



GROWTH **RECOMMENDATION**

pro  **medicus**
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PME:ASX
November 2024

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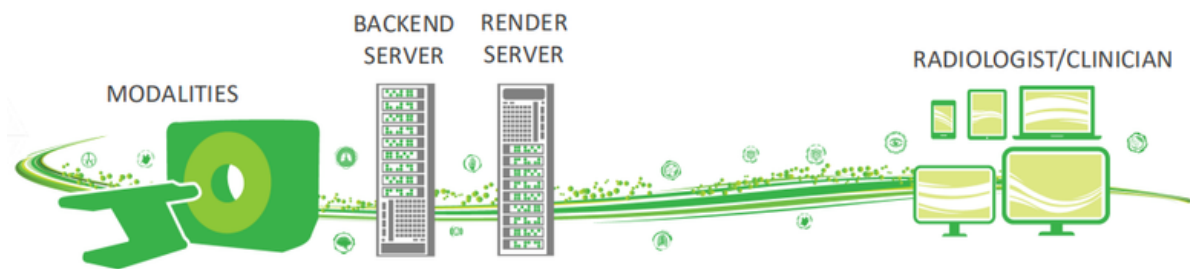
GROWTH RECOMMENDATION

Promedius PME:ASX

Pro Medicus is a leading healthcare informatics company specializing in radiology information systems (RIS), picture archiving and communication systems (PACS), and advanced visualization solutions. Their flagship product, Visage 7, offers ultra-fast, clinically rich imaging technology deployable in both cloud and on-premise environments. The company's proprietary streaming technology and cloud-based solutions have positioned it as a market leader, particularly in North America, which accounts for nearly 90% of its revenue

Pro Medicus' modular approach allows clients to choose from a full stack of products, including the Viewer, Archive, and Workflow Management modules, providing a comprehensive and integrated solution for healthcare providers

The company's ability to seamlessly implement its systems in a fraction of the time compared to competitors, coupled with its unique position as the only vendor capable of fully deploying at scale in the cloud, has contributed to its strong growth and market penetration



