

4Dmedical Limited

Positive developments in 3Q24

4DX's 3Q24 update was broadly in-line with expectations from a cash flow perspective (3Q24 FCF -\$6.5m vs OMLe -\$14m for 2H24E) and highlighted ongoing positive developments in the US and Australia. US commercialisation momentum continues with a Philips reseller agreement imminent (May-June) and pressure being applied on the VA to initiate screening programs / deploy PACT funding (XV pilot program looms as a key catalyst). Imbio is tracking well with revenue in-line (OMLe A\$1.1m in 3Q24), cost synergies ahead and new deals being signed. In Australia, sites, referrers and scans all increased across I-MED and Integral Diagnostics networks. XV Technology remains strongly positioned to disrupt the >US\$31b global respiratory diagnostics market, with its software products offering a step-change in diagnostic capability vs incumbent modalities. We maintain our Spec Buy recommendation and \$1.20 TP.

3Q24 – Commercialisation continues, cash burn reduces

4DX delivered 3Q24 operating revenue of A\$1.4m (+54% vs pro forma pc), cash receipts of A\$1.1m (vs A\$0.2m in 2Q24) and net operating cash flow of -A\$6.4m (vs -A\$8.1m in 2Q24). Net operating cashflow was boosted by A\$6.7m of grants/incentives received but also included -A\$2.4m of one-off costs associated with the acquisition of Imbio. At 31-Mar-24, 4DX had a cash balance of A\$41.7m, representing 6 quarters of available funding with a reducing cash-burn profile (OMLe continues to forecast FCF break-even in 2H26E).

Philips reseller agreement, VA updates loom as catalysts

We expect to see 4DX execute its reseller agreement with Philips this quarter, allowing the company to scale rapidly into the potential VA opportunity (Philips hardware in >50% of VA hospitals, OMLe >US\$0.9b TAM) and more broadly in the US (Department of Defence, IDNs, etc). Furthermore, pressure remains on the VA to formalise veteran screening programs (90 days from Mar-24 to show efforts to Congress) with 18 US Senators signing a letter on 15-Apr-24, urging the VA to expedite implementation of the PACT Act (US\$280b of funding over 10 years).

Maintain Spec Buy, Target price \$1.20 (unchanged)

We value 4DX at \$1.20ps using a DCF methodology (WACC 10.7%, TGR 2.5%) and maintain our Speculative Buy rating.

Year-end June (\$)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (\$m)	1.1	0.7	4.4	26.5	58.0
EBITDA (\$m)	(22.9)	(28.9)	(28.3)	(17.2)	0.2
EBIT (\$m)	(24.4)	(31.4)	(31.5)	(21.2)	(5.0)
Reported NPAT (\$m)	(24.6)	(31.4)	(32.1)	(20.1)	(4.5)
Reported EPS (c)	(7.7)	(9.6)	(7.9)	(4.8)	(1.1)
Normalised NPAT (\$m)	(24.6)	(31.4)	(29.7)	(20.1)	(4.5)
Normalised EPS (c)	(7.7)	(9.6)	(7.3)	(4.8)	(1.1)
Dividend (c)	-	-	-	-	-
Net Yield (%)	-	-	-	-	-
Franking (%)	-	-	-	-	-
Normalised ROE (%)	-	-	-	-	-

Source: OML, Iress, 4Dmedical Limited

Last Price

A\$0.61

Target Price

A\$1.20

Recommendation

Speculative Buy

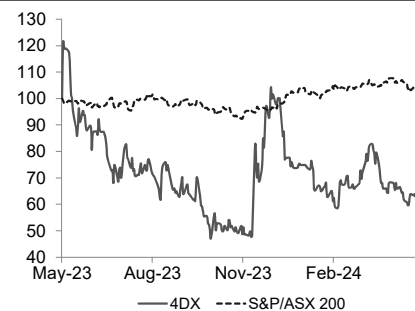
Risk

Higher

Health Care Technology

ASX Code	4DX
52 Week Range (\$)	0.45 - 1.16
Market Cap (\$m)	231.5
Shares Outstanding (m)	379.4
Av Daily Turnover (\$m)	0.0
3 Month Total Return (%)	4.3
12 Month Total Return (%)	-28.2
Benchmark 12 Month Return (%)	4.6
NTA FY24E (¢ per share)	0.4
Net Cash FY24E (\$m)	33.9

