



INITIATING COVERAGE June 26, 2018

RELIQ HEALTH TECHNOLOGIES INC.
(V-RHT) \$1.85

RATING: BUY
(initiating)

TARGET: \$2.60
(initiating)

Bordering on Something Big?

- ▶ **We are initiating coverage of Reliq Health Technologies Inc. (V-RHT).**
- ▶ Reliq's proprietary iUGO Care platform allows for enhanced patient care in the home that enables remote patient monitoring, telemedicine, and care coordination among healthcare providers.
- ▶ **Continued strong growth in healthcare costs is unsustainable.** Healthcare costs are expected to rise +5% per year in the US and reach US\$5.7T in 2026 or close to 20% of GDP. To help control the growth in costs, Medicare and Medicaid is shifting to a value-based model from a fee-for-service model, which has created an opportunity for RHT.
- ▶ **Early mover targeting a large greenfield opportunity.** RHT is targeting the ~37-38M Medicare/Medicaid patients suffering from at least two chronic conditions. There is a burgeoning market to provide better care for these patients and RHT is well positioned to grab share in this relatively untapped market, especially given their iUGO Care solution is fully reimbursable by CMS (i.e., no cost to their customers).
- ▶ **Rapid growth in recurring revenues expected.** Despite spending little on S&M to date, RHT has over 60K patients under contract (+\$45M in annual recurring revenue) with ~12K already on boarded and a near-term pipeline of +500K patients, as customers are proactively looking for a solution like iUGO Care.
- ▶ **Some notable risks to be wary of,** including slower than expected adoption by customers, hardware shortages, regulatory risks, the need to add more strength and depth to Management and Board, customer concentration and location, and the early stage of development.
- ▶ **FORECASTS:** We are forecasting revenue of \$4.8M in FY18, \$26.2M in FY19, and \$48.3M in FY20 with Adj. EBITDA of (\$1.3M) in FY18, \$9.3M in FY19 and \$26.0M in FY20.
- ▶ **VALUATION/RECOMMENDATION:** We are **initiating coverage** of Reliq Health Technologies Inc. with a **BUY** recommendation, **\$2.60/sh target price**, and **SPECULATIVE** risk rating. Our target price is based on the average of 12x our CY19 Adj. EBITDA estimate and our DCF valuation. There is a lot to like about the RHT story, including their early mover advantage in a burgeoning multi-billion dollar market, exceptional growth profile, and recurring revenue model. However, there have been some recent hiccups and there are some key risks that give us concern. That said, after factoring in these risks and concerns to our forecasts and valuation, we believe the risk/reward profile is attractive at current levels. With several potential de-risking events in the near-term, there could be material upside to our valuation.

David Kwan, CFA

dkwan@pifinancial.com 604.718.7528

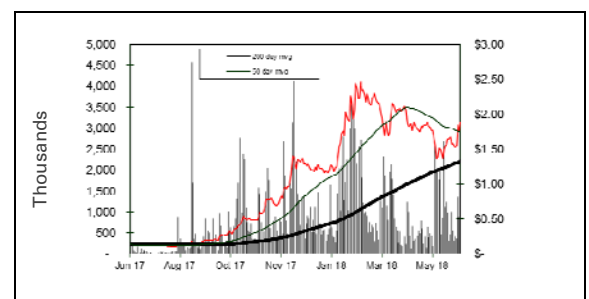
Company Statistics

Risk:	SPECULATIVE
52-week High/Low:	\$2.62 / \$0.11
Shares Outstanding:	109.5M (basic) 133.2M (fd)
Market Capitalization:	\$246.4M(fd)
Market Float:	108.1M
3-Month Avg. Daily Volume:	927,435
Cash & Restricted Cash:	\$13.1M
Debt:	\$0.0M
Insider Ownership:	1.3%
CEO:	Lisa Crossley
CFO:	Aman Thindal

Financial Summary

(FYE Jun 30)

	FY17	FY18e	FY19e	FY20e
Revenue (\$M)	0.2	4.8	26.2	48.3
Adj. EBITDA (\$M)	(2.6)	(1.3)	9.3	26.0
EPS (\$)	(0.04)	(0.06)	0.06	0.18
	FY17	FY18e	FY19e	FY20e
EV/Revenue	NM	48.4	8.9x	4.8x
EV/Adj. EBITDA	N/A	N/A	25.2x	9.0x
P/E	N/A	N/A	32.4x	10.5x
Quarterly (FY18)	Q1	Q2	Q3	Q4e
Revenue (\$M)	0.3	0.9	1.1	2.6
Adj. EBITDA (\$M)	(0.4)	(0.7)	(0.4)	0.2
EPS (\$)	(0.01)	(0.01)	(0.04)	0.00



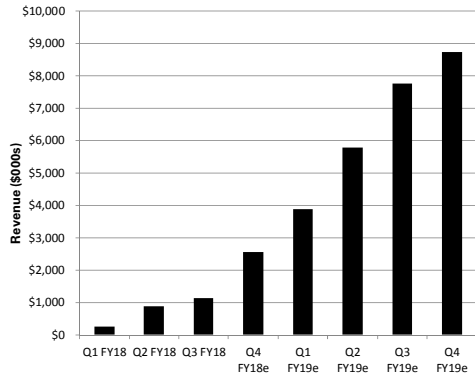
Corporate Information

RHT is a healthcare technology company that provides innovative solutions for the community-based (i.e., non-hospital) healthcare market. The Company's flagship platform, iUGO Care, is a Software-as-a-Service (SaaS) based solution that enables remote patient monitoring, care collaboration, and telemedicine solutions.

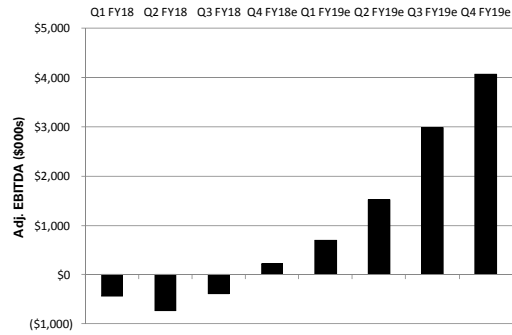
A Disclosure fact sheet is available on Pages 24-25 of this report.

Company Snapshot

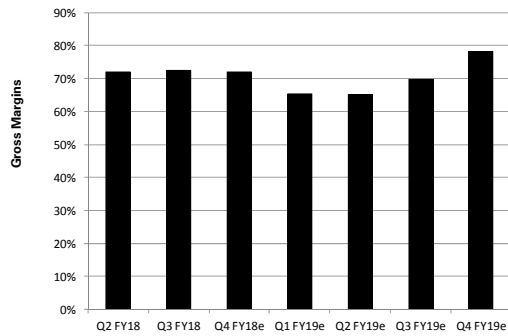
Quarterly Revenue



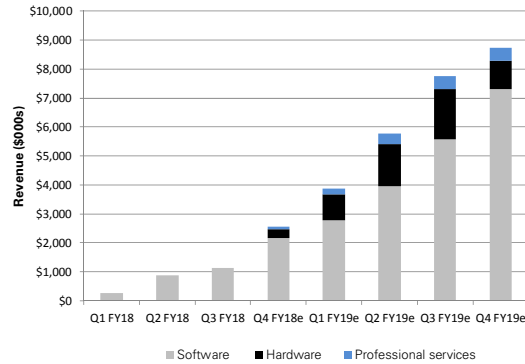
Quarterly Adj. EBITDA



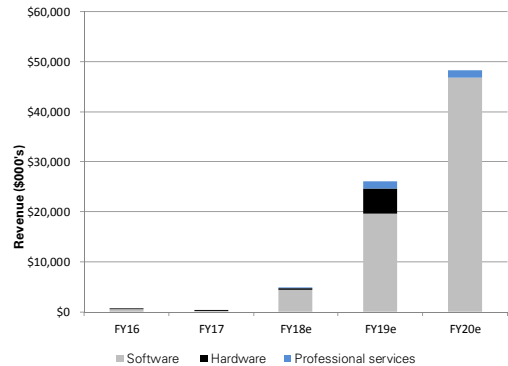
Quarterly Gross Margins



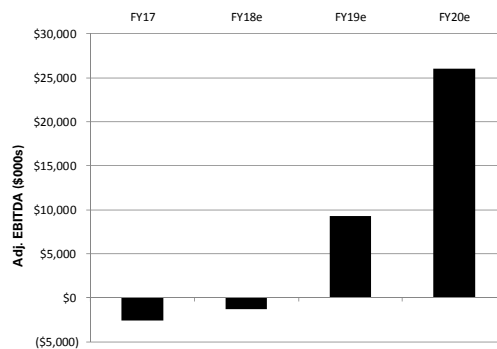
Quarterly Revenue by Type



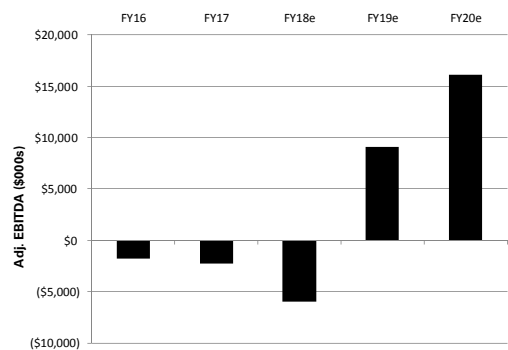
Annual Revenue by Type



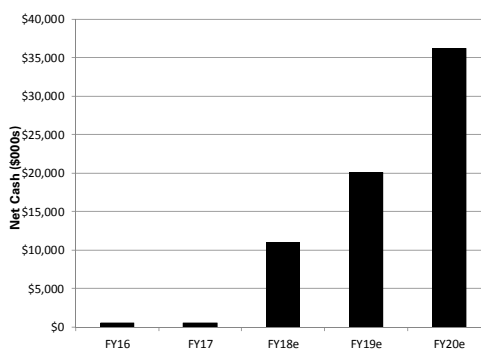
Annual Adj. EBITDA



Annual Free Cash Flow



Annual Net Cash



Source: Company reports, PI Financial Corp.



