

# INFOscan S.A.



Fair Value: PLN 2.80

Re-initiation

Rating: n.a.

**INFOscan (IST) is a Polish company, which has developed a telehealth device for diagnostics of breathing disorders during sleep that can be used by patients at home and thus leads to significant costs savings. The CE-certified MED Recorder is currently used by c. 35 hospitals and clinics in Poland and is already being sold by specialized third-party distributors in French-speaking countries, Spain and East Asia. Given a monthly cash burn of just PLN 120-130k, growing international sales and a potential reimbursement of respective telehealth exams in PL, we believe that IST will likely reach the break-even on EBIT level in 2021E. A negative is the agreement with the European High Growth Opportunities Securitization Fund (EHGOS), which however management were forced to sign in H1/19 due to difficult market conditions in Poland. According to the contract, IST is obliged to issue min. PLN 4.75m and max. PLN 21m of convertible bonds to EHGOS (thereof, PLN 1.5m have already been used). Nevertheless, our model, which accounts for a capital increase of additional PLN 3.25m in 2020E, derives a 12-months DCF-based fair value for IST of PLN 2.80 per share, or 99% above current level.**

**IST generates revenues in two ways, dependent on the agreement with respective distributor/client: (1) one-off sales of the MED Recorder telehealth device + 12-months license fee for the cloud-based software Osascan that analyses the data from the overnight sleep study, or (2) a rental fee per month + fee per exam. While in Poland, the company distributes its devices itself, abroad it works together with local partners, who also take over the costs of marketing and training. Apart from its MED Recorder device, which is assembled in-house with parts from Polish suppliers, IST also develops a next-generation device for sleep apnea diagnostics and full-scale 12 channel Holter ECG, which we expect to be introduced on the market in 2022E, but have not included in our forecasts.**

**Sleep apnea is a disorder, which is characterized by pauses in breathing or shallow breathing during sleep that is followed by loud snoring. The market for respective devices was estimated at USD 4.3bn in 2018 with a CAGR 18-25E of 11.2%. Sleep apnea affects 1%-6% of adults and 2% of children (worldwide, c. 936m people suffer from it). If it is not treated, it can lead to e.g. diabetes, stroke or heart attack/failure.**

| in PLNm        | 2018     | 2019E    | 2020E   | 2021E  | 2022E   | 2023E   |
|----------------|----------|----------|---------|--------|---------|---------|
| Net sales      | 0.07     | 0.88     | 1.49    | 2.77   | 4.07    | 5.44    |
| EBITDA         | -1.32    | -0.97    | -0.03   | 0.60   | 1.41    | 2.29    |
| EBIT           | -1.51    | -1.17    | -0.24   | 0.39   | 1.18    | 2.05    |
| Net income     | -1.57    | -1.21    | -0.21   | 0.31   | 0.97    | 1.69    |
| Diluted EPS    | -0.35    | -0.22    | -0.03   | 0.04   | 0.13    | 0.22    |
| DPS            | 0.00     | 0.00     | 0.00    | 0.00   | 0.00    | 0.00    |
| Dividend yield | 0.00%    | 0.00%    | 0.00%   | 0.00%  | 0.00%   | 0.00%   |
| RoE            | -287.52% | -114.84% | -9.04%  | 7.83%  | 20.91%  | 28.23%  |
| Net gearing    | 78.14%   | 162.46%  | -19.12% | 0.80%  | -12.19% | -32.24% |
| EV/Sales       | 122.22x  | 9.56x    | 5.62x   | 3.03x  | 2.06x   | 1.54x   |
| EV/EBITDA      | neg      | neg      | neg     | 13.84x | 5.94x   | 3.66x   |
| P/E            | neg      | neg      | neg     | 34.12x | 11.01x  | 6.34x   |

## Company profile

INFOscan S.A. is a Polish telehealth company, which has developed a device for the detection of breathing disorders during sleep. The company also works on a new device for sleep apnea diagnostics and Holter ECG.

|                     |                            |
|---------------------|----------------------------|
| Date of publication | 24 February 2020 / 6:30 am |
| Website             | www.infoscan.pl            |
| Sector              | Telemedicine               |
| Country             | Poland                     |
| ISIN                | PLINFSC00019               |
| Reuters             | ISTP.WA                    |
| Bloomberg           | IST PW                     |

## Share information

|                      |                  |
|----------------------|------------------|
| Last price           | 1.41             |
| Number of shares (m) | 5.23             |
| Market cap. (PLNm)   | 7.36             |
| Market cap. (EURm)   | 1.72             |
| 52-weeks range       | PLN 7 / PLN 1.08 |
| Average volume       | 67,531           |

## Performance

|          |         |
|----------|---------|
| 4-weeks  | 0.28%   |
| 13-weeks | -34.51% |
| 26-weeks | -57.97% |
| 52-weeks | -78.99% |
| YTD      | -8.45%  |

## Shareholder structure

|                          |        |
|--------------------------|--------|
| Shareholder's agreement* | 6.12%  |
| SATURN TFI               | 6.26%  |
| Free float               | 87.62% |

\* includes key staff

## Financial calendar

|                    |                |
|--------------------|----------------|
| Annual Report 2019 | March 20, 2020 |
|--------------------|----------------|

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## Investment Case

- INFOscan (IST) is a Polish company, which has developed a telehealth device for diagnostics of breathing disorders during sleep. The MED Recorder, which already has CE registration for Europe, is currently used by c. 35 hospitals and clinics in Poland and generates revenues in two ways, dependent on the agreement with the distributor/client: (1) a one-off fee on sales of the MED Recorder device + yearly license fee for the cloud-based analytics software Osascan, or (2) a monthly rental fee per device + fee per exam. While abroad INFOscan already signed agreements with distributors for French-speaking countries, Spain, Iran, Bulgaria and East Asia (e.g. Philippines), in Poland a major trigger for its business could be the introduction of reimbursement by public NFZ.
- Sleep apnea is a disorder, which is characterized by pauses in breathing or periods of shallow breathing during sleep that is followed by loud snoring. It affects 1%-6% of adults (especially men in the age group 55-60 years) and 2% of children. If it is not treated, it can lead to e.g. diabetes, stroke, heart attack or failure, obesity, fatty liver disease. INFOscan's MED Recorder device allows to conduct an overnight sleep study, which is a well-known method, at the patient's home and thus saves costs and patient's time as he does not need to go to the doctor or clinic anymore. The device collects the data of the patient and sends it to INFOscan's central server, where a technical report is created, which subsequently can be analyzed by the patient's doctor with INFOscan's own cloud-based software Osascan.
- The global market for sleep apnea devices was estimated at USD 4.3bn in 2018 with a CAGR 18-25E of 11.2%. While in Poland c. 1.5m patients suffer from sleep apnea, in Europe future growth should be positively impacted by the EU directive 2014/85/UE, which obliges doctors to send candidates for drivers to a sleep apnea exam if they could be affected. INFOscan also works on a new sleep apnea diagnostics device with a full-scale Holter ECG, which addresses a global market that is expected to grow from USD 5.1bn in 2018 at a CAGR of 7.4% by 2027E. We expect that the new device will start generating revenues in 2022E.
- In 9M/19, INFOscan generated sales of PLN 760k (9M/18: PLN 54k) and EBIT of PLN -750k (PLN -1m). Sales could have been even higher if IST had not have technical issues with its device in French-speaking countries (according to management, they are now solved). In our view, due to a relatively weak Q4/19 in full-year 2019E the company had sales of PLN 876k (2018: PLN 68k) and an EBIT of PLN -1.17m (PLN -1.5m). Due to a strong focus on sales growth as well as a low monthly cash burn of PLN 120-130k we expect the break-even on EBIT level in 2021E.
- We re-initiate coverage of INFOscan with a fair value of PLN 2.80 per share. We like that IST has a very low cash burn and that its MED Recorder is already being sold in several countries. Positive is the focus on markets outside the US, where it is usually easy to register a CE-certified medical device (in the US, IST has so far not been able to receive FDA approval). Investors should be aware of the dilution risk due to the agreement with the European High Growth Opportunities Securitization Fund, which offers an easy access to fresh capital, but usually quickly sells its shares.

