

# DIAGNOS Inc.

Q221 Top Pick: AI Company Taking on the Leading Cause of Blindness; Should Benefit from New Contracts Post-COVID

ADK-TSXV: \$0.54  
Speculative Buy  
\$0.85 Target

**Highlight** – We are nominating DIAGNOS Inc. to Echelon’s Q221 Top Picks Portfolio. ADK is a commercial-stage artificial intelligence (AI) company focused on the detection of diabetic retinopathy (DR), the leading cause of blindness in adults. The disease progresses asymptotically until irreversible vision loss occurs and it often goes undetected because of bottlenecks in screening. ADK 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 the detailed output, low cost, and ease of implementation of 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.

**AI Can Address Screening Bottlenecks in DR, Reducing Avoidable Vision Loss** – Of the half a billion diabetics worldwide, 20-40% have DR and are at risk of going blind, and 5-10% of diabetics will develop or see a progression in the severity of DR within 12 months. The disease is asymptomatic, therefore annual eye exams are critical to its early detection – yet half of the patients are not screened annually. We estimate that the market for filling this gap in DR screening is ~US\$200M in the US and more than US\$1B globally. ADK’s Computer Assisted Retinal Assessment (CARA) platform is used to provide decision support to eye care professionals by flagging specific indicators and grading the severity of DR, which can be difficult to distinguish in photographs of the retina. While it is currently used as a decision support tool, the platform is capable of autonomous detection, pending additional regulatory approvals, and ADK intends to pursue expanded use cases in the near future.

**Designed to Ease Implementation and Maximize Valuable Features** – CARA is an EMR-compatible software that eliminates tedious data entry and speeds up the time-consuming and challenging assessments of retinal images. It is equipment-agnostic and easy to incorporate into existing workflows in contrast with some competitors in the US who have seen their platform become limited to one or two cameras. ADK offers CARA to eye care professionals as a tool that will draw patients into their practice and help recognize those in need of treatment in the earlier stages of DR where more therapeutic options are available.

**Robust Pipeline of Contracts and Prospects** – ADK has secured contracts with networks of medical facilities, government agencies, and pharma and optometry companies, and has a pipeline of pilots that may translate into fulsome contracts. While COVID-19 slowed its momentum in 2020, ADK is working towards securing long-term partnerships in the optical retailer space and is expected to announce a contract in the coming year, putting it in a strong financial position to continue its efforts to broaden the use cases of CARA.

**Valuation:** Our \$0.85/shr target price is the average of our DCF and EV/Sales valuations. We use a 10x EV/Sales multiple on our C2022 estimate which is in line with healthcare IT peers at 10x, while ADK trades at ~7x. For our DCF, we use a 12% discount rate and a 5% terminal growth rate. This brings us to our \$0.85 target, representing a 57% upside. Accordingly, we are maintaining our Speculative Buy rating, and highlighting ADK as a Top Pick for Q221. We note that Echelon’s Top Picks Portfolio returned 27.3% for Q121, 74.0% for 2020, with our three-year (2018-20) and five-year (2016-20) returns at 109.7% and 431.2%, respectively.

Projected Return: 57%  
Discount Rate: 12%

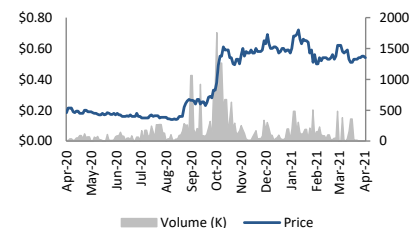
DIAGNOS Inc.		
Market Cap.	Basic (\$M)	35
	FD (\$M)	41
Net Debt (as of Q3-21) - FD (\$M)		-1
Enterprise Value - FD (\$M)		40
Basic Shares O/S (M)		66
FD Shares O/S (M)		76
Avg. Daily Volume (M)		139
52 Week Range		\$0.14 - \$0.77

Financial Metrics				
FYE - March 31	F2020A	F2021E	F2022E	F2023E
Revenue (\$M)	0.3	0.3	1.0	7.2
EBITDA (\$M)	(2.8)	(2.2)	(2.2)	2.9
EPS	(\$0.08)	(\$0.03)	(\$0.02)	\$0.03

Valuation Data			
	C2021	C2022	C2023
EV/Sales	NMF	6.7x	3.3x
Peers	15.7x	9.9x	8.9x
EV/EBITDA	NMF	21.2x	6.3x
Peers	46.1x	32.5x	33.3x