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Corporate Overview

Company Overview

Reliq Health Technologies Inc. (RHT) is a healthcare technology company that provides innovative solutions for the community-based (i.e., non-hospital) healthcare market. The Company's flagship platform, iUGO Care, is a Software-as-a-Service (SaaS) based solution that enables remote patient monitoring, care collaboration, and telemedicine solutions. The platform combines Bluetooth-enabled sensors, biometric monitoring devices, and other tools/hardware with mobile applications for patients, families, and healthcare service providers. iUGO Care's open API can be integrated with any healthcare software system as well as almost any healthcare device, making it a flexible, easily adoptable choice for Community Care providers. iUGO Care helps deliver improved health outcomes, enhanced quality of life for patients and families, and a reduced cost of healthcare delivery.

RHT is targeting the community-based healthcare market, as it partners with home health agencies, accountable care organizations (ACOs), general and specialized practitioners, and other non-hospital healthcare providers/organizations, with a focus on the North American market.

To date, RHT has secured commercial contracts with home health agencies and ACOs totaling over 60K patients under contract, representing +US\$35M in annual recurring revenue. As of March 29, 2018, the Company had +12k patients deployed on iUGO Care and it expects to have 30K patients on-boarded by the end of CY18.

RHT went public in 2015 through the reverse take-over of Golden Virtue Resources by MobSafety. The Company has ~25 employees and is headquartered in Hamilton, Ontario.

Products and Services

iUGO Care allows for enhanced patient care in the home through the integration of RHT's proprietary software platform, a two-way voice technology hub (e.g., Amazon Echo, Google Home), and Bluetooth-enabled sensors, hardware, and biometric devices that enable remote patient monitoring, telemedicine, and care coordination among healthcare providers (e.g., hospitals, family doctors, healthcare specialists, and home healthcare agencies) and authorized family members/caregivers.

The platform, which includes a mobile app that can be downloaded on Google Play and the Apple App Store, helps streamline data collection and acts as a virtual caregiver in the patient's home. Key features include:

- Audible reminders to encourage taking medications, vitals/tests, and general self-care
- Bluetooth-enabled sensors placed around the home allow iUGO Care to track movements, detect falls, and help patients find mobility aids, medications, and medical devices
 - iUGO Care automatically contacts emergency services if a fall is detected or emergency services are verbally requested
- Patients, clinicians, and families can view vital signs, medication adherence, nutrition, sleep patterns, and activity level data over time and in real-time to proactively detect potential health issues
 - Data is collected and automatically uploaded to the iUGO Care secure cloud (either through an Internet or cellular network) where it is available to all members of the patient's circle of care

- Healthcare providers can receive automated alerts if a patient's condition begins to deteriorate, which could help prevent a trip to the ER or the need for a hospital admission
- Informational and instructional videos to support self-management of chronic conditions
- Connection of patients, families, and clinicians with secure alerts, messaging, and video consults
- Virtual visits between clinicians and patients
- Supports caregiver work flow: collecting vitals, taking notes, documenting visits
- Electronic Medicare/Medicaid claims submissions (e.g., helps shorten reimbursement times)

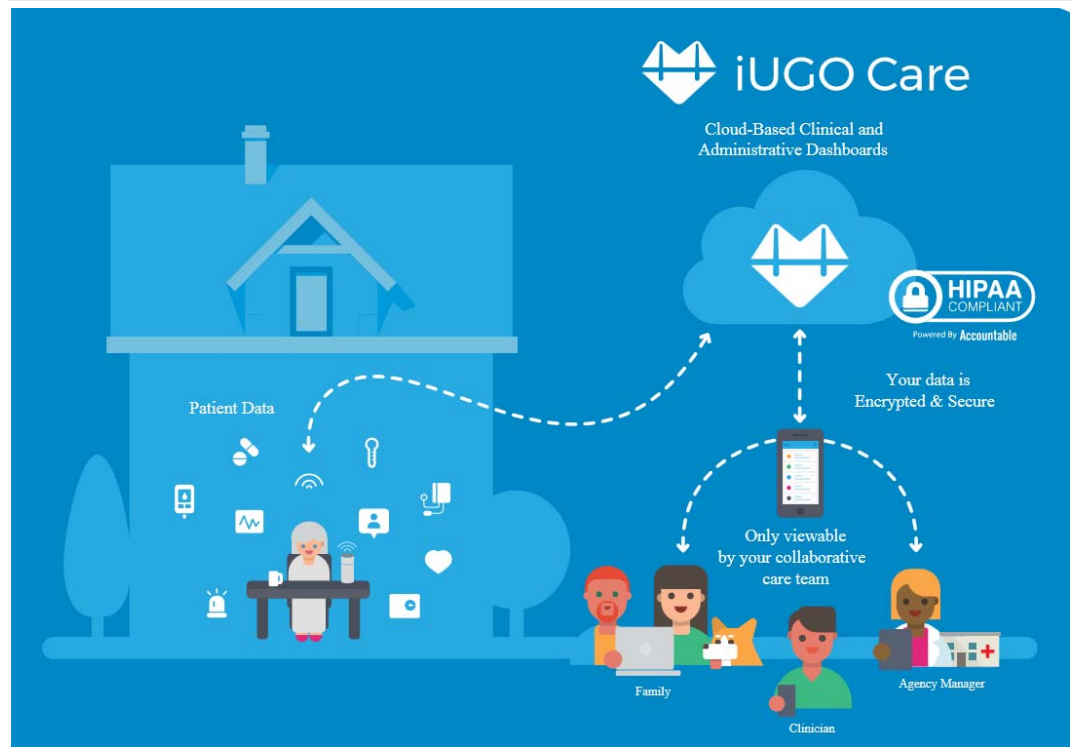
Figure 1 – iUGO Care Platform



Source: Reliq Health Technologies Inc.



Figure 2 – iUGO Care Platform



Source: Reliq Health Technologies Inc.

According to the Company, the set up time in a patient’s home is short (~10 minutes) and the system is easy to use for patients as well as healthcare providers and other employees of their customers.

iUGO Care is available in 133 different languages and through APIs, it is integrated with +90% of medical devices on the market. This high level of hardware integration allows RHT’s customers to use almost any medical device/hardware they prefer in their patients’ homes. The Company provides the application software along with the related training and support for their customers’ employees while their customers are responsible for procuring and deploying the medical devices/hardware at their patients’ homes as well as teaching their patient how to use the system.

The iUGO Care platform is HIPAA compliant, secured end-to-end with TLS and AES encryption, and built on cloud technology that supports the anonymization, storage and analysis of patient data. It is integrated with third party authentication and verification services including Google Authenticator (two-step authentication), Duo (two-factor authentication), and LastPass (storage of encrypted passwords).

Ultimately, iUGO Care helps enhance the patient’s quality of life by allowing them to stay in their homes and giving them tools to better help manage their health. As well, iUGO Care enables healthcare providers to proactively manage the health of their patients, which can at the very least (significantly) reduce the need for their patients to (re-)visit the ER and/or be (re-)admitted to the hospital, something that would reduce healthcare costs while improving quality (e.g., shorter waitlists).



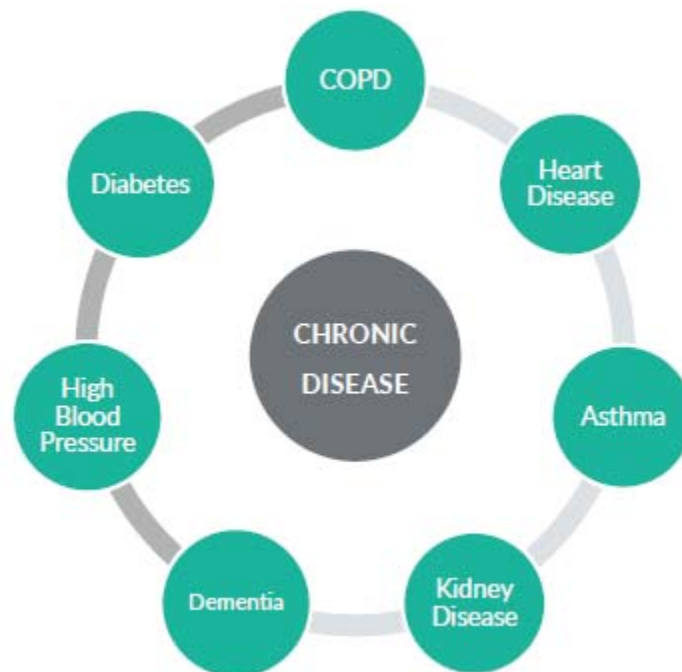
Continued Strong Growth in Healthcare Costs is Unsustainable

The U.S. Centers for Medicaid and Medicare Services (CMS) is forecasting U.S. healthcare spending to rise 5.3% this year, up from the estimated 4.6% increase in 2017 to ~US\$3.5T, with the increase being driven by aging baby-boomers, the increase in the costs for medical goods and services, and higher disposable incomes.

