



Mobile-Health Network Solutions

MNDR (NASDAQ) - Buy \$8 Target

Update Report – July 19, 2024

ManaDr Makes Progress in Geographic Expansion, Artificial Intelligence, Weight Management Programs and Pharmacy

Analyst: Barry M. Sine, CFA, CMT

- We recently visited the company's headquarters, met with management, and toured its new pharmacy featuring a high-tech facial analysis machine designed to boost sales of high-end skincare products.
- The geographic expansions into Malaysia and Indonesia are underway with Malaysia now open and doing over 100 patient telemedicine visits daily and Indonesia about to go live.
- The first stage of its artificial intelligence upgrades to its systems is underway increasing efficiency in its operations. Future upgrades will feature disease tracking and assistance to doctors in diagnosing patients and prescribing treatments.
- The company has now gone live with its second phase weight loss management program addressing a sizable addressable market and offering the potential to greatly increase revenue. Weight loss is an ideal use case for telemedicine with new treatment options and since obese patients are reluctant to leave the house.
- Its Singapore pharmacy is now open, delivering prescriptions, and features a high-tech facial analysis machine that allows the company to sell high-end skincare products that are displayed along the walls.

Rating	Buy	Earnings Per Share				
Target Price	\$8.00	FYE - June	FY2023	FY2024E	FY2025E	FY2026E
Ticker Symbol	MNDR					
Market	NASDAQ					
Stock Price	\$1.36					
52 wk High	\$29.50	Revenue (\$mm)	\$7.9	\$14.3	\$25.9	\$45.7
52 wk Low	\$1.26	EV/Rev	2.6X	1.4X	0.8X	0.4X
Shares Outstanding:	34.0 M	EBITDA (\$mm)	(\$3.2)	(\$4.3)	(\$1.4)	\$0.9
Public Market Float:	15.8 M	EPS	(\$0.12)	(\$0.13)	(\$0.04)	\$0.02
Avg. Daily Volume	2,017,608					
Market Capitalization:	\$29.8 M					
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 1.4x our F24 revenue estimate, which represents a sizable discount given the just-reported 120% revenue growth.

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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Major Progress in Geographic Expansion, Artificial Intelligence, Weight Loss, and Pharmacy

We recently visited the headquarters of Mobile-health Network Solutions and met with its co-CEOs, Dr. Siaw and Dr. Teoh. The company has issued a plethora of news releases recently, and we discussed the major developments, and how this is likely to impact financial results. In summary, the company is now live in Malaysia, close in Indonesia, has upgraded its back-end systems and user app with AI technology, and has launched version 2.0 of its weight loss program, and this should become a major revenue driver.

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 Singapore - telemedicine 416% FY23 growth in private teleconsults 20 countries - health care forums	\$46 mm est. revenue in F26 positive est. EBITDA in F26	Healthcare Operating System Patients Doctors Clinics Hospitals Pharmacies International Telemedicine Expansion Southeast Asia Middle East Australia United States

Source: Litchfield Hills Research and Company reports

Malaysia Up and Running with Over 100 Patient Visits Daily, and Growing

On May 10th, the company announced that it had established a subsidiary in Malaysia. As of last week, its telemedicine business there is up and running, with over 100 patients daily, and growing. The company has acquired a small pharmacy business in Petaling Jaya for pharmacy fulfillment and is looking to establish a network in all thirteen Malaysian states. Malaysia is a natural market for ManaDr as Singapore and Malaysia were once one country until a cordial Singapore independence in 1965, and the two countries maintain close cultural, economic, and population ties. ManaDr's co-CEOs are both from Malaysia. At this point, the company is using influencer marketing and is off to a good start. It already has four local Malaysian doctors doing virtual patient visits and it is using Singapore doctors, including its co-CEOs to treat patients. Malaysia has a population six times larger than Singapore, so this major expansion of the company's addressable market is now underway, whereas as recently as early May, it just existed as a plan on paper.

Larger Indonesian Market Close to Launch, with Previously Announced Pharmacy Partner





The Indonesian market is seven times larger than Singapore and Malaysia combined – 275 million people versus 40 million – and ManaDr is close to market entry. On April 23rd, the company announced a partnership with

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Indonesia pharmacy delivery company Lifepack and plans to onboard its 2,000 physicians. The logistics are in place and the company is waiting for final approval of the setup of a local subsidiary in the country before it can launch. But this is imminent. Another key factor about Indonesia is that the population is spread out over 6,000 populated islands, making it difficult for many patients to travel to medical care in the urban centers and making telemedicine the ideal way to provide care to patients. We would expect that this market would be launched by August at which time the company would have an addressable market of 315 million people, compared to just 6 million at the time of its IPO. This is a clear example of the company investing the IPO proceeds to grow the business. We expect other new market announcements before year-end, including Viet Nam, where the company already has a presence with its technology team there.

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 per capita	14,828 0.0025	214,878 0.0008	17,020 0.0005	44,960 0.0004

Source: FactSet Research Systems Inc.

