



26<sup>th</sup> November 2024

## RESPIRI SIGNS BINDING PURCHASE AGREEMENT WITH ORB HEALTH, A LEADING US-BASED CONNECTED CARE ORGANISATION WITH ~US\$4.2M IN REVENUES.

Respiri Limited (ASX:RSH; OTCQB:RSHUF) (**Respiri**) is pleased to advise it has entered into a purchase agreement (**Purchase Agreement**) to acquire the business and assets of Orb Health Inc. (**Orb Health**) for an initial purchase price of US\$9 million (**Initial Purchase Price**) which shall be satisfied through the issue of fully paid ordinary shares (**Initial Consideration Shares**). An additional payment (**Subsequent Purchase Price**) may be payable upon Orb Health meeting financial targets at the completion of CY2025 also to be satisfied through the issue of fully paid ordinary shares (**Subsequent Consideration Shares**). As part of the transaction, Orb Health agrees to invest US\$0.7 million (~A\$1.1M) by subscribing for additional fully paid ordinary shares (**Additional Shares**, and collectively with the Initial Consideration Shares and Subsequent Consideration Shares, the **Shares**).

The acquisition, upon the completion of the transaction, will mark another significant step for Respiri as it accelerates its market access and business development to become the leader in the connected and chronic care health market in the United States.

### Highlights

- **Respiri** announces entry into an agreement for the acquisition of the business of **Orb Health**, a remote patient monitoring (**RPM**) and connected care management (**CCM**) healthcare service provider for **US\$9 million**
- Under the Purchase Agreement, **Orb Health will invest** an additional **US\$0.7 million (~A\$1.1M)** in exchange for the Additional Shares. Respiri expects these funds to be used as acquisition transition working capital.
- The strategic acquisition of **Orb Health** continues to accelerate **Respiri's** access and growth in the United States healthcare market.
- Orb Health Annual Recurring Revenues (ARR) for **CY24 are expected to be ~US\$4.2 million**.
- The acquisition is expected to generate synergies totaling approximately **A\$3.5 million** and generate cross-selling opportunities in excess of **A\$2 million** during an initial full twelve months of operations.
- Both cross-selling revenue and cost savings underpin the **targeted profitability** for **Respiri's** US operations from **early 2025**.
- The acquisition will grow **Care Beyond the Clinic** in the connected healthcare sector and drive positive patient and clients' outcomes by reducing healthcare events, improving the quality of lives of chronically ill patients, and reducing costs for payors/insurers.
- The acquisition will expand the current product suite, enabling economies of scale in a large and growing business field that has yet to see a defined leader emerge.
- The acquisition will allow ceasing of Respiri's software engineering operations and discontinuation of most C-suite roles in Australia and thus delivers an even stronger focus on US operations.
- The acquisition will be satisfied by the issue of Initial Consideration Shares and Additional Shares in Respiri, with shareholder approval to be sought (if necessary), and is subject to satisfaction of conditions precedent to the transaction completion. The Shares will be subject to certain restrictions on sale and transfer from the completion date and ending on the third anniversary, subject to certain exceptions (**Lockup**), as further described below under the heading "Other key terms".



## Orb Health

Orb Health is a private Texas-based company that provides its services to various healthcare organizations.

It specializes in:

1. Enterprise Virtual Care™ for chronic care management; and
2. Care Management as a Service™ for patient access and care coordination.

Key business lines include:

- Remote contact centres with administrative and clinical agents;
- EMR-connected intelligence for patient information management; and
- Offers various health management services (CCM, cCCM, RPM, PCM, TCM, Behavioral Health, Annual Wellness Visits).

Orb Health's and Respiri's future focus will be to:

- Expand connected services, including RPM;
- Increase per-patient-per-month (pppm) revenues; and
- Cross-sell services in the newly merged company.

## Strategic Rationale of the Acquisition

The US chronic and connected care management health market is a large and substantially growing business field that is still very fragmented and has yet to see a defined leader emerge. The acquisition of the **Orb Business** is thus an additional catalyst for **Respiri's** ambitions in this sector. The acquisition of Orb Business is a crucial milestone for Respiri to **achieve full profitability**. It will enable Respiri to expand its offerings, achieve economies of scale, add complementary expertise and realize synergies between the businesses.