## SWOT Analysis

### Strengths

- CE-certified telehealth device and cloud-based platform, which allows significant cost and time savings compared to traditional overnight sleep studies
- The MED Recorder for the detection of breathing issues during sleep has so far been used >2,700 times commercially and >270 in clinical trials
- In Poland, INFOscan acquires clients itself, while abroad it works together with local distributors, who also pay for marketing and training; the company already has c. 35 Polish clinics as customers and has signed agreements with international distributors for French-speaking countries, Bulgaria, Iran, Spain and East Asia
- INFOscan only has a monthly cash burn of PLN 120-130k; the assembly of the MED Recorder is conducted in-house with parts from external Polish suppliers

### Opportunities

- Focus on foreign markets outside the US, where contacts to distributors have already been established; Another FDA filing is planned within the next 1-2 years
- The EU directive 2014/85/UE obliges all doctors to send candidates for drivers to an exam relating to sleep apnea if they could be affected
- Adjustment of the telemedical platform Osascan in order to serve other (also third-party) telehealth devices
- Medgadget expects the sleep apnea devices segment to grow by 2025E at a CAGR of 11.2% to USD 9.1bn; According to sleepreviewmag.com, c. 175m people in Europe have obstructive sleep apnea, while worldwide this number is estimated at c. 936m
- Development and market introduction of a new device for sleep apnea diagnostics and advanced ECG monitoring in 2022E. The ECG market is expected to grow at a CAGR of 7.4% to USD 9.7bn in 2027E
- Takeover by a large healthcare company in the future

### Weaknesses

- No patent and brand protection so far
- No remuneration by health insurances in Poland of diagnostics relating to sleep apnea
- Listing in the illiquid NewConnect segment of the Warsaw Stock Exchange
- INFOscan's FDA application has already been rejected twice
- Very dispersed shareholder structure, with a free float of 87.6%
- The largest shareholder, SATURN TFI (6.3%), is being liquidated and will likely sell all (300k) its shares in IST in the next months

### Threats

- Significant dilution risk due to the contract with the European High Growth Opportunities Securitization Fund
- The global market for Holter ECGs, which IST targets with a new device, is already highly competitive
- Potential issues with necessary approvals in countries outside the EU, where IST wants to distribute its devices
- Loss of key employees and problems to find qualified personnel
- Different legal regulations relating to data storage
- Increasing competition by much larger and financially stronger players

## Valuation

Due to the company's early-stage character we have decided to value INFOscan by using a DCF approach only, which accounts for an equity issue worth PLN 3.25m (2.2m shares at an average price of PLN 1.48 per share) to European High Growth Opportunity Securitisation Fund in 2020E (we expect that IST will only use the minimum volume of PLN 4.75m that is set in its contract with EHGOS and look for long-term oriented investors afterwards). Our approach results in a fair value per share of PLN 2.80, which implies an upside of 99% at present.

### DCF model

| in PLNm   | 2020E        | 2021E                       | 2022E        | 2023E        | 2024E        | 2025E        | 2026E        | 2027E        | 2028E        |
|---|--------------|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Net sales</b>                                  | <b>1.49</b>  | <b>2.77</b>                 | <b>4.07</b>  | <b>5.44</b>  | <b>6.89</b>  | <b>8.42</b>  | <b>10.02</b> | <b>11.70</b> | <b>13.46</b> |
| (y-o-y change)                                    | 70.0%        | 85.8%                       | 47.0%        | 33.8%        | 26.7%        | 22.2%        | 19.0%        | 16.7%        | 15.0%        |
| <b>EBIT</b>                                       | <b>-0.24</b> | <b>0.39</b>                 | <b>1.18</b>  | <b>2.05</b>  | <b>3.00</b>  | <b>3.91</b>  | <b>4.85</b>  | <b>5.41</b>  | <b>6.05</b>  |
| (operating margin)                                | -16.2%       | 14.1%                       | 29.1%        | 37.7%        | 43.6%        | 46.5%        | 48.4%        | 46.2%        | 45.0%        |
| <b>NOPLAT</b>                                     | <b>-0.19</b> | <b>0.31</b>                 | <b>0.96</b>  | <b>1.66</b>  | <b>2.43</b>  | <b>3.17</b>  | <b>3.93</b>  | <b>4.38</b>  | <b>4.90</b>  |
| + Depreciation & amortisation                     | 0.21         | 0.22                        | 0.23         | 0.24         | 0.25         | 0.26         | 0.28         | 0.29         | 0.30         |
| = Net operating cash flow                         | 0.01         | 0.53                        | 1.19         | 1.90         | 2.68         | 3.43         | 4.20         | 4.67         | 5.21         |
| - Total investments (Capex and WC)                | -1.18        | -1.30                       | -0.54        | -0.35        | -0.25        | 0.16         | -0.46        | -0.49        | -0.52        |
| Capital expenditure                               | -0.96        | -0.97                       | -0.33        | -0.25        | -0.26        | -0.27        | -0.29        | -0.30        | -0.31        |
| Working capital                                   | -0.22        | -0.33                       | -0.21        | -0.10        | 0.01         | 0.43         | -0.17        | -0.19        | -0.20        |
| = Free cash flow (FCF)                            | -1.17        | -0.77                       | 0.64         | 1.55         | 2.44         | 3.59         | 3.75         | 4.18         | 4.69         |
| <b>PV of FCF's</b>                                | <b>-1.03</b> | <b>-0.59</b>                | <b>0.43</b>  | <b>0.90</b>  | <b>1.24</b>  | <b>1.58</b>  | <b>1.44</b>  | <b>1.40</b>  | <b>1.36</b>  |
| PV of FCFs in explicit period                     | 6.72         |                             |              |              |              |              |              |              |              |
| PV of FCFs in terminal period                     | 11.10        |                             |              |              |              |              |              |              |              |
| <b>Enterprise value (EV)</b>                      | <b>17.82</b> |                             |              |              |              |              |              |              |              |
| + Net cash / - net debt (31 December 2020E)       | 0.74         |                             |              |              |              |              |              |              |              |
| + Investments / - minorities                      | 0.00         |                             |              |              |              |              |              |              |              |
| <b>Shareholder value</b>                          | <b>18.56</b> |                             |              |              |              |              |              |              |              |
| <b>Post-money shares outstanding (m)</b>          | <b>7.62</b>  |                             |              |              |              |              |              |              |              |
| <b>WACC</b>                                       | <b>15.0%</b> | <b>Terminal EBIT margin</b> |              |              |              |              |              |              |              |
|   |              | <b>42.0%</b>                | <b>43.0%</b> | <b>44.0%</b> | <b>45.0%</b> | <b>46.0%</b> | <b>47.0%</b> | <b>48.0%</b> |              |
| Cost of equity                                    | 15.0%        | <b>11.0%</b>                | 4.52         | 4.60         | 4.67         | 4.75         | 4.82         | 4.89         | 4.97         |
| Pre-tax cost of debt                              | 6.0%         | <b>12.0%</b>                | 3.92         | 3.98         | 4.04         | 4.10         | 4.16         | 4.23         | 4.29         |
| Normal tax rate                                   | 19.0%        | <b>13.0%</b>                | 3.43         | 3.48         | 3.53         | 3.58         | 3.63         | 3.69         | 3.74         |
| After-tax cost of debt                            | 4.9%         | <b>14.0%</b>                | 3.02         | 3.07         | 3.11         | 3.16         | 3.20         | 3.24         | 3.29         |
| Share of equity                                   | 100.0%       | <b>15.0%</b>                | 2.69         | 2.73         | 2.76         | <b>2.80</b>  | 2.84         | 2.88         | 2.91         |
| Share of debt                                     | 0.0%         | <b>16.0%</b>                | 2.41         | 2.44         | 2.47         | 2.50         | 2.53         | 2.57         | 2.60         |
| <b>Fair value per share in PLN (today)</b>        | <b>2.44</b>  | <b>17.0%</b>                | 2.16         | 2.19         | 2.22         | 2.25         | 2.28         | 2.30         | 2.33         |
| <b>Fair value per share in PLN (in 12 months)</b> | <b>2.80</b>  |                             |              |              |              |              |              |              |              |

Source: East Value Research GmbH

## Peer Group

We have found the following companies, which like INFOscan offer telehealth solutions in the area of sleep apnea and/or electrocardiography:

