

Lifespot makes mobile apps for health management, providing an alternative way to invest in healthcare



From Alan Kohler - June 26, 2017



- Lifespot Health allows users to diagnose, monitor and manage disease all from a smartphone.
- Revenue streams come from growing needs from hospitals and aged care
- Lifespot's app platform is one of only very few medically approved platforms.

German healthcare technology company Lifespot Health is listed on the ASX. The company's Director, Mark Talbot says Australia is more receptive to medical device and tech companies than Germany.

The company has a range of products which focus on the mobile management of chronic diseases. Some assist with the measurement of vital functions and indicators of certain diseases like blood glucose for diabetes. Plus, Lifespot has an app for the management and diagnosis of certain skin conditions.

Mark says Lifespot customers are both individual patients and healthcare providers. And will close the gaps of point of care in hospitals and for carers of people with chronic diseases.

Mark Talbot tells Alan Kohler Lifespot has partnered with companies like B. Braun and Roche and that the share price should turn around with some exciting projects on the horizon.

It's not often we have German company listed on the ASX. Why did LifeSpot Health list here?

There's a historical connection between one of the directors and one of the other major shareholders in Germany. They've been business associates for a long period of time. They decided that the German market, which is not necessarily at the moment a strong breeding ground for incentivizing small start-up companies to get off the ground, [while] Australia has proved to be a far more beneficial supporting ground for new technologies. I think that's why it all started.

That's interesting in itself, isn't it Mark? Do you think that's right? That Australia is a better breeding ground for start-ups than Germany. That's very interesting.

Totally. In Germany there's no R&D tax incentives, there's no grants. In fact, just a very interesting observation around Germany's position, potentially they're sticking to their past a little bit too much, whereas Australia's looking more forward and it's really incubating a lot of new technologies.

Is LifeSpot Health still a German company? Just happens to be listed here, or is there more to it? It actually has moved to Australia has it?

What we've done is essentially the development team, which looks after the back end and the onboarding of products or hardware is still housed in Germany. On a global basis we're looking at a footprint in many different locations, and we're looking to set up our sales headquarters in Australia. Because of the recent changes in the Australian market, particularly in home care, again we're leading Germany, it's interesting we say that, in the healthcare sector and the way we do business. The opportunity is here to grow the business in terms of that activity but in the background the onboarding team from a technology point of view will remain in Germany.

As you say, LifeSpot Health is a start-up. When did it start up?

The original BodyTel technology, which is a core piece, probably started around five or six years ago. And what's happened now is that we've been able to help them mature their product to the point now that we can offer it on market, which is what we're doing right now. There's a number of opportunities both here and in Germany that we're looking to release onto the market the platform. Also, the apps, and the web portal – one of the big things we've done in the last six months is expanded the offering to be more of a complete service. That's including things such as looking to get artificial intelligence on board to start analysing the big data that comes in, looking for early signs of chronic disease particularly. They're some of the new things that will be coming out in the next period. And also the relationships we're building here with a number of other potential suppliers here as well, in Australia.

Just before we go on, I'm not quite sure I understand who's we and who's them. You talked about, "We are helping them" develop the product. What do you mean by we and them? Who are they?

BodyTel is a subsidiary, which is one of the companies that were acquired in the process. And one of the other companies was naturally the LifeSpot Skin app and the activity as well. The two work together. LifeSpot skin is really a feeder product into the BodyTel system, or we're calling it the Eco System now. The "we" is a collective of all of LifeSpot Health under those two umbrella companies.

These were two separate companies that have been rolled up into LifeSpot Health, for the float. Is that right?

That's right.

And did they have separate ownership?

They had shared ownership. The major shareholders in both of those, which was originally Lifespot in Germany, was the company that had major shareholdings in both. And that was the company that brought that through and sold those off to LifeSpot Health when we listed back in January.

For them that was an exit, was it?

No, they still own a proportion of shares in the business. And so therefore they're one of the major shareholders still, as we move forward. Therefore they're quite interested and they're assisting obviously with some commercial opportunities back in Germany in terms of leads and referrals.

