MAXIM GROUP

Equity Research
Initiation

Healthcare & IT Services

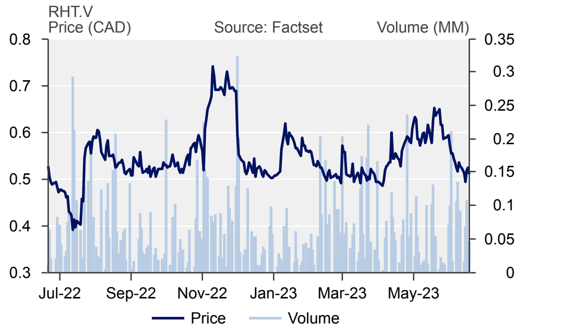
RHT.V – TSXV	June 20, 2023
Closing Price 6/16/23	**C$0.51**
Rating:	Buy
12-Month Target Price:	C$1.75
52-Week Range:	C$0.36 - C$0.79
Market Cap (M):	C$98.6
Shares O/S (M):	193.3
Float:	98.1%
Avg. Daily Volume (000):	57.2
Debt (M):	C$0.0
Dividend:	C$0.00
Dividend Yield:	0.0%
Risk Profile:	High
Fiscal Year End:	June

Revenue ($M)

	2023E	2024E	2025E
1Q	C$3.5A	C$4.8	C$19.6
2Q	C$4.1A	C$5.7	C$23.6
3Q	C$4.7A	C$7.3	C$24.9
4Q	C$4.8	C$16.4	C$28.8
FY	C$17.1	C$34.2	C$97.0

EBITDA ($M)

	2023E	2024E	2025E
1Q	C$(0.2)A	C$0.4	C$5.9
2Q	C$(0.2)A	C$0.5	C$7.8
3Q	C$0.4A	C$1.2	C$8.2
4Q	C$0.4	C$3.8	C$9.4
FY	C$0.4	C$6.0	C$31.3



Shares trade on the Toronto Venture Exchange (TSXV) under the ticker RHT and on OTC Markets under the ticker RQHTF. Financial data is reported in CAD (C$) and market data including the stock price and price target are expressed in C$.

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Reliq Health Technologies Inc.

Buy

Better Healthcare with Remote Patient Monitoring – Initiating Coverage with a Buy & C$1.75 Price Target

Summary

Reliq provides remote patient monitoring (RPM) and chronic care management (CCM) solutions resulting in lower healthcare costs and better outcomes.

- Tailwinds: expanded reimbursement rates, better economics for practitioners, shift to value-based care, larger contracts, large total addressable market (TAM).
- Attractive business model. Reliq should have mostly recurring revenues with high gross and EBITDA margins as they scale, per our model.
- Projecting ~triple digit revenue growth for next 3 fiscal years and EBITDA going forward.
- Potential catalysts: increased cash flow generation, shift to profitability, an uplisting to a large US exchange, and the initiation of a stock dividend.
- Ended March 2023 with C$0.3M of cash and term deposits and no debt. We do not project the company will need to raise capital, per our model.
- Compelling valuation. RHT.V trades at 5.5x our CY24E EBITDA vs. a peer group at 30.3x. Our C$1.75 price target is based on 20x our CY24E EBITDA**.**

Details

Win/Win

- Chronic disease accounts for over 80% of all healthcare spending (per the Centers for Disease Control).
- Reliq provides virtual care for patients after they have received in-person care in a traditional healthcare setting, such as a hospital.
- Through remote monitoring devices and telemedicine, patients can receive lower-cost care at home and better health outcomes and satisfaction.
- Over 57M Medicare/Medicaid patients have eligible chronic conditions, resulting in a multi-billion-dollar TAM. Practitioners benefit from new revenue streams (over $400 per patient per month), and the ability to oversee more patients.

Attractive business model and triple-digit-growth outlook

- We project that Reliq will have a primarily recurring, high-margin business model going forward. Most revenues come from a ~$40 per patient service fee per month at 75% gross margin. The company also sells devices (FDA-covered) for 50%–60% gross margin that can be financed at higher profitability.
- The company is selling to healthcare providers such as physician offices and skilled nursing facilities (SNFs), and its tools can also be used to support clinical trials.
- Reliq has been signing larger contracts in 2022 and 2023.
- Insourcing and focus on adherence and collections should contribute to greater lives under coverage that are reimbursable and cash flows, in our view.
- We project onboarded lives of 21K by the end of FY23, to 54K by FY24 and 137K by FY25 (primarily all in the U.S.) which translates to FY23-FY25 revenue of C$17M, C $27M and C$95M, up 101%, 99% and 184%, respectively; note that we are the only sell-side firm covering the stock. We project EBITDA margins grow from 3% to 32% from FY23 to FY25. Management is targeting 45% adjusted EBITDA margins.

Compelling valuation and opportunity – initiating coverage with a Buy rating and C$1.75 price target. Shares currently trades at an EV/CY24E EBITDA multiple of 5.5x compared to a peer group average of 30.3x. Our C$1.75 price target is based on a 20x our CY24 EBITDA estimate of C$18.6M. We believe a discount to the peer group average is warranted based on the company being at an early stage of execution. Our positive outlook includes a large market opportunity with compelling economics. We also take into account the Reliq's large number of wins among larger customers, which is a leading indicator for future growth.

Corporate Profile

Institutional Ownership: 7.0%
Insider Ownership: 2.0%

Balance Sheet Summary: C$M
(As of March 31st,, 2023)

Cash & term deposits:	$0.3M
Total Debt:	$0.0M
Shareholder's Equity:	$13.4M
Total Assets:	$18.3M

Analysts Following RHT.V: 0
(Excluding Maxim Group LLC)

Risks:

- Going concern risk noted in March 2023 quarterly filing.
- History of losses.
- Ability to collect from doctors and healthcare customers.
- Ability to onboard patients and get them to be compliant with data collection.
- Ability to collect on outstanding account receivables.
- Competition from potentially larger companies.
- Ability for healthcare customers to adapt to the company's new technology.
- Regulatory oversight.
- Risk of reimbursement rates getting cut.
- Risk of cybersecurity attacks.
- Timing of recognizing revenue from new customers.
- Maintaining financial controls.
- Maintaining personal data and changes in regulations.

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Description:
Reliq Health Technologies Inc. is a Canada-based healthcare technology company offering telemedicine and virtual care solutions. The iUGO Care Technology platform is a SaaS solution for patients to receive care at home to improve health outcomes. The platform uses wearables, sensors, voice technology with mobile applications, and desktop software for patients, families, clinicians, and healthcare administrators. The company targets virtual care, long-term care, and big data. iUGO Care provides real-time access to remote patient monitoring data, allowing for timely interventions by the care team to prevent hospital readmission and emergency room (ER) visits.

Senior Management:

Dr. Lisa Crossley, Ph.D., Chief Executive Officer and Director. Dr. Crossley has served as CEO of Reliq since 2016, as well as iUGO Health, which was acquired in 2016. From 2011–2016, she served as CEO of VitalHub; from 2010–2011, she was the CEO of Quantum Dental Technologies; and from 2005–2010, she served as President & CEO of Natrix Separations, Inc. Dr. Crossley was a Professor of Chemical Engineering at MacMaster University from 2003–2004. Her additional experience includes Director, Product Development & Manufacturing (1999–2003) at Dyax and NSERV Visiting Scientist at the NRC Biotechnology Research Institute. Dr. Crossley has held Board positions at Genome Alberta and Ontario Bioscience Innovation Organization and is a Member of the Mitacs Research Council and Expert Panel of the State of Industrial R&D in Canada. Schooling includes a Ph.D. in chemical engineering and a BScE in chemical engineering both from Queen's University, and a BSc in anatomy and cell biology from McGill University.

Michael Frankel, CFA, Chief Financial Officer. Mr. Frankel has served as CFO of Reliq since November 2021. His previous experience includes Senior Manager—Special Projects of Wave HQ (financial tools), Investment Manager for MaRS Discovery District (Ontario based seed fund), Senior Analyst at Innovation Advisory (Tech M&A and capital raising), and Analyst at RBC Dominion Securities. Mr. Frankel has an undergraduate degree from Huron University and holds the Chartered Financial Analyst (CFA) designation.

Lucas Smithen, Chief Product Officer. Mr. Smithen has been with Reliq since 2019, serving first as VP of Products and Professional Services and then as Chief Product Officer. From 2011–2012, he served as Product and QA Manager at VitalHub Corp. His other experience includes Product Manager and Head of QA and Tech Support at TransGaming (2001–2009), and Head ITV Technician for Royal Caribbean Cruise Lines (2000). Mr. Smithen has a mechanical engineering degree from Carleton University and a degree in marketing management from Ryerson University.

Investment Thesis. Reliq is well-positioned for the trending shift in healthcare to lower-cost and at-home solutions with remote monitoring capabilities.

Large market opportunity. Chronic disease accounts for ~80% of all healthcare spending. An estimated one in four adults have two or more chronic health conditions.

Compelling offer for practitioners. On average, healthcare providers pay Reliq USD $40 per month while it can generate over USD $400 per patient per month from reimbursements. According to Reliq, the typical physician's practice can bring in over $1M in new payments from the Centers for Medicare & Medicaid Services (CMS) by implementing iUGO Care.

Improve patient outcomes. Patients using Reliq's solutions receive more timely monitoring and discovery of adverse events. Average hospital readmission rates for Medicare patients enrolled declined across all time periods. For example, after implementing remote patient monitoring (RPM), the University of Pittsburgh Medical Center reduced the risk of hospital readmissions by 76%, while boosting patient satisfaction scores by over 90%.

Cost savings to the healthcare system. Proactive, preventative virtual care has the potential to save the Centers for Medicare and Medicaid Services (CMS) tens of billions of dollars a year by reducing brick and mortar healthcare costs and catching serious health concerns earlier. Remote care monitoring is also a cheaper alternative to having nurses and therapists being sent to patients' homes. CMS data shows that if a patient is in a chronic care management (CCM) program for at least a year, Medicare achieves gross savings of $888 per patient per year (compared to average benchmark for a Medicare patient spend of $11K+ per year). 69% of healthcare professionals ranked RPM as the #1 reducer of overall costs.

Availability of reimbursement for both RPM and CCM from Medicare and Medicaid. CMS has expanded Medicare and Medicaid reimbursement rates and the type of activities that are now available for reimbursement. The pandemic served as a catalyst for greater spending on treatment from at-home/remote settings. Medicare raised CCM reimbursements by 55% in 2022. Since Medicare introduced its billing code for RPM in 2018, the average reimbursement for clients that can be received from Medicare and Medicaid has increased by over 500%, from $59 per patient per month, to over $372 per patient per month. For 2022, CMS expanded virtual care reimbursement programs to include remote therapeutic monitoring (RTM) with five new billing codes for patients with musculoskeletal and respiratory conditions. The new RTM codes increased the eligible patient population for Reliq's primary care clients by over 50% and added orthopedic and respiratory specialists. Also, on 1/1/22, CMS increased reimbursement amounts by 8% for existing covered services including RPM, CCM, behavioral health integration, and transitional care management.

Rise in adoption of telehealth. The pandemic engendered greater comfort with telehealth, which is used for monthly calls with patients. According to a report from the Assistant Secretary for Planning and Evaluation (ASPE), the number of Medicare fee-for-service (FFS) beneficiary telehealth visits increased 63-fold in 2020, from approximately 840K in 2019, to nearly 52.7M in 2020. 92% of beneficiaries received telehealth visits from their homes, which was not permissible in Medicare prior to the pandemic. Telehealth increased from less than 1% of visits in 2019 to 8% of primary care visits in 2020. A poll in January 2022 showed 38% of patients received care via telehealth. By 2025, over 43% of the US population are expected to become regular telehealth users.

Availability of easy-to-use remote monitoring devices. Reliq's devices are simple to use and connect to either Wi-Fi or Bluetooth. These devices can provide real-time monitoring and identify when adverse events happen. Devices monitor health risks such as glucose, oxygen, weight, blood pressure, risk of falling, and more.

Shift to value-based care that helps drive improved patient outcomes while lowering costs of healthcare delivery and supporting the provider's financial bottom line. Accountable Care Organizations (ACOs) that were created during the Obama administration are a group of doctors, hospitals, and other healthcare providers that come together voluntarily to give coordinated high-quality care to Medicare patients. Their mission is to streamline patient care while lowering costs. ACOs that bring down costs are rewarded with incentive payments from the CMS.

Signing larger contracts. In 4Q22, Reliq announced skilled nursing facility (SNF) contracts that are expected to add 109K patients beginning in 2023. In 1Q23, Reliq signed SNF contracts that are expected to add 106K patients. As potential customers become more educated and comfortable with the new reimbursement codes, we expect the trend toward larger contracts will continue. We note that several of the new wins are expansions from existing customers.

Exhibit 1: Shift to Larger Contracts

Date	Type	Projected Lives	Terms
Oct 2022	Network of 40 SNFs in FL	50K+ annually	C$65/patient/mo. 75% gross margins
Nov 2022	50 SNF facilities	5K per month	C$60/patient/mo. 75% gross margins
Nov 2022	Network of 15 SNFs in CA	12K annually	C$65/patient/mo. 75% gross margins
Dec 2022	35 SNF facilities in FL	42K annually	C$60/patient/mo. 75% gross margins
Jan 2023	34 acute & LTC Hosp. in FL	20K annually	C$65/patient/mo. 75% gross margins
Jan 2023	30 SNF in FL	36K annually	C$65/patient/mo. 75% gross margins
Mar 2023	40 SNFs in CA, FL & PA	48K annually	C$65/patient/mo. 75% gross margins
Mar 2023	20 SNFs in NY, OH, MD, VA, FL, KY, SC	2K pre month	C$60 first 30 days, then $65, 75% GM
Mar 2023	10 contracts in NV, TX, and CA	5K by YE23	C$65/patient/mo. 75% gross margins
Apr 2023	7 contracts, physician practices & Home health, NV, TX	N/A	N/A
May 2023	Accountable Care Organization in 5 States	10K+ by 3/30/24	C$65/patient/month at 75% gross margin
Jun 2023	6 contracts with physician practices in CA FL, NV	3K by 1Q24	C$65/patient/month at 75% gross margin

Source. Company press releases.

Expanding end markets. With expanded reimbursement areas, Reliq has been able to enter the behavioral and physical therapy markets. Skilled nursing facilities is another new area. The company is also providing its technology for use in clinical drug trials.

Rural Care. Reliq's solutions provide access to quality healthcare for patients who live in rural areas where healthcare facilities and in-home care are not available.

High-margin, repeatable revenue business model. Most revenues come from monthly reimbursements that are typically paid for the rest of a patient's life. The company targets 75% gross margins. Gross margins should improve as the company expects software and service revenue to account for most revenue going forward.

Operating leverage. The company has built up its expense base to be able to manage millions of patients, providing significant operating leverage in the business model. Aside from sales commissions and costs of goods sold, other costs should rise at a much lower rate than revenues. Some of this is accomplished through the use of automation and technology. As a result, once scaled, management is targeting 45% adjusted EBITDA margins.

