

## Company Update

# Rapid Response Revival

**\$9m of \$15m pre-IPO capital raise complete**

9<sup>th</sup> July 2024

Rapid Response Revival announced that it had received \$8.9 million in commitments from existing shareholders for its \$15 million convertible note pre-IPO capital raise. RRR is now opening the raise to the public, with Morgans (the lead broker) presenting it to its clients on Wednesday.

This is RRR's largest capital raise to date, with the firm looking to strengthen its sales and market position leading into its IPO, planned for June 2025.

RRR has extended the close date for the convertible notes by two weeks to the 19<sup>th</sup> July 2024.

### Pre-IPO Convertible Note

RRR is looking to raise \$15 million, with the right to extend it to \$25 million with oversubscriptions. The key terms of the notes are:

- Coupon: 10%
- Conversion trigger: IPO or change of control
- Conversion discount: 25% / 30% / 35%<sup>1</sup>
- Conversion valuation cap: \$60 million
- Maturity: 31<sup>st</sup> July 2026

### Highly attractive valuation cap

The valuation cap of \$60 million sets a ceiling price at which the convertible notes are converted into equity, making them a highly attractive investment. The cap is priced at RRR's raising almost 12 months ago and is well below our \$307 – \$337 million valuation, reflecting the current challenging capital raising environment.

Depending on the timing and IPO valuation, the pricing cap means that \$15 million in notes will likely be worth \$22 – \$28 million, offering a return of 1.5x – 1.8x (assuming a \$20 million IPO raise). An IPO valuation of \$250 million (still well below our valuation) values the notes at \$64 million, providing a 4.2x return. See Table 2 for details.

### How to apply

Contact Morgans or RRR directly ([members@rapidresponserevival.com.au](mailto:members@rapidresponserevival.com.au)) for more information on the convertible notes and capital raise.

<sup>1</sup> See Table 1.

## Rapid Response Revival

### Public Unlisted

Sector	Medical Devices
Currency	Australian dollar (AUD)
Date	9 <sup>th</sup> July 2024
Valuation (per share)	\$200 - \$220
Share price	\$40.00
Market cap	\$61.3m
Free float	-
Dividend	-
Yield	-

Year-end 30 June	FY22	FY23	FY24e	FY25e
Revenue	\$3.8m	\$9.5m	\$14.4m	\$25.7m
COGS	-	-\$2.4m	-\$4.2m	-\$11.6m
Employees	-\$7.5m	-\$9.3m	-\$11.2m	-\$14.5m
Professional fees	-\$4.4m	-\$4.0m	-\$4.6m	-\$4.6m
Other costs	-\$6.2m	-\$9.8m	-\$4.9m	-\$6.5m
EBITDA	-\$14.5m	-\$13.0m	-\$10.2m	-\$13.3m
EBIT	-\$15.5m	-\$13.5m	-\$10.7m	-\$13.6m
Net profit	-\$15.6m	-\$13.7m	-\$11.1m	-\$13.6m
Earnings per share	-\$9.64	-\$7.24	-\$7.27	-\$9.82
Op. cash flow	-\$13.2m	-\$14.4m	-\$15.6m	-\$13.3m
Free cash flow	-\$14.4m	-\$14.5m	-\$15.6m	-\$14.6m
Cash / net debt	\$0.7m	\$0.3m	-\$4.3m	\$11.1m



### Analysts

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### Convertible note conversion discount ranges from 25-35%

The notes have a two-year term, with a final maturity date of 31<sup>st</sup> July 2026 and convert into equity at either IPO or a change of control event.

The notes convert at a discount to the IPO price according to the schedule shown in Table 1. The size of the discount depends on the timing of the conversion event, with a 25% discount offered if conversion occurs on or before the 31<sup>st</sup> July 2025 (~12 months), increasing by five percentage points every six months, peaking at 35%.

**Table 1: Then notes offer an attracted conversion discount of 25% - 35%**

Conversion period	Discount
Now – 31 Jul 2025	25%
1 Aug 2025 – 31 Jan 2026	30%
1 Feb 2026 – 31 Jul 2026	35%
Post 31 Jul 2026	Redemption

Source: Rapid Response Revival

### The valuation cap offers significant upside

As a result of the valuation cap, the convertible notes could generate a highly attractive return ranging from 1.5x – 4.2x, with the final value dependent on the IPO valuation. Table 2 below shows the final ownership and implied return based on various IPO valuation scenarios ranging from \$60 million to \$250 million, which is still well below our \$307 million valuation. In calculating these, we assume that \$15 million of notes are sold and \$20 million of new equity is issued at the IPO.

