



Ventripoint Diagnostics Ltd.

Q2 2023 Corporate Update

Transcript

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Speakers: **Alvira Macanovic**
President & CEO

ALVIRA MACANOVIC:

Good morning, everyone. I want to thank everyone for attending Ventripoint's Q2 2023 Corporate Update.

Before I start, just for clarity, the purpose of this meeting is to discuss the Q2 financials, as well as to discuss some of our sales and marketing, to give you an update on our sales and marketing efforts. If there's any questions related to the stock, I'd ask that you table those for now. I'm happy and our IR team is happy to address that at another time. I would just like to stay focused for this call.

Forward-looking statements.

I always like at the beginning of—at the end of every quarter to remind our team here at Ventripoint, and as well as all of our stakeholders, including our Shareholders of the mission and the vision for Ventripoint going forward. Our mission has always been to improve the lives of patients and that continues. We want to be able to provide clinicians with the tools that they need to deliver patient care, improve patient care experiences and outcomes.

We aim to become the standard of care and that has not changed. Everything we've done this year to-date and everything we will continue to do throughout the year is with that mission in mind, as well as the overarching vision for the Company is to elevate cardiac care. It's about giving complete and full information that doctors can rely on to monitor the heart state and make a confident diagnosis and treatment decision.

We'll start with the financials update. As we all know, Ventripoint entered into a strategic collaboration with Ascend Cardiovascular, LLC. They provide cardiovascular IT as solution. We just signed a letter of intent to explore joint research and development initiatives, knowledge sharing and combining efforts to bring innovative AI-based solutions to the market. This collaboration has culminated in the development of a new integrated product with Ascend, which is an end-to-end solution. I'll talk in a little bit more detail about what that relationship looks like going forward.

We've had two significant sales to two key centers in Europe, one being the German heart center in Berlin, and the other being the University of Freiburg in Germany as well. These were through the

efforts, our joint efforts with our distributor, Angiopro. These were two very significant sales for Ventripoint. Berlin being one of the largest hospitals in Europe, and basically very well renowned. With this, it's almost like a domino effect, which is why Freiburg came after that. Once you get Berlin, you will start to get all of the other hospitals within Germany and throughout Europe.

We have enough cash in the bank to be able to meet our aggressive internal growth targets. We have sufficient resources. I know that there's been some questions around that. I'm here to say that we do. Also, I'd like to talk a little bit about the deferred sales and what those belong to. The deferred sales actually belong to the two sales in Europe through our distributor. As you know, with distributor relationships, distributors do get a certain cut of the overall sale and Ventripoint gets—it gets a cut.

As well we have the pay-per-use and rental purchase orders that came in. Those are for year long, which is why they show up as deferred sales. That is to explain the \$71,986 in deferred sales.

I want to go over our sales process a little bit with everyone, where we are today and where we're going with this process, what we've learned over the last eight months at this. The way that it typically works is a qualified lead comes in and it comes in from a number of different sources. Mainly it will come in through conferences that we attend. From there, there's initial discussions and evaluations are booked.

This is where we provide our clinical application specialists and one of our business—one of our strategic sales leaders will go to the hospital. They will spend time with the administrators, they will spend time with the decision makers on the purchase. They'll spend time with—obviously the clinical application specialist will spend time with the sonographers and/or the cardiologists. They will be trained on how to use our equipment. Then they will spend anywhere from three to five days running complex cases through. We help them to triage the most complex cases, because we are confident that the VMS+ will be able to handle those cases. We've seen it time and time again.

I've told you this in the past. We'll be going into the hospitals, and we always get this question, I've got this patient, I'm not sure if they're going to be able to be imaged properly. We don't get the best quality images ever. We've never really gotten accurate results to be able to manage these patients. Then they run them through the VMS+ and it's this moment, it's actually a really special moment to watch for our

team, as well as for the hospital's team to see that finally they're going to be able to treat and manage this patient more effectively.

We do about three to four demos per month in the last few months. This is because of the summer months. That is one of the challenges that we've been facing is trying to get these scheduled during the summer, when everyone is off on vacation. There are resource constraints already to begin with in those hospitals that we are dealing with as well.

After that, it can be several months before a purchase order is issued because it has to go through the hospital procurement process and the administrative approval process, and that takes time, and unfortunately, that is out of the hands of our sales team. We do our best. It's high touch points. We work with the administrators; we work with the procurement team; we work with the cardiologist to get these purchase orders issued. But it just takes time unfortunately.

