

US Footprint Grows; Pipeline Full

Respiri continues to gain traction in the US market through its distribution partnerships with US-based Access Telehealth and mTelehealth. The company has provided an update on its progress in growing its US remote patient monitoring (RPM) footprint:

- recruitment is set to commence for its first major RPM customer (Michigan Children’s Hospital)
- a second major RPM customer (and first COPD-focused customer) should provide opportunities to leverage the larger patient pool of its broader network in time
- its pipeline of prospects continues to grow.

These partnerships with large groups should boost Respiri’s ability to scale up its SaaS business rapidly. The strong pipeline bodes well for the next quarter.

Second US RPM customer signed – and first with a COPD focus

Respiri has signed its first US customer with a focus on COPD. Initially, 150 COPD patients will be managed, with first patient onboarding scheduled for early 2QFY23. The RPM program will include Access Telehealth’s full-service premium model. The unnamed customer, contracted through Respiri’s Access Telehealth partner, is part of a larger North Carolina healthcare network with 60,000+ in-patient admissions/observations, 187,000+ ED visits and almost 2,000,000 outpatient visits per annum. Respiri has flagged the potential to tap into this much larger patient pool managed by the overall group.

Michigan customer to start recruitment soon

Respiri’s first contracted US customer, Michigan Children’s Hospital, is set to start recruitment for its RPM program in coming weeks. First patient onboarding is scheduled for early 2QFY23.

Strong pipeline with four deals near closure

Respiri’s pipeline of prospects continues to grow, with major deals on track to close over the next quarter. Four deals are in late-stage negotiations or pending contract signing, and a further 120+ qualified leads are being managed by Respiri’s business partners.

COVID, Medicare policy to drive RPM adoption

COVID boosted RPM market growth, with Medicare payment for RPM services up 588% yoy in CY20. Medicare fines for hospitals with excess readmissions are also driving RPM adoption.

Valuation: fair value unchanged at A\$0.15/share

Our fair value estimate remains unchanged of A\$0.15/share uses DCF methodology and incorporates shares on issue of 761.8m. Key risks: adoption of wheezo® by clinicians, supply chain disruptions to components in manufacturing, integration of wheezo® into hospital electronic medical record (EMR) systems.

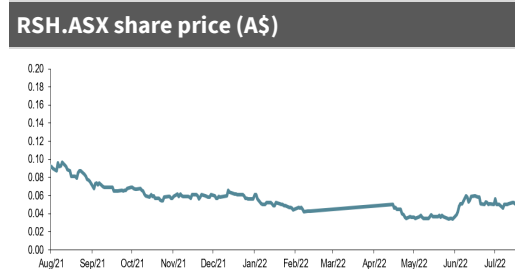


Respiri Limited is a commercial stage health-tech company developing mHealth and SaaS solutions for respiratory health management. It has proprietary technology and mobile health tools that specifically detect wheeze (an indicator of asthma, COPD, and respiratory disease more broadly) to provide an objective measure of airflow limitation. The company’s flagship wheezo® device and platform analyses breathing objectively, allowing for environmental factors; records, monitors and schedules medication including reminders; and shares data with healthcare providers. Both CE (Conformité Européene) mark and Therapeutic Goods Administration approval have been received.

Stock	RSH.ASX
Price	A\$0.05
Market cap	A\$36m
Valuation	A\$0.15 (unchanged)

Company data	
Net cash	A\$1.2m (30 June 2022)
Shares on issue	761.8m

Next steps	
3QCY22	First RPM patient onboard
2HCY22	Wearable device progress



Source: FactSet.

