

Lumos Diagnostics Holdings Ltd (LDX.ASX)

FebriDx to hit fever pitch

Event:

- We initiate research coverage on Lumos Diagnostics Holdings (LDX).

Investment Highlights:

- Point-of-care (POC) diagnostic test provider.** LDX is a healthcare POC diagnostic test company offering both its own products, and services to third-parties such as product development, underpinned by its technology platform. The POC diagnostic market is growing at 11% CAGR driven by rapid results and low costs.
- FebriDx the game changer.** LDX's key product is FebriDx, which can rapidly identify with high confidence whether patients' acute respiratory infections (ARIs) are bacterial or viral. The product is a simple blood fingerstick test which delivers results in around 10 minutes.
- Reducing unnecessary antibiotic prescriptions.** Detrimental impacts of overprescribing antibiotics include adverse side effects, and antimicrobial resistance, which can be disastrous for public health, plus significant costs to healthcare and the economy. Use of FebriDx can help alleviate these issues.
- 80M patients p.a. suffer ARIs in US.** FebriDx is FDA-approved for diagnosing ARIs in 12-64 years age cohort, about 59% of the US population, in a moderate complex setting. However, it is currently undergoing a pediatric trial (2-12 years) which would expand coverage to 72% of population. About 80M patient visits pa in the US are for ARIs.
- US\$2.4b opportunity if CLIA-waiver granted.** LDX has applied for FebriDx to obtain grant of CLIA-waiver, meaning no requirement for a trained professional to administer the test, increasing the market to all 277k US healthcare settings. At reimbursement of US\$41.38/test, this means a potential US\$2.4b market for FebriDx. Our estimate of LDX's share is US\$0.6b, the balance split between distributors and healthcare providers such as primary care physician offices.
- Well ahead of competitors.** The few competitors to FebriDx have a number of disadvantages, including no CLIA-waiver, requiring a separate and large reader, venous blood draw as opposed to fingerstick, and result times ≥ 15 minutes.
- Exclusive distributor Phase to spearhead rollout.** LDX has a US\$317M distribution deal with Phase Scientific (Phase) for the exclusive distribution rights for FebriDx in the US. Phase has experience with POC products such as its own INDICAID brand. The agreement is underpinned by minimum order quantities.
- Services and womens' health products.** LDX Service business has a number of customers, the most notable being major healthcare provider Hologic for which it is assisting developing a new test. The company is also developing its own products, focusing on womens' health, which represents significant upside.

Earnings and Valuation:

- We value LDX at \$0.42/share using NPV₁₀ (nominal). Assumptions include FebriDx CLIA-waiver grant, long-term US market share of 10% of ARI patients, FebriDx sales equaling Phase MOQs over next six years, and gross margin of 65%.

Recommendation:

- We initiate on LDX with a Buy and 12-month price-target of \$0.42, based on risked valuation. Catalysts include CLIA-waiver, successful pediatric trial, rising FebriDx sales, and progress of own womens' health products.

Disclosures

The analyst owns 179,000 LDX shares. Foster Stockbroking, staff, and Cranport own 1.0% of LDX shares on issue.

Recommendation	Buy
Previous	n/a
Risk	Medium
Price Target	\$0.42
Previous	n/a
Share price (A\$)	\$0.2350
ASX code	LDX
52 week low-high	\$0.019-0.28
Valuation - risked (A\$/share)	\$ 0.42
Methodology	risked NPV

Capital structure

Shares (M)	787
Market cap (A\$M)	185
Net cash (debt) (A\$M)	8
Performance rights (M)	38
Options (M)	120
Diluted EV (A\$M)	214
Ave daily volume ('000)	4,279

Earnings US\$M y/e Jun	FY25a	FY26e	FY27e	FY28e
Sales	12	13	22	42
EBITDA adj	-5	-7	-3	7
NPAT reported	-7	-8	-6	4
NPAT adj	-8	-10	-6	4
EPS adj. \$*	-0.01	-0.01	-0.01	0.00
PE x	nm	nm	nm	44x
EV/EBITDA x	nm	nm	nm	17x

* Adj = underlying

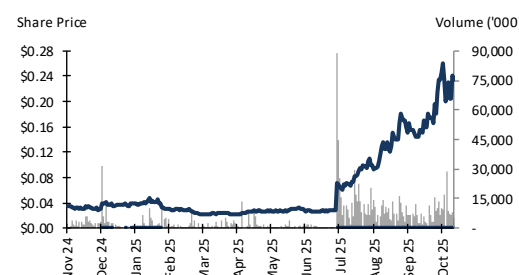
Substantial shareholders

Tenmile Ventures	19.9%
Ryder Capital	17.0%

Board

Sam Lanyon	Non-Executive Chair
Doug Ward	CEO &MD
Bronwyn Le Grice	Non-Executive Director
Lawrence Mehren	Non-Executive Director
Catherine Robson	Non-Executive Director

Share price graph



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