



## 4DMedical – A breath of fresh air

<b>Company/ASX Code</b>	4DMedical Limited / 4DX
<b>AGM date</b>	28 October 2021
<b>Time and location</b>	2:00 pm virtual meeting
<b>Registry</b>	Link Market Services
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Brett Morris assisted by Mike Robey
<b>Pre-AGM Meeting?</b>	Yes with Company Secretary Charlene Stahr

The individual (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

### Summary of issues for meeting

This is 4DMedical's second AGM since listing on 7 August 2020.

Covid-19 has occupied many respiratory physicians in the key markets of the USA and Australia since early 2020. Despite the difficulty imposed by Covid-19, 4DMedical has made significant progress in reaching decision makers in recent months moving the company towards commercialisation. 4DMedical has established billing channels and signed I-MED Radiology (Australia's leading medical imaging provider), the US Department of Defense and others to service contracts for use of 4DMedical's flagship XV LVAS product.

This AGM is an exciting opportunity for the board of directors to inform shareholders of the progress 4DMedical has made with its products including:

**The XV LVAS** (Lung Ventilation Analysis Software) is 4DMedicals' flagship product and is delivered to hospital and other service channels as a cloud-based Software-as-a-Service, offering respiratory and other specialists the opportunity to gather data rich information regarding a patient's lung health. The product relies on proven algorithms to convert data into usable analysis so that specialists have a greater ability than ever before to analyse a patient's lung health.

XV LVAS has already received FDA clearance in the USA and TGA approval<sup>1</sup> in Australia. The signing of contracts allows the product to be revenue positive immediately. Clinical trials are currently taking place at 8 top level respiratory hospitals in the USA. The studies will add to the knowledge of the product which will drive information and confidence in the proprietary technology. Clinical pilots are also taking place with a view to leading to further contracts;

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<sup>1</sup> Approval for inclusion in the Australian Register of Therapeutic Goods (ARTG)

**The VQ** – is a technology that offers specialists an alternative to nuclear medicine diagnostics and is expected to be submitted for FDA clearance in 2022;

**The XVD Scanner** – is dedicated lung scanning equipment using XV LVAS and is being manufactured in Melbourne.

Item 1	Consideration of accounts and reports
<b>ASA Vote</b>	No vote required

## **Summary of ASA Position**

### **Governance and culture**

4DMedical has a highly educated staff with relevant technical capabilities in engineering, imaging systems, clinical and medical affairs and sales. During financial year 2021, 4DMedical added 54 additional staff taking the total staff numbers to 95. At 30 June 2021, 74 staff were in Australia while 21 were located in the USA. By 23 September 2021, 32.7% of staff and 28.5% of the 7 Directors were female, leaving them just shy of the 30% female guideline with respect to directorships.

### **Financial performance**

4DMedical reported a loss of \$21.4 million for the year in line with expectation as it focussed on increasing staff numbers and its sales team to drive the uptake of its XV LVAS product.

4DMedical has \$80.9 million in cash with no debt. Given that 4DMedical is a recent start up that is yet to achieve profit, 4DMedical does not pay a dividend at this stage. The share price has doubled from 73 cents when the company listed a little over a year ago.

### **Key Board or senior management changes**

The board is constituted by broadly and appropriately skilled directors.

### **ASA focus issue (not discussed under remuneration report or re-election of directors)**

In 2021 4DMedical raised \$40 million via an Institutional placement at \$1.55 per share. A share purchase plan raised \$6 million from shareholders also at \$1.55 per share. To accommodate the interest from shareholders the initial placement was increased from \$3 million to \$6 million. In addition, 4DMedical's wholly owned subsidiary, Australian Lung Health Initiative Pty Ltd, will receive \$28.9 million in funding from the Australian Government Medical Research Future Fund to be paid over 5 years.

The ASA is interested to ensure that any future capital raising is made available to existing shareholders and that they use a PAITREO method, which minimizes dilution to existing retail shareholders.

## Summary

(As at FYE)	2021	2020
NPAT (\$m)	(21.4)	(21.9)
UPAT (\$m)	(21.4)	(21.9)
Share price (\$)	1.23	n/a
Dividend (cents)	0.0	n/a
Simple TSR (%)	68%	n/a
EPS (cents)	(8.0)	(15.0)
CEO total remuneration, actual (\$m)	0.65	1.2

For 2020/2021, the CEO's total actual remuneration was **7 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics).

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking) by the share price at the start of the year.

<b>Item 2</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### **Summary of ASA Position**

4DMedical is a newly listed company to the ASX.

With 7 directors, 4DMedical seems overweight for a small company.

Each director has experience in a field that relates to 4DMedical's activities and brings with them valuable contacts.

STI's are constituted by specific hurdles for each recipient. STI is paid in cash. During the financial year ended 30 June 2021, the CEO had the opportunity to earn 25% of his fixed annual remuneration, and the CFO had the opportunity to earn 20% of his fixed annual remuneration. For financial year 2021 STI's of US\$141,942 and A\$319,824 were paid in total to US based executives and Australian based executives and senior managers respectively.

