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Zacks Small-Cap Research

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Semler Scientific (SMLR-OTCQB)

CEO's Mild Stroke Causes No Business Interruptions. Reiterating $50/Share Price Target

We estimate SMLR will generate ~$10.5M in cash in 2019. Based on the Gordon Growth Model, we calculate fair value at approximately $50/share.

OUTLOOK

On June 17th Semler announced that while CEO Doug Murphy-Chutorian suffered a mild stroke following elective surgery, he continues to lead the company and the incident did not result in any interruptions to the business. While we do not have much to add to what was in the PR, we note that we spoke with a company representative this morning who reaffirmed what was conveyed in the announcement earlier this week. We wish Dr. Chutorian a swift recovery and do not anticipate that this incident will cause any meaningful disruption to the business, including the continued implementation and leveraging of their growth strategy. We are reiterating our $50/share price target.

Current Price (06/19/19)	$42.25
Valuation	**$50.00**

SUMMARY DATA

52-Week High	**$49.00**
52-Week Low	**$12.76**
One-Year Return (%)	**197.20**
Beta	**0.46**
Average Daily Volume (sh)	**216,574**
Shares Outstanding (mil)	**6**
Market Capitalization ($mil)	**$273**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**21**
Insider Ownership (%)	**47**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**52.6**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2019 Estimate	**45.9**
P/E using 2020 Estimate	**39.9**
Zacks Rank	**N/A**

Risk Level	**Average,**
Type of Stock	**Small-Growth**
Industry	**Med Instruments**

ZACKS ESTIMATES

Revenue
(in '000s of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	4463 A	5484 A	5579 A	5964 A	21490 A
2019	6761 A	6719 E	7269 E	7763 E	28512 E
2020					35684 E
2021					43789 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	$0.10 A	$0.19 A	$0.19 A	$0.17 A	$0.66 A
2019	$0.23 A	$0.20 E	$0.24 E	$0.26 E	$0.92 E
2020					$1.06 E
2021					$1.36 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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No Business Interruptions Result from CEO Doug Murphy-Chutorian's Mild Stroke

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FINANCIAL MODEL

Semler Scientific, Inc

	2017 A	2018 A	Q1A	Q2E	Q3E	Q4E	2019 E	2020 E	2021 E
Total Revenues	$12,453.0	$21,490.0	$6,761.0	$6,719.3	$7,269.3	$7,762.7	$28,512.4	$35,683.6	$43,789.1
YOY Growth	67.5%	72.6%	51.5%	22.5%	30.3%	30.2%	32.7%	25.2%	22.7%
Cost of Revenues	$2,554.0	$2,703.0	$896.0	$766.0	$814.2	$853.9	$3,330.1	$3,925.2	$4,816.8
Gross Income	$9,899.0	$18,787.0	$5,865.0	$5,953.3	$6,455.1	$6,908.8	$25,182.3	$31,758.4	$38,972.3
Gross Margin	79.5%	87.4%	86.7%	88.6%	88.8%	89.0%	88.5%	89.0%	89.0%
R&D	$1,831.0	$2,086.0	$569.0	$611.0	$715.0	$731.0	$2,626.0	$3,211.5	$3,853.4
% R&D	14.7%	9.7%	8.4%	9.1%	9.8%	9.4%	9.2%	9.0%	8.8%
Selling & Mktg	$5,077.0	$7,201.0	$2,070.0	$2,109.9	$2,195.3	$2,328.8	$8,704.0	$10,598.0	$12,348.5
% Sell&Mktg	40.8%	33.5%	30.6%	31.4%	30.2%	30.0%	32.0%	29.7%	28.2%
G&A	$3,843.0	$4,159.0	$1,372.0	$1,404.3	$1,417.5	$1,544.8	$5,738.6	$6,637.1	$7,969.6
% G&A	30.9%	19.4%	20.3%	20.9%	19.5%	19.9%	20.1%	18.6%	18.2%
Operating Income	($852.0)	$5,341.0	$1,854.0	$1,828.1	$2,127.3	$2,304.2	$8,113.6	$11,311.7	$14,800.7
Operating Margin	-6.8%	24.9%	27.4%	27.2%	29.3%	29.7%	28.5%	31.7%	33.8%
Other Expense total	$656.0	$301.0	$0.0	($8.8)	($10.1)	($11.0)	($29.9)	($66.2)	($98.7)
Pre-Tax Income	($1,508.0)	$5,040.0	$1,854.0	$1,836.9	$2,137.4	$2,315.2	$8,143.5	$11,377.9	$14,899.4
Taxes	$0.0	$26.0	$0.0	$141.4	$164.6	$185.2	$491.2	$2,503.1	$3,277.9
Tax Rate	0.0%	0.5%	0.0%	7.7%	7.7%	8.0%	11.0%	22.0%	22.0%
Net Income	($1,508.0)	$5,014.0	$1,854.0	$1,695.5	$1,972.8	$2,130.0	$7,652.3	$8,874.8	$11,621.5
YOY Growth	41.0%	-432.5%	162.6%	16.7%	34.4%	53.6%	52.6%	16.0%	-31.0%
Net Margin	-12.1%	23.3%	27.4%	25.2%	27.1%	27.4%	26.8%	24.9%	26.5%
EPS	($0.27)	$0.66	$0.23	$0.20	$0.24	$0.26	$0.92	$1.06	$1.36
YOY Growth	46.7%	-347.2%	134.0%	5.6%	27.6%	49.3%	40.3%	14.6%	28.7%
Diluted Shares O/S	5,672	7,630	8,170	8,325	8,350	8,350	8,299	8,400	8,550

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