

LifeWatch

Established and growing digital health player

LifeWatch's remote diagnostic monitoring services provide physicians with critical information to determine appropriate treatment and thereby improve patient outcomes. Digital health is a rapidly advancing sector that is playing an ever important role in the trend towards a more holistic approach to diagnosing, treating and monitoring diseases. LifeWatch specialises in ECG-based cardiac monitoring devices and systems. H115 revenues rose 9.1% to \$52.5m, driven by growth in the US market, and the firm posted its best EBIT (\$3.8m) and EBITDA (\$7.2m) numbers since 2009.

A digital health revolution

Against the background of aging populations, increasing incidence/prevalence of acute/chronic diseases, rising healthcare costs and the need to select the appropriate treatment at the appropriate time, there is a compelling need for effective monitoring devices/systems. In an increasingly digital and interconnected world, where patient empowerment and access to information is rapidly advancing, digital health solutions such as those offered by LifeWatch are gaining traction.

Core focus on remote cardiac monitoring

LifeWatch has a range of ECG-based cardiac monitoring devices, offering so-called ambulatory cardiac telemetry (ACT). The technology provides up to 30 days of near real-time ECG monitoring and allows physicians to understand the early symptoms and etiology of arrhythmias and therefore determine the best therapeutic options. LifeWatch also offers monitoring solutions for atrial fibrillation, stroke and home sleep testing, while developing new projects such as vital signs monitoring and an ultralight ECG cardiac monitoring patch to improve patient compliance.

Turnaround continues in H115

H115 revenues rose 9.1% to \$52.5m (~100% US sales), with cardiac monitoring revenues +12%, outperforming the market average. The company reported its highest EBIT and EBITDA numbers since 2009, while H115 net income of \$1.9m compares to a net loss of \$4.1m in H114. Having been through a period of boardroom and shareholder turmoil in 2014, the company is emerging stronger.

Valuation: 2.3x EV/sales belies growth prospects

A FY14 EV/sales ratio of just 2.3x seems at odds with the H115 growth rate and the company's FY15 guidance of 10-15% revenue growth. FY16 will benefit from an 8% Medicare price increase, resulting in estimated +\$3.4m in revenues. LifeWatch continues to invest in new/existing products and recently acquired FlexLife Health.

Historical financials

Year end	Revenue (\$m)	PBT (\$m)	EPS (\$)	DPS (\$)	P/E (x)	Yield (%)
12/12	80.1	4.1	(0.03)	0.0	N/A	N/A
12/13	91.1	(2.5)	0.22	0.0	76.4	N/A
12/14	98.5	(0.2)	(0.21)	0.0	N/A	N/A

Source: Bloomberg

Medical technology

Price* **CHF16.80**

Market cap **CHF227m**

CHF1.0 / US\$

*As at 18 November 2015

Share price graph



Share details

Code	LIFE
Shares in issue	13.5m
Net cash (\$m) at 30 June 2015	1.2

Business description

LifeWatch, headquartered in Switzerland and listed on SIX, specialises in advanced digital health systems and wireless remote diagnostic patient monitoring services (eg ambulatory cardiac telemetry, ACT). Its primary operations are in the US, Switzerland, Macedonia and Israel.

Bull

- Established US business with cardiac monitoring unit outperforming the market.
- Well positioned to benefit from expected advance of digital health solutions.
- Turnaround continues with strong H115 revenues and earnings.

Bear

- Digital health is a highly competitive and rapidly evolving market.
- Major shareholder/boardroom turmoil distracted the business and alienated some investors.
- Relatively low-margin business (7% operating margin in H115); challenge to grow margins against need to reinvest.

Analysts

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