

11 September 2020

**Interview with Dr. Sam Hupert, CEO Pro Medicus [ASX: PME]**

- **\$25m NYU Langone contract**
  - **Multi-year Research Collaboration Agreement**
  - **PME to establish R&D hub in New York City**
  - **Update on pipeline**
1. **You announced today a \$25m seven-year deal with NYU Langone Healthcare (NYU Langone) a deal of roughly similar size to the one you announced on 1 June 2020 with Northwestern Memorial Healthcare (\$22m, five-years). Apart from size, how similar are they and were you surprised that you were able to back up the Northwestern announcement so quickly?**

A: NYU Langone and Northwestern Memorial are rated in the top ten hospitals in North America and are academic institutions that are major health providers in their respective cities – New York and Chicago. They both have renowned medical schools, Feinberg in Chicago and Grossman in NYC, so they do share a lot of similarities. We have been working on these deals independently for a number of years; the fact that they have been signed so closely together timewise is more circumstance than anything else. But as we have said, there are a growing number of large health systems looking to replace their legacy systems, so it is not inconceivable that timing of when they do so coincides and this was a prominent example.

2. **The deal with NYU Langone is transaction-based with committed minimums. Is this the same model you have used with others and what if any impact has COVID had on the structure of the deal?**

A: It is very much the same model that we have used in our other deals. There are minimums based on a percentage of their normal volumes with any transaction numbers that they do above those minimums charged at the same per-examination rate. So, there is inherent upside, particularly as our clients grow and NYU Langone has grown its radiology business considerably over the past four to five years and they are looking to continue to do so.

The only impact that COVID has had is the timing of the phase-in period during which the minimums are reduced. For large health systems we normally do this in the first year giving them time to roll out Visage to all their locations, but in this case we have extended it in part into the 2<sup>nd</sup> year to give them a buffer just in case there is a 2<sup>nd</sup> wave of COVID which hopefully won't happen. That being said, things have pretty much returned to near normal in terms of radiology volumes on the East coast of the US and if it stays this way, the extension of the phase-in period will be academic as actual volumes will be well above the minimums by then.

- 3. You mention that Visage will be implemented across all of NYU Langone’s radiology facilities including sub-speciality departments such as Breast Imaging with implementation expected in Q3 FY21. Can you tell us a bit more about this?**

A: The deal is for the whole of NYU’s radiology business, which includes six major hospitals and a number of community and outpatient imaging centres. A single instance of Visage will replace their legacy PACS across all their locations as well as those in sub-specialty departments that had their own separate systems such as breast imaging. The implementation for the main group of hospitals is scheduled for early Q3 FY 21, but there is the possibility that some departments could be implemented before then. Even pre-COVID, 80%+ of our implementation – which includes project-planning, server-build and integration-testing – was done remotely so we are already working on that. Hopefully, by early next calendar year we will be able to go on-site for end-user training, but if not, we will do it remotely just like we did with OSU.

- 4. Where does NYU Langone sit in the spectrum of tier-one academic hospitals in the US, and therefore how important was it that you signed them as a client? What does this say about Visage and its footprint in the US imaging market?**

A: As mentioned above, they are in the top ten hospitals in North America so they are certainly part of an elite group that includes our other Tier 1 academic clients such as Mayo, Mass General Brigham (Partners), Duke, Yale etc. This, and our recent Northwestern deal, only serve to further reinforce our market leading position.

- 5. You also announced a multi-year research collaboration agreement with NYU Langone and that you will be establishing a new Visage R&D hub in New York. You describe this as a ‘step-change’ in Visage’s evolution. Can you explain what this means for the next phase of PME’s R&D activities?**

A: There were two interrelated agreements that we worked on concurrently. The first was the \$25M commercial contract as mentioned above and the second a multi-year research/collaboration agreement with NYU Langone to develop next-generation imaging products that we will look to commercialise. Under the terms of this agreement, we will have co-located space within NYU which will give us onsite access to their radiologists and imaging scientists. NYU Langone will also become a member of the Visage AI accelerator program.

We are also planning to establish our own Visage R&D hub in New York so that in addition to working on the NYU collaboration, this hub will also be responsible for developing R&D projects with our other research-oriented North American clients. So, two very exciting initiatives that we believe will provide us with significant opportunities.

**6. What sort of Research/R&D will you be concentrating on in New York? How much will be AI-based and how does this impact the research work you are currently doing with Yale and your other academic clients?**

A: There is no question that some of the work that we will be doing with NYU Langone will involve AI and AI integration, but we are looking at a broader picture. Visage changed the paradigm of what a diagnostic imaging (PACS) product should be by integrating 2D, 3D and advanced visualisation into a single platform. So, we are looking at what a future imaging platform would look like in say 3 to 5 years and are investing in the R&D to make that a reality.

As mentioned above, our R&D hub in New York will be actively working with our other tier-one academic clients so we see this as a significant benefit for all.

**7. In addition to having Visage staff in NYC you mention that you are able to 'tap into a new talent pool in New York', who can 'stress test' new technologies ... can you explain why this is important?**

A: We will be sending some of our top people from Berlin to establish our US R&D presence in July-August next year subject to COVID related travel and Visa restrictions being lifted by then. The plan going forward is that we will staff it with a mixture of people from Berlin as well as new hires from the US as there is a large pool of talent we can tap into there so it will be a mix that will evolve over time.

**8. What level of investment do you think this will entail and to what extent will your balance sheet help?**

We are in a unique position both in terms of our technology and our rapidly expanding footprint in the tier 1 academic space in North America and are looking to build on this by developing the next generation of products - what a system would look like in say 3 to 5 years. We see our Research Collaboration agreement with NYU and planned NYC R&D hub as catalysts to achieving this. So yes, as part of this and other initiatives we plan to ramp up our R&D spend which, depending on the timing of new projects, could increase by around 25 to 30 percent from where it is today but this would be more than offset by the increased revenue we will receive from our recent contracts. So even though we will be investing more in R&D, we still think that as a percentage of revenue it will continue to decrease.

**9. How will successful collaborative research be commercialised and can this model be extended to others?**

A: Whilst there is flexibility to determine this on a project by project basis, the default position is for us, Visage, to do the commercialisation as it pertains to our imaging platform. This makes sense as we are geared for this and we have the client base that these future products will be developed for.

Certainly, this model or variations of it, can be readily extended to others where we are already collaborating on research initiatives. This is a key reason we will be setting up our own US R&D Hub – to maximise these opportunities.

**10. How many months/years was this deal in the making?**

A: NYU first looked at us around five years ago, but for various reasons decided to stay with their existing system. We had been in contact on and off during that period with the process starting again in earnest some 12 months ago. They undertook a very extensive evaluation process which involved a number of on-site pilots from a select group of vendors allowing them to test the performance and functionality of various systems on their own network. So, it has been “on and off” for five years, with things developing over the last 12 months. Contracting also took a little longer given there were two contracts to negotiate. This confirms what we have always said about our pipeline –some of these deals can take years to get across the line.

**11. In the last 3 months you have converted two very significant opportunities from pipeline to contract. How does it leave your pipeline and what can we expect from here?**

A: Clearly, these are two sizeable opportunities that transitioned from pipeline to contract in the last few months. Having said that, there are still a number of other opportunities in the pipeline that are progressing through the sales cycle. Pleasingly, these are a mix of size and in different market segments. Some are looking at more than one product, some at cloud, so a good mix. We are also seeing the network effect of our recent wins in terms of new in-bound opportunities.

Thank you, Sam  
Interviewer: Richard Allen  
Oxygen Financial Public Relations

Authorised by the Board of Pro Medicus Limited.