INFOR Financial Canadian Healthcare I.T. (HCIT) Overview

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Canadian Healthcare IT (HCIT) Market - Overview

- **COVID-19 has contributed to a significant acceleration in the adoption of HCIT products and services on a global basis**
  - A favourable reimbursement environment and greater acceptance by organizations and consumers was driving strong industry growth even prior to the pandemic.
  - Global digital health market expected to reach US$500B by 2025.
- **Financing (both public and private), M&A and partnership activity in the sector remain very active**
  - Public HCIT companies are trading at or near record valuation levels.
  - Industry-changing M&A transactions on both sides of the border, driven by market consolidation (e.g. Teladoc/Livongo), partner-led financings (e.g. Sun Life investment in Dialogue, Shoppers investment in Maple) and vertical/horizontal expansion (e.g. many examples of traditionally software-oriented companies acquiring patients via clinics, pharmacies, etc. and vice versa).
  - Partnerships have played an important role as companies seek to expand their patient footprint and access to technology in a capital efficient manner (common partners include insurance and health benefits companies, Employee Assistance Programs (EAPs), pharmacies, etc.).
- **The Canadian telehealth space is growing rapidly and currently worth nearly C$4B, which does not include other verticals in the broader Canadian healthcare IT sector**
  - Canada's healthcare industry is under supplied, relatively underpenetrated by technology/digital methods vs. other countries.
- **The HCIT sector in Canada is quite diversified and spans across location-based clinic operators to telehealth to specialty digital & physical providers and ancillary software/technology solution providers**
  - WELL Health, CloudMD, Newtopia, VitalHub and NeuPath continue to be the way for Canadian public market investors to play this trend.

Virtual Care means "Connecting a patient and care team for the purpose of delivering high quality convenient and cost-effective healthcare services ***– when the two are not in the same location."*** - Gartner

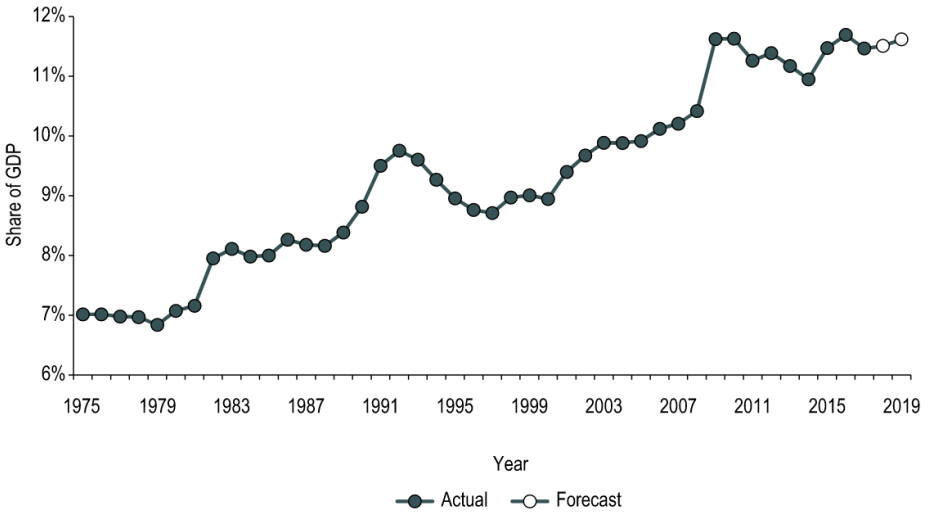
The COVID-19 pandemic has accelerated the global adoption of digital consumption across a wide range of businesses including healthcare. These "COVID winners" have benefitted from the need for consumers to access goods and services from the safety of their own homes. Before we speak more about the specifics of healthcare IT adoption, it is interesting to note that COVID-19 and the resulting "shelter in place" has driven traditional bricks and mortar companies to investigate their I.T. capabilities with a view that they "need to get it right". Most notably, this summer sports retailer Nike (NKE) announced that their digital sales increased 75% in the fourth quarter alone and was approximately 30% of their total revenues. Please note that the company previously had 30% direct to consumer sales (DTC) as their 2023 goal! They have since accelerated their 2023 DTC target to 50% of total sales.[1] Not to be outdone, last week the company again reported that digital sales increased 82% in the quarter ended August 31st including TRIPLE DIGIT growth in Europe the Middle East and Africa![2] In addition to e-commerce, another example of a "COVID winner" would be education technology ("EdTech") sector as schools, students, businesses and other organizations have moved more towards online learning as a result of the pandemic. This serves to further highlight that a comprehensive digital offering has now become essential for most consumer businesses globally, and traditional healthcare should be no different.

Reframing the whole concept of healthcare with a view that the patients are the "Consumers", the doctors, hospitals, clinics and institutions are the "Vendors" and the employers, insurance companies and the government are the "Payors" it is clear that the current system is not adequate to address the needs of <u>any</u> one group along the value chain. In fact, in a COVID-19 environment the new reality has made it pretty obvious to everyone involved that wholesale, fundamental and permanent changes are needed in order to address the needs of patients, physicians, healthcare workers, payors, insurance companies, governments and all stakeholders. Most industry observers would agree that Telemedicine/Telehealth/Virtual Care could be the most efficient method to effect this change. Once again, we've seen other bricks and mortar industries, like retail and entertainment, adopt new digitally based distribution channels to better service their customers at a lower cost to all involved. *"Other industries, facing a similar rise consumer expectations, have met this new challenge through digital transformation. They have provided more seamless experiences that consumers value while fundamentally changing the way their businesses operate…The new reality for healthcare will require redesign of care systems to address primary, secondary, community and acute care in a post-COVID-19 world…it will need to sustain virtual care and digital advancements that healthcare consumers have now come to expect to ensure continuous access to health care services in a safe and convenient way."*[3]

This is not just a COVID-19 issue as the data suggest that Healthcare systems globally are BROKEN. The rising costs of healthcare are unsustainable especially in the U.S. and Canada. Healthcare costs are rising as people get sicker, so the overall healthcare burden is also rising, while at the same time patients get less and less access to primary care. Due to the stress on the system, patients have a difficult time seeing primary care physicians so they don't get diagnosed, can't get a referral, and can't get a prescription which results in even more undiagnosed disease. In addition, some of these desperate patients who can't get primary care instead choose to go to the emergency room for diagnosis and treatment which results in wasted hospital resources. **KEY STATS:** *"39% of Canadians who visited an Emergency Room (ER) indicated that they could have avoided the visit if they had better access to primary care", "approximately 15% of Canadians aged 12 and older don't have a primary care physician", "25% of Americans do not have a primary care Doctor", "in 2018, over 30 million people did not have insurance in the U.S.", "Almost 7 in 10 Canadians avoid seeing a doctor when they are sick because of the long wait times, limited hours and physical barriers to care"*. [4,5,6,7]