Expanding care managers and collections should improve cashflows from outstanding receivables. We expect ~C$5M–C$6M of outstanding receivables to be collected by June 2023.

Post-pandemic recovery and weather issues should create tailwinds. Management expects C$15M of hardware purchases that were deferred in the second half of CY22 to be delivered and recognized in the first 4–6 months of CY23.

Improving onboarding and adherence. Reliq is bringing the responsibility for onboarding and adherence in-house, where previously it was the responsibility of the client. Reimbursement is not allowed until a patient has been given an explanation of what will happen and signs up. Then, to get reimbursed, the patient is usually required to record their vital signs on at least 16 days in a month. In the first 2 months of 2023, in a small sample of existing patients that were appointed to Reliq, adherence rates improved from 19% to over 70%. In addition, for a small number of clients who had been using Reliq's adherence management from the start, adherence rates were over 80%.

Healthcare providers are becoming more comfortable with the reimbursement codes and are seeing the success of other companies that have adopted these programs.

Healthcare facilities face penalties from CMS if readmission rates of patients are high. In 2021, 96% of all hospitals in Florida received a financial penalty due to readmission rates. Patients monitored using the iUGO Care platform had lower hospital readmission rates.

Stated goal to uplist to the NASDAQ by the end of 2023. We believe this has the potential to improve liquidity and the breadth of investors.

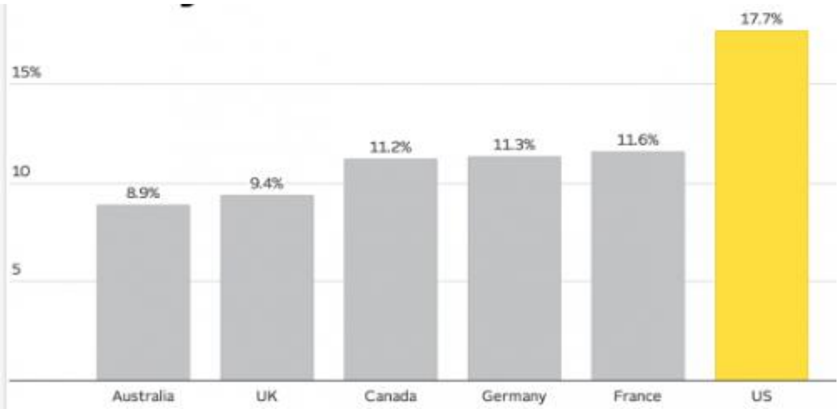
Plans to initiate a stock buyback later this year. Management has publicly stated that their goal is to initiate a buyback later this year based on their confidence in the company's ability to generate cash flow.

Closing the stock misperception. We believe the market has not yet recognized the inflection point the company is at in terms of profitability and increasing revenues and cash flow. With the relative newness of remote monitoring, the ~9 months it can take to fully onboard new customers, and historical losses and high receivables, investors have not yet given the company credit for improving fundamentals, in our view. We expect that with the company taking adherence in-house, putting greater focus on collections, and improving onboarding with more SNF customers, cash flow should improve. We expect the company to continue to sign larger contracts, which will be a leading indicator of future revenue and profitability growth. As the company posts quarters of rising revenues and profitability, per our estimates, we would expect multiple expansion in the stock.

Current Challenges

Costs. The healthcare industry is burdened with high costs. Total healthcare spending in the US is over $4T with more than 30% going to hospital services, according to the CDC. According to a Genworth survey, the cost of a private room in a nursing home in 2021 was $297 a day, or $9,034 per month. Skilled nursing facilities (SNFs), where people tend to stay for a short time after a hospital stay when recovering from an injury, surgery, or illness, have daily rates that can range from $189 to $1,196. Insurers are incentivized to move patients out of facilities as soon as reasonably possible. Once patients are out of a facility, healthcare providers can be sent to the patient's home; however, this is also more expensive than remote care.

Exhibit 2: Health Spending as a Percent of the Economy

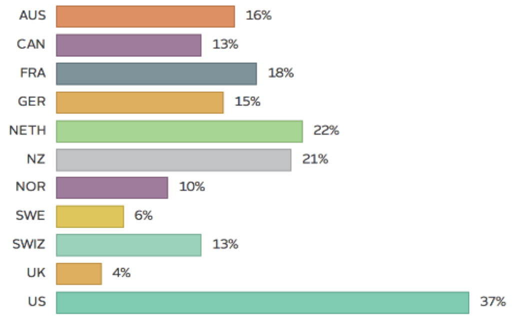


Source: OECD

Shortages. The healthcare industry faces a shortage of qualified staff and resources. According to a study by Incredible Health, more than one-third of nurses say it's very likely they will leave their roles by the end of 2022, and 44% cited burnout and a high-stress environment as the reason for their desire to leave. This comes at a time when the pipeline of new doctors and nurses is insufficient to meet growing demands. Nursing shortages make it harder to adequately treat people in physical settings such as hospitals and skilled nursing facilities.

Timeliness. The healthcare system tends to be reactive, as a patient typically makes an appointment after they have experienced a health issue. Patients with health emergencies that go to an emergency room tend to face the most expensive form of care.

Exhibit 3: Percent of Residents Who Did Not Fill a Prescription, Skipped a Recommended Medical Test, Treatment or Follow-up, or Had a Medical Problem but Did Not Visit a Doctor or Clinic in the Past Year Because of Cost.

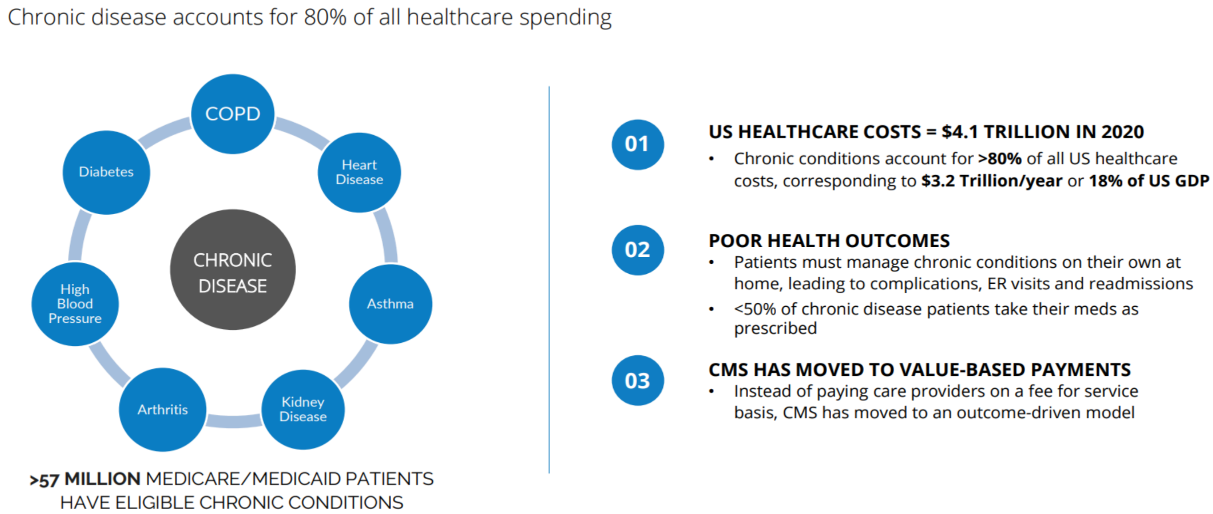


Source: The Commonwealth Fund

Readmission penalties. CMS penalizes healthcare facilities for higher-than-expected readmission rates. This penalty can be up to 6% of total Medicare reimbursements for skilled nursing facilities. CMS has reduced the time that patients can stay at SNFs, making readmission more likely.

New insurance demands. Insurance is shifting to value-based care. This means that insurers will receive financial incentives/disincentives based on patient health outcomes. Providers are rewarded for helping patients improve their health, reduce the effects and incidence of chronic disease, and live healthier lives in an evidence-based way. Legacy healthcare is more focused on getting paid per service provided.

Exhibit 4: The Challenge



Source: Company presentation

Onboarding, adherence, and collections. Historically, Reliq has had challenges with the percentage of patients who were properly onboarded, then went on to collect the required 16 vital signs a month required for reimbursement and with collecting money due. The company identified that these problems were largely due to outsourcing these responsibilities to practitioner offices.

Reliq's Solution

Reliq provides healthcare from a patient's home through remote monitoring and interaction with care providers. Patients can be monitored and treated remotely after receiving initial treatment in a doctor's office or other healthcare setting. Reliq will provide an appropriate monitoring device, a dedicated care manager, and at least 20 minutes of calls per month. Monitoring is designed to target high-risk events that are immediately relayed to the healthcare provider. Benefits of Reliq's solution include:

Large chronic care market that can get better treatment. According to the CDC, over 80% of healthcare is for patients with chronic diseases. Reliq's solutions can reduce preventable complications. 45% of people with chronic conditions regularly forget to take their medications/treatments. Remote patient monitoring can help remind patients to take their medicines. 28% of people with chronic conditions had a medical emergency occur unexpectedly. RPM can bring attention to shifts in conditions and alert patients.

Remote care monitoring can reduce readmission rates. Remote healthcare solutions help patients be compliant, which reduces readmission rates and can increase a patient's life expectancy. According to a McKinsey report, integrating RPM devices into the existing healthcare system could reduce ER visits by 20% and make 24% of healthcare visits and outpatient volume virtual, 9% of healthcare visits and outpatient volume "near virtual", and 35% of regular home health services could be virtual.

Provide better data. Doctors can review and interpret trends from patient data collected over time, such as blood pressure over a 60- to 90-day period, rather than relying on just a snapshot of data collected from when a patient visits and gets tested.

Save costs. Instead of moving people with chronic conditions into the hospital, patients can be monitored at home with technology.

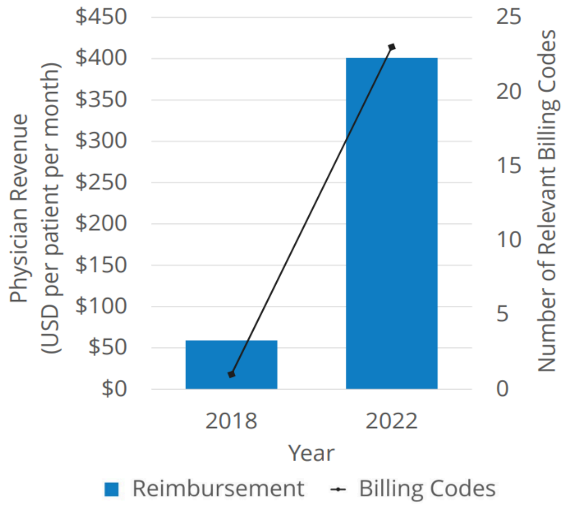
Improve access for patients that are in rural settings or for whom travelling to a doctor's office could be difficult. With remote patient monitoring, many more patients can receive help than through traditional in-office doctor visits.

Improved quality of healthcare. The aging US population and staffing shortages at nursing homes and long-term care facilities have often led to less-qualified resources.

Improved patient experience results in better engagement, feedback, motivation, and satisfaction. According to an MSI survey, the perceived benefits were increased convenience (43%), more efficient (37%), and provided more control over persona (37%) and peace of mind (36%).

Exhibit 5: Trends & Tailwinds

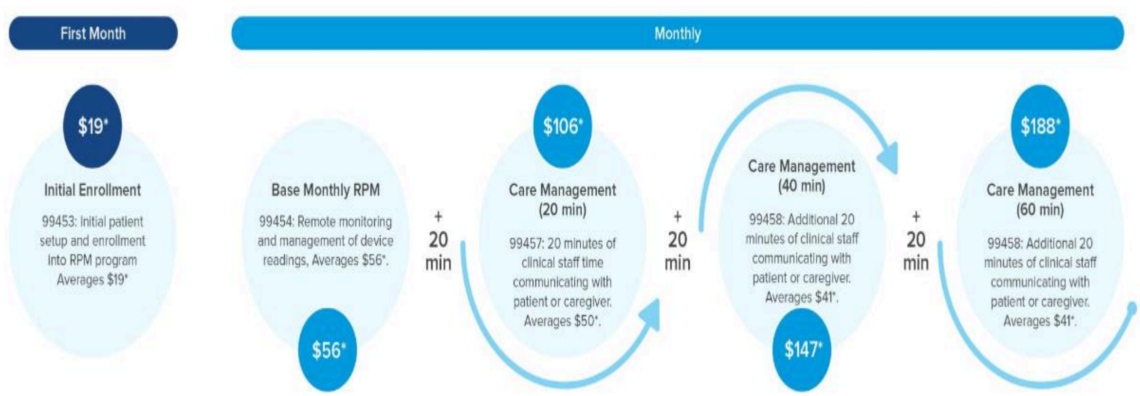
- As the population ages and grows, the number of chronic disease patients is steadily increasing
- CMS has introduced financial penalties for clinicians whose chronic disease patients are hospitalized with preventable complications
- Since 2018, CMS has **increased reimbursement** amounts for virtual care **by over 600%** and added over 20 new billing codes relevant to Reliq
- The implementation of virtual care programs for chronic disease patients is projected to **save CMS tens of billions of dollars** per year



Source: Company presentation

Practitioners benefit. Doctors can bill for remote patient monitoring and chronic care management based on CMS approved CPT codes. Doctors can get more timely vital signs on their patients and make money. A practitioner could make over $400 a month from a patient. Below is an example of additional potential revenue streams provided by CareCloud (CCLD—Buy). We believe the numbers would be higher for Reliq since it offers a greater number of services that can be reimbursed.

Exhibit 6: How Practices Benefit and Earn an Average of $127,200 a Year with 100 Patients[1]



Source. CareCloud website.
1. Based on national average. Actual reimbursement varies depending on practice locale

According to CareCloud's website, a practice with 100 Medicare patients using chronic care management would generate an estimated monthly revenue of $6.2K while 100 patients using remote patient monitoring would generate estimated monthly revenue of $12.0K. Patients that were under RPM and CCM would generate a combined $18.1K.

Getting paid. The company has brought in house many adherence and collection activities and as a result has seen early, but significantly improved results. The company is utilizing technology to improve adherence. For 20% of patients that the company has addressed, adherence has improved from 20% to over 70%. Management expects all patients to be responsible for themselves during 2023. In addition, the increase in SNF customers should also improve onboarding and adherence as customers can be trained and signed up while still staying at the facility waiting to be released. Collections is now a top priority and the company expects to catch up on prior overdue collectibles this year. As a result, we expect free cash flow to improve going forward.

Economics of the Business

Exhibit 7: Overview

Source: Company website

Reliq earns revenue from a monthly fee for providing remote care-related services, selling remote monitoring devices, and financing the devices.