Quarterly Data				
	Q1	Q2	Q3	Q4
Revenue (\$M)	F2020A 0.1	0.1	0.1	0.1
	F2021 0.0	0.1	0.1	0.1
	F2022 0.1	0.1	0.2	0.6
EBITDA (\$M)	F2020A (0.7)	(0.5)	(0.5)	(1.1)
	F2021 (0.6)	(0.4)	(0.6)	(0.6)
	F2022 (0.6)	(0.7)	(0.6)	(0.3)
EPS	F2020A (\$0.03)	(\$0.01)	(\$0.01)	(\$0.03)
	F2021 (\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
	F2022 (\$0.01)	(\$0.01)	(\$0.01)	(\$0.00)

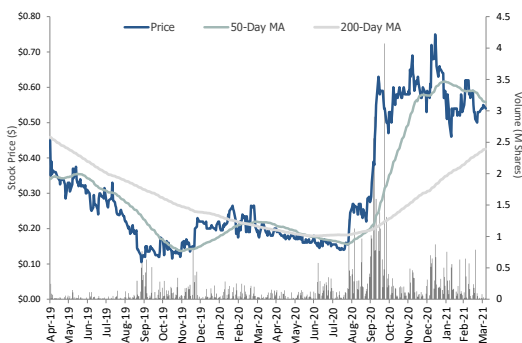
**Company Description**  
ADK is a Montreal-based commercial-stage artificial intelligence (AI) company addressing the critical problem of diabetic retinopathy (DR) - the leading cause of blindness. The Company has developed an image enhancement and AI analysis platform that integrates with existing 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 the detailed output, low cost, and ease of implementation of 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 - FactSet, Forecasts/Estimates - Echelon Capital Markets

**DIAGNOS Inc. (ADK-V, \$0.54) - Data Sheet**

**Speculative Buy | PT: \$0.85**



**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 the detailed output, low cost, and ease of implementation of 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.

Consensus	3 Mths Ago	Current	Return
Rating:	NA	Buy	
Target:	NA	\$0.85	NA
Median:	NA	\$0.85	NA
High:	NA	\$0.85	NA
Low:	NA	\$0.85	NA

Consensus Distribution	
Sector Outperform/Buy	1
Sector Perform/Hold	0
Sector Underperform/Sell	0
# Est	1

Key Statistics	Value
52-Week High	\$0.77 43%
52-Week Low	\$0.14 (74%)
Avg Vol (3-Mo)	139
Shares Outstanding	76
Market Cap	41
Net Debt	-1
Enterprise Value	40
Div Yield	n/a
FYE	Mar 31

**Key Financial Metrics**

All values in C\$ '000s, FYE March 31	F2019	F2020	FQ1 21	FQ2 21	FQ3 21	FQ4 21E	F2021E	FQ1 22E	FQ2 22E	FQ3 22E	FQ4 22E	F2022E	F2023E
<b>Revenue</b>	<b>326</b>	<b>332</b>	48	80	78	82	<b>287</b>	89	95	220	576	<b>980</b>	<b>7,207</b>
<i>Growth y/y</i>		2%					-13%					241%	636%
<b>Gross Income (Loss)</b>	<b>-759</b>	<b>-473</b>	-115	-22	-86	-93	<b>-316</b>	-86	-105	-5	326	<b>130</b>	<b>5,507</b>
<i>Margin</i>											57%	13%	76%
<b>Selling, General, and Administrative Expenses</b>	<b>2,171</b>	<b>2,323</b>	513	424	483	500	<b>1,919</b>	525	550	600	650	<b>2,325</b>	<b>2,558</b>
<b>EBITDA</b>	<b>-2,930</b>	<b>-2,796</b>	-627	-446	-569	-593	<b>-2,236</b>	-611	-655	-605	-324	<b>-2,195</b>	<b>2,950</b>
<i>Growth y/y</i>													
<i>Margin</i>													41%
<b>EPS</b>	<b>(\$0.21)</b>	<b>(\$0.08)</b>	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	<b>(\$0.03)</b>	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.00)	<b>(\$0.02)</b>	<b>\$0.03</b>

**Comparables**

Name	Ticker	Market Cap, (C\$,M)	EV, FD (C\$,M)	Last Price	Returns			EV/Sales			EV/EBITDA			
					1 Month	3 Month	YTD	1 Year	C2021	C2022	C2023	C2021	C2022	C2023
DIAGNOS Inc.	ADK-CA	35	40	\$0.54	-13%	-11%	-8%	177%	NMF	6.7x	3.3x	NMF	21.2x	6.3x

