

# DIAGNOS Inc.

FQ324 In-line; Quebec RFP Decision and EssilorLuxottica Roll-Out Key Drivers Going Forward. Maintaining Top Pick and PT

ADK-TSXV: \$0.29  
Speculative Buy  
\$1.50 Target

**Event** – Top Pick DIAGNOS today reported operating results for FQ324 (period ending December 31, 2023) that were largely in line our expectations as the Company made progress on its roll-out with New Look. Nevertheless, the key focus going forward is on the Company’s transformational distribution deal with EssilorLuxottica (EL-ENXTPA, NR) announced in December. We also continue to view the award of the Quebec screening program RFP as a meaningful near-term catalyst, with a decision expected around the end of CQ1. As such, we are maintaining our Top Pick rating and \$1.50/shr price target.

**FQ324 Results Largely In-Line; Private Placement Provides Cash Infusion** – FQ324 revenues came in at \$52.1K, beating our \$45.9K estimate (up 59.4% q/q) but were down -57.2% y/y. The sequential increase in revenue was from higher examination volumes as ADK made incremental progress on its roll-out with New Look, with 50 locations now installed (up from 47 in December), while the y/y decrease was due to higher FQ323 revenue from one-time customization consulting fees from the development of additional AI-based eye exams. The Company’s FQ324 gross profit of -\$199K and EBITDA of -\$599.6K came in below our estimates of -\$115K and -\$344K, respectively. The net loss came in at -\$810K versus our -\$520K estimate. DIAGNOS ended the quarter with \$305.2K in cash and equivalents. However, the Company yesterday announced that it closed a \$0.4M first tranche of a non-brokered private placement of up to \$1.2M, issued at a price of \$0.28 per unit, with each unit consisting of a common share and a warrant with a \$0.40 strike price and an 18-month expiration date. The closing of the second and final tranche is expected on March 12.

**Decision on Quebec RFP Expected in CQ1; Maintaining Confidence in Bid Win** – As the Company continues to await a decision on the Quebec RFP that is expected around the end of this quarter, we maintain our view that DIAGNOS is best-positioned to win the AI-based screening component of the contract. The contract represents a \$25M+ opportunity for ADK, which would drive upside to our estimates and be a meaningful catalyst for the stock.

**EssilorLuxottica Distribution Deal Progress Remains Key Driver** – Despite ADK’s relatively slow roll-out with New Look, the key focus for the firm remains on its distribution deal with EL. The Companies have already begun a “soft-launch” introducing the technology to EL’s internal retail banners as well as large Canadian retail chains, with the formal Canadian launch of the platform targeting the beginning of April. In the interim, ADK is training EL’s 130-person salesforce, and the companies are jointly developing marketing materials to support the launch. As such, we don’t expect a meaningful revenue contribution from the deal until C2H24. Nevertheless, as a reminder on the size and scope of the opportunity, ADK’s AI technology could be appropriate for ~12,000 of EL’s global locations, as they provide eye exams using the fundus cameras necessary to take a digital image of a patient’s retina. EL’s wholesale business also distributes lenses, frames, and other professional services to ~3,700 optical locations across Canada, which would also be the initial targeted customers for ADK’s technology.

**Valuation** – While we would like to see an improvement in the pace of the Company’s progress with New Look, we highlight a potential near-term catalyst from the Quebec RFP and the long-term value creation potential of the EssilorLuxottica deal. Therefore, we are maintaining our \$1.50/shr PT, which is based on the average of our DCF (11% discount rate and a 5% terminal growth rate) and EV/Sales (10x C2025 estimates) valuations.