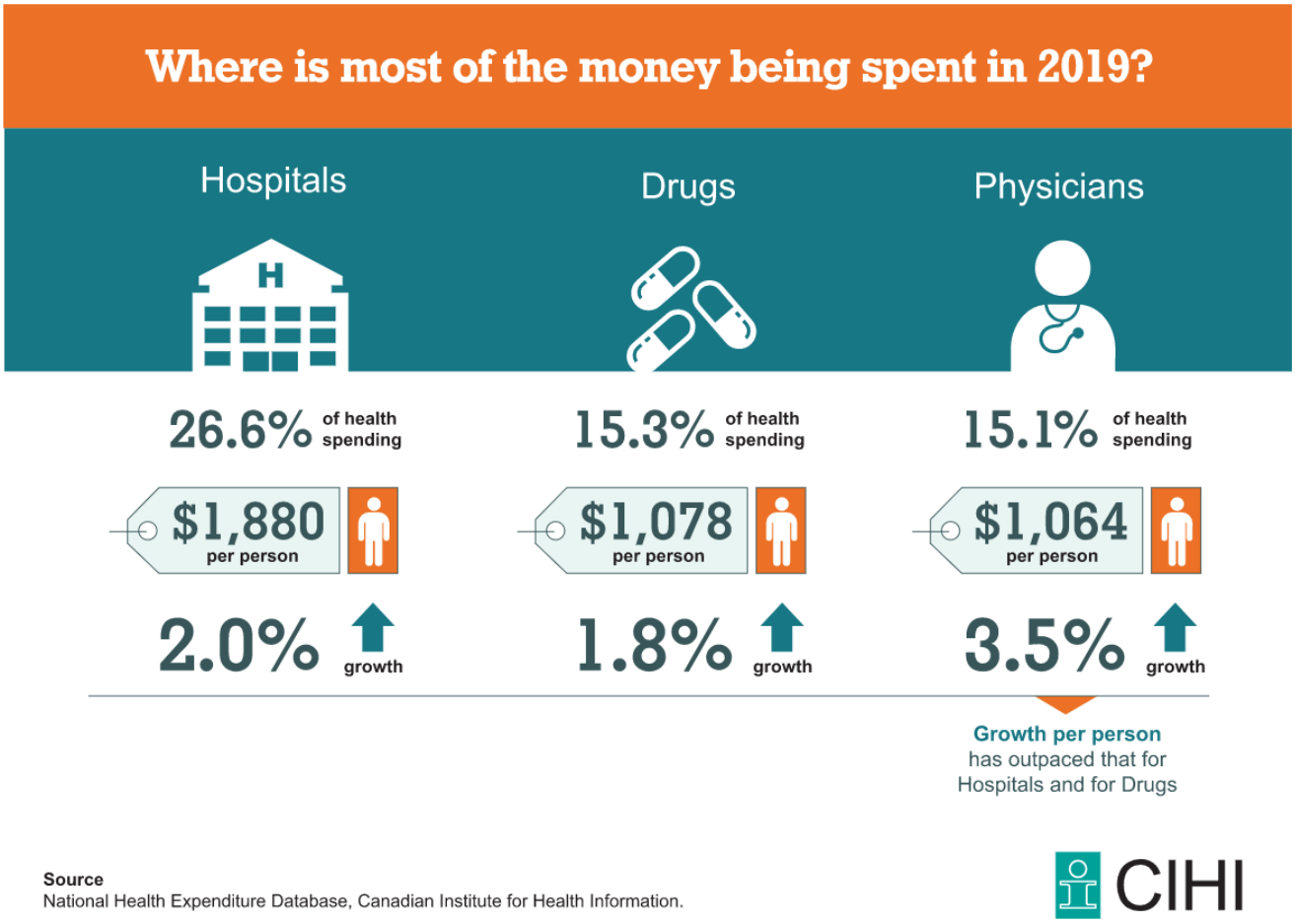
How has health spending growth changed over the last 40+ years?

Back to National Health Expenditure Trends, 1975 to 2019



In 2019, total health expenditure in Canada was expected to reach $264 billion and represented 11.6% of Canada's gross domestic product (GDP).

In 2019, total health expenditure in Canada was expected to reach $264 billion, or $7,068 per person and represented 11.6% of Canada's gross domestic product (GDP). It is worth noting that Physician Services were 15% of total health spending and on a per person basis, this grew by 3.5% year over year. According to estimates, this growth in physician services outpaced healthcare expenditures for both Hospital Visits and Drug Spending in 2019.[8]



Welcome to the "New Normal" for Telemedicine: Patients are demanding it, Doctors welcome it, and regulators are pushing it forward. COVID-19 disrupted the global healthcare system as we know it, changes happened very quickly, and those changes are here to stay:

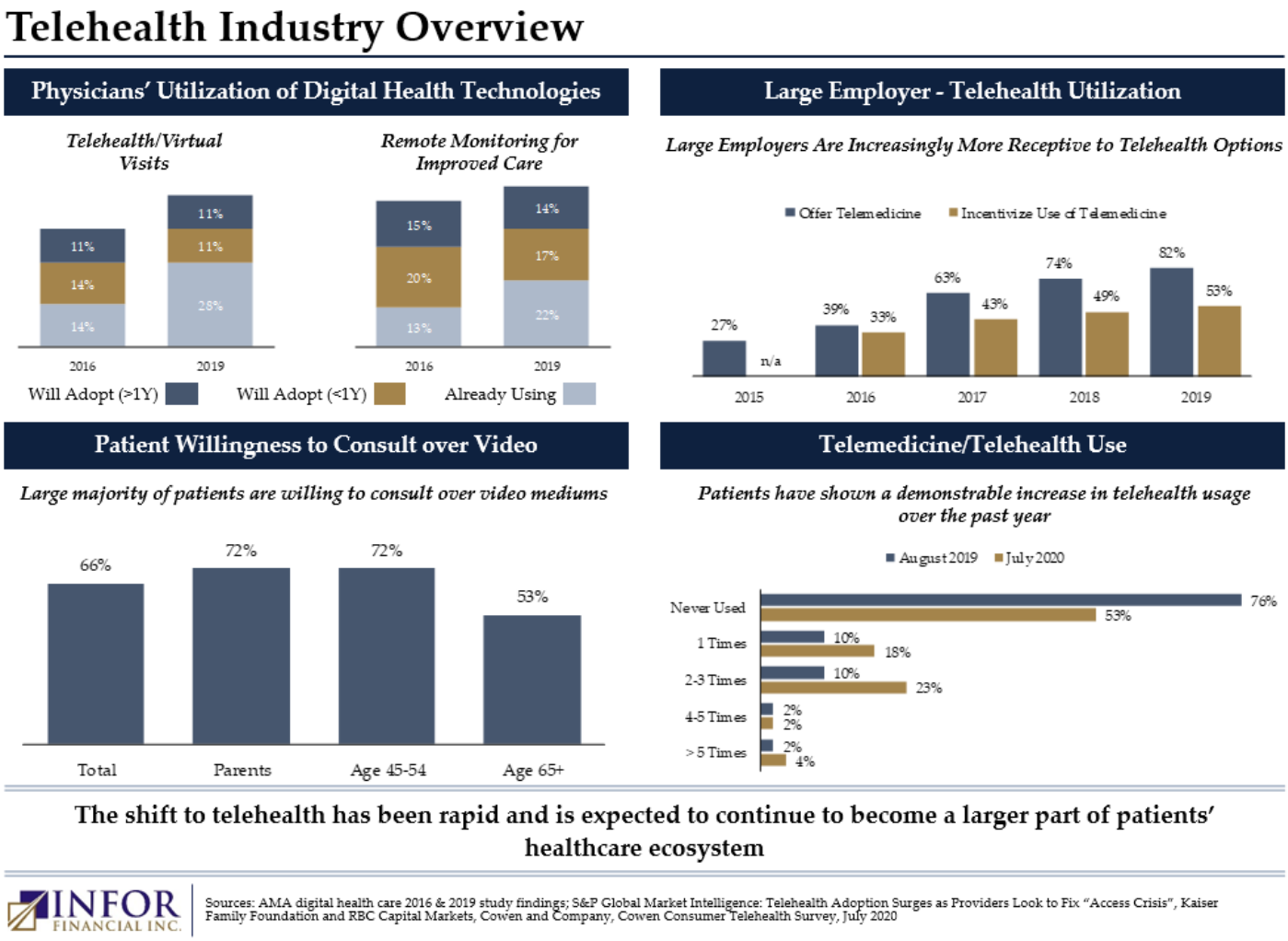
- "*US telemedicine visits surged by 50% in the first month of the pandemic and virtual visits are predicted to top 200 million this year, up sharply from the original prediction of 36 million visits for all of 2020*".[9]
- According to a recent Gartner study, telehealth (aka virtual visits) represented ~80% of visits during COVID-19 peak and, going forward, *"20-30% of patient encounters will be virtual, up from ~2% before COVID-19".*[10]
- According to a recent poll conducted by the Canadian Medical Association (CMA) *"Those who connected with their doctor virtually during COVID-19 report a 91% satisfaction rate — 17 points higher than in-person emergency room visits. Moving forward, almost half (46%) of Canadians who had the opportunity to use virtual care since the pandemic outbreak would prefer a virtual method as a first point of contact with their doctor.*[11]
- *"Telehealth was also another notable pandemic-driven trend. A third of users in countries reviewed by CPPIB tried telehealth services for the first time during the pandemic."*[12]
- *"Some recovering addicts and alcoholics – even those clean and sober for decades - tell me that they have doubled or tripled their recovery meeting attendance during the pandemic."*[13]

