

INITIATION REPORT

# VitalHub Corp.

TSX: VHI

*The debt-free healthcare software compounder the market is pricing as broken.*

A profitable, cash-generative vertical-software business — ~C\$119M revenue, ~C\$25M of free cash flow, ~C\$118M of net cash and effectively no debt — trading at roughly half its 52-week high because the market is digesting an acquisition run and a cooled growth optic, not a deteriorating business.

PRICE	TARGET	UPSIDE	RATING
~C\$7.27	C\$11.00	+51%	BUY

Yonatan Brunshtein | Founder, The Venture Analyst

June 3, 2026

---

## Investment Thesis

---

VitalHub is the kind of business The Venture Analyst exists to find: a profitable, debt-free, cash-generative software company trading at roughly half its 52-week high for a reason that is identifiable and, I believe, temporary. The company crossed C\$100M in revenue for the first time in FY2025, carries ~C\$99M of recurring revenue growing about 10% organically, and generated ~C\$25M of free cash flow over the trailing twelve months while sitting on ~C\$118M of net cash. The stock has fallen ~50% from its high to ~C\$7.27 anyway.

The mispricing exists for a reason. Over the past year VitalHub ran an aggressive acquisition program — Novari, Induction Healthcare, Strata, MedCurrent — and the market reacted to the integration risk, the price paid (Novari alone cost ~C\$43.6M for a business near EBITDA breakeven), and a temporary margin drag from absorbing lower-margin acquired revenue. Organic growth optically cooled into the low-teens, and the most recent quarter missed estimates. None of this changes what the business is. The recurring revenue is sticky and embedded in hospital workflow. The balance sheet is a fortress. The free cash flow is real. The discount persists because the buyers who could close it are waiting for proof the margin recovery is underway, and that proof is exactly what management is guiding toward.

This report initiates coverage with a BUY rating and a twelve-month target of C\$11.00 (~+51%), with exit criteria stated explicitly before any meaningful move. The bear case at C\$7.50 implies roughly flat downside, because the net cash and free cash flow put a floor under the equity. The base case at C\$11.00 implies +51% as margins recover toward management's 27–28% target. The bull case at C\$14.50 implies ~+99% if growth re-accelerates alongside the margin recovery. The probability-weighted target is approximately C\$10.83.

---

## What VitalHub Actually Does

---

VitalHub builds the software that hospitals and health systems run on. They run patient flow and capacity management, operational visibility dashboards, case and care coordination, and electronic patient record modules. The value proposition is throughput: in health systems under chronic capacity strain, software that moves patients through the building more efficiently pays for itself, which makes the spend defensive even when budgets tighten.

The revenue model is recurring and embedded. Roughly C\$99M of annual recurring revenue sits on subscription contracts woven into daily clinical and operational workflow, with high switching costs and multi-year terms. The customer base is institutional and reference-driven, NHS trusts in the UK, Canadian and Australian health authorities, and a growing US footprint, the kind of account that expands over time and rarely churns. Once VitalHub is in a health system, displacing it means re-training staff and re-wiring workflow, which almost never happens.