The acquisition will add a broad network of existing customers to **Respiri's** expanding US business. Clients have included ACOs and hospitals as well as FQHCs and RHCs. Testimonies from those customers demonstrate how **Orb Health** has led the implementation of innovative solutions to decrease the cost of care and achieve dramatic reductions in costly ED and hospital re-admissions while also improving patient experience.

Highlights of the value provided by **Orb Health's** care management services to both customers and patients include:

- Nurse quality and patient satisfaction score >90%.
- >70% of open care gap closures, resulting in increased preventative appointments while lowering costs.
- > 60,000 contact centre calls per quarter.
- 11% increase in HEDIS (Healthcare Effectiveness Data & Information Set) / HCC (Hierarchical Condition Category) scores, standard KPIs used to measure improvements in healthcare provision effectiveness.
- 54% reduction of Emergency Department visits after nine months of programme enrolment, resulting in more than US\$6M in estimated savings.

Complementing the existing customer and revenue base of the **Orb Business** are new revenue opportunities through the identification of cross-selling opportunities. This includes a roll-out of patient engagement and contact centre solutions to existing **Respiri** clients, extension of wheezo® and RPM solutions to the **Orb Health's** customer base. Additionally, the launch of new offerings in the areas of Behavioural Health, and the extension of patient programme persistence and thus Customer Lifetime Value.



A first example of the benefits from the combined management teams' complementary skill sets is the definition and pursuit of a programme specifically designed for Annual Wellness Visits which is currently under discussion with several potential clients. **Respiri** expects the additional cross-selling opportunities to exceed **A\$2 million** over the first twelve months.

Orb Health currently manages 2,400 patients with CCM services and the newly merged business will have approximately 5,500 patient program enrolments that are expected to continue to grow rapidly from existing and new clients.

Healthcare is about putting patients first. The acquisition of the **Orb Business** will solidify this patient-centric approach to healthcare for **Respiri's** customers through the alignment of connected care competencies with an enhanced suite of service offerings that will drive patient engagement and better patient outcomes through building the **Care Beyond the Clinic** value proposition.

## US Operations

**Respiri** expects that the acquisition will generate significant synergies across **Respiri** and **Orb Health**. It is anticipated that those will deliver cost savings of approximately **A\$3.5 million** on an annualised basis. Principal contributions are coming from the following areas:

- Consolidation of IT technology, architecture, and care delivery platforms as well as supporting peripheral IT tools, applications, and services.
- Consolidation of software engineering resources and structures. To this effect, **Respiri** will discontinue operation of its software engineering and testing team.
- Consolidation of management structures and functions, including the discontinuation of most C-suite roles located in Melbourne.
- Removal of duplicated structures across a range of operational areas e.g., HR, financial management and accounting,
- Consolidation of structures and personnel in the areas of client liaison and key account management as well as clinical services and operations.

During the quarter ending in September 2024 Respiri announced it entered a partnership with Ceras Healthcare (**Ceras**), a leading, Boston-based healthcare technology organisation. The Ceras/Respiri collaboration builds the **Care Beyond the Clinic technology** offer, will be deployed to **Orb Health** and continue to drive significant revenue growth, in addition to operational improvements with existing and new clients.

As a result of the anticipated significant costs savings and synergies, Respiri expects to deliver monthly profitability for the US operations in early 2025.

With the acquisition of **Orb Health**, once completed, **Respiri** believes it will transform its US operations to becoming a fully self-sufficient business. All operational senior leadership roles and management structures will be located in the United States working closely with existing and prospective clients, partners, industry stakeholders, regulatory bodies, and service providers.

As part of the transaction, **Orb Health** will invest an additional US\$0.7 million (~A\$1.1M) in exchange for the Additional Shares. Of this amount, US\$0.4 million is expected to be paid at completion of the acquisition and US\$0.3 million to be paid within 45 days. **Respiri** expects these funds to be used as acquisition transition working capital. As



at the date of this announcement, the Company intends on seeking shareholder approval for the issue of the Initial Consideration Shares and Additional Shares.