- *"Some 28% of consumers surveyed in April were using virtual medical visits in the early months of the year, up from 15% in 2019, according to Deloitte Consulting LLP."*[14]
- *Telehealth was slow to take off before the pandemic because insurers typically paid doctors less per visit than for in-person appointments, a disincentive to usage…**Federal regulatory changes have paved the way for wider telemedicine adoption, including expanded access for Medicare recipients, which are seniors and disabled people."***[14]
- "*It's not likely a question of if, but when virtual health will become a mainstay of a next-generation, patient-focused, digitally enabled health care delivery model...Virtual health appears to have the capacity to inform, personalize, accelerate, and augment people's ability to care for one another."*[15]

According to recent studies, a large majority of patients are willing to consult over video, physicians are more willing to adopt digital health technologies and large employers are increasingly more receptive to telehealth options. A U.S. Recent poll of 1,300 physicians suggests that 85% confirmed that they are now seeing patients virtually, 68% feel that it will have a lasting impact on how doctors see patients and 77% of doctors are in favour of a shift toward telemedicine.[16]

In the U.S. we have seen policy changes in favour of virtual care and these policies could remain intact post COVID-19. Once President Trump declared the COVID-19 pandemic a national emergency the Centers for Medicare and Medicaid Services (CMS) announced that it was expanding access to virtual care services including telehealth under the 1135 waiver authority. According to the CMS, these temporary changes were being made so that *"beneficiaries can receive a wider range of services from their doctors without having to travel to a healthcare facility".* CMS Using its 1135 waiver authority Medicare could now pay for any in office, hospital or any other visit facilitated through virtual care/telehealth from any location across the United States including the patient's residence. There are three key points to this waiver: 1) this includes any location for patient or provider, 2) reimbursement parity to in-person visit and 3) eligible for both new and established patients. CMS maintains that these changes are temporary however, according to reports there is a good chance that most, if not all, of these 1135 waiver changes could become permanent.[17]

In Canada physicians, Patients and Regulators have been talking about the importance of virtual care for years, but even with COVID-19 government regulation has lagged. In terms of patient demand and doctor adoption, COVID-19 moved telehealth ahead by about 10 years here in Canada. Unfortunately, government regulation and reimbursement has lagged. According to the Royal College of Physicians and Surgeons of Canada, *"Doctors advised to provide telemedicine / virtual care when possible during the COVID-19 pandemic"* however, only in the Provinces of Alberta and British Columbia have virtual care codes been made permanent or premiums expanded to cover telehealth services. **This meant that virtual care platforms in the other Provinces could only provide services through private insurers or DIRECTLY to consumers which limited the sector's growth.** More recently, the other provinces (and one territory) have all created new billing codes that allow doctors to provide virtual care. While these telehealth or virtual care fee codes remain temporary, most industry observers expect that to change which would allow them to be integrated into a single-payor system.[18]

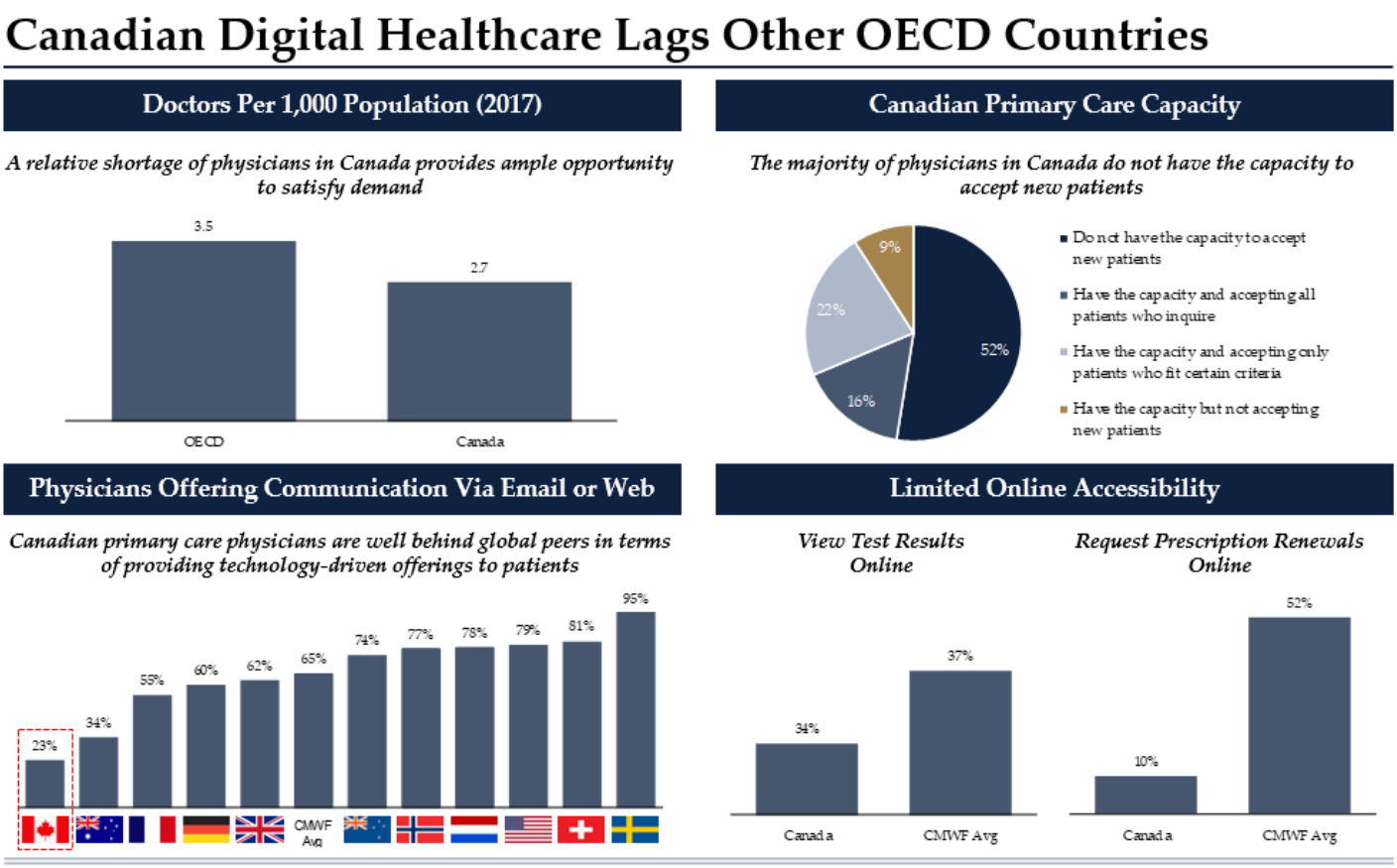


Canada's healthcare I.T. industry is under supplied, underpenetrated by technology/digital treatment methods, and this underperformance has been exacerbated by a shortage of physicians.

