

Nova Leap Health reports strong Q1 results as COVID-19 catalyst for families opting for home health care

The home health care sector should be one of the very few winners post COVID-19. That is because many people that require health care will choose to have it at home rather than taking the risk of going into a hospital or aged care facility. This combined with the tailwind of the baby boomers retiring and ageing demographics means the home care and home health care services sector is in for a very good decade ahead.

Nova Leap Health Corp. (TSXV: NLH) is an international provider of personal home care and support services, with a focus on North America. Nova Leap acquires, manages, and builds home care service companies that provide support to clients and their families at home. Some of the home care services include dementia care, companionship, personal and respite care, cooking and meal preparation, light housekeeping, transportation, medication reminders, and medication administration by nursing staff. Nova Leap's focus is to give their clients independence and quality of life.

Nova Leap Health Corp.'s service involve skilled home care and home health care

WHAT IS NON-MEDICAL AND SKILLED HOME CARE?

Nova Leap is focused on acquiring and organically growing Home and Home Health Care Companies

What is Home Care?

- Home Care is about sustaining and maintaining your loved one's quality of life in their home – keeping them safe and comfortable

What you get from home care:

- Personal grooming like bathing or getting dressed;
- Moving around: getting in and out of the bed/shower;
- Medication reminders;
- Errands like grocery shopping and picking up prescriptions;
- Light housekeeping; and
- Meal preparation.



What is Home Healthcare?

- Home healthcare is skilled care to help someone get healthy while at home. It comes after a doctor's visit or a hospital stay and is provided by medical professionals

What you get from home health care:

- Skilled nursing;
- At-home physical therapy;
- Pain Management;
- Caring for wounds; and
- Prescription management.



Source

In a recent move, Nova Leap have expanded their home care operations to the state of Ohio. By way of a subsidiary, Nova Leap has opened a new office in Centerville, Montgomery County, Ohio. This is Nova Leap's first entry into the State of Ohio and the Midwestern United States.

Chris Dobbin, President & CEO of Nova Leap stated: "We have been planning this expansion for months and are excited to begin offering our home care services in the Buckeye State and to the people of Ohio."

Nova Leap has now grown its home health care operations in 6 different U.S. states including: Vermont, New Hampshire, Massachusetts, Rhode Island, Oklahoma and Ohio. They also have one operation in Nova Scotia, Canada.

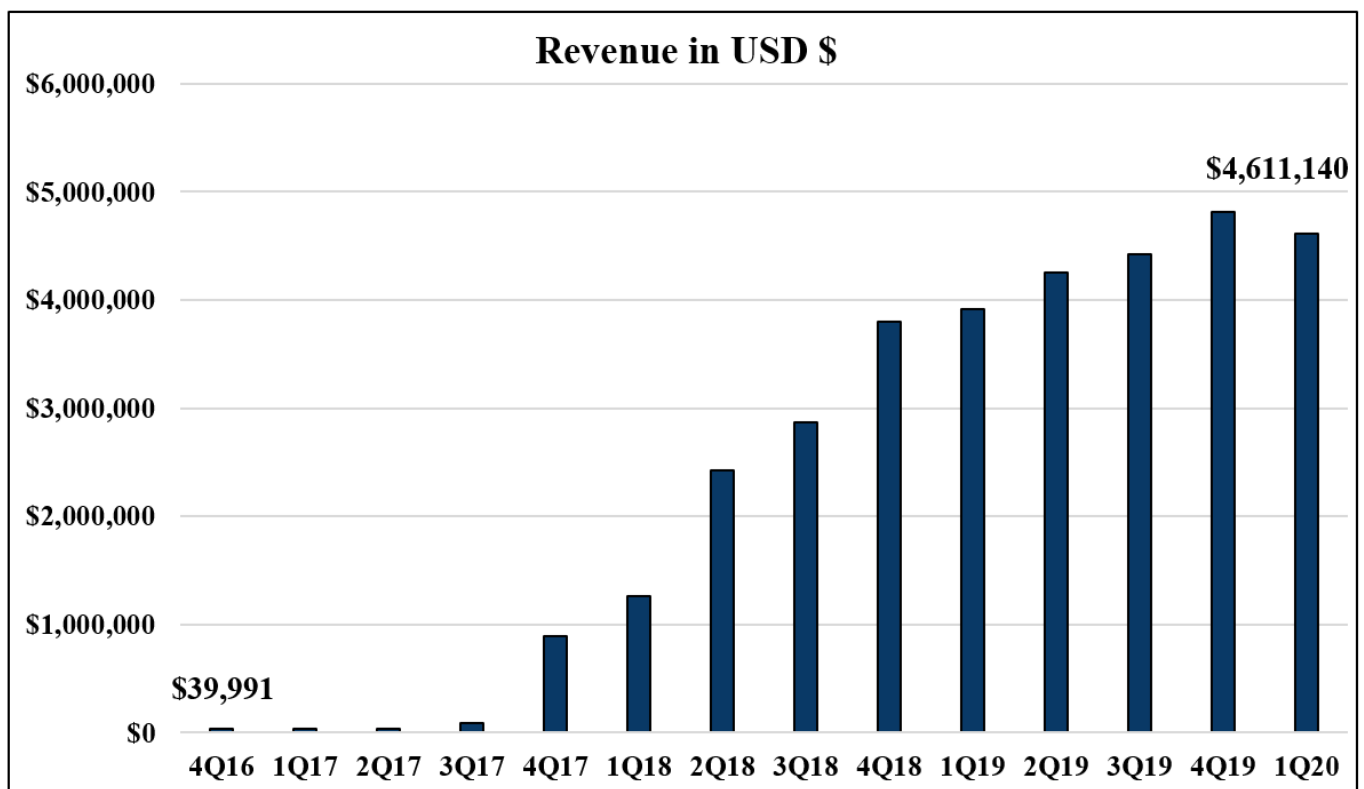
Nova Leap's financials continue to improve despite a minor lull due to COVID-19

