

1H17 RESULT, WAITING ON FDA TRIAL DATA

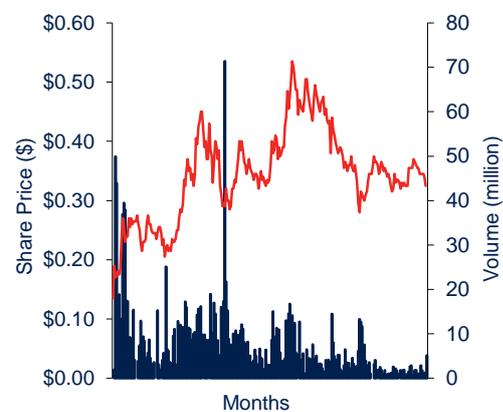
Confirmation of Efficacy from US Trial Remains the Question

- ResApp Health (RAP) reported a c\$7.5m loss for its 1H17 result that was impacted by c\$4.9m in share based payment expenses. Otherwise RAP maintained relatively tight cost control. Cash levels reduced from c\$13.7m to c\$12.2m in the period. At the Cash Flow level, RAP is burning through c\$0.3m per month, and so has approximately two years of funding to commercialise its product. However RAP has indicated that it aims to be selling its product in the US market in early FY18, assuming it achieves FDA approval in 4Q17. Obviously there is significant risk at the present time on when the FDA process will complete and whether the trial data will confirm previous Australian studies that were highly positive. The near term catalyst for the share price is interim trial data, which should be released in the next couple months.**
- In 1H17, RAP announced three US trial sites with prestigious paediatric hospitals in Massachusetts (MGH), Cleveland (Cleveland Clinic) and Texas (Baylor College of Medicine), to conduct the SMARTCOUGH – C study, a prospective, multi-site double blind study that will evaluate the efficacy of the RAP software application in the diagnosis of childhood pneumonia and other respiratory conditions from cough sounds.
- The study aims to recruit up to 1,112 patients between the ages of 29 days to 12 years. The co-primary efficacy endpoints of the study are the diagnosis of pneumonia compared to radiologic and clinical diagnosis. Secondary endpoints are diagnosis of other common childhood respiratory diseases such as upper respiratory tract infection, croup, bronchiolitis and asthma / reactive airways disease compared with a clinical diagnosis.
- Late in 1H17, RAP commenced the US study and enrolled its first patient. Given the speed with which this test can be conducted (cough into a designated smartphone), the analysis of the result should also be relatively quick, there is limited risk of delay in concluding the trial and releasing the results. Hospitals such as the aforementioned have significant volume through put. MGH for example admits c50k patients and admits more than c100k patients to the Emergency Department. Conducting the trial over the US winter season should also enable the trial to be conducted expeditiously.

Year End June 30	2015A	2016A	2017F	2018F	2019F
Reported NPAT (\$m)	(0.6)	(3.2)	(6.0)	13.4	35.9
Recurrent NPAT (\$m)	(0.5)	(3.2)	(6.0)	13.4	35.9
Recurrent EPS (cents)	(0.1)	(0.5)	(1.0)	2.3	6.0
EPS Growth (%)	na	na	na	na	167.5
PER (x)	(393.5)	(85.4)	(45.4)	20.4	7.6
PEG	na	na	na	na	0.0
EBITDA (\$m)	(0.7)	(3.3)	(5.8)	18.8	50.7
EV/EBITDA (x)	(290.0)	(83.2)	(46.8)	14.6	5.4
Free Cashflow	(1.0)	(3.1)	(4.8)	4.6	24.8
FCFPS (cents)	(0.2)	(0.5)	(0.8)	0.8	4.2
PFCF (x)	(198.2)	(89.4)	(57.1)	59.5	11.1
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0

1 March 2017		
12mth Rating		BUY
Price	A\$	0.32
Target Price	A\$	0.59
12mth Total Return	%	78.8
RIC: RAP.AX		BBG: RAP AU
Shares o/s	m	594.2
Free Float	%	81.1
Market Cap.	A\$m	193.8
Net Debt (Cash)	A\$m	-13.7
Net Debt/Equity	%	-85.6
3mth Av. D. T'over	A\$m	0
52wk High/Low	A\$	0.54 / 0.07
2yr adj. beta		0
Valuation:		
Methodology		DCF
Value per share	A\$	0.59
Analyst:		Martyn Jacobs
Phone:		(+61 3) 9242 4172
Email:		mjacobs@psl.com.au

