

# ResApp Health

## Short term catalysts to play

**ADD** (no change)

Current price:	A\$0.11
Target price:	A\$0.24
Previous target:	A\$0.24
Up/downside:	114.1%
Reuters:	RAP.AX
Bloomberg:	RAP AU
Market cap:	US\$53.40m
	A\$76.24m
Average daily turnover:	US\$0.33m
	A\$0.46m
Current shares o/s	659.0m
Free float:	90.2%

- RAP has submitted its CE Mark technical file to enable commercial sales to commence. We anticipated the review process will take at least six months.
- For investors following catalyst driven stocks, RAP expects to announce two significant milestones this quarter. The first is the outcome of the clinical adjudication for croup which was delayed due to technical issues as part of the US SMARTCOUGH-C-2 trial. The second milestone is the outcome of the adult respiratory study in Australia.
- We have made no changes to forecasts and our target price remains at A\$0.24. RAP is recommended for investors with a higher risk profile and a focus on near term catalysts.

### Submits for CE Clearance

RAP announced that it has submitted its CE Mark Technical File to its European Notified Body, the British Standards Institution (BSI), for a first-of-its-kind smartphone application for the diagnosis of acute paediatric respiratory disease. ResAppDx-EU is a mobile software application to be used by clinicians for the diagnosis of lower respiratory tract disease, croup, pneumonia, asthma/reactive airway disease and bronchiolitis in infants and children. CE Marking will enable the commercial sale of ResAppDx-EU in the European Economic Area and facilitate commercialisation in other markets such as Australia, Canada and Singapore. Given the current issues around Brexit we estimate that CE Clearance is likely to take over six months to be achieved. At this stage we have not factored contribution for the EU into our forecasts. However management note that preliminary work is being done with a German private hospital network to understand how the technology can be best implemented.

### Other catalysts to watch

There are two short term (this quarter) catalysts we are focused on: 1) the outcome of the clinical adjudication for croup from the SMARTCOUGH-C-2 study in the US which was delayed due to technical issues (now overcome), once these results are received RAP plans to file a De Novo premarket submission for its acute paediatric respiratory disease diagnostic smartphone application with the FDA; 2) the outcome of an acute adult respiratory disease diagnosis study in Australia; and 3) completing recruitment for an at-home obstructive sleep apnoea study.

### Investment view- Add maintained with short term catalysts due

We have made no changes to our forecasts. As a result our DCF valuation of A\$0.24 remains unchanged. We have set the price target at the same level. The key downside risk is failure to achieve FDA approval. RAP is recommended only for investors with a higher risk profile and who follow catalyst driven stocks. We retain an Add recommendation.



Price performance	1M	3M	12M
Absolute (%)	0	-50	34.1
Relative (%)	1.9	-40.7	42.4

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Analyst(s) own shares in the following stock(s) mentioned in this report:

– ResApp Health

### Financial Summary

	Jun-17A	Jun-18A	Jun-19F	Jun-20F	Jun-21F
Revenue (A\$m)	1.14	1.00	0.00	6.72	25.20
Operating EBITDA (A\$m)	(9.97)	(6.49)	(7.04)	(0.52)	17.53
Net Profit (A\$m)	(10.03)	(6.53)	(7.24)	(0.68)	17.40
Normalised EPS (A\$)	(0.015)	(0.010)	(0.010)	(0.001)	0.024
Normalised EPS Growth	204%	(35%)	5%	(91%)	
FD Normalised P/E (x)	NA	NA	NA	NA	4.65
DPS (A\$)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	NA	NA	NA	3.25
P/FCFE (x)	NA	NA	NA	NA	5.02
Net Gearing	(75.4%)	(60.4%)	(94.8%)	(92.5%)	(92.9%)
P/BV (x)	6.39	13.08	13.49	10.49	3.12
ROE	(73%)	(77%)	(129%)	(10%)	104%
Normalised EPS/consensus EPS (x)			1.04		1.18

