Ventripoint Diagnostics Ltd.
Corporate Update Webinar
Transcript

Date: **Thursday, May 4, 2023**

Time: **11:00 AM ET**

Speakers: **Dr. Alvira Macanovic**
President & Chief Executive Officer

Operator:

Welcome to the Ventripoint Diagnostics Limited Corporate Update Presentation. As a reminder, all participants are in listen-only mode and the meeting is being recorded. After the presentation, there'll be an opportunity to ask questions. If you wish to submit a question, please click the Q&A icon on the lefthand side of the screen. You will see Write a Question, and you may type your question there. To close the Q&A panel, click the Q&A icon again. I would now like to turn the conference over to Dr. Alvira Macanovic, President and CEO of Ventripoint Diagnostics. Please go ahead.

Alvira Macanovic:

Thank you. I want to first of all thank everyone who's in attendance today. The purpose of today's call is to give everyone a corporate update of where we are since the start of the new year, the plans of the company, going forward, and to give a little bit more information around the financials that were published the last few days. I'm also joined here with our CFO, Vic Hugo, as well.

I'm just going to dive in. Forward-looking statements. This presentation may include forward-looking statements related to our future growth, trends in our industry, our financial and/or operational results, and/or financial or operational performance. The caution, such forward-looking statements, just respect that this is a cautionary statement. Thank you.

Where are we today? Where is Ventripoint today? Our mission for this company is to improve the lives of patients. We aim to become the standard of care. That has always been our mission and our underlying drive for this company. It's taken us ten years to transition this product that we have today from a technology into a product that's usable, that's sellable.

There were many minds that had to come together, there were many years of research and development, design and development that had to be done, to get us to this point. But we're finally at a point where we have a sellable product. And that is why the company has transitioned into a commercial operating company, and our focus this year, our laser focus, is on sales and growth for this company. The vision, ultimate vision for this company, is to elevate cardiac care. It's about providing clinicians with confident diagnoses and treatment decision tools.

Where we are today? We have a global install base in leading hospitals, which leads to endorsement from leading cardiologists that will influence adoption in their regions. We're in major hospitals, like, for example, Duke Children's, where they're using our product on a regular basis in their clinical practice.

Dr. Barker, for example, was one of the members of the team that was able to get the latest CPT code that was approved. We have two CPT codes that are applicable to our product.

We have happy customers, so we have value that's delivered to clinicians and to patients. Over the last few months, actually, over the last few years, I've had many conversations with cardiologists and, in particular, paediatric cardiologists, where the tools that they have today are just not cutting it. And those tools were not designed for paediatric cardiology or even for congenital heart defects.

I've heard it from one cardiologist who's been a long-time user, these are great for healthy hearts, but they're not in the business of healthy hearts. I've heard cardiologists that have told me the tools that they did have, that are the mainstream ones that our competitors have, they haven't even renewed licences. They don't want to use those products any more because of the fact that they're not getting accurate, consistent, reliable results, which is where the VMS+ family of products comes in.

We have established resources and infrastructure. Last year was spent building out our salesforce, which included the hiring of strategic sales leaders, forming our distribution networks worldwide or, rather, in the territories which we're focussing on, which are United States, United Kingdom and Europe, as well as building our technical support and our servicing staff to be able to support our customers. We expanded the product distribution in North America, UK and Europe through this team of strategic sales leaders, clinical application specialists, technical support, support engineers, customer support. We have 33 boots on the ground that are covering all of these territories on a regular basis.

The key market segment that we are going after is the congenital market, and this includes adult and paediatric. This is where Ventripoint started from, and this is where we need to get the strongest foothold, establish our reputation in this field as being the leader so that we can then branch out into the other key market segments. Our target geographies, as I mentioned, United States, UK and Europe, that is where our focus is these days in terms of sales.

How are we getting these sales? As we said, direct sales, it's a team of these leaders, strategic sales leaders, clinical application specialists, service engineers, technical support personnel. But, more importantly, we have distributors that we have on-boarded, and they are actively selling the product. They sell complementary cardiology products. These are not traditional relationships that we've set up with these distributors. These distributors have sales representatives that are specifically selling

Ventripoint products and only Ventripoint products. It's not a traditional distributor relationship. And this was key for us especially in the early stages of a commercial operating company where we're focussing on increasing sales.

