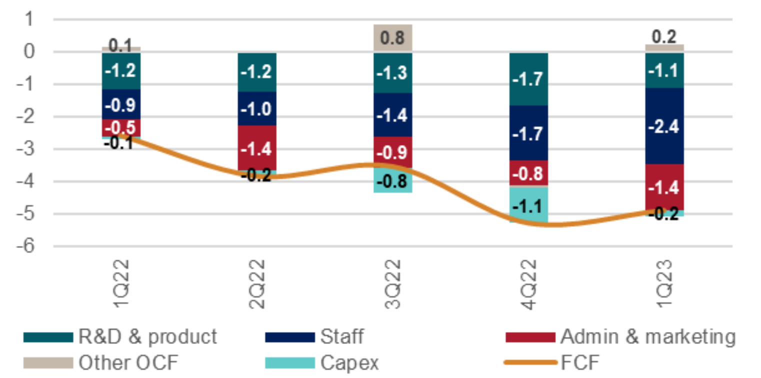
1Q23 update – A sharper focus

AYA's 1Q23 update highlighted a refining of the group's strategy to prioritise product commercialisation and preserve capital. AYA delivered 1Q23 FCF of -$4.9m (vs trailing period at -$5.3m and pcp at -$2.6m), with monthly cash burn at ~$1.7m (vs Sep-22 cash of $30.5m). AYA anticipates its cash burn will reduce short-to-medium term as it streamlines its cost-base to focus on product refinement, regulatory approvals and revenue generation. Key catalysts near-term include: 1) commercial launch in Australia (on track for FY23, 30 prospective sites); 2) updates on the FDA strategy (dual track 510(k)-de novo commencing 2H23); and, 3) UKCA approval timing. We have made minor adjustments to near-term forecasts (revenue and cost timing) resulting in -8% average EBITDA revisions in FY23-25 (with long-term MSTe broadly unchanged). Our valuation (DCF) reduces 6% to $1.35ps.

1Q23 highlights and outlook

1Q23 net operating cash outflows increased to -$4.7m (tp -$4.2m) with staff costs of -$2.4m (tp -$1.7m) and admin costs of -$1.3m (tp -$0.4m) the key drivers. We expect monthly cash burn to be in the range of $1.5-1.6m medium-term, leaving AYA with ~20 months of operational runway. Over 400 scans per month are now being run through SCA in Australia, with pilot feedback driving further product development (improving performance, data ingestion). The US strategy has been recalibrated, with new 510(k) and de novo applications set for early 2H23. Ahead of initial 510(k) approval (MSTe 1H24), non-core management and marketing costs have been scaled back. Elsewhere, in Oct-22 AYA signed a contract with a UK radiology group for internal quality assurance usage (as it progresses towards UKCA approval).

AYA quarterly cash flow breakdown – FCF -$4.9m in 1Q23



Source: Company data, MST

Valuation of $1.35ps (DCF)

AYA's business is capital light, highly scalable and targeting a significant global opportunity (MSTe initial TAM A$0.8-1.2b growing >$3b by FY30E). Our $1.35ps DCF valuation is underpinned by Salix capturing <4% of the market by FY30E ($100m of revenue) at 85% GMs. Execution milestones over the next 12 months include US/UK product approvals, contracting with key imaging/hospital groups and delivering initial revenues. Key risks: regulatory approvals, market conditions, competition and access to funding.

ARTRYA™

Artrya is an AI health-tech company, using data-driven solutions to assist cardiovascular diagnosis. Its core product Salix is a non-invasive diagnostic support solution to detect coronary artery disease. The cloud-based software draws on thousands of computed tomography coronary angiography scans to automatically detect vulnerable plaque, stenosis and other biomarkers in a patient's cardiovascular system.