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Financials

Exhibit 1: Financial summary

Respiri						RSH-AU
Year end 30 June, AUD unless otherwise noted						
MARKET DATA						
Price	\$	0.05				
52 week high / low	\$	0.06-0.24				
Valuation	\$	0.15				
Market capitalisation	\$m	35.8				
Shares on issue (basic)	m	761.8				
Options / rights	m	174.5				
Other equity	m	0.0				
Shares on issue (diluted)	m	936.3				
						12-MONTH SHARE PRICE PERFORMANCE (A\$)
INVESTMENT FUNDAMENTALS						
		FY19A	FY20A	FY21A	FY22E	FY23E
Reported NPAT	\$m	(8.5)	(7.3)	(11.0)	(7.0)	(4.6)
Underlying NPAT	\$m	(8.5)	(7.3)	(11.0)	(7.0)	(4.6)
Reported EPS (diluted)	¢	(169.0)	(127.0)	(158.0)	(94.0)	(62.4)
Underlying EPS (diluted)	¢	(169.0)	(127.0)	(158.0)	(94.0)	(62.4)
Growth	%		-24.9%	24.4%	-40.5%	-33.6%
Underlying PER	x	nm	nm	nm	nm	nm
Operating cash flow per share	¢	(1.3)	(0.8)	(1.0)	(1.1)	(0.8)
Free cash flow per share	¢	(1.3)	(0.8)	(1.1)	(1.1)	(0.8)
Price to free cash flow per share	x	nm	nm	nm	nm	nm
FCF Yield	%	nm	nm	nm	nm	nm
Dividend	¢	0.0	0.0	0.0	0.0	0.0
Payout	%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Franking	%	0.0%	0.0%	0.0%	0.0%	0.0%
Enterprise value	\$m	36.3	33.0	27.8	34.4	35.2
EV/EBITDA	x	(4.3)	(4.5)	(2.5)	(5.0)	(7.6)
EV/EBIT	x	(4.3)	(4.5)	(2.5)	(4.9)	(7.6)
Price to book (NAV)	x	(15.8)	13.5	4.5	16.3	14.0
Price to NTA		(15.8)	13.5	4.5	16.3	14.0
KEY RATIOS						
		FY19A	FY20A	FY21A	FY22E	FY23E
EBITDA margin	%	nm	nm	nm	nm	nm
EBIT margin	%	nm	nm	nm	nm	nm
NPAT margin	%	nm	nm	nm	nm	nm
ROE	%	nm	nm	nm	nm	nm
ROA	%	nm	nm	nm	nm	nm
Net tangible assets per share	\$	(0.0)	0.0	0.0	0.0	0.0
Book value per share	\$	(0.0)	0.0	0.0	0.0	0.0
Net debt/(cash)	\$m	0.5	(2.8)	(8.0)	(1.4)	(0.7)
Interest cover/ (EBIT/net interest)	x	nm	nm	nm	nm	nm
Gearing (net debt/EBITDA)	x	(0.1)	nm	nm	nm	nm
Leverage (net debt/(net debt + equity))	x	(0.5)	nm	nm	nm	nm
DUPONT ANALYSIS						
		FY19A	FY20A	FY21A	FY22E	FY23E
Net Profit Margin	%	nm	nm	nm	nm	nm
Asset Turnover	x	0.0	0.0	0.0	0.1	1.1
Return on Assets	%	nm	nm	nm	nm	nm
Financial Leverage	x	(516.1)	287.5	0.0	0.0	0.0
Return on Equity	%	nm	nm	nm	nm	nm
KEY PERFORMANCE INDICATORS						
		FY19A	FY20A	FY21A	FY22E	FY23E
Wheezo	Key metrics					
Australia	Under review					
United States	Partnering deals, clinical adoption and CMS reimbursement claims					
United Kingdom	Clinical trials and rendered data					
Europe	Partnering and access to reimbursed markets					
HALF YEARLY DATA						
		2H20	1H21	2H21	1H22	2H22
Total Revenue	\$m	0.1	1.2	0.0	0.7	0.1
Operating expenses	\$m	(5.9)	(6.0)	(3.8)	(3.3)	(4.4)
EBITDA	\$m	(5.8)	(6.4)	(4.8)	(2.7)	(4.3)