Device revenues are recognized when the device is shipped to a customer. Device sales are typically targeted for 50%–60% gross margins at scale. Customers have the option to finance devices over 12–24 months, which results in higher prices and margins. If customers choose to finance a device, then the related revenue shows up in financing income, which is included in other income. Devices have historically been the majority of Reliq's revenue as some devices are sold without related services and because there is the lag in customer onboarding. At the end of September 2022, deliveries were delayed due to hurricanes, which caused $15M in device sales to be delayed. This revenue is expected to be recognized in the first half of the calendar year 2023.

Going forward, we expect most sales to come from software and services. The company charges ~C$60 per month for its services. When deploying various remote programs, the healthcare provider can receive over $400 in monthly revenue and the reimbursement code for the remote device will cover the fee to be paid to Reliq, even considering a patient's potential 20% coinsurance. A customer care manager is assigned to each patient and their cost is factored into the cost of goods sold. At scale, the services business should generate ~75% gross margins. When a new contract with a healthcare provider is signed, there is a delay before service revenue can be recognized. Reliq must first identify patients that are eligible for reimbursement and train the physicians or assistants on how to use its solution. Service revenue cannot be recognized the same month that care is provided in a doctor's office or healthcare facility. Also, a patient must first be onboarded, a process that includes training and acquiring the patient's consent.

There is a large amount of potential operating leverage in the business model. We believe sales and marketing costs should run at ~10% of revenue. Historically, salespeople or distributors were paid in stock, but will receive cash payments going forward. The remaining operating costs should grow modestly relative to revenues.

The biggest challenge in the business model is execution. This relates to identifying the right patients, getting their consent, and maintaining proper customer care. COVID-19 and the lockdowns impacted Reliq's employees and the ability of healthcare workers to make visits with patients and customers; a trend we now expect to reverse. Customers are becoming more familiar with reimbursement codes and benefits. Finally, the move to sign SNF customers should improve the onboarding process since a patient can be trained and give consent before leaving the facility.

CCM is a value-based program. Patients who enroll tend to have lower hospitalization rates and fewer visits to the emergency department.

Patients who have chronic diseases are typically on the platform for the rest of their lives. On average for each client, 5% of their patients pass away each year. However, there is a 13% increase in the number of patients who are eligible for Reliq's services. The net impact is that the patient population on the iUGO Care platform typically increases by 8% per year for every client.

History:

Dr. Crossley was appointed CEO and Director in January 2016. In March 2016, the company received final approval for the acquisition of CareKit Health, a company with a hardware and software platform for home care and healthcare. The company changed its name from Moseda Technologies Inc. to Reliq Health Technologies in May 2016. The company signed contracts with home health care and primary care patients in 2017. In 2018, the company expanded to a diabetes trial and business in Australia. In October 2018 the company restated their financials related to timing and certainty of revenue.

In 2019, Reliq expanded geographically in TX, CA, AL, and MT and in treatments for additional chronic diseases. The iUGO Home product line was launched with wearable technologies for fall detection, and 2-way video communication and geofencing. Reliq partnered with Smart Meter LLC and its iGlucose blood monitor for patients with diabetes. In 2020, the company signed additional contracts in TX and expanded into FL, AL, IL, MI, TN, OH, OR, and WA. A partnership with distributor digiiMED (private) was signed to focus on the Puerto Rico and US Virgin Islands market. In 2021 the company signed their first contract to deploy the iUGO home solution. The company signed multiple contracts while facing the challenge of implementing their business plan during the COVID pandemic and lockdowns. In 2022, Reliq became a customer of Cognizant (CTSH—NR) to assist in larger customer rollouts, settled a class action lawsuit for $2.5M ($1.5M funded by insurance), and partnered with Data Soft Logic (private). The company expanded into new disease categories and geographies, began to provide iUGO Care software to support clinical trials, and entered the SNF space, a new end market for the company.

History and Background of Remote Patient Monitoring.

RPM is a healthcare practice that uses technology to monitor a patient's health outside of traditional healthcare settings such as hospitals or clinics. Medical devices and sensors can monitor vital signs such as blood pressure, heart rate, respiratory rate, oxygen saturation, glucose levels, and more. Advances in devices that can be wearable and use mobile, home-based monitoring systems, along with telemedicine supported the development of the RPM market. CMS recognized the challenge the US was facing with chronic diseases in terms of costs and health outcomes.

The first remote patient monitoring activity was in 1948 when a doctor sent X-ray images via telephone wires. The adoption of the internet in the 1990s expanded use. In 2002, the original RPM CPT code 99091 was established to report the physician or other qualified health professional's (QHP) work of reviewing and interpreting patient data.

In 2018, CMS separated payment for CPT code 99091, requiring a minimum of 30 minutes of time spent collecting and interpreting patient data in a 30-day period. Additional requirements were also applied, including a face-to-face with the billing practitioner for new patients and those who had not seen their practitioner 1-year prior to the billing code.

In 2019, CMS introduced a bill for both CCM and RPM services for chronic disease patients. Clients included home health agencies using RPM for Medicaid patients, and an adult day care that could use iUGO Home. In 2019, CMS Physician Fee Schedule Final rule was introduced for new set of CPT codes—99453, 99454, and 99457—which cover initial setup, device supply and daily recordings, and 20 minutes of care management, respectively.

In 2020, CMS introduced PCM billing codes that allowed specialists to use iUGO to provide disease-specific care management for a single chronic condition. This can be used for endocrinologists, nephrologists, respirologists, cardiologists, and other specialists. In 2020, CMS finalized a new CPT code 99458, for an additional 20 minutes to monitor a patient during a calendar month. RPM was listed as a designated care management service, which meant clinical staff did not need to be present in the same physical location as the billing practitioner. This allowed outsourcing of RPM services.

Behavioral health billing codes were created for behavioral health treatment and psychiatric inter-specialty consultation.

In 2021, the COVID-19 Public Health Emergency waived several restrictions to RPM services. At its termination, CMS stated it would reinstate the policy that RPM be limited to established patients and require collection and transmission of 16 days of data for each 30-day period for the provider to bill for CPT codes 99453 and 99454.

In 2022, CMS slightly decreased the national payments for RPM codes with the conversion factor changed to $34.61. Recommended changes to the physician fee schedule in 2021 were accepted and implemented in 2022. Among the changes was a 55% increase in the relative value unit (RVU—a multiplier that is a conversion factor to determine how much clinical staff can bill for services provided via CPT code) for CCM CPT codes. The RVU code is used to determine how much to reimburse providers. New codes were added for remote therapeutic monitoring related to non-physiologic data and can be reported by the patient.

Billing is broken into three components; teaching patient how to use new device, reading and transmission of device readings to the clinical staff, and time, i.e., at least two-way, real-time interactive communication between a provider and patient.

History and Background of Chronic Care Management

CCM is a healthcare program aimed at providing comprehensive and coordinated care to patients from their home. CCM is appropriate for people with LT conditions such as diabetes, heart disease, hypertension, chronic obstructive pulmonary disease (COPD), and others. CCM coordinates care across multiple providers and settings, provides medication management, and develops a care plan. Care includes ongoing communication between healthcare providers and patients.

In 2015, Medicare expanded to cover CCM services under Part B if patients had two or more chronic conditions. Medicare beneficiaries typically pay a monthly fee for service, but supplemental insurance or Medicaid can help offset the cost. In 2018, the passage of the CHRONIC Care Act allowed Medicare Advantage plans to cover the standard chronic care services and certain social services to promote good health.

CCM care coordination services are done outside a regular office visit for patients with two or more chronic conditions that are expected to last at least 12 months, or until the death of the patient. Conditions are characterized as having high risk of hospitalization, significant risk of death or functional decline, and require intensive care coordination. CCM services are typically not face-to-face and allow eligible practitioners to bill for at least 20 minutes or more of care coordination services per month. CCM includes a comprehensive care plan that lists a patient's health problems and goals, other care providers, medications, community services available and needed, and other health related information. It also explains the care required by the patient and how the care will be coordinated. Patients receive 24/7 access for urgent care needs, support, medicine review, and help with other chronic care needs.

Chronic care conditions include but are not limited to: Alzheimer's disease and related dementia, arthritis (osteoarthritis and rheumatoid), asthma, atrial fibrillation, autism spectrum disorders, cancer, cardiovascular disease, chronic obstructive pulmonary disease (COPD), depression, diabetes, hypertension, infectious diseases such as HIV/AIDS, and substance abuse disorders.

Informed consent is required for CCM services to begin. This includes an understanding of cost sharing and acknowledgement that patients can stop receiving chronic care service at any time. Patients should also understand that they can only receive care through one practitioner and/or hospital at a time. Once consent is received, a care plan is designed with the goal of improving the patient's quality of life.

Services Offered

Exhibit 8: iUGO CARE

Source: Company presentation

iUGO Care is Reliq's solution to provide remote care at a patient's home. Reliq provides a digital platform for care coordination. The platform provides real-time access to a patient's health history, demographic information, and real-time biometric data. Reliq provides care teams that can monitor a patient's health status remotely. The care team receives automated alerts if a patient's results are outside of specified norms. The care team can add value by providing early-stage interventions to prevent costly hospital readmissions and ER visits. iUGO Care integrates with iUGO Home devices and over 97% of all Bluetooth, Wi-Fi, and SIM card-enabled durable medical equipment.

iUGO Home was launched in 3QF21. Fall detection is provided through a connected device. Other services include automated alerts to the patient's care team, medication reminders, two-way audio communication, and geofencing-based alerts (i.e., alert if a patient travels outside of a certain area, Which can be relevant for patients with dementia or Alzheimer's). An iUGO home pendant can be worn by a patient and provides SOS alerts. Devices connect to the iUGO Home Hub. The Hub includes a tablet and docking station that receives, tracks, and sends information to the iUGO Care platform. Patients can use the Hub for voice and video calls for telemedicine appointments.

iUGO IVR (interactive voice recognition) was launched in 3QF21 to allow communication with patients in multiple languages.

iUGO WELL is focused on improving employee wellness. The service provides an audio and video library of exercises with music.

Remote Patient Monitoring (RPM) offers healthcare providers patients' biometric data in real-time on the iUGO Care platform.

Chronic Care Management (CCM) is available for patients with co-morbidity and requires a comprehensive care plan. Use of telemedicine in the iUGO Care platform can offer healthcare, education, and support. It can determine what patients' needs are for the home, such as occupational or physical therapy.

Wound care function allows tracking of wound size, medical conditions related to poor wound healing, infections, interventions, and rate of healing.

Principal Care Management (PCM) allows specialists to proactively manage care for patients with a single, high-risk chronic condition. Clinicians can develop a disease-specific care plan, adjust medications, and make treatment decisions based on real-time data.

Behavioral Health Integration (BHI) helps primary care providers proactively manage care for their patients with mental, behavioral, and psychiatric conditions, and addictions. Primary care team can develop specific care plans, monitor a patient's progress, and facilitate and coordinate behavioral health treatment.

Transitional Care Management (TCM) helps providers proactively manage care for patients immediately after discharge from a hospital or other facility. iUGO Care can provide coordination, interactive communication, and medical decision-making.

Target Markets

Virtual: Reliq targets patients once they have been discharged from hospitals, home care agencies, family practices, collaborative care teams and skilled nursing facilities. Skilled nursing facilities provide a temporary residence for patients undergoing medically necessary rehab treatment. There are over 15K SNFs in the US (SNF.com) and over 1.5M Medicare patients that receive care in an SNF setting, as of 2021 (Kaiser Foundation).

Long-Term Care. The company also provides systems for assisted living facilities and nursing homes to support care providers and help communicate with patients' families. iUGO provides 24/7 automated monitoring alerts and automated voice assistant prompts to remind patients to take their medications, go to the dining hall at mealtimes, and perform other self-care tasks.

Big Data. iUGO Care cloud supports anonymous storage and analysis of patient data. Reliq can provide its tools to support clinical trials and research studies. Longer term, we believe data can be analyzed to develop insights into chronic disease treatment.

Exhibit 9: Benefits of iUGO Care

For patients:

- Improves health outcomes
- Reduces hospitalizations
- Enhances quality of life

For providers:

- Creates new revenue streams
- Avoids financial penalties

The average practice can generate new revenue of **>$400 USD per patient per month** from CMS payments by implementing iUGO Care

Clinicians pay only **$40-$100 USD per patient per month** for iUGO Care

Source: Company presentation

Exhibit 10: Use Case of Benefits of iUGO Care

A patient with Congestive Heart Failure (CHF) has an episode of heart failure, causing an increased fluid load and a sudden weight gain of 2+ pounds in 24 hours

Without iUGO Care

- The patient forgets to weigh herself, forgets her previous weight or doesn't remember that she is supposed to call her doctor when her weight suddenly increases
- Fluid continues to build up, causing lasting damage to her heart and possibly other organs
- After several more days, she notices chest pain or difficulty breathing and goes to the ER
- The patient is admitted to the ICU for a week or more at a cost of $100,000+

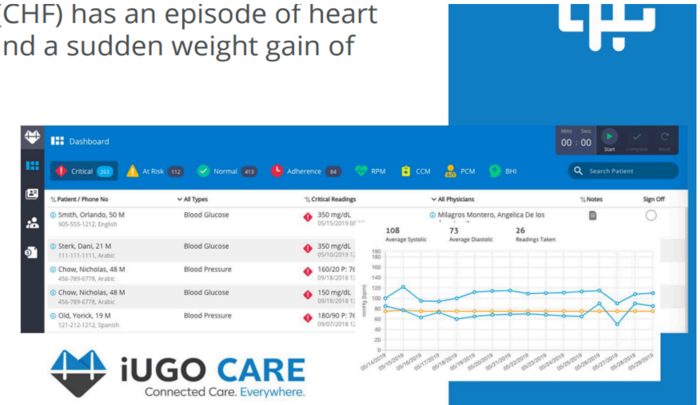
Source: Company presentation

Exhibit 11: Use Case—What Happens With iUGO Care

A patient with Congestive Heart Failure (CHF) has an episode of heart failure, causing an increased fluid load and a sudden weight gain of 2+ pounds in 24 hours

With iUGO Care

- The patient's care team immediately receives an automated alert notifying them of the weight change
- The physician calls in a change in diuretic medication
- The patient stays healthy and at home



Simple interventions in the home can have a dramatic impact on health outcomes, quality of life and costs to the healthcare system

Source: Company presentation

Partners

digiiMED is a spin-off of Surgical Solutions Puerto Rico. digiiMED provides digital health solutions to care providers in Puerto Rico and Latin America. Surgical Solutions has been working with primary care physicians, neurosurgeons, orthopedic surgeons, and other healthcare professionals in Puerto Rico and Latin America since 2003.

Data Soft Logic (DSL). In January of 2022, Reliq partnered with Data Soft Logic to provide iUGO Care to DSL's existing and new clients. DSL at the time had over 600 home health and hospice care agency clients who worked with more than 1K primary care physicians to provide care to over 500K Medicare and Medicaid patients. DSL provides software for home health agencies and hospice centers that helps them manage their businesses. The contract with Reliq is anticipated to add over 50K new patients per year beginning in 2023.

Cognizant. Reliq is a customer of Cognizant. Reliq uses Cognizant to assist with its large healthcare customers.

