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SubB2M/CA15-3 test: beats leading breast cancer test by 19%

NEED TO KNOW

- SubB2M/CA15-3 detects key subtypes of breast cancer (BC) and outperforms leading test by 19%
- Monitoring of BC equivalent to leading test
- Focus moves to partnering and commercialisation

SubB2M/CA15 3 test outperforms approved CA15-3 test in detecting breast cancer: INOVIQ (IIQ) has reported the results of its SubB2M/CA15-3 BC monitoring study. IIQ's test detected breast cancer across key subtypes (HR+, HER2+, TNBC), and exhibited superior performance compared to an FDA-cleared test (Roche's Elecsys CA15-3 II), identifying 19% more histologically confirmed cases (i.e., cases confirmed by analysis of tissue samples under a microscope).

SubB2M/CA15-3 test equivalent to approved CA15-3 test in monitoring breast cancer: The study's monitoring leg found that IIQ's test was comparable to or as effective as the reference standard in monitoring breast cancer.

Next steps focus on plans to progress partnering, clinical adoption: IIQ now plans to present the SubB2M/CA15-3 test data package to potential partners and key opinion leaders. The company aims to secure a US partner and raise awareness of the product and its clinical utility in breast cancer management.

IIQ will also sponsor a larger in-clinic trial to further validate the performance of its test for monitoring breast cancer treatment, which should further support clinical adoption.

Investment Thesis

Diversified portfolio of proprietary technology platforms and products: IIQ's portfolio is wide, with its EXO-NET and SubB2M technologies creating substantial new opportunities across its research tool and diagnostics business, as well as potential future royalties from BARD1.

Collaboration with UQ to develop ovarian cancer screening test using EXO-NET technology: This collaboration combines best-in-class exosome capture technology with University of Queensland (UQ) biomarkers for application in exosome-based liquid biopsies for screening ovarian cancer in asymptomatic women.

SubB2M platform: strong data in ovarian, breast cancers support potential to supercharge current tests and monitor disease progression: The company expects that the SubB2M-CA15-3 breast cancer test could be ready for partnering with a clinical laboratory for commercialisation as a LDT in CY24.

Valuation

We value IIQ at A\$213m or A\$2.31 per share, 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.

Risks

Key risks to our valuation include demonstrating efficacy, establishing clinical utility, and meeting regulatory requirements.

Equities Research Australia

Pharmaceuticals, Biotechnology and Life Sciences

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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. <https://www.inoviq.com/>

Valuation	A\$2.31 (unchanged)
Current price	A\$0.70
Market cap	A\$64m
Cash on hand	A\$5.97m (31 December 2023)

Upcoming Catalysts/Newsflow

Period	
2QFY24	Results of SubB2M SPR feasibility study
2QFY24	Results of SubB2M/CA125 OC analytical validation study
2QFY24	Progress in SubB2M partnering
2HFY24	Results of SubB2M/CA125 OC clinical validation studies
2HFY24	New EXO-NET collaborations / partnering
2HFY24	Progress EXO-OC test collaboration and clinical data
2HFY24	Commercial progress of SubB2M/CA15-3 LDT

Share Price (A\$)



Source: FactSet, MST Access.

Financial Summary

INOVIQ LTD IIQ

IIQ-AU

Year end 30 June, AUD unless otherwise noted

MARKET DATA

Price	\$	0.67
52 week high / low	\$	0.47-0.94
Valuation	\$	2.31
Market capitalisation	\$m	61.2
Shares on issue (basic)	m	92.0
Options / rights	m	2.6
Other equity	m	0.0
Shares on issue (diluted)	m	94.6

12-MONTH SHARE PRICE PERFORMANCE (A\$)



