

Osprey Med Inc (OSP)

Rating: Buy | Risk: High | Price Target: \$0.70

10th Quarter of Sales Growth with 2nd Territory now Profitable - Highlights Value

Key Information

Current Price (\$ps)	0.46
12m Target Price (\$ps)	0.70
52 Week Range (\$ps)	0.20 - 0.50
Target Price Upside (%)	52.2%
TSR (%)	52.2%
Reporting Currency	USD
Market Cap (\$m)	118.6
Sector	Health Care
Avg Daily Volume (m)	0.1
ASX 200 Weight (%)	0%

Fundamentals

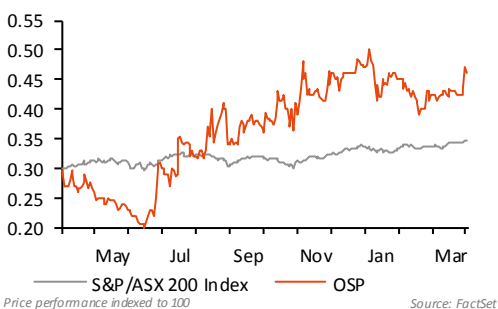
YE 31 Dec (USD)	FY15A	FY16E	FY17E	FY18E
Sales (\$m)	0.2	0.6	4.2	10.2
NPAT (\$m)	(12.2)	(11.7)	(13.9)	(9.1)
EPS (cps)	(7.9)	(4.6)	(5.4)	(3.5)
EPS Growth (%)	(18.6%)	42.3%	(18.7%)	34.6%
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)				

Ratios

YE 31 Dec	FY15A	FY16E	FY17E	FY18E
P/E (x)	(2.8)	(7.6)	(6.4)	(9.7)
EV/EBITDA (x)	(1.8)	(5.7)	(5.6)	(9.7)
Div Yield (%)	0.0%	0.0%	0.0%	0.0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%

Price Performance

YE 31 Dec	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	7.7%	(0.8%)	(6.9%)	38.5%
Absolute (%)	10.8%	2.2%	(3.2%)	55.9%
Benchmark (%)	3.1%	3.0%	3.7%	17.4%



Major Shareholders

Darren Vincent | Senior Analyst

+61 2 9238 1269

dvincent@shawandpartners.com.au

Matthew Johnston | Associate Analyst

+61 2 9238 1311

mjohnston@shawandpartners.com.au

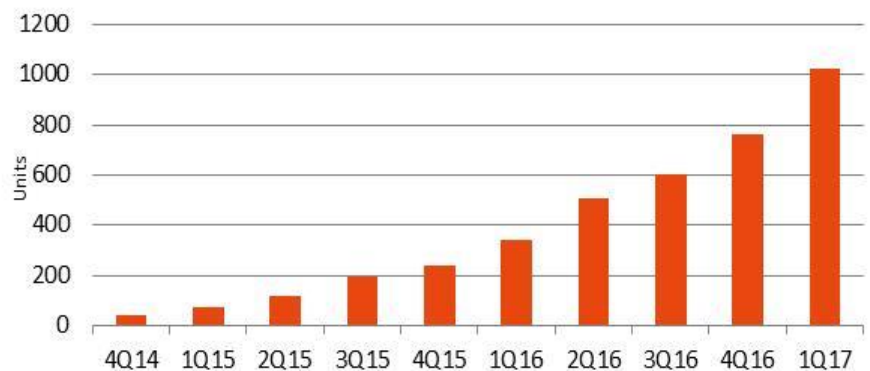
Event

1Q17 was another strong quarter of growth for OSP which has released an impressive 4C and commentary suggesting the current quarter should also be strong. Shaw and Partners forecasts, BUY rating, and target price remain unchanged.

Highlights

- DyeVert drives sales growth as commercialisation continues to accelerate.** OSP's 1Q17 4C cash flow statement showed receipts at US\$0.29, up 41% on the preceding quarter. US commercialisation of OSP's DyeVert Systems is now underway across 19 sales territories, with plans to add up to another 9 territories by the end of CY 2017.