Are the inventors of those technologies: the skin disorder technology and BodyTel, still involved in the business?

Yeah. Stefan Schraps and his team BodyTel are very much in that space. Ulrich von Sobbe is also heavily involved in the Skin app at the moment. When I'm back over to

Germany in a couple of weeks' time I'll be working closely with Uli and also with Stefan to continue moving that ahead, looking to meet with a number of potential ongoing clients as well.

And how did you get involved?

I've been in different industries over the years and more recently in a life sciences company in drug development, in an R&D space. It was through the law firm that we dealt with. When LifeSpot Health was looking to incorporate and get moving and assemble, one of their partners recommended that they have a chat with me to get me on the board because of my existing commercial knowledge as well as my ability to step into the space. I do know big data plays, having worked in that space before. That's really my pathway into the business.

And are you the only Australian director?

We have two. Frank Cannavo is the other director. And one other chairman is based in the U.S. And then we also have another director who based out of Germany. We have Philip Bekhor, who's on the board, also based out of Melbourne. So there's three out of the five.

And Stefan Schraps is it? Is the CEO?

Stefan Schraps. He's the CEO yeah.

And he started BodyTel?

He's a telemedicine expert or lead in the industry. He's still in the team. And under the new revised space he's more predominantly focused on the sales, marketing and strategic direction of the business. Our other director Heinrich Emden is our technical lead. And so with the restructure, the technical development team, which are based in Germany, are led by Heinrich. All of the new products such as an anti-coagulant checking device would be onboarded by Heinrich's team, then they'd bring it on to all of the apps, onto the web portal, and they're developing all that back in it as well. That's Heinrich's particular background and specialty, so he's leading that team. And Stefan's leading more the commercial and sales and marketing, particularly for Europe.

Right, but he's the CEO of the company?

Yes.

So tell us about what BodyTel is? What it does?

The underlying principle is that if you're a person that currently measures, for example, your blood glucose, you may take the data down, write it down in your notepad, and

calculate potentially what your insulin levels might be. What we do is make the device that measures your sugar levels intelligent. What it does is the data comes up through the device, through the app, onto our cloud, and then on your personal profile you can track and monitor your data and movements. Particularly on your sugar levels. And that data can be available to your carer, whether it's the doctor. Say, if you're a child it'd be your parent. That's one example of how it works, but typically all of our devices work in that way.

Another product we've got, CoaguCheck which is with Roche. That device there is measuring the coagulation levels in your blood, for example if you're on a Warfarin. The data again comes up, it comes straight through onto the platform. We can also set up rules-based responses. If your numbers aren't looking particularly good, rather than waiting for you to make contact with me, our system will make contact with you, and advise carers that your numbers aren't looking particularly good. So therefore we can add all that functionality.

The next level up is when we're starting to look into some of the other products. We're looking around cardio-monitoring. Another company is about to work with us on an ECG, a portable device you can take home. Again that data can be pulled up onto the cloud, measured, monitored, and then a response activated if numbers are not looking in the right direction. That's the system. It's effectively what we call the attempt by the Australian Government at the moment around the eHealth record. Well we're producing one of those as part of our offering.

Mark how does it get hold of the blood?

It's a normal device. For example, if you do your normal blood sugar levels monitoring, you get the finger, put the blood on the strip, and it goes into the device. All that happens now is that the device automatically loads the data onto our platform. Our platform is one of only very few medically approved platforms. That's the other big piece. There's a lot of what I call retail or commercial level platforms, but none of those are actually medically approved. If a physician receives the data they can't actually use it. They can use it as a guide, but the data that comes through our platform is medically approved, so therefore the data is reliable and they can use that in terms of their consultations and their diagnosis.

What do you mean medically approved? Approved by whom?

We have to go through a whole auditing validation process out of Europe so we've got a **CE tick** for that particular aspect. We've just recently been through the audit, which went for a week and a half to two weeks. And that's all about the way you write your code. There's a validation process, and how you keep your document management in check. You actually end up with a ranking in terms of your product, in terms of medical grade. Much like you have medical device that you would go through, for example, CE for Europe, or TGA in Australia, there's a bunch of guidelines there which define the elements that have to be achieved for this device to be a medically compliant product such as a Class I. That's principally the difference we have over just the retail products.