Then of course, there's the installation and training that gets scheduled once they've issued a purchase order and that can take anywhere from one to three months. This requires us to work with their biomed department on the electrical safety testing and their IT prior to site installation and integration into their PACS system. That takes a little bit of time. But that's the easy part, once we get to the installation and training. After a couple of days of training, off they go. We can unleash them to use the product.

I want to talk a little bit about our strategy, our sales strategy that has been evolving over the last few months. One of the great things about a small company like ours is we can pivot very quickly. We're not siloed off like a larger company would be. As we learn new information, we're able to incorporate it into our sales and marketing strategy. One of the things that has held true throughout the entire year has been about building awareness and establishing leads.

As you can see, we've attended a number of conferences, and the last one being the World Congress of Pediatric Cardiology and Cardiac Surgery in Washington, DC. I personally attended that one this past week. I must say it was an amazing conference. It was a great conference for Ventripoint. We identified new leads. We had an opportunity to reengage with some of our existing customers. There was some folks that came by the booth that we had already just finished evaluations with that decided they wanted to purchase the system. They came by to let us know. There was a poster presentation

that was presented by a cardiologist who has now gone back to South Africa, but was working at Stollery Children's Hospital. She was under the direction of a cardiologist from Stollery Children's as well as a cardiologist from the Mazankowski Heart Institute. This was a study that she did over the course of about a year. It was done actually a couple of years ago and it's finally now being presented. They'll be doing a publication as a result of that.

What she was able to show is that we are more accurate and closer to cardiac MRI in terms of the results for LA volumes than 3D Echo and 2D Echos. This was a very good conference presentation for us.

In addition to that, we attended Digital Futures. We were a presenter at Digital Futures, which was showcasing the newest and latest of AI technology. It was a very well attended booth. We had a number of cardiologists that came by that were able to actually play with the software and get a real understanding of how it worked. We shared some of that stuff on social media. I hope that everyone has enjoyed the videos that we created. It was an opportunity for us as well to unveil that new product that we have developed with Ascend, our new partner.

I'm very encouraged about the reception that the product received at this conference. It's an important conference because this product was geared towards congenital heart defects and specifically around pediatric. It's an end-to-end solution. I keep saying this; we are strong together rather than apart. I see this as being a very strong partnership going forward. I'm very hopeful and really excited about what's to come out of that partnership. We're already starting to discuss other products that we want to develop together and bring to the market.

As well had some time to chat with our distributors as well, our U.K. and our European distributors. It's always nice to be able to meet in person and talk about the plans going forward and everything that's in the pipeline coming, which is so incredibly exciting to hear that. I'm going to share a little bit of that with you. The conference was well attended. There was over 5,500 attendees. We had many people at our brand-new booth that we were able to show. It's a sleeker design than what we've had in the past, and as well as our new extended brochure for the VMS+, which was very well received. People were grabbing those brochures, which was quite surprising because typically nowadays paper is not the biggest commodity at these conferences. But people loved the brochure, which was nice for us.

One of the things in our sales and marketing strategy is we're taking a three-pronged approach. One of the approaches is—and these are all being done in parallel. We're nurturing key sites to build credibility and reputation. These are sites that will either have journal publications due to clinical outcomes, podium time. They will either act as reference sites.

One of those reference sites is Evelina, London, Evelina Children's Hospital. I know there has been some question around the zero-charge upgrade, and I wanted to address that. The reason being with Evelina Children's is that was a key site for us. That was about two years in bringing that upgrade in. I think there's a misconception that they had the older version, and that they were using it, when in actuality, the older version, as I've explained in the past, has not been usable. Most sites haven't been able to use the model 1.0, which is the one that they had, because it just wasn't—it was clunky. It required them to change their workflow. Most sites were not using that model.

For us to be able to get a key reference like with Evelina Children's, we did give them an upgrade. This is done on a case-by-case basis. Everything that we do here at Ventripoint is in the best interests of the Company and its stakeholders. This was in the best interests of the Company and you, the Shareholders.

We're also building an ecosystem of partners. We've talked about our partnership with GE; we talked about our partnership with Ascend. One of the other things that we were doing at this World Congress Conference is looking at other partnerships. For example, with non-profit organizations that are doing clinical research that could use our type of technology to further that research, and not necessarily research in imaging, but more specifically research, for example, in drug development or other types of technologies that would allow them to be able to treat specifically pediatric types of disorders, congenital heart defects more specifically.