CMS is forecasting U.S. healthcare spending to rise at a 5.5% CAGR from 2017 to 2026, when spending is expected to reach US\$5.7T, or close to 20% of US GDP, up from just under 18% in 2016, as healthcare costs continue to rise at a much faster pace than GDP.

The vast majority of healthcare spending in the US is related to the treatment of chronic diseases.

Figure 3 – Examples of Chronic Diseases/Conditions



Source: Reliq Health Technologies Inc.

CMS is also expecting spending on Medicare and Medicaid to see significant growth due to an aging population that will require ever increasing amounts of healthcare services, placing a greater financial burden on an already strained system.

While much of the attention is placed on hospitals, the community-based healthcare market faces plenty of challenges of its own including:

- Poor access to (specialized) care in remote, rural, and inner city areas
- A shrinking percentage of healthcare personnel to care for more chronically ill patients
- Poor management of chronic conditions by patients at home (e.g., not taking medications properly or at all), leading to hospitalizations and other costly (reactive) interventions



Moving chronic care patients from the hospital to their homes relieves inpatients costs but it puts upward pressure on community-based healthcare costs. If not monitored and cared for properly, these chronic care patients could quickly find themselves back in hospitals, adding further costs to the system as the cost of each re-admission can (easily) exceed \$50-\$100K.

iUGO Care Can Reduce Healthcare Costs and Improve Patient Care

Clearly the status quo is not sustainable, which is why the U.S. government continues to look for ways to control the growth in Medicare and Medicaid spending while trying to also improve patient health and outcomes.

Historically, the U.S. healthcare system has tied payments/reimbursements to healthcare organizations and professionals to the services provided (i.e., fee-for-service), with little to no consideration given to the quality of care, patient outcomes, etc. There were few if any (monetary) incentives (or penalties) provided (or imposed) by the system to improve patients' health, including helping reduce the chance of costly hospital (re-)admissions/visits. In fact, healthcare professionals and organizations could be more financially well off by having more chronically ill patients who require frequent visits, prescriptions, etc.

Due to the intensifying need to ease the increasing burden from rising healthcare costs, the CMS began to move toward a value based purchasing model for Medicare and Medicaid on January 1st, 2016. This shift away from the legacy fee-for-service based model is designed to incentivize healthcare providers to give higher quality and more efficient patient care that could lead to better health outcomes, including reduced hospital re-admissions, while slowing down the growth in overall Medicare and Medicaid spending.

For example, on January 1st, 2016, CMS started a 5-year pilot program in nine states across the US (Arizona, Florida, Maryland, Massachusetts, Nebraska, North Carolina, Tennessee, and Washington) whereby home health agencies (HHA) were to compete on value in the Home Health Value-Based Purchasing (HHVBP) Model, with payments tied to quality performance. Based on their score, home health agencies could earn a reward or be penalized due to good or poor performance, with the a maximum payment adjustment of 3% (upward or downward) in 2018 rising to 8% in 2022.

By 2022, CMS plans to roll this system to every state but could do so earlier if there is significant cost savings realized. Our understanding is that any state that is not a part of this pilot program can still implement the system (we believe some of these states have or are looking at doing so in the future).

RHT estimates that the average cost of patient home care ranges from \$2K-\$10K per month under the current "high touch" model, which relies on high cost and sometimes scarce human resources including nurses and personal support workers.

Through its "high tech, low touch" iUGO Care platform, RHT estimates that it can reduce home healthcare costs by over 90%, aided by its low monthly fee of just US\$50/patient for remote patient monitoring. With iUGO Care, healthcare providers are able to manage more patients per employee (i.e., more revenue) and target care to those most in need in a timely manner (i.e., better patient care). As they are able to provide better (proactive) care, they can improve patient outcomes which ultimately could lead to better HHVBP scores (and thus potential reward payments from CMS, while avoiding penalties for poor scores).

From a patient perspective, patients are empowered with the tools necessary to properly manage their chronic conditions at home leading to reductions in costly hospital (re-)admissions and other interventions.



CMS Reimbursement Could Help Add Fuel to the Fire

The monthly cost of iUGO Care (base cost of US\$50/patient per month for remote patient monitoring) along with most if not all of the initial set up costs, hardware/devices (e.g., ForaCare D40g Blood pressure monitor and Glucometer), and monthly connectivity costs required for these devices (e.g., internet/cellular) are reimbursable by CMS, resulting in little to no incremental cost to the healthcare provider or the patient.

Given the deployment of iUGO Care to their patients will result in little to no out of pocket costs to the healthcare provider while also enhancing their ability to improve patient care that can ultimately lead to future rewards/avoidance of penalties under the new value-based model, we believe customer uptake could accelerate as more healthcare providers become aware of iUGO Care.

We also note that while the monthly cost of iUGO Care is likely to be billed to CMS under the relatively new Chronic Care Management billing code (99490) or Remote Patient Monitoring (99091 for Medicare/99090-GQ for Medicaid), the platform's features and functionality could allow healthcare providers to offer additional CMS reimbursable services such as Telehealth visits/appointments (99444), giving them the ability to improve patient care by providing more convenient ways to see a doctor (can be invaluable for people living in remote/rural areas) as well as generating incremental revenue.

Early Mover Targeting a Large Greenfield Opportunity

Chronic conditions account for ~80% of healthcare costs and roughly one in four Americans suffers from two or more chronic conditions. RHT is focused on helping patients with multiple chronic conditions, including diabetes and hypertension, which is prevalent in Texas where RHT's current customers operate.

In the US, approximately two-thirds of Medicare and Medicaid patients (~37-38M people) have two or more chronic conditions, providing a very large market opportunity for RHT. This patient population could see material growth going forward given the aging baby boomer demographic, longer life expectancies, and generally less healthy diets and lifestyles, amongst other things.

These patients qualify for virtual care under CMS billing 99490 for Chronic Care Management, with RHT's monthly fee for iUGO Care being 100% reimbursable. Based on the Company's revenue model of US\$50/patient per month, the potential market size is US\$22-\$23B per year in the US alone.

To date, RHT has seen little competition in the market place, as large dominant players have yet to emerge due in part to the relatively recent shift to value-based payments that is likely to significantly increase the demand by healthcare providers for solutions like iUGO Care. As such, we believe RHT's success will largely be determined by their ability to grab market share quickly, given the large greenfield opportunity and the fact that they are well ahead of new competitors that are likely to enter the market in the coming years, including ones with very deep pockets.

As well, the general reluctance of healthcare providers/medical professionals to switch IT systems once they have been deployed, typically after long procurement processes (that likely decreases the chance of a deployed solution being replaced down the road), further serves to benefit early movers like RHT, given the (perceived) high switching costs.

We note that the Company has spent very little on marketing to date, as its customers either came looking for RHT or heard about them from another customer. To date, they have signed 10 customers with +60K patients under contract, with two customers accounting for a significant



majority of these patients, namely Rio Grande Valley Health Alliance (RGVHA), an Accountable Care Organization (ACO), and Paz Home Health LLC, a home health agency, that represent ~36K and ~17K patients respectively.

According to Management, the pipeline is robust with over a dozen near-term opportunities representing +500K patients. Reliq has made a couple of recent hires in sales, focused on converting existing business opportunities, with senior management playing a more central role in bringing in new business.

Most of the near-term opportunities are in Texas, an enormous market where the Company is likely benefiting from help from their existing customers (e.g., word-of-mouth advertising). While they see plenty of room to grow quickly in Texas, RHT is looking to expand into other states but are currently resource constrained. With a cashed up balance sheet and the Company set to generate sustainable positive earnings and cash flow, RHT does have the ability to further accelerate its growth profile by adding resources to pursue new markets.

There are also some other significant growth opportunities for RHT, including having iUGO Care qualified for reimbursement by private health insurance plans (i.e., not just Medicare and Medicaid) as well as selling and marketing direct to consumers, as a solution to help people wanting family members and/or friends remotely monitored (for health reasons), for example. We believe RHT is working on a partnership with a blue-chip tech company on this direct to consumer solution.

Some Notable Risks to be Wary of

While there are many things to like about the RHT story, we note that there are several key risks that investors should be aware of including:

- **Slower than expected adoption** – RHT relies on its customers to deploy its iUGO Care solution to their patients, which helps minimize the need for them to hire people to help with the implementations. However, once the decision is made when to commence the implementation (which can take a while, as it will be roughly a year from contract signing to the start of the deployment for RGVHA), the pace of deployment is very much in the hands of their customers, as they can go as slow or as fast as they prefer, are comfortable with, and/or are able to depending on the amount of resources (i.e., personnel) they have at their disposal.

To help address the latter issue (i.e., limited resources to deploy iUGO Care to their patients), RHT recently partnered with South Carolina-based CareOneTeam to help their customers deploy iUGO Care to their patients. The implementation cost (US\$50/patient) is fully reimbursable by CMS, providing an additional incentive for customers to expedite the rollout of iUGO Care. As well, this partnership will generate a new revenue stream for RHT (with a 50% gross margin).

- **Hardware/device shortages** – To date, the vast majority of iUGO Care patients are using the ForaCare D40g blood pressure and blood glucose monitors, given the large number of people in South Texas that have diabetes and hypertension (with diet being a key factor in the prevalence of people with these chronic conditions).

Due to overwhelming customer demand from RHT's customers and the limited production capability of ForaCare, there have been shortages of these devices that has led to a lull in implementation activity at RHT's customers for the last few months.