Jonathan Adams, Chairman of **Orb Health** added: *“The **Respiri/Orb Health** alignment will solidify a patient-centric approach to healthcare for its customers. The merged entity will have an enhanced suite of service offerings that will drive patient engagement and ultimately better patient outcomes. Through this **New Standard of Care**, patients and customers alike will benefit”.*

Marjan Mikel, Respiri CEO said: *“The Orb business and team provide an outstanding opportunity to continue to drive our capabilities to provide an even more comprehensive solution supporting our Beyond The Clinic promise. They bring services that give us a broader solution that our clients want and need, whilst we bring a pedigree that can do the same for their existing clientele. All of this will deliver even better care to patients and drive our ppm revenues as a result. Realisation of the near-term cost synergies of around \$3.5M should effectively make our US operations profitable”.*

*“Further, this transaction will act as the model for likely future acquisitions, as we pursue the goal of becoming the preeminent market leader in the fragmented USA connected care arena through organic and acquired growth.”*

## Key acquisition terms

### Initial Purchase Price

Respiri will pay the Initial Purchase Price of US\$9 million by issuing the Initial Consideration Shares following satisfaction of conditions precedent as noted in the Purchase Agreement including shareholder approval (if necessary), and upon receipt of payment by Orb Health in the aggregate amount of US\$0.7 million, Respiri will issue the Additional Shares. The number of Initial Consideration Shares and Additional Shares to be issued will be calculated by dividing US\$9 million and US\$0.7 million, respectively, by the higher of two values:

1. The 5-day volume-weighted average price (VWAP) of Respiri's Shares on the ASX before the Purchase Agreement signing date; or
2. The 5-day VWAP before the completion date.

Both VWAPs will be converted to US Dollars for the calculation. The Shares will be subject to the Lockup from the completion date and ending on the third anniversary, subject to certain exceptions.

In the event that the Purchase Agreement is validly terminated by either party on the basis that **Respiri** is unable to obtain shareholder approval (where necessary) to issue the Shares for satisfaction of the Initial Purchase Price, a termination fee of US\$250,000 will be payable by **Respiri** to **Orb Health**.

As at the date of this announcement, it is expected that **Respiri** will require shareholder approval to issue the Initial Consideration Shares and the Additional Shares. Respiri expects to hold the general meeting in or around late December 2024.

### Subsequent Purchase Price

The Subsequent Purchase Price is expected to be satisfied through the issue of the Subsequent Consideration Shares, subject to receipt of shareholder approval. The number of Subsequent Consideration Shares issued will be calculated as follows:

1. Calculate: Orb Health's gross revenue × either 2.25 (<US\$7M CY25 revenues) or 2.75 (>\$7M CY25 revenues) minus Initial Purchase Price, US\$9 million



2. Divide the result by the higher of:
  - a) 85% of the 5-day VWAP before the payment date
  - b) 85% of the issue price used for the Initial Share Consideration

If shareholder approval cannot be obtained for the purpose of issuing Shares in satisfaction of the Subsequent Purchase Price, Respiri will pay Orb Health a cash amount equal to the Subsequent Purchase Price in accordance with the Purchase Agreement.

### ***Other key terms***

The Purchase Agreement is subject to several terms and conditions customary to a transaction of similar size and nature. Completion of the Purchase Agreement is subject to satisfaction of certain conditions, including (if necessary for the purpose of ASX Listing Rule 7.1) obtaining shareholder approval for the issue of the Initial Consideration Shares, the Additional Shares and the Subsequent Consideration Shares.

Completion of the acquisition is also subject to satisfaction or waiver of the following conditions:

- (a) all representations and warranties remaining true and correct in all material respects at completion;
- (b) all covenants, agreement and obligations under the Purchase Agreement to be performed by each party, being duly and properly performed in all material respects;
- (c) Respiri receiving shareholder approval for the Initial Consideration Shares (to the extent required under ASX Listing Rules);
- (d) Orb Health having received written consent from third parties to the assignment of material contracts;
- (e) certain documents being delivered to Respiri (including the assignment of material contracts, IP assignment agreement and the employment agreement executed by the CEO of Orb Health); and
- (f) key personnel of Orb Health having accepted employment with Respiri.

