

Action Summary – 14 March 2024

Analyst Theodore R. O'Neill *is initiating coverage of SHL Telemedicine LTD with a Buy rating and a \$11 price target.*

- **Addressing a rapidly growing market.** SHLT is a pure-play in the rapidly expanding \$115B telemedicine market. We believe this is a ~\$30B market for goods and services in the U.S. alone. SHLT has been at the forefront of this with more than 30 years' experience, 3MM interactions annually and 24/7 telehealth monitoring capabilities. SHLT has established itself as a leader in the telemedicine landscape.
- **Multiple Growth Pathways:** Founded in Israel, it expanded into Germany with agreements among major health insurers, covering approximately 30% of the German population (25MM insured). We expect to see both organic and inorganic growth, changes in demographics and geographic expansion, already underway in the U.S. and demand for its services by health-conscious individuals.
- **Tier 1 Strategic customer in US: CVS (CVS-NR).** The company has made significant strides in preparing for the initiation of its Direct-to-Consumer (D2C) sales of its SmartHeart® technology in the US with investments establishing the necessary logistics, administrative platforms, and infrastructures to enable seamless order receipt, fulfilment, and billing across the US.
- **Protected technology moat.** The company's technology is protected by patents, trade secrets and use technological expertise from more than a decade of operation.
- **Attractive Valuation.** We believe the shares are undervalued and we confirm that through two valuation techniques. Our \$11 price target is based on our discounted earnings model. When we then look at the market metrics for a group of comparable companies, we find the shares trading at a discount to peer averages. If it were to trade to our price target, its 2025 Market Cap/Sales would be above average but would still be well within the range of comparable companies.

3/13 Closing price: \$6.25 USD	Market cap: \$104MM	Multiple of book: 2.6x	EV/2025 Sales: 2.4x
Diluted shares outstanding: 16.6 million	Insider ownership: 19%	3-mo avg. daily trading volume: 2,400	Dividend 2024 /Yield: 0/0%

(Revenue in USD Millions and EPS in dollars)

Period	Revenue	EPS	Op. Margin
FY22A	<u>\$59.0</u>	(\$0.01)	(8.1%)
1H23A	\$29.0	(\$0.14)	(13.5%)
2H23E	<u>\$27.0</u>	<u>(\$0.24)</u>	<u>(18.5%)</u>
FY2023E	<u>\$56.0</u>	<u>(\$0.38)</u>	<u>(15.9%)</u>
1H24E	\$29.0	(\$0.17)	(10.6%)
2H24E	<u>\$33.0</u>	<u>(\$0.09)</u>	<u>(4.6%)</u>
FY2024E	<u>\$62.0</u>	<u>(\$0.26)</u>	<u>(7.4%)</u>
1H25E	\$36.0	(\$0.02)	(0.9%)
2H25E	<u>\$39.0</u>	<u>\$0.02</u>	<u>1.4%</u>
FY2025E	<u>\$75.0</u>	<u>(\$0.00)</u>	<u>0.3%</u>

Cash balance (in USD millions)

• 2022A	• \$18.7
• 2023E	• \$33.9
• 2024E	• \$30.9
• 2025E	• \$33.7

LT Borrowings (in USD millions)

• 2022A	• \$13.0
• 2023E	• \$11.0
• 2024E	• \$10.0
• 2025E	• \$10.0

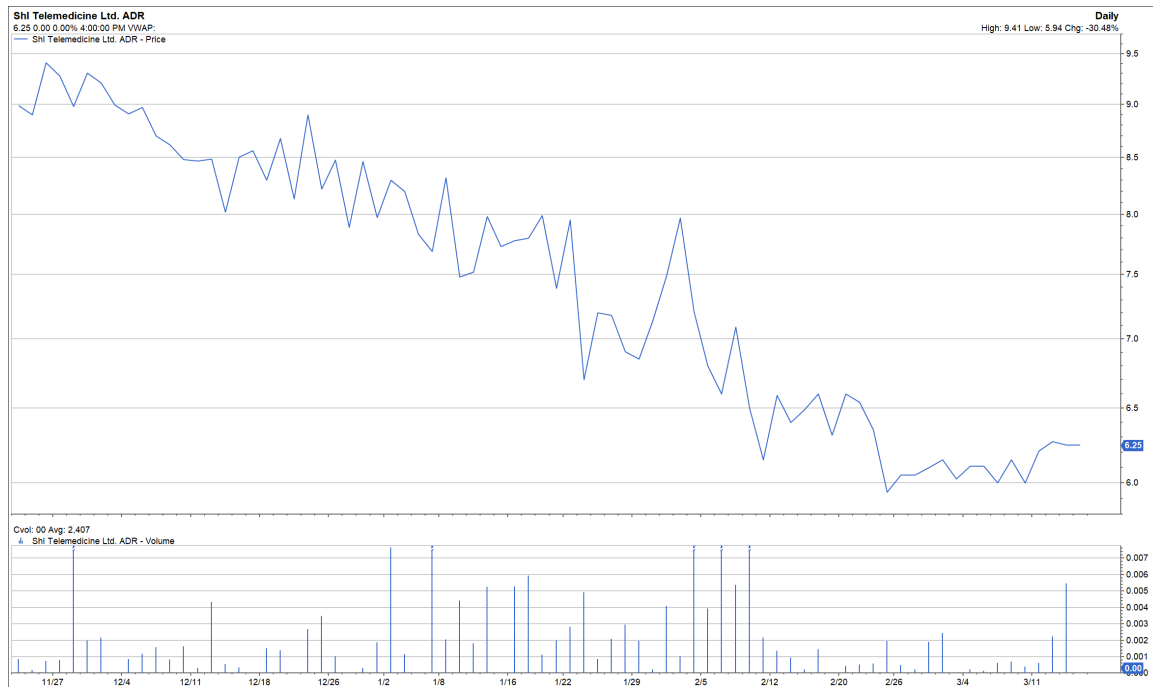
Note: Numbers may not be added due to rounding or change in share count. See our full model at the back of this report.