INVESTMENT FUNDAMENTALS

		FY22A	FY23A	FY24E	FY25E	FY26E
Reported NPAT	\$m	(18.2)	(9.0)	(8.5)	(5.0)	(0.0)
Underlying NPAT	\$m	(18.2)	(9.0)	(8.5)	(5.0)	(0.0)
Reported EPS (diluted)	¢	(20.0)	(9.7)	(9.3)	(4.5)	(0.0)
Underlying EPS (diluted)	¢	(20.0)	(9.7)	(9.3)	(4.5)	(0.0)
Growth	%					
Underlying PER	x	nm	nm	nm	nm	nm
Operating cash flow per share	¢	(6.7)	(7.6)	(6.4)	(3.1)	0.9
Free cash flow per share	¢	(7.1)	(8.0)	(6.9)	(3.2)	0.8
Price to free cash flow per share	x	nm	nm	nm	nm	87.5
FCF Yield	%	nm	nm	nm	nm	1.1%
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	46.8	46.8	54.1	51.8	50.7
EV/EBITDA	x	(2.6)	(6.0)	(7.5)	(13.8)	47.2
EV/EBIT	x	(2.3)	(5.2)	(6.3)	(10.4)	(1,038.7)
Price to book (NAV)	x	2.2	3.1	3.5	3.8	3.8
Price to NTA	x	3.7	6.8	6.4	6.4	6.0

KEY RATIOS

		FY22A	FY23A	FY24E	FY25E	FY26E
EBITDA margin	%	nm	nm	nm	nm	8.0
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	\$	0.2	0.1	0.1	0.1	0.1
Book value per share	\$	0.3	0.2	0.2	0.2	0.2
Net debt/(cash)	\$m	(14.4)	(14.4)	(7.1)	(9.4)	(10.5)
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

		FY22A	FY23A	FY24E	FY25E	FY26E
Net Profit Margin	%	nm	nm	nm	nm	nm
Asset Turnover	x	0.0	0.0	0.1	0.3	0.6
Return on Assets	%	nm	nm	nm	nm	nm
Leverage	x	1.1	1.1	1.1	1.1	1.1
Return on Equity	%	nm	nm	nm	nm	nm

KEY PERFORMANCE INDICATORS

		FY22A	FY23A	FY24E	FY25E	FY26E
SubB2M				0.0	0.0	0.2
SubB2M				0.0	0.2	1.9
EXO-NET Research Use Only				0.0	1.1	3.9
EXO-NET DX (Clinical)				0.0	0.0	0.0
hTert		0.5	0.27	0.4	0.3	0.3

HALF YEARLY DATA

		2H21	1H22	2H22	1H23	2H23
Product revenue	\$m	0.3	0.1	0.2	0.2	0.2
Operating expenses	\$m	(11.9)	(4.4)	(17.9)	(6.3)	(4.5)
EBITDA	\$m	(9.9)	(3.3)	(14.9)	(5.6)	(3.4)
EBIT	\$m	(10.8)	(3.3)	(17.0)	(5.6)	(3.4)
PBT	\$m	(10.8)	(3.3)	(17.0)	(5.6)	(3.4)
Reported NPAT	\$m	(7.9)	(2.7)	(15.5)	(5.6)	(3.4)

PROFIT AND LOSS

		FY22A	FY23A	FY24E	FY25E	FY26E
Product revenue	\$m	0.3	0.4	1.6	6.4	13.4
Other income	\$m	1.8	1.5	0.9	1.2	1.2
Operating expenses	\$m	(22.3)	(10.9)	(10.7)	(10.7)	(10.8)
EBITDA	\$m	(18.2)	(7.8)	(7.2)	(3.7)	1.1
Depreciation & Amortisation	\$m	(2.1)	(1.2)	(1.3)	(1.2)	(1.1)
EBIT	\$m	(20.3)	(9.0)	(8.5)	(5.0)	(0.0)
Interest expense	\$m	(0.1)	0.0	(0.1)	(0.1)	(0.1)
Pretax Profit	\$m	(20.3)	(9.0)	(8.5)	(5.0)	(0.0)
Tax expense	\$m	2.1	0.0	0.0	0.0	0.0
Reported NPAT	\$m	(18.2)	(9.0)	(8.5)	(5.0)	(0.0)
Weighted average diluted shares	m	92.0	92.0	111.6	121.4	121.4