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

kneat.com, Inc.	KSI-CA	224	226	\$3.25	7%	20%	15%	15%	10.7x	7.2x	5.2x	NMF	34.8x	15.5x
Aldicion Group Limited	ALC-AU	289	276	\$0.29	24%	65%	65%	114%	11.2x	9.0x	7.3x	NMF	NA	NA
Suzhou MedicalSystem Technology Co., Ltd. Class A	603990-CN	705	710	\$4.26	-23%	-31%	-31%	-16%	5.4x	3.8x	NA	20.1x	12.8x	NA
Medical Data Vision Co.Ltd.	3902-JP	965	911	\$24.10	13%	-33%	-25%	-26%	11.6x	9.4x	6.6x	39.8x	30.3x	NA
OptimizeRx Corporation	OPRX	1,017	1,089	\$60.53	12%	40%	55%	55%	11.8x	7.6x	NA	59.2x	27.9x	NA
Renalytix AI Plc	RENX-GB	1,157	1,089	\$16.06	8%	90%	90%	76%	36.7x	13.2x	NA	NMF	NMF	NA
Simulations Plus, Inc.	SLP	1,612	1,526	\$80.76	-3%	-14%	-10%	8%	22.7x	19.2x	16.4x	65.2x	56.5x	51.1x
<b>Average</b>		<b>853</b>	<b>833</b>		<b>5%</b>	<b>19%</b>	<b>23%</b>	<b>32%</b>	<b>15.7x</b>	<b>9.9x</b>	<b>8.9x</b>	<b>46.1x</b>	<b>32.5x</b>	<b>33.3x</b>
<b>Median</b>		<b>965</b>	<b>911</b>		<b>8%</b>	<b>20%</b>	<b>15%</b>	<b>15%</b>	<b>11.6x</b>	<b>9.0x</b>	<b>7.0x</b>	<b>49.5x</b>	<b>30.3x</b>	<b>33.3x</b>

**Healthcare AI Peers**

LBT Innovations Limited	LBT-AU	29	15	\$0.10	0%	-14%	-14%	-54%	NA	NA	NA	NA	NA	NA
IQ-AI Limited	IQAI-GB	23	22	\$0.13	-11%	-24%	-24%	109%	NA	NA	NA	NA	NA	NA
Predictmedix, Inc.	PMED-CA	63	62	\$0.62	91%	88%	91%	91%	NA	NA	NA	NA	NA	NA
Ventripoint Diagnostics Ltd.	VPT-CA	60	74	\$0.48	17%	494%	428%	850%	NA	NA	NA	NA	NA	NA
Cognativity Neurosciences Ltd.	CGN-CA	43	43	\$0.63	0%	13%	-2%	215%	NA	NA	NA	NA	NA	NA
ImExHS Limited	IME-AU	65	61	\$2.12	9%	38%	38%	42%	3.2x	2.3x	NA	29.0x	8.8x	NA
PainChek Ltd	PCK-AU	85	73	\$0.08	4%	3%	3%	-35%	13.5x	4.8x	2.6x	68.1x	10.8x	4.3x
Renalytix AI Plc	RENX-GB	1,157	1,089	\$16.06	8%	90%	90%	76%	36.9x	13.2x	NA	129.6x	22.8x	NA
<b>Average</b>		<b>52</b>	<b>50</b>		<b>15%</b>	<b>86%</b>	<b>76%</b>	<b>162%</b>	<b>17.9x</b>	<b>6.7x</b>	<b>2.6x</b>	<b>75.6x</b>	<b>14.1x</b>	<b>4.3x</b>
<b>Median</b>		<b>60</b>	<b>61</b>		<b>6%</b>	<b>25%</b>	<b>20%</b>	<b>84%</b>	<b>13.5x</b>	<b>4.8x</b>	<b>2.6x</b>	<b>68.1x</b>	<b>10.8x</b>	<b>4.3x</b>

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

## Important Information and Legal Disclaimers

Echelon Wealth Partners Inc. is a member of IIROC and CIPF. The documents on this website have been prepared for the viewer only as an example of strategy consistent with our recommendations; it is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular investing strategy. Any opinions or recommendations expressed herein do not necessarily reflect those of Echelon Wealth Partners Inc. Echelon Wealth Partners Inc. cannot accept any trading instructions via e-mail as the timely receipt of e-mail messages, or their integrity over the Internet, cannot be guaranteed. Dividend yields change as stock prices change, and companies may change or cancel dividend payments in the future. All securities involve varying amounts of risk, and their values will fluctuate, and the fluctuation of foreign currency exchange rates will also impact your investment returns if measured in Canadian Dollars. Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money. Data from various sources were used in the preparation of these documents; the information is believed but in no way warranted to be reliable, accurate and appropriate. Echelon Wealth Partners Inc. employees may buy and sell shares of the companies that are recommended for their own accounts and for the accounts of other clients.