Our sales strategy has changed. We spent last year actually looking at how we've done sales in the past for previous models of the technology, not of this product itself, and how we can improve that and shorten that sales cycle. Right now, what we do is clinical evaluations. The equipment is brought into a hospital site, and these are only brought into hospital sites where there is a real, serious want to purchase this equipment. They've already decided that they think if this does what we say it does, and they're able to see it for themselves, essentially kick the tires, take it for a test drive, they know that they will want to purchase. Otherwise, there's more discussions that have to take place, because there are resources that get expended into doing that.

So clinical evaluations for three to five days, with clinical application specialist from Ventripoint or from whatever distributors, and we triage with them their most complex cases because we know that the most complex cases, if they put those through the VMS+, they're going to see the power of the underlying AI technology and of the product itself.

We work with the sonographers while we're onsite so that they can see how the VMS+ integrates into the typical workflow. Because we're selling to three customers at the same time. We're not selling just to the cardiologist who sees the value in the numbers and the consistency and the reliability of those numbers. He's got to sell it, for example, in North America, to the sonographers who're actually capturing the study images and, in some cases, maybe doing part of the analysis that comes with that.

For these sonographers, the most important thing that comes to mind to them is how much extra work is this going to be? And so our clinical application specialists spend time showing them there is no extra work, there is no extra effort, no extra time that has to be expended. It's a couple of sensors. One gets placed on the patient, one on the transducer probe. You collect your study, you forget that the VMS+ is there. And they are able to see at the end of that how the VMS+ integrates into their workflow. It's intuitive, it's been designed in such a way that they can pick it up fairly quickly. And what we're seeing is within 15 minutes, they know how to use the VMS+. If you know how to do a echo, you know how to use our equipment.

We work with the administrators to start with the process for purchase because we know at the end of this that they're going to want to purchase it. This is what we're seeing, and this is what we're pursuing. So even before we set foot onsite, we have started that process so that the paperwork gets done. Because there is a long process that has to take place, checks and balances within the hospital. And we want to make sure that that process gets started so that by the time the evaluation is over, that is underway, the administrators are aware that this is the product that the cardiologists want to purchase, and we've won over the sonographers who want to purchase it as well.

What is our sales process? I want to put this in perspective so that people can understand how much time it actually takes from the time that we have a qualified lead to the time that we install and train at a site, to the time that you actually see a press release that comes out about that purchase and the use of the equipment.

Qualified leads, we gather them from a variety of different sources. As we've mentioned in the past, it can be from conferences. A lot of it is also from word of mouth, so one site sees the product is being used, one site is using the product. Another hospital or leading cardiologists, they talk to one another, maybe they meet at a conference, whatever the case may be, they want to get the product or at least, at the very least, to start an evaluation of the product.

That can take anywhere from one to two months from qualifying the contact lead, for the second touchpoint. And then there's initial discussions that take place between our sales team or distributor sales team and the customer. From that point forward, they decide that they want to do an evaluation. And we provide our clinical application specialist.

The one-to-two months is not from the Ventripoint side, it's from the hospital side. There's things that have to happen to even get a piece of equipment into the hospital for them to evaluate it, things like electrical safety testing, because it is medical electrical equipment. There's also discussions, like we said, with the administrators to make sure that they're aware that this equipment is coming through. There's a number of different departments that have to come together.

And, also, you have to make sure that the cardiologists and the sonographers that are going to be using this product are available, as well as most of these sites want to make sure that they're able to schedule some of their most complex cases as they trial-run the VMS+, which is what we welcome and we encourage.

Then, from the time of the evaluation, it can take anywhere from three to six months for the purchase order. Even though we started that process early on, before we set foot onsite, it's still, in some cases, they're going to take anywhere from three to six months to issue that purchase order. Then, from the time that the purchase order comes through, we are building the machine, and we are working with the site to arrange for us to come there, to ship it, install it and train them on it. Once again, it requires working with a variety of different departments, the biomed and their IT departments, things like cybersecurity, medical electrical safety. These are all things that have to factor in before a piece of equipment even sets foot onsite.