---

## Why the Model Works

---

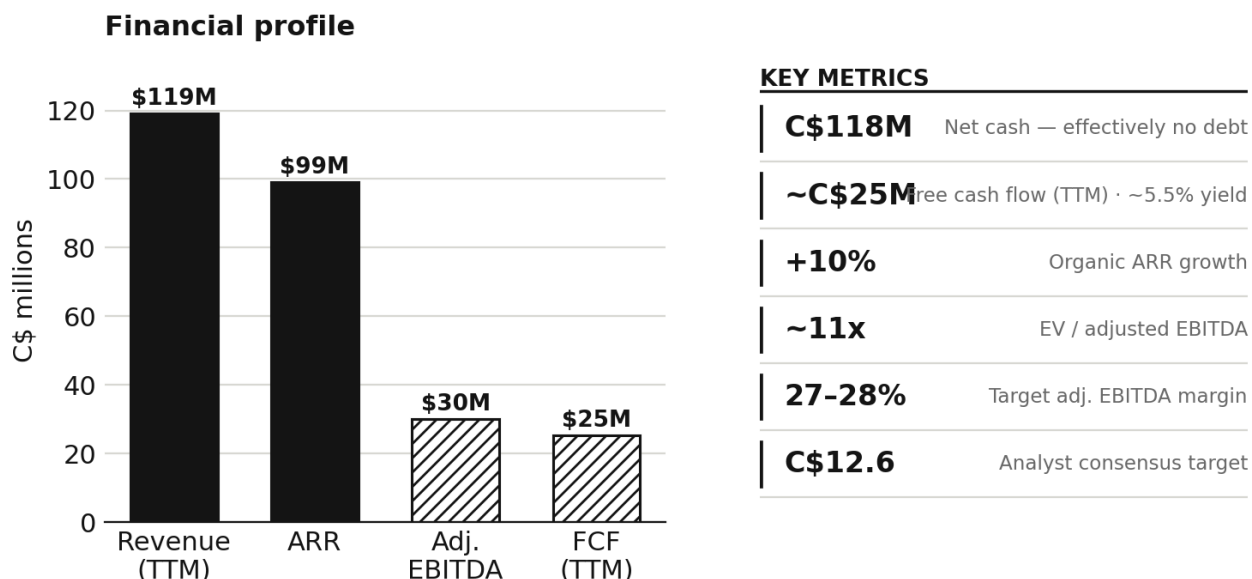
VitalHub operates as a serial-acquirer compounder, similar in shape to the best Canadian software roll-ups: acquire vertical healthcare-software assets, integrate them, lift their margins toward the corporate level, and cross-sell the broader product suite into the acquired customer base. The durability comes from three places. First, the underlying demand is structural, every developed health

system is under pressure to do more with constrained capacity, and throughput software is a direct answer. Second, the recurring-revenue base compounds: land an account, expand it, keep it. Third, the model is self-funding ~C\$25M of annual free cash flow and ~C\$118M of net cash mean VitalHub can keep acquiring without leaning on dilutive equity or debt.

## Financial Performance

The financial profile is what makes the current pricing striking. This is not a concept stock, but it has proven to be a profitable, cash-generative business, being valued as though its best days are behind it.

### VitalHub — earnings & cash profile



*Verified to late-May 2026. TTM = trailing twelve months; adjusted EBITDA on annualized run-rate basis. Source: company filings, market data.*

In FY2025 VitalHub crossed C\$100M of revenue for the first time, and trailing-twelve-month revenue is now ~C\$119M. Recurring revenue (ARR) is ~C\$99M, growing roughly 10% organically — in line with management's 10–12% target. Adjusted EBITDA runs around C\$30M (a ~24–25% margin, with a stated path to 27–28%), and the business produced ~C\$25M of free cash flow over the trailing year. The balance sheet carries ~C\$118M of net cash and effectively no debt. Reported GAAP earnings are modest (~C\$7M, EPS ~C\$0.12) and a forward P/E near 37x looks expensive, but that figure is distorted by acquisition amortization. Free cash flow and EV/adjusted-EBITDA are the honest lenses, and on those the business is far cheaper than the headline multiple suggests.

## Why the Stock Is Down — The Information Gap

Nothing in the operating results explains a ~50% drawdown. Revenue hit a record, ARR grew, and free cash flow was ~C\$25M. What the market reacted to was the pace and price of M&A. In the space of roughly a year VitalHub absorbed four businesses, capped by Novari at ~C\$43.6M for a company doing roughly C\$12M of ARR and only approaching EBITDA breakeven. Investors did the rational

thing in the short term, they marked down the multiple for integration risk and the temporary margin drag of digesting lower-margin revenue, and they noticed organic growth optically cooling into the low-teens. The most recent quarter missing estimates (EPS C\$0.04 versus C\$0.06 expected) reinforced the caution.