EBIT	\$m	(5.8)	(6.4)	(4.8)	(2.7)	(4.3)
PBT	\$m	(5.8)	(6.4)	(4.8)	(2.7)	(4.3)
Reported NPAT	\$m	(5.8)	(6.4)	(4.8)	(2.7)	(4.3)
PROFIT AND LOSS						
		FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	\$m	0.0	0.0	0.3	0.2	3.1
Other income	\$m	1.0	2.2	1.2	0.6	0.4
Total Revenue	\$m	1.0	2.2	1.4	0.8	3.5
Operating expenses	\$m	(12.4)	(6.6)	(5.9)	(6.7)	(5.9)
EBITDA	\$m	(8.5)	(7.3)	(11.0)	(6.9)	(4.6)
Depreciation & Amortisation	\$m	0.0	0.0	0.1	0.1	0.0
EBIT	\$m	(8.5)	(7.3)	(11.0)	(7.0)	(4.6)
Net interest	\$m	0.0	0.0	0.0	0.0	0.0
Pretax Profit	\$m	(8.5)	(7.3)	(11.0)	(7.0)	(4.6)
Tax expense	\$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	\$m	(8.5)	(7.3)	(11.0)	(7.0)	(4.6)
Weighted average diluted shares	m	499.1	570.1	699.1	742.3	742.3
GROWTH PROFILE						
		FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	%	17.3	114.0	(34.9)	(45.2)	340.5
EBITDA	%	173.6	(14.4)	51.2	(36.9)	(33.5)
EBIT	%	163.1	(14.4)	52.0	(36.8)	(33.7)
Reported NPAT	%	164.2	(14.3)	52.1	(36.8)	(33.6)
DPS	%	nm	nm	nm	nm	nm
BALANCE SHEET						
		FY19A	FY20A	FY21A	FY22E	FY23E
Cash	\$m	0.3	3.6	8.0	1.4	0.7
Receivables	\$m	0.2	0.0	0.1	0.1	1.3
Other	\$m	0.5	0.9	0.8	0.8	0.8
Current assets	\$m	1.0	4.4	8.9	2.3	2.8
PPE	\$m	0.0	0.2	0.2	0.1	0.1
Intangible assets	\$m	0.0	0.0	0.0	0.0	0.0
Other	\$m	0.0	0.0	0.0	0.0	0.0
Non current assets	\$m	0.0	0.2	0.2	0.1	0.1
Total assets	\$m	1.0	4.6	9.1	2.4	2.9
Trade and other payables	\$m	1.8	1.1	1.3	0.0	0.2
Borrowings	\$m	0.8	0.7	0.0	0.0	0.0
Other	\$m	0.0	0.1	0.2	0.2	0.2
Current liabilities	\$m	2.6	2.0	1.5	0.2	0.3
Other financial liability	\$m	0.0	0.1	0.1	0.1	0.1
Other liability	\$m	0.0	0.0	0.0	0.0	0.0
Non current liabilities	\$m	0.0	0.1	0.1	0.1	0.1
Total liabilities	\$m	2.6	2.1	1.5	0.3	0.4
Net assets	\$m	(1.6)	2.5	7.6	2.2	2.6
Share capital	\$m	106.0	113.7	127.1	128.7	133.7
Retained earnings	\$m	(109.2)	(115.3)	(126.3)	(133.3)	(138.0)
Other	\$m	1.6	4.1	6.8	6.8	6.8
Total equity	\$m	(1.6)	2.5	7.6	2.2	2.6
CASH FLOW						
		FY19A	FY20A	FY21A	FY22E	FY23E
Net loss for period	\$m	(8.5)	(7.3)	(11.0)	(7.0)	(4.6)
Depreciation & Amortization	\$m	0.0	0.0	0.1	0.1	0.0
Changes in working capital	\$m	0.3	(0.8)	0.0	0.0	0.0
Other	\$m	1.8	3.4	3.6	(1.2)	(1.0)
Operating cash flow	\$m	(6.4)	(4.7)	(7.3)	(8.1)	(5.6)
Payments for PPE	\$m	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)
Other	\$m	0.0	0.0	0.0	0.0	0.0
Investing cash flow	\$m	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)
Equity	\$m	3.7	8.5	12.4	1.6	5.0
Other	\$m	0.6	(0.6)	(0.6)	(0.1)	0.0
Financing cash flow	\$m	4.3	8.0	11.8	1.5	5.0
Cash year end	\$m	0.3	3.6	8.0	1.4	0.7
Free cash flow	\$m	(6.4)	(4.7)	(7.4)	(8.1)	(5.7)