Onboarding

For a patient to be onboarded and eligible for insurance reimbursement, the patient must be validated as eligible, educated in the service, and provide consent. Depending on the program, a care manager may also be required to provide at least 20 minutes of conversation with the patient per month. Reimbursement also typically requires the patient to collect data of vital signs for 16 days in a month.

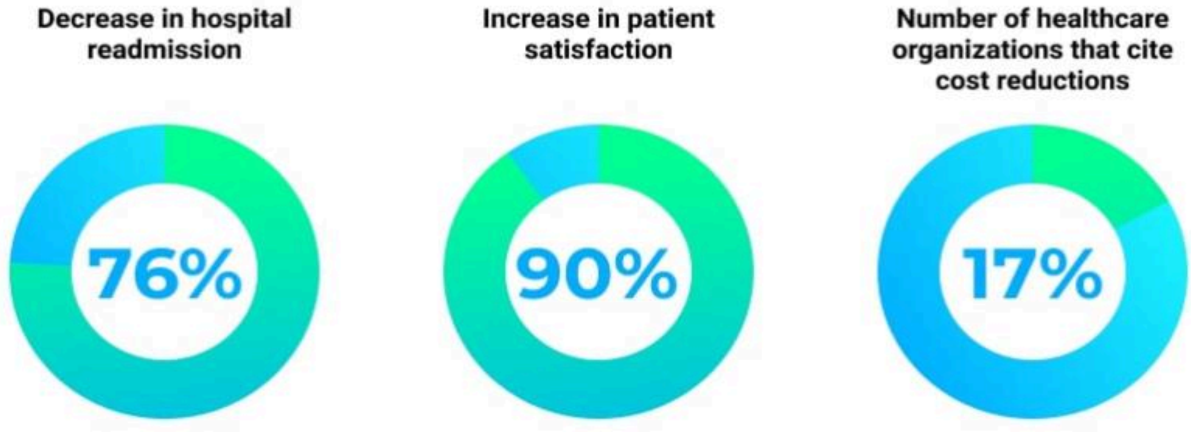
Sales Process

Reliq sells through distributors and its own sales force. Salespeople come with significant healthcare experience and contacts. The sale is targeted to senior management, typically the CEO or CFO. A salesperson is typically educating the potential customer on the services, identifying potential patients that qualify, and providing a case study for the potential economic benefits and improvements in health outcomes.

Positive Industry Dynamics

RPM has been shown to have multiple benefits for healthcare providers, costs, and patients.

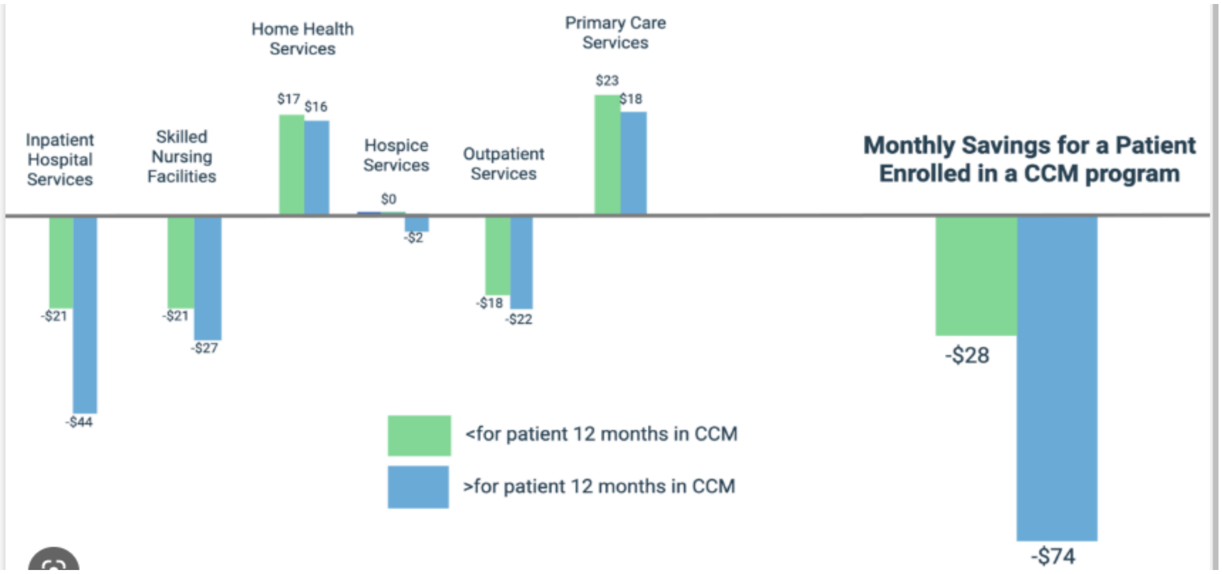
Exhibit 12: Effect of RPM Implementation



Source: Stanford medicine paper on harnessing the power of data in healthcare.

Chronic care accounts for over 80% of healthcare costs. Once a patient leaves a healthcare provider, they risk having more problems at home from lack of adherence to medication protocols or incidents that can result in a return to an expensive setting. The coordination of chronic care from CCM has shown to improve outcomes and reduce costs to the system.

Exhibit 13: Savings from Chronic Care Management



Source: ChartSpan

Addressable Market

In the US, around 60% of adults have one chronic condition (ChronicDisease.org) and around 40% have two or more chronic conditions (National Institutes of Health—NIH.Gov). Chronic diseases are defined as conditions that last one year or more and require ongoing medical attention or limit activities of daily living, or both. Chronic diseases such as heart disease, cancer, and diabetes are the leading causes of death and disability in the US. According to the CDC, 90% of the US' $4.1T in annual healthcare expenditures are for people with chronic and mental conditions.

According to the US Department of Health and Human Services (HHS), approximately 66% of all Medicare and Medicaid patients have two or more chronic conditions. At least one in four Americans, or over 81M adults, have two or more chronic diseases, per the CDC.

According to the American Heart Association (AHA), 877.5K Americans die of heart disease or stroke every year, costing $216B per year and causing $147B in lost productivity.

Each year in the US, more than 1.7M people are diagnosed with cancer and almost 600K die from the disease. According to the Cancer Epidemiol Biomarkers report, the cost of cancer care continues to rise and is expected to reach more than $240B by 2030.

Per the American Diabetes Association, more than 37M Americans have diabetes and another 96M adults in the US have pre-diabetes. Diabetes can cause serious complications, including heart disease, kidney failure, and blindness.

According to a research article titled Association of Body Mass Index with Healthcare Expenditures in the US (Zachary Ward, Sara Bleich, Michael Long, and Steven Gortmaker), obesity affects 20% of children and 42% of adults and can increase the risk of type 2 diabetes, heart disease, and some cancers. Obesity costs the US healthcare system nearly $173B a year.

Arthritis affects 58.5M adults in the US and is leading cause of work disability and a common cause of chronic pain. Total cost attributable to arthritis and related conditions was about $303.5B in 2013, of which $140B was for medical costs and $164B was for indirect costs associated with lost earnings (per Murphy LB, Cisternas MG, Pasta DJ, Helmick CG, Yelin EH. Medical expenditures and earnings losses among US adults with arthritis).

Alzheimer's affects about 5.7M Americans, including one in 10 adults aged 65 and older. It is the sixth leading cause of death among all adults and the fifth leading cause for those aged 65 or older. In 2020, the estimated cost of caring for and treating people with Alzheimer's disease was $305B. By 2050, these costs are projected to be more than $1.1T (2020 Alzheimer's Disease Facts and Figures. Alzheimer's Impact Movement and Alzheimer's Association. March 2020)

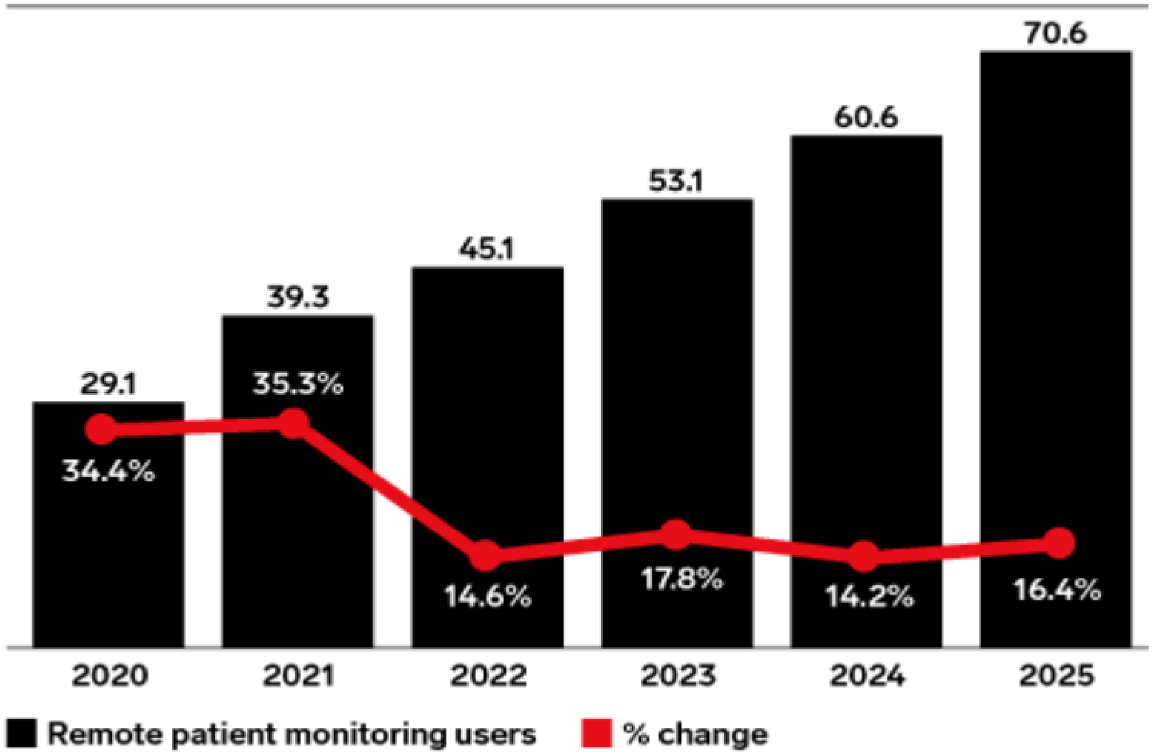
In the United States, about 3 million adults and 470,000 children and teens younger than 18 have active epilepsy—meaning that they have been diagnosed by a doctor, had a recent seizure, or both. Adults with epilepsy report worse mental health, more cognitive impairment, and barriers in social participation compared to adults without epilepsy. In 2016, healthcare spending for epilepsy was $8.6B in direct costs (Dieleman JL, Cao J, Chapin A, et al. US health care spending by payer and health condition)

According to Insider Intelligence, ~30M patients in the US will use remote patient monitoring tools by 2024. Also, the global RPM systems market is projected to be worth more than $1.7B by 2027, up 128% from current levels.

In 2022, hospitals admitted 33.4M people (American Hospital Association). There are more than 15.5K skilled nursing facilities in the US that provide care to more than 1.35M people.

Medicare accounts for 18.4% of the US population and Medicaid accounts for 18.9%.

Exhibit 14: US Remote Patient Monitoring Users, 2020–2025



Source: Insider Intelligence, Aug. 2021

Competitive Environment and Competitive Advantages

Reliq typically does not bid against other companies for wins. However, there are some smaller chronic care or remote patient monitoring companies that it occasionally competes with, but these companies tend to have narrower solutions.

Other companies providing RPM and/or CCM include Cloud DX (CDX.V - NR), CareCloud (CCLD - Buy), Biotricity (BTCY - Suspended), HeartBeam (BEAT - NR), and G Medical Innovations (GMVD - NR). Well Health Technologies (WELL.TO - Buy) provides telehealth services.

Leading RPM companies include Dexcom (DXCM - NR) for diabetes, Medtronic (MDT - NR) for respiratory, blood oxygen, and pulse rate, Philips (PHG - NR) through BioTelemetry provides healthcare tools to remotely track patients, Care Innovations, a subsidiary of Intel (INTC - NR) provides RPM and CCM platforms, ResMed (RMD - NR) for cloud connectable devices to track sleeping patients' health and respiration, and Senseonics (SENS - NR) for long-term, implantable continuous glucose monitoring.

Telus Corp (TU - NR) is a Canadian-based telecom company that has a remote digital solution. However, it has been focused on the Canadian market and Reliq is focused on the US.

Private companies focused on RPM include AMC Health, HealthSnap, Optimize Health, Cadence Care, Athelas, Health Recovery Solutions, Accuhealth, TimeDoc Health, and Vivify Health.

Reliq's competitive advantages include offering a full turnkey solution. The company can identify eligible patients, have a team responsible for patient onboarding, and a team to assist with CPT codes. Remote care is lower cost than in-home care.

Positive Industry Data Points

The following are comments from relevant companies' March 2023 earning's calls.

Biotricity

- "98% retention rate, as heart disease is typically chronic and ultimately progressive, our customer retention rate is available leading indicator for raising our customer's lifetime value."

CareCloud

- 1Q23, "meaningful contribution from our Wellness offerings, which includes chronic care management and remote patient monitoring. After about a year on the market, it continues to gain traction with our physician space."
- "if you think of Wellness, the chronic care management visits have a higher staffing component. The remote patient monitoring engagements, as those get set up, that's done largely automated. So, again, day one CCM engagement where I'm using a third party will probably be a little bit lower margin and then you ramp up and then you hire and get some of our people trained and then you start giving people the remote devices. And by the time you're monitoring their blood pressure in a totally automated fashion, with no people, now you've got a pretty nice margin profile."

Cloud DX

- For 1Q23, total revenue up 68% y/y, subscription revenue 151% y/y, and gross profits 184% y/y. During the quarter, 15 commercial contracts were either signed or extended (compared to 28 for entire 2022). Lives under coverage increased ~30% y/y.

DexCom

- "Organic revenue growth of 19%." "As exiting 2022, patient base grew in mid-30%."

HCA Healthcare (HCA—NR)

- "Our non—COVID commercial volume was up a little over 11%."

Humana (HUM—NR)

- "Expansion of our value-based home model is tracking in line with expectations and is demonstrating favorable outcomes. We continue to expect to cover approximately 1.8 million members by year-end, with further expansion to 40% of our Medicare Advantage membership by 2025.

Marpai Health (MRAI—Buy)

- "We are really leaning in here with respect to value-based care and deploying not only our AI but other technology."

Medtronic

- Looking to separate its patient monitoring business (includes respiratory therapies and monitoring, bold oxygen management, and anesthesia and perfusion monitoring) through a spin or sale. We believe this is going to be a significant value creation opportunity.
- "NewCo will be a leading connected care company with a compelling leadership position, attractive margins, and potential for growth acceleration with increased investment and dedicated capital allocation."

