

11 May 2023

# Cash receipts jump qoq; revenues to start soon from CareCentra deal

## NEED TO KNOW

- 3Q results – cash receipts lifted on new US customer sales and UK NHS fees; \$11.19m cash at end of 3Q
- Hailie integration with CareCentra platform continues with sensor deployment – first revenues in 4QFY23
- Regulatory approvals strengthen coverage

**3Q results show strong boost in cash receipts:** Adherium has released its 3QFY23 results, with receipts from customers of \$1,145,000 up sharply qoq (2Q: \$294,000). This number includes sales to a new US customer for data fees and digital services, as well as \$792,000 in contract program fees for the UK NHS Small Business Research Initiative – a program which the company sees as important for UK market access. Cash at the end of the quarter was \$11.19m, with the \$13.81m capital raise now complete (\$85,000 received in 3Q).

**CareCentra revenues soon – partnership moving to next stage:** Adherium's partnership with health analytics provider CareCentra is progressing. Integration continues of the Hailie platform (including physiological data and technique parameters) into CareCentra's Artificial Intelligence and Driven Behaviour Shaping Platform for major US hospital systems. Hailie digital sensors will be provided to customers and first revenues are due in the next quarter. Other partnerships are progressing, including Perigon Health 360 and Dulcian Health.

**Regulatory approvals from FDA and TGA:** During the quarter, Adherium received US Food & Drug Administration (FDA) 510(k) clearance for the Hailie sensor with physiological parameters to be used with Teva Pharmaceutical's HFA pressurised metered dose inhalers. Adherium's US FDA 510(k) clearances now cover 91% by sales volume of the top 20 branded medications in the US. The company also received Australian Therapeutic Goods Administration (TGA) approval to commercially distribute Hailie sensors with physiological parameters.

## Investment Thesis

**Transition to platform provider widens market scope:** Adherium now can cover all managers of large patient populations with chronic respiratory disease in the US healthcare value chain (such as integrated delivery networks, hospitals, and physician groups), which provides an opportunity to scale rapidly.

**Adoption of reimbursement for RPM in US a major opportunity:** The availability and expansion of reimbursement in the US for RPM (for physiological data) supports adoption of Adherium's Hailie solution. We believe successful deployment of the Hailie platform and ongoing value-adding enhancements will attract more clients and allow the company to realise its true value.

## Valuation

We value Adherium at A\$114m, or \$0.02 per share (unchanged) using DCF methodology on free cash flow. This incorporates cash of \$11.19 as of 31 March 2023.

## Risk

Key risks include customer mix, pricing, resource and capital allocation, and reimbursement.

## Equities Research Australia

### Pharmaceuticals, Biotechnology and Life Sciences

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Adherium is an ASX-listed digital health company specialising in remote e-health devices and data analytic services, focused on patient adherence, remote monitoring and data management solutions for patients, physicians, payers and providers. Its expanded digital sensor coverage and cloud-based SaaS Hailie® platform offer a single-source solution to optimise management of patients with chronic respiratory diseases, specifically difficult-to-treat and severe asthma and COPD.

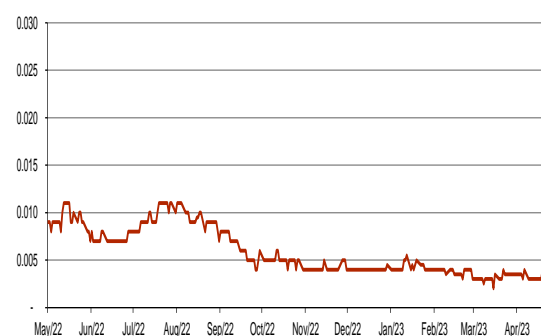
www.adherium.com

Valuation	A\$0.02 (Unchanged)
Current price	A\$0.003
Market cap	A\$15m
Cash on hand	A\$11.19m

## Upcoming Catalysts/Newsflow

Period	
4QFY23	First revenues from CareCentra partnership
Ongoing	Value-adding enhancements for Hailie sensors

## Share Price (A\$)



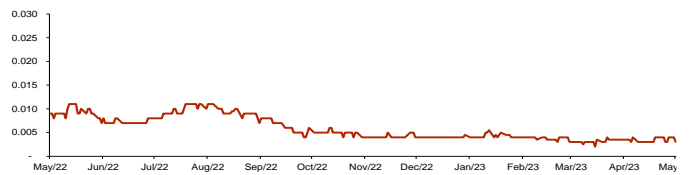
Source: FactSet, MST Access.