Source: Company reports, MST Access estimates.

US Remote Patient Monitoring Market Opportunity Growing Significantly

Readmission rates continue to put strain on the US health system, with many hospitals incurring Medicare fines as a result. This has led providers to seek scalable solutions to reduce the financial burden caused by readmissions.

Remote patient monitoring (RPM) is a key part of the solution, facilitating ongoing treatment of chronic conditions and lessening the strain on hospitals. Medicare payment for RPM services grew by 588% yoy in CY20, which covers approximately 60% of insured patients in the USA. Private payors cover the remaining 40% of insured patients paying +20%–30% above the Medicare scheduled fees.

The RPM codes (see Exhibit 2) underpin the continued adoption of RPM.

Exhibit 2: Remote Patient Monitoring CPT codes

CPT 99453	Initial set-up & patient education on equipment (one-time fee).	\$19.04
CPT 99454	Supply of devices, collection, transmission, and report/summary of services to the clinician.	\$55.72
CPT 99457	Remote physiologic monitoring services by clinical staff/MD/ QHCP first 20 cumulative minutes of RPM services over a 30-day period.	\$50.18
CPT 99458	Remote physiologic monitoring services by clinical staff/MD/ QHCP for an additional cumulative 20 minutes of RPM services over a 30-day period.	\$40.82
CPT 99091	Collection and interpretation of data by physician or QHCP, 30 minutes.	\$56.41

Source: Respiri.

Respiri Now Has Two US RPM Customers, with More in Pipeline

New RPM customer is Respiri's first with a COPD focus

Respiri's new North Carolina-based customer was contracted through the company's Access Telehealth partner. The customer, which is unnamed at this stage, is part of a larger group which manages 60,000+ in-patient admissions and observations, 187,000+ emergency department visits and almost 2,000,000 outpatient visits per annum.

First RPM customer, Michigan Children's Hospital, ready for recruitment

The larger group operates >60 hospitals, including Michigan Children's, and approximately 110 additional outpatient centres and multiple other sites of care.

Strong pipeline of potential clients

Respiri provided two examples of potential customers in its pipeline launching pilot trials:

- New York-based hospital (part of the largest municipal healthcare system in the US) with \$6.7 billion in annual revenues, servicing 1.4 million patients
- a Texas-headquartered respiratory focused provider operating across 13 states.

Partnership with Distribution Partners Is Encouraging Given Their Strong Track Record

Respiri's access and distribution partners, mTelehealth and Access Telehealth, have a record of outperformance on treating patients with a longer duration of treatment for the average patient. Specifically, for Access Telehealth, the average patient treatment duration is 9.6 months, vs. 4.34 months for Medicare.

Planned Deliverables for the Upcoming Quarter

Respiri has flagged the following activities for the next quarter:

- CEO and CCO to attend important US trade shows (NAACOS and AHIP)
- contracts to be finalised with new RPM customers
- continued business development activities in the US, including C-suite meetings to finalise new customers and market research to inform R&D/product development.

Financials: Revenue Model

Key aspects of the revenue model include:

- COGS: next generation wheezo 4.0 lowers COGS to meet objective of US\$35/device
- product pricing: A\$50 per device – 100% to Respiri
- SaaS pricing: US\$5–US\$20 per patient per month.

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