Believe it or not Canada was an early pioneer in the development of virtual care. Dr. Maxwell House (no, the other one) through his work at the Memorial University of Newfoundland, used telephone technology to provide virtual consultations to remote sites across the province back in the 1970's.[19] Since then Canada has been surpassed by almost every other country in terms of the uptake of virtual care.

"A damning report released this February by Canada's Virtual Care Task Force highlighted how far behind we are. In the United Kingdom last year, 14 percent of general-practice appointments were conducted over video conference. In the United States' Kaiser Permanente health system, more than half of "touches" between patients and care providers were virtual. Meanwhile in Canada, only 0.15 percent of 270 million billable services last year were conducted virtually."[20]

In this country, the relative shortage of physicians has contributed to this problem. In Canada, the majority of physicians do not have the capacity to accept new patients and there are only about 2.7 physicians per 1,000 population which lags the OECD average of 3.5.[21] This has subsequently limited primary care capacity given that about 61% of doctors here in Canada are currently not accepting new patients.[22]



For those Canadian doctors who do offer email communication via email or web, these primary care physicians are well behind other OECD nations in terms of providing technology-driven offerings to patients. According to the data, only 23% of Canadian physicians offer technological solutions to patients versus France, Germany, the UK and the United States at 55%, 60%, 62% and 79% respectively.[23] Simply stated, despite ranking 5th in Healthcare expenditures as a total percentage of GDP (behind the U.S., France, Germany and Sweden)[24] Canada ranks DEAD LAST in OECD nations in the ability to offer Virtual Care/Telehealth Solutions to its patients!

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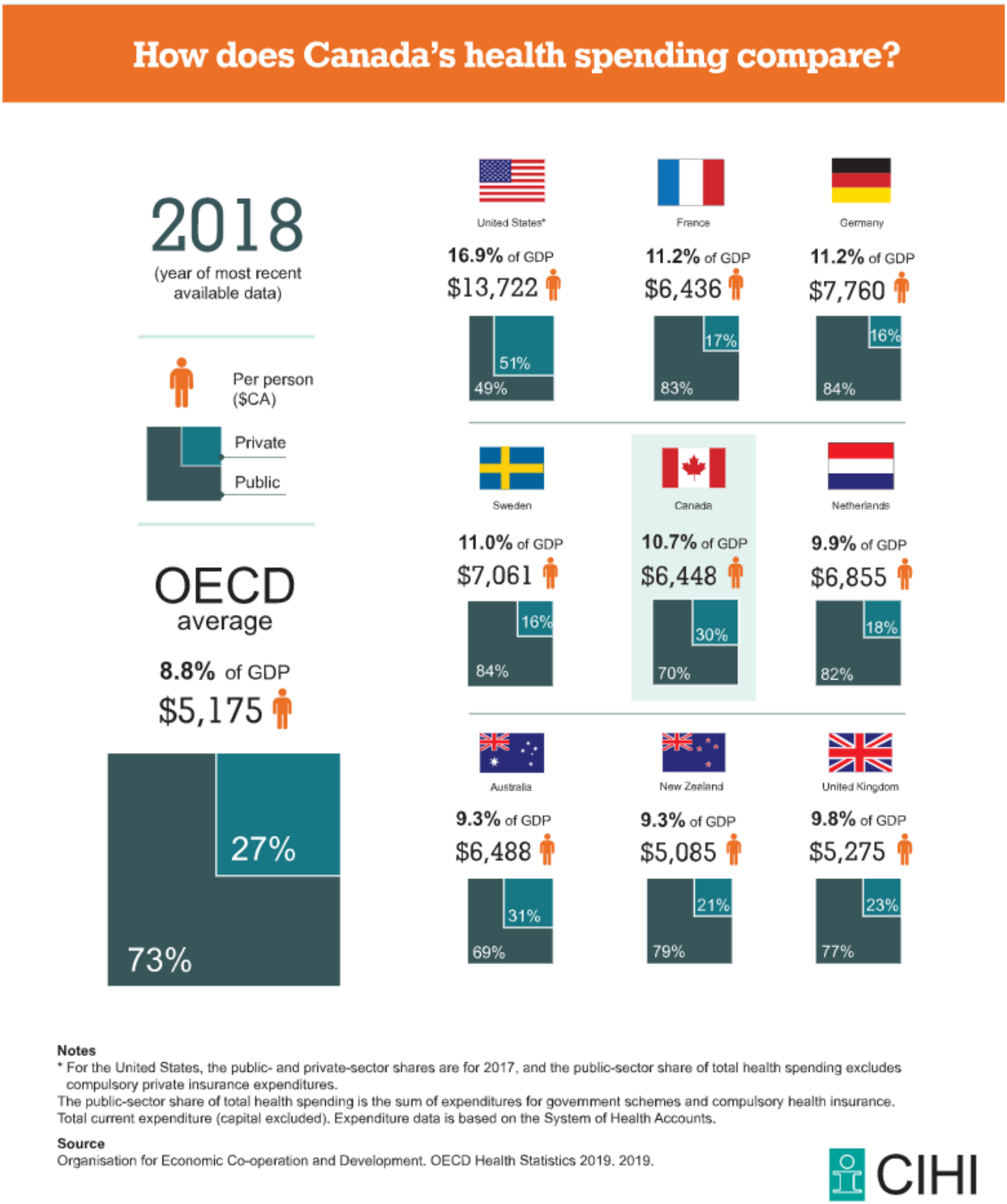


Clearly there is an unmet medical need as Canadians are DEMANDING a telemedicine option. According to a Canadian Medical Association (CMA) Virtual Care in Canada Summit from August 2019, "*71% of Canadians would like to be able to book appointments electronically but just 9% of family physicians currently offer this option; 63% of Canadians would like to be able to email their health care provider but just 24% of family physicians offer this service; and 41% of Canadians would like have video visits with their health care provider but just 4% of family physicians offer this option.*"[25]

What about graduating more doctors into the system? Producing more newly-licensed doctors was the historical solution to the healthcare deficiency in Canada however, these days younger doctors are wary of large practices, the risk of burn-out and are seeking a better quality of life (work close to home, have the ability to take vacations, etc.). Clearly the answer to this problem is the effective use of technology to address both patient AND physician needs.

The global healthcare system needs a complete technological overhaul in order to properly address this "new reality". According to a recent study by KPMG there are 6 clear trends that are here to stay: 1) Digital "front doors" like Remote Consultations, Remote Monitoring and the integration of Electronic Health/Medical Records (EHR/EMR) into primary and secondary care are now DEMANDED by healthcare consumers. 2) A total redesign of the health system is needed to deliver resilient, patient-centered care. 3) Insight-led decisions are better decisions therefore the digitization of medical records (EMR) is not very useful if healthcare entities do not have the ability to analyze and integrate these data into their decision-making. 4) Consumer-centricity will be a key driver of how care is delivered as tech-enabled services need to focus on delivering value to the consumer rather than the health system. 5) Enterprise-wide innovation is required to meet the evolving demands of health systems. Hospitals/facilities need to implement "next generation" technologies like the Internet of things (IoT), Artificial intelligence/machine learning, Virtual reality/augmented reality, and 3D printing/imaging as part of the customer-centric strategy. 6) An agile and empowered workforce is required to deliver the required health system outcomes.[26]

"Enterprise-wide digital transformation is at the heart of the answers to these questions."[27]

What is the Private Sector doing to address these issues?