If the conditions are unable to be satisfied on or prior to 15 January 2025, either party may terminate the Purchase Agreement by written notice. The Purchase Agreement may otherwise be terminated by either party if there is a breach in any material representation, warranty or covenant which would result in any condition precedent to completion of the Initial Purchase Price being incapable of fulfillment or satisfaction (assuming the terminating party did not cause such breach).

The Shares issued to Orb Health pursuant to the Purchase Agreement will be subject to a restriction on sale and transfer for 3 years post completion of the Initial Consideration Shares. However, Orb Health may transfer, sell or otherwise dispose of the Shares in accordance with the Purchase Agreement, including but not limited to, compliance with Respiri's Share Trading Policy and for the purpose of obtaining capital to provide transition services to the merged business, up to an amount of 5% in each of the first and second year post-completion. Starting from the second year post-completion, Orb Health may also dispose of up to 50% of its Shares in Respiri should certain key management shareholders dispose more than 5% of their respective Shares held.

### **Timelines to completion**

The Company expects to hold a general meeting in or around late December 2024 to seek shareholder approval for the issue of the Initial Consideration Shares and the Additional Shares.

It is expected that the completion date of the Initial Consideration Shares will be around January 2025, the completion date of all Additional Shares will be by around March 2025, and completion of the Subsequent Consideration Shares will be around January 2026.



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*This ASX announcement has been authorised for release by the Board of Directors of Respiri Limited.*

#### About Respiri Limited – A Revolutionary Remote Healthcare Solutions Provider

Respiri Limited (ASX:RSH, OTCQB:RSHUF) is leading the charge in transforming healthcare delivery in the US. As an innovator in medical devices and MedTech, we combine state-of-the-art technologies with unparalleled clinical expertise. Partnering with healthcare providers and organisations we empower our clients to extend exceptional care into the community, making a real difference to patients' lives.

We are revolutionising healthcare one patient at a time with our disruptive business model, which provides personalised and responsive care. Our cutting-edge R&D sets us apart, offering comprehensive Care Management programs for all major chronic conditions, including our exclusive remote wheeze detection for respiratory disorders. Through strategic partnerships, we seamlessly integrate our advanced solutions into existing systems and workflows, boosting efficiency and significantly reducing overall healthcare costs. Our data-driven programs and superior clinical expertise position us at the forefront of chronic disease management, ensuring patients' healthcare needs are met consistently and effectively across the continuum of care.

Learn more at [www.respiri.co/au](http://www.respiri.co/au)

#### About the wheezo® Medical Device

wheezo®, a world-first FDA-approved Class II medical device, is the sole WheezeRate detector capable of integrating into RPM programs. Developed by Respiri, wheezo® utilises innovative technology to analyse breath sounds for wheeze. The device works with the user-friendly respiri™ app, enabling users to log symptoms and triggers. The wheezo® system creates a comprehensive and individualised patient profile, fostering informed dialogues between patients and physicians. For details on our US offering, visit <https://respiri.co/us> or for [wheezo®](#)

Respiri Limited is headquartered in Melbourne with offices in New York City and Miami.

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#### Forward Looking Statements

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Respiri current expectations, estimates and projections about the industry in which Respiri operates, and its beliefs and assumptions. Forward-looking statements often use words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "guidance", "will", "may", "should", "would", "could" or other words of similar meaning. These words and similar expressions are intended to identify forward looking statements and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties.

Actual results may vary materially from those set forth in the forward-looking statements. Among others, the following risks and uncertainties could cause actual results to differ from those set forth in the forward-looking statements: (i) that the transaction between Respiri and Orb Health under the Purchase Agreement may not be consummated in a timely manner, if at all; (ii) that the Purchase Agreement may be terminated in circumstances that would cause



Respiri to pay Orb Health a termination fee (as described above), (iii) that the business of the Respiri may suffer as a result of the proposed transaction between Respiri and Orb Health; and (iv) general economic and business conditions. In addition, there are, risks or uncertainties inherent in the process of developing technology and in the endeavour of building a business around such products and services. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the control of Respiri, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Respiri cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Respiri only as of the date of this release. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. Respiri will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.