



15<sup>th</sup> December 2020

## Small Cap

### Respiri Limited – Increased Subscriber Base Will Help to Achieve the Guidance

Reading Time: 5 Mins

By Team Ace Investors

Stock Code	ASX: RSH
Shares O/S	719.34 million
Closing Price	AUD 0.125
Market Cap	100.70 million
52 High/Low	0.25/0.059
One Year Stock Performance	35.87%
Avg volume (TTM)	1.29 million
EPS (TTM)	-0.011
P/E	-
Annual Dividend Yield	-
Franking	-
Last Dividend Ex-Date	-
Last Dividend Pay Date	-
DPS (AUD)	-
ROE %	-

## COMPANY OVERVIEW

Respiri Limited (**“Respiri” or the “Company”**) is an e-Health SaaS company supporting respiratory health management. Respiri creates technology to optimise how asthma patients and their physicians monitor and manage their asthma.

The Company’s world-first technology detects wheeze, a typical symptom of asthma, COPD and respiratory disease to provide an objective measure of airway limitation. wheezo, Respiri’s innovative technology, comprises an eHealth app combined with a simple, easy to use, handheld device.

During FY 2020, the Company’s revenue was up 114% to \$2.21 million. The Company continues to preserve cash and remains well capitalised. On 27<sup>th</sup> July 2020, the management has finalised a review of the revenue generating commercial contracts that have been progressively signed during FY20, particularly the recently announced exclusive international pharmacy sales/marketing, distribution & logistics agreement with Cipla and also the market dynamics forecast to drive wheezo market penetration.

As a result, the Company anticipates CY21 product revenues comprising wheezo device sales and associated Software as a Service (SaaS) subscription revenues to be \$6-\$8 million.

## INVESTMENT RATIONALE:

- Commercial Launch of Wheezo in Australia** – On 9<sup>th</sup> December 2020, the Company provided an update to the market following the commercial launch of wheezo in Australia. Following the commencement of direct pharmacy sales by Cipla on 21 October 2020, Cipla has agreed to increase the minimum initial purchase under the Exclusive Sales/Marketing, Distribution & Logistics Agreement signed in July 2020 by 250% to 7,000 units. The monthly SaaS fee has been increased by 24% to \$9.95 per month as customers are prepared to pay a higher price for the convenience of a monthly subscription, based on feedback to date. SaaS gross margins are expected to be in the range of 85-100%. As a result, the expected customer average gross margin is expected to increase by 9% over 24 months and by 18% over the forecast life of a customer.
- Focus on Commercial Partnership** – The Company continued to explore further commercial partnerships in the key pharmacy channel for wheezo in Australia and overseas. In July 2020, the Company has executed an agreement with Cipla Australia to distribute into other key markets. Cipla Australia possesses significant sales and marketing infrastructure covering over 80% of the pharmacy market in Australia. Other partners include – Phenix Health Pty Ltd, University of Edinburgh, and Pharmacy Guild of Australia. On 9<sup>th</sup> December, the Company has reached a supply agreement with Pharmacy Platform Pty Ltd (PP).
- Completion of Share Placement** – In October 2020, the Company successfully completed an oversubscribed \$12.5 million share placement to institutional, professional and sophisticated Australian investors. Following the completion of the

Placement, the Company will be in a strong financial position with approximately \$16.0 million in cash. Funds raised under the placement will be deployed in market development activities for the US and European market launches (\$1.6 million), sales and marketing initiatives (\$2.1 million), product development and research (\$1.5 million) and working capital, principally inventory build to meet expected demand for wheezo (\$6.5 million).

**ACE's RECOMMENDATION:**

The additional funding provides Respiri with the financial flexibility to meet its stated corporate objectives, which in the near term supports the commercial launch of wheezo in Australia this quarter under its exclusive pharmacy partnership with Cipla and longer term supports commercial launches in key offshore markets including the US and Europe/UK. Moreover, the capital raised is expected to fully fund the Company to a sustainable cash flow breakeven position, which is forecast to occur in the second half of FY22.

The Company updated that the resilience of the pharmacy channel from disruption during the COVID-19 pandemic in Australia, owing to its status as an essential service, along with Cipla's active account management of 4,000 of these pharmacies and strong commercial relationships with the major pharmacy banner groups and chains will help the Company to achieve its CY21 guidance. Respiri continues to progress discussions for supply of wheezo devices with additional key pharmacy banner groups. The Company expects to update the market following the agreement of additional contracts. Respiri is pleased to confirm that a number of independent pharmacy groups are now stocking the device. At current levels, we would like to recommend **SPECULATIVE BUY** rating on the stock.

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