According to Gartner there are two main virtual care industry markets:

1) The Virtual Care platforms whose goal is to enable new services like Remote Patient Monitoring (RPM), Clinical Encounter Automation and Virtual Visits.
2) The Virtual Medical Practices who strive to augment staff and services, reduce costs and provide convenient care through Virtual Visits.

In the United States there are multiple telehealth/virtual care companies who are targeting these two main verticals:

1) **Virtual Care entities: Amwell**, eVisit, Globalmed, InTouch (**Teledoc**), Medisprout, SnapMD, Zipnosis, Doxy.me, Healthie, OnCall Health, Push Health, Qliqsoft, Rhinogram, Updox and Vsee for virtual visits and Babylon Health, Health Recovery Solutions, **Livongo**, Medocity, Omada, Optimize Health, Philips Healthcare, Vital Tech, Vivify Health, Aerotel, Ambio, Clairvista, Global Telehealth, Raziel, Residio, Tytocare and Lumeon in remote patient monitoring.
2) **Virtual Medical Practices:** 98point6, **AmWell**, Babylon, DoctoronDemand, **Livongo**, MDLive, Ro/Rory, **Teledoc** and Tytocare.[28]

Why should we CARE About the Canadian HCIT Landscape?

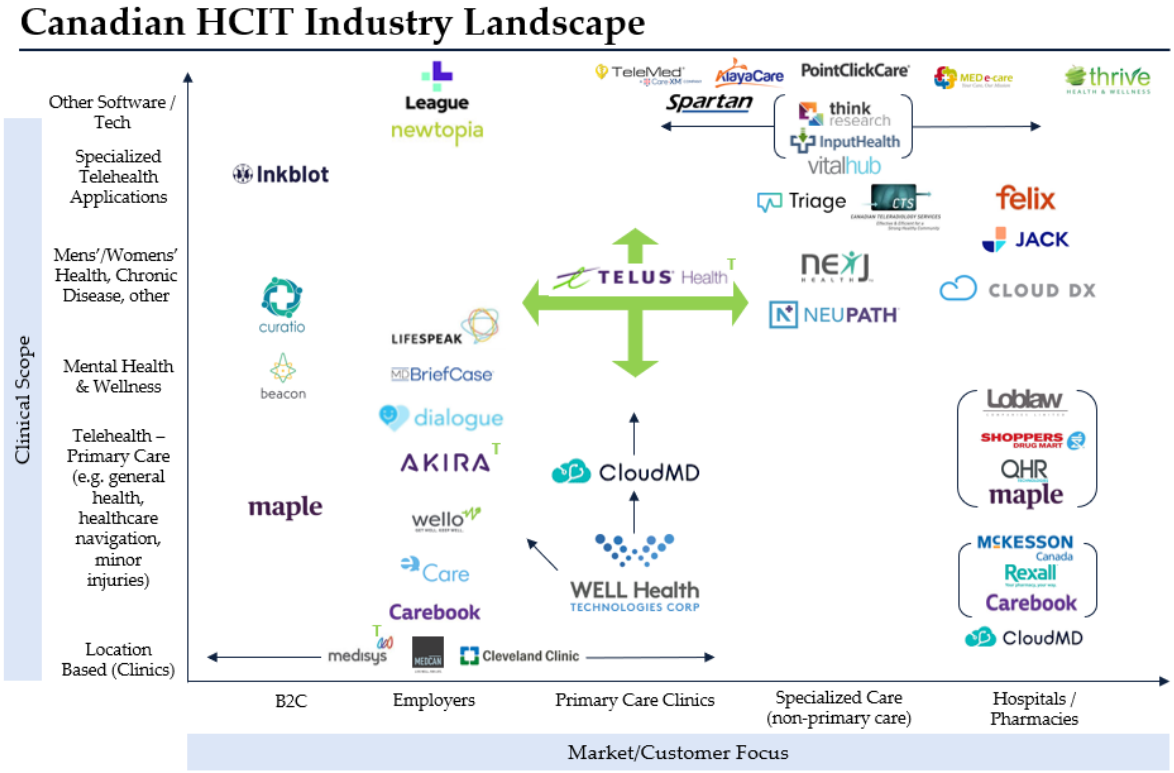
In Canada, the list of companies looking to solve the "riddle of telemedicine" is much smaller, and the companies are largely in a much earlier stage of their development, so why should investors care about the Canadian HCIT companies? Recall that despite our smaller population, the Canadian HCIT market is DRAMATICALLY under-penetrated versus our American and European counterparts. Even with something as simple as online prescriptions, only 10% of Canadian patients can request prescription renewals online versus 52% for the OECD average.[29] Canada is behind, but we are catching up to other countries in terms of digital health. As Canadians we need help and there are several Canadian companies attempting to fill that gap.

We are still in the early innings, but as adoption and usage increases, health data will become a greater focus for all participants and that could lead to some interesting market developments:

- We believe that "non-traditional" competitors may enter the industry to capture inherent value in health data (e.g. Google's $100M investment in Amwell).
- Whether its basic drug consumption trends, drug regimen adherence, treatment effectiveness, or patients wanting to connect with other patients facing similar health issues, larger Healthcare Entities (i.e. big pharma, insurance companies, etc.) are looking for contextual patient data. It is likely that these entities will be looking to partner with emerging "social" platforms that can facilitate this.
- Given the very personal nature of this health data, privacy and security will come to the fore and will be "table stakes" for all participants dealing with any patient data.
- Finally, the integration of patient records across disparate technology/software platforms (e.g. EHR/EMR records, social media platforms, pharmacy records, monitoring devices, etc.) will become a focus as patient data becomes more ubiquitous and more easily transportable.

How do investors differentiate between these "Similar-Looking" Canadian HCIT players?

According to our cartesian plane, the Canadian HCIT Landscape can be segmented by 1) Market/Customer Focus (B2C, B2B, Primary Care Clinics, Specialized care and Hospitals/Pharmacies) **and 2) Clinical Scope** (Location based, Telehealth – Primary Care, Mental Health & Wellness, Men's/Women's Health, Chronic Disease, etc., Specialized Telehealth Applications, Other Software/Tech). Despite some small overlap, using this model (please refer to the Canadian HCIT Industry Landscape chart below) the pieces actually fall pretty nicely into place. While Telus Health is the biggest player and has both lateral and vertical mobility, most of the other companies fall into a particular segment making them somewhat distinct from the other industry players. For **Newtopia (B2B, Specialized Telehealth), Vitalhub (Specialized Care, Other Software/Tech)** and **NeuPath (Specialized Care, Men's/Women's Health, Chronic Disease)** they are the only publicly-traded comps in their respective geographies so that bodes well for their competitive positioning and their ability to grow going forward. I would also note that while **WELL Health** and **CloudMD (Primary Care Clinics in Telehealth- Primary Care)** have overlapping business models, even though WELL is clearly the market leader, this does not mean that they can't both be very successful. ***Moreover, the fact that the Canadian Healthcare IT market is so dramatically underpenetrated leads us to believe that there is potentially significant upside for ALL FIVE of these companies.***