Echelon Wealth Partners compensates its Research Analysts from a variety of sources. The Research Department is a cost centre and is funded by the business activities of Echelon Wealth Partners including, Institutional Equity Sales and Trading, Retail Sales and Corporate and Investment Banking.

**Research Dissemination Policy:** All final research reports are disseminated to existing and potential clients of Echelon Wealth Partners Inc. simultaneously in electronic form. Hard copies will be disseminated to any client that has requested to be on the distribution list of Echelon Wealth Partners Inc. Clients may also receive Echelon Wealth Partners Inc. research via third party vendors. To receive Echelon Wealth Partners Inc. research reports, please contact your Registered Representative. Reproduction of any research report in whole or in part without permission is prohibited.

**Canadian Disclosures:** To make further inquiry related to this report, Canadian residents should contact their Echelon Wealth Partners professional representative. To effect any transaction, Canadian residents should contact their Echelon Wealth Partners Investment advisor.

**U.S. Disclosures:** This research report was prepared by Echelon Wealth Partners Inc., a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund. This report does not constitute an offer to sell or the solicitation of an offer to buy any of the securities discussed herein. Echelon Wealth Partners Inc. is not registered as a broker-dealer in the United States and is not be subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. Any resulting transactions should be effected through a U.S. broker-dealer.

**U.K. Disclosures:** This research report was prepared by Echelon Wealth Partners Inc., a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund. ECHELON WEALTH PARTNERS INC. IS NOT SUBJECT TO U.K. RULES WITH REGARD TO THE PREPARATION OF RESEARCH REPORTS AND THE INDEPENDENCE OF ANALYSTS. The contents hereof are intended solely for the use of, and may only be issued or passed onto persons described in part VI of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. This report does not constitute an offer to sell or the solicitation of an offer to buy any of the securities discussed herein.

**Copyright:** This report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of Echelon Wealth Partners.

### ANALYST CERTIFICATION

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

I, Stefan Quenneville, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that I have not, am not, and will not receive, directly or indirectly, compensation in exchange for expressing the specific recommendations or views in this report.

### IMPORTANT DISCLOSURES

Is this an issuer related or industry related publication?	Issuer
Does the Analyst or any member of the Analyst's household have a financial interest in the securities of the subject issuer? If Yes: 1) Is it a long or short position? Yes; and, 2) What type of security is it? Common shares	No
The name of any partner, director, officer, employee or agent of the Dealer Member who is an officer, director or employee of the issuer, or who serves in any advisory capacity to the issuer.	No
Does Echelon Wealth Partners Inc. or the Analyst have any actual material conflicts of interest with the issuer?	No
Does Echelon Wealth Partners Inc. and/or one or more entities affiliated with Echelon Wealth Partners Inc. beneficially own common shares (or any other class of common equity securities) of this issuer which constitutes more than 1% of the presently issued and outstanding shares of the issuer?	No
During the last 12 months, has Echelon Wealth Partners Inc. provided financial advice to and/or, either on its own or as a syndicate member, participated in a public offering, or private placement of securities of this issuer?	No
During the last 12 months, has Echelon Wealth Partners Inc. received compensation for having provided investment banking or related services to this Issuer?	No
Has the Analyst had an onsite visit with the Issuer within the last 12 months?	No
Has the Analyst or any Partner, Director or Officer been compensated for travel expenses incurred as a result of an onsite visit with the Issuer within the last 12 months?	No
Has the Analyst received any compensation from the subject company in the past 12 months?	No
Is Echelon Wealth Partners Inc. a market maker in the issuer's securities at the date of this report?	No