To address this near-term issue, RHT signed a partnership with the manufacturer, ForaCare, including placing a purchase order for 27,500 devices (the first shipment of devices is expected in the very near-term), to help alleviate the current supply issue and to hopefully avoid future hiccups in the supply chain going forward. The sale of these



devices by RHT to their customers also provides them with another new revenue stream, albeit much lower margin (~20% GM) and likely temporary, as RHT does not intend to make future device purchases unless absolutely necessary with their customers expected to source devices themselves.

We note that future shortages could still occur should their current and/or future customers have significant demand for various devices that lead to a similar situation RHT and their customers faced with ForaCare.

- **Regulatory risks including potential changes to Medicare and Medicaid** – The U.S. healthcare system continues to evolve with ongoing changes to Medicare and Medicaid, in part due to changes in both Congress and the White House. Significant changes to Medicare and Medicaid, including funding, patient qualification criteria (e.g., there are proposals to impose minimum employment standards for Medicaid qualification), etc. could have a material impact on RHT and other healthcare solution vendors.

As well, although the cost of implementation and using iUGO Care is currently fully reimbursable by CMS, that may not be the case at some point in the future.

While the economics/ROI of using iUGO Care would be less compelling without CMS reimbursement, we believe customers may still choose to stick with iUGO Care given the ability to reduce unnecessary patient visits and improve patient care. One of RHT's larger customers told us that they would still pay out of their pocket to use iUGO Care for these very reasons. Also, using iUGO Care can help increase their customers' ability to earn rewards and avoid penalties under the new Medicare and Medicaid system.

- **Ability to manage growth.** RHT is in the early stages of what could be a very high growth phase that could last for several years. Managing this potential high growth period can be tricky, as evidenced by some early but manageable growing pains including the recent hardware shortage with the ForaCare D40g.

We believe RHT will need to add more strength and depth to both its Management team and Board to help guide the Company through this critical stage, as additional expertise and experience is needed in our view to help the Company successfully scale its business.

We expect to see announcements in the near to medium term on additions to their leadership team, especially to the Board, where there are only four Directors, half of whom are from Management (potential corporate governance issues).

- **Location of key customers raises some concerns.** RHT's two largest customers, RGVHA and Paz Home Health are based in or around McAllen, Texas, an area that has made headlines in the past decade for having had some of the highest Medicare and Medicaid costs per capita in the U.S., as highlighted by a 2009 article in the New Yorker magazine, which cited the "overuse of medicine" as the primary cause of the high healthcare costs. However, a follow up visit about five years later showed much improved results, with significant declines in healthcare costs per patient that resulted in almost \$0.5B in healthcare costs saved.

As well, the region has experienced (more than) its fair share of Medicare and Medicaid fraud cases, as nefarious actors have tried to take advantage of the system in one of the poorer parts of the country.

Although we have not yet been able to visit RHT's key customers in Texas (something that would potentially help give us additional comfort), we did speak with one of them and did some additional checks that has helped allay some of our concerns.



We note that RHT is trying to diversify its business away from (South) Texas, as it looks to expand into other states and countries, but the near-term pipeline of opportunities is heavily weighted to (South) Texas, as word-of-mouth advertising and referrals from their customers there has help lead to numerous business opportunities.

- **Still an early stage, high risk company with significant customer concentration.** RHT has generated little revenue to date, with just a few quarters of iUGO Care revenue in FY18 (\$2.3M YTD), the vast majority of which has come from Paz Home Health. As well, it is too early to gather meaningful data on key metrics including churn, renewals rates, etc.

We also note that a significant amount of the revenues generated to date have not yet been collected, as accounts receivables stood at \$2.0M at the end of Q3. RHT did collect \$0.6M after the quarter (from manual claim submissions). Management expects faster collection of its receivables going forward with the recent availability of automated claims submissions (DSOs in the 30-60 day range) but RHT is still exposed to the credit risk of their customers.

Looking forward, RHT could have ongoing customer concentration, with RGVHA (+36K patients) and Paz Home Health (~17K patients) accounting for almost 60% and 30% of current patients under contract.

Finally, given RHT is still an early stage company and taking into account the various risks we have highlighted, we believe investors would have more comfort in having the financial statements audited by an established and widely recognized accounting firm. We understand that Management is looking to upgrade its auditors to a Big 4 accounting firm that will hopefully audit their Q4 and FY18 results.

Forecast and Outlook

Possible hockey stick growth ahead. RHT core revenue stream comes from the licensing of its iUGO Care software solution, where it charges US\$50/month per patient for remote patient monitoring. Incremental software revenue could come from the use of iUGO Care for other applications such as telemedicine (an additional US\$50/month). We expect iUGO Care software licensing revenue to account for at least three-quarters of revenue over our forecast period, which should provide good visibility and stability to the business given the recurring and high margin nature of this revenue.

Over the next year or two, RHT will generate revenue from the re-sale of hardware (ForaCare D40g), as the Company purchased 27,500 devices to help alleviate a shortage of supply. There could be a small amount of hardware revenue in Q4 FY18 but we expect that almost all of hardware sales will occur in FY19 (~\$5M). Management indicated that they do not intend to resell hardware and would only do so in certain circumstances, such as the device shortage with ForaCare.

With the partnership with CareOneTeam, RHT will also earn revenue from the use of CareOneTeam (and other future implementation partners) by its customers to deploy the iUGO Care solution to their patients. RHT will generate revenue of US\$50/patient for each implementation (fully reimbursable by CMS), with half going to its partner who deploys the solution.

We are forecasting revenues to ramp dramatically in the coming years, as iUGO Care is deployed at patients' homes with over 60K patients under contract and a near-term pipeline with +500K patients. We are forecasting revenues to increase to \$4.8M in FY18 to \$26.2M in FY19 and \$48.3M in FY20. We are assuming that the vast majority of revenues comes from licensing iUGO



Care, with ~12K patients on-boarded at the end of FY18, ~42K patients at the end of FY19 and ~78K at the end of FY20.

We also note that last quarter, based on guidance from ASC 606 and IFRS 15 related to revenue recognition, RHT decided to be conservative and only recognize revenue in the month after it is earned. The change impacted the Q3 FY18 results, as there was only two months of revenue in the quarter (January and February). Going forward, there will be three months in each quarter (e.g., Q4 FY18 will include March, April, and May revenues).

Potential upside to our revenue estimates. As mentioned, our forecasts assume the vast majority of revenues come from the licensing of iUGO Care for remote patient monitoring. With the exception of FY19, where we expect material hardware sales related to the recent purchase of 27,500 ForaCare D40g devices, we expect iUGO Care software revenues to account for +90% of revenue.

We have tried to take a more conservative approach to our revenue forecasts, in part due to the limited operating history/track record, but we believe there could be significant upside to our estimates from:

- **Faster deployments and new customer signings.** After reaching a pace of ~2K patients deployed per month in mid-FY18, we are assuming a dramatic slowdown in Q4 FY18 due to the hardware shortage followed by a modest recovery in 1H FY19 (~1,500 patients/month in Q1 FY19 and ~2,500 patients/month in Q2 FY19) and increasing to a 3K patients/month pace in Q3 FY19 and staying at that level over our forecast period.

Given RHT was able to get to 2K patients/month with manual claims submission and with essentially just one customer, we believe an eventual pick up to a 3K patient/month pace is achievable and possibly conservative, given the partnership with CareOneTeam (and possibly other implementation partners) that could further accelerate the pace of patient onboarding as well as the potential addition of new customers, whose deployments could run in parallel.

New customers would also provide additional runway for RHT to grow in the future, with RHT indicating it has a near-term pipeline representing +500K of patients, mostly in Texas. The Company is also pursuing opportunities with customers in other states (e.g., Florida, Michigan, Ohio) and countries (e.g., Canada, Australia).

We have assumed RHT has ~78K patients on-boarded at the end of FY20, which is just under 20K patients more than what RHT has currently under contract, implying that RHT is able to convert and on board <5% of the patients in its near-term pipeline.

- **Incremental revenue streams (e.g., telemedicine).** We have assumed that RHT will not generate additional software licensing revenue outside of remote patient monitoring. However, we note that its iUGO Care platform can be used for other applications including telemedicine, which is something that RGVHA is interested in.

Looking specifically at the telemedicine application, RHT charges US\$50/patient per month for this service, which is fully reimbursable by CMS. The Company would charge this fee only in months when the service is used, which could be as much as every month for some patients to only once a year if at all for others.

As well, while RHT is focused on patients with multiple chronic conditions, the telemedicine application can be used for healthy patients as well and it may also be reimbursable by private insurance plans, thus allowing for a significant increase in RHT's addressable market.



- **Big Data Play?** Management believes that once they onboard 50-100K patients, they could soon have enough data that it could be sold to third parties such as drug development companies, insurance companies, healthcare providers, the government, etc.

The data, which would be anonymous, could allow these customers to do proper statistical analysis of patient data that could be viewed as being higher quality than patient collected data, as the information would be automatically collected from devices and monitors in the home.

This business model, which could be very lucrative, has not been proven by the Company and thus we have not built this potential revenue stream into our forecasts.

Our forecasts are sitting materially below guidance. Although RHT has not explicitly provided revenue guidance, they have indicated that they expect to have at least 30K patients on-boarded by the end of CY18, albeit with a significant acceleration in the second half of the year given the lull in deployment activity in the last few months due to the hardware shortage.