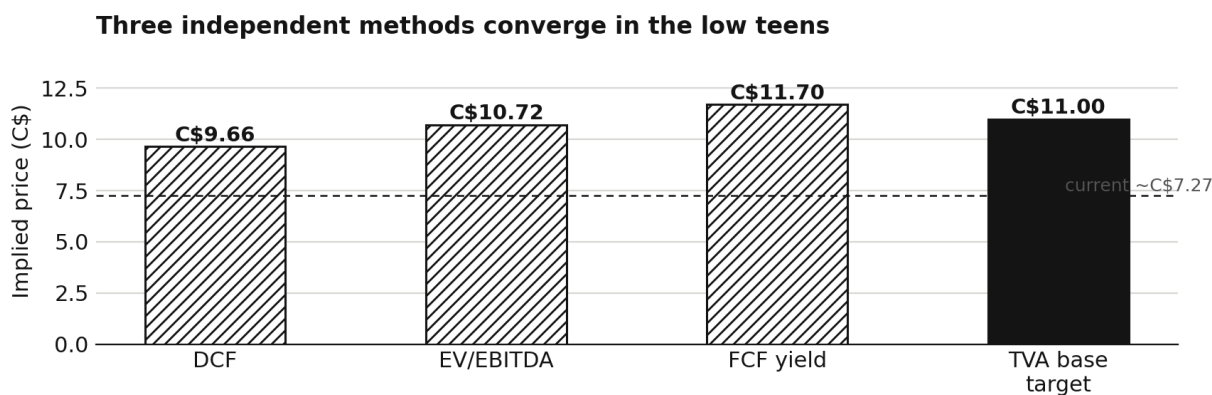
Each of those is a digestion issue, not a structural one. Acquired revenue arrives at low margins and gets re-rated upward as VitalHub consolidates overhead and cross-sells — a playbook management has executed repeatedly. The information gap is that the market is pricing the temporary margin compression as permanent, the way it often does with acquisitive compounders mid-integration. The work that closes the gap is simply watching the margin recover quarter by quarter.

## Earnings Quality & Cash Generation

Unlike a business whose reported profit is inflated by non-cash items, VitalHub's issue is the reverse: GAAP earnings understate the economics because acquisition amortization and integration costs run through the income statement. The cleaner read is cash. The company converted its operations into ~C\$25M of free cash flow over the trailing year — a ~5.5% free-cash-flow yield at the current price, which is high for a debt-free, recurring-revenue business growing in the low-teens. That cash generation, sitting on top of ~C\$118M of net cash, is the foundation of both the downside floor and the optionality to keep compounding through accretive acquisitions.

## Valuation Framework

VitalHub will never screen cheap on GAAP P/E because acquisition amortization buries reported earnings. I value it three independent ways — a discounted cash flow, an EV/EBITDA peer framework, and a free-cash-flow-yield cross-check — and they converge in the low teens.



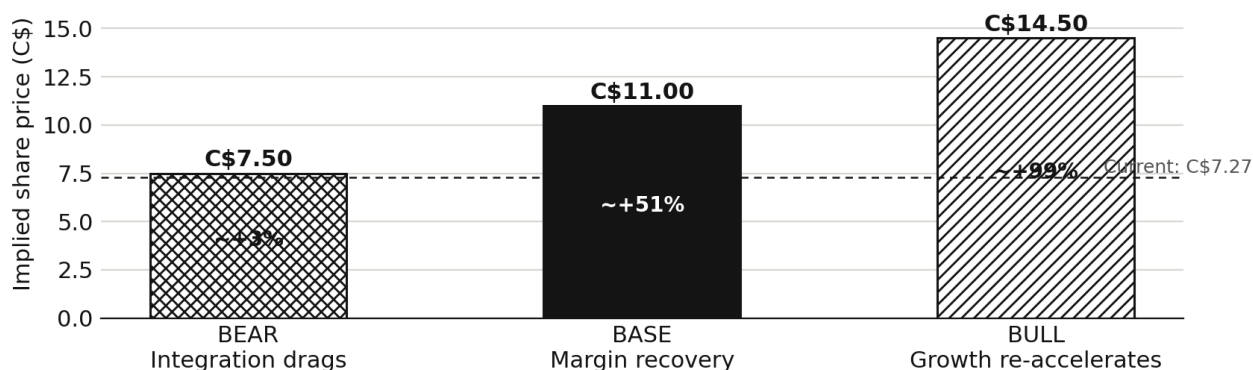
*DCF: ~C\$25M FCF growing 10%, 3% terminal, 10% discount → ~C\$9.66. EV/EBITDA: ~C\$35M FY27E EBITDA at 16x + net cash → ~C\$10.72. FCF yield: re-rate to ~4% → ~C\$11.70.*

