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Acquiring US remote patient monitoring partner ACCESS

NEED TO KNOW

- Deal to lift revenues, lower breakeven patient volume; existing partnership simplifies integration
- Acquisition to be funded by convertible note + SPP

Acquisition of ACCESS to create substantial opportunities: Respiri has announced it will acquire its existing US RPM partner, ACCESS. ACCESS has 10 HCO customers, whose patients include those with respiratory and cardiovascular conditions, diabetes and obesity. Respiri estimates the deal will broaden its customer base and expand its potential addressable market up to 3X. Respiri has said it expects to capture a significant distributor margin (per-patient monthly recurring revenues increasing to US\$70–100 from US\$10–20), lower projected monthly breakeven patient volume to 9K patients (from 30K), and accelerate its algorithm development efforts with larger patient data sets.

Established Respiri–ACCESS partnership lowers integration risk: Respiri has been working with ACCESS since February 2022, with the partnership enrolling a number of RPM clients and forging strong relationships. Respiri has already completed critical integration of its systems with ACCESS's RPM platform, Remotli, and the ACCESS team is familiar with Respiri's products.

Consideration of up to US\$3m – capital raise to give breathing room: Respiri will complete its purchase of ACCESS with a 3-tranche payment: (1) US\$1.25m at completion, (2) US\$0.25m 3 months post-close; (3) up to US\$1.5m 12 months post-close if RPM enrolment is >6,000/month (final amount to be calculated on a 3-tier sliding scale). This will be funded by the issue of a A\$4.5m convertible note and a A\$2m SPP. Respiri plans to raise ~A\$6.5m, while the deal consideration will not exceed ~A\$4.5m. The additional cash should be a useful buffer until Respiri sees the full impact of reimbursements flow through. End-3Q cash + equivalents were \$0.94m, with 3Q net operating cash outflow of \$1.17m.

Investment Thesis

wheezo® represents a new monitoring approach: wheezo® allows asthmatics to measure, manage, and monitor their condition before an acute attack. The device measures wheezing with an objective and passive method. It is ergonomically designed and easy to use for children and the elderly.

Targeting an enormous market opportunity: Asthma and COPD patients provide Respiri with a large target addressable market in the US of 50m people. Despite new treatments, asthma remains poorly controlled. Medication non-adherence, inconsistent inhaler technique and patients failing to fully understand symptom deterioration often lead to serious and expensive hospitalisations.

RPM opportunity: US RPM reimbursement codes bode well for wheezo uptake and expanded addressable market brought in through ACCESS acquisition.

Valuation

Our valuation stands at A\$0.12/share, using DCF and based on shares on issue of 843.2m pending the close of the transaction, expected 1 July 2023.

Risk

Risks include adoption of wheezo®, supply chain disruptions to components in manufacturing, and integration into hospital electronic medical record systems. Integration risk of the acquisition is lowered by ACCESS partnership to date.

Equities Research Australia

Pharmaceuticals, Biotechnology and Life Sciences

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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.

Valuation	A\$0.12 (unchanged)
Current price	A\$0.04
Market cap	A\$32m
Cash on hand	A\$0.9m (31 March 2023)

Upcoming Catalysts/Newsflow

Period

Ongoing	Additional RPM client signings in the US
Ongoing	Announcement of potential revenue-sharing agreements with US insurers

Share Price (A\$)



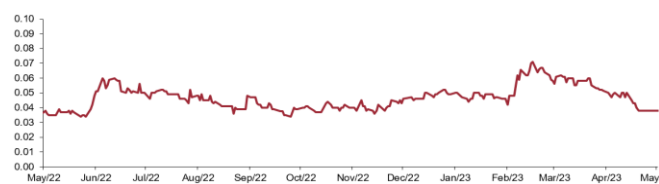
Source: FactSet, MST Access.

Year end 30 June, AUD unless otherwise noted

MARKET DATA

Price	\$	0.04
52 week high / low	\$	0.03-0.07
Valuation	\$	0.12
Market capitalisation	\$m	32.0
Shares on issue (basic)	m	843.2
Options / rights	m	248.0
Other equity	m	0.0
Shares on issue (diluted)	m	1091.2

12-MONTH SHARE PRICE PERFORMANCE (A\$)