The reaffirmed guidance suggests ~50% pickup in the deployment rate from ~2K patients per month to ~3K patients per month in 2H CY18 (we do not assume RHT hits this pace until CY19). As previously mentioned, this pace could be achievable given the availability of electronic claims submission and the partnership with CareOneTeam, who we believe RGVHA will likely use for at least part of their roll out plan for iUGO Care that is set to being in early July.

We have taken a more conservative view and assumed that ~24K patients are on-boarded by the end of CY18.

As it relates to margins, Management believes that they should be able to generate gross and Adj. EBITDA margins in excess of 80% once they hit full deployment with their existing customers (i.e., just over 60K patients; we expect to hit this level in mid-FY20).

The gross margin target is reasonable (we are forecasting gross margins in the mid-80% range in mid-FY20), assuming no hardware sales (which have gross margins well below iUGO Care licensing revenues) and minimal professional services revenue (also carry much lower gross margins).

However, we believe the Adj. EBITDA margin target is very aggressive. We are forecasting Adj. EBITDA margins in the low-50% range once RHT hits full deployment with their existing customers, compared to the guided +80% range.

Given the significant ramp in revenues in the coming years and the operating leverage inherent in the business model, we have a similar sharp increase in forecasted Adj. EBITDA with \$3.5M in FY18 growing to \$18.5M in FY19 and \$41.5M in FY20.

Figure 4 – Financial Forecasts

(in \$M)	FY16	FY17	FY18e	FY19e	FY20e
Revenue	\$0.5	\$0.2	\$4.8	\$26.2	\$48.3
Growth	1,596%	(66%)	2,541%	442%	85%
Gross profit	\$0.2	\$0.0	\$3.5	\$18.5	\$41.5
EBITDA	(\$2.0)	(\$2.6)	(\$1.3)	\$9.3	\$26.0
EPS	(\$0.06)	(\$0.04)	(\$0.06)	\$0.06	\$0.18
Gross margin	41.7%	18.9%	73.5%	70.8%	85.9%
EBITDA margin	N/A	N/A	N/A	35.4%	53.9%

Source: Company reports, PI Financial Corp.



Strong debt free balance sheet. RHT has raised \$15M in equity over the last two quarters and is now sitting on just over \$13M in cash. As well, the Company is on the verge of reaching sustainable positive earnings and FCF, putting RHT on solid financial footing, giving them the opportunity to accelerate its growth profile, either through organic initiatives or M&A.

Key Catalysts

- **New customer wins, especially outside of Texas.** Management has indicated the Company has a large pipeline of near-term opportunities representing +500K patients. We expect the pace of announcements of new customer wins to pick up in the coming quarters, which should help bolster the share price. As well, we believe new customers in other states (outside of Texas) and countries would be viewed positively, as it would help diversify the customer base, which is something that we believe many investors are looking for.
- **Release of the FY18 results.** The release of quarterly financial results will help investors see tangible progress the Company has made in growing its business, including generating revenue growth from iUGO Care but also RHT's ability to convert the revenues into cash, as evidenced by the collection of receivables.

As well, we understand that RHT is looking to upgrade its current auditor with a Big 4 accounting firm. Should the Company do this soon and have its FY18 financial statements audited by a Big 4 (or another reputable) accounting firm, we believe many investors would gain greater comfort with the business and the investment opportunity.

- **New additions to Management and Board that add strength and depth.** We believe it is important for the Company to add strength and depth to their Management team and Board, as they would benefit greatly from experienced professionals who already have successfully managed high growth companies, people who have in depth knowledge of and connections within the healthcare space, and people with strong financial/capital markets and legal backgrounds.

We also note that the addition of more independent Directors would help improve the corporate governance, given the current 50/50 split on the Board between insiders and independents.

- **M&A activity.** There has been healthy M&A activity across the healthcare technology space and with a cashed up balance sheet and potential significant FCF generation ahead, RHT is well positioned to make acquisitions to help accelerate its growth profile and further diversify its business, amongst other things. We also believe RHT represents an attractive target.

Valuation

Despite the ~20% move up in the last week, RHT's valuation is well below its SaaS peers. Following the surge in the share price in the last week, RHT is trading at ~13x EV/EBITDA (CY19), now at a slight premium compared to its healthcare software peers (~11.5x), many of whom are much larger and more liquid but they are also much slower growing and some have weaker balance sheets.

However, compared to both its U.S. and Canadian SaaS peers, who are trading at ~27x and ~19x EBITDA respectively, RHT is still trading at a significant discount despite a vastly superior growth profile. Given its generally smaller size and higher risk profile, amongst other things, we believe RHT should trade at a discount to its SaaS peers but we believe the valuation gap is too wide.



DCF valuation of over \$3.00/sh. In our DCF valuation, we forecast RHT’s business over a 10-year period that reflects amongst other things, steady increased adoption of iUGO Care and improving margins due to the operating leverage inherent in the business.

We also use an 18% discount rate (highest in our coverage universe), reflecting the elevated risks we see in the business that has been previously discussed, along with a 2.5% terminal growth rate. The implied terminal multiple is just under 4x.

Our DCF value is \$3.35/sh. Some other key assumptions include:

- On-boarding of iUGO Care remote patient users increases from a 3K patient/month pace to 5K patient/month pace in FY22 and staying at this rate going forward
 - We forecast ~560K patients on iUGO Care in our terminal year, representing ~1.5% of the ~37M Medicare/Medicaid users with multiple chronic conditions
- ARPUs remain unchanged at US\$50/month per patient over the forecast period
- RHT does not generate any additional hardware revenue beyond the sale of the 27,500 ForaCare D40g devices that were recently ordered
- Each patient that uses iUGO Care only uses it for only one application (e.g., remote patient monitoring, telemedicine) on a monthly basis
- Gross margins improve from the mid-80% range in FY20 to close to 90% in the terminal year
- Adj. EBITDA margins reach the mid to high 60% range over the forecast period

RHT could materially de-risk the story in the coming quarters through new customer wins, key hires, and the reporting of (audited) financial results, amongst other things, which would lead us to reduce our discount rate. Each 1% decrease in our discount rate would increase our DCF value by over 10%.

Figure 5 – DCF Sensitivity Analysis

		WACC						
		15.0%	16.0%	17.0%	18.0%	19.0%	20.0%	21.0%
Terminal Growth Rate	1.0%	\$4.32	\$3.89	\$3.52	\$3.20	\$2.93	\$2.69	\$2.48
	1.5%	\$4.41	\$3.96	\$3.58	\$3.25	\$2.97	\$2.72	\$2.51
	2.0%	\$4.51	\$4.04	\$3.64	\$3.30	\$3.01	\$2.75	\$2.53
	2.5%	\$4.61	\$4.12	\$3.71	\$3.35	\$3.05	\$2.79	\$2.56
	3.0%	\$4.72	\$4.21	\$3.78	\$3.41	\$3.10	\$2.83	\$2.59
	3.5%	\$4.84	\$4.30	\$3.85	\$3.47	\$3.15	\$2.87	\$2.63
	4.0%	\$4.98	\$4.40	\$3.93	\$3.53	\$3.20	\$2.91	\$2.66

Source: Company reports, PI Financial Corp.

Recommendation

We are initiating coverage on Reliq Health Technologies Inc. with a BUY recommendation, \$2.60/sh target price, and SPECULATIVE risk rating. Our target price is based on the average of 12x our CY19 Adj. EBITDA estimate and our DCF valuation.

There is a lot to like about the RHT story, including their early mover advantage in a burgeoning multi-billion dollar market, exceptional growth profile, and recurring revenue model. However, there have been some recent hiccups and there are some key risks that give us concern.

That said, after factoring in these risks and concerns to our forecasts and valuation, we believe the risk/reward profile is attractive at current levels. With several potential de-risking events in the near-term, there could be material upside to our valuation.



Risks

In addition to the risks previously highlighted in our report, below is a discussion of some additional risks and considerations for investors when reviewing the analysis, valuation and recommendation. For a comprehensive list of risks faced by the Company, please refer to the Company's corporate filings.

Potential acquisition and investment risk. RHT intends to grow its operations and business by investing in and acquiring additional businesses, products and technologies. Such activities could involve significant strains on financial and other resources of the Company. Additionally, there can be no assurance that any acquisition or investment by the Company will produce revenue or be profitable.

Dependence on major contracts. The Company relies on major contracts for revenue and income. These contracts have several key delivery milestones and there is no guarantee that the Company can fulfill these contracts on time and on budget. Failure to fulfill such contracts is a significant risk to the Company.

Potential for healthcare fraud among customers. Healthcare (e.g., Medicare/Medicaid) fraud is a significant problem for insurers, both public and private. Alleged or actual involvement in healthcare fraud by any of RHT's customers could have a significant negative impact to the share price.

Intellectual property risk. RHT has developed its proprietary iUGO Care platform and relies on its ownership of this IP to generate revenue. Although the Company has taken precautions to protect its IP, any theft/loss of its IP could negatively impact the business and share price. As well, enforcing and defending its IP rights could result in the Company spending a lot of time and resources with no certainty on the outcome.

Cybersecurity and system failure risk. iUGO Care is provided as a Software-as-a-Service (SaaS) and consequently, it is vulnerable to various cyber risks including data breaches, unauthorized access and denial of service attacks that could lead to a negative impact on its business, financials, and reputation. As well, RHT could be negatively impacted by (unexpected) downtime of iUGO Care.

RHT believes that it has built a very secure platform to minimize cybersecurity risks. Specifically, the iUGO Care platform is HIPAA compliant, secured end-to-end with TLS and AES encryption, and built on cloud technology that supports the anonymization, storage and analysis of patient data. It is integrated with third party authentication and verification services including Google Authenticator (two-step authentication), Duo (two-factor authentication), and LastPass (storage of encrypted passwords).

