



# Mobile-Health Network Solutions

MNDR (NASD) - Buy \$8 Target

## Update Report – May 10, 2024

### Rapidly Growing Southeast Asia Telemedicine Company with Global Aspirations

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Raising estimates and upping target to \$8 as MNDR rings the NASDAQ opening bell.

- Yesterday, we met with the company's co-CEOs ahead of their bell-ringing ceremony at the NASDAQ this morning.
- For a company that just went public, there was a lot of news to catch up on:
  - The April 22 announcement that revenue increased 100% for 1H of F2024
  - The April 23 announcement that it was entering the Indonesian market with a local pharmacy partner
- As a result of revenue trending ahead of our forecast, we are raising our F24 estimate from \$12.1 million to \$14.3 million and, as a result of the higher estimates, our price target is now \$8, or more than double yesterday's close after continued volatility which has seen the shares swing between \$2.21 and \$29.50 since their IPO on April 9<sup>th</sup> at \$4.00 per share. In our opinion, neither the high nor the low fairly reflects the intrinsic value of the company's Southeast Asia telemedicine business and we expect this value to be reflected over time.

Rating	Buy	<b>Earnings Per Share</b>				
Target Price	\$8.00	<b>FYE - June</b>	<b>FY2023</b>	<b>FY2024E</b>	<b>FY2025E</b>	<b>FY2026E</b>
Ticker Symbol	MNDR					
Market	NASDAQ					
Stock Price	\$2.29					
52 wk High	\$29.50	<b>Revenue (\$mm)</b>	<b>\$7.9</b>	<b>\$14.3</b>	<b>\$25.9</b>	<b>\$45.7</b>
52 wk Low	\$2.21	EV/Rev	-1.2X	-0.7X	-0.4X	-0.2X
Shares Outstanding:	34.0 M					
Public Market Float:	15.8 M	<b>EBITDA (\$mm)</b>	<b>(\$3.2)</b>	<b>(\$4.3)</b>	<b>(\$1.4)</b>	<b>\$0.9</b>
Avg. Daily Volume	5,849,009					
Market Capitalization:	\$50 M	EPS	(\$0.12)	(\$0.13)	(\$0.04)	\$0.02
Institutional Holdings:	NA					
Dividend Yield:	0.0%					

## Risks/Valuation

- We see two key risks to the business. First, consumers could revert to favoring in-person medical treatment, and second, a larger and better-capitalized competitor could enter the Southeast Asia telemedicine market.
- We use a blend of telemedicine and social media comps to value the company. Telemedicine comps trade at an average of 2.4x 2024E revenue, with a range of 1X to 8X. Social media comps trade at an average of 3.8x also with a range of 1x to 8x. The stock is currently at 9.8x our F26 revenue estimate, which is not unreasonable given the just-reported 100% growth, however, there are few 100% growers to use as comps.

**Company description:** Mobile-Health Network Solutions operates under the MaNaDr brand and is the largest and fastest-growing telemedicine provider in Singapore. It has put the infrastructure in place to expand its array of services geographically across Southeast Asia and to other markets such as the Middle East, Australia, and perhaps even the U.S.



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### Raising Estimates and Upping Target to \$8 as MNDR Rings the NASDAQ Opening Bell

Yesterday, we met with Dr. Siaw and Dr. Teoh, co-CEOs of Mobile-health (aka MaNaDr) ahead of their post-IPO bell-ringing ceremony at the NASDAQ this morning. We reiterate our Buy rating on the shares. We are raising our F24 revenue estimate from \$12.1 million to \$14.3 million. We also initiate an \$8 price target.

The IPO was priced at \$4.00 per share on April 9th and the shares subsequently surged over 600% before subsequently falling to a low of \$2.21 and recovering to yesterday's close of \$2.29. We discuss the stock movement later in this report, but (spoiler alert) we don't have great visibility on what transpired.