After having a tremendous last 2 years, Nova Leap has continued in 2020. Q1 2020 revenues continued to leap year on

year as summarized below.

- Q1 2020 revenues of \$4,611,140 were **17.9% higher** than Q1 2019 revenues of \$3,911,855, but 4.3% lower than Q4 2019 revenues due to the preliminary impact of COVID-19 for the latter part of March 2020.

Nova Leap Health Corp.'s revenues continue to climb YoY with only a mild recent COVID-19 set back in Q1, 2020



Source

Other financial highlights from Q1, 2020 included:

- Q1 2020 EBITDA of \$220,051 was 20.0% higher than Q1 2019 EBITDA of \$183,376 and 21.1% higher than Q4 2019 EBITDA of \$181,660.
- Adjusted net loss of \$31,751 for Q1 2020 as compared to an adjusted net loss of \$123,376 for Q1 2019.
- Operating cash flows of \$189,913 for Q1 2020 as compared to Q1 2019 operating cash flows of \$186,022 and Q4 2019 operating cash flows of \$41,554.

- Cash balance of \$2,556,873 at March 31, 2020 was the highest reported cash balance in the Company's history.

Put simply in Q1 2020, compared to the previous quarter, Nova Leap improved EBITDA, profits (reduced losses), cash flow, and their cash position; whereas revenue was slightly lower by 4.3%. This shows management has been very prudently managing the finances and based on results to date has come through the COVID-19 pandemic very well. Q2 will also see some impact from COVID-19 particularly in the early months of April and May. Beyond that things should pick up as the US economy reopens.

Another good management sign is 38% insider ownership and the fact that acquisitions are done using non-dilutive financing.

Closing remarks

The post COVID-19 lockdown period should be very kind to Nova Leap Health Corp. as people will likely choose to have home health care services rather than risk visiting a hospital or aged care facility. This means Nova Leap is ideally positioned to be a winner at this time.

Added to this Nova Leap is very well managed. Improving revenues (a slight 4.3% Q1 2020 blip due to lockdowns), improving EBITDA, improving profits (net losses are reducing and profits will start soon), improving cash flow, and an improving cash position all point towards a great future for Nova Leap. The Company will continue to focus on strong organic growth and cash flow positive acquisitions and will benefit from North America's ageing demographics and the trend towards home care.

The current market cap is only C\$24 million so the Company is still in the early days; meaning there is still plenty of opportunity ahead for investors should Nova Leap continue to execute well.

