

I Can Feel the Beat

If you've had a friend or family member have their heart tested, you've probably seen the legacy Holter monitor – it's all wires, electrodes, and an uncomfortable 48-hour test window.

But over the last ten years, San Francisco-based iRhythm Technologies has been displacing this legacy technology with their Long-Term Continuous Monitoring (LTCM) solution.

We've followed iRhythm (NASDAQ: IRTC) for over six years after first encountering them on a company ideas trip. We previously owned their smaller listed competitor BioTelemetry, until this was taken over by Philips in 2021.

What attracted us to iRhythm was the growth of its end-market where the company is the market leader. That leadership meant iRhythm commanded a premium valuation in the past.



Source: Bloomberg. Data as of 30 April 2025. Ophir.

But then in recent years various reimbursement and industry-wide DOJ (Department of Justice) issues have acted as an overhang on the stock.

This presented us with the opportunity to initiate a position towards the end of 2024 with our investment thesis being predicated on:

- Top-line growth beating market expectations
- Growth optionality from international markets and new devices
- Multiple expansion as the market is willing to pay a more premium valuation as growth accelerates

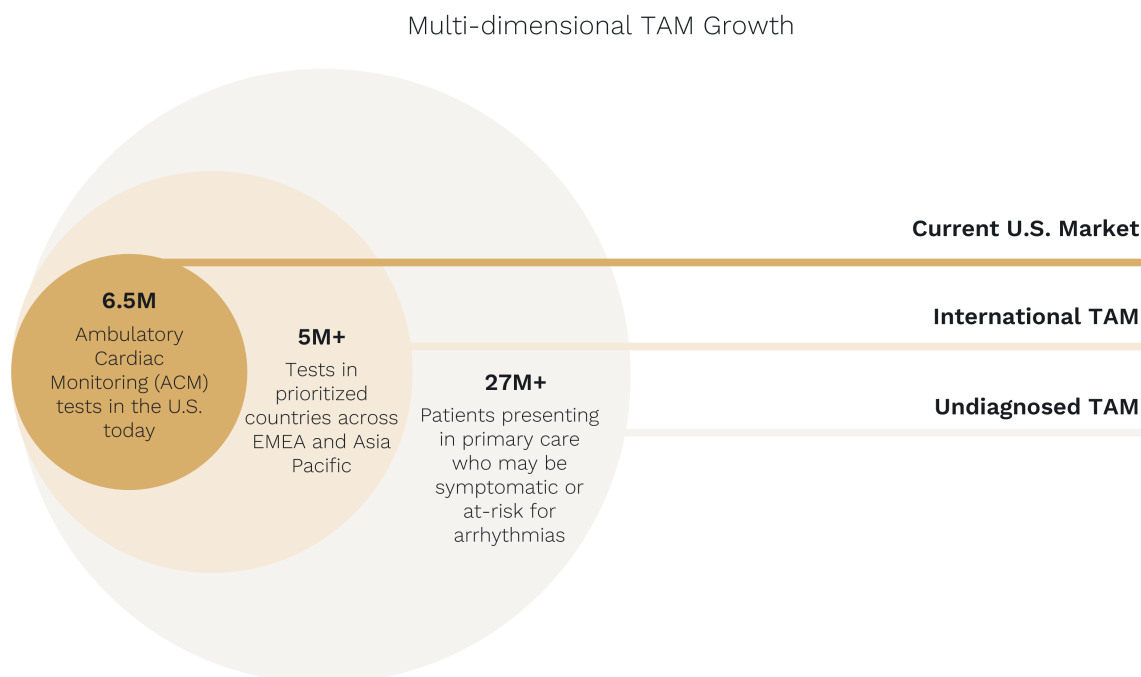
A Market in Motion – and iRhythm is Leading the Dance

As mentioned, the market for ambulatory cardiac monitoring (ACM) – basically testing for irregular heartbeats that are symptoms of heart disease – is undergoing a secular shift away from Holter monitors toward longer-term, wearable, mobile-enabled cardiac patches.

iRhythm pioneered the Long-Term Continuous Monitoring category, and patients are tested with a 14-day wearable patch. The patch captures higher diagnostic yields, is easier for patients, and integrates seamlessly with digital workflows.