After the installation and training, we do work with the Marketing departments to be able to issue a press release to say that this equipment has been purchased by this hospital. Especially with paediatric hospitals, we absolutely have to get their permission. And there is a little bit of back and forth of what they want us to be able to say in those press releases. And so that's why there is a time lag from the time that we do the installation and training to the time that you actually hear about that sale. It's not a concept of no-news-is-bad-news. It's just no news is because we are progressing through the sales process as quickly as we can.

We have control over Steps 1 to 2. After that, Two to Five are really in the hands of the hospital. We work with them very closely. And through our Sales Group, what I can say is they have over 50 years' combined experience just with our Strategic Sales Leaders. That doesn't include all of the people that are part of the distributor organisations. That's over 100 years of experience. And they know how to navigate through this process. And we try to shorten, especially, the time from the evaluation to the purchase order as much as we possibly can, but some of that is out of our control.

Where are we today with the growth strategies that are in the Investor Presentation that's been made available to everyone? Our growth strategy was to broaden our leadership in the CHD market and then to expand into other market segments. That is what we are laser-focussed on these days, and that is where all of the sites who are evaluating the products.

What I can say is that we have evaluations that are booked up through May. We are booking into June, July, even a couple into September. From these evaluations, we've got three trialling teams that are running in the UK, Europe and now in the United States. Some of them are running in parallel, some of them are running sequentially. All of this to say is that our focus is on the CHD market, and we are

building the funnel. There are over 4,000 leads. A lot of them are focussed on CHD, that are coming through that funnel. And so when we get to a qualified lead, those are the ones that are moving through.

We are focussing on expanding into new user segments. Before I move on to that, actually, I want to speak a little bit to the revenue that you saw in the Financial Q4 statements. That revenue corresponds to two capital purchases and one rental. As you may recall, we are looking at different business models so that our potential customers are able to purchase the equipment or, rather, start using the product as soon as possible. If they're not able to, for whatever reason, the site is not able to afford a capital purchase, there is another way for them to get the equipment into their site and start having accurate, reliable and consistent results. That is where the revenue came from.

One of the things I do want to speak to is how is revenue recognised at Ventripoint. Revenue is recognised after acceptance of the system. As you saw in that previous timeline, the installation and the training, from the purchase order, can take one to three months. Installation and training itself is a few days. The installation is like half a day, depending on whatever other testing they have to do, can be about a day, and then we spend a couple of days onsite running additional patients through, even more so than what they did when they did the evaluation.

But that takes time, and so, from the time that we schedule that installation and training, the system has not transferred over to the customer. It hasn't been accepted by the customer until the installation is complete. So you will see a lag from the purchase orders that you've heard that have potentially come in. There is a lag from the time that the purchase order comes in, from the time that the system is accepted and the revenue is recognised.

We are focussing on expanding into other new user segments. In fact, at the AEPC conference that was held in Dublin, Ireland, a week ago, we had Dr. Laser, who's been a long-time user of the technology, over ten years, when it was a technology, now it's a product. He's been using our VMS+ product, specifically with 3D echo. And he was able to demonstrate through long-term use how the clinical outcomes for his patients were changed as a result of using our product. In addition to that, he was able to showcase some of the new features that are coming in the next generation of the product.

We are working towards releasing that product towards the end of this year, early next year, and that will depend on regulatory approval. So this is the 4.0 product everyone has heard about. That has

additional features, 4D features. And what he was able to do is, there's a particular disease that cannot be diagnosed with just volume and ejection fraction. The traditional tools or competitor tools that he had weren't going to be able to do it. He actually was able to put this patient's data through our 4D tensors, the pumping heart, and, based on the pumping of the chamber, he was able to diagnose that, yes, this patient was affected by this disease. And he was able to intervene and show afterwards, after intervention, that it was corrected. And this was through the visualisation of the 4D tensors as well as the metrics that were derived from that.