- (1) *Medicalgorithmics S.A.*: Medicalgorithmics (MDG), which is based in Warsaw/Poland, is a producer and supplier of innovative technologies in the area of distant cardio-diagnostics. The company focuses on distant monitoring and analysis of the heart based on a proprietary technology called PocketECG. Apart from cardiac telemetry, the system is also used in cardiac rehabilitation monitoring, clinical trials on drugs relating to cardiac safety as well as research projects. Medicalgorithmics is listed on the Warsaw Stock Exchange. In fiscal-year 2018, it generated sales of PLN 199.4m and an EBIT margin of 12.4%. MDG's current market capitalization is PLN 105m. It trades at an EV/Sales 2019E of 0.7x and P/E 2019E of 9.1x.
- (2) *Telemedycyna Polska S.A.*: Telemedycyna Polska, which is headquartered in Katowice/Poland and a 34.2%-shareholding of pharma group Neuca, is a Polish leader in the area of telesurveillance of cardiology patients and elderly people. The company owns a Center for Monitoring of the Heart with experienced doctors from the area of non-invasive cardiology diagnostics. Telemedycyna Polska specializes in 24/7 cardiologic treatment and ECG exams online and by phone. In 2018, the company had revenues of PLN 6.2m and an EBIT margin of -20.9%. Telemedycyna's current market capitalization is PLN 2.7m.
- (3) *Novasom Inc.*: Novasom, which is based in Glen Burnie/US, provides Obstructive Sleep Apnea (OSA) home testing with its AccuSom telehealth sleep test, which is currently covered for >150m commercially insured people in the US. The solution, which has FDA clearance, provides next-day test results and interpretation. According to its website, NovaSom is accredited by the Joint Commission as an Ambulatory Care Sleep Diagnostic Center & Telehealth Provider and is classified by CMS as an Independent Diagnostic Testing Facility.
- (4) *Itamar Medical Ltd.*: Itamar Medical, which is based in Caesarea/Israel, focuses on leading the integration of sleep apnea management into the cardiac patient care pathway. Its products include: (i) the WatchPAT™ diagnostic product line (misdiagnosis rate of 3%) based on the biological PAT signal acquired by the PAT technology that was proven as a simple, comprehensive, reliable and scalable alternative to airflow and it enables point-of-deployment versatility; and (ii) Total Sleep Solutions – a product that includes a field support organization, partnerships, as well as core and supporting technologies that enable all physicians in general and cardiologists in particular to provide a full scope of care to sleep apnea patients. In fiscal-year 2018, Itamar generated sales of ILS 82.9m and an operating loss of ILS 10.7m. The company's current market capitalization is ILS 782.7m and its EV/Sales 2019E equals 7.2x.

- (5) *Koninklijke Philips NV*: Philips, which is based in Amsterdam/Netherlands, is a world leader in health technology. The Philips Respironics area offers both in-lab and in-home sleep apnea and ECG solutions. In fiscal-year 2018, Philips had revenues of EUR 18.1bn (thereof Connected Care & Health Informatics segment: EUR 3.1bn) and generated an EBIT margin of 9.5% (5.8%). Its current market capitalization equals EUR 39.3bn. It trades at an EV/Sales 2019E of 2.1x and P/E 2019E of 19.9x.
- (6) *ResMed Inc.*: ResMed Inc., which is based in San Diego/US, offers medical devices and cloud-based software applications that improve diagnostics, treatment and management of sleep apnea, chronic obstructive pulmonary disease (COPD) and other chronic diseases. ResMed, which is present in >140 countries, is a global leader in connected care, with more than 3 million patients remotely monitored every day. In fiscal-year 2018/19, it generated sales of USD 2.6bn and an EBIT margin of 24.4%. ResMed's current market capitalization is USD 25.1bn. It trades at an EV/Sales 2019E of 9.1x and P/E 2019E of 40.6x.
- (7) *Fisher & Paykel Healthcare Corp Ltd.*: Fisher & Paykel Healthcare (FPH), which is headquartered in Auckland/New Zealand, provides products for use in respiratory care, acute care, and surgery, as well as the treatment of obstructive sleep apnea (OSA) in the home and within the hospital. The company offers adult respiratory products, including AIRVO 2 system, a humidifier with integrated flow source; Optiflow, a nasal high flow therapy; and noninvasive and invasive ventilation systems. It also provides infant respiratory products, such as resuscitation, invasive ventilation, continuous positive airway pressure (CPAP) therapy, and nasal high flow therapy products. In addition, the company offers hospital and homecare products comprising humidification products, breathing circuits, chambers, masks and nasal cannulas, among others. In fiscal-year 2018/19, it generated sales of NZD 1.1bn and an EBIT margin of 27.3%. FPH's current market capitalization is NZD 15bn. It trades at an EV/Sales 2019E of 12.5x and P/E 2019E of 56.6x.
- (8) *SomnoMed Ltd.*: SomnoMed, which is based in Crows Nest/Australia, is the world leader in providing simple devices that treat obstructive sleep apnea by keeping the airway continually open. More than 200,000 patients have used the company's solutions e.g. SomnoDent to date. In fiscal-year 2018/19, SomnoMed generated sales of AUD 58.9m and an EBIT margin of 2.3%. SomnoMed's current market capitalization is AUD 213.5m. It trades at an EV/Sales 2019E of 3.2x and P/E 2019E of 56.7x.
- (9) *Compumedics Ltd.*: Compumedics Ltd., which is based in Abbotsford/Australia, is a medical device company involved in the development, manufacture and commercialization of diagnostics technology for the sleep, brain and ultrasonic blood-flow monitoring applications. It operates worldwide incl. Europe, the Americas, Australia, Asia-Pacific and the Middle East. In fiscal-year 2018/19, Compumedics generated sales of AUD 41.5m and an EBIT margin of 12.9%. Its current market capitalization is AUD 141.8m. It trades at an EV/Sales 2019E of 3x and P/E 2019E of 26.7x.

- (10) *Drive DeVilbiss Healthcare*: Drive DeVilbiss Healthcare, which is based in Port Washington/US, is a world leader in the design, manufacture, and marketing of respiratory medical products that address the respiratory needs of patients in institutional and homecare settings. Its primary product lines include sleep therapy, pulmonary drug delivery, stationary and portable supplemental oxygen, homecare suction devices, and ENT Professional instruments. DeVilbiss' products are distributed in more than 100 countries around the world.
- (11) *Braebon Medical Corp.*: Braebon, which is based in Kanata/Canada, is a single-source provider of high-quality PSG sensors, accessories, Home Sleep Testing (HST) systems, therapeutic intraoral appliances and software solutions for sleep medicine.
- (12) *General Electric Company*: General Electric, which is based in Boston/US, is a globally diversified technology and financial services company. The company's products and services include aircraft engines, power generation, water processing, and household appliances to medical imaging, business and consumer financing, as well as industrial products. Its Healthcare division produces ECG and sleep apnea solutions for use in ambulatory and home settings. In fiscal-year 2018, GE had revenues of USD 121.6bn (thereof GE Healthcare: USD 19.8bn) and EBIT margin of 8.5% (18.7%). GE's current market capitalization equals USD 107bn. GE trades at an EV/Sales 2019E of 1.8x.
- (13) *BioTelemetry Inc.*: BioTelemetry (formely known as CardioNet), which is based in Malvern/US, is a remote medical technology company that provides remote cardiac monitoring, remote blood glucose monitoring, centralized core lab services for clinical trials, and OEM services for healthcare and clinical research customers worldwide. According to its website, with over 30,000 unique referring physicians per month, it provides cardiac monitoring and reporting for over one million patients per year, processing over four billion heart beats each day. The company was selected by Apple as the cardiac monitoring partner for the Apple Heart Study (AHS) and delivers raw data for Apple Watch concordance analysis. In fiscal-year 2018, BioTelemetry generated sales of USD 377.3m and an EBIT margin of 17.1%. Its current market capitalization equals USD 1.8bn. It trades at an EV/Sales 2019E of 4.4x and P/E 2019E of 49.2x.



## Recent results

### Revenues and Profitability

In 9M/19, INFOscan had revenues of PLN 760k vs. PLN 54k last year. The main reason was the contract with the France-based distributor GBF International SAS, which ordered 95 MED Recorder devices plus licenses for the telemedical platform Osascan.

| in PLNm              | 9M/19          | 9M/18           | change<br>y-o-y |
|----------------------|----------------|-----------------|-----------------|
| <b>Net sales</b>     | <b>0.76</b>    | <b>0.05</b>     | 1320.2%         |
| <b>EBITDA</b>        | <b>-0.61</b>   | <b>-0.88</b>    | -30.9%          |
| <i>EBITDA margin</i> | <i>-80.5%</i>  | <i>-1653.5%</i> |                 |
| <b>EBIT</b>          | <b>-0.75</b>   | <b>-1.03</b>    | -27.4%          |
| <i>EBIT margin</i>   | <i>-98.6%</i>  | <i>-1930.7%</i> |                 |
| <b>Net income</b>    | <b>-0.78</b>   | <b>-1.04</b>    | -25.1%          |
| <i>Net margin</i>    | <i>-102.2%</i> | <i>-1937.9%</i> |                 |

Source: Company information, East Value Research GmbH

Between January and September 2019, EBIT reached PLN -750k (9M/18: PLN -1m) and net income PLN -777k (PLN -1m). The largest cost position were Cost of Goods Sold of PLN 958k (PLN 777k), which comprise external services e.g. costs of freelancers and data centers. Other expenses included Personnel costs of PLN 437k (PLN 457k), Depreciation and Amortization of PLN 138k (PLN 148k) and Other operating expenses incl. travel costs of PLN 87k (PLN 196k).