The DCF, built on ~C\$25M of free cash flow growing 10% per year with a 3% terminal rate and a 10% discount rate, produces an enterprise value near C\$493M; adding ~C\$118M of net cash and dividing by ~63.25M shares gives ~C\$9.66. The EV/EBITDA framework — applying a 16x peer multiple to a recovered ~C\$35M of adjusted EBITDA — implies ~C\$10.72. The free-cash-flow-yield cross-check, re-rating the current ~5.5% yield toward a more normal ~4%, lands near C\$11.70. Three independent

methods, the same low-teens zone. I set the base target at C\$11.00, deliberately at the conservative-to-middle of that range and below the Street's ~C\$12.6 consensus, so the call carries margin for error.

### Valuation scenarios — probability-weighted

Bear 25% · Base 55% · Bull 20% → probability-weighted ≈ C\$10.83 (+49%)



### Valuation Assumptions

Assumption	Bear	Base	Bull
Adj. EBITDA (FY27E)	C\$30M	C\$35M	C\$40M
EV / EBITDA multiple	12x	16x	18x
Implied enterprise value	C\$360M	C\$560M	C\$720M
Plus net cash	C\$118M	C\$118M	C\$118M
Implied equity value	C\$478M	C\$678M	C\$838M
÷ 63.25M shares	C\$7.56	C\$10.72	C\$13.25
Blended target (with DCF, FCF)	C\$7.50	C\$11.00	C\$14.50
Return vs current	~+3%	~+51%	~+99%
Probability weight	25%	55%	20%

Probability-weighted target ≈ C\$10.83 (~+49%). Morningstar/Street consensus ≈ C\$12.6.

#### Bear Case (25% probability) — Implied price C\$7.50

Integration drags longer than expected, the acquired businesses are slow to reach corporate margins, organic growth stalls, and the multiple stays compressed at ~12x EBITDA. The important observation: even here the downside is roughly flat, because ~C\$118M of net cash and ~C\$25M of annual free cash flow put a hard floor under the equity. This is the structural protection that distinguishes VitalHub from a typical small-cap growth bet.

#### Base Case (55% probability) — Implied price C\$11.00

Margins recover toward management's 27–28% target, organic growth holds at ~10%, and the multiple normalizes to a mid-cycle ~16x EBITDA as the market recognizes the recovery. This is the scenario the TVA model treats as most probable, and it requires nothing heroic — just execution of the integration playbook management has run before.

#### Bull Case (20% probability) — Implied price C\$14.50

Margins reach the top of the target range, organic growth re-accelerates as cross-sell and AI initiatives contribute from mid-2026, and the multiple expands toward 18x on renewed confidence in the compounding. The bull case requires the recovery plus a growth re-acceleration working together — plausible, but it has to actually happen.

## Capital Allocation & Balance Sheet

---

VitalHub does not pay a dividend; capital is reinvested into acquisitions and product. That is the right call for a compounder at this stage, and the balance sheet supports it, ~C\$118M of net cash and effectively no debt. The discipline that matters here is acquisition pricing, which is exactly what the market is currently scrutinizing. The bull and bear cases both hinge on whether the recent deals prove accretive; the cash position means management can be patient and selective rather than forced, which is the condition under which this model historically works best.

## Risks and What Could Break the Thesis

---

Honest research requires honest risk disclosure. If a credible bear case cannot be built, the thesis is not understood well enough to publish. The thesis can break in several specific ways.