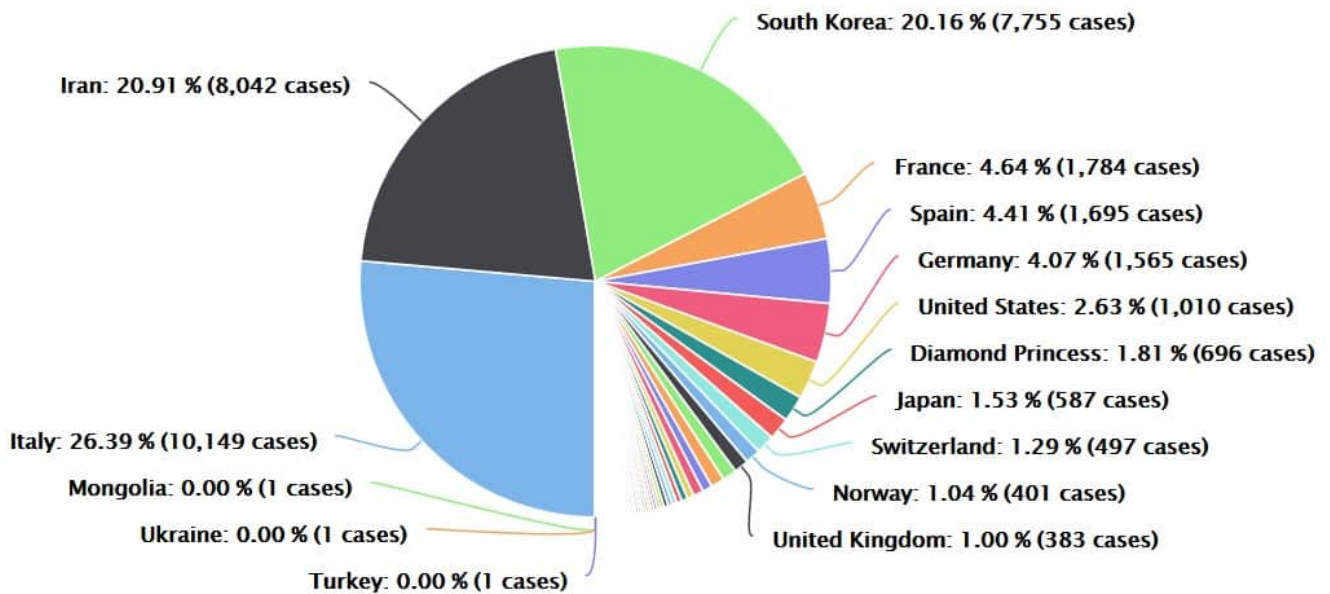
Coronavirus crisis or economic crisis? What sectors and stocks will outperform if things get worse?

Globally investors right now are not sure what to do. There is a way for investors to still do well if we get both a global coronavirus health crisis and an economic crisis.

Governments are deciding how to manage the coronavirus, as it is now in 119 countries with 119,246 confirmed cases and 4,300 deaths. If they lock down their citizens, as China and Italy have done, then that will cause severe economic hardship. If they don't lockdown then they risk a severe outbreak and even more deaths. This is the current government and investor's conundrum – Coronavirus crisis or economic crisis? Or both?

Distribution of coronavirus cases outside mainland China

Distribution of cases outside of mainland China



Source

Governments will spend billions in the fight against coronavirus

The governments globally are already starting to promise large funding to support their health care systems. This will mean billions will go towards hospitals, medical centers, staff, pharmaceuticals, testing and prevention.

Some headlines from the past 8 days include:

- March 3, 2020 – South Korea announced a stimulus package of 11.7 trillion won (\$9.8 billion).
- March 4, 2020 – Chinese stocks lead gains as IMF announces \$50 billion package to fight coronavirus.
- March 5, 2020 – China commits \$16bn to fund fight against coronavirus.
- March 5, 2020 – Sweeping Senate vote sends Trump \$8.3B bill to fight virus.
- March 7, 2020 – The (Italian) government announced a huge support package of 7.5 billion euros.
- March 10, 2020 – Japan unveils \$4 billion coronavirus

package.

- March 11, 2020 – Trump tells GOP he wants payroll tax waived through election.
- March 11, 2020 – (Australian) PM announces a \$2.4 billion health package for coronavirus (video)

The above announcements just in the last week or so add up to a massive \$100 billion of government rescue packages to support the fight against coronavirus. Some of those funds will go to businesses in the hardest-hit areas such as travel and tourism; however, a very significant amount is heading to health care. The above list of 'coronavirus packages' is likely to grow extensively in the coming months.