Projected Return: 417%  
Discount Rate: 11%

**DIAGNOS Inc.**

<b>Market Cap.</b>	Basic (\$M)	21.6
	FD (\$M)	24.3
<b>Net Debt</b>	FD (\$M)	2.9
<b>Enterprise Value</b>	FD (\$M)	27.2
<b>Basic Shares O/S (M)</b>		74.4
<b>FD Shares O/S (M)</b>		83.7
<b>Avg. Daily 3M Volume (K)</b>		124.0
<b>52 Wk High-Low</b>		\$0.58 - \$0.27

**Financial Metrics**

FYE - March 31	F2023A	F2024E	F2025E
<b>Revenue (\$M)</b>	0.5	0.2	4.2
<b>EBITDA (\$M)</b>	(2.0)	(2.4)	1.0
<b>EPS</b>	(\$0.04)	(\$0.04)	(\$0.02)

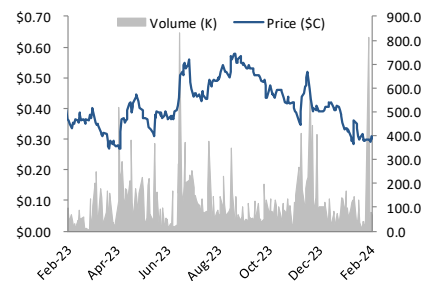
	C2023A	C2024E	C2025E
<b>EV/Sales</b>	ADK 138.2x	11.2x	2.6x
	Peers 7.7x	4.0x	3.0x
<b>EV/EBITDA</b>	ADK NMF	NMF	6.5x
	Peers 49.3x	42.9x	24.0x

**Quarterly Data**

		Q1	Q2	Q3	Q4
<b>Revenue (\$M)</b>	F2023A	0.1	0.1	0.1	0.1
	F2024E	0.0	0.0	0.1	0.1
	F2025E	0.3	0.6	1.4	1.9
<b>EBITDA (\$M)</b>	F2023A	(0.6)	(0.4)	(0.4)	(0.6)
	F2024E	(0.6)	(0.5)	(0.6)	(0.7)
	F2025E	(0.1)	0.0	0.4	0.7
<b>EPS</b>	F2023A	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
	F2024E	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
	F2025E	(\$0.01)	(\$0.01)	(\$0.00)	\$0.00

**Company Description**

ADK is a Montreal-based commercial-stage artificial intelligence (AI) company addressing the critical problem of diabetic retinopathy (DR) - the leading cause of blindness. The Company has developed an image enhancement and AI analysis platform that integrates with existing optometry equipment and processes to enable early detection, triage, and monitoring of DR by grading the severity of indicators found in images of the retina. As its AI-based platform comes into focus, ADK looks poised to secure increasingly larger agreements with optical retailers, networks of healthcare facilities, private and public payors, and strategic partners like pharma and optometry equipment companies.

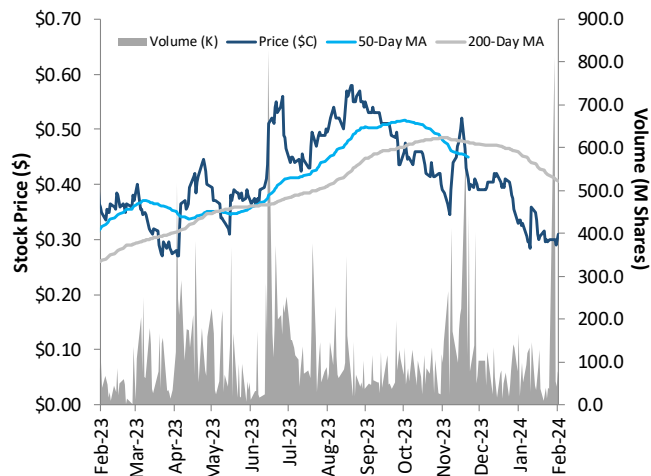


Source: Consensus Data - Capital IQ, Forecasts - ECM

U.S. based investors should refer to our disclaimers relevant to U.S. distributions at the end of the report.