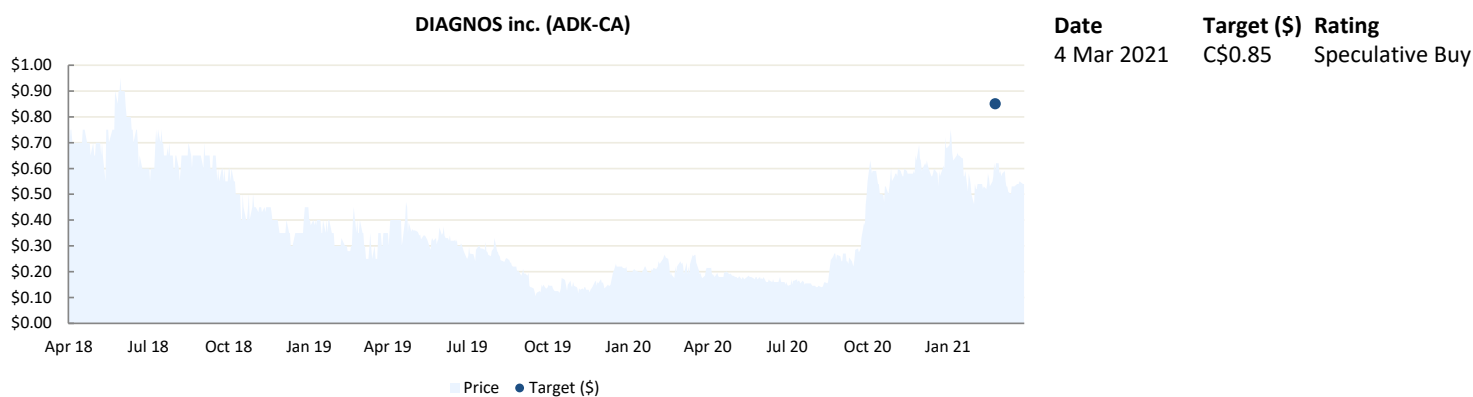
**RATING DEFINITIONS**

<b>Buy</b>	The security represents attractive relative value and is expected to appreciate significantly from the current price over the next 12 month time horizon.
<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.
<b>Sell</b>	The security represents poor value and is expected to depreciate over the next 12 month time horizon.
<b>Under Review</b>	While not a rating, this designates the existing rating and/or forecasts are subject to specific review usually due to a material event or share price move.
<b>Tender</b>	Echelon Wealth Partners recommends that investors tender to an existing public offer for the securities in the absence of a superior competing offer.
<b>Dropped Coverage</b>	Applies to former coverage names where a current analyst has dropped coverage. Echelon Wealth Partners will provide notice to investors whenever coverage of an issuer is dropped.

**RATINGS DISTRIBUTION**

Recommendation Hierarchy	Buy	Speculative Buy	Hold	Sell	Under Review	Restricted	Tender
Number of recommendations	24	31	1	0	51	2	1
% of Total (excluding Restricted)	22%	29%	1%	0%	48%		
Number of investment banking relationships	10	10	21	0	0	15	2
% of Total (excluding Restricted)	22%	46%	0%	0%	33%		

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



Coverage Initiated: Mar 4, 2021

Data sourced from: FactSet

**Toronto Wealth Management**

1 Adelaide St East, Suite 2000  
Toronto, ON M5C 2V9  
416-572-5523

**Calgary Wealth Management**

525 8<sup>th</sup> Ave SW, Suite 400  
Calgary, AB T2P 1G1  
403-218-3144

**Edmonton Wealth Management**

8603 104 St NW  
Edmonton, AB T6E 4G6  
1-800-231-5087

**Vancouver Wealth Management and Capital Markets**

1055 Dunsmuir St, Suite 3424, P.O. Box 49207  
Vancouver, BC V7X 1K8  
604-647-2888

**Toronto Capital Markets**

1 Adelaide St East, Suite 2100  
Toronto, Ontario M5C 2V9  
416-572-5523

**Calgary Wealth Management**

123 9A St NE  
Calgary, AB T2E 9C5  
1-866-880-0818

**London Wealth Management**

235 North Centre Rd, Suite 302  
London, ON N5X 4E7  
519-858-2112

**Victoria Wealth Management**

730 View St, Suite 210  
Victoria, BC V8W 3Y7  
250-412-4320

**Montreal Wealth Management and Capital Markets**

1000 De La Gauchetière St W., Suite 1130  
Montréal, QC H3B 4W5  
514-396-0333

**Oakville Wealth Management**

1275 North Service Road, Suite 612  
Oakville, ON L6M 3G4  
289-348-5936

**Ottawa Wealth Management**

360 Albert St, Suite 800  
Ottawa, ON K1R 7X7  
613-907-0700

**Saskatoon Wealth Management**

402-261 First Avenue North  
Saskatoon, SK S7K 1X2  
306-667-2282