

# Respiri

## Focus on cost optimisation

Cost savings update

Healthcare equipment

6 October 2022

**Price** **A\$0.04**

**Market cap** **A\$32m**

US\$0.6/A\$

Pro-forma net cash (A\$m) at September 2022 including autumn 2022 equity raise 2.8

Shares in issue (excluding 40m shares to enter circulation on 7 October 2022) 761.8m

Free float 83%

Code RSH

Primary exchange ASX

Secondary exchange OTCQB

### Share price performance



### Business description

Respiri is an Australia-based medical device and SaaS company focused on respiratory health management through its integrated wheezo platform. The device is a breath sensor that works with the respiri mobile applications to record data such as wheeze rates, breath recordings and other environmental factors and medication usage, which can be accessed by physicians in real time. Wheezo received FDA clearance in March 2021 and was launched in the US in December 2021.

### Analysts

Soo Romanoff +44 (0)20 3077 5700

Jyoti Prakash, CFA +44 (0)20 3077 5700

[healthcare@edisongroup.com](mailto:healthcare@edisongroup.com)

[Edison profile page](#)

**Respiri is a research client of Edison Investment Research Limited**

To support an optimal roll-out of its US commercialisation strategy for its wheezo device, Respiri recently announced several cost-saving initiatives, the latest being a [reduction in the CEO's and executive chairman's FY23 cash compensation](#) by a combined A\$180k. In exchange, the company will offer bonus/milestone payments, contingent on achieving certain patient recruitment targets (elucidated below). This announcement follows management's recent establishment of a [Centre of Digital Innovation Excellence in the Philippines](#) to drive efficiencies with a lower cost footprint (estimated to reduce IT costs by c A\$700k, along with a 30% improvement in productivity). All cost savings will be redirected towards onboarding patients in the US. We also note that Respiri recently raised A\$1.6m through share placements to support its US roll-out plans (40m shares to be issued on 7 October versus 23 September previously). Our valuation remains unchanged at A\$0.24 per share.

Year end	Revenue (A\$m)	EBITDA* (A\$m)	PBT* (A\$m)	EPS (c)	P/Revenue (x)	P/E (x)
06/21	1.4	(8.4)	(8.5)	(1.22)	22.3	N/A
06/22	0.8	(6.2)	(6.3)	(0.87)	41.4	N/A
06/23e	5.0	(2.3)	(2.3)	(0.29)	6.4	N/A
06/24e	8.1	0.4	0.4	0.03	4.0	121.3

Note: \*EBITDA, PBT & EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. FY23 & FY24 EPS adjusted for new shares.

The A\$180k reduction in FY23 cash remuneration consists of A\$100k from CEO Marjan Mikel and A\$80k from executive chairman Nicholas Smedley. To compensate for the forgone cash compensation, Respiri has established certain patient recruitment targets up until 30 June 2023, achievement of which will trigger bonus/milestone payments. Also as part of the salary restructuring, all outstanding vested options held by the two senior executives (totalling 22.5m) were cancelled.

### FY23 milestone-led bonus payments

	Marjan Mikel	Nicholas Smedley
5,000 contracted patients	A\$34,000	A\$29,070
7,500 contracted patients	A\$34,000	A\$29,070
10,000 contracted patients	A\$34,000	A\$29,070
12,500 contracted patients	A\$48,000	A\$17,790

Source: Company press release, 5 October 2022.

Given that two hospital clients have already been onboarded (patient recruitment expected to commence shortly) and the company has indicated a strong sales pipeline, we believe these targets to be achievable, provided feedback and early trends from pilot programmes are positive.

Respiri's efforts to slim down its cost structure have already achieved savings through restructuring its manufacturing and marketing efforts. This includes a significant reduction in wheezo manufacturing costs following its collaboration with Entech Electronics (February 2020) and materially lowering SG&A expenses, courtesy of the partnered remote patient monitoring model it applies in the US. Offshoring IT-related activities to the Philippines is another initiative by the company to further reduce costs while accessing a wide specialist pool. Compensation cuts, in contrast, appear to be a more short-term fix to maximise the use of available resources during the crucial initial market push.

---

## General disclaimer and copyright

This report has been commissioned by Respire and prepared and issued by Edison, in consideration of a fee payable by Respire. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

**Accuracy of content:** All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of Liability:** To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

**No personalised advice:** The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

**Investment in securities mentioned:** Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2022 Edison Investment Research Limited (Edison).

---

## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

---

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

---

## United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

---

## United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

---

Frankfurt +49 (0)69 78 8076 960  
Schumannstrasse 34b  
60325 Frankfurt  
Germany

London +44 (0)20 3077 5700  
280 High Holborn  
London, WC1V 7EE  
United Kingdom

New York +1 646 653 7026  
1185 Avenue of the Americas  
3rd Floor, New York, NY 10036  
United States of America

Sydney +61 (0)2 8249 8342  
Level 4, Office 1205  
95 Pitt Street, Sydney  
NSW 2000, Australia