Risks/Valuation

- Risks: Highly regulated industry, competitive environment
- Our \$11 price target is derived from our discounted future earnings model.

Company description: SHL Telemedicine is engaged in developing and marketing personal telemedicine systems and the provision of medical call center services, with a focus on cardiovascular and related diseases, to end users and to the healthcare community. SHL Telemedicine offers its services and personal telemedicine devices to subscribers utilizing telephonic and Internet communication technology.

Figure 1 – SHL Telemedicine LTD – Trading snapshot from inception Nov. 21, 2023



Source: FactSet

Investment Thesis

- **Leadership in the ~\$115B Growing Telehealth Industry:** SHLT is a pure-play in the rapidly expanding telemedicine market. We believe this is a ~\$30B market for goods and services in the U.S. alone. SHLT has been at the forefront of this with more than 30 years' experience, 3MM interactions annually and 24/7 telehealth monitoring capabilities. SHLT has established itself as a leader in the telemedicine landscape.
- **Multiple Growth Pathways:** Founded in Israel, it expanded into Germany with agreements among major health insurers, covering approximately 30% of the German population (25MM insured). We expect to see both organic and inorganic growth, changes in demographics and geographic expansion, already underway in the U.S. and demand for its services by health-conscious individuals.
- **Tier 1 Strategic customer in US: CVS (CVS-NR).** The company has made significant strides in preparing for the initiation of its Direct-to-Consumer (D2C) sales of its SmartHeart® technology in the US with investments establishing the necessary logistics, administrative platforms, and infrastructures to enable seamless order receipt, fulfilment, and billing across the US. The company has developed a web and cloud-based platform, which will further enhance the user experience, establishing an integrated, user-friendly interface for D2C sales and services. Further measures taken include stocking up on the SmartHeart® units to meet the expected demand.
- **Protected technology moat.** The company's technology is protected by patents, trade secrets and use technological expertise from more than a decade of operation.

- **Clinical Validation and Expansion Plans:** Impressive initial results presented in trials conducted by the Mayo Clinic and Imperial College London showcase the significant value of the SmartHeart® 12-lead ECG technology for post-heart attack patients.
- **Customized Telemedicine Solutions:** SHL's advanced telemedicine offerings, tailored to meet the evolving needs of patients and healthcare providers, distinguish it from competitors. With a focus on converting traditional healthcare models to modern telemedicine standards, SHL delivers innovative solutions that drive customer satisfaction and loyalty.
- **Attractive valuation.** We believe the shares are undervalued and we confirm that through two valuation techniques. Our \$11 price target is based on our discounted earnings model. When we then look at the market metrics for a group of comparable companies, we find the shares trading at a discount to peer averages. If it were to trade to our price target, its 2025 Market Cap/Sales would be above average but would still be well within the range of comparable companies.

Valuation and Price Target

Valuation Methodology

We believe SHLT is undervalued, and we support that belief with two valuation techniques. To determine our price target, we use a discounted future earnings model, and we support that with a comparable valuation to peers.

Discounted Future Earnings – Basis for Price Target

Our 6-12-month price target of \$11 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings on a GAAP basis and discount them at 6%. We assume the company reaches breakeven in 1H25 and earnings growth ramps up for another 10 years until growth eventually slows to GDP. Our valuation model is shown in Figure 2 below. Note, this model understates future new services and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$11.47 which we round to \$11.00.

Figure 2 – SHL Telemedicine LTD – Price Target Calculation

Discounted Earnings		\$11.47
Year 1 is	Forecast	Discounted
2025	EPS	EPS
1	(0.00)	(\$0.00)
2	0.10	\$0.09
3	0.18	\$0.15
4	0.25	\$0.20
5	0.33	\$0.25
Terminal Value		\$10.79

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 3 is a summary of our SHLT peer comparison. We are using a comparable group of telehealth/telemedicine companies. Comparing SHLT's 2025 multiples to the averages, shows the shares sell at a 20% discount to 2025 market cap/sales and at a 34% discount to EV/Sales. Were the shares to trade to our price target of \$11, they would be selling at a premium to the average, but within the range. We would argue that the shares should sell at a premium because the

sales growth should also be at the high end of comparables. This and our discounted future earnings model confirm our view that the shares are undervalued.