Foreign exchange risk. Virtually all of RHT's revenues are currently generated in US\$ while a small portion of its costs are in US\$. As the Company does not have a hedging program, RHT is exposed to potential significant swings in the C\$/US\$ exchange rate.



Appendix A: Management and Directors

Lisa Crossley	CEO and Director
Giancarlo De Lio	Chief Visionary Officer
Stephen Samson	Chief Information Officer
Aman Thindal	CFO, Corporate Secretary, and Director
Richard Sztramko	Chief Medical Officer
Brian Storseth	Chairman
Eugene Beukman	Director

Lisa Crossley, CEO and Director

Dr. Crossley has been the CEO of RHT since January 2016. Prior to RHT, Dr. Crossley was CEO of VitalHub Corp. (TSXV:VHI), Quantum Dental Technologies and Natrix Separations. She also serves on the Genome Alberta Board of Directors, the Mitacs Research Council and previously held numerous Advisory Board appointments.

Dr. Crossley holds numerous degrees including a Ph.D. in Chemical Engineering from Queen's University and she is a licensed Professional Engineer in the Province of Ontario.

Giancarlo De Lio, Chief Visionary Officer

Mr. De Lio has founded numerous successful businesses in the marketing, digital, healthcare and IT markets including, VitalHub (TSXV:VHI). Prior to VitalHub Mr. De Lio worked at Mount Sinai Hospital in Toronto, developing innovative IT solutions for the clinical teams.

He holds a B.Sc. in Computer Science from the University of Toronto and an MBA from the University of Toronto's Rotman School of Management.

Stephen Samson, Chief Information Officer

Mr. Samson has extensive cybersecurity experience having previously served as Director of Cybersecurity at PwC and Senior Security Architect for Adobe, Best Buy, Accenture and CenterPoint Energy.

Aman Thindal, CFO, Corporate Secretary and Director

Mr. Thindal was the CFO at Moseda Technologies and continues to serve in the same capacity with RHT. Prior to joining Moseda Technologies, Mr. Thindal spent four years as a partner and CFO of a Greater Vancouver based private mid-tier real estate development company. Mr. Thindal obtained his Chartered Accountant Designation in 2010 and he holds a B.BA. in Accounting and Finance from Simon Fraser University.

Richard Sztramko, Chief Medical Officer

Dr. Richard Sztramko joined RHT in September 2017. He practices both Geriatrics and General Internal Medicine at St. Peter's, Hamilton General, and Juravinski Hospitals in Hamilton, Ontario. He has co-founded a startup (Virtual Ward) dealing with healthcare provider communication in hospitals, worked on design with telehealth companies (Medeo), and created an online education tool for patients with Dementia and their caregivers (iGeriCare).

He is a Masters in eHealth candidate at McMaster University and has a MD degree from the University of Toronto.

Brian Storseth, Chairman

Mr. Storseth joined the Board in July 2016 and was appointed Chairman in November 2016. He is a businessman and former Member of Parliament with the Government of Canada for nine years (2006-2015), where he served on committees for Aboriginal affairs, agriculture, and agri-food.



Eugene Beukman, Director

Mr. Beukman was appointed Director in July 2015. Since 1994, he has been the Corporate Counsel of Pender Street Corporate Consulting Ltd., a private company that provides accounting, legal and administrative services. He serves on the audit committee for several other publicly listed companies.

He graduated from Rand University of Johannesburg, South Africa with a Bachelor of Law and a Bachelor of Law Honours Postgraduate degree in 1987.



Appendix B: Share Structure/Shareholder Table

Shareholder	Shares (M)	% basic	% fd
<u>Management & Directors</u>			
Brian Storseth (Chairman)	0.0	0.0%	0.0%
Eugene Beukman	0.2	0.2%	0.2%
Lisa Crossley	0.2	0.2%	0.2%
Amandeep Thindal	1.0	0.9%	0.7%
Non-Board Management	0.0	0.0%	0.0%
Total Management and Directors	1.4	1.3%	1.1%
Company Float	108.1	98.7%	81.2%
Total basic shares outstanding (Mar. 31/18)	109.5		82.3%
In-the-money options (treasury method)	23.6		17.7%
Total fully diluted shares outstanding	133.2		

Source: Company reports, SEDI, Bloomberg, PI Financial Corp.

Financials / Models / Comp Table

Reliq Health Technologies - Income Statement									
FYE Jun 30									
(\$000s except per share amounts)									
	FY16	FY17	FY18e				FY18e	FY19e	FY20e
			Q1	Q2	Q3	Q4e			
Revenue	\$536	\$183	\$259	\$878	\$1,132	\$2,555	\$4,824	\$26,169	\$48,302
Cost of revenue	312	148	-	247	313	718	1,278	7,635	6,820
Gross Profit	\$224	\$34	\$259	\$631	\$820	\$1,836	\$3,546	\$18,534	\$41,481
Operating expenses	2,651	2,836	1,171	1,556	4,692	1,841	9,260	11,069	18,210
Operating Income	(2,427)	(2,802)	(912)	(925)	(3,873)	(5)	(5,714)	7,465	23,272
Amortization and depreciation	6	2	-	-	-	-	-	13	24
Stock-based compensation	405	243	467	186	3,489	224	4,366	1,779	2,753
Adj. EBITDA	(2,016)	(2,556)	(445)	(739)	(383)	219	(1,348)	9,258	26,049
Interest income	-	-	-	-	-	(30)	(30)	(141)	(284)
Interest expense	-	14	-	-	-	-	-	-	-
FX (gain)/loss	22	8	-	(2)	-	-	(2)	-	-
(Gain)/loss on settlement of debt	(187)	(173)	-	-	-	-	-	-	-
Write-off of intangible asset	596	-	-	-	-	-	-	-	-
Change in contingent liabilities	(18)	(190)	-	-	-	-	-	-	-
EBT	(2,840)	(2,461)	(912)	(922)	(3,873)	26	(5,681)	7,606	23,556
Income taxes									
- Current	-	-	-	-	-	-	-	-	7,067
- Future	-	-	-	-	-	-	-	-	-
Income Tax Exp - Total	-	-	-	-	-	-	-	-	7,067
Net income	(\$2,840)	(\$2,461)	(\$912)	(\$922)	(\$3,873)	\$26	(\$5,681)	\$7,606	\$16,489
Shares Outstanding									
Basic	50,158	59,887	76,534	82,156	97,359	109,545	91,398	109,545	109,545
Fully Diluted	50,158	59,887	76,534	82,156	97,359	109,545	91,398	133,171	133,171
Expenses									
COGS	58.3%	81.1%	0.0%	28.1%	27.6%	28.1%	26.5%	29.2%	14.1%
Operating expenses	494.4%	1,552.7%	451.9%	177.2%	414.4%	72.1%	192.0%	42.3%	37.7%
Income tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	30.0%
Margins									
Gross margin	41.7%	18.9%	100.0%	71.9%	72.4%	71.9%	73.5%	70.8%	85.9%
Adj. EBITDA margin	N/A	N/A	N/A	N/A	NM	8.6%	NM	35.4%	53.9%
EBIT margin	N/A	N/A	N/A	N/A	NM	NM	NM	28.5%	48.2%
EBT margin	N/A	N/A	N/A	N/A	NM	1.0%	NM	29.1%	48.8%
Net margin	N/A	N/A	N/A	N/A	NM	1.0%	NM	29.1%	34.1%

Source: Company reports, PI Financial Corp.

Reliq Health Technologies - Cash Flow Statement									
FYE Jun 30									
(\$000s)	FY16	FY17	FY18				FY18e	FY19e	FY20e
			Q1	Q2	Q3	Q4e			
Operating Activities									
Net earnings/(loss)	(\$2,840)	(\$2,461)	(\$912)	(\$922)	(\$3,873)	\$26	(\$5,681)	\$7,606	\$16,489
Amortization and depreciation	6	2	-	-	-	-	-	13	24
Share based payments	405	243	467	186	3,489	224	4,366	1,779	2,753
Finance expense	-	14	-	-	-	-	-	-	-
Gain/(loss) on settlement of debt	(187)	(173)	-	-	-	-	-	-	-
Write-off of intangible asset	596	-	-	-	-	-	-	-	-
Change in contingent liabilities	(18)	(190)	-	-	-	-	-	-	-
	(2,037)	(2,565)	(445)	(737)	(383)	249	(1,316)	9,399	19,266
Change in non-cash working capital	242	329	(59)	(1,188)	(946)	(2,430)	(4,623)	(267)	(3,114)
	(\$1,796)	(\$2,236)	(\$504)	(\$1,925)	(\$1,330)	(\$2,181)	(\$5,939)	\$9,132	\$16,152
Investing Activities									
Capital expenditures	-	-	-	-	-	(10)	(10)	(26)	(48)
(Acquisition of)/proceeds on sale of trademark	314	-	-	-	-	-	-	-	-
Purchase of term deposits	(17)	-	-	-	-	-	-	-	-
	\$298	\$-	\$-	\$-	\$-	(\$10)	(\$10)	(\$26)	(\$48)
Financing Activities									
Proceeds from Issuance of shares	1,500	1,423	-	5,000	10,000	-	15,000	-	-
Proceeds from stock option exercise	65	15	30	160	129	-	320	-	-
Proceeds from warrant exercise	-	188	70	330	1,813	-	2,214	-	-
Share issuance costs	(87)	(95)	-	(340)	(800)	-	(1,140)	-	-
Proceeds from issuance of convertible debentures	-	762	-	-	-	-	-	-	-
Financing costs	-	(15)	-	-	-	-	-	-	-
	\$1,479	\$2,278	\$100	\$5,151	\$11,143	\$-	\$16,393	\$-	\$-
Increase (decrease) in cash	(19)	42	(404)	3,226	9,813	(2,190)	10,445	9,106	16,104
Cash - beginning of year	465	445	487	84	3,310	13,123	487	10,933	20,038
Cash - end of year	\$445	\$487	\$84	\$3,310	\$13,123	\$10,933	\$10,933	\$20,038	\$36,142

