EDISON

Respiri

Reimbursement update

Dollars in the bank with CMS reimbursement

Healthcare equipment

In a positive development for its US commercial strategy, Respiri has announced receipt of its first reimbursement claims from the Centers for Medicare and Medicaid Services (CMS) for its wheezo remote patient monitoring (RPM) programme (through one of its partners, Access Telehealth), making it the first Australian company to receive RPM reimbursement. As a reminder, a key component of Respiri's revenue model is a monthly annuity (US$10–20/patient) derived from the CMS reimbursement to prescribing physicians and this announcement marks the first recurring revenue inflows, on top of the revenue from device sales. There are 20 patients on the RPM programme and with onboarding ongoing at multiple locations (500 prospective patients have been identified), we expect the claims quantum to rise in the near term, supporting top-line growth. We await further visibility on commercial progress before revisiting our estimates and for now keep our valuation unchanged at A$0.24/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)	24.3	N/A
06/22	0.8	(6.2)	(6.3)	(0.87)	47.2	N/A
06/23e	5.0	(2.3)	(2.3)	(0.29)	7.9	N/A
06/24e	8.1	0.4	0.4	0.03	4.9	144

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.

wheezo was launched in the United States in December 2021 to monetise its potential and leverage the RPM reimbursement infrastructure in the country. Respiri's US revenue model is made up of two distinct revenue streams: device sales (US$50–60 per unit) and monthly service fees (US$10–20 per patient per month, based on the type of RPM services subscribed to; refer to our initiation note for more details). The RPM programme, delivered through its telehealth partner, Access Telehealth, includes the full suite of services (including its patient monitoring platform Remotli). The programme is also eligible for reimbursement under the CMS's procedural terminology reimbursement codes for RPM (currently mandated for reimbursement by the CMS in 28 of the 50 US states).

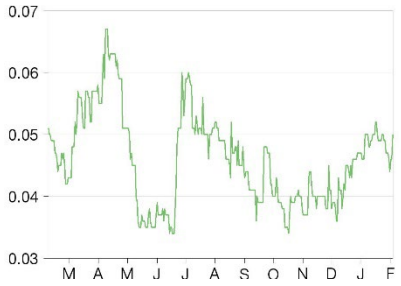
To date, the company has signed six commercial deals across six US states, including with the Minnesota Lung Center (a leading private pulmonary practice based in Minneapolis focused on lung diseases, respiratory therapies and diagnostics) and Arkansas Heart Hospital (one of the largest privately held cardiovascular disease focused hospitals in the US). With patient onboarding initiated in at least three centres, the company expects the user base to potentially extend to roughly 500 patients in near term, against the current figure of 20.

The net cash balance at end-December stood at A$0.2m, which should be further supported by the ongoing A$1.5m fund raise through a share purchase plan (anticipated to close on 10 February). At current burn rates, we estimate these funds to support the company's operations into Q423. However, we expect additional cash inflows from the currently onboarded patients in coming months, which should give support to Respiri's top line as well as its cash position, providing additional operating headroom.

7 February 2023

Price	**A$0.05**
Market cap	**A$39m**
	US$0.69/A$
Estimated net cash (A$m) at 31 December 2022 (excluding gross proceeds of January/February raise)	0.2
Shares in issue (excluding shares to be issued under Jan/Feb SPP)	803.7m
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.

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