The health care sector will likely be the big winner from the coronavirus

As the global coronavirus outbreak continues to get worse the one sector that will be the busiest and hence the most profitable is health care and prevention. This means investors should consider buying health care funds, hospital funds, critical medical supply companies (notably testing kits), and of course 'big pharma'. One of the biggest winners in all this chaos is likely to be the big pharmaceutical companies. These companies will supply the drugs to both fight and manage the coronavirus disease.

It should also be remembered that currently, 88% of coronavirus cases are non-critical, like simple flu. These cases will require simpler treatments, such as medicines for the common cold, hand sanitizers, paracetamol etc. Added to this is the rest of the population who will increase their use of preventative measures such as hand sanitizers, hand washing and so on. Companies such as Johnson & Johnson (NYSE: JNJ) that have a massive global presence will do well as the majority of people will likely be buying several J&J health care products in the next few months. Others that may do well are Clorox disinfectant owner Procter & Gamble Company (NYSE:

PG), or Lysol disinfectant owner Reckitt Benckiser Group Plc (LON: RB). Finally, the global leading vitamin manufacturers can do well. In particular companies such as Blackmores (ASX: BKL | OTC: BLMMF) and others that supply vitamins into China or the worst affected countries. For example, zinc is one of the best minerals to boost your immune system to prevent viruses.

EPA approved disinfectants to kill coronavirus include Clorox & Lysol



Source

A global health care fund to consider

- The iShares Global Healthcare ETF (IXJ) is made up of the biggest global names in healthcare including global pharmaceutical giants Roche (SIX: ROG | OTCQX: OTCQX), Novartis (NYSE: NVS), Merck (NYSE: MRK), Pfizer (NYSE: PFE), and Bristol Meyers Squibb (NYSE: BMY). Others are actively developing or have drugs to treat coronavirus (Eg: Gilead Sciences (NASDAQ: GILD), AbbVie Inc. (NYSE: ABBV)) or are working on vaccines and test kits. Others

include the largest selling personal and healthcare related products company in the world, Johnson & Johnson. The fund trades on a PE ratio of 22, which is only 10% above the US S&P500 PE of 20.

iShares Global Healthcare ETF top ten holdings

Ticker	Name	Sector	Location	Weight (%)	Notional Value
JNJ	JOHNSON & JOHNSON	Health Care	United States	6.88	147,336,455.44
UNH	UNITEDHEALTH GROUP INC	Health Care	United States	5.00	106,980,340.54
ROG	ROCHE HOLDING PAR AG	Health Care	Switzerland	4.43	94,925,757.94
NOVN	NOVARTIS AG	Health Care	Switzerland	4.02	86,150,687.67
MRK	MERCK & CO INC	Health Care	United States	3.85	82,419,577.02
PFE	PFIZER INC	Health Care	United States	3.67	78,596,954.80
ABT	ABBOTT LABORATORIES	Health Care	United States	2.64	56,607,786.38
BMJ	BRISTOL MYERS SQUIBB	Health Care	United States	2.63	56,238,522.60
MDT	MEDTRONIC PLC	Health Care	United States	2.53	54,174,980.25
ABBV	ABBVIE INC	Health Care	United States	2.47	52,938,465.50

A home health care junior to consider

- Nova Leap Health Corp. (TSXV: NLH) is a Canadian small-cap stock with a focus on home health care. **With coronavirus causing a scare in the aged care sector many clients may decide home health care is safer than being in an aged care facility.** You can read more about Nova Leap in our recent article: "Home health care set to boom as coronavirus affects aged care facilities."

Gold

Gold and quality gold stocks usually perform best in bad times and when interest rates are falling. Right now rates are so low that investors are getting almost zero return on their money, making gold a more attractive investment. Gold juniors in particular are still well valued and can see a large upside if the gold price moves higher or if they find more gold. InvestorIntel recently discussed 10 gold mining juniors that

we like here.

Closing remarks

Sometimes in investing we just need to use common sense. In a major health crisis, it makes sense to buy the health care sector. Valuations are reasonable right now and if the coronavirus continues to ravage the global community then the health care sector will be one of the only sectors where earnings are growing. Conversely, if the coronavirus quickly fades away the global health care sector will still do well buoyed by the strong aging demographics. Finally don't forget to have some cash and gold in your portfolio as an insurance measure.