Artificial Intelligence Improving the Process, and Patient Care, with More to Come

Artificial Intelligence is the hot buzzphrase for investors these days and at ManaDr, it is now in place, with significantly more implementations planned. The company issued a press release on its AI strategy on June 6th. We discussed the current implementations, and what is planned going forward. Currently, AI is used more for back-end management to optimize the patient and doctor experience. This makes doctors more productive, allowing them to see more patients and make more money. It also speeds the process so a patient in queue waiting to see a doctor will be seen more quickly. During the consultation, AI will transcribe the interaction, so the doctor no longer has to take notes. For the company's 20-country patient forum, AI will monitor the forum to detect trends. Its ManaCat mascot will appear as an automated chatbot powered by AI.

In the long term, AI will become involved in patient treatment. This first way, referred to as population health analysis, is that it will monitor the forums (patient and doctor) and telemedicine visits (anonymized) for signs of disease outbreaks. With this data, it can warn at-risk patients who live in areas of outbreaks, and give them advice on what action to take. For example, elderly patients in an area with a flu outbreak would be proactively warned to get a flu shot. Approximately every 10-12 years there is a global pandemic of one sort or another. ManaDr is



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particularly well suited to see outbreaks early and send up a warning. This ability will improve as it expands to more countries.

Lastly, AI will monitor doctor/patient interactions, incorporate other data, and assist the doctors with diagnoses and treatment options in the background. Management stressed that AI will only be a co-pilot and will never replace the judgment of experienced doctors.

ManaDr Addresses the Obesity Epidemic, with Significant Revenue Potential

ManaDr also sees weight management as a significant opportunity to benefit public health and drive new revenue. In Singapore, and globally, obesity and overweight conditions are reaching high levels. As a wealthy, developed country, Singapore now has an 11.6% obesity rate. The good news is that there are now ample treatment options for obesity and with proper treatment, the prognosis is quite good. However, the treatment requires regular monitoring and patient/doctor consultations. The problem is that obese patients are reluctant to leave the house. So, telemedicine is an ideal way to treat them. ManaDr starts with a compassionate, understanding message: "It's OK not to be OK".

From a revenue standpoint, treatment options are available at \$75, \$140, and \$300 price points with the \$300 option being weekly injections. The potential revenue is enormous. If ManaDr signed up just 1% of the estimated 650,000 obese Singaporeans, and they paid an average of \$100 per month, they would generate roughly \$7.8 million in incremental revenue. That compares to our F25 full-year revenue estimate of \$26 million. And unlike telemedicine consultation revenue, the bulk of which goes to doctors, this would be high-margin drug revenue. And ManaDr has other ways to monetize the fight against obesity. For example, it sells a Fitbit scale for \$65 on its ManaShop website. Weight data is integrated into both the Fitbit and ManaDr apps, allowing patients and their doctors to track weight loss progress over time.

New ManaDr Pharmacy is a Facial Care Mecca

While in Singapore, we also visited the new ManaPharma, which is in the same mall as its clinic. The pharmacy provides standard prescription services with a pharmacist (who we met) on site. The public area is a facial care center featuring a \$6,000 facial analyzer computer made by a company out of Korea. We tried the machine and it produced a five-page printout detailing multiple aspects of our face. With this data, the staff can recommend a myriad of high-end (expensive) facial treatment products that are displayed in the public area. Like the company's weight loss business, it relies on technology to boost sales of optional, additional products.



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ManaDr Pharmacy and Facial Analysis Computer



Source: *Litchfield Hills Research*



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

Fiscal years ended June 30	2022	2023	2024E	2025E	2026E
Telemedicine					
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%
Total transactions	289,000	913,000	1,639,400	2,456,600	3,682,400
YoY growth		215.9%	79.6%	49.8%	49.9%
Revenue					
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%
Telemedicine Subtotal	6,125,438	6,898,166	13,190,069	24,648,356	44,279,392
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%
Medicine and Device Sales					
Revenue					
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
Revenue	620,591	2,202,805	6,988,849	7,874,886	14,283,996	25,873,554	45,651,613
YoY growth		255.0%	217.3%	12.7%	81.4%	81.1%	76.4%
Seq growth							
Cost of Revenue	482,164	1,611,493	5,053,743	6,779,892	12,174,214	22,029,277	38,845,038
Gross Margin	138,427	591,312	1,935,106	1,094,994	2,109,782	3,844,277	6,806,575
As a percent of revenue	22.3%	26.8%	27.7%	13.9%	14.8%	14.9%	14.9%
Operating Expenses							
Salaries and benefits	46,195	433,241	1,038,877	2,389,892	2,856,799	3,881,033	4,565,161
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			
S,G&A	514,674	63,587	615,473	1,898,986	3,570,999	1,293,678	1,369,548
As a percent of revenue	82.9%	2.9%	8.8%	24.1%	25.0%	5.0%	3.0%
EBITDA	(422,442)	94,484	280,756	(3,193,884)	(4,318,017)	(1,330,434)	871,866
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%
Net Income	(357,213)	167,457	92,697	(3,213,360)	(4,413,017)	(1,426,434)	774,866
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
EPS			\$0.00	(\$0.12)	(\$0.13)	(\$0.04)	\$0.02

Source: Company reports and Litchfield Hills Research LLC



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