Also looking at other partnerships with non-profit organizations that are focused on educating parents about the technologies, the new and emerging technologies that are out there specifically, ones like ours that can take the place of the cardiac MRI for those frequent follow-ups rather than requiring their children to be sedated, to be put into a cardiac MRI, which is something of quite significance. It can be

quite a traumatic experience. Having a technology like ours is key in being able to manage and treat these young patients.

One of the other things that we are doing is we're creating value beyond the product. This is through partnerships with our healthcare providers. Right now, there is a strain on every healthcare institution around the world around costs and being cost effective. They're still very focused on improving patient outcomes, but making sure that they can do it in the most cost-effective way. Things like optimizing clinical care and improving image quality, while managing costs by improving patient turnover, using managing their use of consumables.

When it comes to the VMS+ one of the things that we have been able to show is you're not necessarily required to use contrast agent. You may not get the best quality images, but we can work with those poor quality images. It's about making the unreadables readable again. This is where we add value to these healthcare providers and institutions.

We also provide solutions that are a combination of a product, a software, and a service. We go above and beyond that. Our sales folks really work with the healthcare providers, as well as with the administrators to figure out the most cost-effective solution for their cardiologists to be able to provide the best possible care to their patients.

It's also about building credibility. It's understanding the customer's business, understanding their workflow, understanding the pain points of sonographers, of the cardiologists, of the technicians. It's understanding the sales process and having one key account manager rather than having somebody who deals with consumables, and somebody who deals with the equipment purchase. That can be quite onerous process, and/or a burden for the administrative and procurement teams within the hospitals.

It's also about risk sharing. One of the things that we do offer is a pay-per-use or pay performance model. It's about sharing the risk between us and the institution. We believe in our product. We know what it can do. Sometimes the money just isn't there to be able to purchase it outright in a capital purchase. We offer other alternatives. This is how we go beyond the product. We offer more to our customers. It's about making sure that they're comfortable with using the product. It's about that

installation and training process. We've taken a lot of time to fine tune that, so that when we leave that site, whatever they get when they image a patient, they can work with it.

The Ventripoint is there in partnership. We have combined our 3D Echo software application with Ascend's diagnostic viewer, InView and their reporting application. That's why it offers an end-to-end solution that rivals other products on the market, because we all know Ventripoint has the accuracy equivalent to cardiac MRI, and we do all four chambers of the heart. There are no other products in the market that can make those claims even today.

Ascend is seamlessly integrated with leading EHRs and imaging systems. They've been installed at 1000-plus top ranked healthcare facilities and 600-plus health systems with approximately 50,000 users across the United States. Right now, Ventripoint is working through our agreement with Ascend, and in the coming weeks when there is more information to share, we will definitely share it with all of you.

We've talked about the good, and let's talk about some of the reality. The reality is sales progress has been slow. That's undeniable. It doesn't mean that there hasn't been progress. As you can see, we've been doing a number of different initiatives. We've been doing evaluations and every evaluation has been positive. It's turning out for a purchase order to be issued, is just with the summer months there's been some challenges in getting people to agree to a specific time slot. One of the challenges that we were running into is we didn't have enough people to be able to schedule all of the evaluations. We are solving that as well.

Now there's been questions about the three trialing teams. It'll be a nice problem to have when we have to add more. Right now, three trialing teams is sufficient going forward. However, if sales go the way that we would like them to, the way that all of us would like them to that will be a nice problem to have that we will be able to solve. We are adding to our team in terms of servicing and manufacturing personnel. I spoke about the timing for sales. The reason why I said, probably towards the end of Q3, Q4 is just knowing some of the challenges, some of the issues that we were facing, especially with the summer months, purchase orders are not being issued.

In the summer months, we've had some challenges with the U.S. market. However, this last Congress, World Congress was very well attended by United States pediatric hospitals. Even while we were there,

there was a couple of hospitals that came by that wanted to have evaluation scheduled right there on the spot, which is significant progress given the challenges that we've had in tapping into that U.S. market.

I'm always reminded at the end of every quarter of a saying, my mother always says to me to remember it, to know where you're going you have to remember where you came from. I want to share that. Where has Ventripoint come from, and where are we going?

It was a 10-year journey to a commercial ready product, we forget that. I know a lot of you have been patient. You've been with us along the journey, the ups and the downs, and we, I personally, so very much appreciate it. I know our team here at Ventripoint does, and every day, we come in with a very clear focus, our mission for the Company, to improve patients' lives and our vision is to elevate cardiac care. Everything we do day in and day out is focused on that.