Significant IT & Infrastructure Savings



Unparalleled Increase in Radiologist Efficiency



Greater Clinical Accuracy



Improved Physician Engagement



Delivers Superior Value Proposition

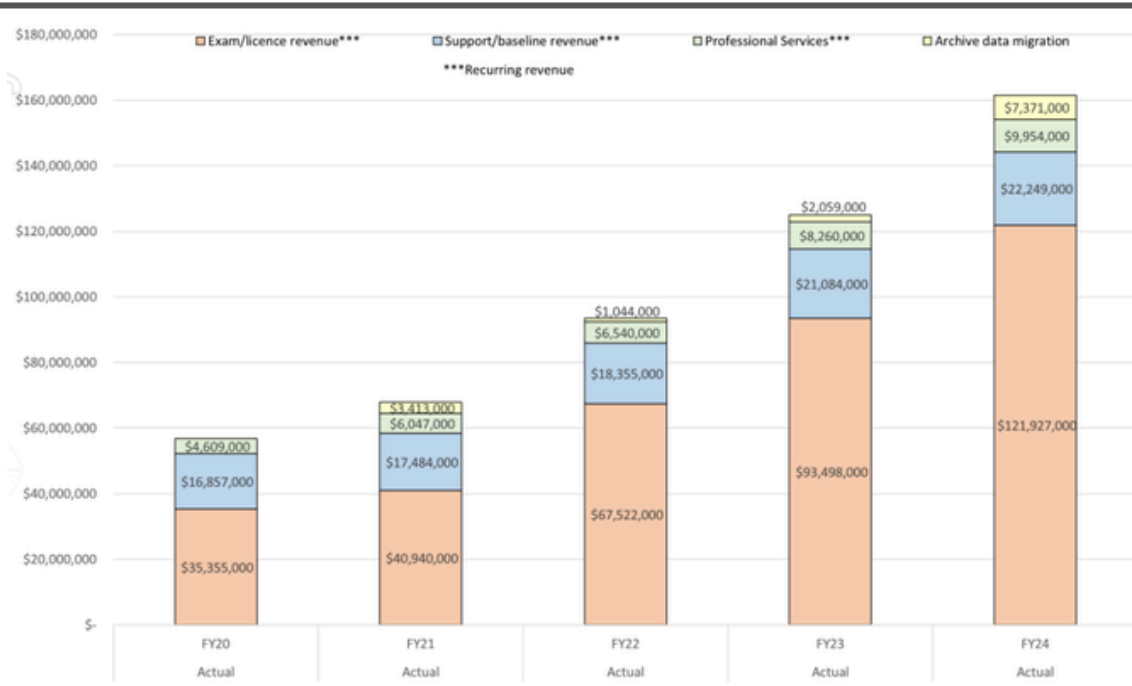
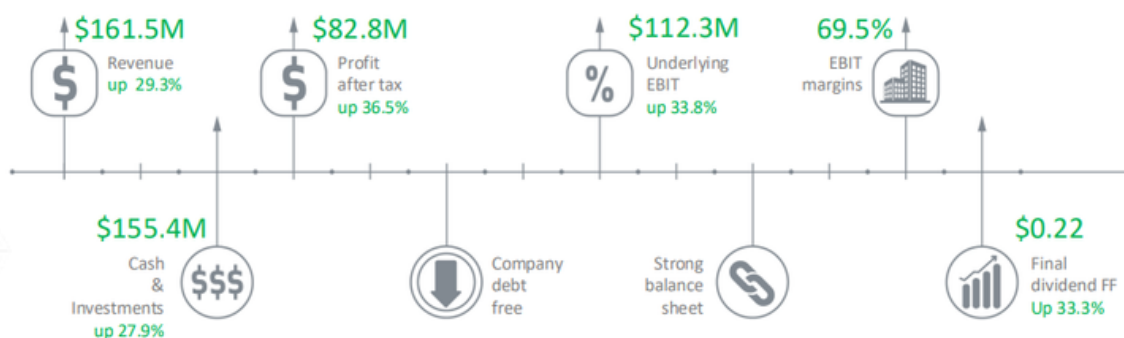
INVESTMENT CONSIDERATIONS

Leadership

Pro Medicus is led by co-founder and CEO Dr. Sam Hupert, who brings over 40 years of medical and software industry experience to the company. Under Dr. Hupert's leadership, Pro Medicus has achieved consistent growth and innovation in the healthcare imaging space. The management team's deep expertise and long-term commitment have been crucial to the company's success, as evidenced by their ability to maintain high growth rates and expand their market share in the competitive US healthcare market

Dr. Hupert's strategic vision has guided the company through important industry shifts, such as the transition to cloud-based solutions and the integration of AI technologies. The leadership team's focus on maintaining a scalable business model with high operating leverage has enabled Pro Medicus to achieve growth while maintaining a tightly contained cost base, resulting in industry-leading profit margins

Financial Performance



INVESTMENT CONSIDERATIONS

Valuation

Pro Medicus trades at a premium valuation with a forward P/E of 191x, which is justified by its exceptional financial metrics and growth potential. The company reported a 29% year-over-year increase in revenue to \$161.5 million and a 36.5% increase in net profit to \$82.8 million for the full-year results

Pro Medicus boasts an impressive EBIT margin of 69.5%, which is significantly higher than industry peers and has shown steady improvement from 53% in FY20

This margin expansion demonstrates the company's ability to scale efficiently and maintain profitability as it grows. The company's strong cash position of AUD 155.4 million with no debt provides financial flexibility for future growth initiatives and potential M&A opportunities

Pro Medicus' high valuation reflects its market-leading position, proprietary technology, and potential for continued growth in the expanding healthcare imaging market. The company's transaction-based model, coupled with its clients' above-average growth rates, suggests that Pro Medicus can maintain its trajectory of strong, profitable growth in the coming years