### Balance sheet and Cash flow

As of 30 September 2019, INFOscan had equity of PLN 545k, which had a share of 16.2% in the balance sheet total. Both fixed assets (PLN 33k vs. PLN 169k in 9M/18) and intangible assets (PLN 53k vs. PLN 229k) were significantly lower y-o-y as the company corrected its previous financial statements by including R&D expenses in its P&L instead of capitalizing them on its balance sheet. Working capital amounted to PLN 450k. We estimate that at the end of 9M/19 INFOscan had no interest-bearing debt.

Between January and September 2019, INFOscan generated an operating cash flow of PLN -589k (9M/18: PLN -3.5m), which resulted from the significantly lower net loss y-o-y. Cash flow from investing and financing equaled PLN 170k (PLN -162k) and PLN 357k (PLN 2.6m) respectively. As of 30/09/2019, INFOscan had cash of PLN 9k. According to management, the company's current monthly cash burn amounts to PLN 120-130k, which is significantly below other listed Polish telehealth companies.

## Financial forecasts

### Revenues and Profitability

INFOscan started generating revenues in 2012, when its MED Recorder device received the CE registration for European Union, however the number of commercially conducted exams only picked up in 2019, when the company was able to sign several new commercial agreements both in Poland and abroad. Currently, its device is available in c. 35 hospitals and clinics in Poland and is being sold in French-speaking countries (e.g. France, Belgium, Luxembourg, Switzerland), Spain and East Asia e.g. the Philippines (in Bulgaria, Iran and Austria, where in February 2020 the company signed a LOI with the Austrian distributor Medintech GmbH, sales will likely start by the end of Q3/20E, in our view). In addition, INFOscan still has a valid agreement from 2018 with the Medical University in Bialystok (Bialystok PLUS project), which foresees the conduct of up to 5,000 paid sleep apnea exams by 2023E (however, so far only 194 exams have been conducted).

Since 2012, the MED Recorder device has conducted >2,700 exams relating to description of breathing problems during sleep., thereof >270 outside Poland. INFOscan sells its MED Recorder device in two models, dependent on the preferences of the respective distribution partner: 1. One-off sale of the device incl. all sensors (EUR 1,450 on average) plus a yearly license fee for the cloud-based telemedical platform Osascan (EUR 180 on average), 2. monthly rental fee per device (EUR 48 on average) plus a fee per exam (EUR 60 on average).

| Year             | Number of exams in Poland | Number of exams abroad | Total number of exams |
|------------------|---------------------------|------------------------|-----------------------|
| 2012-2015        | 1,000                     | 0                      | 1,000                 |
| 2016             | 341                       | 0                      | 341                   |
| 2017             | 294                       | 1                      | 295                   |
| 2018             | 293                       | 4                      | 297                   |
| 2019             | 513                       | 269                    | 782                   |
| <b>2012-2019</b> | <b>2,441</b>              | <b>274</b>             | <b>2,715</b>          |

Source: Company information, East Value Research GmbH

While we believe that in Poland there are only 13,000-20,000 sleep apnea exams conducted per year, they have so far not been reimbursed by public or private health insurances. However, we expect that this will change soon as telemedical exams offer significant cost savings compared to traditional ones and due to the EU directive 2014/85/UE, which obliges all doctors to send candidates for drivers to an exam relating to sleep apnea if they could be affected. When it comes to foreign markets, we like the fact that INFOscan is already selling outside Poland and expect that it will announce additional distribution agreements soon e.g. in India, Ukraine, Russia, Austria, Germany and Mexico. In general, in the coming years INFOscan should be able to benefit from the fact that an increasing number of governments is supporting telemedicine e.g. in France or Bulgaria.

With regard to the US, which is the largest healthcare market worldwide, we believe that it will take several years until INFOscan will generate significant sales there (the certification process is lengthy and requires very good preparation; it will likely take some time to ramp up sales there).

Below is our sales model for INFOscan, which is in our view conservative as it does not account for the full potential of the existing distribution contracts and excludes potential sales of a new device combining sleep apnea diagnostics and advanced Holter ECG (12 channel instead of only 3 channel ECG, which is possible with the MED Recorder) that we expect to receive regulatory approval for Europe by 2022E (however, we would like to emphasize our view that the ECG market is extremely competitive).

| Country      | Population | Number of practising physicians | Health expenditures per capita (total) | Health expenditures per capita (private) |
|--------------|------------|---------------------------------|--|--|
| Poland       | 38.28m     | 91,730                          | USD 1,958                              | USD 510                                  |
| USA          | 332.64m    | 835,987                         | USD 10,246                             | USD 4,734                                |
| Spain        | 50.02m     | 188,595                         | USD 3,469                              | USD 922                                  |
| India        | 1.33bn     | 1,041,395                       | USD 253                                | USD 175                                  |
| Bulgaria     | 6.97m      | 28,801                          | USD 1,690                              | USD 730                                  |
| Iran         | 84.92m     | 90,470                          | USD 1,748                              | USD 588                                  |
| Austria      | 8.86m      | 44,816                          | USD 5,617                              | USD 1,255                                |
| Germany      | 80.16m     | 344,755                         | USD 5,923                              | USD 832                                  |
| Switzerland  | 8.4m       | 35,592                          | USD 8,217                              | USD 2,220                                |
| Czechia      | 10.7m      | 45,776                          | USD 2,753                              | USD 435                                  |
| Slovakia     | 5.44m      | 13,416                          | USD 2,184                              | USD 418                                  |
| Hungary      | 9.77m      | 31,515                          | USD 1,979                              | USD 636                                  |
| France       | 67.11m     | 209,367                         | USD 5,011                              | USD 957                                  |
| Philippines  | 104.26m    | 119,497                         | USD 372                                | USD 220                                  |
| Malaysia     | 31.38m     | 46,491                          | USD 1,139                              | USD 510                                  |
| Indonesia    | 260.58m    | 99,703                          | USD 368                                | USD 226                                  |
| Singapore    | 5.89m      | 12,967                          | USD 4,270                              | USD 1,772                                |
| <b>Total</b> |            | <b>3,280,873</b>                |  |  |

Source: WHO, CIA World Fact Book, East Value Research GmbH

|                                    | 2019E       | 2020E       | 2021E       | 2022E       | 2023E       |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Devices sold</b>                | <b>0.59</b> | <b>0.79</b> | <b>1.40</b> | <b>2.01</b> | <b>2.62</b> |
| (% of sales)                       | 67.5%       | 53.2%       | 50.7%       | 49.4%       | 48.1%       |
| Gross margin                       | 50.0%       | 51.0%       | 52.0%       | 53.0%       | 54.0%       |
| Number of sold devices             | 97          | 130         | 230         | 330         | 430         |
| Average fee per device (EUR)       | 1,450       | 1,450       | 1,450       | 1,450       | 1,450       |
| <b>Devices rented</b>              | <b>0.01</b> | <b>0.03</b> | <b>0.06</b> | <b>0.08</b> | <b>0.11</b> |
| (% of sales)                       | 1.7%        | 2.3%        | 2.1%        | 2.0%        | 2.0%        |
| Gross margin                       | 50.0%       | 51.0%       | 52.0%       | 53.0%       | 54.0%       |
| Number of rented devices           | 6           | 14          | 24          | 34          | 44          |
| Average rental fee (EUR)           | 48          | 48          | 48          | 48          | 48          |
| <b>Licences</b>                    | <b>0.07</b> | <b>0.17</b> | <b>0.35</b> | <b>0.59</b> | <b>0.92</b> |
| (% of sales)                       | 8.4%        | 11.5%       | 12.5%       | 14.6%       | 16.9%       |
| Gross margin                       | 74.0%       | 77.0%       | 80.0%       | 83.0%       | 86.0%       |
| Number of licences                 | 97          | 227         | 457         | 787         | 1,217       |
| Average licence fee per year (EUR) | 180         | 180         | 180         | 180         | 180         |
| <b>Exams</b>                       | <b>0.20</b> | <b>0.49</b> | <b>0.96</b> | <b>1.38</b> | <b>1.80</b> |
| (% of sales)                       | 22.5%       | 33.0%       | 34.8%       | 33.9%       | 33.0%       |
| Gross margin                       | 100.0%      | 100.0%      | 100.0%      | 100.0%      | 100.0%      |
| Number of exams                    | 782         | 1,950       | 3,813       | 5,471       | 7,129       |
| Average price per exam (EUR)       | 60          | 60          | 60          | 60          | 60          |
| <b>Total revenues</b>              | <b>0.88</b> | <b>1.49</b> | <b>2.77</b> | <b>4.07</b> | <b>5.44</b> |
| (change y-o-y)                     | 1178.5%     | 70.0%       | 85.8%       | 47.0%       | 33.8%       |

