a "Qualified Financing" or US\$9 million (post-funding) valuation; and
- The Option to move to 50.5% is exchanged for 1% of the fully diluted capital.

In addition to CardieX's current 7.7% shareholding, the renegotiated convertible note investment will see CardieX potentially increase its stake in inHealth to between 8.7% and 37%, prior to new capital being raised.

In late 2018, CardieX invested US\$250,000 for a 7.7% equity stake in inHealth and in 2019, further invested in two parts: a US\$3 million in a Convertible Note, which on conversion see CardieX holding 33.33%, with an option to acquire existing shares or invest in new shares to raise this to 50.5%, based on a multiple of 2020 revenue.

Collaboration agreement

CardieX and inHealth have also agreed to enter into an ongoing collaboration agreement to develop hypertension and cardiovascular programs for the products, solutions and markets addressed by both parties.

These include the current inHealth/CardieX Central Blood Pressure research project 'Telemedicine to Reduce Cardiovascular Disease Risk: A Randomised Clinical Trial' using CardieX's ATCOR Medical SphygmoCor® XCEL device, with Dr Jeremy McConnell in Florida, USA, as the lead researcher.

Under the ongoing collaboration agreement, it is expected that a number of other projects may be undertaken on a commercial arms-length basis.

2020 revenues up strongly

inHealth's programs include diabetes prevention, chronic disease management, medical weight loss, nutrition and corporate wellness solutions.

In 2019 and 2020, inHealth's business has developed significantly, with the company signing major global corporations as partners and clients as it continued to grow its private practice, Anthem/LiveHealth Online (LHO) partnership, and enterprise business revenues.

Although the growth had not been as strong as initially expected by CardieX at the time of investment, its 2020 revenues are up strongly up and the expectation is to end the calendar 2020 year on a run-rate of US\$2 million per annum and to achieve break-even.

New management at inHealth

The recent appointment of Harry Kim as chief executive officer and chairman has been an important step forward, the company said.

Kim and three new executive hires have enhanced the management team, which continues to include the inHealth co-founders, Aubrey Jenkins (president, Sales & Business Development), Dr Michelle Alencar (chief science officer) and Johnny Jenkins (COO).

Interest in US telehealth businesses is strong and it is believed that inHealth is well-positioned to raise new capital at significantly favourable valuations from US-based investors and strategic parties, a process the company has already commenced.

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