SOURCE: MORGANS, COMPANY REPORTS

Figure 1: Financial summary

Income statement	FY17A	FY18A	FY19F	FY20F	FY21F
<b>Total revenue</b>	1.1	1.0	0.0	6.7	25.2
<b>EBITDA</b>	-10.0	-6.5	-7.0	-0.5	17.5
Associate income	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	0.0	0.0	0.0	0.0
EBITA	-10.2	-6.6	-7.3	-0.8	17.3
Amortisation/impairment	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	-10.2	-6.6	-7.3	-0.8	17.3
Net interest expense	0.2	0.1	0.1	0.1	0.1
Pre-tax profit	-10.0	-6.5	-7.2	-0.7	17.4
Income tax expense	0.0	0.0	0.0	0.0	0.0
After-tax profit	-10.0	-6.5	-7.2	-0.7	17.4
Minority interests	0.0	0.0	0.0	0.0	0.0
<b>NPAT</b>	-10.0	-6.5	-7.2	-0.7	17.4
Significant items	0.0	0.0	0.0	0.0	0.0
<b>NPAT post abnormals</b>	-10.0	-6.5	-7.2	-0.7	17.4

  

Cash flow statement	FY17A	FY18A	FY19F	FY20F	FY21F
EBITDA	-10.0	-6.5	-7.0	-0.5	17.5
Change in working capital	4.7	0.2	1.6	-0.5	-1.5
Net interest (pd)/rec	0.2	0.1	0.1	0.1	0.1
Taxes paid	0.0	0.0	0.0	0.0	0.0
Other oper cash items	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from ops (1)</b>	-5.0	-6.2	-5.3	-1.0	16.1
Capex (2)	0.0	0.0	0.0	0.0	0.0
Disposals/(acquisitions)	0.0	0.0	0.0	0.0	0.0
Other investing cash flow	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investing (3)</b>	0.0	0.0	0.0	0.0	0.0
Incr/(decr) in equity	0.3	0.0	7.5	2.8	1.2
Incr/(decr) in debt	0.0	0.0	0.0	0.0	0.0
Ordinary dividend paid	0.0	0.0	0.0	0.0	0.0
Preferred dividends (4)	0.0	0.0	0.0	0.0	0.0
Other financing cash flow	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from fin (5)</b>	0.3	0.0	7.5	2.8	1.2
Forex and disc ops (6)	0.0	0.0	0.0	0.0	0.0
<b>Incr/(decr) cash (1+3+5+6)</b>	-4.8	-6.2	2.1	1.8	17.4
Equity FCF (1+2+4)	-5.0	-6.2	-5.3	-1.0	16.1

  

Balance sheet	FY17A	FY18A	FY19F	FY20F	FY21F
Cash & deposits	8.6	3.4	5.4	7.0	24.1
Trade debtors	0.1	0.0	0.0	0.3	1.0
Inventory	0.0	0.0	0.0	0.3	1.3
Other current assets	1.2	1.0	1.0	1.0	1.0
Goodwill	0.0	0.0	0.0	0.0	0.0
Other intangible assets	2.2	2.0	1.8	1.5	1.2
Fixed assets	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	0.0	0.0
<b>Total assets</b>	12.0	6.5	8.1	10.1	28.6
Short-term borrowings	0.0	0.0	0.0	0.0	0.0
Trade payables	0.6	0.8	2.3	2.4	2.5
Long-term borrowings	0.0	0.0	0.0	0.0	0.0
Other term liabilities	0.1	0.1	0.1	0.1	0.1
Other liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total liabilities</b>	0.6	1.0	2.5	2.6	2.7
Share capital	21.8	21.8	29.3	32.1	33.3
Other reserves	6.3	7.1	7.1	7.1	7.1
Retained earnings	-16.8	-23.3	-30.7	-31.6	-14.4
Other equity	0.0	0.0	0.0	0.0	0.0
<b>Total equity</b>	11.3	5.5	5.7	7.6	25.9
Minority interest	0.0	0.0	0.0	0.0	0.0
<b>Total shareholders' equity</b>	11.3	5.5	5.7	7.6	25.9
<b>Total liabilities &amp; SE</b>	12.0	6.5	8.1	10.1	28.6