\* PLN value were calculated using PLN-EUR FX rate = PLN 4.20

Source: East Value Research GmbH

| in PLNm              | 2019E          | 2020E         | 2021E        | 2022E        | 2023E        |
|----------------------|----------------|---------------|--------------|--------------|--------------|
| <b>Net sales</b>     | <b>0.88</b>    | <b>1.49</b>   | <b>2.77</b>  | <b>4.07</b>  | <b>5.44</b>  |
| <b>EBITDA</b>        | <b>-0.97</b>   | <b>-0.03</b>  | <b>0.60</b>  | <b>1.41</b>  | <b>2.29</b>  |
| <i>EBITDA margin</i> | <i>-111.3%</i> | <i>-2.3%</i>  | <i>21.9%</i> | <i>34.7%</i> | <i>42.0%</i> |
| <b>EBIT</b>          | <b>-1.17</b>   | <b>-0.24</b>  | <b>0.39</b>  | <b>1.18</b>  | <b>2.05</b>  |
| <i>EBIT margin</i>   | <i>-133.6%</i> | <i>-16.2%</i> | <i>14.1%</i> | <i>29.1%</i> | <i>37.7%</i> |
| <b>Net income</b>    | <b>-1.21</b>   | <b>-0.21</b>  | <b>0.31</b>  | <b>0.97</b>  | <b>1.69</b>  |
| <i>Net margin</i>    | <i>-138.3%</i> | <i>-14.2%</i> | <i>11.4%</i> | <i>24.0%</i> | <i>31.1%</i> |

Source: East Value Research GmbH

| in PLNm              | Q1/18           | Q2/18          | Q3/18           | Q4/18           | 2018            | Q1/19           | Q2/19          | Q3/19          | Q4/19          | 2019E          |
|----------------------|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
| <b>Net sales</b>     | <b>0.02</b>     | <b>0.02</b>    | <b>0.01</b>     | <b>0.01</b>     | <b>0.07</b>     | <b>0.02</b>     | <b>0.51</b>    | <b>0.24</b>    | <b>0.12</b>    | <b>0.88</b>    |
| <i>y-o-y change</i>  | <i>12.3%</i>    | <i>18.9%</i>   | <i>25.1%</i>    | <i>-35.8%</i>   | <i>0.0%</i>     | <i>-19.0%</i>   | <i>2435.0%</i> | <i>1715.4%</i> | <i>698.2%</i>  | <i>1178.5%</i> |
| <b>EBITDA</b>        | <b>-0.64</b>    | <b>0.01</b>    | <b>-0.22</b>    | <b>-0.47</b>    | <b>-1.32</b>    | <b>-0.31</b>    | <b>-0.13</b>   | <b>-0.18</b>   | <b>-0.36</b>   | <b>-0.97</b>   |
| <i>EBITDA margin</i> | <i>-3057.1%</i> | <i>55.0%</i>   | <i>-1715.4%</i> | <i>-3234.3%</i> | <i>-1931.1%</i> | <i>-1794.1%</i> | <i>-25.8%</i>  | <i>-74.6%</i>  | <i>-313.3%</i> | <i>-111.3%</i> |
| <b>EBIT</b>          | <b>-0.69</b>    | <b>-0.03</b>   | <b>-0.28</b>    | <b>-0.51</b>    | <b>-1.51</b>    | <b>-0.35</b>    | <b>-0.18</b>   | <b>-0.22</b>   | <b>-0.42</b>   | <b>-1.17</b>   |
| <i>EBIT margin</i>   | <i>-3266.7%</i> | <i>-165.0%</i> | <i>-2176.9%</i> | <i>-3499.8%</i> | <i>-2203.4%</i> | <i>-2064.7%</i> | <i>-34.9%</i>  | <i>-94.1%</i>  | <i>-363.3%</i> | <i>-133.6%</i> |
| <b>Net income</b>    | <b>-0.69</b>    | <b>-0.03</b>   | <b>-0.29</b>    | <b>-0.56</b>    | <b>-1.57</b>    | <b>-0.43</b>    | <b>-0.12</b>   | <b>-0.23</b>   | <b>-0.43</b>   | <b>-1.21</b>   |
| <i>Net margin</i>    | <i>-3276.2%</i> | <i>-160.0%</i> | <i>-2200.0%</i> | <i>-3889.9%</i> | <i>-2291.8%</i> | <i>-2541.2%</i> | <i>-23.5%</i>  | <i>-95.8%</i>  | <i>-375.0%</i> | <i>-138.3%</i> |

Source: East Value Research GmbH

## CAPEX and Working capital

In our model, we have assumed gross CAPEX of PLN 2.3m in 2020E-2022E, which in our opinion will mainly increase intangibles due to the completion of a new device with sleep apnea diagnostics/Holter ECG. We have forecast that working capital will grow by PLN 750k in 2020E-2022E and will amount to >20% of total sales in the long run (cash conversion cycle of 60 days).

## Business description

INFOscan S.A., which is based in Warsaw, is a Polish company that offers an own telehealth device and cloud-based software for the non-invasive detection of sleep apnea and simple 3-channel electrocardiography (ECG). It is targeted especially at doctors such as otolaryngologists, pulmonologists, cardiologists as well as medical facilities and individual patients. The device, which was registered for sale in Europe in 2012, is currently available in Poland, Spain, French-speaking countries and East Asia e.g. the Philippines (in Bulgaria, Iran and Austria, it will likely be available by Q3/20E). In addition, INFOscan is working on a new device for sleep apnea diagnostics and advanced ECG cardiac monitoring, which we expect to be introduced on the market in 2022E. The company, which currently has 12 full-time employees (thereof 5 technicians and software developers, 2 people in customer service, 2 in administration, 1 in certification and 2 doctors), has been listed in the NewConnect segment of the Warsaw Stock Exchange since 2014.

## Company history

2007: Foundation of INFOscan Sp. z.o.o by Messrs Jerzy Karol Kowalski (PhD Engineering), Tomasz Widomski and Robert Bender.

2008: Completion of a first model of an electronic telehealth device for the non-invasive measurement of blood saturation.

2012: CE registration of the INFOscan MED Recorder device in Europe.

Start of pilot sales of telehealth services in Poland.

Granting of the ISO13485 certificate.

2013: Investment agreement with private individuals, which foresees an investment of PLN 700k in INFOscan Sp. z.o.o.

Initiation of work relating to a module for the detection and analysis of cardiological issues (Holter ECG diagnostics).

The shareholder's meeting of INFOscan Sp. z.o.o approves a capital increase of PLN 52k and a Supervisory Board, which includes Messrs Leszek Piaskowski, Robert Bender, Tomasz Widomski, Dawid Sukacz and Pawel Turno.

2014: Scientific consortium with the Medical University in Warsaw, the Medical University in Lodz and the Military Technical Academy. Submission of three applications for grants relating to financing of R&D as part of the "Applied Exams III" program, which is organized by NCBiR.

Launch of a Polish version of the MEDium24 (now Osascan) cloud-based software and an English version.

Transformation to the joint-stock company INFOscan S.A. Messrs Jerzy Kowalski, Robert Kitlowski, Jacek Kadukowski and Milosz Jamrozy become Members of the Board.

Completion of 300 commercial exams relating to diagnostics of breathing issues during sleep.

Application at the Food and Drug Administration for a Small Business status.

FDA Application for the registration of the INFOscan MED Recorder as a medical device.

2015: Capital increase of 153.65k shares at PLN 6.90 per share (PLN 1.06m) and listing in the NewConnect segment of the Warsaw Stock Exchange.

Another private placement of 260.4k new shares at PLN 4 per share (PLN 1.04m).

The number of commercial exams relating to diagnostics of sleep apnea reaches 500.

2016: Private placement of 439.6k new shares at PLN 1.10 per share (PLN 483.6k).

Issue of 160k warrants for key staff at PLN 1 per warrant, which can be converted into the same number of shares with a lock-up of 6 months.

The number of commercial exams with the INFOscan MED Recorder device reaches 1,000.

2017: Private placement of 1.87m new shares at PLN 1 per share (PLN 1.87m) in February.

Successful completion of usability tests (Human Factor Study) as well as tests relating to electromagnetic compatibility in the US in Q1/17.

Submission of the second FDA application in June 2017.

In November, capital raise of PLN 1.6m gross in a private placement of subsidiary cardio.link S.A. (now ScanSoft Sp. Z.o.o), which is in charge of developing the Holter ECG device. In the transaction, INFOscan sold 666.7k new shares at PLN 2.40 per share and lowered its stake from 100% to 60%.

In December, signing of a LOI with US-based operators of sleep centers Clayton Sleep Institute and Delaware Sleep Disorders Centers for tests of the MED Recorder device.