Relative Price Performance



Source: FactSet

Consensus Earnings

	FY24E	FY25E
NPAT (C) (\$m)	(29.3)	(22.6)
NPAT (OM) (\$m)	(29.7)	(20.1)
EPS (C) (c)	(7.5)	(5.7)
EPS (OM) (c)	(7.3)	(4.8)

Source: OML, Iress, 4Dmedical Limited

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3Q24 operational & cash flow update

- 4DX's 3Q24 update was broadly in-line with expectations from a cash flow perspective (3Q24 FCF -\$6.5m vs OMLe -\$14m for 2H24E) and highlighted ongoing positive developments in the US and Australia.
- Revenue:** 4DX delivered 3Q24 operating revenue of A\$1.4m (+54% vs pro forma pcp). YTD operating revenue has lifted to A\$2.2m (+28% vs pro forma pcp).

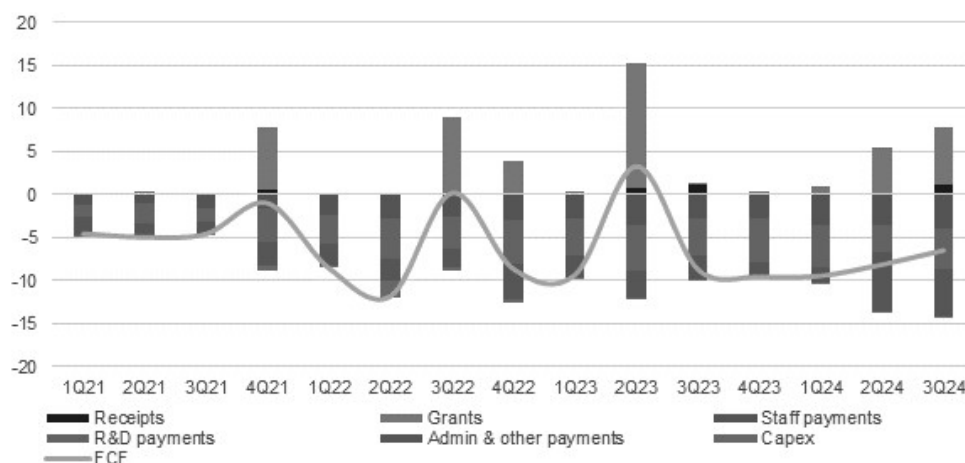
Figure 1: 3Q24 cash flow update

A\$m	3Q23	4Q23	1Q24	2Q24	3Q24	vs tp	vs pcp
Customer receipts	1.2	0.2	0.2	0.2	1.1	0.9	-0.1
Grants & incentives	0.1	0.0	0.7	5.4	6.7	1.3	6.5
Staff payments	-2.8	-2.8	-3.5	-3.5	-3.9	-0.4	-1.1
R&D payments	-4.3	-5.0	-4.8	-3.1	-4.7	-1.6	-0.4
Admin & other payments	-2.8	-1.7	-1.8	-7.0	-5.6	1.4	-2.8
Net operating cash flow	-8.5	-9.3	-9.3	-8.1	-6.4	1.7	2.1
Capex	-0.2	-0.3	-0.1	-0.1	-0.1	0.0	0.1
FCF	-8.7	-9.5	-9.4	-8.1	-6.5	1.6	2.2

Source: Company data, OMLe (tp = trailing period, pcp = prior corresponding period)

- Cash flows:** Cash receipts lifted to A\$1.1m (vs A\$0.2m in 2Q24) and net operating cash flow improved to -A\$6.4m (vs -A\$8.1m in 2Q24). Net operating cash flow was boosted by A\$6.7m of grants/incentives received but also included -A\$2.4m of one-off costs associated with the acquisition of Imbio.
- Balance sheet:** At 31-Mar-24, 4DX had a cash balance of A\$41.7m, representing 6 quarters of available funding with a reducing cash-burn profile (OMLe continues to forecast FCF break-even in 2H26E).