Teladoc

- "We announced the results of a new clinical study proving the benefits of whole-person chronic care. The study shows that individuals who were initially enrolled in one of our standalone diabetes, hypertension, or weight management programs experienced a significant improvement in those underlying conditions when they added one or more of our other chronic care programs."

- "Total chronic care program enrollment was 1.03 million at the end of the first quarter, representing growth of 13% year-over-year."

- "We announce the results of a new clinical study proving the benefits of whole-person chronic care. The study shows that individuals who were initially enrolled in one of our standalone diabetes, hypertension, or weight management programs experienced a significant improvement in those underlying conditions when they added one or more of our other chronic care programs."

Telus (T.CN—NR)
- "TELUS Health business. Significant growth in the first quarter in terms of our revenues coming out at C $423 million reflects the significantly enhanced scale of our health operations, driven by our acquisition of LifeWorks, which is enabling us to make meaningful progress in respect of our goal to be the most trusted well-being company in the world. The expanding scale of our healthcare programs within our integrated TELUS Health organization includes covering 67 million lines, an increase of more than 45 million over last year."

- "Digital health transactions were up 7% to 49 million in the quarter. Furthermore, we welcomed close to 2 million new virtual care members in the last 12 months alone, increasing our membership to 5.2 million, nearly 60% over the prior year. We anticipate continued strong growth in TELUS Health, buttressed by the integration of our product suite that enables us to not only meet, but exceed the diverse and evolving needs of our customers with a differentiated—highly differentiated and comprehensive range of innovative healthcare solutions. This will be supported by our ongoing and intense focus on crystallizing meaningful synergies with respect to the integration of LifeWorks."

- "We are executing on our mission to improve access to health care for every Canadian through virtual care and pharmacy."

- "Telus Health and LifeWorks are pursuing EAP opportunities from our virtual care platform…. There's a very synergistic fit between the two."

United Health (UNH—NR)
- "We are committed to working with CMS as stewards of the MA program, especially with its long-stated goal of promoting value-based care, which remains the best solution to promote equitable access, better health care outcomes, exceptional experiences, and lower cost for the system."

- "The typical Medicare Advantage senior spends about $2,000 a year less out-of-pocket compared to seniors in traditional Medicare."

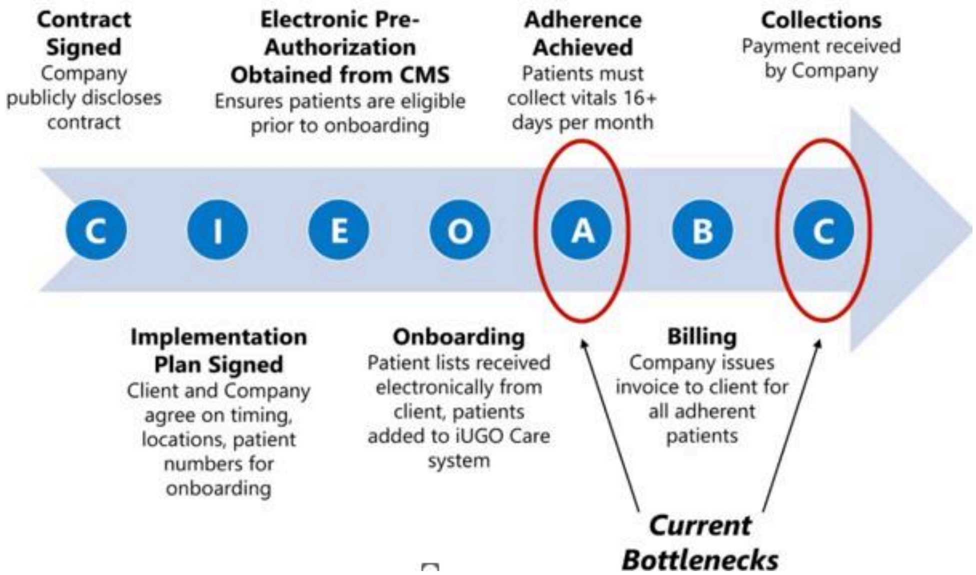
Well Health Technologies
- Circle Medical (company's telehealth business) increased 1Q23 revenues 93% y/y.

U.S. Veteran's Affairs (VA)
- In May 2023, the VA awarded a $1B home telehealth contract to Medtronic Care Management Services, Cognosante, Valor Healthcare, and Dr. Kumo. The contract is to covers 72K+ patients with chronic care needs. Will provide remote monitoring and home telehealth.

Actions to Improve Operations

Historically the company faced challenged in getting patients properly onboarded so it could get reimbursed and then get paid from clients. Management identified adherence (patients collecting data on vital statistics on at least 16 days each month) and collections as key bottleneck areas in current operations.

Exhibit 15: Bottlenecks in Current Operations



Source: Reliq 1-11-23 corporate update webinar

The onboarding process has historically been challenged due to COVID-19, hurricanes, and acquiring patient consent. Another challenge was the onboarding process, which Reliq did not have control over as its healthcare clients were responsible for patient onboarding. Many of their patients are in the TX and FL markets, which have had a disproportionate negative impact from weather events and COVID-19. As clinicians became sick, they were not able to do what was necessary to get patients reimbursed. Elderly patients can sometimes take longer to get used to the routine.

We expect improvements in the onboarding process. Going forward, the company is putting more resources into onboarding patients at a faster rate. Some of this will come from greater use of automation such as automatic interactive calls and patient reminders. The company recently signed up skilled nursing facilities, which could onboard patients quicker since they can be trained and provide consent during their time at the facility. A key change is that starting in 2023, Reliq began taking responsibility for the onboarding process.

The company has been focused on a “land grab” strategy as it has first-mover advantage. Since mid-2021, the company has provided flexible payment terms given market conditions to build its business at a faster rate. This has resulted in longer collection times.

The following changes have been made and the initial results are encouraging, in our view:

Adherence:

- Starting January 1, 2023, all new contracts authorize Reliq to contact patients to ensure adherence.
- iUGO Care platform provides timely alerts to care managers if a patient is at risk of non-adherence for a given month.
- Reliq's Interactive Voice Recognition technology will provide daily reminders to patients who are non-adherent.
- Care Managers will call patients who need additional adherence support.
- According to the company's March 2 update, existing clients who have been transitioned over to Reliq-managed adherence have seen an increase in adherent patients from 19% to over 70%. In addition, the small number of existing clients who have been using Reliq's Adherence Management services from the beginning have patient adherence of over 80%. The company's goal is to reach 90% adherence.
- The company expects to have all existing clients migrated to Reliq-managed adherence by the end of June 2023.
- As of March 31,2023, Reliq had assumed responsibility for adherence management for 30% of its existing clients and improved the average adherence level for associated patients from less than 20% to now ~70%.

Exhibit 16: Actions to Improve Adherence

- By the end of June 2023, the Company will be managing adherence for all new clients and the vast majority of existing clients.
- The iUGO Care platform has been updated to provide timely alerts to Care Managers if a patient is at risk of non-adherence for a given month.
- Reliq is leveraging its Interactive Voice Recognition (IVR) technology to provide daily reminders to patients who are non-adherent.
- Care Managers can also call patients who need additional adherence support.
- Existing clients previously had adherence levels below 30%. Reliq has taken over adherence for >30% of existing clients to date, increasing their adherence to >70%.
- Target is over 80% adherence across all patients.

Source. Company investor presentation.

The most important takeaway from the above is that the company's actions are working. We believe that this can result in a significantly higher number of companies that Reliq will be able to bill for going forward.

Collections:

- Effective January 1, 2023, Reliq Account Managers will only receive commissions if collections for their accounts are up to date.
- All clients have been informed they must bring their accounts up to date this quarter and have signed associated payment plans committing to that schedule.
- Management is monitoring the time from initial onboarding to first billable months and the time from invoice to receipt of payment.
- According to the company's March 2 update on December 2022 quarterly results, collections improved significantly in the last two months and accounts receivable are expected to be current by the end of June 2023. At that point, the remaining accounts receivable would be associated with hardware sales, which have 12 to 24-month payment plans.

Exhibit 17: Actions to Improve Collections

- Account Managers made collections their top priority as of Jan 1, 2023.
- All clients have signed payment plans and have started making payments.
- We expect to be caught up on receivable collections by the end of June 2023.
- The Company has collected over $1 Million in payments since January 1, the majority of which was collected in the last few weeks.
- By comparison, the Company collected a total of ~$2.5 Million in payments in FY2021 and FY2022 combined and ~$200,000 in the first half of FY2023. The dramatic increase in the pace of collections reflects Reliq's new focus on collections.
- Expect to collect over $5M in FY2023 - >$1M/month for the remainder of the FY.
- The Company expects to be profitable in Q4 FY2023 and going forward.

Source. Company investor presentation.

Like adherence, actions taken to improve collections have been working.

Balance Sheet and Cash Flow

As of 3/31/2023, Reliq had $263K in cash and term deposits, approximately $21.2M in receivables, and a $40K Canadian government-related loan payable. As a result of the pandemic, the company extended flexible payment terms to clients. The company expects to have collected all receivables that were extended to customers during the pandemic by the end of June 2023. Going forward, sales are offered under a 60-day term payment.

For 3QF23 (Mar 2023 quarter) cash outflow from operations was ($5.2M) vs. ($1.5M) in the prior year quarter. The larger outflow is primarily due to higher receivables related to new clients being signed up. During the March 2023 quarter, Reliq received $5.5M from the exercise of stock options and warrants. As of 3/30/2023, Reliq had 11.5M options outstanding, of which ~5.6M have strikes of $0.55 or below and 432.8K warrants with a weighted average exercise price of $0.10. Assuming the stock price holds up, this could provide additional cash for the company. After March 31, 2023, the company issued 1.4M common shares on the exercise of 1.4M stock options for gross proceeds of $759K and granted 1.6M options to consultants with an exercise price of $0.54, expiring on 4/19/2028. Historically, the company has paid consultants and salespersons with options, but we expect this to switch to cash payments going forward. We believe the company can support organic growth without the need to raise capital, per our model. By the end of C23 management anticipates cash flow can support a stock buyback.

Historical Financials

For F2022, ending June 30, 2022, revenue was $8.6M, up from $1.5M in the prior fiscal year. Hardware represented 70.6% of total revenue for F2022. F2022 gross margins improved to 62% vs. 59% in the prior year. During the full F2022, the company signed 99 new US primary care physician practices, 28 healthcare organizations in specialties including hospice care, nephrology, orthopedics, long-term care, cardiology, and care management, 25 new home health agencies, and three adult medical daycares. Revenue for 3QF22 and 4QF22 were negatively impacted by the COVID-19 Omicron variant surge in late 2021/early 2022. During the F2022 audit process, some revenue was reclassified to financing income and shows up in other income related to revenue from payment plans lasting more than 12 months.

For the nine months ending March 2023, Revenue was $12.3M, up 97% y/y. Adjusted EBITDA for the nine months ending March 2023 was 4.0M, up over 20x, from the prior nine-month period. Prior period results were more negatively impacted by impacts from COVID-19. At the beginning of January 2023, Reliq had ~$15M in hardware with deferred deliveries, and ~$15M in overdue accounts receivable that were expected to be collected in 2023.

The 3QF23 (Mar 2023) was a record quarter with revenue of $4.7M, up 89% y/y. Software and services revenue was $2.9M, up 175% y/y, and represented 62% of total revenue. Management anticipates software and services revenue will represent most of the revenue in F2023. Device revenue was $1.8M, up 25% y/y. Gross margin was 68%, up from 65% in the prior-year quarter and 62% in the prior quarter. Previously, gross margins were negatively impacted by a temporary increase in device costs that was subsequently resolved as the company added new suppliers. Management anticipates gross margin to reach 75% by the end of F2023. EBITDA was $0.6M, the company's first profitable quarter.

During the March quarter, Reliq signed contracts with over 120 new SNFs, signed a new contract with a large US healthcare system that operates over 1,200 care centers across seven states, and with a large US health plan that operates an Accountable Care Organization (ACOs) in 5 states with over 3K doctors and more than 1M patients.

Guidance

Management has previously provided the following guidance.

- A goal to add 200K patients to the platform by mid C2023 (no longer being reiterated).
- Revenue is typically recognized 2–3 months after patients are onboarded and fully compliant with the program.
- Reliq expects to manage essentially all adherence for clients by 6/30/2023.
- Patients are expected to pay Reliq USD $40 per month on average.
- 75% gross margins and 45% adjusted EBITDA margins.
- In January 2023, the company started to recognize $15M in revenue from orders related to devices that were delayed due to hurricanes. The company anticipates this will continue over the following 4–6 months.
- Reliq expects most revenues to come from software and services, which is collected monthly and on standard net 60 terms.
- The company expects to have a greater focus on accelerating onboarding and reducing the time for patients to go from initial onboarding to fully adherent and billable.
- Reliq expects an increase in client sizes.

Earnings Outlook

We believe the company has hit an inflection point of accelerating revenue and EBITDA profitability. Tailwinds include a significant number of larger contracts that have been won. We believe it is prudent to be conservative in the timing of translating a contract wins to a customer onboarding and generating revenue. Historical challenges have included the impact of COVID-19 lockdowns and sick workers, weather events, inability to get reimbursement when patients are being treated in facility, and properly identifying patients and getting their consent. We expect improvement over time given more resources, geographic diversification, and signing SNFs, where patients can be trained and provide consent while in the facility.

We model lives that they are getting paid for at 21K at the end of F23 compared to ~12K today. We believe this is conservative since the company is onboarding lives from older contracts and new ones with greater success given taking adherence in-house. We model lives increasing to 54K by end of F24 and 137K by end of F25. We note the 137K lives at end of F25 is likely conservative given the 60K patients from older contracts and over 230K signed up in contracts since October 2022, (implies less than 50% adherence while recent efforts have had adherence rates of 70%+). We are factoring in a decline in their monthly service fee each year, assuming insurance reimbursement rates get cut and practices ask for the fee they pay Reliq to go down.

As a result, we project F2023 revenue of C$17.1M, up 101% y/y, C$34.2M, +99% y/y, in F2024, and C$95.0M, +184% y/y in F2025. Compared to C$12.4M actual in C2022, we project 2023–2024 calendar revenue of C$20.1M, up 62% y/y and C$66.9M, 233% y/y, respectively. Our revenue projections provide only a small recovery of the C$15M from device orders not yet delivered that are expected in 1HC23. We also believe our revenue could prove conservative if the company is successful in onboarding some of the larger contracts that have been announced.

There is significant operating leverage in the model, given Reliq's high gross margins and the fact that most operating expenses are likely to grow at a much slower rate than revenue. We project EBITDA to increase from a loss of (C$8.1M) in F2022 to positive C$0.4M in F2023, C$6.0M in F2024, and C$31.3M in F2025. On a calendar year basis, adjusted EBITDA was (C$2.2M) in C2022 and we project positive C$1.8M in C2023 and C$18.6M in C2024. We forecast adjusted EBITDA margins peaking at 32% in F2025, which is below management's guidance of 45% (although for adjusted EBITDA, the main difference is stock-based comp) as we factor in higher customer care and public company costs as the company scales.