Figure 3 – SHL Telemedicine LTD – Valuation of Peers

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2025 Consensus Multiples		
					Market Cap / Sales	EV / Sales	EV / EBITDA
MDT-US	Medtronic Plc	\$85.13	113,038	130,433	3.22	3.71	12.62
IQV-US	IQVIA Holdings Inc (US Listing)	\$257.18	46,810	60,648	2.82	3.65	15.95
VEEV-US	Veeva Systems, Inc.	\$227.79	36,678	33,278	11.76	10.67	50.49
ZBH-US	Zimmer Biomet Holdings Inc	\$126.74	25,992	32,164	3.23	3.99	11.47
IRTC-US	iRhythm Technologies, Inc.	\$111.66	3,459	3,405	4.83	4.75	
DOCS-US	Doximity, Inc	\$27.91	3,410	4,900	8.99	8.85	22.86
LFST-US	Lifestance Health Group, Inc.	\$7.21	2,745	3,082	1.96	2.20	NMF
HIMS-US	Hims & Hers Health, Inc.	\$14.26	2,936	2,774	2.09	1.90	53.29
PRVA-US	Privia Health Group, Inc.	\$22.92	2,718	2,523	1.29	1.19	44.38
TDOC-US	Teladoc Inc	\$15.42	2,576	3,006	0.94	1.10	13.20
MD-US	Pediatrics Medical Group, Inc.	\$9.03	760	1,266	0.36	0.60	6.47
GDRX-US	GoodRx Holdings, Inc.	\$7.39	689	3,071	3.38	3.56	18.32
LFMD-US	LifeMD, Inc.	\$8.00	314	282	1.36	1.15	32.48
AMWL-US	American Well Corporation	\$1.03	264		0.90		
AVERAGE					3.37	3.64	25.60
SHLT-US	Shl Telemedicine Ltd. ADR	\$6.00	202	180	2.69	2.40	45.00
SHLT-US Premium to peers:					-20%	-34%	76%

Source: Litchfield Hills Research LLC and FactSet

Company Background and Market Opportunity

For more than a quarter of a century, SHL Telemedicine has been at the forefront of 24/7 cardiac monitoring services. It has looked after hundreds of thousands of heart attack (Myocardial infarction “MI”), Congestive Heart Failure (“CHF”) and Chronic Obstructive Pulmonary Disease (“COPD”) patients from their homes. Using its own custom designed monitoring equipment provided to its users, it receives and interprets more than one million Electro Cardiograms ECGs each year. Its professional medical team keeps in touch with tens of thousands of users year-round.

The benefits of its chronic disease monitoring service for CHF and COPD patients are well documented:

- Dramatically reduces the number and length of hospital stays.
- Stabilizes patients while improving their quality of life.
- Reduces the risk of complications.
- Prevents deterioration in the patient’s overall condition.

For both its acute and chronic telemedicine services, it provides heart and other home-use medical monitoring devices that automatically transmit data to its telemedicine center. It checks the data it receives and interacts with users to monitor their wellbeing and levels of compliance with their set treatment. In some cases, it will create a personal health record (PHR); in others, it uses the hospital’s medical record. Either way, their clinical data is maintained under data protection rules and



made securely accessible online to patients and their approved physicians. The services include regular phone calls, reminders and encouragement to help our users keep on with their treatment program.

Saving patients' lives

An extended clinical study concluded that its service significantly increases the probability of SHLT users surviving the first year after a heart attack.

Reducing readmissions

Its acute and chronic disease monitoring programs dramatically increase survival rates and reduce the rate, frequency, and length of readmissions. It is no secret that all too many post MI and Heart Failure ("HF") patients will require readmission within 30 days of their hospital discharge, particularly if they have no support system at home. Here too, an SHL-type service for monitoring patients following discharge can significantly reduce this phenomenon. It is a win-win choice for hospitals and patients. Health professionals also have much to gain from the attentiveness of its telemedicine service model.

Working with Health Insurers and Payers

Many major health insurers and payers work in partnership with SHLT to bring the benefits of telemedicine to their members and clients. In this way, health insurers and payers benefit from its expertise and experience and can very quickly provide a dedicated service for their clients/members suffering from CHF or COPD. It can work with any insurer/payer to create and specifically tailor a similar service for its members or clients.

It can provide efficient and friendly service 24/7 and user-friendly medical monitoring devices to the patient for home use. Users are required to use these devices to check themselves at a pre-set frequency and transmit the results to the telemedicine center. It is a simple process, requiring only a few minutes each time.

The SHLT solution enables transmission of medical data to the telemedicine center, via one or more of several communication methods" whether it's by using the patient's smartphone or home telephone. A combination of Bluetooth and cellular communication, or the SHLT Central Communication Module (CCM) takes care of communication from the patient's home to the telemedicine center.

If the data received at the telemedicine center deviates from a predetermined threshold, or it identifies any deviations, it can take steps to stabilize the patient's condition.

In addition to monitoring the results from its mobile ECGs and other home devices, the SHLT program incorporates the equally important factors of user instruction, education, and compliance with given treatment guidelines. A member of the SHL medical team also periodically contacts the user, irrespective of any medical need, to check up on their overall medical condition and strengthen the user's compliance with their treatment guidelines and lifestyle program.

It takes a holistic approach to care that can also provide users educational materials on a variety of topics, covering characteristics of the illness, related drug treatment, and recommended diet and nutrition programs. Its CHF and COPD monitoring services considerably improve users' quality of life and significantly reduce the length and frequency of their time in hospital.

Several German health insurers use the SHLT telemedicine service as part of their offering to their members. Tens of thousands of SHLT home systems have been installed across Germany, and the sign-up rate of chronically ill patients suffering from illnesses such as CHF and COPD continues to increase.