Figure 2: 4DX - Composition of longer-term cash flows (A\$m)



Source: Company data, OMLe

Valuation and forecast changes

We value 4DX at \$1.20ps (unchanged) using a DCF methodology (WACC 10.7%, TGR 2.5%) and maintain a Speculative Buy rating. We assign a Spec Buy recommendation as we expect the stock's total return to >20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss (per Ords recommendation definitions).

Our DCF valuation is driven by:

- FY24E revenue of A\$4.4m, increasing to A\$26m in FY25E with a 71% 3yr revenue CAGR thereafter. Longer-term we model 10% revenue growth noting our TAM penetration rates remain modest even in outer-years (i.e. US penetration of 0.6% in FY30E);
- Long-term GMs of 90% and EBITDA margins of 39-40%;
- Minimal levels of working capital and capex (3% of sales) long-term per 4DX's capital light business model;
- Our WACC of 10.7% is underpinned by: 1) cost of equity 12.2%; 2) risk free rate of 4%; and, 3) target gearing of 20%; and,
- Our terminal growth rate for 4DX is 2.5%.

We have made no changes to forecasts with net cash flows broadly in-line. We forecast A\$4.6m of XV Technology revenues in 1H25E (A\$0.5m in 2H24E), predicated on VA/Philips commercialisation coming through (at risk if timelines push out from here).

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PROFIT & LOSS (A\$m)	2022A	2023A	2024E	2025E	2026E
Revenue	1.1	0.7	4.4	26.5	58.0
Operating costs	(36.3)	(42.7)	(43.9)	(52.6)	(62.8)
Operating EBITDA	(22.9)	(28.9)	(28.3)	(17.2)	0.2
D&A	(1.5)	(2.6)	(3.1)	(4.0)	(5.1)
Non-operating items	-	-	-	-	-
EBIT	(24.4)	(31.4)	(31.5)	(21.2)	(5.0)
Net interest	(0.1)	0.3	1.9	1.1	0.5
Pre-tax profit	(24.5)	(31.1)	(29.6)	(20.1)	(4.5)
Net tax (expense) / benefit	(0.0)	(0.3)	(0.0)	-	-
Significant items/Adj.	-	-	(2.4)	-	-
Associate NPAT	-	-	-	-	-
Normalised NPAT	(24.6)	(31.4)	(29.7)	(20.1)	(4.5)
Reported NPAT	(24.6)	(31.4)	(32.1)	(20.1)	(4.5)
Normalised dil. EPS (cps)	(7.7)	(9.6)	(7.3)	(4.8)	(1.1)
Reported EPS (cps)	(7.7)	(9.6)	(7.9)	(4.8)	(1.1)
Effective tax rate (%)	(0.2)	(1.0)	(0.2)	-	-
DPS (cps)	-	-	-	-	-
DPS (cps)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Payout ratio (%)	-	-	-	-	-
Franking (%)	-	-	-	-	-
Diluted # of shares (m)	317.8	326.8	406.3	417.7	417.7