Reliq Health Technologies - Balance Sheet									
FYE Jun 30									
(\$000s)	FY16	FY17	FY18				FY18e	FY19e	FY20e
			Q1	Q2	Q3	Q4e			
Assets									
Cash	\$445	\$487	\$84	\$3,310	\$13,123	\$10,933	\$10,933	\$20,038	\$36,142
Term deposits	17	17	17	17	28	28	28	28	28
Trade and other receivables	150	34	34	861	1,993	1,652	1,652	5,879	9,660
Prepaid expenses	138	163	74	257	209	196	196	235	282
Inventory	113	-	-	-	-	3,120	3,120	-	-
	864	701	209	4,444	15,353	15,928	15,928	26,180	46,112
Property, plant and equipment	2	-	-	-	-	10	10	23	47
TOTAL ASSETS	\$866	\$701	\$209	\$4,444	\$15,353	\$15,938	\$15,938	\$26,203	\$46,159
Liabilities									
Accounts payable and accrued liabilities	\$648	\$601	\$452	\$274	\$424	\$841	\$841	\$1,721	\$2,435
Loan payable	7	6	6	6	6	-	-	-	-
Deferred revenue	573	76	76	76	76	-	-	-	-
	1,229	683	534	356	506	841	841	1,721	2,435
Shareholders' Equity									
Share capital	7,835	10,040	10,141	14,837	25,979	25,979	25,979	25,979	25,979
Reserves	1,482	2,120	2,587	3,227	6,717	6,940	6,940	8,720	11,473
Accumulated deficit	(9,681)	(12,142)	(13,053)	(13,976)	(17,848)	(17,823)	(17,823)	(10,217)	6,272
	(363)	19	(326)	4,088	14,848	15,097	15,097	24,482	43,725
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$866	\$701	\$209	\$4,444	\$15,353	\$15,938	\$15,938	\$26,203	\$46,159

Source: Company reports, PI Financial Corp.

Company	Ticker	Curr.	Year End	Share Price	Shrs. O/S	Mkt. Cap.	Cash	Debt	EV	Sales				EBITDA													
										TTM	CY17	CY18e	CY19e	TTM	CY17	CY18e	CY19e										
														26-Jun-18	(M)	(M)	(M)	(M)	(M)	(M)	(M)	(M)	(M)	(M)	(M)	(M)	(M)
US SaaS Comparables																											
LogMeIn Inc	LOGM-O	USD	31-Dec	\$104.48	52	\$5,455	\$365	\$0	\$5,090	\$1,103	\$1,022	\$1,216	\$1,316	\$409	\$354	\$443	\$497										
Salesforce.com Inc	CRM-N	USD	31-Jan	\$136.45	734	\$100,141	\$7,159	\$3,988	\$96,970	\$11,098	\$10,146	\$12,823	\$15,490	\$2,182	\$2,149	\$2,828	\$3,587										
ServiceNow Inc	NOW-N	USD	31-Dec	\$172.38	177	\$30,455	\$1,886	\$1,155	\$29,724	\$2,105	\$1,921	\$2,600	\$3,350	\$471	\$422	\$666	\$922										
Splunk Inc	SPLK-O	USD	31-Jan	\$102.26	145	\$14,828	\$950	\$0	\$13,878	\$1,340	\$1,169	\$1,581	\$2,008	\$136	\$117	\$206	\$328										
Ultimate Software Group Inc	ULTI-O	USD	31-Dec	\$258.20	31	\$7,905	\$148	\$9	\$7,766	\$989	\$934	\$1,118	\$1,316	\$245	\$215	\$279	\$337										
Healthcare Software Comparables																											
Allscripts Healthcare Solutions Inc	MDRX.O	USD	31-Dec	\$12.16	178	\$2,164	\$135	\$1,729	\$4,240	\$1,944	\$1,793	\$2,191	\$2,290	\$390	\$355	\$433	\$465										
athenahealth Inc	ATHN.O	USD	31-Dec	\$157.83	40	\$6,378	\$142	\$269	\$6,505	\$1,255	\$1,212	\$1,347	\$1,473	\$334	\$265	\$355	\$411										
Cerner Corp	CERN.O	USD	30-Dec	\$60.09	332	\$19,939	\$921	\$446	\$19,463	\$5,175	\$5,154	\$5,389	\$5,820	\$1,640	\$1,664	\$1,633	\$1,798										
Computer Programs and Systems Int	CPSI.O	USD	31-Dec	\$33.65	14	\$474	\$2	\$142	\$614	\$284	\$274	\$288	\$296	\$54	\$51	\$49	\$49										
Inovalon Holdings Inc	INOV.O	USD	31-Dec	\$10.23	152	\$1,557	\$450	\$242	\$1,349	\$434	\$450	\$564	\$644	\$92	\$110	\$161	\$194										
Tecsys Inc	TCS.TO	CAD	30-Apr	\$15.39	13	\$201	\$11	\$0	\$191	\$70	\$71	\$78	\$90	\$11	\$7	\$10	\$14										
Canadian SaaS Comparables																											
Absolute Software	ABT-T	USD	30-Jun	C\$7.15	40	C\$288	\$32	\$0	\$185	\$93	\$92	\$95	n.a.	\$8	\$8	\$10	n.a.										
Cortex Business Solutions	CBX-V	CAD	31-Jul	C\$4.10	9	C\$38	\$8	\$0	\$30	\$12	\$12	\$13	\$16	\$2	\$2	\$2	\$3										
Descartes Systems	DSG-T	USD	31-Jan	C\$41.97	77	C\$3,224	\$36	\$51	\$2,440	\$250	\$231	\$272	\$296	\$84	\$79	\$93	\$105										
Kinaxis	KXS-T	USD	31-Dec	C\$89.20	26	C\$2,297	\$167	\$12	\$1,573	\$138	\$135	\$156	\$188	\$44	\$36	\$40	\$55										
ProntoForms	PFM-V	USD	31-Dec	C\$0.39	110	C\$43	\$5	\$3	\$25	\$10	\$10	\$12	\$16	(\$3)	(\$2)	(\$2)	\$0										
Solium Capital	SUM-T	USD	31-Dec	C\$11.78	56	C\$659	C\$87	C\$0	C\$409	C\$91	C\$86	C\$106	C\$126	C\$10	C\$11	C\$13	C\$26										
VersaPay	VPY-V	CAD	31-Dec	C\$2.30	39	C\$90	C\$13	C\$0	C\$75	C\$3	C\$3	C\$6	C\$13	(C\$8)	(C\$8)	(C\$9)	(C\$4)										
Reliq Health - PI	RHT-V	CAD	30-Jun	C\$1.85	133	C\$246	C\$13	C\$0	C\$233	C\$2	C\$1	C\$13	C\$37	(C\$3)	(C\$3)	C\$2	C\$18										
Reliq Health - Consensus	RHT-V	CAD	30-Jun	C\$1.85	133	C\$246	C\$13	C\$0	C\$233	C\$2	C\$1	C\$13	C\$34	(C\$3)	(C\$3)	C\$2	C\$14										
														EV/Sales		EV/EBITDA		P/E		Growth (CY19/CY18)							
Company	Ticker	TTM	CY17	CY18e	CY19e	TTM	CY17	CY18e	CY19e	TTM	CY17	CY18e	CY19e	Sales	EBITDA	EPS											
US SaaS Comparables																											
LogMeIn Inc	LOGM-O	4.6x	5.0x	4.2x	3.9x	12.4x	14.4x	11.5x	10.2x	22.8x	24.8x	19.8x	17.3x	8%	12%	14%											
Salesforce.com Inc	CRM-N	8.7x	9.6x	7.6x	6.3x	44.4x	45.1x	34.3x	27.0x	75.4x	N.M.	61.1x	51.0x	21%	27%	20%											
ServiceNow Inc	NOW-N	14.1x	15.5x	11.4x	8.9x	N.M.	N.M.	44.6x	32.2x	N.M.	N.M.	74.4x	54.8x	29%	38%	36%											
Splunk Inc	SPLK-O	10.4x	11.9x	8.8x	6.9x	N.M.	N.M.	N.M.	42.3x	N.M.	N.M.	N.M.	68.7x	27%	59%	47%											
Ultimate Software Group Inc	ULTI-O	7.9x	8.3x	6.9x	5.9x	31.8x	36.2x	27.8x	23.0x	58.8x	71.5x	47.1x	39.2x	18%	21%	20%											
Average		9.1x	10.0x	7.8x	6.4x	29.5x	31.9x	29.6x	27.0x	52.3x	48.1x	50.6x	46.2x	21%	31%	27%											
Average (exc. High/Low)		9.0x	9.9x	7.8x	6.4x	31.8x	36.2x	31.0x	27.4x	58.8x	n.a.	54.1x	48.3x	22%	29%	25%											
Healthcare Software Comparables																											
Allscripts Healthcare Solutions Inc	MDRX.O	2.2x	2.4x	1.9x	1.9x	10.9x	11.9x	9.8x	9.1x	18.7x	19.6x	15.8x	13.8x	5%	7%	15%											
athenahealth Inc	ATHN.O	5.2x	5.4x	4.8x	4.4x	19.5x	24.5x	18.3x	15.8x	50.3x	78.5x	39.4x	34.3x	9%	16%	15%											
Cerner Corp	CERN.O	3.8x	3.8x	3.6x	3.3x	11.9x	11.7x	11.9x	10.8x	25.2x	24.8x	24.0x	21.4x	8%	10%	12%											
Computer Programs and Systems Int	CPSI.O	2.2x	2.2x	2.1x	2.1x	11.3x	12.1x	12.5x	12.6x	16.2x	21.0x	14.6x	14.7x	3%	(0%)	(1%)											
Inovalon Holdings Inc	INOV.O	3.1x	3.0x	2.4x	2.1x	14.7x	12.3x	8.4x	6.9x	51.1x	33.3x	33.0x	25.4x	14%	21%	30%											
Tecsys Inc	TCS.TO	2.7x	2.7x	2.4x	2.1x	17.9x	29.1x	20.1x	13.4x	27.5x	57.3x	34.1x	19.6x	14%	49%	74%											
Average		3.2x	3.2x	2.9x	2.7x	14.4x	16.9x	13.5x	11.5x	31.5x	39.1x	26.8x	21.5x	9%	17%	24%											
Average (exc. High/Low)		2.9x	3.0x	2.6x	2.4x	13.9x	15.2x	13.1x	11.5x	30.4x	34.1x	26.7x	20.3x	9%	14%	18%											
Canadian SaaS Comparables																											
Absolute Software	ABT-T	2.0x	2.0x	1.9x	n.a.	22.9x	23.1x	17.6x	n.a.	N.M.	N.M.	N.M.	n.a.	n.a.	n.a.	n.a.											
Cortex Business Solutions	CBX-V	2.5x	2.5x	2.3x	1.9x	14.9x	18.4x	15.7x	9.0x	34.4x	79.5x	27.4x	14.7x	21%	74%	86%											
Descartes Systems	DSG-T	9.8x	10.6x	9.0x	8.2x	29.1x	30.8x	26.3x	23.3x	90.2x	81.1x	73.6x	60.5x	9%	13%	22%											
Kinaxis	KXS-T	11.4x	11.6x	10.1x	8.4x	35.7x	44.0x	39.7x	28.7x	55.9x	62.5x	68.6x	50.1x	21%	38%	37%											
ProntoForms	PFM-V	2.4x	2.5x	2.1x	1.5x	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	35%	n.a.	n.a.											
Solium Capital	SUM-T	4.5x	4.8x	3.9x	3.2x	42.1x	38.6x	31.2x	15.5x	N.M.	N.M.	N.M.	36.2x	19%	101%	197%											
VersaPay	VPY-V	21.5x	25.3x	13.5x	5.9x	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	128%	n.a.	n.a.											
Average		7.7x	8.5x	6.1x	4.9x	29.0x	31.0x	26.1x	19.1x	60.2x	74.3x	56.5x	40.4x	39%	57%	85%											
Average (exc. High/Low)		6.1x	6.4x	5.5x	4.8x	29.2x	30.8x	25.0x	19.4x	55.9x	79.5x	68.6x	43.1x	24%	56%	62%											
All companies																											
Average		6.6x	7.2x	5.5x	4.5x	22.8x	25.2x	22.0x	18.7x	43.9x	50.4x	41.0x	34.8x	23%	32%	42%											
Average (exc. High/Low)		6.0x	6.4x	5.2x	4.4x	22.0x	24.6x	21.3x	17.7x	42.0x	50.4x	40.4x	33.8x	17%	30%	33%											
Reliq Health - PI	RHT-V	N.M.	N.M.	17.5x	6.3x	N.M.	N.M.	N.M.	13.1x	N.M.	N.M.	N.M.	15.6x	179%	N.M.	n.a.											
Reliq Health - Consensus	RHT-V	N.M.	N.M.	18.6x	6.8x	N.M.	N.M.	N.M.	16.8x	N.M.	N.M.	N.M.	28.5x	173%	N.M.	n.a.											
US\$/C\$ Exchange Rate:																											
																\$0.75											