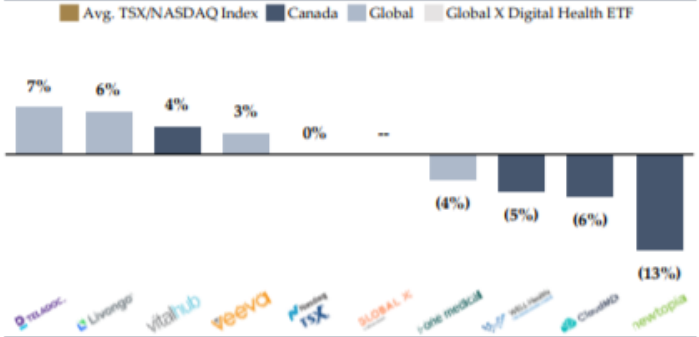
Trading Multiples – Global HCIT

All figures in US$MM Company	Price (25-Sep-20)	Market Cap	Enterprise Value	EV/Revenue CY2021E
Veeva	US$273.96	$41,320	$39,826	23.7x
TELADOC.[(1)]	US$219.00	$37,200	$37,736	19.6x
Livongo[(1)]	US$140.27	$16,313	$16,027	28.3x
one medical	US$27.10	$3,421	$3,395	7.8x
Group Average				**19.9x**

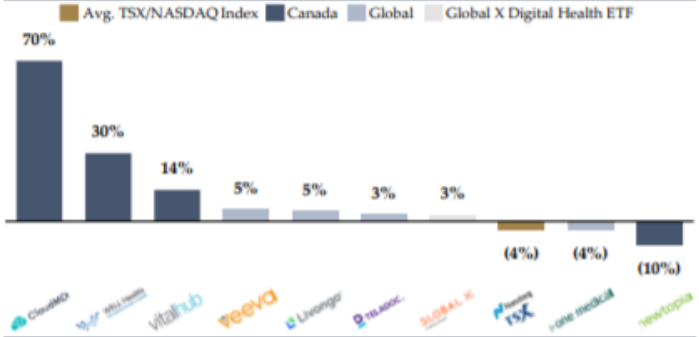
Trading Multiples – Canadian HCIT

All figures in US$MM Company	Price (25-Sep-20)	Market Cap	Enterprise Value	EV/Revenue CY2021E
WELL Health Technologies Corp	C$6.55	$748	$720	13.6x
CloudMD	C$2.09	$263	$244	8.5x
newtopia	C$0.78	$53	$53	3.2x
vitalhub	C$2.40	$48	$37	2.6x
Group Average				**7.0x**

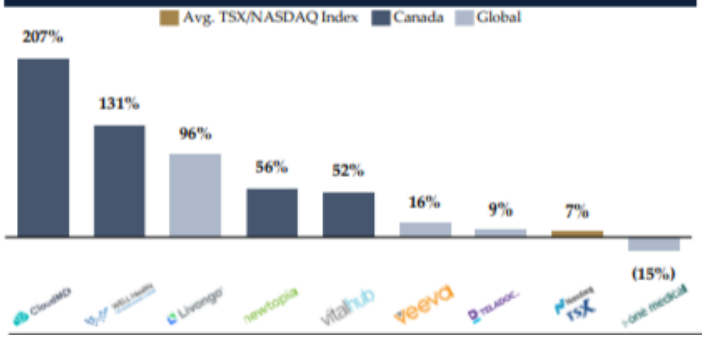
Last 1-Week Relative Performance



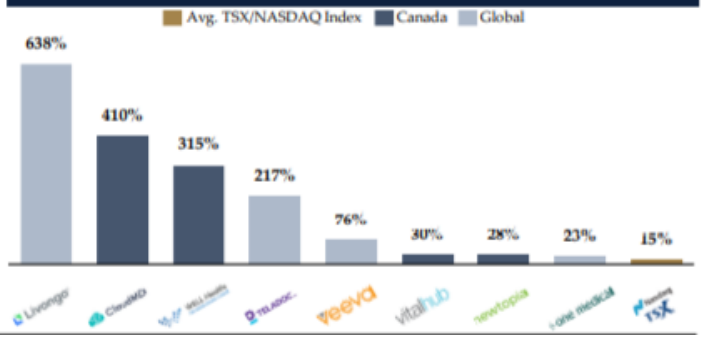
Last 1-Month Relative Performance



Last 3-Months Relative Performance



Last 12-Months Relative Performance



Recent INFOR Commentary on The Publicly Traded Canadian HCIT Companies

CloudMD (DOC, $110M Mkt Cap) has over 100,000 registered users on their CloudMD and MyHealthAccess telemedicine platforms and recently graduated from the CSE to the TSX Venture Exchange. DOC is a HCIT company well positioned to take advance of the $3.5 trillion untapped virtual care market.

- **Cloud MD believes that "the future of healthcare is going to look completely different."** CloudMD CEO Dr. Essam Hamza is a family doctor and heads up an experienced management team of doctors with over 100 years of combined experience. **Historically, healthcare has been "clinic centric" model** where the average patient has to call their physician, make an appointment, take a day off to see the doctor, sit in the waiting room (surrounded by some very sick people) and then finally see your doctor after waiting around much longer than they expected. The same thing happens when visiting a specialist or the pharmacy since there is very little communication between the professions. **Healthcare should be "patient centric"** where a clinic has 9-10+ doctors (instead of 3-4 on the old model) where physicians can reach out to patients with their availability so that they can connect with patients physically and virtually. **Telemedicine should be very intuitive, and doctor driven.** Imagine receiving an alert from your doctor saying that he/she is running late and will be ready to log on and see you in 5 minutes? Physicians, Patients and Regulators have been talking about this for years, but there were 3 things holding back telehealth: 1) Patient adoption, 2) Doctor adoption and 3) Government regulation. All of that has changed with COVID. This global tragedy has moved telehealth ahead by 10 year in Canada.
- **CloudMD has a patient-centric business model with both B2B and B2C revenue platforms.** Their B2B cloud practice offers cloud based EMR and billing software applications for physicians across North America. Dr. Hamza has used 6 different EMR systems in his career and decided that CloudMD should use their own in-house technology and IP since most third-party vendors do not want to work together. **Juno EMR is a cloud based EMR Solution which is currently used by 376 clinics across 8 provinces over 3,000 licensed practitioners, 1,500 staff and 2.8M registered patients.** Juno is growing at 30% y/y, with less than 1% churn and, according to management, is the only EMR that is fully transparent on costs with no hidden server costs, etc. (MAJOR POINT). Their cloud practice has a team of 33 software developers and sales staff focused on building software solutions for their medical practice. Their B2C patient-focused solution offers 24/7 real-time online booking (followed by a confirmation and reminder system), Real-time medical chart and lab results, secure chatting with medical professionals (this is important because docs aren't allowed to email patients), and a Virtual medical assistant (AI driven with proprietary software) that "can do anything a physical office receptionist can do" including patient triage and chart uploads. **Revenue model:** JUNO is a SAAS product where doctors pay a monthly fee which includes the patient portal (online booking and secure messaging). For telemedicine the docs can pay another monthly fee to see their own patients and the Virtual office assistant is another monthly fee paid by the clinic. This feature saves a lot of labour costs and for a physician clinic labour is very expensive.
- **One of the biggest "pain points" in healthcare is at the pharmacy and Pharmacies are worried about AMAZON.** The company also owns 2 pharmacies which they initially bought for the team and to get a greater understanding of the pharmacy market. Pharmacies want to keep their customers and are worried about competitors like AMAZON (AMZN, $1.7T Mkt Cap). Recall that on June 28, 2018 AMAZON bought PillPack for US$753M and launched an online Amazon pharmacy. Pharmacies are willing to pay a monthly fee to work with CloudMD (almost like Shopify) as they want to keep the patient (we've seen this happen in other industries as portals like Expedia and Hotels.com have disintermediated hotel chains, airlines, etc. who no longer "own" their customers).
- **CloudMD has multiple revenue streams** including B2B SaaS revenues from their Health Tech Solutions, B2B and B2C revenues from Onsite Medicine and Offsite Medicine verticals and B2B revenues from their Medical services vertical. CloudMD is also well funded with $13M in the bank and a strong pipeline of acquisitions to rapidly scale and grow the business.

