

26 May 2022

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Volpara Health Technologies Limited (VHT)

Health Technology UNDERPERFORM

VHT A\$0.750 TARGET PRICE A\$0.420

Volpara Health Technologies (VHT) is a New Zealand based research, development and manufacturing company. The company operates through the sale of a single suite of medical device software products. The business of the company operates through three product categories that include Capital Sales, Software Maintenance, and Software as a Service.

Company Data

Number of shares	251.9
Market Capitalisation	\$185.2
Free float (%)	70.0
12-month high/low	\$1.31/\$0.655
Average Daily Turnover (\$m)	0.23
% S&P/ASX200	0.009%
DDM Ranking	431
% All Ordinaries	0.008%
GICS Industry Group	Health Care Equipment

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end March	2022A	2023F	2024F
Revenue (\$M)	23.7	32.4	50.8
EBITDA (\$M)	-12.8	-4.6	11.6
Reported NPAT (\$M)	-14.9	-6.2	8.1
Adjusted NPAT (\$M)	-14.9	-6.2	8.1
Reported EPS (¢)	-6.4	-2.5	3.2
Adjusted EPS (¢ - FD)	-6.4	-2.5	3.2
Adjusted EPS growth (%)	N/A	-51.8	-229.6
Adjusted P/E (x)	N/A	-29.9	23.1
Dividend (¢/sh)	0.0	0.0	0.0
Gross yield (%)	0.0	0.0	0.0
Net yield (%)	0.0	0.0	0.0
ROIC (%)	N/A	-17.7	23.7

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

Full-Year Results 2022

On 26th May 2022, Volpara Health Technologies Limited (VHT) announced its 2022 full-year results with the following highlights:

Highlights:

- Annual recurring revenues of US\$22.2m, up 19.8% compared to US\$18.6m at the end of the period prior corresponding period;
- Total revenue of NZ\$26.1m, up 32% on prior corresponding period;
- Subscription revenue of NZ\$24.8m, up 37% on prior corresponding period;
- Net operating cash outflow NZ\$11.4m, a 19% improvement compared to NZ\$14.0m for the prior corresponding period;
- Net loss after tax of NZ\$16.4m, 6% improvement on prior corresponding period;
- Gross profit margin of 91%, consistent with prior corresponding period;
- Cash and cash equivalents of NZ\$18.1m at the end of FY22.;
- De-identified image dataset, up 52% compared to 39.5m at the end of the prior corresponding period;
- Government grants in FY22 included the US govt. PPP loan forgiveness (non-cash income) of NZ\$2.5m;
- Sales and marketing saw increased costs through slow return to trade shows and travel;
- Product research, development, and engineering's increase is largely as a result of including a full year of CRA employee costs;
- General and administration costs were flat;
- Normalised non-GAAP EBITDA declined 13% in FY22. In a large part due to the following:
 - Regulatory change in grant regime in NS resulting in loss of NZ\$1.3m funding in FY22 compared to FY21;
 - A planned increase in head count during the year of approx. 10%;
- Appointment of CEO, Teri Thomas, who will replace Ralph Highnam; and
- Acquisition of CRA Health, LLC (CRA), in January, 2021.

CEO Comments:

VHT's CEO during FY22 and now CSIO, said: "FY22 played out as we anticipated. We are very pleased we have exceeded our revenue guidance and to see the global company ever close together, a process which will accelerate now we're moving into (we hope) a post COVID world with a new CEO, Teri Thomas, with a laser focus on profitable growth"

Earnings changes

For FY22, VHT reported NPAT of (NZD\$16.4m) ((A\$14.9m) @ 90.9c exchange rate). This is in line with current market expectations of a net loss of A\$12.9m, hence we don't expect any significant earnings revisions for FY23 or for future periods.

Valuation

We are initiating coverage on VHT with a 12-month target price of \$0.420 and with an UNDERPERFORM recommendation. The price target is underpinned by our valuation.

Disclaimer

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

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

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

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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restricted to, analyses of peer comparisons, market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of parts, net asset value, discounted dividend model (DDM), franking credits and return on equity (ROE) over the next 12 months.

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Buy	37.9%	0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	22.8%	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	39.4%	0.0% of stocks with recommendations are Barclay Pearce clients)