

Energising Value

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Omnia Wellness through its unique SolaJet massage product is attractively positioned to enjoy brisk, sustainable sales revenue growth at desirable margins. This EverGreen Research Brief highlights the SolaJet concept's unique ability to capture share in a growth market (wellness), Omnia Wellness's 3 routes to market strategy, its strong management team and an appealing financial model. Moreover, valuation comparisons appear supportive.

Omnia Wellness's Solajet massage bed technology offers its end-users authentic, low cost and therapeutic machine delivered massages in a private and hygienic environment. The company's three-prong distribution strategy and the use of application technology should ensure that the massages are available in convenient locations at times which suit the person seeking to receive treatment. Its unit pricing in terms of both cost per massage minute and frequency of use are designed to be flexible.

Solajet benefits from being sold into a large and growing market. Omnia Wellness itself estimates that its addressable market is of the order of US\$45bn based on the value of the massage therapy market. EverGreen research supports the idea of a robust view. In particular, healthcare expenditure in the US – which in 2019 expanded by 4% - continues to outgrow both consumer spending and GDP and seems likely to do so on a long term basis. Covid19 will probably only exaggerate that trend.

Solajet's Dry-Hydrotherapy System boasts proprietary technology, which is arguably a game changer. It incorporates a flushing wave action with heat therapy controls and massaging patterns, is able to combine four therapies into one and (very efficiently) only requires its 35 gallons of water to be changed annually. Moreover, the app functions facilitate user personalization, remote access and an ability to add diagnostics.

Omnia Wellness's operations and strategy look to be executed by an energised management team with significant relevant experience in biotech, finance and technology. Notably, chairman Steve Howe (founder of two biotech companies) has a strong track record in shepherding early stage companies having raised US\$120m elsewhere.

Omnia Wellness's financial outlook reflects the scalability of its business model. In particular, there should be margin benefits arising from increased incidence of franchising. The company expects to generate US\$4.5m of sales revenue this year rising to US\$36m in 2021. Corresponding EBITDA margins are expected to be 37% and 64%.

EverGreen Research Brief

Omnia Wellness

Omnia Wellness is a medical technology driven provider of state-of-the-art "touch free" massage equipment, which trades under the brand names Solajet, Massage Wave and Body Stop. The machines are planned to be distributed on a B2C basis, via company owned and franchised stores as well as in fitness centres. Omnia Wellness is listed on the OTC market.

Key financials

	2020	2021
Revenue (US\$)	4,469,035	36,478,630
Expenses (US\$)	2,819,734	13,029,049
Units	412	1,966
EBITDA (US\$)	1,649,301	23,449,581
EBITDA margin (%)	37%	64%

Source: Company Data

Investment Case - Energising Value

This SGF Evergreen Research Brief puts forward the investment case for Omnia Wellness, whose mission statement is to “provide and commercialize novel and high performance wellness technologies worldwide.”

We summarise what the company does and why Solajet works before assessing total addressable market growth, looking at the business in more detail and identifying the management team. In conclusion, we summarise financial projections and comment on the attractiveness of the franchise model.

Solajet – why it works

The Solajet Dry-Hydrotherapy System effectively comprises a water-filled vessel where a powerful motor delivers all the benefits of conventional touch massage by pumping highly pressurized jets of water into specific parts of the impermeable barrier on a targeted basis, referred to as dry hydrotherapy. Its essential hardware features are a strong water-proof flexible shell, a 4 horsepower motor and high pressure water jets which dispense from a rail mounted feeder that travels the full length of the body. Refer to cross-section in Figure 1.

Solajet is thus capable of delivering a therapeutic massage through its flushing wave action and heat therapy controls on a bespoke basis according to the end-customer’s treatment requirements. Moreover, the system combines four therapies into one. It offers deep tissue massage, vibration, heat therapy and a full body flushing wave.

Figure 1 – Solajet cross-section



Source: Company Data

Importantly, the device is operated through a touch screen tablet mounted to the side of the bed or user determined smartphone app. As a result, there is no need for either a consultation with or touch from a designated on-premise practitioner. Furthermore, Solajet is not a “feel good” product. It is a proprietary medical device designed with the latest

technology which has been developed to combine robust hardware and smart software to deliver restorative treatment to end-customers.

Key technological attributes include the use of cloud based applications and controls which enable users to enroll into the system, schedule treatments, locate Solajet beds and personalize treatment. Other technological features include the ability of medical professionals to add diagnostics to patient treatments.

Solajet's technology allows for remote access for equipment control and monitoring which is clearly important quality control as well as optimising maintenance costs and limiting any downtime.