**Sunday August 30, 2020*

NeuPath (NPTH, $40M Mkt Cap): an EBITDA positive healthcare company going digital?

Chronic pain is a large and growing market that, surprisingly, costs more than cancer, heart disease and HIV COMBINED.

- **How does NeuPath help?** NeuPath deals with the 5% of patients that are Long-Term chronic pain sufferers that can no longer work. NeuPath's pain clinics employ a group of trained physicians who help patients manage their chronic pain and improve of their overall quality of life. These healthcare professionals employ a multimodal approach that incorporates biology, psychology and social context in chronic pain management. The resulting treatment may include interventions, mindfulness meditation, the use of cannabis, a reduction in opioid reliance, and a chronic pain self-management program.
- **The NeuPath Advantage.** Once again NPTH has a portfolio of 12 clinic locations that cover ~67% of the Ontario population. One of the main advantages of their extensive clinic footprint is "load balancing". NPTH can shift doctors, patients and staff around depending on demand and that's exactly what they did during the pandemic (more specifically with their Brampton, Mississauga and Oakville locations as well as their Toronto, Oshawa and Scarborough locations).
- **Organic Growth is key.** Capacity utilization has increased from ~30% in 2017 to 56% in 2019. NPTH has improved their capacity utilization by onboarding new doctors, as well as improving patient throughput with an increased conversion rate on referrals (+25% since 2018). At 56% capacity utilization, through increased efficiencies NPTH has the potential to double revenues without adding any new capacity.
- **The pain management sector is highly fragmented in Canada so what about M&A?** NPTH has made acquisitions in the past and will continue to consolidate the market. There are two paths to grow the company via M&A: 1) Path A would be to opportunistically acquire more clinics in Ontario. However, given their current footprint that is not a pressing need. 2) they are possibly looking to expand in Western Canada. OHIP is currently a major customer so they would like to partner with different payors to diversify their revenue stream. As such, if NPTH is looking to add private pay or insurance companies (long-term disability/short-term disability) they need to have a national footprint.
- **There is upside in private pay.** Please note that NPTH acquired a business that does independent medical assessments. Medical assessments are 100% private pay and can help establish relationships with insurance companies (Manulife, Sunlife, etc.) as they determine how best to manage LT disability. Part of filling NPTH's unused capacity will come from private pay. There could be significant upside here as physicians can charge almost double for private vs provincial billing.
- **There is an emerging virtual care play here.** NeuPath would like to complement their physical clinic presence with virtual care. This will allow them to reach patients in more rural areas. Historically patients will travel long distances to get a surgery done faster but there are ways to make this process more efficient. If a doctor/patient Initial meeting can be done virtually this frees up exam rooms and capacity. Prior to COVID the company was unsure as to whether or not patients would embrace virtual care however, post COVID the company discovered that patients WILL use virtual care. On August 27th the company reported Q2/20 numbers and noted that after introducing virtual visits DURING the quarter, they were able to take virtual visits from 0% to 12% of total patient visits. Therefore, there is potential to convert 25-30% of their existing business to virtual care. This could have a multiplier effect as it will help improve capacity utilization with docs and it could serve to attract more patients to the platform.
- **NeuPath looks very interesting at these levels.** While the company is still very small, unlike most other emerging Canadian telehealth or healthcare IT stories, this is an EBITDA positive story. NPTH has high insider ownership (>50% of the stock is owned by insiders) and currently trades at less than 1x trailing revenues. Moreover, current CEO Grant Connelly was formerly the CFO of Appletree where they operated over 30 medical clinics, managed 4M patients on their EMR platform and did over $200M in M&A transactions so he has extensive experience managing multi clinic locations and executing a growth by acquisition strategy.

**Friday September 4, 2020*

Newtopia (NEWU, $86M Mkt Cap) is a tech-enabled disease prevention company Focused on pre-chronic conditions (Diabetes, heart disease, stroke, etc.). NEWU Founder and CEO Jeff Ruby previously co-founded Cleveland Clinic Canada (also worked at Life Screening Centres and Genetic Diagnostics Inc.) and has been in the disease prevention space for 10 years.

- **This is a Tele-health enabled habit change platform taking a precise approach to disease prevention that is disrupting healthcare.** Their focus is on habit change based on a 1:1 individualized approach through understanding social, psychological and genetic insights. Built to be 100% remote, tailored programs. Their job is the reduction of costs. About 85% of the U.S. population has chronic risk factors. A healthy member (green) costs $3,400/year, a member with 1-2 risk factors (yellow) costs $4,400/year, a member with 3+ risk factors (orange) costs $5,400/year and this can spike to $15,000 to 20,000 per year once a member develops a chronic condition like diabetes or heart disease (red) .
- **Their job is to partner with the risk-bearing entity (the employer) to reduce the burden on chronic disease to take a member back from orange ("risky") back to green ("healthy").** How does Newtopia work? A self-insured employer partners with Newtopia and: 1) at risk member receives an invitation to Newtopia, 2) Newtopia performs a proprietary social and behavioural analysis, 3) Newtopia performs proprietary genetic testing (as a motivational tool), 4) Newtopia matches participant with a personality-matched inspiration based on the social and behavioural analysis. 5) Newtopia creates a personalized nutrition + exercise + well being plan. 6) Newtopia provides a personalized app to track progress & monitor results. 7) Newtopia provides wearable bio-sensors which feed data back to the inspirator and platform. 8) Newtopia presents personalized gaming and activity challenges to motivate participants. 9) Newtopia provides a curated online social community for support. The model currently has 1 inspirator per 200 participants (~60% margins) and they are hoping to move to 1 inspirator per 350 participants (~70% margins).
- **What is their addressable market?** Competitors like Medcan and the Cleveland Clinic are doing this for senior employees (Managing Director and above, etc.) whereas Newtopia is going after the average employee so they are part of the overall ecosystem and not real competitors (Livongo and Lark are closer comps). Newtopia's clients include Aetna, CVS Health, Canon, WellCare, Levi's, Accenture, Vestas, JP Morgan Chase, Ion Bank, ActivisionBlizzard, etc. Newtopia's clients cover 750K total employees and 375K at risk (50% addressable) so with an 18% historical conversion rate this suggests an addressable market of 67.5K potential participants. NEWU currently has 15K active participants on the program. What is the Business model? This is a subscription-based model. Average recurring revenue per participant (3 years) is approximately $1,600 with upside => Patient welcome kit (one-time fee) of $230/kit + monthly subscription (per engaged patient) of C$65/month + outcome milestone (5% body weight reduction) C$200/success = $1,600. Real world example: In a Newtopia control trial, AETNA saw a 4% member body weight reduction after 12 months and 10% after 24 months. This resulted in US$1,464 in savings (annual reduction in medical costs) or 2x ROI. NEWU estimates to be earnings positive in 2021. Please refer to the company website for more details. https://www.newtopia.com/

**Sunday August 23, 2020*

VitalHub (VHI, $70M Mkt Cap) is ANOTHER way to play the digital trends in healthcare. We recently sat down with the management of VitalHub and feel that this is yet another way to play the current digital trend in healthcare. VHI is a Software consolidator Focused on Health & Human Services Digital Solutions. This is a large and fragmented market which allows VHI to grow both organically and through M&A. This is different than pure Telehealth/Virtual Care given that VHI offers a SaaS based, high margin, product offering across the digital marketplace.

