

CRH Medical Corporation (CRH-T) Record Q2/FY15 Results

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- CRH reported record quarterly revenue and EBITDAs of \$10.9 million and 5.8 million (53.2%), respectively. Both results were slightly ahead of expectations.
- Anesthesia service revenue was \$8.5 million versus \$7.4 million in Q1, reflecting both the seasonality of the business as well as high single digit internal growth. Sales of the O'Regan system reached an all-time record of \$2.4 million, up 16% y/y.
- Margin profile remains very attractive at 59.4% for anesthesia and 58.5% for product sales, the latter which was up 450 basis points y/y.
- Consolidated EBITDAS margin was 53.2%, up from 30% in the year ago period when the company only counted sales of the O'Regan system.
- Net debt was \$19.7 million (not including earn-out obligation of \$8.9 million), down from \$21.3 million in Q1/FY15 and reflects the strong free cash flow, even after a negative \$1.3 million cash flow from changes in working capital. In our view, CRH is now under-levered with a net debt/EBITDA below 1x. As such, we believe it can fund anticipated acquisitions through debt.
- While catalysts to year-end include a potential US listing and a potential re-financing of its debt, we believe the most significant would be an acquisition of additional anesthesia procedures, which we expect before year-end.
- No change to our forecasts. At ~C\$5.00, the stock is trading at 11x EV/EBITDA (FY15) and 9x next year. We maintain Buy and C\$6.00 target price.

Record Q2/FY15 Results

BUY (unch)

C\$6.00 (unch)

Price (C\$)	\$4.85
12-month Target Price (C\$)	\$6.00
Potential Return	24%
52 Week Price Range (C\$)	\$0.61-\$4.37

Estimates

YE: Dec 31	FY14	FY15E	FY16E
Revenue (\$MM)	12.0	49.0	54.9
EBITDA (\$MM)	4.7	26.1	29.8
FD EPS	0.03	0.21	0.25

Valuation

	FY14	FY15E	FY16E
EV/Sales	23.4x	5.7x	5.1x
EV/EBITDA	59.6x	10.7x	9.4x
P/E	125.1x	17.9x	15.3x

Stock Data (MM except per Share items)

Shares Outstanding	
Basic	68.8
FD	72.5
Market Cap (C\$)	
Basic	\$333.5
FD	\$351.8
Net Debt (US\$)	\$21.3
EV (C\$)	\$361.0

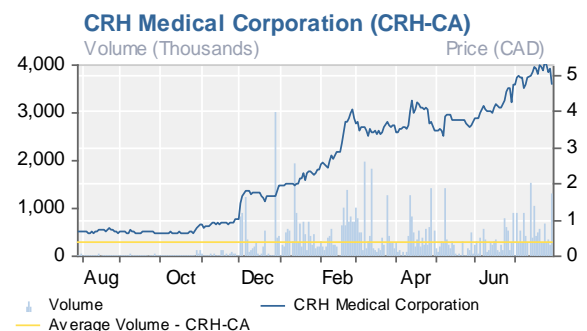
About the Company

Founded in 2000, CRH Medical Corporation is dedicated to making the CRH O'Regan System the gold standard for hemorrhoid treatment. More than 1,700 physicians have been trained on the device and the company distributes it directly to the clinics. Through a December 2014 acquisition,

CRH entered the anesthesia market for the general endoscopy procedures, of which colonoscopies are the largest component. We believe the company has an opportunity to consolidate this highly fragmented \$5 billion market.

All prices in US\$ unless otherwise stated

Stock Performance



Source: FactSet Prices

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As at June 30, 2015 <input type="checkbox"/>	#Stocks	Distribution
Buy	50	65.7%
Speculative Buy	14	20.9%
Hold	3	4.5%
Sell	0	0.0%
Under Review	5	9.0%
Total	72	100.0%

Buy	Total 12-month return expected to be > 15%
Speculative Buy	Potential 12-month return is high (>15%) but given elevated risk, investment could result in a material loss
Hold	Total 12-month return is expected to be between 0% and 15%
Sell	Total 12-month return is expected to be negative
Under Review	Currently undergoing a change of analyst coverage

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