That is huge. That is a gamechanger in this field. Nobody else can do what we do here. And that is what the 4.0 is. But that is not where our focus is on sales this year. The 3.0 is good enough. It's actually great. It's fulfilling an unmet need, and that is what we're focussing our sales on. 4.0 will come, and when it does come, it will be a whole new gamechanger, but it's not affecting our ability to sell the product as it is today. So that's something that I do want to stress.
There is also another version that's going to come out, and that has to do with, we've removed the magnet from the patient sensor. So now it just expands our user base in terms of they're able to use this on patients that have pacemakers or defibrillators, without issue.

In addition to that, we've gotten rid of the sleeves that were used to connect to the transducer sensor, to the transducer probe of the ultrasound machine, because we had to keep up with every iteration that these major manufacturers of the ultrasound machines were making to their probes. It was just burdensome on Ventripoint, so we decided we had to come up with a better way, and that's what the team spent actually last year doing. And we are getting ready in the coming days to be able to release that to our customers. But once again, none of these changes are affecting our ability to sell 3.0 as it is today.

We are accelerating integration into OEMs and becoming the standard of care. I know there's been some questions around GE. GE, we're still involved in the Edison Developer Programme. That has not changed. We are still working with GE. But GE is moving at its own pace, which, unfortunately, we do not have any control over. And because we don't have any control over that, my response to that is we don't put all our eggs in one basket, they're not the only game in town. We are always actively looking for us to eventually become the standard of care. That is our mission, that is our vision for the company. That has not changed.

Now I'm going to turn it over to the operator. I'm happy to take some questions. And if the operator can remind everyone how to submit their questions, and then I'll be happy to answer any.

Operator:
Thank you. Once again, if you wish to ask a question, please click on the Q&A icon on the top left side of the screen. You will see Write a Question, and you may type your question there. To close the Q&A panel, click on the Q&A icon again. I'll pass the floor back over to Dr. Alvira Macanovic to take us through some questions submitted by the participants.

Alvira Macanovic:
Thank you. I do have a question here about, who is Ventripoint's biggest competitors? Where do you stand? What is happening with Versions 3.2 and 4.0? I've answered the question about 3.2 and 4.0, I believe.

Who are Ventripoint's biggest competitors? That's a difficult question for me to answer, and the reason being is I don't feel that there is a competitor out there that could do what we do. We were one of the first to be able to make the claim that we have the equivalency to cardiac MRI. There's no other product in the market that can make that claim. We were also one of the first and the only ones to be able to claim that we do all four chambers of the heart, which no other product on the market does, so that includes things like Tontec, Philips, GE, Siemens.

That's where we stand. That is where we differentiate ourselves. We deal with sparse data. What I mean is we don't need these perfect images that our competitors need because you have to be able to draw this contour around a region of interest. That is not the case with Ventripoint. It's about dropping points where you see anatomical landmarks on the different views that you capture. If you don't see the anatomical landmark, you move on to the next few where you do see it, where that is not possible with the other products that are out on the market.

This is one of the reasons why GE came to us, is that they saw there was a hole in what their underlying technology was able to deliver. That hasn't changed, and that's the case for all of the products, as far as I'm concerned. So it's very hard for me to say who are our biggest competitors based on that.

How many purchase orders were received in Q4 2022 and Q1 2023? I'm just going to look at the numbers here. There were obviously the three purchase orders that came through, so you saw those two capital purchases, and you saw the one rental that came through in 2022. And that was after the acceptance of the system, and that's when the revenue was recognised. And our CFO, Vic, is on the line, so if anyone does have any questions about that and how that works, I'm sure he'd be happy to answer that.

But there were an additional five purchase orders that came through, but these systems have not been accepted yet. There will be announcements coming as to these purchase orders as they come through. As I explained in the process, there is a lengthy process, unfortunately. We have shortened it as best we can, but we still have to wait until those systems are accepted and we're able to put out a news release to the market.

I have a question here, concerning the sales process is up to 13 months, and money won't come into your account for a long time, how are you going to support the burn and avoid further financing? We have a cash burn of less than 250,000. As you can see from the financials, we are able to execute on what we need to this year. And I don't want there to be assumption that we've been at it for 13 months and that there is no money coming in. As you can see from the revenue, the money does come in from the purchases.

