

Patient Home Monitoring (PHM – V)

Two Is Better Than One

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- PHM recently completed the spin-out of Viemed (VMD – V) and the two companies now trade independently. PHM shareholders received 0.1 share of VMD for every 1 share of PHM (note that VMD did a 10 for 1 consolidation, hence why 0.1 instead of 1). Recall that PHM bought Viemed (then called Sleep Management) in June 2015. PHM will consist of all of the other operating companies that PHM bought during its acquisition spree from 2014-2016.
- Below, we give a brief outline of the two companies with trailing valuations:
 - Viemed**
 - Focused on respiratory illness in general and COPD in particular, Viemed primarily leases ventilator equipment (from manufacturers such as Philips) designed to mitigate patient emergency trips to the hospital.
 - Post the 10:1 share consolidation, the company has ~38 million shares o/s.
 - Viemed posted its 9-month financials on SEDAR (note it changed its YE to Dec and reporting currency to US\$). Our analysis indicates that in the 3-months ended Sept, Viemed generated \$16 million in revenue and \$5 million of EBITDA. The company is debt free and had working capital of \$6 million.
 - At \$2.47, the company has a market cap of \$93 million, putting its valuation (on LQA basis) at 1.4x sales and 4.6x EBITDA.
 - From a growth perspective, Viemed has been growing its patient count by ~20% as non-invasive vents are still relatively new and are gaining market share. As such, if pricing remains constant, we could expect FY18 EBITDA of ~\$25 million, placing its valuation at 3.7x.

Patient Home Monitoring

- While PHM also focuses on the aging Baby Boom demographic, it has a more diversified product mix, covering respiratory (including sleep apnea and oxygen) and specialized mobility equipment.
- PHM has 377 million shares outstanding, an \$8.6 million, 7.5% debenture (due Dec 31, 2019) but, we believe, the company is in a net cash position. The company is maintaining its Sept YE. As such, we would expect the company to report its FY17 results before the end of January.
- Given its 9-month results, we anticipate PHM to have generated FY17 revenue of ~\$75 million and \$12 million in EBITDA.
- At \$0.18, PHM has a market cap of \$68 million. Based on that aforementioned FY17 EBITDA expectation, it is trading at 5.6x TTM EBITDA.
- From a growth perspective, we expect high single digit organic growth to be augmented with acquisitions.

Peer Valuation

- Health care service companies typically trade in the range of 8-12x EV/EBITDA. There are outliers such as Savaria Corp (SIS – T, NR) that trade above the upper level while PHM and VMD trade well below the lower end of this range.
- Our prior target of \$0.85 was based on the consolidated company and a 9x EBITDA multiple, which we believe is reasonable given its debt-free balance sheet and exposure to a positive demographic profile. Based solely on PHM, our rev/EBITDA forecast for FY18 is \$78m/\$14.3 million. Maintaining a 9x target multiple, we arrive at our PHM target price of \$0.35.

PHM As Stand Alone Company

BUY (Unch)

\$0.35 (New)

Closing Price	\$0.17
12-month Target Price	\$0.35
Potential Return	106%
52 Week Price Range	\$0.13 - \$0.52

Estimates

YE: Sept. 30	FY16	FY17E	FY18E
Revenue (\$MM)	\$139.2	\$130.0	\$78.2
EBITDA (\$MM)	(\$1.0)	\$25.2	\$14.3
Adj EPS	-\$0.21	\$0.01	\$0.03

Valuation

	FY16	FY17E	FY18E
EV/Sales	0.5x	0.5x	0.8x
EV/EBITDA	-	2.5x	4.5x
P/E	-	11.6x	6.8x

Stock Data (MM)

Shares Outstanding	
Basic	378.0
FD	378.0
Market Cap (C\$)	
Basic	\$64.3
FD	\$64.3
Net Cash	\$0
EV (C\$)	\$64

About the Company

PHM is focused on a highly fragmented and developing market of small privately-held US companies servicing chronically ill patients with multiple disease states. PHM is actively working to identify and evaluate profitable, annuity-based companies to acquire their patient databases and technical expertise at favorable prices. PHM's post acquisition organic growth strategy is to increase annual revenue per patient by offering multiple services to the same patient, consolidating the patient's services and making life easier for the patient.

All prices in C\$ unless otherwise stated

Stock Performance



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As at December 31, 2017	#Stocks	Distribution		
BUY	69	75.0%	Buy	Total 12-month return expected to be > 15%
Speculative Buy	13	14.1%	Speculative Buy	Potential 12-month return is high (>15%) but given elevated risk, investment could result in a material loss
Hold	9	9.8%	Hold	Total 12-month return is expected to be between 0% and 15%
Sell	0	0.0%	Sell	Total 12-month return is expected to be negative
Under Review	1	1.1%		
Tender	0	0.0%	Tender	Clients are advised to tender their shares to a takeover bid or similar offer
Total	92	100.0%		

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