- **VHI focuses on Patient flow.** Patient flow is the movement of patient through a healthcare facility. As the patient moves from admission to discharge there is a need for connectivity across the various silos (medical care, physical resources, internal systems, etc.) while maintaining patient satisfaction. VHI's solutions target patient flow inefficiencies and result in cost-savings for healthcare institutions. **The ultimate goal is facilitating full data connectivity for patients as their journey through a healthcare facility takes them from registration to treatment to discharge and then long-term care.** VHI can provide all stakeholders (doctors, patients, agencies, facilities, etc.) the data to help move patients more efficiently across agencies. Using a mobile device, hospital employees can use this data to move patients around more efficiently or effectively.
- **What is VHI's current product offering?** VHI is focused on Mental Health, Long-Term Care and Community Agency sectors. Since the company went public in 2016, VHI has made 7 acquisitions (B-Sharp, H.I. Next, Clarity Health, Roxy Software, Oak Group, Oculys Health and intouch) representing just under ~$9.0M in recurring revenue (including the Nova Scotia Provincial Deal). These acquisitions have given VHI capabilities in behavioural & mental health-based assessments, web-based EHR platforms for healthcare providers, patient flow solutions & software data-gathering and reporting (MCAP), real-time and predictive operational management systems for hospitals and solutions to help hospitals process a high volume of appointments (i.e. 30 million annually) while improving the patient experience.
- **What is the market opportunity?** VitalHub's current patient flow platforms support an installed base of 35,000 beds across 4 countries (UK, Canada, Qatar and Australia). VHI has targeted Canada, Europe, the Middle East and Australia for growth and these 4 markets represent 3 million beds. Assuming revenue of $400 per bed per year (per suite of VitalHub patient flow & operational visibility modules) yields a total addressable market of $1.2 billion.
- **VHI expects to continue to grow through M&A and is focused on International expansion.** VHI's strategy is to grow and enhance profitability by combining complimentary software companies focused on healthcare IT. The company expects to continue realizing revenue and cost synergies by reducing the R&D spend by moving development offshore (40-person development team in Sri Lanka), consolidating G&A to a central function and by cross-selling products by upselling into the installed base. VHI has identified 400 potential targets in the Canada, UK and Australia (management teams looking for an exit), these target companies have annual revenues of $1-12M with limited growth and no mobile strategy so the company believes that once they make an acquisition, VHI will be able to reduce costs by 20% and increase EBITDA by 20-30%. VHI also wants to be disciplined and only pay between 1.0 and 2.5x revenues for their acquisitions.
- **VHI is backed by a strong strategic shareholder.** Francis Shen (formerly of Aastra prior to its $455M sale to Mitel back in 2014) is a significant shareholder and is on the Board of Directors. Mr. Shen adds credibility and discipline to the company's acquisition strategy.
- **Bottom Line:** VItalHub CEO Dan Matlow has 30+ years in the software industry and 25 of those were spent in healthcare so he has a very good understanding of the HCIT market in Canada and the USA. VHI has a current revenue run rate of $20M with ~55% recurring. Management owns 29% of the stock and they are looking to build a company with 15-20% organic revenue growth and 30% EBITDA margins.

**Friday September 25, 2020*

WELL Health Technologies Corp. (WELL, $910M Mkt Cap) could be the next Great Canadian Company… **WELL has a goal to empower patients and doctors in a rapidly expanding, digitally enabled healthcare marketplace.** WELL is a Vancouver based omni-channel digital health company that operates Primary Healthcare Faculties, provides Electronic Medical Records (EMR) software and telehealth services. WELL owns and operates 20 medical clinics in BC and provides Electronic Medical Records (EMR) software which serves 1,900+ clinics and 10,000 medical practitioners across Canada. WELL is the third largest EMR provider in the country behind industry leader Telus Health (~40% market share) and Loblaw/QHR (20-25% share). The Canadian EMR market is very fragmented providing a significant opportunity for consolidation and WELL plans to capitalize on this by making strategic, disciplined acquisitions over time.

- **WELL Health CEO Hamed Shahbazi is a proven entrepreneur as he has a history of building and monetizing businesses.** Please note that Hamed sold his previous company Tio Networks to Paypal in 2017. Hamed is also aligned with shareholders as he put $5M into the company early on and takes equity instead of cash as a salary. WELL also has strong insider support with billionaire Sir Li Ka-Shing as a lead investor.
- **The Company's goal is to consolidate and modernize primary healthcare assets using digital technologies and processes that improve patient experience, operational efficiency, and overall patient care performance.** General Practitioners (GPs) want to be on the WELL platform because on average they make less money than the specialists (GPs make ~$1000/day while specialists make $3000-5000+/day) therefore they need a solution to make their practice more efficient to facilitate more patient consults. GPs are getting rarer because med students no longer want to go that route as they are equally as focused on quality of life. It is therefore more profitable for doctors to utilize telemedicine to be more efficient as they can see patients from anywhere in the world just as long as their patients are in B.C. (please note that this requirement has been temporarily relaxed during the COVID pandemic).
- **WELL's business model is focused on driving growth in the Digital Services (SaaS) segment and Non-Insurable services.** Digital services (SaaS) has >80% gross margins and includes digital patient care, patient portals, EMR engagements, clinic productivity, etc. Non-Insurable services has ~30% gross margins and includes private consultations, diagnostic services, health assessments and medical legal.
- **The Company reports under two operating segments:** 1)Clinical Services – revenues from healthcare services delivered at WELL clinics and VirtualClinic+ telehealth sessions and 2) Digital Services – SaaS-based revenues from EMR platforms; includes NerdEMR, OSCARprn, KAI, OSCARwest, THT, MedBASE, and Indivica.
- **The Clinic economics.** WELL has typically bought clinics at 70% utilization. These clinics are usually profitable and can generate $40-60K in EBITDA on $1.5-2.0M in annual sales. These clinics are under-utilized as doctors' reimbursements are capped, so on the WELL platform if there are empty rooms there is an opportunity to bring in additional practitioners (sleep experts, naturopaths, etc.) and take EBITDA margins from single digits to as high as 20%. When making acquisitions WELL has historically paid between 5-7x EBITDA or 3-4x Annual Recurring Revenue (ARR).
- **When WELL purchases a clinic, they spend money securing the data.** Doctors usually use low grade consumer software so when WELL buys a clinic for $300K+ they spend another $20K+ just upgrading the network gear. They also conduct threat assessments, data penetration tests, etc. to make sure that the data and system is safe and secure.
- **WELL recently announced its expansion plans into the U.S. Telehealth market with an agreement to acquire a majority ownership in Circle Medical for US$14M.** This allows WELL's service to be in-network and accessible by ~200M Americans who can use the patient-centric Circle Medical "app" anytime for either no cost or a small co-pay.
- **THE KEY POINT: "WELL would like to be the Constellation Software (CSU) or Enghouse (ENGH) of healthcare".** Enghouse CEO Stephen Sadler is a mentor of Hamed's which means that WELL's intends to be "super disciplined" and not speculative when they make acquisitions. WELL's latest acquisition could be the best example of this as this was the first profitable transaction. The market has given WELL the currency to make acquisitions but Hamed doesn't take this lightly. Once again, the goal is to be efficient in the way they deploy capital and do it in a Constellation or Enghouse type of way.
- ***WELL Health is the largest publicly traded digital-health play here in Canada. With ~15% market share, WELL is the #3 player in EMR and given the current value of its public shares, is in a very good position to further consolidate a highly fragmented market. If Hamed can execute they way he would like to, I'm sure that the stock will treat investors very "WELL".*** **Friday September 25, 2020*

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