Note: Estimates for Absolute Software (ABT-T), Cortex Business Solutions (CBX-V), ProntoForms (PFM-V), and VersaPay (VPY-V) are PI Financial's estimates

Source: Company reports, Thomson Eikon, PI Financial Corp.

Disclosure Fact Sheet

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BUY : recommendation: stock is expected to appreciate from its current price level at least 10-20% in the next 12 months.

NEUTRAL : recommendation: stock is expected to trade in a narrow range from its current price level in the next 12 months.

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U/R : Under Review

N/R : No Rating

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The attached summarizes PI's analysts review of the material operations of the attached company(s).

Analyst	Company	Type of Review	Operations / Project	Date
David Kwan	Reliq Health Technologies Inc.	Management Call	Hamilton, ON	06/18

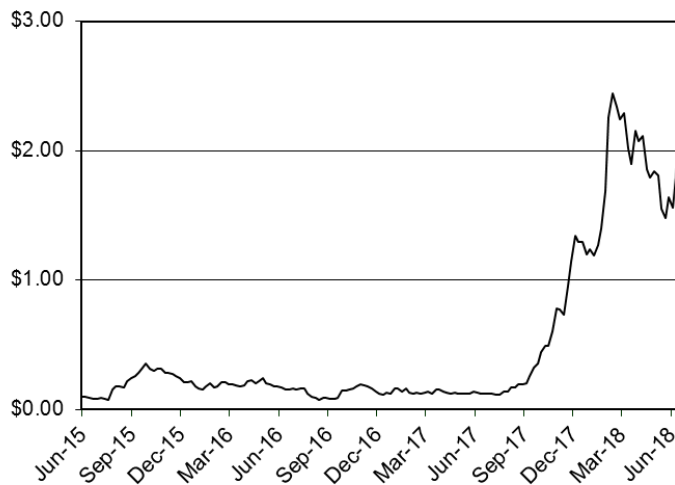
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Recommendations	Number of Recommendations	Percentage
BUY	58	87.88%
NEUTRAL	4	6.06%
SELL	0	0.00%
TENDER	4	6.06%
U/R	0	0.00%
N/R	0	0.00%
TOTAL	66	

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Reliq Health Technologies Inc. (Initiated Coverage: Jun 26/18)

Date	Rating Change	Target Change	Share Price
Jun 26/18	Buy	\$2.60	\$1.85

Capital Markets Group

Managing Director, SVP Capital Markets

Jeremiah Katz
604.664.2916

Managing Director, Head of Research

Bob Gibson, B.Comm, CFA
416.883.9047

Managing Director, Head of Institutional Sales & Trading

Jim Danis, B.Sc. (Hons.)
604.718.7551

Managing Director, Co-Head of Investment Banking

Dan Barnholden, MBA
604.664.3638

Managing Director, Co-Head of Investment Banking

Blake Corbet, BA
604.664.2967

Research Analysts

Consumer Products

Bob Gibson, B.Comm, CFA
416.883.9047

Mining

Chris Thompson, P. Geo
Head of Mining Research
604.718.7549

Philip Ker, PGeo, MBA
647.789.2407

Gary Sidhu, B.Sc., MBA
604.718.7544

Special Situations & Cannabis

Jason Zandberg, B.BA, CFA
604.718.7541

Industrials

Devin Schilling, CFA
604.718.7557

Technology

David Kwan, CFA
604.718.7528

Research Associates

Neehal Upadhyaya, BAFM, MAcc
416.775.5107

Justin Stevens, EIT
604.718.7542

Marketing and Publishing

Michelle Kwok
604.664.2724

Institutional Sales

Vancouver

Jim Danis, B.Sc. (Hons.)
604.718.7551

Jeremiah Katz
604.664.2916

David Goguen, CFA
604.664.2963

Doug Melton, FCSI
604.718.7532

Brodie Dunlop
604.718.7533

Toronto

Jose Estevez, CFA
416.883.9042

John McBride
416.883.9045

Institutional Trading

Vancouver

Darren Ricci
604.664.2998 or 800.667.6124 (US)
or 877.682.7233 (CDN)

Adam Dell, CFA
604.718.7517 or 888.525.8811

Investment Banking

Mining

Dan Barnholden, MBA
604.664.3638

Russell Mills, CFA, MFin
647.789.2405

Tim Graham, B.Comm
604.664.3656

Jim Locke, CFA
604.664.2670

Technology

Blake Corbet, BA
604.664.2967

Equity Capital Markets/Syndication

Tim Johnston
416.775.5112

Trina Wang
604.664.3637

Investment Banking Associate

Joe Brunner
604.664.3633

Investment Banking Analyst

Cameron Dowle
604.718.7516

PI Financial Corp.

www.pifinancial.com

Head Office

Suite 1900, 666 Burrard Street
Vancouver, BC V6C 3N1
ph: 604.664.2900 fx: 604.664.2666

Toronto Office

Suite 3401, 40 King Street West
Toronto, ON M5H 3Y2
ph: 416.883.9040 fx: 647.789.2401

Calgary Office

Suite 1560, 300 5th Avenue SW
Calgary, AB T2P 3C4
ph: 403.543.2900 fx: 403.543.2800

For a complete list of branch office locations and contact information, please go to www.pifinancialcorp.com

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