My experience with diabetes, which is limited, is that usually the sufferers don't need to communicate with their carer all the time. They just need to understand what their blood sugars are themselves. Which they can get easily off the device and then they decide what they need to do, what they need to inject themselves with. What's the need for your device?

When you're talking diabetes it's not just that one element. For example, diabetes is a basket of many different measurements. If you want to manage a chronic disease such as diabetes, you'll be looking for the weight levels, and then you're looking at maybe four or five indicators. One of the things they're doing with a dashboard is that if you're in green in particular with all the elements, then progressing towards managing your diabetes, particularly if you're Type II. Type I yes, that data needs to be kept. The example I used before is that if you have a young child that's at school, what tends to happen these days is that you'll give them a phone, they'll go and do the diabetes checks, and you'll be ringing them three or four times a day to get the number. With our platform it's quite simple. The child goes in, does their measurement, you receive the information on your phone straight away. One, you know they've actually done the test and two, you keep track of what's going on. There's a lot of that functionality going on as well.

There's also the compliance activity that we can pick up as well so that the physician can look at the compliance. There's lots of elements coming into that platform. Sugar levels is merely just one input in terms of management of chronic disease.

Who's the customer for this product? Is it the patient or the physician?

Both. At the moment in Europe we're presently looking at, for example, a hospital, and one of the outcomes from surgery is that often the clients go home and they need to be monitored. Presently it's all manual. Someone will ring up three or four times a day asking for the data in terms of checking their Warfarin levels or whatever else, and whereas what we do now is what I call a take home point of care kit, and it'll measure all the things that's going on during the day and the carer instantly has it on a dashboard for them back in the hospital. And on top of that, if there's something that's out of spec, again, because of limited resources, the carer doesn't have to be monitoring that person all day. The system will. That'll mean it'll pop up an exception. They can manage by exception as well. That's some of the functionality that can be leveraged off this platform.

And how much do you charge for it?

It's different models. One of the things we're looking to do is, particularly through equipment manufacturers is that they have the ability in their margins to give away coverage for a client for say, six to twelve months. One of the models might be and I'll just use Roche as an example – they have a product and it's worth \$500 as a sale, they may give us \$50 to \$100 dollars and then we provide twelve months of free coverage for the client. And then we do a roll-on effect after that, at a much reduced figure.

It just depends on the model. What you're doing. A point of care kit, which is the example we're looking at for Germany at the moment, is that a medical trained person

might go to someone's home. They'll do all the measurements of ten different items such as weight, sugars, all sorts of things, and then what we do is we'll charge a monthly fee, for the maintenance of that system. That's one of the ways we do it as well. It all fits within the health insurance guidelines. The main thing to think about in this particular space is if the service is already a scheduled service and already has a number attached to it. Then one, we get the ability to be paid and two, we know what the scheduled fee is going to be for that service. That's typically what we're looking at the moment.

There's a slide in the most recent presentation that the company has given with the heading, "Sales Timeline" which I can't make head nor tail of that. I think it's the most mysterious slide I've ever seen. There's a column that says, "Product" and there's, "POC" and then there's, "The Possible Customers". Could you explain what that's all about? What's going on? In terms of your sales timeline.

Sure. The sales timeline is looking at some of the upcoming potential projects with our main headline clients. We need to step back a little bit there to say that the word POC stands for Point of Care. POC could be either yourself, providing your own personal POC, which is a daily monitoring of your poly-sugar levels. Or there's the POC service which is becoming more and more popular and its burgeoning in lots of different countries like India as well, where we give them a kit which might have ten devices. As I said before sugar tests or a weight scale, all sorts of things. And they will go to your home, they'll take your vitals. That data gets loaded up and then they keep track of you on a monthly basis, just through those visits. That's Point of Care.