**DIAGNOS Inc. (TSXV:ADK, \$0.29) - Data Sheet**

**Speculative Buy | PT: \$1.50**



**Company Description**

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Consensus	3mos Ago	Current	Return
Rating:	Outperform	Outperform	
Target:	\$0.95	\$1.50	417%
Median:	\$0.95	\$1.50	417%
High:	\$0.95	\$1.50	417%
Low:	\$0.95	\$1.50	417%

**Consensus Distribution**

Outperform/Buy	1
Perform/Hold	0
Underperform/Sell	0
# Est	1

**Key Statistics**

Key Statistics	Value
52-Week High	\$0.58 100%
52-Week Low	\$0.27 (7%)
Avg Vol (3-Mo)	124
Shares Outstanding	84
Market Cap	24
Net Debt	3
Enterprise Value	27
Div Yield	0.0%
FYE	Mar 31

**Key Financial Metrics**

All values in C\$ '000s, FYE March 31													
	F2021A	F2022A	FQ423A	FQ124A	FQ224E	FQ324E	FQ424E	F2024E	FQ125E	FQ225E	FQ325E	FQ425E	F2025E
Revenue	267	439	486	43	33	52	103	225	337	573	1,417	1,851	4,178
Growth y/y	(19%)	64%	11%	(71%)	(78%)	(62%)	51%	(54%)	679%	1651%	2984%	1695%	1756%
Gross Income (Loss)	(348)	(418)	(307)	(173)	(247)	(200)	(52)	(678)	202	429	1,133	1,481	3,246
Gross Margin	(130%)	(95%)	(63%)	(400%)	(755%)	(383%)	(50%)	(301%)	60%	75%	80%	80%	78%
Selling, General, and Administrative Expenses	1,591	1,710	1,662	396	299	400	619	1,713	337	429	779	741	2,287
EBITDA	(1,939)	(2,128)	(1,969)	(569)	(545)	(600)	(670)	(2,391)	(135)	0	354	741	960
EBITDA Margin	(726%)	(485%)	(405%)	(1314%)	(1667%)	(1150%)	(650%)	(1062%)	(40%)	0%	25%	40%	23%
EPS	(\$0.03)	(\$0.04)	(\$0.04)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.01)	(\$0.01)	(\$0.00)	\$0.00	(\$0.02)

**Comparables**

Name	Ticker	Market Cap, (C\$,M)	EV, FD (C\$,M)	Last Price	Returns				EV/Sales			EV/EBITDA		
					1M	3M	YTD	1 Year	C2022	C2023E	C2024E	C2022	C2023E	C2024E
DIAGNOS Inc.	TSXV:ADK	22	27	\$0.29	(14%)	(27%)	(30%)	(20%)	47.7x	138.2x	11.2x	NMF	NMF	NMF

**Healthcare IT Companies (ex-Telemedicine)**

kneat.com, inc.	TSX:KSI	320	333	\$3.76	5%	14%	41%	34%	14.3x	9.8x	7.1x	NMF	NMF	129.7x
Alcidion Group Limited	ASX:ALC	53	42	\$0.04	(20%)	(39%)	(69%)	(67%)	1.0x	1.1x	1.1x	7.9x	NMF	21.8x
Suzhou MedicalSystem Technology Co., Ltd	SHSE:603990	634	636	\$2.09	3%	(17%)	(24%)	(32%)	NA	3.6x	0.9x	NA	NA	NA
Medical Data Vision Co., Ltd.	TSE:3902	199	171	\$5.21	(9%)	(16%)	(35%)	(36%)	2.7x	NA	2.4x	9.1x	NA	11.2x
OptimizeRx Corporation	NASDAQ:OPRX	382	296	\$20.97	8%	63%	(8%)	(13%)	3.4x	3.2x	2.0x	36.1x	64.2x	19.4x
Renalytic Plc	AIM:RENX	49	53	\$0.49	147%	38%	(60%)	(80%)	10.0x	16.2x	4.2x	NMF	NMF	NMF
Simulations Plus, Inc.	NASDAQ:SLP	1,155	1,003	\$56.84	8%	7%	15%	11%	13.7x	12.0x	10.7x	39.5x	34.5x	32.4x
<b>Average</b>		<b>399</b>	<b>362</b>	<b>20%</b>	<b>7%</b>	<b>(20%)</b>	<b>(26%)</b>	<b>7.5x</b>	<b>7.7x</b>	<b>4.0x</b>	<b>23.1x</b>	<b>49.3x</b>	<b>42.9x</b>	
<b>Median</b>		<b>320</b>	<b>296</b>	<b>5%</b>	<b>7%</b>	<b>(24%)</b>	<b>(32%)</b>	<b>6.7x</b>	<b>6.7x</b>	<b>2.4x</b>	<b>22.6x</b>	<b>49.3x</b>	<b>21.8x</b>	