Figure 1: Quarterly unit sales and samples since inception - up 35% in 1Q17



- Two Territories now profitable.** Atlanta, Georgia moved into profits over 1Q17 with 235 units sold. San Antonio, OSP's first pilot sales territory, continues to lead with 314 units sold. However, Atlanta achieved profitability almost twice as fast as San Antonio taking only 1 year to become cash-flow positive, (compared to nearly 2 years for San Antonio, Texas) with 50% of Atlanta hospitals (11 of 22) now using the device.
- DyeVert Plus to drive higher priced sales.** During the quarter, OSP announced that it had received FDA clearance for its next generation technology, DyeVert™ PLUS Contrast Reduction System. DyeVert PLUS is expected to accelerate sales growth in 2017 and beyond, with first sales expected in Q2 2017. OSP is focused on introducing DyeVert PLUS to new customers initially at a higher price point than DyeVert. However, it expects that most customers will move towards purchasing DyeVert PLUS exclusively over the next few quarters.
- The outlook for further growth looks good.** i) Two other early territories are also understood to be growing quicker than San Antonio, ii) OSP is now putting additional sales reps on in new territories (19 going to 28 by the end of CY17), and iii) there are currently 39 hospitals in the evaluation-to-purchase stage reflecting a strong pipeline of future DyeVert customers.

Conference call

OSP is hosting an investor conference call on Wednesday 19th April at 11.00am, Australian Eastern Standard Time. Dial Australia Toll Free 1 800 558 698. Conference Identification: 113289

Recommendation

Now is the time to BUY OSP. It has shown market acceptance, its risk profile is diminishing and its market capitalisation is yet to fully recover from its misunderstood trial data. Looking forward as OSP continues to demonstrate sales growth and move through profitability, we expect its share price to push back towards our 12 month target price. BUY.

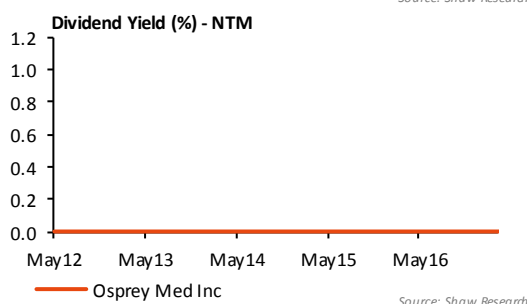
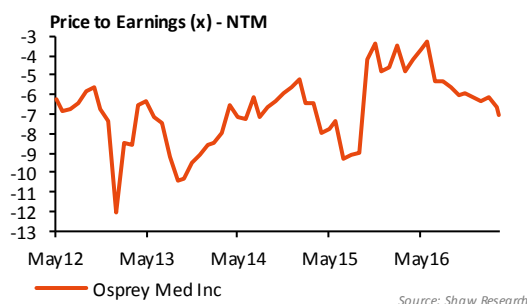
Osprey Med Inc
Health Care
Health Care Equipment & Services
FactSet: OSP-AU / Bloomberg: OSP AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.46
Target Price (\$ps)	0.70
52 Week Range (\$ps)	0.20 - 0.50
Shares on Issue (m)	257.7
Market Cap (\$m)	118.6
Enterprise Value (\$m)	89.2
TSR (%)	52.2%

Valuation NPV	Data
Beta	1.60
Cost of Equity (%)	14.9%
Cost of Debt (net) (%)	5.5%
Risk Free Rate (%)	5.3%
WACC (%)	14.9%

Company Description

Osprey Medical, Inc. focuses on the development and commercialization of its proprietary products for the prevention of Contrast Induced Nephropathy (CIN). The company's Medical product, the AVERT System, is designed to reduce the amount of dye (contrast) injected into patients during standard cardiovascular procedures. Contrast Induced Nephropathy (CIN) is a form of kidney damage caused by the toxic effects of dyes used by cardiologists to x-ray the heart and blood vessels during commonly performed heart procedures such as angioplasty and stenting. Reducing the amount of dye injected may be beneficial to patients with pre-existing chronic kidney disease as it is designed to protect them from additional kidney damage known as Contrast Induced Nephropathy (CIN). Dye is routinely used to x-ray the heart during angioplasty and stenting procedures. Osprey Medical was founded by Frank Solomon and James Edward Shapland on August 31, 2005 and is headquartered in Eden Prairie, MN.