There are delays, obviously. Even from the time that a hospital's invoiced, it can be anywhere from 30 to 90 days, which I didn't show in that sales process, where we get paid. But it all comes down to when the system is accepted, and the liabilities transfer over, the ownership transfers over to the hospital. But, as we are today, we are able to execute on our sales strategy.

How will customers with 3.0 get VMS 4.0? Would it be a software upgrade? In the case of the 4.0, there is actually a software upgrade as well as a hardware upgrade. One of the things that we focussed on when it was a technology was getting that thing to a smaller footprint. It was massive to start with. And we've gotten it down now to the 4.0 where it will be a tablet. There'll still be the same sensors, but the sensors will have changed a little bit because of the 3.2 version where the magnet will be removed. So the patient sensor will be very small.

And it's just going to be a quick tap to calibrate the system, to calibrate the sensors to one another, and then away you go with the system. And that is all going to be incorporated into 4.0. But the majority of

the changes are in the software and the cardiac metric features that we provide to the customer, so it will be both for 4.0. 3.0 will just be a hardware upgrade.

Somebody's asking about marketing efforts in Canada. In our Investor Presentation deck, you'll see that we're in some of the leading hospitals, paediatric hospitals, across Canada. Our initial focus when we started out was within Canada and making sure that we got into those leading hospitals and have those leading cardiologists, like Dr. Luc Mertens, Dr. Howard Leong-Poi, using our product at Toronto Sick Kids and St Michael's Hospital, respectively. Canada's not our major market. It's the United States, UK and Europe. We do have salespeople that can provide for Canada marketing efforts, but that isn't our primary focus.

We have a question in here, do you think with the GE Edison Programme being launched in the near future and Ventripoint being integrated into it makes it harder to sell standalone units currently, when current GE customers can essentially wait until Edison launches to get access to the Ventripoint product?

The idea behind this is to work with GE to tap into their existing customers, but that doesn't preclude us from being able to sell our product to other customers as well and for those sites that are still using 2D. One of the things I want to stress again is 3D is not part of clinical mainstream. So even though a site may have 3D echo, I can tell you I hear it too many times where it's very difficult for them to adopt it into their clinical practice. There is a very steep learning curve.

Some people never learn to use 3D properly. I've heard it so many times from cardiologists where they tell me, I know exactly who took this scan based on the quality. And with 3D echo, there needs to be perfect images. And so that's where the VMS+ comes in. Suffice to say there are other manufacturers of 3D who will want to have access to our software, our 3D and echo MRI software, so I don't think that that's going to affect sales. It's actually just going to promote sales with other manufacturers.

Would 4.0 be a free upgrade? Does it require new hardware? 4.0 will not be a free upgrade. 4.0, there will be a cost associated with that. With existing customers, depending on when they purchase the product, we will obviously honour them in such a way so that if they, for example, purchased it a month ago, and there's a 4.0 upgrade, we will work with them to make sure that our customers are happy. That is Number 1. That is part of our core modus operandi here at Ventripoint.

How many total units have been sold or rented out? You'll see a number of those units, that's just a sampling, of the installs in our global install base, you'll see in the Investor Presentation deck, that we can speak to at the present time.

How much does an average system cost? It's US$50,000 or euro, depending on the territory in which the product has been purchased. There's also recurring revenue that occurs. In the first year of the warranty period, they have servicing that's included as well as the patient adhesive pads that are used for attaching the sensor to the patient, which are disposables, and they're one-time use.

Every year thereafter, they have to purchase a servicing plan. And we're even having discussions with sites. When they're looking to purchase the product, they're also looking to purchase the servicing packages three years in advance, for example, we've seen. So that is about $12,000 for recurring revenue.

In addition to that, they have, for the first 150 patients they put through, but if you're dealing with a really high throughput children's hospital, they're going to run through those adhesive pads fairly quickly, and so every other set of 150 are about under $1,000 purchase as well. And those have to be purchased from Ventripoint because those are proprietary to us. We're the only ones that make those available. They're our design.