The current ACM total addressable market (TAM) in the US is ~27 million patients. This is based on the number of patients presenting in primary care who may be symptomatic or at-risk for arrhythmias. Due to the ageing population and prevalence of chronic disease, the TAM is growing at mid-single digits.

However, only ~25% of that base is currently being tested.



Source: iRhythm Technologies First Quarter 2025 Results: May 1, 2025. Ophir.

We estimate the actual testing market is growing at high-single digits and within that the LTCM segment is growing at 15–20%.

We expect this growth to continue for several reasons:

1. **The legacy Holter monitor will continue to cede share to LTCM:** Holter had 80% of the market in 2018, but that has fallen to 40% currently and continues to trend lower.
2. **Testing rates will continue to increase:** With testing rates currently at ~25% we expect this to increase. This will be driven by the Primary Care Physician (PCP) channel, which has been experiencing consolidation by private equity groups in recent years. Increased rates of testing have the potential to lower the total cost of care for these groups. For example, 30% of all strokes are caused by Atrial Fibrillation – a common heart rhythm disorder tested for by ACM.
3. **iRhythm is taking share in LTCM:** iRhythm currently has ~70% share of the LTCM market. We recently met with competitors who confirmed iRhythm has recently been taking incremental share.

The Beat Goes On – iRhythm’s revenue to beat while margins expand

The market has been assuming revenue growth slows to mid-teens, however we believe 20%+ top-line growth is sustainable for the next several years for the reasons mentioned above.

At the same time, iRhythm’s margin story is playing out nicely. We expect its selling & marketing spend to be stable at ~15% of revenue, with general & administrative costs to be largely flat.

This would drive a significant beat to the streets 2025 EBITDA expectations of ~\$55m.

Top-line optionality exists

On top of that, international expansion is in its infancy—the global market is a \$US1 billion+ TAM and largely untouched by the competition.

International opportunity represents \$1+ billion TAM with 5+ million tests in prioritized countries across EMEA and Asia Pacific



Source: iRhythm Technologies First Quarter 2025 Results: May 1, 2025. Ophir.

iRhythm isn't stopping with LTCM.

In 2026, they're launching a new **Mobile Cardiac Telemetry (MCT)** product, allowing for further market share gains. MCT is a method of continuously monitoring a patient's heart rhythm and electrical activity using a small, portable device that transmits data wirelessly to a monitoring centre. This would open up another 20-30% revenue opportunity. There has been evidence of early execution here via the Zio AT, iRhythm's existing MCT device. This has been the main source of upside surprise from recent growth.

DOJ cases likely just a short-term distraction

Some investors may shy away because of a lingering DOJ investigation, which was announced in May 2023. The case is part of a broader ACM industry probe (BioTelemetry, Boston Scientific, and Proventice all received similar inquiries). Proceedings revolve around a narrow document production request tied to attorney-client privilege.

iRhythm's legal counsel is recommending the company defend the privilege to avoid setting a damaging precedent with the court hearing scheduled for December 12. Based on the discussions we have had with legal experts, we believe this to be a short-term distraction that will soon be in the rear-view mirror.

Why we hold following the recent bounce – Growth on growth on growth

iRhythm just reported their first quarter 2025 results, which saw the stock up ~20%. The result showed the initial stages of our thesis playing out with iRhythm upgrading its guidance for revenue and EBITDA margin.

However, we believe iRhythm is only at the beginning of a multi-year period of elevated top-line growth and expanding margins, supported by optionality, which will drive a multiple re-rating.

We think the stock deserves to trade 6-8x forward sales (vs ~5.5x today), aligning it with other 20%+ growth MedTech names. And while many think the music is slowing – we think iRhythm is only just starting to feel the rhythm.