### Valuation Risk

A forward P/E near 37x is not cheap. The entire call rests on the cleaner cash-based metrics and on a margin recovery that has to materialize. A growth or margin disappointment has real downside, even with the cash floor, because the premium embedded in the multiple can compress.

### Execution & Integration Risk

Several recent acquisitions are barely profitable today. The margin recovery the whole thesis depends on is management's plan, not yet a delivered result. If Novari and the others take longer to re-rate — or don't — the recovery slips and the multiple stays compressed.

### Growth Quality Risk

Organic growth is only ~10% and the most recent quarter missed estimates. If headline ARR growth becomes increasingly M&A-funded rather than organic, the quality of the compounding is lower than the ARR line suggests.

### Market & Customer Concentration Risk

A core market is the UK NHS, where restructuring and budget pressure can delay purchasing decisions. A portion of revenue is also usage-based and could face competition from general-purpose platforms encroaching on specific modules.

### Technical Risk

The stock is in a clear downtrend near 52-week lows. Catching it requires patience and tolerance for further weakness before the re-rate, and the timing of the recovery is uncertain.

## Rating, Target, and Exit Criteria

---

The Venture Analyst initiates coverage on VitalHub Corp. (TSX: VHI) with a BUY rating and a 12-month target of C\$11.00, implying ~+51% upside from ~C\$7.27. The probability-weighted target is ~C\$10.83. The asymmetry, roughly flat downside against ~+51% base-case upside, underwritten by a net-cash balance sheet, is the core of the call, and the position warrants meaningful weight in a portfolio focused on underfollowed Canadian compounders, sized to respect the execution risk.

### **Exit Criteria — Stated Before the Stock Moves**

Rating moves to Hold if the stock approaches C\$11.00 without further upward revision to margin trajectory or growth.

Rating moves to Sell if adjusted EBITDA margin fails to improve for three consecutive quarters, indicating the integration playbook is not working.

Rating moves to Hold if organic ARR growth falls below ~5% for two consecutive quarters absent a clear one-off explanation.

Rating moves to Sell if the company raises equity at a depressed price, signaling the balance-sheet floor has been compromised.

Rating is reviewed if a major acquisition is announced at a price that materially raises integration and balance-sheet risk.

## **The Honest Take**

---

VitalHub is what TVA exists to find: an underfollowed, profitable, debt-free Canadian-listed compounder with sticky recurring revenue, real free cash flow, and a multiple compressed by a temporary, identifiable problem rather than a structural one. Most of the market is pricing the integration drag as permanent. I think it is transient, and the balance sheet gives the business — and the investor — the time to be proven right.

The risks are real and stated above. The valuation is not cheap on earnings, the organic growth is modest, the last quarter missed, and the recovery is management's plan rather than a delivered result. None of that is hidden in this report. But none of it justifies pricing a cash-generative, net-cash business as though its growth and margins will not recover — when the company is guiding directly toward that recovery and has the balance sheet to fund it.

The base case sees the stock at C\$11.00 within twelve months as margins step back toward target and the market re-rates the recurring-revenue base. The bear case at C\$7.50 is roughly flat, floored by net cash and free cash flow. The bull case at C\$14.50 is what happens if growth re-accelerates alongside the recovery. The asymmetry favours the initiation.

**BUY. Target C\$11.00. Exit criteria stated. Position sized accordingly.**

## **Disclosures**

---

Financial data verified from primary disclosures and market data to late-May 2026: VitalHub FY2025 results, Q1 2026 results, and current market figures (~63.25M shares; ~C\$118M net cash; ~C\$25M trailing free cash flow). Prices approximate as of June 3, 2026 and must be confirmed against live data before publication; the diluted share count should be verified against the latest filing.

This report is published by The Venture Analyst as independent equity research for informational purposes. It does not constitute investment advice and should not be the sole basis for any investment decision. Valuation targets are analytical estimates derived from the stated assumptions and are not guarantees. The author may hold positions in securities discussed. Readers should consult qualified financial advisors and conduct independent research before making investment decisions. Past performance does not guarantee future results.