More importantly, the company has made two major, positive announcements about the business in the month since the IPO. First, on April 22 the company announced that 1H 24 revenue (six months ended December 31, 2023) came in at \$6 million, up 100% from a year ago. This was well ahead of our estimates and is the main driver behind the increase in our revenue estimate. Our \$8 price target is 15.8x our 2026 revenue estimate. This multiple is twice that of comparable Doximity (DOCS – NASDAQ) but MaNaDr is growing 8x faster than Doximity and, in our opinion, has much greater runway for growth.

### Raising our F24 Revenue Estimate from \$12.1 Million to \$14.3 Million

As we now know that 1H 24 revenue was \$6 million, it appears that our prior \$12.1 million full-year estimate is too low. In 2023, 1H revenue was \$3.0 million and 2H revenue was \$4.9 million. This represented 62% sequential growth from 1H to 2H. If it grew at this rate in 2H 24, full-year revenue would come in at \$15.7 million. Our new estimate is more conservative, assuming 40% sequential growth. This growth, so far, is nearly all from domestic Singapore demand, as international expansions have not yet occurred. The local market appears to be moving in MaNaDr's favor, with its largest competitor now focusing on acquiring traditional medical practices and the third and fourth players far behind (see our initiation report for a fuller discussion of the telemedicine competitive landscape in Singapore).

### A Telemedicine Leader in Singapore, aspiring to be the Healthcare Operating System for the World

Currently Singapore's Leading Telemedicine Platform	FY2026 Estimates	Future Growth Aspirations
\$8 mm revenue in F23 negative EBITDA in F23 1,500 Medical professionals 2,000,000 Consults to date 700 Clinics 18 Countries	\$46 mm est. revenue in F26 positive est. EBITDA in F26	<b>Healthcare Operating System</b> Patients Doctors Clinics Hospitals Pharmacies
Singapore - telemedicine 416% FY23 growth in private teleconsults  17 countries - health care forums		<b>International Telemedicine Expansion</b> Southeast Asia Middle East Australia United States

Source: Litchfield Hills Research and Company reports

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### MaNaDr Enters the Fourth-Largest Country by Population

On April 23, MaNaDr announced that it was entering the Indonesian market with local pharmacy operator LifePak. We have done some research on the Indonesian market, previously visited the country on multiple occasions, and have done some internet research on LifePak. Drs. Siaw and Teoh filled us in on the details. Management first met with LifePak in November 2023 and came away viewing them as a robust potential partner. They were introduced by a mutual investor in both companies. Dr. Teoh showed us pictures of one of their neat, well-organized warehouses in Jakarta. The partnership will initially focus on the three largest metros in Indonesia where LifePak has warehouses – Jakarta, Bandung, and Surabaya – and will focus on the roughly one-third of the Indonesian population that is middle class and hold debit or credit cards.

Because MaNaDr is a virtual, telemedicine company, it only expects it to take a few months to ramp up service. LifePak brings 2,000 locally licensed physicians in Indonesia that are already on its prescription platform. These doctors will be trained on using the app and each will be individually interviewed and vetted by MaNaDr staff over the next three months to ensure quality. The service will use the existing MaNaDr app (we reviewed the app in our initiation report), so doctors can begin offering service to their patients relatively quickly. MaNaDr will set its rates based on local market rates for doctor consultations and offer doctors the same 85% cut of revenue it offers in Singapore. It will rely on the initial 2,000 doctors to educate its patients to drive demand, and at least initially, is not conducting outside marketing. Over time, however, there are roughly 213,000 other doctors in the country who it can also onboard.

Initially, doctors will use two separate apps, the MaNaDr app to meet patients and the LifePak app for prescriptions. It will take about four months to integrate this functionality. The benefit of LifePak is that it uses approved, sealed packaging for prescriptions that are dispatched from its warehouses. So, it can get prescriptions to patients within two hours in the metros it serves. Logistics is not an issue with the ubiquitous fleet of thousands of Grab (GRAB – NASDAQ) scooter drivers across the region.