Sanity checks on estimates. We believe our estimates could prove conservative based on the following:

- We believe the company has ~60K patients as of 3/31/2023 at 20% adherence, so 12M paying lives. We assume these patients have an average of C$50 per month, which is lower than current rate contracts are being signed since historical contracts included more Medicaid patients. Bringing compliance to 70% would result in monthly service revenue of 60K patients x 70% adherence x C$50 per patient per month = C$2.1M revenue per month, or C$25.2M annual service revenue.
- The company had ~C$12.M deferred hardware revenue as of 3/31/2023. If we assume each patient uses C$400 of hardware, then this translates into C$12M / C$400 = 30K additional lives. Assuming these lives will each generate C$60 per month, 30K x C $60 = C$1.8M of monthly revenue, or C$21.6M in annualized service revenue.
- New contract wins. Since October 2022, the company has announced new contracts that represent ~233K lives. Management comes up with the number of lives by taking eligible Medicare and Medicaid patients and cutting the number in half. We assume none of these are currently generating revenue. Once they go live, 233K lives x 70% adherence rate x C$60 per live per month = C$9.8M monthly service revenue, or C$117.4M annual revenue. At a 30% margin, these new contracts would represent C$35.2M in annualized EBITDA.
- The new contracts represent 233K lives, which if assume average hardware revenue is C$400 per person, would add $93.2M of revenue. To the extent the hardware was financed, the actual revenue would be even higher.

Risks

- The company is not yet profitable.
- Financial statements have been prepared on a going concern basis.
- Challenges of onboarding patients and maintaining care and participation.
- Making sure healthcare providers are properly billing for services.
- Ability to collect from doctors and healthcare customers.
- Competition from potentially larger companies.
- Ability for healthcare customers to adopt to the company’s new technology.
- Regulatory oversight.
- Risk of reimbursement rates getting cut.
- Contracts can be subject to delay, change, revision, and renewal.
- Risk of cybersecurity attacks.
- Timing of recognizing revenue from new customers.
- Maintaining financial controls.
- Maintaining personal data and changes in regulations.
- Pandemics and natural challenges such as hurricanes could disrupt ability to operate and bill customers.

COVID-19 Impact

- COVID-19 had a mixed impact on the company. On the one hand, the pandemic increased acceptance and adoption of telemedicine and reimbursement. However, COVID-19 also had a negative impact on the ability to onboard patients due to sickness of healthcare practitioners. For F2021, the bulk of Reliq’s clients at the time were based in South TX and FL, in communities that had been overwhelmed by COVID-19. As a result of the pandemic, the company extended payment terms to clients, which resulted in higher receivables.

- The Omicron variant surge in late 2021/early 2022 impacted many of Reliq’s clients and patients. Under CMS, clinicians cannot be reimbursed for virtual, preventative services in each month that patients are receiving acute care such as hospitalization or home care visits.

- Clinical staff who contracted COVID-19 were slower to complete training and other onboarding activities required to bill CMS.

Valuation

Compelling valuation and opportunity; initiating coverage with a Buy rating and C$1.75 price target. RHT.V currently trades at an EV/C2024E EBITDA multiple of 5.5x based on our C2024 EBITDA estimate of C$18.6M. A peer group of smaller-cap stocks trades at an EV/2024 EBITDA 30.3x. Our C$1.75 price target is based on applying a 20x multiple to our C2024E EBITDA of C$18.6M. We believe a discount to the peer group is warranted based on RHT.V's early stage of execution. Our positive outlook incorporates a large market opportunity with compelling economics. We also consider the large number of wins of increasingly larger customers, which is a leading indicator for future growth. Finally, we believe Reliq is well-positioned with healthcare trends toward value-based at-home care and remote monitoring capabilities. Catalysts for the stock include a potential uplisting to a large US exchange, shifting to cash flow profitability this year, and a potential share buyback and dividend.

Exhibit 18: RHT.V Comparative Valuation Table

Exhibit 23: RHT.V Comparative Valuation Table

			Price	M'Cap	EV/EBITDA			EV/Sales			P/E		
Company	**Ticker**	**Rating**	**6/18/2023**	**($M)**	**2022E**	**2023E**	**2024E**	**2022E**	**2023E**	**2024E**	**2022E**	**2023E**	**2024E**
Market Caps Less than $1 Billion Maps													
ADVANCED HEALTH INSTITUTE	AHI.O	Buy	0.74	23	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AUGMEDIX	AUGX.O	Buy	4.24	172	N/A	N/A	N/A	5.6x	4.1x	2.9x	N/A	N/A	N/A
BIOTRICITY	BTCY.O	Suspended	0.65	33	N/A	N/A	N/A	6.3x	5.1x	3.5x	N/A	N/A	N/A
CARECLOUD	CCLD.O	Buy	3.02	47	2.2x	2.0x	1.6x	0.4x	0.3x	0.3x	N/A	N/A	N/A
DARIOHEALTH	DRIO.O	NR	4.05	107	N/A	N/A	N/A	3.2x	2.7x	1.9x	N/A	N/A	N/A
DOCGO	DCGO.O	NR	9.01	932	32.8x	17.5x	12.5x	1.9x	1.6x	1.4x	26.5x	43.6x	24.4x
HEALTH CATALYST	HCAT.O	NR	12.17	685	N/A	55.0x	28.3x	2.0x	1.9x	1.7x	N/A	2836.8x	110.8x
HEARTBEAM	BEAT.O	NR	2.70	70	N/A	N/A	N/A	N/A	459.6x	689.4x	N/A	N/A	N/A
HEART TEST LABORATORIES	HSCS.O	Buy	0.98	9	N/A	N/A	N/A	N/A	3478.2x	22.3x	N/A	N/A	N/A
MARPAI	MRAI.O	Buy	0.54	16	N/A	N/A	6.1x	1.2x	0.9x	0.3x	N/A	N/A	N/A
NEVRO	NVRO.K	NR	25.18	902	N/A	N/A	161.5x	1.8x	1.7x	1.5x	314.8x	N/A	N/A
OPTIMIZERX	OPRX.O	NR	14.99	257	33.3x	83.9x	33.4x	2.9x	2.7x	2.3x	42.8x	64.8x	38.8x
QIPT HOME MEDICAL CORP	QIPT.O	NR	5.38	225	11.3x	6.6x	5.4x	2.4x	1.5x	1.2x	35.9x	107.6x	40.8x
VITALHUB CORP (1)	VHI.TO	NR	2.70	118	15.2x	11.9x	9.7x	3.6x	2.8x	2.5x	123.4x	39.3x	21.1x
WELL HEALTH TECHNOLOGIES (1)	WELL.TO	Buy	4.94	1,159	18.3x	16.1x	13.8x	3.4x	2.7x	2.4x	N/A	N/A	58.6x
Greater than $1 Billion Market Caps													
DEXCOM	DXCM.O	NR	130.10	50,431	66.4x	55.3x	44.6x	17.1x	14.3x	11.8x	149.5x	119.4x	86.8x
DOXIMITY	DOCS.K	NR	32.54	6,338	29.9x	25.2x	21.1x	13.1x	11.0x	9.2x	44.6x	39.6x	33.3x
EVOLENT HEALTH	EVH	NR	28.60	3,222	34.8x	19.2x	14.1x	2.7x	1.9x	1.6x	30.1x	51.7x	28.0x
HIMS & HERS HEALTH	HIMS.K	NR	8.65	1,811	N/A	57.2x	26.0x	3.1x	2.0x	1.6x	N/A	N/A	N/A
HONEYWELL	HON.O	NR	202.97	135,063	17.7x	15.7x	14.7x	4.1x	4.0x	3.8x	23.2x	22.2x	20.1x
INSULET CORP	PODD.OQ	NR	284.50	19,828	92.1x	89.7x	64.7x	15.9x	13.1x	11.0x	4064.3x	193.8x	134.1x
IRHYTHMN	IRTC.O	NR	101.55	3,094	N/A	N/A	136.6x	7.2x	6.1x	5.2x	N/A	N/A	N/A
KONINKLIJKE PHILLIPS NV	PHG.AS	NR	18.66	17,184	10.3x	10.2x	8.1x	1.3x	1.3x	1.2x	17.9x	15.4x	12.8x
MASIMO CORP	MASI.O	NR	161.47	8,524	22.4x	18.3x	16.5x	4.6x	3.8x	3.5x	35.2x	34.0x	29.9x
MEDTRONIC PLC	MDT.N	NR	89.15	118,642	N/A	14.9x	13.6x	4.3x	4.2x	4.0x	16.9x	17.7x	16.4x
OMNICELL	OMCL.O	NR	71.69	3,232	17.9x	26.8x	18.9x	2.7x	2.9x	2.7x	23.9x	42.3x	28.8x
PRIVIA HEALTH GROUP	PRVA.O	NR	25.20	2,915	42.8x	36.2x	27.3x	1.1x	0.9x	0.8x	N/A	100.1x	75.7x
RESMED	RMD	NR	219.04	32,184	28.9x	24.8x	22.0x	9.4x	7.9x	7.2x	37.8x	33.6x	29.6x
TANDEM DIABETES CARE	TNDM.O	NR	27.10	1,751	28.4x	41.5x	19.6x	1.9x	1.7x	1.5x	N/A	N/A	N/A
TELADOC	TDOC.K	NR	24.90	4,075	19.2x	15.8x	13.9x	2.0x	1.8x	1.7x	N/A	N/A	N/A
Median < $1 Billion				**118**	**16.8x**	**16.1x**	**12.5x**	**2.6x**	**2.7x**	**2.1x**	**42.8x**	**64.8x**	**39.8x**
Average < $1 Billion				**317**	**18.9x**	**27.6x**	**30.3x**	**2.9x**	**283.3x**	**52.4x**	**108.7x**	**618.4x**	**49.1x**
RELIQ HEALTHCARE TECHNOLOGIES	**RHT.V**	**Buy**	**0.51**	**103**	**N/A**	**58.6x**	**5.5x**	**8.3x**	**5.1x**	**1.5x**	**N/A**	**52.2x**	**6.4x**
Median > $1 Billion		**.**	**.**	**6,338**	**28.6x**	**25.0x**	**19.6x**	**4.1x**	**3.8x**	**3.5x**	**32.6x**	**39.6x**	**29.6x**
Average > $1 Billion				**27,214**	**34.2x**	**32.2x**	**30.8x**	**6.0x**	**5.1x**	**4.5x**	**444.3x**	**60.9x**	**45.0x**
RELIQ HEALTHCARE TECHNOLOGIES	**RHT.V**	**Buy**	**0.51**	**103**	**N/A**	**58.6x**	**5.5x**	**8.3x**	**5.1x**	**1.5x**	**N/A**	**52.2x**	**6.4x**

Source: LSEG for consensus estimates and Maxim Group LLC estimates for RHT.V. Reliq financials based on calendarized numbers. Reliq price and market cap displayed in Canadian dollars.

1. WELL and VHI market caps and price in Canadian dollars.

Deeper Dive – Reimbursement:

Reimbursement Rates

The table below highlights the overall increase in reimbursement rates and expansion of areas that can receive coverage.

Exhibit 19: CPT Codes & Reimbursement Changes

Code	Description	2021 Rate	2022 Rate	2023 Rate	'22/'21 % Change	'23/'22 % Change
Remote Patient Monitoring (RPM)						
99453	Initial set up and education	$19.19	$22.07	$19.32	15.0%	-12.5%
99454	Device monthly readings	$63.16	$55.72	$50.15	-11.8%	-10.0%
99457	Healthcare provider time 1st 20 minutes	$50.94	$50.18	$48.80	-1.5%	-2.8%
99458	Healthcare provider time additional 20 min	$41.17	$40.84	$39.65	-0.8%	-2.9%
99091	Collection and interpretation of data	$56.88	$56.41	$54.22	-0.8%	-3.9%
Chronic Care Management (CCM)						
99490	Care plan, at least 20 minutes	$41.17	$64.02	$62.69	55.5%	-2.1%
99439	Each additional 20 minutes per month	$37.69	$48.45	$47.44	28.5%	-2.1%
G0511	Rural or Federerally qualified, 20+ minutes	$65.24	$79.26	$79.26	21.5%	0.0%
99491	30+ minutes care per month	$82.35	$86.17	$85.06	4.6%	-1.3%
99437	Each aditional 30 minutes per month		$61.25	$59.98		-2.1%
Principal Care Management						
99426	Single high risk, first 30 minutes care per mo	$38.73	$63.33	$61.34	63.5%	-3.1%
99427	Each additional 30 minutes of above		$48.45	$47.44		-2.1%
99424	First 30 minutes provided by DR of HC provider	$90.37	$83.40	$81.33	-7.7%	-2.5%
99425	Each additional 30 minutes of above		$60.22	$58.29		-3.2%
Complex Chronic Care Management (CCCM)						
99487	First 60 minutes of plan per month	$91.77	$134.27	$133.18	46.3%	-0.8%
99489	Each additional 30 minutes of above	$43.97	$70.60	$70.49	60.6%	-0.2%
Remote Therapeutic Monitoring (RTM)						
98975	Initial set-up and patient education		$19.38	$19.32		-0.3%
98976	monitor readings, 16 minumum for 30 days		$55.72	$50.15		-10.0%
98977	Musculoskeletal readings, 16 min dor 30 days		$55.72	$50.15		-10.0%
98980	Interactive communication with patient, first 20 min		$50.18	$48.80		-2.8%
98981	Each additional 20 minutes per month		$40.84	$39.65		-2.9%
Remote Therapeutic Monitoring (RTM) also called Behavioral Health Integration (BHI)						
99484	20+ minutes of staff time, assesment		$32.80	$43.04		31.2%
98492	Psychiatric care, first 70 minutes in first month		$90.46	$150.80		66.7%
99493	Subsequent first 60 minutes		$81.81	$142.67		74.4%
99494	Additional 30 minutes of above		$43.97	$57.95		31.8%

Source: 1Bios

In general, for 2022, reimbursement rates were increased and expanded in terms of items covered. Rates were mostly cut in 2023, except for Behavioral Health Integration. In our model, we assume reimbursement rates get cut 5% a year.

RPM CPT Codes

CPT Code 99453. This is a one-time reimbursement for setting up a new monitoring device and educating the patient on how to use it. Average reimbursement is $19, per patient per device. This is a 1x payment.

CPT Code 99454. This is a monthly reimbursement for 16 captured readings from a remote patient monitoring device. This can apply once for each 30-day period the approved device is in use. Can only bill for one device per patient. Average reimbursement is $56.

CPT Code 99457. A monthly reimbursement for the first 20 minutes spent by a qualified health professional or clinical staff to check readings, speak with patients, coordinate treatment plans, and/or develop educational materials. There must be at least two-way, real-time interactive communication between a provider and a patient. The average reimbursement is $50.

CPT Code 99458 is an add-on code to 99457 that reimburses for each additional 20 minutes of time spent on RPM services for a patient each month. A practice can bill for each additional 20-minute block of time under 99458 at 40 minutes and 60 minutes. Providers must bill 99457 for the first 20 minutes each month and then use 99458 for each subsequent 20-minute block. Average reimbursement is $41.