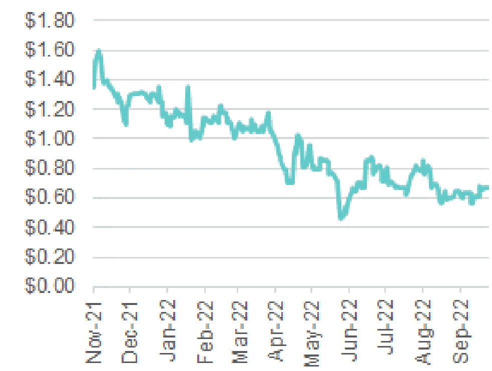
www.artrya.com

Stock	AYA.AX
Price	$0.67
Market cap	$53m
Valuation	$1.35 (was $1.44)

Company data	
Net cash	$30.5m
Shares on issue	78.2m

Next catalysts	
Commercialisation updates	1H23
2Q23 4C report	Jan-23

AYA Share Price (A$)



Source: FactSet

Tom Godfrey, CFA – Senior Analyst
tom.godfrey@mstaccess.com.au

Financials

Year end 30-Jun	Units	FY21	FY22	FY23E	FY24E	FY25E
EV/sales	**x**	**107.1**	**114.2**	**20.5**	**8.8**	**2.7**
EV/EBITDA	x	-5.6	-1.4	-1.3	-1.2	-1.4
EV/EBIT	x	-5.6	-1.3	-1.3	-1.2	-1.2
Div yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	%	-6.4%	-30.3%	-46.1%	-49.8%	-47.0%

Stock information	
Artrya	**AYA.AX**
Share Price ($)	0.67
Valuation ($)	**1.35**
Enterprise value (A$m)	23
Market capitalisation (A$m)	53

Income statement	Units	FY21	FY22	FY23E	FY24E	FY25E
Revenue	**A$m**	**0**	**0**	**1**	**3**	**8**
growth y/y	%	*-49%*	*-6%*	*458%*	*132%*	*226%*
Gross profit	**A$m**	**0**	**0**	**1**	**2**	**6**
Gross margin	%	*100%*	*100%*	*100%*	*70%*	*75%*
EBITDA	**A$m**	**-4**	**-16**	**-17**	**-19**	**-16**
EBITDA margin	%	*-1912%*	*-8360%*	*-1578%*	*-746%*	*-196%*
EBIT	**A$m**	**-4**	**-17**	**-18**	**-19**	**-19**
EBIT margin	%	*-1930%*	*-8463%*	*-1596%*	*-760%*	*-223%*
NPAT	**A$m**	**-4**	**-17**	**-17**	**-19**	**-19**
NPAT margin	%	*-1943%*	*-8708%*	*-1586%*	*-757%*	*-223%*
Reported NPAT	**A$m**	**-4**	**-17**	**-17**	**-19**	**-19**
Reported NPAT margin	%	*-1943%*	*-8708%*	*-1586%*	*-757%*	*-223%*

1H22	2H22	1H23E	2H23E	1H24E	2H24E
0	**0**	**1**	**1**	**1**	**2**
103%	*-24%*	*720%*	*341%*	*60%*	*192%*
0	**0**	**1**	**1**	**1**	**1**
100%	*100%*	*100%*	*100%*	*70%*	*70%*
-7	**-10**	**-9**	**-9**	**-10**	**-9**
-10852%	*-7243%*	*-1757%*	*-1429%*	*-1232%*	*-524%*
-7	**-10**	**-9**	**-9**	**-10**	**-9**
-10887%	*-7376%*	*-1773%*	*-1449%*	*-1252%*	*-535%*
-7	**-11**	**-9**	**-9**	**-10**	**-9**
-10889%	*-7730%*	*-1760%*	*-1442%*	*-1249%*	*-532%*
-7	**-11**	**-9**	**-9**	**-10**	**-9**
-10889%	*-7730%*	*-1760%*	*-1442%*	*-1249%*	*-532%*

Per share data	Units	FY21	FY22	FY23E	FY24E	FY25E
Average diluted shares	m	34	66	78	112	132
EPS	**cps**	**-12**	**-26**	**-22**	**-17**	**-14**
growth y/y	%	*#DIV/0!*	*nm*	*-14%*	*-23%*	*-18%*
Reported EPS	**cps**	**-12**	**-26**	**-22**	**-17**	**-14**
growth y/y	%	*#DIV/0!*	*nm*	*-14%*	*-23%*	*-18%*
DPS	**cps**	**0**	**0**	**0**	**0**	**0**
Payout ratio	%	*0%*	*0%*	*0%*	*0%*	*0%*