### MaNaDr Begins its Global Expansion with Strong Indonesian Partner

				
	<u>Singapore</u>	<u>Indonesia</u>	<u>Malaysia</u>	<u>Vietnam</u>
Population millions	5.9	273.5	33.9	104.8
% w/debit cards	93.5%	35.1%	82.6%	74.0%
% w/credit cards	41.7%	1.6%	29.0%	5.0%
Upper/middle class	90.0%	35.0%	40.0%	28.0%
GDP \$ billions	\$501	\$1,371	\$407	\$409
GDP growth - 2024	2.5%	5.1%	4.6%	8.1%
GDP per capita	\$84,915	\$5,013	\$11,992	\$3,901
Doctors	14,828	214,878	17,020	44,960
per capita	0.0025	0.0008	0.0005	0.0004

Source: FactSet Research Systems Inc.



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According to press accounts, LifePak is a venture-backed company whose founders have started and successfully exited from numerous other ventures. The chair previously established several pharmacy businesses in Canada, while the CEO has started businesses in Indonesia including the highly successful online travel agency Tiket.com. Given this profile and MaNaDr's disclosed aspirations for M&A, we would not be surprised to see a merger down the road. MaNaDr now has ample cash from its IPO, but its stock is too low to use as an acquisition currency presently, in our opinion.

Payments is an obstacle to on-line sales in Indonesia, and most of Southeast Asia (ex-Singapore) as cash is still king and electronic payment penetration is still low. LifePak has addressed this issue with innovative technology in which customers can pay via most payment platforms integrated with WhatsApp.

MaNaDr has been vocal about its aspirations for geographic expansion, and even globally over the long term. We see two more obvious new markets for entry. First, Malaysia neighbors Singapore, and the two were once one country. Both of MaNaDr's founders are from Malaysia. Many Malaysians come to Singapore for medical treatment and the regulatory barriers to entry for telemedicine are low. Like Indonesia, we would expect MaNaDr to first focus on the main urban markets and the middle-class population.

The other obvious market is Vietnam, where MaNaDr's IT operations are headquartered in Hanoi. Like Malaysia, regulatory barriers to entry are much looser than in developed markets such as the U.S. and Singapore. We think that LifePak would make an excellent partner in both, and Grab is ubiquitous in both. In fact, Grab was founded in Malaysia.

The table above shows some basic demographic information on all of the countries we mentioned. This analyst has traveled extensively throughout the region over the last few decades and is impressed by the tremendous growth potential. In fact, Southeast Asia is the fastest-growing region of the world with about 7% growth, it has one of the youngest population bases in the world and they are tech-savvy, using their mobile devices for nearly every aspect of their lives. So, telemedicine is a natural.

### So, What's Up with the Stock Price?

As noted, the stock rocketed up over 600% after the \$4 IPO to nearly \$30, only to come crashing down to just above \$2 presently. In our opinion, neither price reflects fundamentals. Our view is that these price moves were largely driven by quantitative trading models which are drawn to momentum stocks, either upward momentum or downward momentum. We suspect that as the stock soared into the \$20s, and short sellers researched the company, they saw an opportunity, creating downward momentum, and quant trading exaggerated the decline. If we are correct about short-sellers, the next upward move will likely see short-covering creating another rally. It could be some time before the shares trade at a nice, boring level based on fundamentals, but the fundamentals are encouraging. We have also noticed that quant models seem to react to SEC filings, which are also filed in XBRL computer language they understand, but don't respond to press releases. The pre-announcement of stronger-than-expected 1H results was done by press release, with a 6-K likely in the next few weeks. At that time, we expect the quant models to react, and given the good news, react favorably.

One theory that we absolutely do not believe should also be addressed. Insiders did not sell any stock in the IPO and are locked up for six months. The co-CEOs confirmed to us that there has been no selling by management or board members. The theory on chat boards is that management dumped their shares when the stock was in the \$20s, and are buying back now. We firmly believe that this is not the case, and as we discuss below, the co-CEOs have a lofty, save-the-world vision of where they want to take the company. Both strike us as more nerdy than materialistic, so we would be shocked to see them exit, or sell the company at least until they are much further along in saving the world.