Last year, we spent time building our sales and operations infrastructure. We hired strategic sales leaders. We hired clinical application specialists. We brought on service technicians, manufacturing personnel. We also on boarded a number of distributors and our U.K. and European distributors have definitely been delivering over this last eight-month period.

Strategic placements was the next step in this process with leading cardiologists and leading hospitals. As you've seen on the Investor presentation that we've got a number of key sites around the world. There are approximately 40 units placed worldwide. They're not all sales. They were strategic placements, which was necessary for us to do. This was in the best interests of the Company.

We're nurturing key reference sites, and we're building our credibility. We're building our reputation. We're building our brand. Our brand is committed to quality and customer satisfaction. That is part of the tenets that we follow here at Ventripoint. We're building out our sales funnel. As you saw, two significant sales in Germany to activate those European sales. We have over 400 qualified leads that we are moving through the funnel on a regular basis daily.

What I want for the future of this Company is for us to be established, so to have steady sales coming in, and that is what we are working towards. I am encouraged by everything that we've been doing this year that we will get there. We will get there.

That is all that I wanted to share with you today. I'm going to hand it over to the Operator and address any questions that you may have that I haven't answered in this discussion. I want to thank you for the time. If there's anything else that you do want answered, you can always reach out to our Investor Relations team as well as myself, and I'm happy to answer them.

OPERATOR:

All right, thank you. If you wish to submit a question, please click on the Q&A icon, which you will see on the left-hand side of the screen. You will see “write a question” and you can type your question there. To close the Q&A panel, click the Q&A icon again.

I'll pass the floor back over to Dr. Alvira Macanovic to take us through some of the questions submitted by participants.

ALVIRA MACANOVIC:

Somebody here is asking about an update on the Mayo Clinic demo. Can you provide some insights on how many units are in the stages of qualified leads, initial discussions, evaluation and purchase orders?

To address the Mayo Clinic demo, it's been the summer. We are still very much in communication with Mayo. They're still very interested in some kind of evaluation to start. I will not discuss any future details about that. Just, I want to make sure we temper our expectations here. When there is more information to share about that I will most definitely share that.

Can you provide some insights on how many units are in the stages of qualified leads?

I can't give you exact numbers at the present time. But there's at least over 10 purchase orders that are pending. They have been issued or several more that are coming that will be requested to be issued.

The Duke study.

The Duke study is very well much underway. We are in regular contact with them as they use the VMS+ and they learn new things about the technology and we're constantly providing clinical applications support to them. Unfortunately, because this is a clinical study that will eventually result in a publication, it would not be appropriate for me to comment on how well that study is progressing. I don't want to pre-empt our principal investigators. Unfortunately, I can't give you anything along those lines except to say that we are in constant contact with them and that the study is progressing.

Are the U.S. distributors still engaged by VPT?

There are a number of U.S. distributors that are still engaged. We are re-evaluating these U.S. distributors, and those that haven't been as productive as we would like, we will be looking to replace those. One of the other things that we are looking for in the United States market specifically is more along these partnerships, and also being able to get in front of the administrators. There's a number of organizations that we're looking at.

At the end of the day in the United States, what's happened is, because of the issues with just resource constraints, in terms of cash, in terms of personnel, they have really buckled down on expenses for procurement of new pieces of equipment. It's important to sell them on the business model, that they will pay for the system itself and make money from it. At the end of the day, they are a business. That's how they keep the lights on, and keep everyone employed and provide the fantastic care that they do to their patients. We are looking at other types of approaches that we can take for the U.S. market.

Four-point-oh, is it still a target for end of year?

Absolutely. One of the things I do want to reiterate again to everyone is we can sell the 3.0. That product is a great product and every site that we go into loves it and wants to purchase it. We have yet to have an evaluation where they come out and say, we don't see the value in this product to our clinical practice.

However, as I said in the past, 4.0 will be a game changer. It's adding new features that there is no other competitor product has and does it in the way that we do because we do have that equivalency to

cardiac MRI. We are on target to complete this at the end of this year, with the intention to file for regulatory approvals either at the end of this year or beginning of next year.

The suite of products that are offered and the price points for those products.

There are two products currently that we offer. One of them is the full solution, which is the hardware and the software. This includes the 2D Echo, 3D Echo and MRI package. That's for \$50,000. In addition to that, there's also a servicing plan that they can purchase on a yearly basis, which is approximately \$15,000 per year. There's also consumables that they can purchase for every 150 of those adhesive patches that are used to attach the patient sensor to the patient. That's about \$1,000 per 150 units of that and that's recurring revenue.