CPT code 99091 is for time spent on the collection and interpretation of patient data of a minimum of 30 minutes each month. Average reimbursement is $56.

Monitoring devices can include blood pressure monitors, weight monitors, and blood glucose monitors.

CCM CPT Codes

CPT Code 99490 reimburses for at least 20 minutes a month of qualified health professional's CCM services for a patient with at least two chronic conditions. These conditions are expected to remain for a minimum of a year or up to the rest of the patient's life. Average reimbursement is $64.

CPT Code 99439 is for each additional 30 minutes of CCM services a month completed by a qualified health professional. The average reimbursement is $48.

CPT Code 99491 is a monthly reimbursement for the first 30 minutes of CCM services provided by a qualified health professional. The average reimbursement is $86.

CPT Code 99437 is for each additional 30 minutes of CCM services a month provided by a qualified health professional. The average reimbursement is $61.

Behavioral Care Market

Behavioral healthcare is integrated with primary care. Treatments can be provided through telehealth.

Behavioral Health Billing codes.

CPT 99492 is for initial psychiatric care management (70 minutes) and is approximately $162 per patient.

CPT 99493 is for ongoing psychiatric care management (60 minutes per month).

CPT 99494 is used to bill for each additional 30 minutes in any month.

Transitional Care Management Market

TCM is intended to reduce preventable readmissions and medical errors during the 30 days following discharge from the acute care setting.

TCM Billing Codes

CPT code 99495 is for moderate medical complexity requiring a face-to-face visit within 14 days of discharge. One time reimbursement rate is $209.02.

CPT code 99496 is for high medical complexity requiring a face-to-face visit within seven days of discharge. One time reimbursement is $281.69.

Principal Care Management Market (PCM)

PCM is a relatively new care model that reimburses providers for treating patients who have one chronic condition. Patients must have a chronic illness for a period lasting three or more months. The patient must also have had either a recent hospitalization or an acute risk of death, exacerbation, or functional decline, or require management that’s “unusually complex due to comorbidities.”

PCM Codes

PCM is frequently billed as part of a continuum with transitional care management (TCM). TCM covers the first part of treatment, beginning the day a patient is discharged and lasting for a total of 30 days of initial care. PCM is then used to cover the subsequent time, up to a year.

CPT Code 99424 covers an initial 30 minutes of time per calendar month for PCM services which includes the creation of the care plan. Reimbursement is $83.40 per 30 minutes of time, per patient per month.

CPT Code 99425 covers each additional 30 minutes of time per calendar month carried out by a physician or QHP. Reimbursement is $60.22 per 30 minutes.

CPT Code 99426 covers the first 30 minutes of PCM clinical staff time and is reimbursed at $63.33 per 30 minutes.

CPT Code 99427 covers each additional 30 minutes of PCM clinical staff time and is reimbursed at $48.45 per 30 minutes.

In April 2020 oncology practice was used to bill PCM concurrently with RPM.

Patient Out of Pocket Cost

Medicare Part B, which covers CCM, has a monthly premium, annual deductible, and 20% co-insurance requirement. FDA-approved devices are covered by Medicare.

Deeper Dive—Devices Offered:

Reliq offers various devices that can measure blood pressure, pulse, blood glucose, blood oxygen, and weight.

Exhibit 20: Blood Pressure & Blood Glucose

Source: Company presentation.

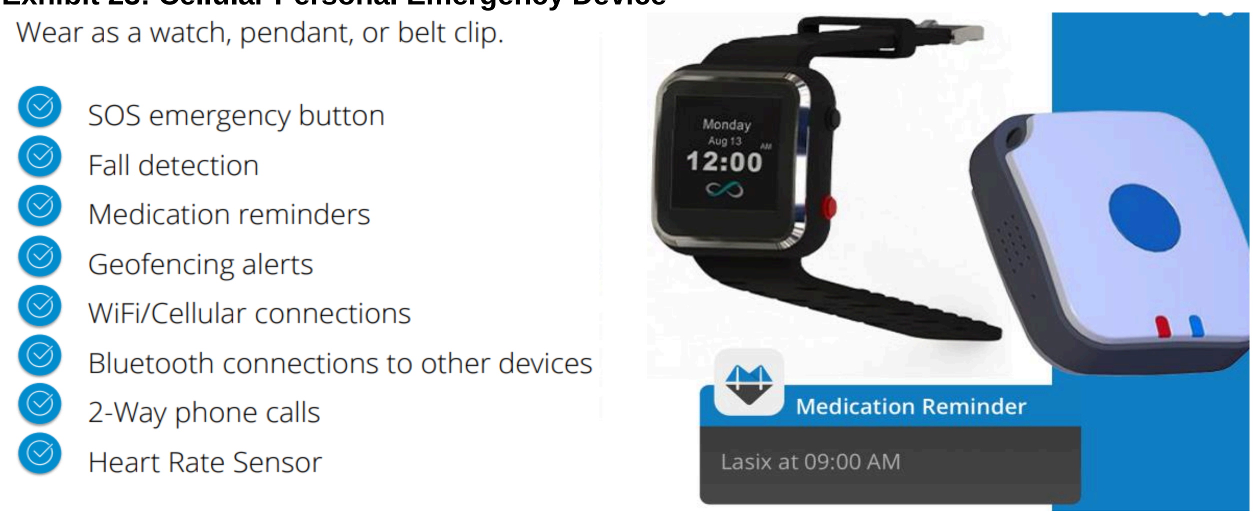
Exhibit 21: Cellular Scale

Source: Company presentation.

Exhibit 22: Cellular PulseOx

Source: Company presentation.

Exhibit 23: Cellular Personal Emergency Device



Source: Company presentation.

Exhibit 24: Bluetooth Smart Cap for Medication Adherence
Requires a cellular hub or a smart device

Source: Company presentation.

Exhibit 25: BlueTooth Sleep / Activity Tracker
Requires a smart device

Source: Company presentation.

Exhibit 26: Tango Belt for Fall Detection / Injury Prevention

Source: Company presentation.

Table 1. Reliq Health Technologies, Inc. Income Statement
(C$ in thousands, except per share data)

	F2020A	F2021A	Sep A	Dec A	Mar A	Jun A	F2022A	Sep A	Dec A	Mar A	June E	F2023E	Sep E	Dec E	Mar E	June E	F2024E	F2025E
Total Revenue	**1,143.0**	**1,462.2**	**1,608.2**	**2,140.1**	**2,515.0**	**2,288.5**	**8,551.8**	**3,472.2**	**4,118.5**	**4,741.0**	**4,814.9**	**17,146.7**	**4,864.9**	**5,685.6**	**7,250.1**	**16,394.7**	**34,195.3**	**96,969.7**
% Change Yoy	**528.4%**	**27.9%**	700.5%	412.2%	469.0%	470.0%	**484.9%**	115.9%	92.4%	88.5%	110.4%	**100.5%**	40.1%	38.1%	52.9%	240.5%	**99.4%**	**183.6%**
% Change sequentially			300.6%	33.1%	17.5%	-9.0%		51.7%	18.6%	15.1%	1.6%		1.0%	16.9%	27.5%	126.1%		
Total Cost of revenue	**968.7**	**604.2**	**449.1**	**556.4**	**878.9**	**1,366.0**	**3,250.5**	**1,297.6**	**1,556.6**	**1,750.0**	**1,812.2**	**6,416.4**	**1,492.2**	**1,690.8**	**2,270.1**	**5,761.6**	**11,214.7**	**29,219.0**
% Sales	84.7%	41.3%	9.7%	41.3%	27.9%	26.0%	38.0%	59.7%	38.0%	37.4%	37.8%	37.4%	37.6%	37.4%	30.7%	29.7%	32.8%	30.1%
Total Gross Profits	**174.4**	**858.0**	**1,159.0**	**1,583.7**	**1,636.1**	**922.5**	**5,301.3**	**2,174.6**	**2,561.9**	**2,991.0**	**3,002.7**	**10,730.3**	**3,372.7**	**3,994.9**	**4,979.9**	**10,633.1**	**22,980.6**	**67,750.6**
Total Gross Margin	**15.3%**	**58.7%**	**72.1%**	**74.0%**	**65.1%**	**40.3%**	**62.0%**	**62.6%**	**62.2%**	**63.1%**	**62.4%**	**62.6%**	**69.3%**	**70.3%**	**68.7%**	**64.9%**	**67.2%**	**69.9%**
Operating Expenses																		
Accretion	36.2	46.6	9.9	9.1	8.1	8.1	35.3	5.7	6.6	5.3	6.6	24.2	5.0	5.0	5.0	5.0	20.0	16.0
Advertising & promotion	281.3	507.9	112.9	203.3	101.6	74.9	492.6	16.4	49.5	34.4	40.0	140.3	45.0	50.0	55.0	80.0	230.0	480.0
Amortization	445.4	125.8	26.9	26.8	26.7	34.9	115.3	27.8	29.6	28.4	30.0	115.7	30.0	30.0	30.0	30.0	120.0	120.0
Management & consulting fees	1,893.6	1,420.1	386.3	425.3	395.7	276.8	1,484.1	432.1	490.6	445.9	700.0	2,068.6	500.0	550.0	575.0	800.0	2,425.0	5,000.0
Office & administration	444.5	598.0	195.4	347.9	269.8	260.5	1,073.6	325.6	364.8	411.1	382.9	1,484.3	358.1	401.2	452.2	421.2	1,632.8	1,877.7
Professional fees	300.5	1,487.7	28.8	89.0	25.6	54.5	197.9	49.9	(33.6)	1.3	130.0	147.6	300.0	500.0	500.0	600.0	1,900.0	3,350.0
Provision for expected credit losses			-	-	-	738.2	738.2	-	-	-	-	-	97.3	170.6	217.5	491.8	977.2	2,909.1
R&D	1,724.3	1,732.1	127.3	394.0	1,045.2	656.0	2,222.5	801.2	1,002.8	632.8	577.8	3,014.6	389.2	341.1	362.5	819.7	1,912.6	4,415.9
Salaries & wages	2,358.8	2,167.9	310.1	376.3	407.2	597.4	1,691.0	538.4	567.2	651.6	652.0	2,409.2	681.1	739.1	797.5	1,803.4	4,021.1	8,098.8
Share-based payments	3,751.3	4,362.1	4,205.8	1,710.5	112.4	(521.3)	5,507.4	710.5	57.1	383.8	100.0	1,251.4	120.0	120.0	120.0	120.0	480.0	576.0
Selling & admin	72.2	7.8	-	-	-	-	-	-	-	-	-	-	437.8	568.6	725.0	1,639.5	3,370.9	9,697.0
Transfer agent	68.4	75.7	3.4	33.9	35.5	1.6	74.4	0.7	40.9	17.0	18.8	77.3	18.8	18.8	18.8	18.8	75.0	75.0
Total operating expenses	11,376.5	12,531.7	5,406.9	3,616.2	2,427.6	2,181.6	13,632.3	2,908.1	2,575.3	2,611.7	2,638.0	10,733.1	2,982.3	3,494.4	3,858.5	6,829.4	17,164.6	36,615.5
% Sales	995.3%	857.1%	336.2%	169.0%	96.5%	95.3%	159.4%	83.8%	62.5%	55.1%	54.8%	62.6%	61.3%	61.5%	53.2%	41.7%	50.2%	37.8%
Income (loss) from operations	**(11,202.2)**	**(11,673.7)**	**(4,247.8)**	**(2,032.5)**	**(791.5)**	**(1,259.2)**	**(8,331.0)**	**(733.5)**	**(13.4)**	**379.3**	**364.7**	**(2.9)**	**390.4**	**500.5**	**1,121.4**	**3,803.7**	**5,816.0**	**31,135.1**
Operating margin	-980.0%	-798.4%	-264.1%	-95.0%	-31.5%	NM	-97.4%	-21.1%	-0.3%	8.0%	7.6%	0.0%	8.0%	8.8%	15.5%	23.2%	17.0%	32.1%
EBITDA	**(10,640.8)**	**(11,608.2)**	**(4,173.1)**	**(2,119.2)**	**(776.3)**	**(1,028.5)**	**(8,097.0)**	**(169.8)**	**(188.5)**	**392.0**	**401.3**	**434.9**	**425.4**	**535.5**	**1,156.4**	**3,838.7**	**5,956.0**	**31,271.1**
EBITDA margin	**-930.9%**	**-793.9%**	**-259.5%**	**-99.0%**	**-30.9%**	**-44.9%**	**-94.7%**	**-4.9%**	**-4.6%**	**8.3%**	**8.3%**	**2.5%**	**8.7%**	**9.4%**	**16.0%**	**23.4%**	**17.4%**	**32.2%**
FX & other income	79.8	(106.8)	37.9	(122.6)	(19.5)	264.3	160.0	611.0	(57.9)	141.0	70.3	764.5	70.4	70.4	70.4	70.5	281.6	141.9
Pre-tax income/(loss)	(11,122.4)	(11,780.6)	(4,209.9)	(2,155.1)	(811.0)	(994.9)	(8,171.0)	(122.5)	(71.3)	520.3	435.0	761.6	460.7	570.8	1,191.8	3,874.1	6,097.6	31,277.0
Taxes	-	(1.3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,542.2
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.9%
Net income/(loss) comprehensive	**(11,122.4)**	**(11,779.3)**	**(4,209.9)**	**(2,155.1)**	**(811.0)**	**(994.9)**	**(8,171.0)**	**(122.5)**	**(71.3)**	**520.3**	**435.0**	**761.6**	**460.7**	**570.8**	**1,191.8**	**3,874.1**	**6,097.6**	**24,734.8**
Non-GAAP net income / (loss)	**(6,683.9)**	**(11,764.2)**	**(4,169.0)**	**(1,696.1)**	**(42.7)**	**(1,037.8)**	**(6,945.7)**	**1,177.3**	**783.6**	**214.7**	**435.0**	**2,610.7**	**460.7**	**570.8**	**1,191.8**	**3,874.1**	**6,097.6**	**24,734.8**
GAAP EPS - diluted	**(0.08)**	**(0.07)**	**(0.02)**	**(0.01)**	**(0.00)**	**(0.01)**	**(0.04)**	**(0.00)**	**(0.00)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.01**	**0.02**	**0.03**	**0.12**
% Change Yoy	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**	**-97.3%**	**-96.9%**	**-161.4%**	**-139.8%**	**NM**	**-444.6%**	**-852.3%**	**113.2%**	**770.9%**	**NM**	**NM**
Non-GAAP-EPS - Diluted	**(0.05)**	**(0.07)**	**(0.02)**	**(0.01)**	**(0.00)**	**(0.01)**	**(0.04)**	**0.01**	**0.00**	**0.00**	**0.00**	**0.01**	**0.00**	**0.00**	**0.01**	**0.02**	**0.03**	**0.12**
% Change Yoy	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**	**-138.2%**	**NM**	**NM**	**NM**	**NM**	**NM**	**116.8%**	**304.4%**
Average shares diluted	135,219	157,891	176,634	182,761	186,284	186,664	183,086	189,356	195,759	194,630	205,000	196,186	206,740	208,480	209,100	209,617	208,484	209,827
Calendar Revenue		**4,591.7**					**12,394.3**					**20,106.5**					**66,905.5**	**N/A**
Calendar EBITDA		**(11,225.6)**					**(2,163.1)**					**1,754.2**					**18,645.3**	**N/A**
Calendar EPS		**($0.07)**					**($0.01)**					**$0.01**					**$0.08**	**N/A**