LTI's were established with effect from 4DMedical listing. Under the LTI plan, directors, senior executives and other key employees identified by the Board can be offered participation in the form of options and/or performance rights. The vesting of those options and/or performance rights will be subject to the satisfaction of appropriate service-based conditions and/or performance hurdles determined by the Board. The LTI's vest 3 years after the offer. No performance rights have been issued to date.

The Company granted 2,680,415 options during the financial year under its LTI program. The Company granted 1,346,155 options on 25 June 2021 under its LTI program for the next financial period ending 30 June 2022. The CEO, his functional direct reports, and key senior leaders in the business identified as having the ability to influence the strategic outcomes of the business are the recipients of the LTI program. The FY21 and FY22 LTI options do not vest until FY24 or later.

<b>Item 3</b>	<b>Re-election of Dr Robert Figlin as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Dr Figlin is a nationally recognised leader in genitourinary and thoracic oncology in the United States. Dr Figlin was appointed as a director of 4DMedical in December 2016. Dr Figlin was a director of Pulse Health until 2019 and currently does not hold any other corporate directorships or offices.

The board comprises 7 directors, two of whom are women. The ASA would like to see a higher proportion of women on the board.

Has 519,943 shares in 4DMedical worth approximately \$750,000 being approximately 12 times his annual salary.

<b>Item 4</b>	<b>Approval of non-executive Directors fees</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

For the purpose of clause 13.4 of the Company's constitution, ASX Listing Rule 10.17 and for all other purposes, the resolution proposes to increase the maximum aggregate director's fees that may be paid to the Directors of the Company as a whole (other than Executive Directors). The aggregate fees be increased by \$250,000 per annum (from \$500,000 per annum) to \$750,000 per annum.

The ASA considers that 4DMedical has made significant progress since listing in August 2020. 4DMedical's principal equipment the XV LVAS has received approval in the USA and Australia and an FDA submission for regulatory clearance for the VQ in the USA is targeted for 2022. 4DMedical is expected to be profitable within the next two years. 4DMedical has developed or has assigned all intellectual property for XV Technology™ and pays a royalty to Monash University for the use of the technology.

The ASA considers that the board is highly and suitably skilled. A skills matrix demonstrating the director's skills would be helpful in better understanding the board. The ASA considers that the remuneration including short-and long-term incentives are appropriate and that the resolution be supported.

<b>Item 5</b>	<b>Grant of Options to the Managing Director and CEO</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

It is proposed that 701,719 options be granted to Dr Fouras, with an exercise price of \$2.60 per option. The exercise price has been calculated based on a 100% premium to the market value of Company shares equal to the 30-day volume weighted average price (VWAP) in the period immediately preceding 9 June 2021. The use of premium priced options is intended to encourage a focus on growing the Company's share price and total shareholder returns, as the Company's share price will need to increase above the exercise price for the Options to deliver any value to Dr Fouras.

The Options are to be granted as the long-term incentive (LTI) component of Dr Fouras's remuneration for the year ending 30 June 2022. If shareholder approval for the grant is obtained, the Options will be issued to Dr Fouras as soon as practicable after the Meeting, but in any event within 12 months after the date of the Meeting.

The ASA supports the LTI plan and considers that it is appropriately priced and is in the interests of shareholders.

<b>Item 6</b>	<b>(a) Ratification of issue of shares pursuant to March 2021 placement; and (b) Ratification of issue of shares pursuant to April 2021 share purchase plan</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

On 11 March 2021 (Placement Issue Date) and 7 April 2021 (SPP Issue Date), the Company issued 25,806,436 shares to certain institutional and professional investors (March 2021 Placement) and 3,870,954 shares to certain existing shareholders (April 2021 Share Purchase Plan) respectively, at an issue price of \$1.55 per share.

The acquisition of shares by shareholders under the placement demonstrated the willingness of shareholders to acquire shares in 4DMedical. The ASA would like to see any future placement of shares made under the PAITREO model where possible.

The ASA supports this resolution.

<b>Item 7</b>	<b>(a) Ratification of issue of shares under Tax Exempt Employee Share Plan; and (b) Approval in respect of the Tax-Exempt Employee Share Plan</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

The Company determined to introduce the 4DMedical Tax Exempt Employee Share Plan (Exempt Plan) and the rules of the Exempt Plan were approved by the Board on 2 June 2021.

The Exempt Plan allows qualifying employees to acquire up to \$1,000 of the Company's shares each year on a tax-exempt basis.

The maximum number of shares proposed to be issued by the Company in respect of the Exempt Plan over the next three years is 500,000 shares.

The ASA supports the resolution and considers that the plan is a useful way of aligning the interests of 4DMedical's employees with the interests of shareholders.

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## Appendix 1 Remuneration framework detail

CEO rem. Framework for FY21	Target*\$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	.502	61%	.502	61%
STI - Cash	.125	15%	.125	15%
STI - Equity	.0	0%	.0	0%
LTI	.201	24%	.201	24%
Total	.828	100.0%	.828	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

\*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

The CEO has 65 million shares in 4DMedical. Each of the Directors have at least one years fixed remuneration in 4DMedical shares.

The STI is paid in cash and is constituted by financial and other business hurdles and is paid after the end of the financial year. The LTI is provided in the form of options and is assessed over 3 years. The Annual Report does not disclose what the hurdles for the LTI is other than to say that it is subject to specific performance conditions.