Working with Physicians

SHLT can also assist physicians directly. It ensures that cardiac patients are under a 24-hour monitoring program in the comfort of their own homes. Patients, together with their families and support networks, are typically more relaxed in their home environment and more active than they would be in a hospital environment. This combination makes it far easier to quickly stabilize their medication needs.

With the SHLT service, physicians can optimize treatment plans and medication, safe in the knowledge that it will:

- monitor your patients' vital signs.
- facilitate emergency help when it is genuinely needed.
- be available 24/7 to extend medical assistance at the very moment it is needed.
- check that your patients are complying with their treatment plans and medications and keeping their appointments with you.
- intervene if a turning point alarm is triggered in the computer system by a change in test results.
- educate our users towards a better quality of life.

Many physicians refer high-risk individuals who are healthy to the SHLT cardiac monitoring service for their patients – and their own – peace of mind. In addition, it counts among its users many healthy individuals who have come turned to SHLT because of growing healthcare consumerism and their wish to play a larger role in managing their own health.

PRODUCT AND SERVICES OFFERED

SHL boasts a diverse and sophisticated product portfolio aimed at addressing various medical monitoring needs. One of its flagship products is the SmartHeart®, a personal mobile 12-lead ECG device designed to detect heart attacks swiftly and accurately.

SmartHeart® is a remarkable patented and **FDA-cleared hospital-grade 12-lead ECG device**. It's designed to be fast, user-friendly, and reliable. Here's how it works:

1. **Physicians:** Medical professionals can apply SmartHeart to perform a full 12-lead ECG on patients. The device provides accurate data that aids in diagnosis and treatment decisions.
2. **Patients:** Yes, patients themselves can also use SmartHeart. It's designed for easy self-application. Patients can perform a full 12-lead ECG and transmit the results for review.

SHL Telemedicine's professional medical staff is available **24/7** to review the ECGs and provide findings. The SmartHeartPro® data is securely stored in the cloud and is **HIPAA compliant**, ensuring patient privacy meets rigorous security standards. This innovative device has revolutionized the ECG experience, replacing cumbersome and expensive traditional ECG machines. With SmartHeartPro®, physicians can continue providing excellent patient care while increasing efficiency in their practice. Plus, the SHL Telemedicine center offers professional medical support, ensuring quicker and more efficient analysis of ECGs.

In October 2023, SHLT launched a **membership program** in the US for SmartHeart. This program includes the portable SmartHeart device, which offers **round-the-clock interpretation by board-certified cardiologists**.

So, whether you're a physician or a patient, SmartHeart® brings advanced technology and expert support to your fingertips.

Additionally, the company offers CardioSen'C™, Cardio'B™, and Cardio Beeper (see Figure 4), which are advanced ECG transmitter devices catering to different user preferences and needs. Moreover, SHL provides essential devices such as the central communication module, TeleWeight, TelePress, TeleBreather, and TelePulse Oximeter, enabling remote monitoring of vital health metrics including blood pressure, weight, lung function, and oxygen saturation levels in the blood.

Figure 4 – SHL Telemedicine LTD – Products



CardioSen'C™



SmartHeart®



Cardio'B™

Source: SHL Telemedicine

SHL's services extend beyond the provision of hardware devices, encompassing comprehensive telemedicine solutions that leverage both telephonic and internet communication technologies. These services are tailored to cater to diverse end-users, including patients, health insurance companies, hospitals, clinics, physicians, and other healthcare providers. By offering centralized remote diagnostic and monitoring services, SHL aims to facilitate timely interventions, reduce hospitalizations, and ultimately improve patient outcomes. Moreover, SHL's telemedicine platforms empower individuals to actively participate in managing their health, promoting a proactive approach to wellness and disease management.

Growth Strategy

SHL Telemedicine is strategically positioned for growth, focusing on the following plans:

- Increase geographic presence through organic or inorganic expansion.
- Demographic trends will create a larger patient population.
- **Success breeds success.** Monitoring success at extending lives will lead to more patients being monitored for longer periods of time.
- **Increasing Virtual Visits:** Expanding the use of virtual visits to enhance patient access and engagement.
- **Partnerships with Health Funds:** Collaborating with additional health funds to broaden the availability of virtual visit services.
- **D2C Sales Launch:** Initiating direct sales to consumers, offering personalized telemedicine solutions for individual healthcare needs.

These strategies aim to drive SHLT's growth and extend its reach in the telemedicine market, ensuring accessibility and quality care for patients globally.

Operational Structure

SHL's operational structure (see Figure 5) is characterized by a network of subsidiaries operating in key markets worldwide. In Germany, SHL Telemedizin GmbH and its subsidiaries play a pivotal role in delivering telemedicine services to patients,



primarily through collaborations with German health insurers. SHL Telemedizin GmbH, along with its subsidiaries Almeda Gesundheitsservices GmbH, Gesellschaft für Patientenhilfe DGP mbH, and Jumedl GmbH, collectively known as SHL Germany, operate independently in the German market. They provide telemedicine services to patients in Germany, mainly through collaborations with German health insurers. SHL Germany operates as a stand-alone business with a high degree of autonomy, under the oversight and control of SHL's corporate headquarters. While SHL Germany handles day-to-day operations and business development, corporate headquarters provide essential functions such as accounting, ensuring seamless operations.

