

# Simavita

Company update

## First European distributor appointed

Simavita's SIM (Smart Incontinence Management) platform has been well received among key early adopters, for its ability to improve management of urinary incontinence in residential care settings. Simavita has appointed its first European distributor, Abena A/S in Denmark, after a successful trial in Copenhagen. We expect sales to accelerate as aged care providers complete assessment of trial sites, but additional funding may be required near term. Our DCF model suggests a valuation of A\$100m.

Year end	Revenue (A\$m)	PBT* (A\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/13	0.3	(8.5)	N/A	0.0	N/A	N/A
06/14	0.6	(9.7)	(28.4)	0.0	N/A	N/A
06/15e	3.0	(7.4)	(8.4)	0.0	N/A	N/A
06/16e	9.4	(4.1)	(3.9)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding intangible amortisation, exceptional items and share-based payments.

## Danish distributor appointed and first sales reported

Simavita and Abena began operating a Danish showcase site in September 2014. Two of the four nursing homes that trialled the technology have now invested in the SIM system. A report on the SIM assessments at the showcase site will be submitted to the Danish Government, which could see SIM recommended as best practice for incontinence management. Denmark is recognised as a leader in aged care in Europe, so the appointment of Abena and the first commercial sales in Denmark may motivate distributors elsewhere in Europe to sign agreements.

## Steady roll-out as customers assess trial sites

Interest in the SIM platform is building in the US, with the first contract with a US aged care provider (Lorien Health Systems) signed in H115, and a number of large long-term care chains are conducting pilots at multiple sites. Receipt of the first order from US distributor Medline saw Simavita record sales of c A\$350k in Q215, equal to sales for the whole of FY14. However, with operators frequently requiring trial sites to be evaluated, signing contracts with large chains is taking longer than we had originally forecast. There are six operators in the US managing chains of over 200 nursing homes each and we estimate that winning a contract with just one of these large chains could generate annual sales in excess of A\$4.5m.

## Valuation: DCF trimmed to A\$100m, additional funding likely to be required

We have extended the product roll-out phase in our forecasts to five years (previously four years) and have trimmed our peak sales forecasts by 10% (now A\$56m in FY19). Our revised FY15 forecast sales are 50% lower at A\$3.0m, with FY16 down 40% at A\$9.4m. Our base case DCF valuation of Simavita is 7% lower at A\$100m (previously A\$107m), equal to A\$1.35 per share (undiluted). Simavita had A\$4.9m cash at end H115 (A\$1.2m R&D rebate expected soon); the company is likely to require additional funding in CY15 to support operations until it reaches break-even, which we now forecast to be in FY17.

Healthcare equipment & services

13 January 2015

**Price** **A\$0.45**

**Market cap** **A\$33m**

A\$1.219/US\$

Net cash (A\$m) at Dec 2014 4.9

Shares in issue 73.7m

Free float 57%

Code SV/SVA

Primary exchange TSX-V

Secondary exchange ASX

### Share price performance



% 1m 3m 12m

Abs (2.2) (13.5) N/A

Rel (local) N/A N/A N/A

52-week high/low A\$1.07 A\$0.42

### Business description

Simavita listed on the TSX-V in December 2013 and ASX in February 2014. Its SIM platform technology is an integrated assessment device that helps manage urinary incontinence. The devices are used in residential and nursing home settings to better optimise incontinence care.

### Next events

Canadian showcase facility operational Q115

Canadian and more European distributors H115

Swedish showcase facility operational H115

### Analysts

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**Exhibit 1: Financial summary**

	A\$m	2013	2014	2015e	2016e	2017e
Year end 30 June		IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>						
Revenue		0.3	0.6	3.0	9.4	24.3
Cost of Sales		(0.2)	(0.1)	(1.2)	(4.0)	(10.4)
Gross Profit		0.1	0.5	1.8	5.4	13.9
EBITDA		(7.3)	(9.2)	(7.1)	(4.0)	3.9
Operating Profit (before amort. and except.)		(7.5)	(9.3)	(7.3)	(4.1)	3.7
Intangible Amortisation		0.0	0.0	0.0	0.0	0.0
Exceptionals		0.0	(2.0)	0.0	0.0	0.0
Other		0.0	0.0	0.0	0.0	0.0
Operating Profit		(7.5)	(11.3)	(7.3)	(4.1)	3.7
Net Interest		(1.1)	(0.3)	(0.1)	(0.1)	(0.1)
Profit Before Tax (norm)		(8.5)	(9.7)	(7.4)	(4.1)	3.7
Profit Before Tax (IFRS)		(8.5)	(11.7)	(7.4)	(4.1)	3.7
Tax		1.2	1.2	1.2	1.2	0.0
Profit After Tax (norm)		(7.4)	(8.6)	(6.2)	(2.9)	3.7
Profit After Tax (IFRS)		(7.4)	(10.5)	(6.2)	(2.9)	3.7
Average Number of Shares Outstanding (m)		2.2	30.4	73.7	74.7	75.7
EPS - normalised (c)		N/A	(28.4)	(8.4)	(3.9)	4.9
EPS - normalised and fully diluted (c)		N/A	(21.8)	(7.4)	(3.5)	4.3
EPS - (IFRS) (c)		N/A	(34.4)	(8.4)	(3.9)	4.9
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		35.2	84.2	58.8	57.6	57.3
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A
<b>BALANCE SHEET</b>						
Fixed Assets		0.3	0.2	0.3	0.7	1.1
Intangible Assets		0.1	0.1	0.1	0.1	0.1
Tangible Assets		0.2	0.1	0.2	0.7	1.1
Investments		0.0	0.0	0.0	0.0	0.0
Current Assets		2.2	8.6	3.0	3.2	8.0
Stocks		0.3	0.3	0.3	0.4	0.6
Debtors		1.1	1.4	0.5	1.5	4.7
Cash		0.7	6.8	2.1	1.2	2.6
Other		0.0	0.1	0.1	0.1	0.1
Current Liabilities		(7.7)	(1.3)	(0.7)	(1.1)	(2.6)
Creditors		(0.9)	(1.3)	(0.7)	(1.1)	(2.6)
Short term borrowings		(6.8)	0.0	0.0	0.0	0.0
Long Term Liabilities		(3.4)	0.0	0.0	(2.0)	(2.0)
Long term borrowings*		(3.4)	0.0	0.0	(2.0)	(2.0)
Other long term liabilities		0.0	0.0	0.0	0.0	0.0
Net Assets		(8.6)	7.5	2.6	0.8	4.5
<b>CASH FLOW</b>						
Operating Cash Flow		(7.0)	(8.3)	(5.6)	(3.6)	2.0
Net Interest		(0.2)	0.0	0.0	0.0	0.0
Tax		1.2	1.2	1.2	1.2	0.0
Capex		(0.0)	(0.1)	(0.3)	(0.5)	(0.5)
Acquisitions/disposals		0.0	0.0	0.0	0.0	0.0
Financing		(0.2)	16.7	0.0	0.0	0.0
Other		(0.0)	0.2	0.0	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0
Net Cash Flow		(6.2)	9.7	(4.7)	(2.9)	1.5
Opening net debt/(cash)		2.2	9.4	(6.8)	(2.1)	0.8
HP finance leases initiated		0.0	0.0	0.0	0.0	0.0
Other		(1.0)	6.5	0.0	0.0	0.0
Closing net debt/(cash)		9.4	(6.8)	(2.1)	0.8	(0.6)

Source: Edison Investment Research, company accounts. Note: \*We have attributed A\$2m to long-term debt to cover the funding requirement by FY16, as per standard Edison policy.

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