12 Month Share Price Performance



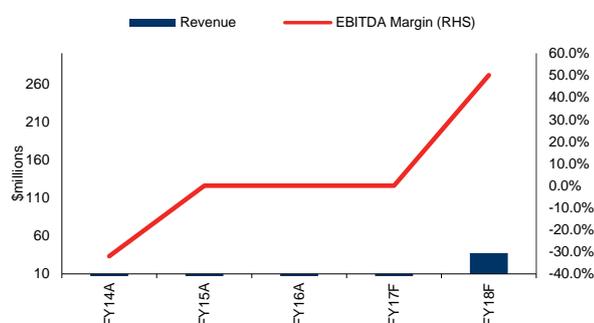
Performance %	1mth	3mth	12mth
Absolute	-1.5	-11.1	137.0
Rel. S&P/ASX 300	--2.2	-14.6	121.4

Resapp Health Limited (RAP)				\$0.32
Cash Flow (\$m)	2016A	2017F	2018F	2019F
Adj. Operating Cashflow	-2.4	-5.0	4.9	25.3
Capex	0.0	0.0	0.0	0.0
Capitalised R&D	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0
Earn-out Payments	0.0	0.0	0.0	0.0
Investing Cashflow	0.0	0.0	0.0	0.0
Equity Raised	12.0	0.0	0.0	0.0
Increase (Repay) Debt	0.0	0.0	0.0	0.0
Distributions Paid	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Financing Cashflow	12.0	0.0	0.0	0.0
Change in Cash Held	9.6	-5.0	4.9	25.3
Closing Cash Balance	13.7	8.8	13.7	39.0

Profit & Loss (\$m)	2016A	2017F	FY18F	FY19F
Sales Revenue	0.0	0.0	37.5	82.5
COGS	0.0	0.0	0.0	0.0
Gross Profit	0.0	0.0	37.5	82.5
Operating Expenses	-3.3	-5.8	-18.7	-31.8
Associates	0.0	0.0	0.0	0.0
EBITDA	-3.3	-5.8	18.8	50.7
Depn & Amort	0.0	0.0	0.0	0.0
EBIT	-3.3	-5.8	18.8	50.7
Net Interest	0.1	-0.2	0.4	0.5
PBT	-3.2	-6.0	19.2	51.3
Tax expense	0.0	0.0	-5.7	-15.4
NPAT (Underlying)	-3.2	-6.0	13.4	35.9
Adjustment	0.0	0.0	0.0	0.0
Statutory NPAT	-3.2	-6.0	13.4	35.9
NPAT (Adjusted)	-3.2	-6.0	13.4	35.9

Segment Revenue (\$m)	2016A	2017F	FY18F	FY19F
Telehealth	0.0	0.0	37.5	82.5
Total Revenues	0.0	0.0	37.5	82.5

Revenue & Margins



Valuation	2017F	FY18F	FY19F
DCF			
Beta			1.8x
WACC			15.0%
DCF per share			\$0.59

Capitalisation of future earnings	2017F	2018F	2019F
EBITDA	-5.8	18.8	50.7
EV / EBITDA multiple	8.0x	8.0x	8.0x
Enterprise value	-46.8	150.3	405.5
Net cash/ (debt)	8.8	13.7	39.0
Equity value	-38.0	164.0	444.5
Equity value per share	-\$0.05	\$0.21	\$0.56

Directors & substantial shareholders

Name	Position
Roger Aston	Independent Chairman
Tony Keating	Managing Director
Brian Leedman	Executive Director
Christopher Ntoumenopoulos	Non Exec Director

Shareholder	No. shares	%
Freeman Road Pty Ltd	44.0	7.6
FIL Limited	40.0	6.2
Total substantial	84.0	13.8

Balance Sheet (\$m)	2016A	2017F	FY18F	FY19F
Cash	13.7	8.8	13.7	39.0
PP&E	0.0	0.0	0.0	0.0
Intangibles	2.3	2.3	2.3	2.2
Other	0.2	0.0	9.9	23.2
Assets	16.3	11.0	25.9	64.4
Payables	0.2	1.1	2.5	5.1
Borrowings	0.0	0.0	0.0	0.0
Other liabilities	0.0	-0.2	-0.1	-0.1
Liabilities	0.3	1.0	2.4	5.1
Shareholders Funds	16.0	10.0	23.4	59.3

EPS & DPS	2016A	2017F	FY18F	FY19F
EPS (Reported)	-0.4	-0.8	1.7	4.6
EPS (Adjusted)	-0.4	-0.8	1.7	4.6
EPS growth (%)	na	na	na	167.5
DPS	0.0	0.0	0.0	0.0
Payout Ratio (%)	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0

Ratios	2016A	2017F	FY18F	FY19F
Profitability				
NPAT Growth (%)	na	na	na	167.5
Sales Growth (%)	na	na	na	120.0
Gross Profit Margin (%)	na	na	100.0	100.0
EBITDA Margin (%)	na	na	50.1	61.4
ROIC (%)	-142.1	-463.8	134.3	174.3
ROE (%)	-20.0	-60.2	57.3	60.5
ROA (%)	-20.2	-53.0	72.6	78.7
Tax Rate (%)	0.0	0.0	30.0	30.0