The next market we're looking at is the home care sector. That's where someone is at home, they're a senior. So we're in a senior space, they're looking for assisted living. A lot of them we'll be monitoring and measuring their data even to the point with prescription. We're looking at a prescription module to manage the prescription activity of a senior as well and manage that particular function. That again will be laid in. That's one offering. Then you have assisted living for those with disabilities. Again, same needs. And the third stream is what we call post-surgical care. One of the other issues for hospitals to date is when someone's been in for surgery, they send them home and they almost go into the dark and they get the occasional call, and unfortunately sometimes they get calls from the hospital emergency saying, "Someone's presented here" and they don't know how they got there. Because they haven't been able to track them. There's a need to provide that service that for six months post-surgical visits they can be monitored and managed again. That's why we need to talk about those areas.

That feeds into that particular slide. So there's point of care. The customer annual revenue, that's just the size of the company. They're effectively a \$7 billion turnover business. The potential revenue in the new term for us, for example, for them was about five and a half million in terms of upcoming potential contracts over the next couple of years for them.

According to the slide, that's a signed contract right?

There is a contract in place at the moment they're working through. Much like the evolution of products and contracts, the first phase because this is new, many of these

companies have what we call a dumb device. It's a stand-alone device, as you mentioned before. The person reads it, they write it down, they do the calculations. For B. Braun for example, with their device we'd have to spend engineering time upfront, so there's an engineering phase to integrate the product on board with the IOS and Android apps, the web portal, and then other aspects of all of that. There's that front end phase before the product goes to market. Their product, they're looking for a launch in around October to November of this year so at the moment we're doing engineering work for B. Braun to get that product up and running. With Roche as another example, we're in the engineering phase right now with them. The view is that in the coming months with all things being equal we'll close out the next phase of the contract. It's just to sign them up to a number of clients onboarding. And that's why those numbers start in that way and then contracts get signed and off we progress. Once the client's effectively enrolled it's an ongoing process.

The shares were listed at 20 cents and they went up and now they're back down to 16. Do you know what's going on with the share price?

It's interesting. Presently, they expected certain revenues to be earlier than anticipated. The contract with B. Braun, it slid sideways to the right, simply on a timeline. The contract's still in play, but the revenues have been delayed. It's a new industry for them. It's interesting. For B. Braun this is a new opportunity and it's a new space they're stepping into. Whilst we have a team of many people available to do the work, the problem for B. Braun has been that their team on the other side has been quite small. We've been throttled a little bit by their ability to deliver from their side. And likewise with their regulatory compliance process, they were a bit late in putting that in so that's effectively pushed their release date to the right which was meant to have been April, May of this year. But it's moved out to October. Due to delays from their side, not from us. Not from our side.

[Inaudible] is interesting again, moving into this new space for them, this is their first product they've turned into an intelligent device. They found when they went to China for their manufacture, they started the process, they were ready to get going with the engineering function but they soon worked out that their Chinese manufacturer didn't have the appropriate compliance levels for this new type of device. They've had to go back out to market to one their other product suppliers who are compliant with the way these things have to be made. That delayed things.

So it's inertia from our clients, it's not inertia from us. Unfortunately, that's particularly predominantly why the share price is taking a little bit of a movement downwards, simply because we haven't been able to deliver the revenues as anticipated.

The prospectus was a bit optimistic? Wouldn't be the first time that's happened.

I would suggest so yes. One thing I can say and I keep saying to all the investors I do talk to, I'm a pragmatic person, I'm about getting this done correctly, and done well. Therefore, once this inertia moves through in this next couple of months, things are looking very positive. There's some really good stuff that's coming into Australia, particularly around this whole health ecosystem, as we call it. So there's a number of companies we're looking to form a consortium. And we're actually going to build a health

ecosystem in one of the regional towns in Victoria and set that up. And that'll look pretty exciting. And we've had some major players in the software world really getting interested and discussions are increasing quite well for them to get on board. Into this whole health ecosystem.

Unfortunately, we're going to have to leave it there Mark. I've appreciated the discussion, thank you.

Thanks Alan, I appreciate your time.

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