1H22	2H22	1H23E	2H23E	1H24E	2H24E
55	77	78	78	101	123
-12	**-14**	**-11**	**-11**	**-10**	**-7**
nm	*nm*	*-6%*	*-21%*	*-12%*	*-34%*
-12	**-14**	**-11**	**-11**	**-10**	**-7**
nm	*nm*	*-6%*	*-21%*	*-12%*	*-34%*
0	**0**	**0**	**0**	**0**	**0**
0%	*0%*	*0%*	*0%*	*0%*	*0%*

Balance sheet	Units	FY21	FY22	FY23E	FY24E	FY25E
Cash	A$m	13	36	11	15	13
Trade receivables	A$m	1	2	2	2	2
Inventories	A$m	0	0	0	0	0
Property, plant & equipment	A$m	0	2	2	3	4
Right-of-use assets	A$m	0	1	1	1	1
Goodwill	A$m	0	0	0	0	0
Intangibles	A$m	1	4	10	17	22
Other assets	A$m	0	0	0	0	0
Total assets	**A$m**	**15**	**44**	**26**	**37**	**42**
Trade payables	A$m	1	1	1	2	2
Provisions	A$m	0	0	0	0	0
Borrowings	A$m	0	0	0	0	0
Lease liabilities	A$m	0	1	1	1	1
Other liabilities	A$m	0	0	0	0	0
Total liabilities	**A$m**	**1**	**3**	**3**	**3**	**3**
Total equity	**A$m**	**14**	**41**	**23**	**34**	**39**
Invested capital	A$m	1	5	12	19	26
Net debt	**A$m**	**-13**	**-36**	**-11**	**-15**	**-13**

Performance metrics	FY22	FY23E	FY24E	FY25E
ROE (%)	-63%	-55%	-67%	-51%
ROIC (%)	nm	-169%	-111%	-77%
Gearing (%)	0%	0%	0%	0%
ND / EBITDA (x)	nm	nm	nm	nm
EBITDA int cover (x)	nm	nm	nm	nm
EBIT int cover (x)	nm	nm	nm	nm
NWC (A$m)	0	1	0	1
Gross OCF / EBITDA (%	nm	nm	nm	nm
Capex / sales (%)	3239%	636%	302%	102%
EBITDA growth (%)	310%	5%	10%	-14%
EBIT growth (%)	311%	5%	10%	-4%
P/FCF (x)	-3.3	-2.2	-2.0	-2.1
P/BV (x)	1.3	2.3	1.6	1.4

Company description - AYA.AX

Artrya

Artrya is an AI health-tech company, using data-driven solutions to assist cardiovascular diagnosis. Its core product Salix is a non-invasive diagnostic support solution to detect coronary artery disease. The cloud-based software draws on thousands of computed tomography coronary angiography scans to automatically detect vulnerable plaque, stenosis and other biomarkers in a patient's cardiovascular system.

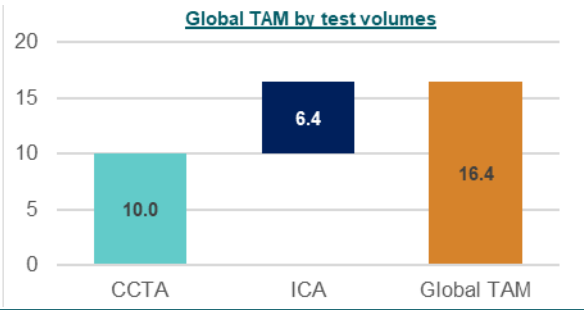
Cash flow statement	Units	FY21	FY22	FY23E	FY24E	FY25E
EBITDA	A$m	-4	-16	-17	-19	-16
Change in NWC	A$m	0	0	0	0	0
Other	A$m	2	7	0	1	0
Gross operating cash flow	A$m	-1	-10	-17	-19	-16
Net interest	A$m	0	0	0	0	0
Tax paid	A$m	0	0	0	0	0
Operating cash flow	**A$m**	**-1**	**-10**	**-17**	**-19**	**-16**
Capital expenditure	A$m	-2	-6	-7	-8	-8
Acquisitions	A$m	0	0	0	0	0
Asset sales	A$m	0	0	0	0	0
Other	A$m	0	0	0	0	0
Investing cash flow	**A$m**	**-2**	**-6**	**-7**	**-8**	**-8**
Net borrowings	A$m	0	0	0	0	0
Dividends paid	A$m	0	0	0	0	0
New shares issued / other	A$m	14	39	0	30	23
Financing cash flow	**A$m**	**14**	**39**	**0**	**30**	**23**
Net change in cash	**A$m**	**11**	**23**	**-24**	**4**	**-1**
Free cash flow	**A$m**	**-3**	**-16**	**-24**	**-26**	**-25**