Pro Medicus has a consistent history of contact wins

Sociological Factors

Pro Medicus' advanced imaging solutions contribute significantly to improved patient outcomes by enabling faster and more accurate diagnoses. The company's focus on AI integration and cloud-based solutions aligns with the broader trend of digital transformation in healthcare, potentially leading to more efficient and accessible medical services. By servicing 11 of the top 20 hospitals in the US, Pro Medicus is playing a crucial role in advancing healthcare technology at leading institutions, which can have a trickle-down effect on the broader healthcare system

The company's research collaborations in AI have resulted in papers and abstracts presented at academic conferences, supporting the benefits and accuracy of their AI offerings

This commitment to advancing medical technology can lead to improved patient care and potentially reduce healthcare costs in the long run. Furthermore, Pro Medicus' expansion into other medical specialties, such as cardiology, demonstrates its potential to impact a wider range of healthcare services beyond radiology

RISKS

Risks

Investment risks

High valuation: The premium valuation of Pro Medicus may lead to increased stock price volatility, especially if the company fails to meet high growth expectations.

Dependence on key personnel: The company's success is closely tied to the expertise of its leadership team, particularly CEO Dr. Sam Hupert. Any departure of key personnel could potentially impact the company's performance.

Concentration risk: With nearly 90% of revenue coming from North America, Pro Medicus is heavily dependent on this market. Any regulatory changes or economic downturns in the US healthcare sector could significantly affect the company's performance.

Competitive pressures: While Pro Medicus currently enjoys a strong market position, the healthcare IT industry is highly competitive. New entrants or technological advancements from existing competitors could potentially erode the company's market share.

Cybersecurity threats: As a provider of cloud-based healthcare solutions, Pro Medicus faces ongoing risks related to data security and privacy. Any significant breach could damage the company's reputation and lead to financial and legal consequences.

Regulatory changes: The healthcare technology sector is subject to stringent regulations. Any changes in healthcare policies or IT standards could require significant adaptations and potentially impact the company's operations and profitability.

WHY HOLD THE COMPANY?

Investors should consider owning shares in Pro Medicus for several compelling reasons:

Market leader - the company is a market leader in a growing, mission-critical healthcare niche, with a proven track record of innovation and successful product development. Pro Medicus has consistently demonstrated its ability to win significant contracts, including a record year for sales in FY24 with nine key contracts totaling a minimum contract value of \$245 million. The company's ability to address a broad range of market segments, from small practices to large healthcare enterprises, significantly expands its total addressable market (TAM)

Financial performance - Pro Medicus exhibits exceptional financial performance with high margins and strong cash flow. The company's EBIT margin of 69.5% is multiples higher than its peers, and management believes these margins are sustainable

The recurring revenue model through long-term contracts provides stability and predictability to the company's earnings.

Cloud Based - Pro Medicus is well-positioned to capitalize on the industry-wide shift towards cloud-based solutions, being the only vendor capable of fully deploying at scale in the cloud. This technological advantage, combined with the company's modular approach and full-stack offering, makes it an attractive choice for healthcare providers looking for comprehensive, best-of-breed solutions

Room to grow - with only 7% market share in the US, Pro Medicus has significant room for growth in its primary market, as well as potential for international expansion and entry into new medical specialties

1	BRIGHAM AND WOMEN'S HOSPITAL	Brigham & Women's - Live Full PACS
2	DukeHealth	Duke Health - Live Full PACS
3	MASSACHUSETTS GENERAL HOSPITAL	Mass General - Live Full PACS
4	MAYO CLINIC	Mayo Clinic - Live Full PACS Arizona
5	MAYO CLINIC	Mayo Clinic - Live Full PACS Rochester
6	Northwestern Medicine	Northwestern - Live Full PACS
7	NYU Langone Health	NYU - Live Full PACS
8	RUSH	Rush - Breast Imaging PACS
9	UC San Diego HEALTH SYSTEM	UCSD - Live Full PACS
10	UCLA Health	UCLA - Live Full PACS
11	UCSF Health	UCSF - Live Full PACS

Source: U.S. News & World Report Top 20 Hospitals 2024-2025

“
 Over 50% of the best rated hospitals in the US use Visage 7
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Our Commitment

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