Financial Year End: 31 December

Investment Summary (USD)	FY14A	FY15A	FY16E	FY17E	FY18E
EPS (Reported) (cps)	(6.7)	(7.9)	(4.6)	(5.4)	(3.5)
EPS (Underlying) (cps)	(6.7)	(7.9)	(4.6)	(5.4)	(3.5)
EPS (Underlying) Growth (%)	(12.9%)	(18.6%)	42.3%	(18.7%)	34.6%
PE (Underlying) (x)	(6.6)	(2.8)	(7.6)	(6.4)	(9.7)
EV / EBIT (x)	(6.2)	(1.8)	(5.7)	(5.6)	(9.7)
EV / EBITDA (x)	(6.2)	(1.8)	(5.7)	(5.6)	(9.7)
DPS (cps) (AUD)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)					
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Profit and Loss (USD) (m)	FY14A	FY15A	FY16E	FY17E	FY18E
Sales	0.0	0.2	0.6	4.2	10.2
Sales Growth (%)		2,142.1%	238.1%	617.8%	142.9%
Other Operating Income	0.0	0.0	0.0	0.0	0.0
EBITDA	(9.8)	(12.2)	(11.7)	(14.5)	(9.4)
EBITDA Margin (%)	nm	nm	nm	nm	(92.2%)
Depreciation & Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(9.8)	(12.2)	(11.7)	(14.5)	(9.4)
EBIT Margin (%)	nm	nm	nm	nm	(92.2%)
Net Interest	0.0	0.1	0.0	0.6	0.3
Pretax Profit	(9.7)	(12.2)	(11.7)	(13.9)	(9.1)
Tax	0.0	0.0	0.0	0.0	0.0
Tax Rate (%)	(0.0%)	(0.0%)	(0.0%)	0.0%	0.0%
Minorities	0.0	0.0	0.0	0.0	0.0
NPAT Underlying	(9.7)	(12.2)	(11.7)	(13.9)	(9.1)
Significant Items	0.0	0.0	0.0	0.0	0.0
NPAT Reported	(9.7)	(12.2)	(11.7)	(13.9)	(9.1)
Cashflow (USD) (m)	FY14A	FY15A	FY16E	FY17E	FY18E
EBIT	(9.8)	(12.2)	(11.7)	(14.5)	(9.4)
Tax Paid	0.0	0.0	0.0	0.0	0.0
Net Interest	0.0	0.0	0.0	0.6	0.3
Depreciation & Amortisation	0.0	0.0	0.0	0.0	0.0
Other	0.9	0.7	1.2	(0.3)	(1.0)
Operating Cashflow	(8.9)	(11.6)	(10.5)	(14.3)	(10.1)
Capex	(0.1)	(0.1)	(0.4)	0.0	0.0
Acquisitions and Investments	(5.0)	(0.6)	0.0	0.0	0.0
Disposal of Fixed Assets/Investments	5.2	7.7	0.0	0.0	0.0
Other	0.0	0.3	0.0	0.0	0.0
Investing Cashflow	0.0	7.3	(0.4)	0.0	0.0
Equity Raised / Bought Back	0.0	11.9	21.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Change in Debt	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Financing Cashflow	0.0	11.9	21.0	0.0	0.0
Net Change in Cash	(8.8)	7.6	10.1	(14.3)	(10.2)
Balance Sheet (USD) (m)	FY14A	FY15A	FY16E	FY17E	FY18E
Cash	4.4	11.8	21.9	7.6	(2.6)
Accounts Receivable	0.0	0.0	0.1	0.7	1.7
Inventory	0.2	0.3	0.3	0.3	0.3
Other Current Assets	7.3	0.1	0.1	0.1	0.1
PPE	0.3	0.3	0.5	0.4	0.5
Goodwill & Intangibles	0.1	0.1	0.1	0.1	0.1
Investments	0.0	0.0	0.0	0.0	0.0
Total Assets	12.3	12.6	23.0	9.1	0.0
Accounts Payable	0.2	0.3	0.4	0.6	0.6
Short Term Debt	0.0	0.0	0.0	0.0	0.0
Income Taxes Payable	0.0	0.0	0.0	0.0	0.0
Other	1.0	0.7	0.9	0.9	0.9
Total Liabilities	1.2	1.0	1.3	1.5	1.5
Total Shareholder Equity	11.1	11.6	21.6	7.7	(1.4)
Ratios	FY14A	FY15A	FY16E	FY17E	FY18E
ROE (%)	(62.4%)	(106.9%)	(70.5%)	(95.0%)	(290.7%)

Contacts Page

Equities

Head of Equities	Mike Ryan	+612 9238 1527	mryan@shawandpartners.com.au
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Research