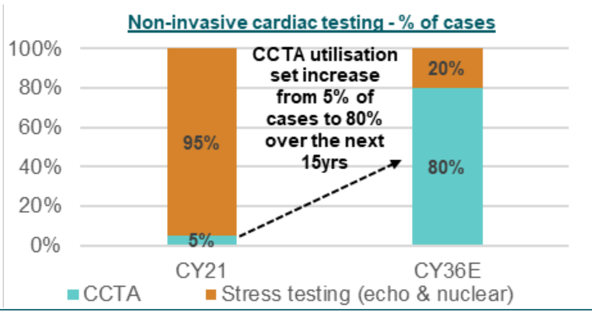
Source: Company data, MST

Investment Thesis

AYA's Salix SaaS solution is set to disrupt CCTA and ICA, the two gold standards of CAD detection. In our view, AYA has developed a technology platform and global team that can deliver significant installed base growth in markets that facilitate >16m procedures pa (with an initial revenue opportunity of A$0.8-1.2b).

AYA's market opportunity is significant and benefits from structural growth as CCTA utilisation lifts…

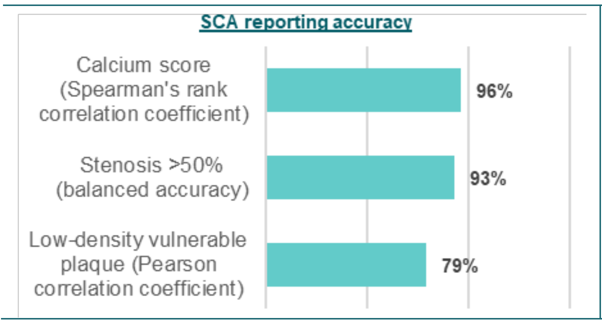


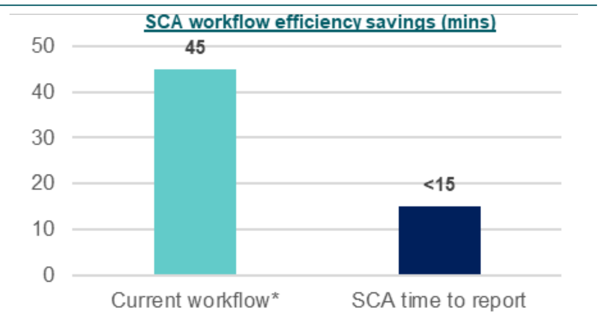


Source: Frost & Sullivan, company data, HeartFlow, MST

AYA's core Salix Coronary Anatomy module is the only dedicated CAD software focusing on patient risk identification, vulnerable plaque detection and workflow optimisation (with reported vulnerable plaque biomarker specificity of 86% and balanced accuracy of 93% for stenosis >50%). Its assessment process is completed within 15 mins, offering material time / cost savings vs competing technologies and current industry practices (45+ mins for complex cases).

Salix offers significant accuracy & workflow efficiency gains, benefitting patients, providers and payers…