**Healthcare AI and AI Peers**

iCAD, Inc.	NASDAQ:ICAD	56	31	\$2.12	5%	(2%)	(14%)	(41%)	0.7x	0.8x	1.2x	1.0x	NMF	NA
LBT Innovations Limited	ASX:LBT	17	15	\$0.01	0%	15%	(74%)	(72%)	17.8x	NA	NA	NA	NA	NA
IQ-AI Limited	LSE:IQAI	7	7	\$0.03	(45%)	(53%)	(4%)	(57%)	7.3x	NA	NA	NA	NA	NA
Predictmedix AI Inc.	CNSX:PMED	9	9	\$0.06	0%	20%	33%	(54%)	67.1x	NA	NA	NA	NA	NA
VentriPoint Diagnostics Ltd.	TSXV:VPT	46	44	\$0.29	6%	58%	6%	10%	NA	NA	NA	NA	NA	NA
Cognitivity Neurosciences Ltd.	CNSX:CGN	2	11	\$0.02	33%	(50%)	(92%)	(94%)	NA	114.6x	NA	3.9x	NMF	703.8x
ImExHS Limited	ASX:IME	26	25	\$0.58	3%	(2%)	41%	63%	2.0x	1.6x	1.4x	NA	NA	NA
PainChek Limited	ASX:PCK	38	36	\$0.03	(6%)	(21%)	(12%)	7%	87.0x	NA	NA	1.0x	NA	NA
Renalytic Plc	AIM:RENX	49	53	\$0.49	147%	38%	(60%)	(80%)	17.2x	10.0x	16.2x	6.6x	54.3x	42.7x
<b>Average</b>		<b>25</b>	<b>22</b>	<b>(1%)</b>	<b>(4%)</b>	<b>(14%)</b>	<b>(30%)</b>	<b>24.4x</b>	<b>29.1x</b>	<b>5.8x</b>	<b>4.0x</b>	<b>NA</b>	<b>NA</b>	
<b>Median</b>		<b>21</b>	<b>20</b>	<b>2%</b>	<b>(2%)</b>	<b>(8%)</b>	<b>(47%)</b>	<b>14.8x</b>	<b>10.9x</b>	<b>7.1x</b>	<b>2.4x</b>	<b>32.9x</b>	<b>32.9x</b>	

Source: Consensus Data - Cap IQ, Historical Data - Company Filings, Forecasts/Estimates - Echelon Capital Markets

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**Company:** DIAGNOS Inc. | ADK:TSXV

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<b>Speculative Buy</b>	The security is considered a BUY but in the analyst's opinion possesses certain operational and/or financial risks that are higher than average.
<b>Hold</b>	The security represents fair value and no material appreciation is expected over the next 12-18 month time horizon.
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Number of recommendations	30	46	5	0	13	0	4
% of Total (excluding Restricted)	32%	49%	5%	0%	14%		
Number of investment banking relationships	8	11	0	0	1	0	1
% of Total (excluding Restricted)	40%	55%	0%	0%	5%		

**PRICE CHART, RATING & PRICE TARGET HISTORY**



Data sourced from: Capital IQ

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