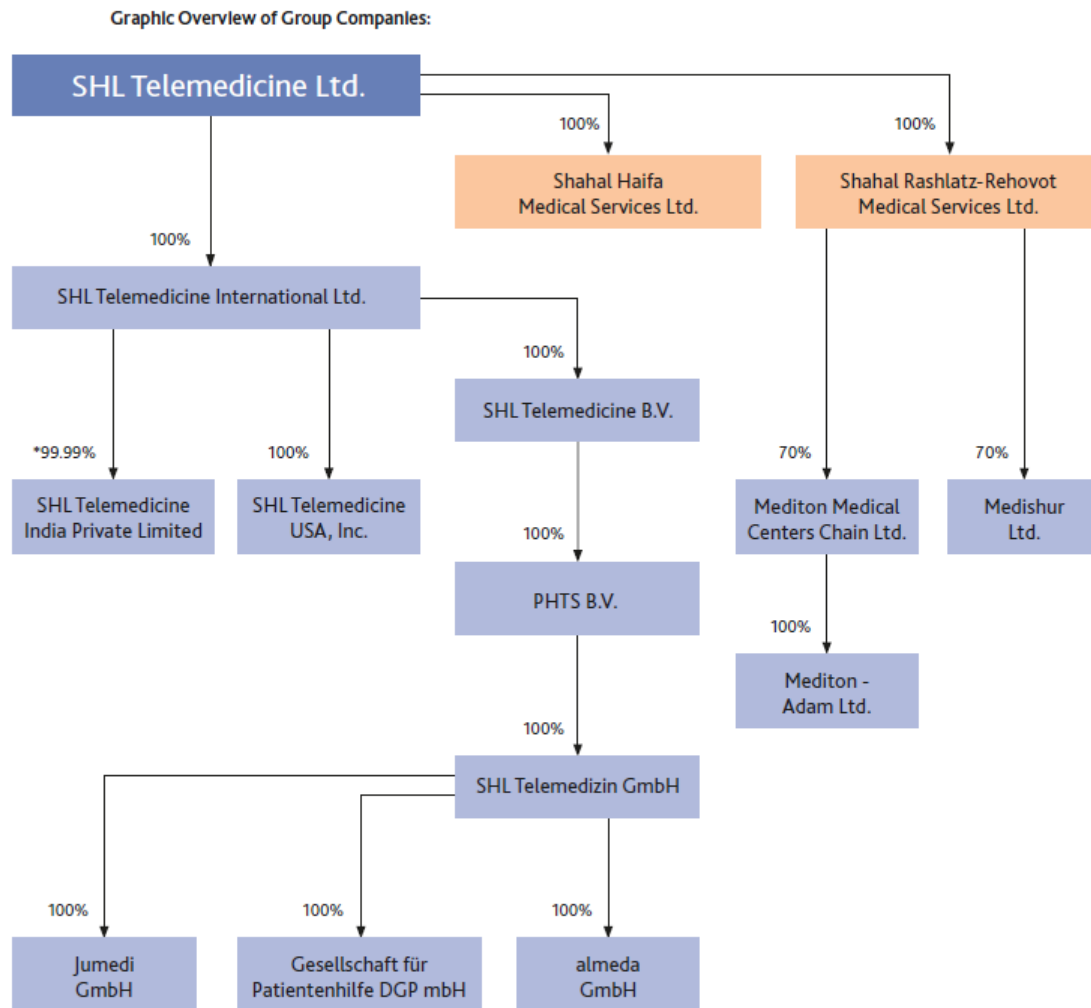
In Israel, SHL Israel operates through entities such as Shahal Haifa-Medical Services Ltd. and Shahal Rashlatz-Rehovot Medical Services Ltd., catering mainly to private paying subscribers. Additionally, Mediton Medical Centers Chain Ltd., a subsidiary of SHL Israel, provides private medical services, specialist clinics, and medical solutions advice. Medisure Ltd., another subsidiary of Mediton Medical Centers Chain Ltd., further expands the scope of services offered. With over 100 institutional customers, MeditonGroup is a leading B2B healthcare services provider in Israel to the largest and leading companies in Israel, government institutions, the Ministry of Defense, National Insurance, health funds, and insurance companies. SHL Israel operates as a stand-alone business under the management of SHL's corporate headquarters, which provides essential central functions such as business development and accounting, ensuring operational efficiency and compliance.

In the United States, SHL Telemedicine USA, Inc. focuses on business development and sales activities, targeting healthcare professionals. SHL USA operates as a second-tier subsidiary, engaging primarily in sales and marketing efforts to promote its SmartHeart technology and platforms to healthcare professionals in the US market. While SHL USA conducts its business development and sales independently, it operates under the overarching strategic direction provided by SHL's corporate management.

Furthermore, SHL's research and development arm, SHL Telemedicine International Ltd. (SHL INT), oversees innovation and product development, ensuring the continuous evolution of the company's telemedicine solutions. SHL INT conducts research and development activities, manufactures devices, and provides software development and maintenance services to all group entities. By centralizing research and development efforts under SHL INT, the company ensures synergy and alignment across its subsidiaries, facilitating the seamless integration of new technologies into its telemedicine solutions.