INVESTMENT FUNDAMENTALS

		FY21A	FY22A	FY23E	FY24E	FY25E
Reported NPAT	\$m	(11.0)	(6.6)	(5.9)	1.0	13.8
Underlying NPAT	\$m	(11.0)	(6.6)	(5.9)	1.0	13.8
Reported EPS (diluted)	¢	(158.0)	(90.9)	(70.2)	11.1	151.2
Underlying EPS (diluted)	¢	(158.0)	(90.9)	(70.2)	11.1	151.2
Growth	%		-42.5%	-22.8%	-115.8%	1267.5%
Underlying PER	x	nm	nm	nm	0.3	0.0
Operating cash flow per share	¢	(1.0)	(1.2)	(0.8)	(0.1)	0.9
Free cash flow per share	¢	(1.1)	(1.2)	(0.8)	(0.1)	0.9
Price to free cash flow per share	x	nm	nm	nm	nm	4.3
FCF Yield	%	nm	nm	nm	nm	23.1%

Dividend

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

Enterprise value	\$m	24.1	30.8	30.6	31.9	23.9
EV/EBITDA	x	(2.2)	(4.7)	(5.2)	31.2	1.7
EV/EBIT	x	(2.2)	(4.6)	(5.2)	31.7	1.7
Price to book (NAV)	x	2.6	9.1	6.7	5.7	2.2
Price to NTA		2.6	9.1	6.7	5.7	2.2

KEY RATIOS

		FY21A	FY22A	FY23E	FY24E	FY25E
EBITDA margin	%	nm	nm	nm	15.7	67.2
EBIT margin	%	nm	nm	nm	15.5	67.2
NPAT margin	%	nm	nm	nm	15.5	67.2
ROE	%	nm	nm	nm	19.8	73.0
ROA	%	nm	nm	nm	17.2	68.8
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	(8.0)	(1.2)	(1.5)	(0.2)	(8.1)
Interest cover/ (EBIT/net interest)	x	nm	nm	nm	794.7	98,921.0
Gearing (net debt/EBITDA)	x	nm	nm	nm	nm	nm
Leverage (net debt/(net debt + equity))	x	nm	nm	nm	nm	nm

DUPONT ANALYSIS

		FY21A	FY22A	FY23E	FY24E	FY25E
Net Profit Margin	%	nm	nm	nm	15.5	67.2
Asset Turnover	x	0.0	0.1	0.1	1.1	1.0
Return on Assets	%	nm	nm	nm	17.2	68.8
Financial Leverage	x	0.0	0.0	0.0	0.0	0.0
Return on Equity	%	nm	nm	nm	-	-

KEY PERFORMANCE INDICATORS

		FY21A	FY22A	FY23E	FY24E	FY25E
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)	(3.5)	(3.8)
EBITDA	\$m	(5.8)	(6.4)	(4.8)	(2.8)	(3.7)
EBIT	\$m	(5.8)	(6.4)	(4.8)	(2.9)	(3.8)
PBT	\$m	(5.8)	(6.4)	(4.8)	(2.8)	(3.8)
Reported NPAT	\$m	(5.8)	(6.4)	(4.8)	(2.8)	(3.8)

Source: Company reports, MST Access estimates

PROFIT AND LOSS

		FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	\$m	0.3	0.3	0.3	6.5	20.5
Other income	\$m	1.2	0.5	0.6	0.6	0.3
Total Revenue	\$m	1.4	0.8	0.9	7.1	20.8
Operating expenses	\$m	(9.9)	(6.8)	(6.7)	(4.4)	(3.5)
EBITDA	\$m	(11.0)	(6.5)	(5.9)	1.0	13.8
Depreciation & Amortisation	\$m	0.1	0.1	0.0	0.0	0.0
EBIT	\$m	(11.0)	(6.6)	(5.9)	1.0	13.8
Net interest	\$m	0.0	0.0	0.0	0.0	0.0
Pretax Profit	\$m	(11.0)	(6.6)	(5.9)	1.0	13.8
Tax expense	\$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	\$m	(11.0)	(6.6)	(5.9)	1.0	13.8
Weighted average diluted shares	m	699.1	728.6	843.2	911.4	911.4

GROWTH PROFILE

		FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	%	(34.9)	(46.3)	16.2	694.9	191.6
EBITDA	%	51.2	(40.3)	(10.0)	(117.3)	1,251.3
EBIT	%	52.0	(39.9)	(10.8)	(117.0)	1,269.2
Reported NPAT	%	52.1	(40.0)	(10.7)	(117.0)	1,267.5
DPS	%	nm	nm	nm	nm	nm

