

Respiri

Quarterly update

Commercialisation milestones at the forefront

Healthcare equipment

28 April 2023

Price **A\$0.047**

Market cap **A\$42m**

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.

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Respiri released its Q323 activity report, updating investors on key highlights during the quarter. The period was marked by continued expansion of the company's commercial footprint in the US, which included the signing of three additional contracts (taking the total client count to nine) and the appointment of a US-domiciled chief commercial officer to spearhead its growth strategy for the country. In addition, Respiri disclosed that it is in ongoing negotiations with two large insurers and four to six healthcare organisations, indicating a strong sales funnel. With the company recognising its first Centers for Medicare & Medicaid Services (CMS) reimbursement claims during the quarter and an increasing number of patients onboarded (including at Michigan Children's Hospital and an undisclosed North Carolina-based healthcare organisation in Q123), we see initial validation for the company's wheezo remote patient monitoring (RPM) model with subsequent traction likely with early patient responses. The period-end cash balance stood at A\$0.9m, highlighting the need to raise capital in the near term, pending any material sales-related inflows.

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)	44.3	N/A
06/23e	1.7	(4.2)	(4.2)	(0.51)	22.6	N/A
06/24e	5.9	(1.1)	(1.1)	(0.13)	6.7	N/A

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

A key highlight of the quarter was Respiri's discussions with two large US health insurers about a potential risk-sharing revenue model. The agreement, if it materialises, could open the door for a high volume of patient enrolments, generating a significant opportunity for recurring revenues each month (reimbursement would be based on quality of care rather than the number of healthcare services as is the case with the Current Procedural Terminology-CPT codes). For insurers, the collaboration might help in reducing costs related to unplanned hospital emergency room visits. In addition, Respiri disclosed that the sales funnel remains strong, with advanced discussions ongoing with at least two potential clients (including a large national healthcare provider) and another four to six opportunities being explored. We see these as encouraging signs for top-line growth in the near to medium term.

In addition to three existing sites (Minnesota Lung Center, Arkansas Heart Hospital and Medical Centre of Conyers), patient onboarding commenced at a further two sites during the quarter – Michigan Children's Hospital and an undisclosed North Carolina-based healthcare organisation – expanding the wheezo user base. As per the latest available information, c 100 patients have been onboarded to the wheezo RPM programme. Management is targeting 30,000–40,000 patients by 2024.

End-March net cash was A\$0.9m, which at the current quarterly operating cash burn rate of A\$1.2m would require the company to raise capital imminently, pending material cash inflows from CMS reimbursement and/or device sales.

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