CASH FLOW (A\$m)	2022A	2023A	2024E	2025E	2026E
EBITDA incl. adjustments	(60.4)	(66.0)	(65.3)	(33.2)	1.4
Change in working capital	22.6	27.9	30.0	14.3	(3.5)
Net Interest (paid)/received	12.6	15.4	7.9	1.1	0.5
Income tax paid	-	-	-	-	-
Other operating items	-	-	-	-	-
Operating Cash Flow	(25.3)	(22.7)	(27.5)	(17.8)	(1.6)
Capex	(3.1)	(0.7)	(0.9)	(1.3)	(1.7)
Acquisitions	-	-	(38.7)	-	-
Other investing items	(0.4)	(0.9)	(0.4)	-	-
Investing Cash Flow	(3.5)	(1.6)	(40.1)	(1.3)	(1.7)
Inc/(Dec) in equity	-	45.0	35.0	-	-
Inc/(Dec) in borrowings	-	-	-	-	-
Dividends paid	-	-	-	-	-
Other financing items	(1.0)	(2.2)	(3.1)	(1.1)	(1.1)
Financing Cash Flow	(1.0)	42.7	31.9	(1.1)	(1.1)
FX adjustment	-	-	-	-	-
Net Inc/(Dec) in Cash	(29.8)	18.5	(35.7)	(20.2)	(4.4)

BALANCE SHEET (A\$m)	2022A	2023A	2024E	2025E	2026E
Cash	51.1	69.6	33.9	13.7	9.3
Receivables	2.1	0.8	1.0	4.6	9.2
Inventory	0.0	0.7	0.1	0.1	0.1
Other current assets	5.6	7.5	11.6	11.6	11.6
PP & E	5.5	5.5	4.8	3.8	3.1
Investments	-	-	-	-	-
Financial Assets	-	-	-	-	-
Intangibles	5.1	5.1	73.1	71.4	68.7
Other non-current assets	4.9	3.8	3.3	3.3	3.3
Total Assets	74.3	92.9	127.8	108.6	105.3
Short term debt	1.1	0.9	-	-	-
Payables	7.2	12.8	7.9	8.7	9.9
Other current liabilities	1.3	3.3	26.6	26.6	26.6
Long term debt	5.1	4.2	-	-	-
Other non-current liabilities	0.1	0.2	18.7	18.7	18.7
Total Liabilities	14.8	21.5	53.2	54.0	55.2
Total Equity	59.5	71.5	74.6	54.6	50.1
Net debt (cash)	(44.9)	(64.4)	(33.9)	(13.7)	(9.3)

Speculative Buy

DIVISIONS	2022A	2023A	2024E	2025E	2026E
Revenue (A\$m)					
LVAS revenue	1.1	0.7	1.1	15.1	41.0
Imbio revenue	-	-	3.3	11.4	17.0
Other income	12.3	13.2	11.1	9.0	5.0
Total Revenue	13.4	13.9	15.5	35.5	63.0

KEY METRICS (%)	2022A	2023A	2024E	2025E	2026E
Revenue growth	385.7	(31.8)	514.0	499.8	118.9
EBITDA margin	-	-	-	-	0.3
OCF / EBITDA	164.9	131.9	124.8	110.2	-
EBIT margin	-	-	-	-	-
Return on assets	-	-	-	-	-
Return on equity	-	-	-	-	-

VALUATION RATIOS (x)	2022A	2023A	2024E	2025E	2026E
Reported P/E	-	-	-	-	-
Price To Free Cash Flow	-	-	-	-	-
Price To NTA	3.3	2.8	149.7	-	-
EV / EBIT	-	-	-	-	-

LEVERAGE	2022A	2023A	2024E	2025E	2026E
ND / (ND + Equity) (%)	(306.6)	(917.6)	(83.2)	(33.6)	(22.8)
Net Debt / EBITDA (%)	195.6	223.3	119.7	80.0	(5,241.4)
EBIT Interest Cover (x)	-	100.2	16.9	18.8	10.6
EBITDA Interest Cover (x)	-	92.0	15.2	15.2	-

SUBSTANTIAL HOLDERS	m	%
Dr Andreas Fouras & Helen Fouras	65.7	17.3%
Norges Bank	8.7	2.3%
Ryder Inn Fund LP	6.3	1.7%

VALUATION	
Cost of Equity (%)	12.2
Cost of debt (after tax) (%)	6.5
WACC (%)	10.7

Target Price Method	DCF
Target Price (\$)	1.20
Valuation disc. / (prem.) to share price (%)	96.7

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SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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