Year end 30 June, AUD unless otherwise noted

**MARKET DATA**

Price	\$	0.003
52 week high / low	\$	0-0.01
Valuation	\$	0.02
Market capitalisation	\$m	15.0
Shares on issue (basic)	m	4996.4
Options / rights	m	1426.2
Other equity	m	0.0
Shares on issue (diluted)	m	6422.6

**12-MONTH SHARE PRICE PERFORMANCE (AS)**



**INVESTMENT FUNDAMENTALS**

		FY21A	FY22A	FY23E	FY24E	FY25E
Reported NPAT	\$m	(15.0)	(10.0)	(11.4)	(1.0)	6.0
Underlying NPAT	\$m	(15.0)	(10.0)	(11.4)	(1.0)	6.0
Reported EPS (diluted)	c	(170.0)	(46.2)	(51.7)	(1.9)	12.0
Underlying EPS (diluted)	c	(170.0)	(46.2)	(51.7)	(1.9)	12.0
Growth	%					
Underlying PER	x	nm	nm	nm	nm	0.0
Operating cash flow per share	c	(1.3)	(0.4)	(0.6)	(0.1)	0.2
Free cash flow per share	c	(1.3)	(0.5)	(0.6)	(0.1)	0.2
Price to free cash flow per share	x	nm	nm	nm	nm	1.8
FCF Yield	%	nm	nm	nm	nm	54.1%
Dividend	c	0.0	0.0	0.0	0.0	0.0
Payout	%	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%
Enterprise value	\$m	-0.2	9.7	9.2	12.2	4.1
EV/EBITDA	x	0.0	(1.0)	(0.8)	(11.3)	0.7
EV/EBIT	x	0.0	(1.0)	(0.8)	(12.0)	0.7
Price to book (NAV)	x	0.5	1.2	1.9	2.2	1.2
Price to NTA	x	0.5	1.2	1.9	2.2	1.2

**KEY RATIOS**

		FY21A	FY22A	FY23E	FY24E	FY25E
EBITDA margin	%	nm	nm	nm	nm	21.5
EBIT margin	%	nm	nm	nm	nm	21.7
NPAT margin	%	nm	nm	nm	nm	21.7
ROE	%	nm	nm	nm	nm	46.6
ROA	%	nm	nm	nm	nm	36.9
Net tangible assets per share	\$	0.0	0.0	0.0	0.0	0.0
Book value per share	\$	0.0	0.0	0.0	0.0	0.0
Net debt/(cash)	\$m	(15.2)	(5.2)	(5.8)	(2.8)	(10.9)
Interest cover (EBIT/net interest)	x	nm	nm	nm	nm	105.8
Gearing (net debt/EBITDA)	x	nm	nm	nm	nm	nm
Leverage (net debt/(net debt + equity))	x	nm	nm	nm	nm	nm

**DUPONT ANALYSIS**

		FY21A	FY22A	FY23E	FY24E	FY25E
Net Profit Margin	%	nm	nm	nm	nm	21.7
Asset Turnover	x	0.0	0.1	0.3	1.2	1.7
Return on Assets	%	nm	nm	nm	nm	36.9
Financial Leverage	x	0.0	7.6	5.3	6.1	3.3
Return on Equity	%	nm	nm	nm	nm	119.9

**HALF YEARLY DATA**

		2H20	1H21	2H21	1H22	2H22
Total Revenue	\$m	0.8	0.2	0.5	1.8	1.5
Operating expenses	\$m	(6.1)	(8.6)	(5.0)	(6.9)	(6.1)
EBITDA	\$m	(5.3)	(8.4)	(4.5)	(5.1)	(5.0)
EBIT	\$m	(5.4)	(8.4)	(4.6)	(5.1)	(5.1)
PBT	\$m	(2.8)	(8.4)	(2.4)	(5.1)	(4.9)
Reported NPAT	\$m	(2.8)	(8.4)	(2.4)	(5.1)	(4.9)