Overall, SHL's operational structure is designed to optimize efficiency, foster innovation, and facilitate seamless coordination among its subsidiaries. With a strategic presence in key markets worldwide and a dedicated focus on research and development, SHL is well-positioned to drive advancements in telemedicine and deliver high-quality healthcare solutions to patients globally.

Figure 5 – SHL Telemedicine LTD – Organizational Structure



Source: SHL Telemedicine Annual Report, 2022

Collaborations and Partnerships

SHL Telemedicine Ltd has strategically aligned itself with prestigious institutions and healthcare stakeholders to enhance its telemedicine offerings and extend its global footprint. Collaborating with renowned entities, like the Mayo Clinic, SHL evaluates the efficacy of its SmartHeart ECG device in reducing adverse cardiovascular events post-heart attack, solidifying its commitment to evidence-based solutions. The company has signed several strategic agreements, including with CVS Health Clinical Trial Services, Henry Schein, and others, that are using or distributing its SmartHeart ECG platform. Partnerships with academic institutions such as the Hebrew University of Jerusalem foster collaborative research, ensuring SHL's telemedicine solutions are grounded in scientific rigor.

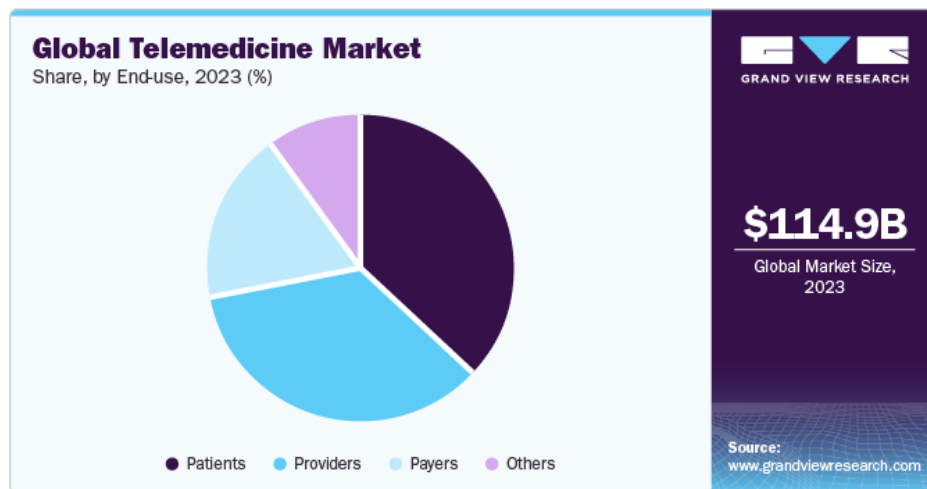
Moreover, SHL's collaborations with healthcare providers, including hospitals and clinics, enable seamless integration of its telemedicine services into existing healthcare infrastructures, improving patient access and outcomes. In Germany, SHLT Telemedizin GmbH collaborates with health insurers, emphasizing its adaptability to diverse healthcare systems. The company has agreements with leading health insurers, covering about 30% of the German health insurance market (about 25 million insured). These partnerships not only drive innovation but also enhance SHL's market presence and accessibility, reaffirming its position as a leader in the telemedicine industry.

The Company won a pan-European tender by BARMER for a large seven-year contract for Doctors' Virtual Visits and Telehealth services. BARMER, one of the three largest health insurers in Germany serving about 8.7 million insured, recently started marketing this service, making it available and accessible to all its insureds across Germany. AOK PLUS, a large health insurer in Germany serving about 3.5 million insured, also chose SHL's German operation to provide Doctors' Virtual Visits services to its insureds in Germany.

Telemedicine Market

Telemedicine, also known as telehealth, encompasses a broad range of remote healthcare services delivered through telecommunications technology. These services include virtual consultations, remote monitoring, tele-diagnosis, and tele-education. The telemedicine market has experienced unprecedented growth and transformation in recent years, fueled by technological advancements, changing healthcare dynamics, and the global COVID-19 pandemic. SHL holds a strategic position within the burgeoning global **telemedicine market, which was valued at USD \$114.98 billion in 2023**, which we expect will grow at a >10% CAGR (see Figure 6).

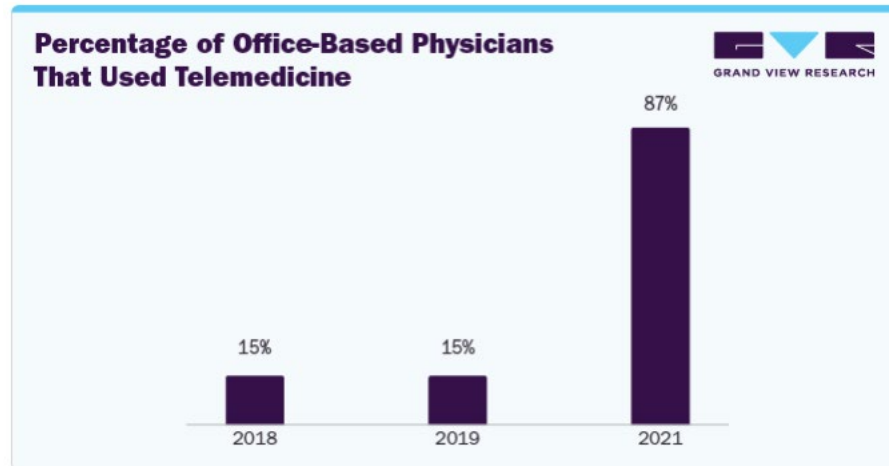
Figure 6 - SHL Telemedicine LTD – US Telemedicine Market