One thing that I do want to also express is, we are laser-focussed on sales within United States, UK and Europe. That is where our attention has to be, that is where we have boots on the ground, that is where we have leading sites and leading cardiologists that are able to speak to the product. What we are seeing between even sites is even with getting the sonographers or the technicians on board, they are speaking to their colleagues at other hospitals, saying, you need to get the cardiologists to look at this product and bringing it in in site. Once again, we come back to customers are our Number 1 focus, but our focus is in those key markets, and it has to stay in those key markets until we get a strong foothold. That's based on the resources that we have today in terms of people, money and time.

Somebody is asking around the trialling team. Right now, there are three trialling teams. Is there a planned expansion for more trial teams? Yes, when the need warrants it. Right now, we're able to keep up with the demand. My hope is that that will change and that we will add more people and more trialling teams to that and, also, when we expand even more globally. Our hope is to be a product that's

sold globally, and right now, we're hitting the target markets that we need to. But, of course, if we need to expand for more trialling teams, we would absolutely do that.

Is AEPC expecting to close any open studies this year? Will this yield published materials, white papers? Does the company have an output capacity that limits the number of engagements in Steps 3 to 4 of the sales cycle? Will the company need to grow its Sales Support team footprint this year? As I said, right now, I would love to be able to grow this team out even further, but we have to be cognisant of we have a budget, we have only certain number of resources, and we have to get the strong foothold. So we have to be focussed in the regions that we are.

There are a couple of studies that have already completed, and we have one other publication that we learned of that is coming out in the coming weeks, and we will share that with everyone when it does. But keep in mind a lot of these clinical studies are not something that takes place over several weeks. They can take place over six months to two years.

We have some studies that are in various phases. It also depends on being able to recruit the patients that they need to be able to complete these studies, so it's very hard for me to say it will complete in six months. Some of them, we plan to complete at the end of this year, but we don't know at this time. And so we just keep a close eye on it, keeping in mind, Ventripoint is not paying for these studies. These studies are being done independently by these clinicians. So we can encourage them to complete them. And we can provide all the support that's needed to be able to complete them, but a little of that is out of our hands.

Are you seeing more traction with customers wanting to lease or straight-up buy-side of the units? Most customers, I have to say, want to outright purchase. They want a capital purchase out of the equipment. We've got one that is leasing, or, rather, pay-per-use, and another one that is renting, and these are trials for us. There is quite a bit of a burden that comes out of those two approaches, so we're looking to see how that comes through over the coming months. And right now, it's capital purchases.

There's a question about why did we have to go back to Europe a month ago. We are still in the stages, even though we've spent a lot of time last year building awareness of our product, that is an ongoing process. Even at AEPC, what we ended up doing was expanding the countries within Europe that we now have qualified leads in. These are important trips that we need to take to conferences and/or any

types of roadshows to increase the awareness of our product and increase the awareness of Ventripoint. And that is an ongoing practice, and that will never change, actually.

I think that's it for questions. I have time for a couple more questions if anyone else has anything that they want addressed. In terms of gross margin, the system itself, we sell at US$50,000. It takes about $5,000 to $6,000 to make the system Canadian. To put that into perspective, there is a huge margin on equipment. And even now with the 4.0, we're trying to get that done even lower. We're always trying to get the cost down.

I think that's it for questions. I want to thank everyone for the opportunity to speak to you. One of the things I do want to address is around news and news releases before I sign off. My way of operating, and I just want to explain this to everyone, is, I will give you the news when I can give you the news, and it will be as accurate as I possibly can.

I know there's this idea of no news is bad news. That's not the case with me. No news means we are working away to get you the news out in a timely fashion so that it is accurate. And so that takes time, as I showed you through that sales process, but it doesn't mean that it isn't coming. And I'm happy, and I know our Investor Relations team is happy, to answer any additional questions that you may have, so please do reach out.

Once again, I want to thank you for the time. And I'm going to hand it back over to the operator now.

Operator:
Thank you. This concludes today's Conference Call. You may disconnect your lines. Thank you for participating and have a pleasant day.