**PROFIT AND LOSS**

		FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	\$m	0.4	0.5	3.0	9.8	27.7
Other income	\$m	0.4	2.8	2.6	2.6	0.9
Total Revenue	\$m	1.4	3.3	5.6	12.4	28.6
Operating expenses	\$m	(13.7)	(13.4)	(17.0)	(13.4)	(22.6)
EBITDA	\$m	(13.0)	(10.3)	(11.5)	(1.1)	6.0
Depreciation & Amortisation	\$m	0.1	0.2	0.1	0.1	0.0
EBIT	\$m	(12.8)	(10.1)	(11.4)	(1.0)	6.0
Net interest	\$m	(2.2)	0.0	0.1	0.1	0.1
Pretax Profit	\$m	(15.0)	(10.0)	(11.4)	(1.0)	6.0
Tax expense	\$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	\$m	(15.0)	(10.0)	(11.4)	(1.0)	6.0
Weighted average diluted shares	m	901.0	2,173.9	2,208.3	4,996.4	4,996.4

**GROWTH PROFILE**

		FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	%	39.4	132.1	66.4	122.5	131.4
EBITDA	%	45.5	(21.5)	13.7	(91.1)	(689.4)
EBIT	%	41.8	(20.9)	12.3	(90.7)	(653.9)
Reported NPAT	%	31.9	(33.2)	13.6	(91.6)	(727.6)
DPS	%	nm	nm	nm	nm	nm

**BALANCE SHEET**

		FY21A	FY22A	FY23E	FY24E	FY25E
Cash	\$m	15.2	5.3	5.9	2.8	10.9
Receivables	\$m	0.6	1.6	1.2	4.0	3.8
Other	\$m	1.2	1.3	1.3	1.3	1.3
Current assets	\$m	16.9	8.2	8.4	8.2	16.1
PPE	\$m	0.1	0.2	0.2	0.2	0.1
Intangible assets	\$m	0.0	0.0	0.0	0.0	0.0
Other	\$m	0.0	0.1	0.1	0.1	0.1
Non current assets	\$m	0.1	0.3	0.3	0.2	0.2
Total assets	\$m	17.0	8.5	8.7	8.5	16.3
Trade and other payables	\$m	2.3	1.7	0.3	1.0	2.8
Borrowings	\$m	0.0	0.0	0.0	0.0	0.0
Other	\$m	0.7	1.3	1.3	1.3	1.3
Current liabilities	\$m	3.0	3.0	1.6	2.3	4.1
Other financial liability	\$m	0.0	0.0	0.0	0.0	0.0
Other liability	\$m	0.0	0.0	0.0	0.0	0.0
Non current liabilities	\$m	0.0	0.0	0.0	0.0	0.0
Total liabilities	\$m	3.0	3.0	1.6	2.3	4.1
Net assets	\$m	14.0	5.5	7.9	6.9	12.9
Share capital	\$m	110.2	110.5	124.3	124.3	124.3
Retained earnings	\$m	(73.4)	(83.4)	(94.8)	(95.8)	(89.8)
Other	\$m	(22.8)	(21.6)	(21.6)	(21.6)	(21.6)
Total equity	\$m	14.0	5.5	7.9	6.9	12.9

**CASH FLOW**

		FY21A	FY22A	FY23E	FY24E	FY25E
Net loss for period	\$m	(15.0)	(10.0)	(11.4)	(1.0)	6.0
Depreciation & Amortization	\$m	0.1	0.2	0.1	0.1	0.0
Changes in working capital	\$m	0.0	0.0	0.0	0.0	0.0
Other	\$m	3.6	0.2	(1.0)	(2.1)	2.1
Operating cash flow	\$m	(11.3)	(9.6)	(12.4)	(3.0)	8.1
Payments for PPE	\$m	0.0	0.0	0.0	0.0	0.0
Other	\$m	(0.0)	(0.3)	(0.0)	(0.0)	(0.0)
Investing cash flow	\$m	(0.0)	(0.3)	(0.0)	(0.0)	(0.0)
Equity	\$m	22.9	0.0	13.7	0.0	0.0
Other	\$m	(1.0)	0.0	(0.7)	0.0	0.0
Financing cash flow	\$m	21.9	0.0	13.0	0.0	0.0
Cash year end	\$m	15.2	5.3	5.9	2.8	10.9
Free cash flow	\$m	(11.3)	(9.9)	(12.4)	(3.0)	8.1

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