

CEO on Update

Open Briefing interview with CEO Sam Hupert



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In this Open Briefing®, Sam discusses:

- Yale New Haven Health contract win
- USA market share and scope for further growth
- Pro Medicus' capacity to implement
- The recent RSNA conference and Pro Medicus' artificial intelligence offering

Record of interview:

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Pro Medicus announced a 7 year, \$18m contract with Yale New Haven Health on 17th November which will see the implementation of Visage across their business. Can you tell us how the economics of this work and how you expect the revenues and volumes to ramp up over time?

CEO Sam Hupert

The Yale contract is similar to most of the contracts we've written in the US over the last few years in that it's a transaction-based model with guaranteed minimums in place. Implementation is scheduled to commence early in the new year and we expect the project will be completed in around 6 months subject to finalising the project plan. So revenue will start flowing in earnest in the second half of FY18.

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Where does this contract, plus the others you have won in the USA, position Pro Medicus in the USA in terms of market share, quality of your client base, your size versus your competitors and room for further expansion?

CEO Sam Hupert

This is a sizable contract so it will have a positive impact on our footprint in the US. But I think it is more than that. It also has to do with the quality of the client base and there is no question that Yale is one of the most highly respected academic institutions in the US. Our first academic/University client was the University of Florida but we have picked up a number of others since then including Mayo Clinic, which we announced in July 2016 and now Yale. So I think we are building a strong reputation as a company that can cater for the high-end, sophisticated requirements of these sorts of institutions. We think this augurs well for us as others in this space look towards their peers; those who are known to be thought-leaders and Yale is definitely one of those institutions.

In terms of our market share, it's clearly growing but we still think we're under 5% of the addressable market based on the number of diagnostic imaging examinations performed per year. So there is still a lot of runway ahead of us.

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What is your capacity in the USA to take on more work and maintain the very strong track record that Pro Medicus has of implementing on or ahead of time?

CEO Sam Hupert

I think our track record of successful implementations is key to our ongoing success and is as important as the technology itself. Over the past 12 months, we've been able to successfully complete a number of very sizeable projects some in less than a third to a quarter the time of the original project plan. There were also one or two implementations that were previously held up because third parties involved in the project were running late, but we've now completed those as well. So we've been able to clear the decks and are on, or ahead of schedule with the rest of our implementations. Two out of four regions at Mayo have been fully implemented and the other two are on schedule for next year and clearly Yale is ahead of us, but we're confident we can take on new clients and be able to implement them in a timely manner.

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You have just returned from the RSNA, the largest radiology conference in the world where PME had a significant trade display. How important is the RSNA to you, what was the feedback from the conference and were there any key/overriding themes?

CEO Sam Hupert

RSNA is *the* conference when it comes to radiology, it's the de facto world conference. In any one year anywhere between 50,000 and 60,000 people attend. It is by far our biggest spend in terms of marketing dollars. Brad Levin, our Head of Marketing, literally spends months planning for this show and we have a large presence certainly for a pure IT company.

The RSNA is where we get to meet a good percentage of our sales opportunities from both the US and internationally. Many of the groups who come to see us, especially the larger groups, book appointments in advance and this year we had the largest number of advance bookings. Our stand had the capacity to perform up to eight concurrent demonstrations, and at times all eight stations, including our theatre which is designed for demonstrations to large groups, were fully booked and active. So from a sales perspective we think this RSNA was our best to date, not only in terms of numbers but also the quality of people who came to see us.

The other thing about RSNA is that you tend to get a good feel of what else is happening in the industry and in particular, whether there are any new or competing technologies. We didn't have anyone coming up saying they saw anything better or even anything equal to Visage which is clearly important to us so we still believe that our technology is 18 months to 2 years ahead.

In terms of key themes, AI was number one two and three. Not only was there a separate showcase section where we also had a booth, but virtually every vendor wanted to show that in some way, shape or form they were involved with AI. It was definitely *the* hot topic at the RSNA.

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You unveiled Visage's Artificial Intelligence offerings at the RSNA Machine Learning Showcase in Chicago in November of this year. Can you tell us what your offerings are and where this places you versus the competition?

CEO Sam Hupert

We think that AI is an emerging technology that will impact radiology in a number of areas and that we are very well positioned to benefit from the technology as it emerges.

Firstly, our platform is unique in that it is ideally suited to cater for both the research as well as clinical/diagnostic requirements of AI which we hope will make us the platform of choice. That's incredibly important particularly for these large institutions who need to analyse hundreds, if not thousands of examinations in order to refine or "teach" their algorithms, and being able to use Visage as that platform, and then being able to test it and release it in production on the same platform we think makes us unique.

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We are also looking at how AI can be used within Visage to further improve radiologist's efficiency and clinical accuracy by automating some of the tasks that are "semiautomatic" such as measurements, organ and lesion segmentation and other areas that require radiologist intervention.

And finally, there's the ability to integrate and run algorithms that can assist with diagnostic accuracy. We don't think there will be any one company that can produce all the algorithms, there may be hundreds so we have intentionally made Visage an open platform that can integrate third party algorithms as well as any we may produce giving the customer the choice of what works best for them.

So I think our approach is more than simply being able to integrate third party algorithms, we have adopted a more holistic approach to the use of AI.

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What are the economics of your AI offering including R&D you've invested into this, ongoing cost and the revenue potential from it? Will AI be absorbed as part of your normal offering to clients or a separate product?

CEO Sam Hupert

Whilst many are talking about AI as if it's "here and now", I think the reality is that is still a while away from being widely used in radiology but not too long – what I refer to as "over the horizon".

As mentioned above, AI will play multiple roles for us. The first is within the product to make things even more automated and easier for a radiologist further setting us apart.

The second is to position Visage as the platform of choice to run and visualise the output of diagnostic algorithms. Use of those algorithms will most likely be on a pay per use basis so clearly there would be some commercial/revenue sharing aspect if the algorithms were provided by a third party. There is also the possibility that we will develop our own algorithms or develop them in conjunction with some of our more research oriented clients. Again, we envisage these would be licenced on a pay per use model. And, there are some other revenue models we are looking at.

In terms of funding, it's early days so our current funding requirements are relatively small and are being funded out of our current R&D budget. If our funding requirements in this area grow, then we will look to allocate some of our cash reserves to these opportunities as part of a "special projects" program. We are also open to partnerships and/or acquisitions, so depending on the size of the opportunity, we would either use cash reserves or other funding mechanisms; all of which are available to us.

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Thank you Sam.

For more information about Pro Medicus, visit www.promedicus.com or call Sam Hupert on (+61 3) 9429 8800.

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