In addition to that, we have the 3D Echo and MRI package that they can purchase or loan if they don't have a 2D Echo and they are brave enough to try the 3D Echo. It's \$25,000 per seat, as well as with a \$15,000 per year licensing fee that goes with that.

How many people does a demo team consist of? We've been told in the past, they're converting 100% of the time. If they are running at full capacity and are fully booked, how many demos can they be completing a month?

In the summer months it's been a little bit slower. They've been doing at least one or two demos per week. The demo team consists of a clinical application specialist and a sales representative. In some cases, it also includes a representative from our distributor that works with them, especially if they are a lead that came through them.

One of the things that Ventripoint is always doing is we're making sure that the way that we are positioning our product to our customers is the way that it should be. We do occasionally work with our distributors onsite to ensure that we are showcasing the product as it should be, and that we are demonstrating to customers the power of the VMS+.

GE, HC Edison program; we're still part of the Edison program. Unfortunately, there isn't anything more to share there. I'm sure everyone can appreciate with larger companies; they tend to be a little bit

slower. We tend to, as a smaller Company, which is why our partnership with Ascend is so key, is that we're two smaller companies, and we're just able to get things done quicker. That's the reality and those are the types of partnerships that we are focusing on going forward.

We know the value of our product. We know what we need to do to be able to integrate it into any other product out there. We've designed it in such a way that we can easily do that going forward.

Previous guidance was a flood of sales in Q4. You briefly mentioned the summer was slow, as expected. Is this forecast still accurate, based on current sales cycle times?

Don't know that I used the word a flood of sales. I would love to have a flood of sales. But there will definitely be sales that will be shown, hopefully by the end of this month, beginning of Q4; that is our goal. That is what we've been working towards. That is what we focus on. That's what we've been laser-focused on every day. Even during the summer months, we've been pushing as much as we can. What I can say is now there's a pull that's happening from the hospitals, where they're coming to us asking for these evaluations. It's all the efforts that we put in and the team has worked hard.

One of the things I do want to say is I'm really proud of the team here at Ventripoint. Some of these people have been with us through the ups and downs as you, the Shareholders, have been. They stick it through because they believe in the product. They believe in what they're doing each and every day. I have to say the sales team has done an incredible job. They continue to do that each and every day, which is why I know that progress—we are making progress and that we will get to that end goal that we need to be at.

What is the path to market for the 4.0? Will you start to sell right away after regulatory approval or are studies needed? Do you anticipate 4.0 unit sales next year?

The idea is once we have regulatory approvals, we are able to sell. We are already starting to work out how we will be releasing it to the market. These are things like pricing, promotion of the product, how we will upgrade existing 3.0 users. I don't like to speculate as to what sales we will get next year, but we will be selling the 4.0 unit and we will be offering it to our existing customers next year.

The margins on the product line. It costs \$50,000. It only costs us about \$5,000 to \$6,000 to manufacture right now. As you can see there is a large—there is a huge gross margin there on the product, and even with the servicing, which is \$15,000 per year, it costs us about \$2,000 for that servicing. This is remote and on-site that we offer.

How many quotes are outstanding, and count number in total units across all quotes?

The number of quotes that are outstanding is there are about eight that are outstanding at the present time. There are a few more that are going to be issued in the coming weeks as well.

Where are you in the 10-year journey?

We are at a commercial-ready product. That is where we are in the 10-year journey. Before that, we had a technology. It was about proving that technology, that it works as we say it does. It was also about developing a product that was usable. This is really significant, especially now. You don't want to add anything extra where people are trying to fiddle with the technology, trying to get it to work. Nobody has time for that any longer in the hospitals where there are constraints on resources. They have way too much in their schedule.

That was why with the 3.0 we took great care and we're constantly making changes to it. For example, we've removed the magnet from the patient sensors. This is something we are looking to release in the next couple of weeks to the market. This will allow clinicians now going forward to use our technology with patients that have pacemakers, for example, or any metal types of parts. This will be an alternative to cardiac MRI where they're not able to put those patients in to the cardiac MRI.

I think that's it for questions. I think we can take maybe one or two more questions if anyone has that. All right, I'm just going through to see if I've answered everything. It looks like that's it. All right. Well, I will hand it back over to the Operator.

If you do have any additional questions, please feel free to reach out to our IR team or to directly to me. I'll be happy to address those. Thank you, everyone, and have a great rest of your day.

OPERATOR:

This concludes today's webinar. You may disconnect. Thank you for participating and have a pleasant day.