GROWTH PROFILE

		FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	%	(41.5)	32.6	(16.9)	5.0	5.0
EBITDA	%	38.4	(56.9)	(7.9)	(48.0)	(128.7)
EBIT	%	44.4	(55.7)	(4.8)	(41.6)	(99.0)
Reported NPAT	%	63.2	(50.7)	(4.8)	(41.6)	(99.0)

BALANCE SHEET

		FY22A	FY23A	FY24E	FY25E	FY26E
Cash	\$m	15.4	7.8	9.8	10.7	11.6
Receivables	\$m	1.7	1.2	1.2	1.2	1.2
Other	\$m	0.4	0.4	0.4	0.4	0.4
Current assets	\$m	17.5	9.4	11.4	12.2	13.2
PPE	\$m	0.8	0.9	1.3	1.3	1.3
Intangible assets	\$m	11.7	10.7	9.5	8.4	7.5
Goodwill	\$m	0.0	0.0	0.0	0.0	0.0
Other	\$m	0.9	0.6	0.5	0.4	0.4
Non current assets	\$m	13.3	12.1	11.3	10.2	9.2
Total assets	\$m	30.8	21.5	22.6	22.4	22.4
Trade and other payables	\$m	1.0	0.8	0.8	0.8	0.8
Lease liabilities	\$m	0.4	0.4	0.2	(0.0)	(0.0)
Other	\$m	0.4	0.4	0.4	0.4	0.4
Current liabilities	\$m	1.8	1.5	1.4	1.2	1.2
Lease liabilities	\$m	0.6	0.4	0.2	0.2	0.2
Other liability	\$m	0.0	0.0	0.0	0.0	0.0
Non current liabilities	\$m	0.7	0.4	0.2	0.2	0.2
Total liabilities	\$m	2.5	1.9	1.6	1.3	1.3
Net assets	\$m	28.3	19.6	21.1	21.1	21.0
Share capital	\$m	69.1	69.1	79.1	84.1	84.1
Retained earnings	\$m	(41.9)	(51.1)	(59.6)	(64.6)	(64.7)
Other	\$m	1.1	1.6	1.6	1.6	1.6
Total equity	\$m	28.3	19.6	21.1	21.1	21.0

CASH FLOW

		FY22A	FY23A	FY24E	FY25E	FY26E
Net loss for period	\$m	(18.2)	(9.0)	(8.5)	(5.0)	(0.0)
Depreciation & Amortisation	\$m	(2.1)	(1.2)	(1.3)	(1.2)	(1.1)
Changes in working capital	\$m	(1.1)	0.2	0.0	0.0	0.0
Other	\$m	15.2	2.9	2.7	2.5	2.2
Operating cash flow	\$m	(6.1)	(7.0)	(7.2)	(3.7)	1.1
Payments for PPE	\$m	(0.4)	(0.3)	(0.5)	(0.2)	(0.2)
Other	\$m	0.0	0.0	0.0	0.0	0.0
Investing cash flow	\$m	(0.4)	(0.3)	(0.5)	(0.2)	(0.2)
Equity	\$m	18.5	0.0	10.0	5.0	0.0
Lease liability payments	\$m	(0.3)	(0.3)	(0.3)	(0.2)	0.0
Other	\$m	(1.2)	0.0	0.0	(0.0)	0.0
Financing cash flow	\$m	17.0	(0.3)	9.7	4.8	0.0
Cash year end	\$m	15.4	7.8	9.8	10.7	11.6
Free cash flow	\$m	(6.6)	(7.3)	(7.7)	(3.9)	0.9

Source: Company reports, MST Access estimates

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