2018: Signing of a LOI with US-based operator of sleep centers MedBridge Healthcare for tests of the MED Recorder device in February.

Foundation of the US subsidiary INFOscan LLC in March. Bond issue of PLN 1m (duration until March 2019, 9.5% yearly interest rate) in order to finance operations in the US and working capital investments after FDA approval.

Signing of a distribution agreement in June with Philippines-based MedwoRx International Pte. Ltd., which also foresees sales in Malaysia, Singapore and Indonesia (after 2-year technical pilots in local hospitals). The partner is supposed to take over marketing expenses, acquisition of new clients, delivery of devices and related trainings.

Contract relating to the conduct of commercial sleep apnea exams with the Medical University in Bialystok (Bialystok PLUS project). To date, 194 exams have been conducted. By the end of 2020E, INFOscan expects to conduct 250 additional exams.

Establishment of a new 100% subsidiary offering medical consultancy in Poland (ScanLink Medical Sp. Z.o.o).

2019: Signing of a 2-year commercial agreement with GBF International SAS in March covering France, Belgium, Luxembourg, Switzerland, Morocco, Tunisia and Algeria. The distribution partner is supposed to take over marketing expenses, acquisition of clients and training.

In April, the FDA rejected INFOscan's application for the second time citing too weak evidence that the MED Recorder device is comparable with the already approved device in the US that was provided as a reference in the company's 510(k) application.

Signing of an investment agreement in June with European High Growth Opportunities Securitisation Fund (managed by London-based Alpha Blue Ocean) over max. PLN 21m (6 tranches of convertible bonds worth PLN 750k each and 33 tranches worth PLN 500k each). Thereof, 7 tranches are obligatory (5 a PLN 750k, 2 a PLN 500k), of which INFOscan has so far used 2.

In September, signing of a distribution agreement in Iran with the company Kaladaran.

Signing of a 5-year commercial agreement with the distributor Giromed Institute in Spain in October with an option to extend it to Mexico.

2020: In January, signing of a 2-year distribution agreement in Bulgaria with the company Inter Business '91 Ltd., which is also active in Albania, Macedonia and Turkey.

In February, signing of a Letter-of-Intent with Medintech GmbH regarding distribution of the MED Recorder in Austria and potentially also in Germany, Switzerland, the Czech Republic, Slovakia and Hungary.

### **What is sleep apnea?**

Sleep apnea is a serious kind of sleep disorder, in which breathing repeatedly stops and starts. According to Wikipedia.org, each pause can last between few seconds and few minutes and happen many times during sleep. Usually, this is followed by loud snoring. There may be a choking or snorting sound as breathing resumes.

There are three forms of sleep apnea: obstructive (OSA), central (CSA), and a combination of the two called mixed. In OSA, which is the most common form, breathing is interrupted by a blockage of airflow. In CSA, breathing stops due to a lack of effort to breathe. Most people, who have sleep apnea, are not aware of their illness (c. 80% in the US according to ResMed).

Sleep apnea is often diagnosed with an overnight sleep study. While 1-6% of adults are affected and 2% of children, it affects men c. twice as often as women, especially those 55-60 years old. People with sleep apnea have problems with daytime sleepiness, impaired alertness, and vision problems. OSA can increase the probability of driving and work-related accidents. If not treated, it can lead to more serious health problems e.g. diabetes, stroke, heart attack or failure, obesity, fatty liver disease.

### **The MED Recorder device and the Osascan system**

INFOscan's solution consists of the MED Recorder telehealth device and the Osascan (previously MEDium24) cloud-based system for data analysis, which both were developed in-house, but have not yet been patented internationally. So far, the company has distributed c. 35 MED Recorder devices to Polish clinics and c. 110 to international clients. Since 2012, when it received CE registration for Europe, the device has successfully completed >2,700 commercial and >270 clinical exams.

The INFOscan MED Recorder registers the following parameters, which are helpful in diagnostics of sleep apnea: (1) ECG (2) blood saturation (3) pulse wave (4) movements of the chest and stomach (5) position of the patient's body and its movements (6) airflow through mouth and nose as well as (7) snoring intensity. In addition, the device, which comprises a 3G modem that allows real-time data transmission, offers the possibility to conduct ECG and online ECG monitoring exams.

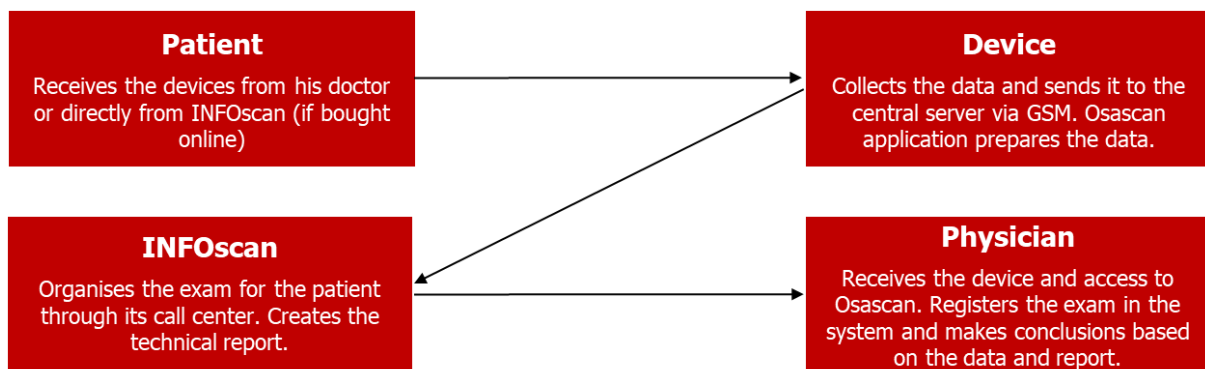


## The MED Recorder device



Source: Company information, East Value Research GmbH

## How does the exam with the MED Recorder look like?



Source: Company information, East Value Research GmbH

During the exam with the MED Recorder, which must take at least six hours without a break, the parameters of the patient are transmitted to INFOscan's data center, where the company's medical experts can analyze them with the web-based platform Osascan. The system collects the data from the MED Recorder, aggregates and stores it. Moreover, it is able to filter and analyze them with its own algorithms for the detection of sleep apnea and heart arrhythmia. Finally, the complete analysis is sent to the patient's physician (or INFOscan's medical consultancy ScanLink Medical), who recommends a further treatment.

## **Distribution strategy**

In January 2012, INFOscan's MED Recorder received the CE certificate, which allows the distribution in Europe and makes the market entry in most other countries very easy. While management still want to enter the US in the long run, where diagnostics of sleep apnea is most developed, the company's current strategy foresees the concentration on sales in Poland (through clinics/hospitals, own sales staff and an online shop) and selected promising foreign markets (through local distribution partners) e.g. Bulgaria, French-speaking European and African countries, Spain and Mexico, Ukraine, Russia, German-speaking countries, India, East Asia incl. the Philippines, Malaysia, Indonesia, Singapore, China and Vietnam, Iran, Norway, Sweden. As telemedicine saves time and costs, an increasing number of governments is supporting respective exams worldwide. This also holds for those relating to sleep apnea, which according to latest studies affects c. 936m people worldwide.

## **Production**

With regard to production of the MED Recorder device, INFOscan buys components from 7 Polish suppliers, but assembles the final device in-house. On the one hand, this strategy is risky as INFOscan has not full control over quality and the external suppliers also produce for other clients, but on the other it reduces the company's CAPEX and working capital requirements significantly.

## **New products**

INFOscan is working on a new sophisticated device, which provides sleep apnea diagnostics and is a full-scale 12-channel Holter ECG. While the related telehealth platform is ready according to management, the device requires further work. Because of this, INFOscan plans to raise additional capital for its 60% subsidiary ScanSoft (previously: cardio.link), which is in charge of the project.

Although INFOscan believes that its Holter ECG technology is more advanced than of peers (sophisticated algorithms, more user-friendly, 24-hour ECG examinations), in our view the respective market is extremely competitive. However, it is very attractive due to its size and the fact that ECG examinations are usually reimbursed by health insurances.

## Management

*Piotr Sobis (CEO):* Mr Piotr Sobis has been CEO of INFOscan since June 2019. Previously, he had worked among others at the Telco investment fund Midas, for which he supervised companies in Poland and UK. He was also CEO of the listed biotech company GLG Pharma and Member of Supervisory Board of several other public ones. Mr Sobis graduated with a Master's degree from the Higher School of Management and Banking in Poznan and also completed the Advanced Management Program at the ICAN Institute.