Source: Company reports and Maxim Group LLC estimates

Table 3. Reliq Health Technologies Inc. Balance Sheet
(C$ in thousands, except per share data)

	F2020A	F2021A	Sep A	Dec A	Mar A	F2022A	Sep A	Dec A	Mar A	F2023E	F2024E	F2025E
Cash	12.8	226.3	1,346.2	568.1	790.2	132.8	75.1	224.3	162.7	6,352.0	22,083.1	48,094.7
Term deposits	123.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Trade & other receivables	1,029.9	2,161.5	3,912.2	5,656.2	7,615.1	2,265.8	3,244.2	3,021.5	2,924.7	3,532.3	12,027.6	21,111.4
Current portion of long-term receivables						4,094.8	6,151.8	9,248.6	12,389.4	8,123.6	-	-
Inventory		144.6	487.7	325.8	136.1	272.5	327.1	324.9	102.9	379.8	1,293.2	2,269.8
Prepaid expenses	1,093.3	545.8	220.1	216.7	220.7	102.6	177.3	141.8	607.2	165.7	-	-
Total current Assets	**2,259.1**	**3,178.1**	**6,066.1**	**6,866.8**	**8,862.0**	**6,968.6**	**10,075.4**	**13,061.0**	**16,286.8**	**18,653.4**	**35,503.8**	**71,575.9**
Right-of-use assets	346.1	283.7	256.8	234.2	206.9	175.9	161.6	130.6	101.9	101.9	101.9	101.9
Property & equipment						-	-	-	-			
Long-term receivables	-	-	-	-	-	3,122.8	4,029.9	5,095.3	5,901.4	4,893.9	-	-
Total assets	**2,605.2**	**3,461.8**	**6,323.0**	**7,101.1**	**9,069.0**	**10,267.3**	**14,266.9**	**18,286.9**	**22,290.0**	**23,649.2**	**35,605.7**	**71,677.9**
Accounts payable & other current liabilities	1,238.9	2,056.9	1,610.5	822.9	1,794.2	3,591.4	5,701.5	6,936.0	8,650.2	8,108.7	12,296.0	25,035.8
Lease liability	178.6	181.4	116.7	122.5	125.8	120.8	143.2	136.7	106.6	236.7	436.7	636.7
Total current liabilities	**1,417.5**	**2,238.2**	**1,727.3**	**945.3**	**1,920.1**	**3,712.3**	**5,844.6**	**7,072.7**	**8,756.8**	**8,345.5**	**12,732.7**	**25,672.5**
Loan payable	40.0	40.0	40.0	40.0	40.0	40.0	40.0	76.9	40.0	40.0	40.0	40.0
Lease liability	241.4	181.4	220.0	194.5	163.3	144.2	106.4	40.0	74.5	570.0	770.0	970.0
Long-term Liabilities	**281.4**	**221.4**	**260.0**	**234.5**	**203.3**	**184.2**	**146.4**	**116.9**	**114.5**	**610.0**	**810.0**	**1,010.0**
Total Liabilities	**1,699.0**	**2,459.6**	**1,987.3**	**1,179.8**	**2,123.4**	**3,896.4**	**5,991.0**	**7,189.6**	**8,871.3**	**8,955.5**	**13,542.7**	**26,682.5**
Shareholders' equity	**1,003.6**	**1,002.2**	**4,335.7**	**5,921.2**	**6,945.5**	**6,370.9**	**8,275.9**	**11,097.3**	**13,418.8**	**14,693.8**	**22,627.3**	**45,985.8**
Total liabilities & shareholders' equity	2,702.6	3,461.8	6,323.0	7,101.1	9,069.0	10,267.3	14,266.9	18,286.9	22,290.0	23,649.2	36,170.0	72,668.3
Net Cash (excludes restricted cash)	96	286	1,406	628	850	193	135	247	223	6,412	22,143	48,155
Net Cash per share	$0.00	NM	$0.01	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.03	$0.11	$0.23
Total Debt to Capitalization	3.8%	3.8%	0.9%	0.7%	0.6%	0.6%	0.5%	0.7%	0.3%	0.3%	0.2%	0.1%

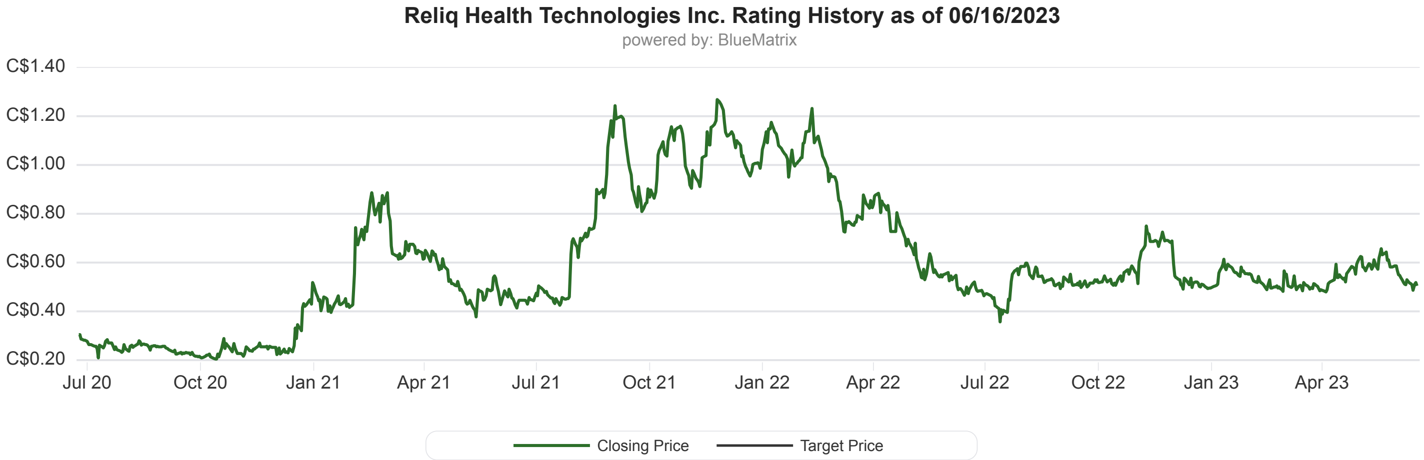
Source: Company reports and Maxim Group LLC estimates

Table 2. Reliq Health Technologies Inc. Cash Flow Statement
(C$ in thousands, except per share data)

	F2020A	F2021A	Sep A	Dec A	Mar A	Jun A	F2022A	Sep A	Dec A	Mar A	June E	F2023E	F2024E	F2025E
Operating activities														
Net income/loss	($11,122.4)	($11,780.6)	($4,209.9)	($2,155.1)	($811.0)	($994.9)	($8,171.0)	($122.5)	($71.3)	$731.0	$435.0	$761.6	$6,097.6	$24,734.8
Amortization	445.4	125.8	26.9	26.8	26.7	$34.9	115.3	27.8	29.6	28.4	30.0	115.7	120.0	120.0
Accretion	36.2	46.6	9.9	9.1	8.1	$8.1	35.3	5.7	6.6	5.3	6.6	24.2	20.0	16.0
Returns and other	(103.6)	5.6	(0.5)	2.2	41.3	($43.0)	-	-	-	-	-	-	-	-
FX	-		-	43.0	(41.4)	($9.1)	(7.6)	(13.5)	1.5	0.3	-	(11.7)	-	-
Share-based payments	3,751.3	4,362.1	4,205.8	1,710.5	112.4	($521.3)	5,507.4	710.5	57.1	383.8	100.0	1,251.4	480.0	576.0
Changes in operating assets and liabilities														
Trade & other receivables	(479.4)	(1,137.2)	(1,750.7)	(1,900.9)	(1,958.9)	$5,506.1	(104.4)	(958.3)	202.7	96.7	(607.6)	(1,266.5)	(8,495.2)	(9,083.8)
Long-term receivables						($7,217.6)	(7,217.6)	(2,964.0)	(4,162.3)	(3,946.8)	5,273.3	(5,799.9)	13,017.5	-
Inventory	968.7	547.6	325.7	117.3	(519.1)	$349.4	273.3	(54.6)	2.2	(282.3)	(276.9)	(611.6)	(913.4)	(976.7)
Prepaid expenses	(17.7)	(47.3)	(343.1)	161.9	704.8	($481.7)	42.0	(74.7)	35.5	38.9	441.4	441.2	(398.6)	(990.5)
Accounts payable & accrued liabilities	288.9	771.3	(446.3)	(787.7)	971.4	$1,761.9	1,499.3	2,110.0	1,234.5	1,714.2	(541.5)	4,517.3	4,187.3	12,739.8
Interest paid on lease liabilities									(12.3)	(5.3)		(17.6)	-	-
Cash flow for operating activities	**(6,232.6)**	**(7,106.0)**	**(2,182.3)**	**(2,772.9)**	**(1,465.8)**	**(1,607.1)**	**(8,028.0)**	**(1,333.6)**	**(2,676.0)**	**(1,235.8)**	**4,860.3**	**(595.8)**	**14,115.1**	**27,135.6**
Investment activities														
Acquisitions	-	-		-	-		-	-	-	-	-	-	-	-
Proceeds on redemption of term deposit	-	23.0		-	-		-	-	-	-	-	-	-	-
Capex	(50.2)	-		-	-		-	-	-	-	(150.0)	(150.0)	(800.0)	(1,040.0)
Proceeds from sale of equipment	422.5	-					-	-	-	-	-	-	-	-
Cash flow for investment activities	**372.3**	**23.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(150.0)**	**(150.0)**	**(800.0)**	**(1,040.0)**
Financing activities														
Proceeds from private placement & shares	-	3,036.0		-	-		-	-	-	-	-	-	-	-
Share issue costs	-	(57.1)		-				-	-	-	-	-	-	-
Proceeds from stock option exercises	3,519.3	4,032.2	84.6	3,829.8	2,710.0	$1,036.7	7,661.1	1,114.0	1,217.8	1,712.7	1,000.0	5,044.4	2,000.0	-
Proceeds from warrant exercises	2,041.2	405.9	3,253.1	(3,110.3)	67.9	$16.5	227.1	-	1,458.8	-	500.0	1,958.8	500.0	-
Subscription received in advance	-		(35.8)	35.8	255.7	($111.7)	144.0	183.0	179.0	(506.0)	-	(144.0)	-	-
Repayment of lease liability	(47.8)	(120.6)		(70.8)	(35.1)	$8.2	(97.7)	(21.1)	(30.3)	(32.6)	(21.0)	(105.0)	(84.0)	(84.0)
Cash received from loan	40.0	-							-	-		-	-	-
Cash flows from financing activities	**5,552.7**	**7,296.5**	**3,301.8**	**684.4**	**2,998.5**	**949.7**	**7,934.5**	**1,275.9**	**2,825.3**	**1,174.1**	**1,479.0**	**6,754.3**	**2,416.0**	**(84.0)**
Increase in Cash	(307.7)	213.5	1,119.6	(778.1)	(222.0)	(657.4)	(93.5)	(57.7)	149.3	(61.7)	6,189.3	6,008.5	15,731.1	26,011.6
Cash beginning of period	320.5	12.8	226.3	1,346.2	568.1	790.2	226.3	132.8	75.1	224.3	162.7	132.8	6,352.0	22,083.1
Cash end of period	12.8	226.3	1,346.1	568.1	790.2	132.8	132.8	75.1	224.3	162.7	6,352.0	6,352.0	22,083.1	48,094.7
Free cash flow	(6,282.8)	(7,106.0)	(2,182.3)	(2,772.9)	(1,465.8)	(1,607.1)	(8,028.0)	(1,333.6)	(2,676.0)	(1,235.8)	4,710.3	(745.8)	13,315.1	26,095.6
Free cash flow per share	($0.05)	($0.05)	($0.01)	($0.02)	($0.01)	($0.01)	($0.04)	($0.01)	($0.01)	($0.01)	$0.02	($0.00)	$0.06	$0.12

Source: Company reports and Maxim Group LLC estimates

DISCLOSURES



Maxim Group LLC Ratings Distribution			As of: 06/19/23
		% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 months
Buy	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months.	**85%**	**45%**
Hold	Fundamental metrics are currently at, or approaching, industry averages. Therefore, we expect this stock to neither outperform nor underperform its relevant index over the next 12 months.	**15%**	**45%**
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	**0%**	**0%**
	**See valuation section for company specific relevant indices*		

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Maxim Group makes a market in Reliq Health Technologies Inc.

Maxim Group expects to receive or intends to seek compensation for investment banking services from Reliq Health Technologies Inc. in the next 3 months.

RHT.V: For Reliq Health Technologies Inc., we use the Russell 2000 as the relevant index.

Valuation Methods
RHT.V: We value Reliq Health Technologies Inc. based on forward EV/EBITDA.

Price Target and Investment Risks
RHT.V: Excluding general economic risks, risks specific to Reliq Health Technologies Inc. are: 1) the company's expectations to incur further operating losses and its developing business is a going concern, 2) ability to collect from doctors and healthcare customers, 3) ability to onboard patients and get them to be compliant with data collection, 4) ability to collect on outstanding account receivables, 5) competition from potentially larger companies, 6) ability for healthcare customers to adapt to the company's new technology, 7) regulatory oversight, 8) risk of reimbursement rates getting cut, 9) risk of cybersecurity attacks, 10) timing of recognizing revenue from new customers, 11) maintaining financial controls, 12) maintaining personal data and changes in regulations.

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Risk ratings take into account both fundamental criteria and price volatility.

Speculative – Fundamental Criteria: This is a risk rating assigned to early-stage companies with minimal to no revenues, lack of earnings, balance sheet concerns, and/or a short operating history. Accordingly, fundamental risk is expected to be significantly above the industry. Price Volatility: Because of the inherent fundamental criteria of the companies falling within this risk category, the price volatility is expected to be significant with the possibility that the investment could eventually be worthless. Speculative stocks may not be suitable for a significant class of individual investors.

High – Fundamental Criteria: This is a risk rating assigned to companies having below-average revenue and earnings visibility, negative cash flow, and low market cap or public float. Accordingly, fundamental risk is expected to be above the industry. Price Volatility: The price volatility of companies falling within this category is expected to be above the industry. High-risk stocks may not be suitable for a significant class of individual investors.

Medium – Fundamental Criteria: This is a risk rating assigned to companies that may have average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to approximate the industry average.

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