

# Respiri

Strategic update

## Telehealth acquisition to bolster US roll-out

Healthcare equipment

In a strategic push of its US commercialisation strategy, Respiri has announced the proposed acquisition of Access Managed Services, its US remote patient monitoring (RPM) and chronic care management partner, for a cash consideration of up to US\$3m (A\$4.5m). We expect the acquisition to afford Respiri greater oversight of operations and sales and marketing efforts, potentially reducing sales cycles and expediting patient onboarding. The acquisition will also result in the RPM recurring revenue increasing to US\$70–100 from US\$10–20 per patient, although we note Respiri will cease to recognise revenue from device sales and operating expenses will likely trend higher. Management now guides for break-even to be achieved at 9,000 patients (by end CY24) vs 30,000–40,000 patients previously. The acquisition will be funded by a A\$6.5m capital raise, including A\$4.5m in convertible notes and a A\$2m equity offer. We will update our model and estimates following the fund-raise and deal closure.

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)	22.9	N/A
06/22	0.8	(6.2)	(6.3)	(0.87)	40.1	N/A
06/23e	1.7	(4.2)	(4.2)	(0.51)	18.8	N/A
06/24e	5.9	(1.1)	(1.1)	(0.13)	5.4	N/A

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

Respiri's partnership with Access has been central to growing its commercial footprint in the United States to date, with 10 healthcare clients signed, several of which are onboarding patients for wheezo prescriptions and RPM services (c 100 patients have been onboarded; 3,500 additional prospects in the pipeline). With direct oversight over operations, management expects the acquisition to expedite new customer acquisition and patient onboarding. The increased monthly RPM revenue also means break-even could potentially be achieved at a materially lower number of patients despite an increase in operating expenses. We note that in addition to wheezo, Access provides telehealth services for other disease areas such as cardiovascular conditions, diabetes and obesity, which adds an upside growth opportunity for Respiri. We also believe the company will continue to collaborate with other telehealth providers, such as its agreement with mTelehealth. The acquisition consideration will be paid over three tranches – US\$1.25m upfront, US\$0.25m three months post deal closure and up to US\$1.5m 12 months post deal closure – contingent on the monthly RPM patient enrolment exceeding 6,000. The deal is subject to conditions, including Respiri raising a minimum of US\$2.5m in funding.

Respiri plans to fund the acquisition and near-term working capital requirements through a A\$6.5m fund-raise. This includes convertible notes worth A\$4.5m to a US-based institutional investor, Obsidian Global Partners (non-binding termsheet signed). The pay-out will be in two tranches of A\$2.5m (upfront) and A\$2m (subject to mutual agreement and shareholder approval). In addition, Respiri aims to raise another A\$2m under a share purchase plan, with each shareholder entitled to subscribe for up to A\$30k worth of shares. The offer will include one attached free option for every two shares subscribed (offer closure expected by 20 June 2023).

23 May 2023

**Price** **A\$0.038**

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

US\$0.66/A\$

Net cash (A\$m) at end-March 2023 0.9

Shares in issue 843.2m

Free float 79.6%

Codes RSF, RSUF

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. In May 2023, Respiri announced the acquisition of US RPM partner Access which, after deal closure, will make it one of the few RPM companies with its own IP (wheezo).

### Analysts

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