*Maciej Nowak (Vice President of the Board):* Mr Maciej Nowak has been Vice President of the Board of INFOscan since May 2019. Previously, he had been Member of its Supervisory Board since September 2018. His previous professional experience includes Manager for Corporate Clients at Getin Noble Bank and Member of the Board at Regionalny Fundusz Hipoteczny Sp. Z.o.o and Public Shell Advisory Sp. Z.o.o. Mr Nowak graduated with a Master's degree in Management from the Poznan Business School as well as Economics from the Higher School of Management and Banking in Poznan.

*Pawel Janiszewski (Head of the Supervisory Board):* Mr Janiszewski graduated in Human Medicine from the Medical University in Lublin. In the past, he has worked in sales and marketing roles at pharmaceutical companies. He is co-owner of companies that conduct R&D and marketing projects for clients from the Pharma sector.

*Prof. Zbigniew Gaciog (Member of the Supervisory Board):* Prof. Gaciog is Member of INFOscan's Supervisory Board. He is Head of the Department of Internal Diseases and Hypertensions at the Medical University in Warsaw and a National Consultant in hypertensiology in Poland. He is also member of the scientific council of the "Vienna School of Clinical Research", "Institute of Tuberculosis and Lung Diseases" and "Polish Mother's Memorial Hospital Research Institute". He graduated in Human Medicine at the Medical University in Warsaw in 1980 and in 1996 received the title of a Professor in Medical Science. He also completed medical programs organized by the American Heart Institute. Prof. Gaciog has been awarded the Order of Merit by the Polish President.

*Jerzy Kowalski (Member of the Supervisory Board):* Mr Jerzy Kowalski is Member of INFOscan's Supervisory Board and is also the company's co-founder. He is author of numerous patents and scientific papers and since 1997 has been involved in the development of new methods of diagnosing sleep apnea. Mr Kowalski holds a PhD in Technical Sciences from the Military Technical Academy in Warsaw and completed a Master's degree at the Warsaw University of Technology.

*Maria Skowronska (Member of the Supervisory Board):* Mrs. Skowronska is Member of INFOscan's Supervisory Board. She is legal advisor and partner at the law firm Jobs Skowronska Samsel Adwokaci i Radcowie Prawni sp. p. and has many years of experience with regard to M&A, corporate, trade and intellectual property law.

*Tomasz Nowowiejski (Member of the Supervisory Board):* Mr Tomasz Nowowiejski is Member of INFOscan's Supervisory Board. He has more than 20 years of experience in management and is expert in HR, negotiations and business development. He had been developing the medical firm Endoterapia Sp. z o.o. for 13 years and managed its Hungarian subsidiary. Also, he had managed the dentistry chain Dentalux for 4 years.

## Market environment

### **The global market for telemedicine**

According to Mordor Intelligence, the global telemedicine market was valued at USD 21.5bn in 2018 and is expected to grow at a CAGR of 18.5% to USD 60.5bn by 2024E. As main growth drivers, the consultancy sees rising healthcare costs, technological innovations, increasing remote patient monitoring and growing burden of chronic diseases, while Medgadget also mentions the widespread availability of fast internet connections and reimbursement laws supporting the telehealth market. North America is considered the largest market for telemedicine, while Asia-Pacific is expected to be the fastest-growing region going forward. As the most-promising segment of the market, Medgadget regards Cardiology.

### **The market for sleep apnea**

According to Medgadget, the global sleep apnea device market was valued at USD 4.3bn in 2018 and is expected to reach USD 9.1bn by 2025E with the CAGR of 11.2%. ResMed estimates the number of obstructive sleep apnea patients at c. 936m worldwide (thereof: USA - 54m, Brazil – 49m, China – 176m, France – 24m, Spain – 9m, Ukraine – 13m, Japan – 22m, Russia – 40m, India – 52m). 26% of adults worldwide suffer from sleep apnea and c. 80% of cases in the US remain undiagnosed.

### **Global market for ECG**

According to Research and Markets, the volume of the global ECG equipment market (resting systems, stress systems and Holter monitor systems) reached USD 5.1bn in 2018 and is expected to grow at a CAGR of 7.4% to USD 9.7bn in 2027E. The market growth is expected to be mainly impacted by the increase of geriatric population, increasing focus on early diagnosis and disease prevention, technological advances and favorable government regulations regarding monitoring devices. In terms of products, the resting electrocardiography devices segment is expected to develop best during the forecast period. While the US remains the largest market with 92m cardiovascular patients alone, Asia-Pacific is likely to exhibit the fastest-growth going forward.

## Profit and loss statement

| in PLNm                     | 2018         | 2019E        | 2020E        | 2021E       | 2022E       | 2023E       |
|-----------------------------|--------------|--------------|--------------|-------------|-------------|-------------|
| <b>Revenues</b>             | <b>0.07</b>  | <b>0.88</b>  | <b>1.49</b>  | <b>2.77</b> | <b>4.07</b> | <b>5.44</b> |
| Cost of goods sold          | -1.06        | -1.20        | -0.44        | -0.77       | -1.08       | -1.38       |
| <b>Gross profit</b>         | <b>-0.99</b> | <b>-0.32</b> | <b>1.04</b>  | <b>2.00</b> | <b>2.98</b> | <b>4.06</b> |
| Other operating income      | 0.39         | 0.15         | 0.15         | 0.16        | 0.16        | 0.16        |
| Personnel expenses          | -0.19        | -0.60        | -0.63        | -0.73       | -0.84       | -0.96       |
| Marketing expenses          | 0.00         | 0.00         | -0.10        | -0.12       | -0.14       | -0.17       |
| Other operating expenses    | -0.54        | -0.20        | -0.50        | -0.70       | -0.75       | -0.80       |
| <b>EBITDA</b>               | <b>-1.32</b> | <b>-0.97</b> | <b>-0.03</b> | <b>0.60</b> | <b>1.41</b> | <b>2.29</b> |
| Depreciation & amortisation | -0.19        | -0.20        | -0.21        | -0.22       | -0.23       | -0.24       |
| <b>Operating income</b>     | <b>-1.51</b> | <b>-1.17</b> | <b>-0.24</b> | <b>0.39</b> | <b>1.18</b> | <b>2.05</b> |
| Net financial result        | -0.06        | -0.04        | -0.02        | 0.00        | 0.02        | 0.04        |
| <b>EBT</b>                  | <b>-1.57</b> | <b>-1.21</b> | <b>-0.26</b> | <b>0.39</b> | <b>1.20</b> | <b>2.09</b> |
| Income taxes                | 0.00         | 0.00         | 0.05         | -0.07       | -0.23       | -0.40       |
| Minorities                  | 0.00         | 0.00         | 0.00         | 0.00        | 0.00        | 0.00        |
| <b>Net income / loss</b>    | <b>-1.57</b> | <b>-1.21</b> | <b>-0.21</b> | <b>0.31</b> | <b>0.97</b> | <b>1.69</b> |
| Diluted EPS                 | -0.35        | -0.22        | -0.03        | 0.04        | 0.13        | 0.22        |
| DPS                         | 0.00         | 0.00         | 0.00         | 0.00        | 0.00        | 0.00        |
| <b>Share in total sales</b> |              |              |              |             |             |             |
| Revenues                    | 100.00 %     | 100.00 %     | 100.00 %     | 100.00 %    | 100.00 %    | 100.00 %    |
| Cost of goods sold          | -1548.66 %   | -137.04 %    | -29.83 %     | -27.82 %    | -26.67 %    | -25.40 %    |
| Gross profit                | -1448.66 %   | -37.04 %     | 70.17 %      | 72.18 %     | 73.33 %     | 74.60 %     |
| Other operating income      | 576.58 %     | 17.13 %      | 10.28 %      | 5.64 %      | 3.92 %      | 2.98 %      |
| Personnel expenses          | -271.87 %    | -68.52 %     | -42.49 %     | -26.30 %    | -20.57 %    | -17.68 %    |
| Marketing expenses          | 0.00 %       | 0.00 %       | -6.72 %      | -4.34 %     | -3.54 %     | -3.18 %     |
| Other operating expenses    | -787.18 %    | -22.84 %     | -33.59 %     | -25.31 %    | -18.45 %    | -14.70 %    |
| EBITDA                      | -1931.13 %   | -111.27 %    | -2.35 %      | 21.86 %     | 34.68 %     | 42.03 %     |
| Depreciation & amortisation | -272.25 %    | -22.36 %     | -13.81 %     | -7.81 %     | -5.57 %     | -4.37 %     |
| Operating income            | -2203.38 %   | -133.63 %    | -16.16 %     | 14.06 %     | 29.11 %     | 37.65 %     |
| Net financial result        | -88.37 %     | -4.63 %      | -1.38 %      | -0.02 %     | 0.48 %      | 0.73 %      |
| EBT                         | -2291.76 %   | -138.26 %    | -17.53 %     | 14.04 %     | 29.59 %     | 38.38 %     |
| Income taxes                | 0.00 %       | 0.00 %       | 3.33 %       | -2.67 %     | -5.62 %     | -7.29 %     |
| Minorities                  | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %      | 0.00 %      | 0.00 %      |
| Net income / loss           | -2291.76 %   | -138.26 %    | -14.20 %     | 11.37 %     | 23.96 %     | 31.09 %     |