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### Management Vision is to Bring Healthcare to All Globally, Powered by AI

Management's vision is to bring affordable, 24/7, quality healthcare to the world. They noted that the doctors are clustered globally in high-net-worth countries, while the overall population is more spread out. Telemedicine allows doctors to treat patients from anywhere, and price the service at much lower costs. So, the vision is to equalize healthcare. Globally, nearly 90% of people have a mobile device, so the key to better healthcare is already in their pocket. But MaNaDr is doing this in a financially prudent manner so shareholders see an adequate return, for example targeting middle-class customers, with an ability to pay, in urban markets in new countries they are entering. But these countries have large rural populations, with unmet health needs. LifePak has developed innovative payment methods for them to pay for healthcare. For example, Indonesia has over 6,000 populated islands, most of which don't have a doctor. As mobile network infrastructure reaches these parts of the world, with satellites playing a role, we expect MaNaDr to be able to expand at double-digit rates for at least the next decade.

We ended the conversation with a futuristic discussion of how AI can benefit healthcare. Think of MaNaDr's vision of AI in medicine as a medical guardian angel watching over people for their entire lives. A mother can register a newborn at birth and the MaNaDr AI should be able to interface with future advanced baby monitors. It can track the child's vital signs, and compare them to the entire global medical knowledge base to be aware of potential health issues. It can monitor childhood vaccines to make sure children are properly vaccinated. As the child grows into a teenager, it can provide sexual health services. The Apple Watch, and other personal devices, share vital signs with apps such as MaNaDr, with the user's approval. Through adulthood and into old age, the MaNaDr should be able to keep a watchful eye on the patient, taking advantage of every new development in medical care, into the patient's old age. Such an AI feature in the app would likely increase the consumption of healthcare, but also improve the quality of life. The MaNaDr OS is already written to accommodate these advances.

If we put together these utopian views of the co-CEOs, with the conspiracy theories about flipping stock we have read on the internet, we believe the utopian view. We have now met with Drs. Teoh and Siaw multiple times, and each time they have opened up and become passionate when they talk about their vision.

### It's Been an Amazing Month of Trading Since MNDR's April 9<sup>th</sup> IPO Debut



Source: FactSet Research Systems Inc.



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### Mobile-Health Network Solutions – Revenue and Key Performance Indicators Forecast

Fiscal years ended June 30	2022	2023	2024E	2025E	2026E
<b>Telemedicine</b>					
Number of new users	69,000	214,000			
YoY growth		210.1%			
Number of private transactions	176,000	908,000	1,634,400	2,451,600	3,677,400
YoY growth		415.9%	80.0%	50.0%	50.0%
Number of public transactions	113,000	5,000	5,000	5,000	5,000
YoY growth		-95.6%	0.0%	0.0%	0.0%
<b>Total transactions</b>	<b>289,000</b>	<b>913,000</b>	<b>1,639,400</b>	<b>2,456,600</b>	<b>3,682,400</b>
YoY growth		215.9%	79.6%	49.8%	49.9%
<b>Revenue</b>					
Telemedicine - Private sector	1,509,843	6,704,414	13,075,200	24,516,000	44,128,800
YoY growth		344.0%	95.0%	87.5%	80.0%
Telemedicine - Public sectors	4,615,595	125,689	40,000	50,000	60,000
YoY growth		-97.3%	-68.2%	25.0%	20.0%
Clinics	-	68,063	74,869	82,356	90,592
YoY growth			10.0%	10.0%	10.0%
<b>Telemedicine Subtotal</b>	<b>6,125,438</b>	<b>6,898,166</b>	<b>13,190,069</b>	<b>24,648,356</b>	<b>44,279,392</b>
YoY growth		12.6%	91.2%	86.9%	79.6%
Revenue per transaction	\$21.20	\$7.56	\$8.00	\$10.00	\$12.00
Cost of Sales	4,283,480	5,948,232	11,211,559	20,951,103	37,637,483
Gross Profit	1,841,958	949,934	1,978,510	3,697,253	6,641,909
As a percent of revenue	30.1%	13.8%	15.0%	15.0%	15.0%
<b>Medicine and Device Sales</b>					
<b>Revenue</b>					
Sales of devices	863,411	976,720	1,093,926	1,225,198	1,372,221
YoY growth		13.1%	12.0%	12.0%	12.0%
Cost of Sales	770,263	831,660	962,655	1,078,174	1,207,555
Gross Profit	93,148	145,060	131,271	147,024	164,667
As a percent of revenue	10.8%	14.9%	12.0%	12.0%	12.0%