Source: Grand View Research

At the same time, the acceptance of telemedicine has been growing (see Figure 7),

Figure 7 - SHL Telemedicine LTD – US Telemedicine Market



Source: Grand View Research

This significant growth is driven by the increasing demand for remote healthcare solutions fueled by factors like:

- **Rising prevalence of chronic diseases:** According to the World Health Organization (WHO), non-communicable diseases (NCDs) account for 70% of deaths globally, with chronic respiratory diseases, heart disease, and cancer being the leading causes. SHL's solutions cater to these prevalent conditions by offering remote monitoring and management, potentially improving outcomes and reducing healthcare costs.
- **Aging population:** According to the World Health Organization, the global population aged 65+ is expected to reach 2.1 billion by 2050, leading to a greater demand for accessible and convenient healthcare services. SHL's telemedicine solutions address this need by providing home-based monitoring, especially beneficial for elderly individuals with limited mobility.
- **Technological advancements:** According to Markets and Markets, advancements in artificial intelligence (AI), big data analytics, and the Internet of Things (IoT) are rapidly transforming healthcare delivery. SHL actively incorporates these technologies into its solutions, offering more precise diagnoses, personalized care plans, and improved patient engagement.
- **Increased healthcare costs:** Telemedicine presents a potential solution to reduce costs by enabling remote consultations, monitoring, and interventions according to Mordor Intelligence.

Competitive Landscape

SHL faces competition from established players like Philips, Medtronic, and AliveCor, as well as emerging startups in the telemedicine space. However, SHL's SmartHeart platform is the only 12 lead ECG technology that can be used by anyone at home. It also focuses on **personalized solutions, integration with existing healthcare systems, and data security** which further differentiates it from competitors. Additionally, its **strategic partnerships with leading healthcare providers and research institutions** further solidify its market position.

Financial Projections and Management Guidance

The company does not provide financial guidance. We are forecasting a 5% drop in 2023 revenue, primarily due to headwinds in the German health insurance market that is facing deficits. We are forecasting growth in 2024 and 2025 with a recovery in the German market and penetration of the U.S. market. We expect to see leverage of G&A, selling and R&D thus these metrics will decline as a percentage of sales as sales grow. This combination of factors should lead to the company reaching BE in 1H25.

Management Summary

Yariv Alroy – Active Co-Chairman of the Board

Mr. Yariv Alroy joined the Board of Directors of SHL as a non-executive Director in December 2018. Mr. Yariv Alroy served as the Company's Co-CEO from 2000 to 2016. He has previously held various positions at the company since he joined in 1997. Before joining the Company, Mr. Yariv Alroy worked for a leading Israeli law firm from 1989 to 1993, with his last position being senior partner. Since 2016 he has been an investor and a businessman and serves as a Board Member of Duke Robotics Inc. He holds an LL.B. from Tel Aviv University, Israel.

Erez Nachtomy – CEO

Mr. Erez Nachtomy, appointed CEO on May 17, 2020, boasts extensive experience. He began with SHL as a non-executive Director in December 2018. Prior to that, from 1989 to 2001, he excelled in law at Weksler, Bregman & Co., eventually becoming a senior partner. Joining SHL's executive team in March 2001, he ascended to Executive Vice President from Jan 2005 to Dec 2016. Since 2017, he's focused on strategic planning, M&A, and business development, and serves UAS Drone Corp. as a Board Member. Nachtomy holds an LL.B. from Tel Aviv University and is a member of the Israeli Bar, bringing robust expertise to his role.

Amir Hai - Chief Financial Officer

Amir Hai joined SHL in January 2022 as the Company's CFO. Prior to his current position, Mr. Hai served as Chief Financial Officer at Radcom. Mr. Hai served as Chief Financial Officer for several multinational companies. He also served as external director and Chairman of the Audit Committee of Matrix I.T. Ltd. Mr. Hai holds a BA degree in accounting and management from the College of Management in Tel Aviv and is a CPA in Israel.

Figure 8 – SHL Telemedicine LTD – Income Statement (\$000)