## Balance Sheet

| in PLNm                              | 2018        | 2019E       | 2020E       | 2021E       | 2022E       | 2023E       |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Cash and equivalents                 | 0.07        | 0.07        | 0.74        | 0.97        | 1.43        | 2.20        |
| Financial assets                     | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| Inventories                          | 0.44        | 0.25        | 0.09        | 0.14        | 0.18        | 0.19        |
| Trade accounts and notes receivables | 0.01        | 0.46        | 0.70        | 1.15        | 1.47        | 1.67        |
| Other current assets                 | 2.43        | 2.19        | 2.08        | 1.98        | 1.88        | 1.78        |
| <b>Current assets, total</b>         | <b>2.96</b> | <b>2.97</b> | <b>3.61</b> | <b>4.24</b> | <b>4.95</b> | <b>5.85</b> |
| Property, plant and equipment        | 0.05        | 0.04        | 0.04        | 0.05        | 0.05        | 0.06        |
| Other intangible assets              | 0.18        | 0.06        | 0.81        | 1.56        | 1.66        | 1.67        |
| Goodwill                             | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| Other assets                         | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| Deferred tax assets                  | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| <b>Non-current assets, total</b>     | <b>0.22</b> | <b>0.10</b> | <b>0.85</b> | <b>1.61</b> | <b>1.71</b> | <b>1.72</b> |
| <b>Total assets</b>                  | <b>3.18</b> | <b>3.06</b> | <b>4.46</b> | <b>5.84</b> | <b>6.66</b> | <b>7.57</b> |
| Trade payables                       | 0.36        | 0.38        | 0.12        | 0.18        | 0.22        | 0.23        |
| Other short-term liabilities         | 0.46        | 0.47        | 0.48        | 0.48        | 0.49        | 0.50        |
| Short-term financial debt            | 1.08        | 1.40        | 0.00        | 0.00        | 0.00        | 0.00        |
| Pension provisions                   | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| Provisions                           | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| <b>Current liabilities, total</b>    | <b>1.89</b> | <b>2.25</b> | <b>0.60</b> | <b>0.67</b> | <b>0.71</b> | <b>0.73</b> |
| Long-term financial debt             | 0.00        | 0.00        | 0.00        | 1.00        | 0.80        | 0.00        |
| Pension provision                    | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| Other long-term liabilities          | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| Deferred tax liabilities             | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| <b>Long-term liabilities, total</b>  | <b>0.00</b> | <b>0.00</b> | <b>0.00</b> | <b>1.00</b> | <b>0.80</b> | <b>0.00</b> |
| <b>Total liabilities</b>             | <b>1.89</b> | <b>2.25</b> | <b>0.60</b> | <b>1.67</b> | <b>1.51</b> | <b>0.73</b> |
| <b>Shareholders equity, total</b>    | <b>1.29</b> | <b>0.82</b> | <b>3.86</b> | <b>4.17</b> | <b>5.15</b> | <b>6.84</b> |
| Minority interests                   | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        |
| <b>Total liabilities and equity</b>  | <b>3.18</b> | <b>3.06</b> | <b>4.46</b> | <b>5.84</b> | <b>6.66</b> | <b>7.57</b> |

## Cash Flow Statement

| in PLNm                             | 2018         | 2019E        | 2020E        | 2021E        | 2022E        | 2023E        |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net income / loss                   | -1.57        | -1.21        | -0.21        | 0.31         | 0.97         | 1.69         |
| Depreciation & amortisation         | 0.19         | 0.20         | 0.21         | 0.22         | 0.23         | 0.24         |
| Change of working capital           | -1.18        | 0.02         | -0.22        | -0.33        | -0.21        | -0.10        |
| Others                              | -0.77        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| <b>Net operating cash flow</b>      | <b>-3.33</b> | <b>-1.00</b> | <b>-0.22</b> | <b>0.20</b>  | <b>0.99</b>  | <b>1.83</b>  |
| <b>Cash flow from investing</b>     | <b>-0.05</b> | <b>-0.07</b> | <b>-0.96</b> | <b>-0.97</b> | <b>-0.33</b> | <b>-0.25</b> |
| Free cash flow                      | -3.38        | -1.06        | -1.18        | -0.77        | 0.66         | 1.58         |
| <b>Cash flow from financing</b>     | <b>2.36</b>  | <b>1.06</b>  | <b>1.85</b>  | <b>1.00</b>  | <b>-0.20</b> | <b>-0.80</b> |
| Change of cash                      | -1.02        | 0.00         | 0.67         | 0.23         | 0.46         | 0.78         |
| Cash at the beginning of the period | 1.09         | 0.07         | 0.07         | 0.74         | 0.97         | 1.43         |
| Cash at the end of the period       | 0.07         | 0.07         | 0.74         | 0.97         | 1.43         | 2.20         |

## Financial ratios

| Fiscal year                                    | 2018      | 2019E    | 2020E   | 2021E  | 2022E   | 2023E   |
|--|-----------|----------|---------|--------|---------|---------|
| <b>Profitability and balance sheet quality</b> |           |          |         |        |         |         |
| Gross margin                                   | -1448.66% | -37.04%  | 70.17%  | 72.18% | 73.33%  | 74.60%  |
| EBITDA margin                                  | -1931.13% | -111.27% | -2.35%  | 21.86% | 34.68%  | 42.03%  |
| EBIT margin                                    | -2203.38% | -133.63% | -16.16% | 14.06% | 29.11%  | 37.65%  |
| Net margin                                     | -2291.76% | -138.26% | -14.20% | 11.37% | 23.96%  | 31.09%  |
| Return on equity (ROE)                         | -287.52%  | -114.84% | -9.04%  | 7.83%  | 20.91%  | 28.23%  |
| Return on assets (ROA)                         | -47.40%   | -38.18%  | -4.28%  | 5.39%  | 14.34%  | 21.83%  |
| Return on capital employed (ROCE)              | -117.03%  | -142.90% | -5.05%  | 6.09%  | 16.12%  | 24.27%  |
| Economic Value Added (in PLN)                  | -1.70     | -1.29    | -0.77   | -0.46  | 0.07    | 0.63    |
| Net debt (in PLNm)                             | 1.01      | 1.33     | -0.74   | 0.03   | -0.63   | -2.20   |
| Net gearing                                    | 78.14%    | 162.46%  | -19.12% | 0.80%  | -12.19% | -32.24% |
| Equity ratio                                   | 40.51%    | 26.72%   | 86.56%  | 71.42% | 77.28%  | 90.35%  |
| Current ratio                                  | 1.56      | 1.32     | 6.02    | 6.33   | 6.94    | 8.01    |
| Quick ratio                                    | 0.04      | 0.24     | 2.40    | 3.16   | 4.06    | 5.30    |
| Net interest cover                             | -24.93    | -28.87   | -11.72  | 739.46 | -60.77  | -51.91  |
| Net debt/EBITDA                                | -0.76     | -1.37    | 21.12   | 0.06   | -0.44   | -0.96   |
| Tangible BVPS                                  | 0.28      | 0.15     | 0.51    | 0.55   | 0.68    | 0.90    |
| CAPEX/Sales                                    | 39.52%    | 7.64%    | 64.53%  | 35.11% | 8.16%   | 4.56%   |
| Working capital/Sales                          | 3027.47%  | 234.58%  | 152.48% | 94.03% | 69.09%  | 53.53%  |
| Cash Conversion Cycle (in days)                | 95        | 152      | 142     | 132    | 118     | 103     |
| <b>Trading multiples</b>                       |           |          |         |        |         |         |
| EV/Sales                                       | 122.22    | 9.56     | 5.62    | 3.03   | 2.06    | 1.54    |
| EV/EBITDA                                      | -6.33     | -8.59    | -239.71 | 13.84  | 5.94    | 3.66    |
| EV/EBIT  | -5.55     | -7.15    | -34.81  | 21.53  | 7.07    | 4.09    |
| P/Tangible BVPS                                | 4.95      | 9.32     | 2.78    | 2.57   | 2.08    | 1.57    |
| P/E  | -4.07     | -6.30    | -50.74  | 34.12  | 11.01   | 6.34    |
| P/FCF  | -2.18     | -6.93    | -6.23   | -9.55  | 11.15   | 4.67    |

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