BALANCE SHEET

		FY21A	FY22A	FY23E	FY24E	FY25E
Cash	\$m	8.0	1.2	1.5	0.2	8.1
Receivables	\$m	0.1	0.1	0.1	2.7	8.4
Other	\$m	0.8	2.9	2.9	2.9	2.9
Current assets	\$m	8.9	4.1	4.5	5.7	19.4
PPE	\$m	0.2	0.1	0.1	0.2	0.6
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	0.2	0.1	0.1	0.2	0.6
Total assets	\$m	9.1	4.2	4.5	5.9	20.0
Trade and other payables	\$m	1.3	0.8	0.0	0.4	0.7
Borrowings	\$m	0.0	0.0	0.0	0.0	0.0
Other	\$m	0.2	0.4	0.4	0.4	0.4
Current liabilities	\$m	1.5	1.2	0.4	0.8	1.1
Other financial liability	\$m	0.1	0.0	0.0	0.0	0.0
Other liability	\$m	0.0	0.0	0.0	0.0	0.0
Non current liabilities	\$m	0.1	0.0	0.0	0.0	0.0
Total liabilities	\$m	1.5	1.2	0.4	0.8	1.1
Net assets	\$m	7.6	3.0	4.1	5.1	18.9
Share capital	\$m	127.1	128.8	135.8	135.8	135.8
Retained earnings	\$m	(126.3)	(133.3)	(139.2)	(138.2)	(124.4)
Other	\$m	6.8	7.5	7.5	7.5	7.5
Total equity	\$m	7.6	3.0	4.1	5.1	18.9

CASH FLOW

		FY21A	FY22A	FY23E	FY24E	FY25E
Net loss for period	\$m	(11.0)	(6.6)	(5.9)	1.0	13.8
Depreciation & Amortization	\$m	0.1	0.1	0.0	0.0	0.0
Changes in working capital	\$m	0.1	0.0	0.0	0.0	0.0
Other	\$m	3.5	(1.9)	(0.9)	(2.2)	(5.4)
Operating cash flow	\$m	(7.3)	(8.5)	(6.7)	(1.2)	8.4
Payments for PPE	\$m	(0.1)	(0.0)	(0.0)	(0.1)	(0.4)
Other	\$m	0.0	0.0	0.0	0.0	0.0
Investing cash flow	\$m	(0.1)	(0.0)	(0.0)	(0.1)	(0.4)
Equity	\$m	12.4	1.7	7.0	0.0	0.0
Other	\$m	(0.6)	(0.0)	0.0	0.0	0.0
Financing cash flow	\$m	11.8	1.6	7.0	0.0	0.0
Cash year end	\$m	8.0	1.2	1.5	0.2	8.1
Free cash flow	\$m	(7.4)	(8.5)	(6.7)	(1.3)	8.0

More Details on Acquisition of ACCESS

Respiri targets US\$70–100 monthly recurring revenue/patient given breadth of reimbursement codes

Respiri has highlighted the opportunity to increase its monthly recurring revenues per patient on the back of this deal to US\$70–100 from the current US\$10–20 (based on wheezo® medical device sales). This is because of the overlap in conditions among many patients with respiratory conditions and other serious conditions. Respiri highlighted that 80% of patients with chronic obstructive pulmonary disease (COPD), a condition that is central to Respiri’s current target addressable market, have at least one comorbid chronic condition, which means that Respiri will be able to offer both remote patient monitoring (RPM) and chronic care management (CCM) services to some patients, as well as a larger variety of services encompassing more of the codes (see Figure 1).

Figure 1: Average 2023 CMS Medicare reimbursement for CPT codes – code 99454 (monthly data transmission) was Respiri’s focus up to now, but new codes will become available

Remote Patient Monitoring (RPM)		
Code	Descriptor	2023 Payment
99453	Service initiation	\$19.00
99454	Monthly data transmission	\$49.00
99091	Interpretation and analysis, 30 min.	\$53.00
99457	Treatment management services, clinical staff, 20 min.	\$48.00
99458	Treatment management services, clinical staff, +20 min.	\$39.00
Chronic Care Management (CCM)		
Code	Descriptor	2023 Payment
99490	CCM, clinical staff, initial 20 min.	\$62.00
99439	CCM, clinical staff, +20 min.	\$47.00

Source: Respiri.

Management and board announcements

Respiri has indicated that its US operations will be led by William Sigsbee as Head of US Operations and Chief Commercial Officer for the US. The ACCESS brand and key existing ACCESS staff will be retained. Current ACCESS CEO Myra Ameigh will continue in a strategic advisory capacity.

Respiri has also appointed Brian Leedman, a prominent Australian healthcare entrepreneur, to a non-executive director position. Mr Leedman was co-founder and executive director of ResApp Health (acquired by Pfizer in 2022 for A\$179m).

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