

30 October 2020

Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

ResApp Health Limited (RAP)

Healthcare, Equip & Services

Buy

RAP A\$0.095
TARGET PRICE A\$0.23

ResApp is a leading digital health company which develops smartphone applications for respiratory disease diagnosis and management. ResApp has two regulatory-approved, clinically validated and commercialised products: ResAppDx and SleepCheck. ResAppDx is a smartphone-based acute respiratory disease diagnostic test for use in telehealth, emergency department and primary care settings. SleepCheck is an at-home sleep apnoea screening app for consumers to self-assess their risk of sleep apnoea.

Company Data

Number of shares	758.1M
Market Capitalisation	\$ 83.4M
Free float (%)	79.6
12-month high/low	\$0.34/\$0.055
Average Daily Turnover (\$m)	0.06325
% S&P/ASX200	0.01%
DDM Ranking	48
% All Ordinaries	N/A
GICS Industry Group	Respiratory/Sleep

Source: FactSet, Barclay Pearce Capital

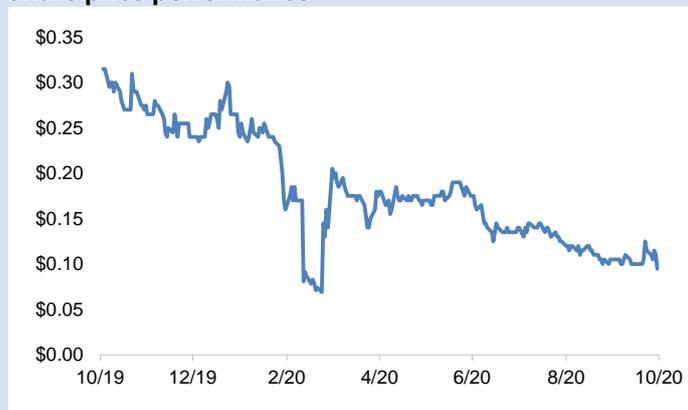
Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	0.97	6.4	12.8	18.7
Reported NPAT (\$M)	-8.5	0.1	6.3	12.2
Adjusted NPAT (\$M)	-8.5	0.1	6.3	12.2
Adjusted EPS (¢ - FD)	-1.2	0.0	0.8	1.5
Adjusted EPS growth (%)	51.9	NA	NA	100.0
Adjusted P/E (x)	-9.2	NA	14.4	7.2
Dividend (¢/sh)	0.0	0.0	0.0	0.0
Gross yield (%)	0.0	0.0	0.0	0.0
Net yield (%)	0.0	0.0	0.0	0.0
ROIC (%)	-705.8	25.0	925.0	1,309.1

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

Quarterly Activities Report for 1QFY21

On 30 October 2020 Resapp Health Ltd (ASX: RAP) released its quarterly activities report with the following highlights:

- Receipts from customers for the period were \$3,000 due to the company only receiving payment from Apple for SleepCheck downloads during the months of June and July;
- While, ResAppDx was not used for a material number of telehealth consultations on the CoviU or Phenix telehealth platforms;
- RAP continued to supply ResAppDx technology to the Health Hub Doctors Morayfield clinic, which was one of the first federal government funded COVID-19 respiratory clinics set up to take pressure off local hospitals.
 - This partnership provides ResApp with valuable real world evidence and feedback from healthcare professionals and patients that can be leveraged for product commercialisation and research purposes
 - RAP extended the clinic's no cost license to use the application for an additional 3 months from 1 September 2020
- Broadened the addressable market for SleepCheck, its direct to consumer sleep apnoea screening test following the launch of the application on the App Store for iPhone in 36 countries;
- Partnered with Diabetes Queensland to promote SleepCheck and raise awareness of sleep apnoea in people living with diabetes;
- Secured a 12 month, non-exclusive marketing agreement with HealthEngine, a consent driven platform that helps patients to find, book and connect with healthcare service providers through its online booking network, to integrate its booking engine into SleepCheck. In return, HealthEngine will promote the use of the application;
- Finalised a non-exclusive license agreement with AstraZeneca K.K. ("AstraZeneca"), the Japanese subsidiary of global biopharmaceutical company AstraZeneca P.L.C for use of ResApp's new coughing smart phone application in a trial of patients undergoing treatment for lung cancer.

Outlook

CEO and Managing Director Dr Tony Keating said "We have secured partnerships with two of Australia's leading telehealth platforms and will continue to work with both Phenix and CoviU to explore opportunities that will expedite the uptake of ResAppDx amongst clinicians, allowing the company to strengthen its revenue stream."

Earnings changes

The market was expecting RAP to derive significant revenues in Q1 FY21 after the launch of ResAppDx on the CoviU and Phenix telehealth platforms and the release of SleepCheck on the Apple App Store at the start of the quarter. However, RAP did not generate material revenues from ResAppDx and only had 3,946 downloads of SleepCheck during the quarter. As such, we expect negative earnings revisions of 15% for future periods.

We are initiating on RAP with a 12-month price target of \$0.23 and a BUY recommendation. The price target is underpinned by our DDM Valuation.

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Barclay Pearce Capital provides research services to its clients. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2020 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Speculative Buy	0.2%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	16.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	41.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)