

1QFY23 closes with healthy cash balance + tax refund sweetener

\$13.5m to fund upcoming requirements

INOVIQ (IIQ) has released its 1QFY23 (September-quarter) results with a cash balance of \$13.5m. This incorporates a \$157k final payment from the Biomedical Translation Bridge (BTB) grant program, \$87k in customer receipts and \$51k in bank interest.

These cash inflows were offset by R&D expense of \$866k, staff costs of \$435k, admin/corporate costs of \$729k (up from the previous quarter due to legal, audit and accounting fees) and patent fees of \$12k.

Post-quarter boost from R&D Tax Incentive claim

IIQ has indicated that it received \$865k from a FY2021 R&D Tax Incentive claim after quarter end, representing 43.5% of IIQ's eligible R&D expense for last year.

Recap of key achievements from 1Q

1Q was busy for IIQ – achievements to highlight include:

- two US patents granted: SubB2M and hTERT
- partnership announced with Nicoya to develop SubB2M-based digital Surface Plasmon Resonance (SPR) test, initially as a cancer risk assessment test for potential inclusion in a general health panel
- performance of SubB2M-CA15.3 assay to detect breast cancer replicated by ResearchDx
- SubB2M IHC test in melanoma IHC research study correctly classified 91% of malignant and metastatic melanoma tissue samples
- US company Percosa Life Sciences appointed to provide sales, inventory, logistics and warehousing for commercial rollout of research tool EXO-NET RUO
- Mark Edwards appointed new company secretary/CFO effective 2 November.

Profile increasing for exosome space, with major events providing exposure

The emerging field of exosome capture has seen increased attention in recent months, with some major events in Australia providing an opportunity for investors to learn about this cutting-edge science. The AusBiotech conference was held in Perth on 26–28 October, with a presentation by IIQ CEO Dr Learne Hinch as part of the AusBioInvest stream. The Australia and New Zealand Society for Extracellular Vesicles 2002 Conference will take place on 9–11 November in Surfers Paradise. With its cutting-edge technology in this space, IIQ is poised to benefit from increased investor awareness and interest in exosome capture science.

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.

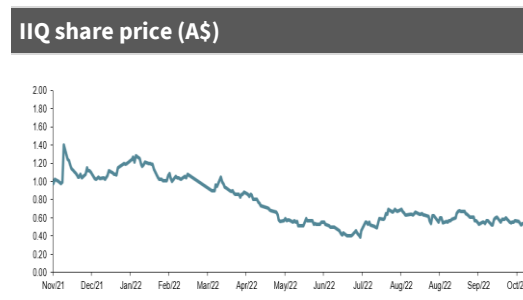


INOVIQ is developing and commercialising next-generation exosome capture tools and precision diagnostics to improve the diagnosis and treatment of cancer and other diseases. The Company has commercialised the EXO-NET pan-exosome capture tool for research purposes and the hTERT test as an adjunct to urine 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\$0.54
Market cap	A\$49 m
Valuation	A\$2.11 (Unchanged)

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

Share price catalysts – 2H CY22	
SubB2M clinical testing – BC and OC monitoring	
Exosome-based OC test development progress	



Source: FactSet.

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Financials

Exhibit 1: Summary financials

INOVIQ LTD IIQ						IIQ-AU
Year end 30 June, AUD unless otherwise noted						
MARKET DATA						
Price	\$	0.54				
52 week high / low	\$	0.39-1.4				
Valuation	\$	2.11				
Market capitalisation	\$m	49.2				
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	41.9	45.5	34.8	43.2	42.2
EV/EBITDA	x	(12.9)	(3.5)	(1.9)	(4.5)	(4.7)
EV/EBIT	x	(12.9)	(3.2)	(1.7)	(4.2)	(4.4)
Price to book (NAV)	x	1.6	1.7	1.7	2.6	2.5
Price to NTA	x	1.6	16.9	3.0	6.2	5.5
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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