Solajet Growing Share in a Growth Market

Solajet benefits from a rapid growth in domestic health spending overall, increased demand for specialist therapies and from a markedly differentiated offering. Moreover, Solajet's convenience, discretion and cost effectiveness should underpin demand growth. Right now, there are clear benefits from the absence of any human interaction when receiving treatment due to the highly contagious nature of the corona virus and Covid19. We look at each in turn.

US health expenditure – relentless growth

US health expenditure according to national accounts data (source: *Statista 2020*) was US\$3,823.1bn, or 17.8% of GDP in 2019 compared with US\$2,494.7bn in 2009. The implied 4.4% compound growth rate outpaced GDP growth which advanced at a 4.0% clip. Looking ahead, US health expenditure was predicted by the latest cms.gov survey to advance by 5.5% or at least 0.8 percentage points faster than GDP. The latter differential seems set to widen in the immediate aftermath of the Covid 19 crisis.

US spending on wellness

Omnia Wellness's status as a provider of health based and not lifestyle services implies that what is positive for health spending supports its own demand outlook. However, it is worth noting that the Global Wellness Institute argues for sustained rapid growth in wellness, including at the elective end of the market. Their data for the global spa sector – of which the US had a world leading 22% share - showed that sales revenue grew by 9.9% annually between 2015 and 2017 to US\$93.6bn. It is expected to reach US\$128bn in 2022, which implies a 6.5% CAGR. Increased wellness spending supports the case for Solajet.

EU health & wellness – a further source of growth

Omnia Wellness cites Europe as an exciting opportunity. The European Union, which in 2018 had a total GDP equivalent to 92% of that in the USA, is an important growth market for health expenditure and one which Solajet targets. Moreover, its smaller economies may be expected to increase their spending on health exponentially as they catch up their prosperous counterparts. The latest Eurostat data showed that in 2016 Romania only spent 5.8% of its GDP on healthcare compared with 11.5% in France and 12.3% in EEA member state Switzerland.

Moreover, EU spending on wellness is already substantial. According to the Global Wellness Institute, Europe ranks #1 worldwide for overall wellness expenditure with spa revenues –

currently small at around 3% of the total – experiencing rapid growth. A combination of incumbent market size and scope for the laggard economies to raise wellness spending rapidly tends to vindicate Omnia Wellness having the EU as a strategic priority in our view.

Addressing need states

Solajet addresses a number of important need states for individuals seeking treatment. Moreover, the process is able to avoid some of the cost and scheduling problems associated with regular massage. Its services are affordable at around as little as US\$3 per session of Solajet treatment and available pretty much on demand. For those with an aversion to touch by a therapist, there is no human contact and massages are consistent as well as being customizable in advance. In addition there can be no liability for in-treatment masseur/masseuse malpractice.

Not taking the pain

Solajet benefits from a number of other user appeals. As stated earlier, it provides health treatment rather than a “feel good” experience. It satiates demand for chronic pain, soreness and tension relief. It is well suited to those in high stress environments as well as people with obesity and sleeping problems. Effectively, it offers an easy access 15 minute solution – for everyone. There are no age limitations on its use.

Quick word on Covid19

Covid19 clearly receives much publicity and Omnia Wellness has been cited as a provider of solutions during the pandemic. The benefits of touch free massage during a largely global lockdown and a period of widescale mandatory social distancing should be clear. There is much benefit to Solajet beyond Covid19. But it is a pertinent wellness provider right now.

Production, branding and distribution

Omnia Wellness sources its machines (which incorporate US manufactured pumps and medical grade, anti-microbial top covers) from Asia, where the company operates a dedicated production implant within a broader locally owned manufacturing facility. As a result, it is in total control of input specifications, order flow and quality control. The treatment beds themselves can be relatively easily packaged into vertical boxes and shipped. Current capacity is 1,000 units per month.

Omnia will market Solajet using three brands: brand Solajet itself, Massage Wave and Body Stop. However, the central delivery of the core product and its add-on massage chair (AquaVive) and hand held soft tissue treatment providers (SolaPro) is the same across all brands – i.e. low cost, convenient and touch free. Solajet will be distributed into three distinct channels which comprise a B2B model, a company owned store model and location partnership model with one of the three brands attached to each one, as summarised below.

B2B model

This model involves Solajet being marketed on a revenue share basis through 60,000 targeted chiropractors and 105,000 physical therapy and fitness clinics.

Company owned store model

The MassageWave brand will be used to market company owned systems in company owned and franchised wellness centres. Not surprisingly, the franchise model is highly attractive from both a growth and returns angle going forward.

Location partnership model

BodyStop will form partnerships with leading fitness and medical organizations. The plan is to continue LA Fitness expansion and to work alongside additional fitness clubs with BodyStop Recovery Zone implants in their premises. A similar strategy is planned for Europe.