Source: Company reports and Litchfield Hills Research LLC



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### Mobile-Health Network Solutions – Income Forecast

Fiscal years ended June 30	2020	2021	2022	2023	2024E	2025E	2026E
<b>Revenue</b>	<b>620,591</b>	<b>2,202,805</b>	<b>6,988,849</b>	<b>7,874,886</b>	<b>14,283,996</b>	<b>25,873,554</b>	<b>45,651,613</b>
YoY growth		255.0%	217.3%	12.7%	81.4%	81.1%	76.4%
Seq growth							
<b>Cost of Revenue</b>	<b>482,164</b>	<b>1,611,493</b>	<b>5,053,743</b>	<b>6,779,892</b>	<b>12,174,214</b>	<b>22,029,277</b>	<b>38,845,038</b>
<b>Gross Margin</b>	<b>138,427</b>	<b>591,312</b>	<b>1,935,106</b>	<b>1,094,994</b>	<b>2,109,782</b>	<b>3,844,277</b>	<b>6,806,575</b>
As a percent of revenue	22.3%	26.8%	27.7%	13.9%	14.8%	14.9%	14.9%
<b>Operating Expenses</b>							
<b>Salaries and benefits</b>	<b>46,195</b>	<b>433,241</b>	<b>1,038,877</b>	<b>2,389,892</b>	<b>2,856,799</b>	<b>3,881,033</b>	<b>4,565,161</b>
As a percent of revenue	7.4%	19.7%	14.9%	30.3%	20.0%	15.0%	10.0%
Employees			57	92			
Per employee			18,226	25,977			
<b>S,G&amp;A</b>	<b>514,674</b>	<b>63,587</b>	<b>615,473</b>	<b>1,898,986</b>	<b>3,570,999</b>	<b>1,293,678</b>	<b>1,369,548</b>
As a percent of revenue	82.9%	2.9%	8.8%	24.1%	25.0%	5.0%	3.0%
<b>EBITDA</b>	<b>(422,442)</b>	<b>94,484</b>	<b>280,756</b>	<b>(3,193,884)</b>	<b>(4,318,017)</b>	<b>(1,330,434)</b>	<b>871,866</b>
EBITDA margin	-87.6%	5.9%	5.6%	-47.1%	-35.5%	-6.0%	2.2%
Depreciation and amortization	730	584	87,094	94,816	95,000	96,000	97,000
Operating Income	(423,172)	93,900	193,662	(3,288,700)	(4,413,017)	(1,426,434)	774,866
Operating margin	-68.2%	4.3%	2.8%	-41.8%	-30.9%	-5.5%	1.7%
Other income							
Government incentives			2,357	27,892	-	-	-
Other income, net	65,959	73,557	62,453	47,448	-	-	-
Pretax Income	(357,213)	167,457	258,472	(3,213,360)	(4,413,017)	(1,426,434)	774,866
Taxes	-	-	(165,775)	-	-	-	-
Tax rate	0.0%	0.0%	64.1%	0.0%	0.0%	0.0%	0.0%
<b>Net Income</b>	<b>(357,213)</b>	<b>167,457</b>	<b>92,697</b>	<b>(3,213,360)</b>	<b>(4,413,017)</b>	<b>(1,426,434)</b>	<b>774,866</b>
Diluted shares outstanding			21,600,500	27,077,750	34,000,000	35,000,000	36,000,000
Seq change	-			5,477,250	6,922,250	1,000,000	1,000,000
<b>EPS</b>			<b>\$0.00</b>	<b>(\$0.12)</b>	<b>(\$0.13)</b>	<b>(\$0.04)</b>	<b>\$0.02</b>

Source: Company reports and Litchfield Hills Research LLC



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