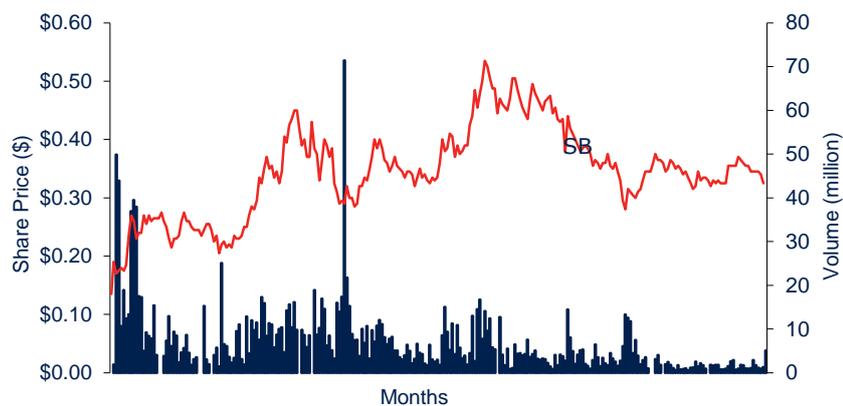
Valuation

	2016A	2017F	FY18F	FY19F
Price / Earnings (x)	-78.6	-41.8	18.8	7.0
EV / EBITDA (x)	-53.7	-31.0	9.4	3.0
Price / FCF (x)	-78.1	-39.7	41.4	7.7
Price / NTA (x)	13.9	24.4	9.0	3.3
Price / NA (x)	11.9	18.9	8.1	3.2

Balance Sheet

	2016A	2017F	FY18F	FY19F
Net Debt / Equity (%)	-85.6	-87.4	-58.5	-65.8
Net Debt / Assets (%)	-84.4	-79.3	-53.0	-60.6
Net Debt / EBITDA (x)	4.2	1.5	-0.7	-0.8
Interest Cover (x)	41.1	-29.9	-53.7	-92.6
NTA (\$/share)	0.0	0.0	0.0	0.1
NA (\$/share)	0.0	0.0	0.0	0.1
Shares (m)	594.6	594.6	594.6	594.6

Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
16 Nov 16	Research Note	0.59	0.40	SB	
	Current Share Price		0.46		15.0%

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1300 582 256

patersons@psl.com.au

www.psl.com.au

Research

Rob Brierley - Head of Research
Hira Sakrani - Research Assistant
Brad Seward - Associate Analyst

Phone: (+61 8) 9263 1611
Phone: (+61 3) 9242 4052
Phone: (+61 8) 9225 2835

Email: rbrierley@psl.com.au
Email: hsakrani@psl.com.au
Email: bseward@psl.com.au

Strategy & Economics

Tony Farnham - Economic Strategist / Analyst
Andrew Quin - Research Strategy Coordinator
Kien Trinh - Senior Quantitative Analyst

Phone: (+61 2) 9258 8973
Phone: (+61 8) 9263 1152
Phone: (+61 3) 9242 4027

Email: tfarnham@psl.com.au
Email: aquin@psl.com.au
Email: ktrinh@psl.com.au

Commodities

Cam Hardie - Analyst
Simon Tonkin - Senior Analyst
Juan Pablo (JP) Vargas de la Vega - Analyst

Phone: (+61 3) 9242 4153
Phone: (+61 8) 9225 2816
Phone: (+61 8) 9225 2818

Email: chardie@psl.com.au
Email: stonkin@psl.com.au
Email: jpvargas@psl.com.au

Industrials

Martyn Jacobs - Analyst
Jon Scholtz - Analyst

Phone: (+61 3) 9242 4172
Phone: (+61 8) 9225 2836

Email: mjacobs@psl.com.au
Email: jscholtz@psl.com.au

Institutional Dealing

Dan Bahen
Michael Brindal
Artie Damaa
Paul Doherty
Chris Kelly
Stuart Murray
Jeremy Nugara
George Ogilvie
Phil Schofield
Josh Welch
Sandy Wylie

Phone: (+61 8) 9263 1274
Phone: (+61 8) 9263 1186
Phone: (+61 2) 8238 6215
Phone: (+61 3) 8803 0108
Phone: (+61 3) 9242 4078
Phone: (+61 2) 8238 6210
Phone: (+61 3) 8803 0166
Phone: (+61 8) 9263 1627
Phone: (+61 2) 8238 6223
Phone: (+61 8) 9263 1668
Phone: (+61 8) 9263 1232

Email: dbahen@psl.com.au
Email: mbrindal@psl.com.au
Email: adamaa@psl.com.au
Email: pdoherty@psl.com.au
Email: ckelly@psl.com.au
Email: smurray@psl.com.au
Email: jnugara@psl.com.au
Email: gogilvie@psl.com.au
Email: pschofield@psl.com.au
Email: jwelch@psl.com.au
Email: swylie@psl.com.au

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