Management & Strategy – Right People for the Job

Omnia Wellness is spearheaded by its chairman **Steve Howe**, who has significant relevant experience both on the financial and operating side of the biotech and early stage healthcare industry. He is supported within a compact management team by **Kathleen Skiba** in a controller role. She is a finance professional with a 25 year strong combination of large cap and early stage experience. **Todd Howe** has large cap healthcare company experience and **Jeffrey Reeser** is over 24 years of experience in natural resources and technology.

Core strategy is to focus on wellness but to add medical value rather than lifestyle or feel good. This seems appropriate for a post Covid19 pandemic world in which all health expenditures, whether government or personal, will be evaluated with scrutiny. There is a strong argument that while Covid19 might generate economic headwinds, it should encourage individuals to place greater focus on health and wellbeing. Franchising is also key.

Financials

Financial Forecasts

Based on company information we summarise financial forecasts in Figure 2. Key assumptions include an expansion of the number of operating territories from 2 to 10. In addition, the company assumes rapid growth of 3rd party installations where memberships are the revenue driver.

EBITDA margins are expected to rise sharply on the assumption that the 2021 revenue number is achieved. This reflects the recurring revenue model where the equipment is owned by Omnia and not sold. Ascentium Capital is factoring the rental agreements at the rate of around US\$18,000 per bed placement. A rental cash stream at US\$500/month thus yields US\$24,000 across the 48 months of any agreement for which Omnia should receive US\$18,000.

Figure 2 – Financial forecasts (cash flow based)

	2020	2021
Revenue (US\$)	4,469,035	36,478,630
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Source: Company Data

Franchising arithmetic

The return on cash from the franchise model appears substantial. Individual set up data are shown in Figure 3.

Figure 3 – Franchising model

Investment in location setup (US\$)	300,000
Revenue with 45% utilization (US\$)	700,000
Expenses (US\$)	450,000
EBITDA (US\$)	250,000
Return on cash (%)	83%

Source: Company Data

Relative valuation

Omnia Wellness identifies three listed and one unlisted company for its relative size and valuation peer group. Based on Market Screener data, the average valuation for the company's peer group using market capitalisation: FY2021 sales is 3.2x based on 5th May 2020 closing share prices. An implied fair value on that basis would be around US\$110m for the Omnia Wellness business which incorporates Solajet and the subsidiary brands.

Figure 4 – Relative valuation

Company	Ticker	Share price (US\$)	Shares o/s (m shares)	Market cap (US\$m)	Sales 2020 (US\$m)	Sales 2021 (US\$m)	Cap/sales 2020	Cap/sales 2021
Massage Envy	n/a	n/a	n/a	n/a	1,500	n/a	n/a	n/a
Omnia Wellness	OMWS:OTC	2.00	55.1	110.1	4	36	24.6	3.0
Planet Fitness	PLNT:NYSE	60.40	80.7	4871.8	689	811	7.1	6.0
US Physical Therapy	USPH:NYSE	67.66	12.5	842.7	409	473	2.1	1.8
The Joint	JYNT:NASDAQ	11.64	13.9	162.1	60	76	2.7	2.1
Average (exc Omnia)							3.9	3.3

Note: All share prices are as at market close 5th May 2020

Source: Company Data and Market Screener

Exchange agreement and Fundraise

Exchange agreement

On 22nd April 2020 Omnia Wellness Inc announced that it had entered into a share exchange and reorganization agreement with Bed Therapies Inc (which was the private company that was used to consolidate Solajet and its affiliated brand names) to acquire 100% of the outstanding shares of Bed Therapies.

Bed Therapies shareholders own 90% of Omnia Wellness common stock after this exchange with the remaining 10% being a free trading float on the OTC market. Omnia Wellness will need to operate as OTC listed company for 12 months before it might be able to uplist to a larger exchange such as NASDAQ. These ambitions have been made known. The original, non-operating public company involved in the reverse merger was Glolex (GLLX).

Fundraise

Omnia Wellness is looking to raise expansion capital of the order of US\$10m via the issue of convertible stock which will initially pay a 12% bi-annually. There will be an option to convert into common stock at US\$4 per share. We summarise the planned fundraise's key features in Figure 5.

Figure 5 – Fundraise summary

Series A, Cumulative Redeemable Preferred Stock

Up to US\$10m (400,000 shares of Preferred @ US\$25/share)

Minimum investment of US\$25,000

12% per annum dividend, payable bi-annually

Redemption at par, plus any unpaid dividends in 2 years

Optional conversion to common stock at US\$4/share

Source: Company Data

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