**Table 2: Noteholders could earn a return of 1.5x – 4.2x**

IPO valuation	\$60m		\$80m		\$100m		\$120m		\$250m	
Convertible note discount	25%	35%	25%	35%	25%	35%	25%	35%	25%	35%
Existing shareholders	30%	24%	47%	43%	54%	54%	60%	60%	67%	67%
Convertible note holders	37%	43%	28%	32%	26%	26%	23%	23%	25%	25%
IPO investors	33%	33%	25%	25%	20%	20%	17%	17%	8%	8%
Convertible note value @ IPO	\$22m	\$26m	\$22m	\$26m	\$26m	\$26m	\$28m	\$28m	\$64m	\$64m
Investment return	1.5x	1.7x	1.5x	1.7x	1.7x	1.7x	1.8x	1.8x	4.2x	4.2x

Source: Morgans, Venn Brown

Under these scenarios, if the IPO is completed prior to 31<sup>st</sup> July 2025, (resulting in a 25% IPO price discount), the \$15 million notes are worth \$22-64 million, offering a return of 1.5x - 4.2x. If the IPO occurs later, bringing into effect the 35% discount, this lifts the value of the note to \$26-64 million, equating to a return of 1.7x – 4.2x.

## Use of funds

The funds raised from the notes sale will be primarily divided between working and growth/expansion capital to strengthen the group's market positioning pre-IPO.

Key items include:

- Working capital \$4m
- Geographic expansion & localisation \$3m
- Inventory \$2m
- Sales, marketing & brand development \$1m
- Manufacturing expansion \$1m

**Figure 1: The funds will be primarily used for growth and working capital**

<b>\$15m convertible note offer raise</b>	
<b>Use of Funds</b>	<b>\$M</b>
Working capital and growth initiatives <ul style="list-style-type: none"> <li>• Working capital - \$4m</li> <li>• Sales and marketing expansion - \$0.5m</li> <li>• Geographic expansion - \$1.0m</li> <li>• Regulatory team expansion - \$0.5m</li> <li>• Inventory management - \$2m</li> <li>• Global brand development - \$0.5m</li> </ul>	\$8.5m
ERP System <ul style="list-style-type: none"> <li>• \$1.1m Implementation (yr-1 to 2) - \$1.1m</li> <li>• Integration of RRR Systems - \$0.5m</li> <li>• Contingency - \$0.4m</li> </ul>	\$2m
Complete Clinicals and Instigate RAPID III Trial	\$0.5m
Board Development	\$0.1m
Sydney Manufacturing expansion	\$1m
CellAED Localisation	\$1.9m
Costs and IPO Preparation	\$1.0m
<b>Total</b>	<b>\$15m</b>

Source: Rapid Response Revival

## How to apply

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## About Rapid Response

Rapid Response Revival Research (RRR) is an Australian medical device company that developed the CellAED ([www.cellaed.io](http://www.cellaed.io)), the world's first personal, fully portable handheld automated external defibrillator (AED).

CellAED was designed from the ground up to be available in people's homes, where 70-80% of all cardiac arrests occur. It is the smallest, lightest, most affordable (just 25-35% of the upfront cost of most AEDs) and arguably easiest to use defibrillator on the market.

In its first year, CellaAED sold eight times as many AEDs in Australia as ZOLL, one of the world's top three AED brands. Since launching, RRR has sold more than 20,000 devices, generating \$8.2 million in revenue.

RRR is currently selling CellaAEDs in Australia, New Zealand, the UK, and Ireland, and they are approved for sale in South Africa and Malta.

Figure 2: The CellaAED was designed from the ground up to maximise survival rates



Source: Rapid Response Revival

The CellaAED is designed for home, business and mobile applications. CellaAED is the first single-use AED and is designed to be small, lightweight, fully portable, and affordable.

- **Affordable:** 15-35% of the upfront cost of other devices
- **Lightweight:** 15% - 25% the weight of other devices.
- **Ultra-portable:** 10% - 20 % the size of other devices.
- **Easy to use:** Patented “Snap, peel stick”, all-in-one design
- **No maintenance:** Single use, single piece, inbuilt pads

In Australia, the CellaAED costs \$599 upfront, which includes a year's subscription to 'CellAED for Life' (\$198/yr), which includes remote monitoring and a free replacement device when the existing device is used or expires (30 months from manufacture). This price compares to other devices, which cost \$1,700 – \$4,950 upfront, plus \$50 – \$100 in annual maintenance/servicing costs.

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