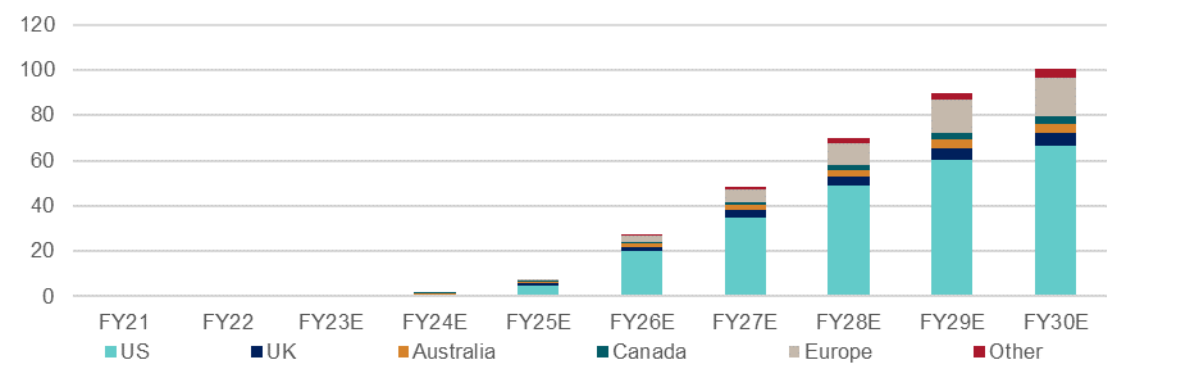




Source: Company data, MST

We forecast rapid Salix revenue growth once AYA achieves key regulatory approvals and begins to expand its installed base ($8.3m by FY25E with a 69% 5yr CAGR thereafter). We expect the majority of this growth to come from the US market, underpinned by value-based care contracts with key integrated delivery networks and accountable care organisations.

We forecast $100m of global Salix revenue by FY30E (66% US) representing <4% penetration



Source: Company data, MST

Key risks

Key risks to our investment thesis for AYA include:

- **Market conditions** – To meet our revenue forecasts, AYA's sales and marketing activities must generate new research agreement/contract wins. If the investment environment for hospitals/imaging groups is impacted by macro factors (economic activity, COVID-19, etc) then this could negatively impact AYA's ability to drive software revenue growth (offset by the fact that capex requirements are minimal);
- **Competition** – AYA operates in a competitive industry. Competitors could impact AYA's market share gains via marketing campaigns, product research and development, strategic alliances with industry bodies, favourable distribution partnerships, price discounting or acquisitions. We also note that existing or new competitors may develop new products (or improve existing products), which may improve their competitive positioning relative to AYA;
- **Product development and approval –** AYA's product candidates are at a relatively early clinical stage and further clinical study using varied patient populations is necessary. No guarantee can be provided that AYA's clinical work will result in an approved product in key jurisdictions;
- **Customers –** The success of AYA's business relies on its ability to attract new customers. AYA generates revenue through customers utilising Salix and being charged via Pay-Go or a subscription fee. There is a risk that future customers may reduce or cease usage of AYA's services or that they may not increase their usage, which would result in a reduction, or limited growth, in AYA revenues;
- **Future profitability –** AYA is still in the early sales and commercialisation stage for Salix. To date, it has funded its operations principally through issuing securities, seeking research and development tax refunds and by applying for grants. AYA is not yet profitable and has historically incurred losses. There is no guarantee that AYA will be able to grow its product sales in any jurisdiction. Regulatory approvals and adoption of AYA's products remain crucial for long-term revenue generation and future profitability;
- **Future funding requirements** – In the future, AYA may need to raise capital through public or private markets to meet its business objectives. There is a risk that such funding is not available on favourable terms, or at all, which could negatively impact AYA's business / growth ambitions;
- **Pricing –**AYA's customers may try to renegotiate contract terms for more favourable pricing, which would result in a direct reduction in revenue generated. To stay competitive AYA may need to adjust pricing models in response to customer behaviour, including changes in demand for different products, contract terms or changes in customer preferences in terms of how they choose to interact with AYA;
- **Key personnel –** The recruitment and retention of key personnel including senior management is critical to AYA's success. Any unexpected departures would present increased strategic and operational execution risks and would likely result in negative share price action for AYA; and
- **Foreign exchange –** Revenue generated and expenditure incurred overseas will be subject to foreign exchange risk. AYA's payment obligations under some of its material contracts are in foreign currencies. AYA does not plan at this stage to hedge its foreign currency payments;
- **Reimbursement –** In both domestic and foreign markets, sales of AYA's products are likely to depend in part upon the availability and amounts of reimbursement from third-party healthcare payer organisations, including government agencies, private healthcare insurers and other payers;
- **Technology –** AYA and its customers are dependent on the performance, reliability and availability of the company's technology, third-party data centres and communications systems. There is a risk that these systems may fail or be adversely impacted by several factors; and
- **Intellectual property –** AYA's success (to a large extent), will depend on its ability to obtain patents, as well as maintain both trade secrets and copyright protection over its proprietary software and algorithms. It will also depend on its ability to operate without infringing the proprietary rights of third parties. AYA's patent applications are still pending. Examination of patent applications may be expensive and time-consuming, with no guarantee that lodged patent applications will result in granted patents.

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