  

Valuation metrics					
Share price (A\$)	0.10	Price Target (A\$)		\$0.24	
<b>DCF valuation inputs</b>					
Rf	4.00%	10-year rate	4.00%		
Rm-Rf	5.00%	Margin	2.0%		
Beta	1.70	Kd	4.20%		
CAPM (Rf+Beta(Rm-Rf))	12.5%	Ke	12.5%		
Equity (E/EV)	100.0%	NPV cash flow (A\$m)	163.2		
Debt (D/EV)	0.0%	Minority interest (A\$m)	0.0		
Interest rate	4.20%	Net debt (A\$m)	-3.3		
Tax rate (t)	30.0%	Investments (A\$m)	0.0		
<b>WACC</b>	12.5%	Equity market value (A\$m)	166.5		
		Diluted no. of shares (m)	693.0		
		<b>DCF valuation</b>	<b>\$0.24</b>		

  

Multiples	FY17A	FY18A	FY19F	FY20F	FY21F
Enterprise value (A\$m)	77.9	72.8	74.8	76.4	93.5
EV/Sales (x)	na	na	na	11.4	3.7
EV/EBITDA (x)	-7.8	-11.2	-10.6	-147.8	5.3
EV/EBIT (x)	-7.6	-11.0	-10.2	-97.2	5.4
<b>PE (x)</b>	<b>-6.6</b>	<b>-10.1</b>	<b>-9.6</b>	<b>-105.9</b>	<b>4.2</b>
PEG x)	0.0	-0.3	1.8	-1.2	0.0

  

Per share data	FY17A	FY18A	FY19F	FY20F	FY21F
No. shares	659.0	659.0	659.0	693.0	721.0
EPS (cps)	-1.5	-1.0	-1.0	-0.1	2.4
Dividend per share (c)	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Dividend yield (%)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

  

Growth ratios	FY17A	FY18A	FY19F	FY20F	FY21F
Sales growth	na	na	na	na	275.0%
Operating cost growth	237.6%	-32.6%	-6.0%	2.8%	6.0%
EBITDA growth	-202.9%	34.9%	-8.5%	92.7%	3492.1%
EBITA growth	-211.1%	35.3%	-10.4%	89.2%	2296.5%
EBIT growth	-211.1%	35.3%	-10.4%	89.2%	2296.5%
NPAT growth	-208.8%	34.9%	-10.8%	90.6%	2656.2%
Normalised EPS growth	-204.0%	34.9%	-5.4%	91.0%	2604.1%

  

Operating performance	FY17A	FY18A	FY19F	FY20F	FY21F
Asset turnover (%)	2.0	2.7	0.0	18.4	32.5
EBITDA margin (%)	na	na	na	-7.7	69.6
EBIT margin (%)	na	na	na	-11.7	68.5
Net profit margin (%)	na	na	na	-10.1	69.0
Return on net assets (%)	-90.2		-105.6	-20.5	-90.2
Net debt (A\$m)	-8.6	-3.3	-5.4	-7.0	-24.1
Net debt/equity (%)	-75.4	-60.4	-94.8	-92.5	-92.9
Net interest/EBIT cover (x)					
Invested capital	7.5	2.4	1.9	0.0	0.3
ROIC (%)	-133.4	-275.2	-376.1	-2889.3	5771.8

  

Internal liquidity	FY17A	FY18A	FY19F	FY20F	FY21F
Current ratio (x)	16.8	5.8	2.8	3.6	10.9
Receivables turnover (x)	12.5	15.7	0.0	48.7	38.4
Payables turnover (x)	27.6	11.0	4.6	3.1	3.1

SOURCE: MORGANS RESEARCH, COMPANY

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