December year-end	2022A Year	2023E		2023E Year	2024E		2024E Year	2025E		2025E Year
		1H23A	2H23E		1H24E	2H24E		1H25E	1H25E	
Total revenue	\$58,998	\$29,005	\$27,000	\$56,005	\$29,000	\$33,000	\$62,000	\$36,000	\$39,000	\$75,000
<i>Growth</i>	19%			-5%			11%			21%
Cost of Goods	31,809	16,228	16,000	32,228	15,660	17,820	33,480	19,440	21,060	40,500
Gross Profit	27,189	12,777	11,000	23,777	13,340	15,180	28,520	16,560	17,940	34,500
Gross Margin	46.1%	44.1%	40.7%	42.5%	46.0%	46.0%	46.0%	46.0%	46.0%	46.0%
G&A	\$16,748	\$8,689	\$8,600	\$17,289	\$8,700	\$8,700	\$17,400	\$8,800	\$8,900	\$17,700
% of total revenue	28%	30%	32%	31%	30%	26%	28%	24%	23%	24%
Selling and marketing	\$11,403	\$5,620	\$5,000	\$10,620	\$5,200	\$5,500	\$10,700	\$5,500	\$5,800	\$11,300
% of total revenue	19%	19%	19%	19%	18%	17%	17%	15%	15%	15%
R&D	\$3,788	\$2,389	\$2,400	\$4,789	\$2,500	\$2,500	\$5,000	\$2,600	\$2,700	\$5,300
% of total revenue	6.4%	8.2%	8.9%	8.6%	8.6%	7.6%	8.1%	7.2%	6.9%	7.1%
Total Operating Expenses	31,939	16,698	16,000	32,698	16,400	16,700	33,100	16,900	17,400	34,300
Operating Income	(4,750)	(3,921)	(5,000)	(8,921)	(3,060)	(1,520)	(4,580)	(340)	540	200
Operating Margin	-8.1%	-13.5%	-18.5%	-15.9%	-10.6%	-4.6%	-7.4%	-0.9%	1.4%	0.3%
Total Other Items	6,062	2,507	1,000	3,507	0	0	0	0	0	0
Pre-Tax Income	1,312	(1,414)	(4,000)	(5,414)	(3,060)	(1,520)	(4,580)	(340)	540	200
Pre-Tax Margin	2.2%	-4.9%	-14.8%	-9.7%	-10.6%	-4.6%	-7.4%	-0.9%	1.4%	0.3%
Taxes (benefit)	1,097	706	(200)	506	(367)	(182)	(550)	(41)	65	24
Tax Rate	83.6%	-49.9%	5.0%	-9.3%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Net Income (loss)	215	(2,120)	(3,800)	(5,920)	(2,693)	(1,338)	(4,030)	(299)	475	176
Net Margin	0.4%	-7.3%	-14.1%	-10.6%	-9.3%	-4.1%	-6.5%	-0.8%	1.2%	0.2%
EPS, as reported	(0.01)	(0.14)	(0.24)	(0.38)	(0.17)	(0.09)	(0.26)	(0.02)	0.02	(0.00)
Diluted Shares Outstanding	15,198	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000

Source: Company reports and Litchfield Hills Research LLC

Figure 9 – SHL Telemedicine LTD – Balance Sheet (\$000)

December year-end	FY2025E	FY2024E	FY2023E	FY2022A
Balance sheet				
Current Assets				
Cash and S.T.I.	\$35,307	\$30,931	\$33,856	\$18,700
Trade receivables	12,000	10,000	8,000	7,797
Inventory	5,000	4,500	4,000	3,879
Other assets	<u>2,400</u>	<u>2,300</u>	<u>2,000</u>	<u>1,912</u>
Total Current Assets	54,707	47,731	47,856	32,288
Net PP&E	5,300	5,100	4,900	4,652
Goodwill & Intangibles	45,000	50,000	52,000	54,170
Other non-current assets	<u>20,000</u>	<u>20,000</u>	<u>19,000</u>	<u>19,673</u>
Total Assets	\$125,007	\$122,831	\$123,756	\$110,783
Current Liabilities				
Payables	\$16,000	\$14,000	\$12,000	\$13,133
Current maturities of lease liabilities	\$2,500	\$2,500	\$2,400	\$2,263
Short term credit	\$2,000	\$2,000	\$2,100	\$2,169
Deferred revenue	\$300	\$300	\$200	\$260
Other current liabilities	\$0	\$0	\$0	\$0
Total current liabilities	20,800	18,800	16,700	17,825
Interest bearing borrowings	10,000	10,000	11,000	13,008
Other Liabilities	<u>14,000</u>	<u>14,000</u>	<u>13,000</u>	<u>20,661</u>
Total Liabilities	44,800	42,800	40,700	51,494
Stockholders' Equity				
Preferred stock	0	0	0	0
Share Capital	55	55	50	43
Additional paid-in-capital	161,000	161,000	160,000	130,009
Retained earnings	(82,848)	(83,024)	(78,994)	(73,074)
Cum. Other comp and treasury stock	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,311</u>
Total stockholders' equity	<u>80,207</u>	<u>80,031</u>	<u>83,056</u>	<u>59,289</u>
Total Liabilities and equity	\$125,007	\$122,831	\$123,756	\$110,783

Source: Company reports and Litchfield Hills Research LLC

Figure 10 – SHL Telemedicine LTD – Cash Flow (\$000)

	FY25E	FY24E	FY23E
Net Income	\$176	(\$4,030)	(\$5,920)
Trade receivables	(2,000)	(2,000)	(203)
Inventory	(500)	(500)	(121)
Other assets	(100)	(300)	(88)
Net PP&E	(200)	(200)	(248)
Goodwill & Intangibles	5,000	2,000	2,170
Other non-current	0	(1,000)	673
Payables	2,000	2,000	(1,133)
Short term credit	0	(100)	(69)
Current maturities of lease liabilities	0	100	137
Deferred revenue	0	100	(60)
Other current liabilities	0	0	0
Interest bearing borrowings	0	(1,000)	(2,008)
Other Liabilities	0	1,000	(7,661)
Preferred stock	0	0	0
Share Capital	0	5	7
Additional paid-in-capital	0	1,000	29,991
Cum. trans. adj. and treasury stock	0	0	(311)
Other	0	0	0
Total Cash Flow	\$4,376	(\$2,925)	\$15,156

Source: Litchfield Hills Research LLC

Disclosures:

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