Head of Research	Martin Crabb	+612 9238 1352	mcrabb@shawandpartners.com.au
Executive Assistant	Melody Matthews	+612 9238 1299	mmatthews@shawandpartners.com.au
Banks, Insurance, Telecoms	David Spotswood	+613 9268 1115	dspotswood@shawandpartners.com.au
	Annabel Riggs	+613 9268 1147	ariggs@shawandpartners.com.au
Diversified Financials, Strategy	Martin Crabb	+612 9238 1352	mcrabb@shawandpartners.com.au
Technology & Online, Contractors, Retailers	Danny Younis	+612 9238 1292	dyounis@shawandpartners.com.au
	Matthew Johnston	+612 9238 1311	mjohnston@shawandpartners.com.au
Life Sciences, Travel	Darren Vincent	+612 9238 1269	dvincent@shawandpartners.com.au
	Matthew Johnston	+612 9238 1311	mjohnston@shawandpartners.com.au
Metals & Mining	Peter O'Connor	+612 9238 1219	poconnor@shawandpartners.com.au
Oil & Gas	Stuart Baker	+613 9268 1148	sbaker@shawandpartners.com.au
Real Estate	Peter Zuk	+612 9238 1211	pzuk@shawandpartners.com.au
Small Caps	Andrew Moller	+612 9238 1256	amollier@shawandpartners.com.au

Income Strategies

	Cameron Duncan	+612 9238 1544	cduncan@shawandpartners.com.au
	Steve Anagnos	+612 9238 1513	sanagnos@shawandpartners.com.au

Institutional Sales

	David Erskine	+613 9268 1061	derskine@shawandpartners.com.au
	Phillip Janis	+612 9238 1503	pjanis@shawandpartners.com.au
	Rob Pizzichetta	+613 9268 1174	rpizzichetta@shawandpartners.com.au
	Roger Gamble	+613 9268 1107	rgamble@shawandpartners.com.au
	Sam Kanaan	+612 9238 1275	skanaan@shawandpartners.com.au
	Scott Coventry	+612 9238 1363	scoventry@shawandpartners.com.au

Equity Capital Markets

	John Bowie Wilson	+612 9238 1253	jbowiewilson@shawandpartners.com.au
	Grace Belsito	+612 9238 1226	gbelsito@shawandpartners.com.au

Corporate Finance

Head of Corporate Finance	Geoff Carrick	+612 9238 1339	gcarrick@shawandpartners.com.au
	Damian Rigney	+612 9238 1398	drigney@shawandpartners.com.au
	David Kells	+612 9238 1362	dkells@shawandpartners.com.au
	Edward Loneragan	+612 9238 1283	eloneragan@shawandpartners.com.au
	Max Smouha-Ho	+612 9238 1268	msmouha-ho@shawandpartners.com.au
	Robert Hallam	+612 9238 1594	rhallam@shawandpartners.com.au
	Jeremy D'Sylva	+612 9238 1239	jdsylva@shawandpartners.com.au

Sydney | Head Office

Level 15, 60 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 9238 1238
Fax: +61 2 9232 1296
Toll Free: 1800 636 625

Melbourne

Level 20, 90 Collins Street
Melbourne VIC 3000
Telephone: +61 3 9268 1000
Fax: +61 3 9650 2277
Toll Free: 1800 150 009

Brisbane

Level 28, 111 Eagle Street
Brisbane QLD 4000
Telephone: +61 7 3036 2500
Fax: +61 7 3036 2599
Toll Free: 1800 463 972

Perth

Level 14, 197 St Georges Terrace
Perth WA 6000
Telephone: +61 8 6188 7643
Fax: +61 8 6188 7607
Toll Free: 1800 636 625

Adelaide

Level 21, 25 Grenfell Street
Adelaide SA 5000
Telephone: +61 8 7109 6000
Fax: +61 2 9232 1296
Toll Free: 1800 636 625

Rating Classification

Buy	Expected to outperform the overall market
Hold	Expected to perform in line with the overall market
Sell	Expected to underperform the overall market
Not Rated	Shaw has issued a factual note on the company but does not have a recommendation

Risk Rating

High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market

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Sydney | Head Office
Level 15, 60 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 9238 1238
Fax: +61 2 9232 1296
Toll Free: 1800 636 625

Melbourne
Level 20, 90 Collins Street
Melbourne VIC 3000
Telephone: +61 3 9268 1000
Fax: +61 3 9650 2277
Toll Free: 1800 150 009

Brisbane
Level 28, 111 Eagle Street
Brisbane QLD 4000
Telephone: +61 7 3036 2500
Fax: +61 7 3036 2599
Toll Free: 1800 463 972

Perth
Level 14, 197 St Georges Terrace
Perth WA 6000
Telephone: +61 8 6188 7643
Fax: +61 8 6188 7607
Toll Free: 1800 636 625

Adelaide
Level 21, 25 Grenfell Street
Adelaide SA 5000
Telephone: +61 8 7109 6000
Fax: +61 2 9232 1296
Toll Free: 1800 636 625