

Osprey Med Inc (OSP)

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

DyeVert Delivering on Sales Expectations

Key Information

Current Price (\$ps)	0.25
12m Target Price (\$ps)	0.70
52 Week Range (\$ps)	0.20 - 0.85
Target Price Upside (%)	180.0%
TSR (%)	180.0%
Reporting Currency	USD
Market Cap (\$m)	38.5
Sector	Health Care
Avg Daily Volume (m)	0.2
ASX 200 Weight (%)	0%

Fundamentals

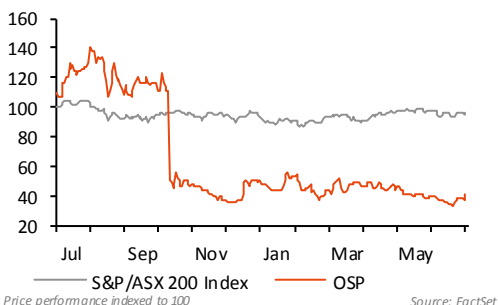
YE 31 Dec (USD)	FY14A	FY15E	FY16E	FY17E
Sales (\$m)	0.0	0.1	1.1	6.8
NPAT (\$m)	(8.8)	(7.5)	(4.9)	1.2
EPS (cps)	(711.4)	(608.1)	(396.1)	96.1
EPS Growth (%)	(5.5%)	14.5%	34.9%	124.3%
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)				

Ratios

YE 31 Dec	FY14A	FY15E	FY16E	FY17E
P/E (x)	(0.1)	(0.0)	(0.0)	0.2
EV/EBITDA (x)	(5.7)	(1.8)	(3.6)	12.2
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 (%)	6.9%	(4.5%)	(16.0%)	(51.3%)
Absolute (%)	4.2%	(5.7%)	(10.7%)	(57.6%)
Benchmark (%)	(2.7%)	(1.2%)	5.3%	(6.3%)



Major Shareholders

Event

OSP has announced sales results and operational metrics for 2Q16. Our forecasts, recommendation and target price remain unchanged.

Highlights

- Strong unit sales growth of 45% for the DyeVert and AVERT Systems in Q2 2016 as compared to Q1 2016. This represents unit sales growth of 440% for the quarter compared to the previous year's corresponding quarter. The conversion rate of hospitals upgrading from samples to initial product orders remains high at approximately 85%, with 29 hospitals having now purchased the AVERT or DyeVert Systems.
- OSP's first sales territory in San Antonio, Texas was profitable/cash-flow breakeven in June 2016, with over 65% of San Antonio hospitals purchasing from Osprey equating to 40% penetration of chronic kidney disease (CKD) patients. This bodes well for the prospects for other regions and sales across the US.
- OSP has now reported seven consecutive quarters of growth in units sold and sampled since the first customer sale. The momentum OSP now has is very encouraging.
- OSPs Appendix 4C quarterly report will be published by July 21, 2016.

Shaw and Partner's View

The US commercial launch of the DyeVert System occurred in Q42015. The system is now resulting in faster than expected adoption rates and greater numbers of new hospitals signing on to use OSP technology than we expected when DyeVert was launched. The key near term future development we are looking for, is further adoption of Dyevert and AVERT by a greater number of hospitals at similar rates of use to what OSP has been achieving over the last quarter.

Recommendation

Solid sales growth was expected and needed given OSPs expanded sales team – it now has eight sales reps with plans to go to twenty by year end. This should not however detract from the sales data reported which is very encouraging and shows OSP is now firmly on track to deliver on the potential we have long recognised. OSP's cash burn and its cash position, will need to be addressed. However, as increased evidence of market acceptance and market opportunity continues to come through, the risk profile surrounding OSP is diminishing. Consequently, relative to its market capitalisation OSP has never looked more attractive. This is not only due to sales traction but also as a result of what we believe was a misinterpretation of trial data which caused a halving of its capitalisation last October. With lower risk, lower capitalisation and finally some sales traction, we expect to see OSP's share price push back initially to recent levels and with the next few quarterly cash flow statements towards our 12 month target price. BUY.

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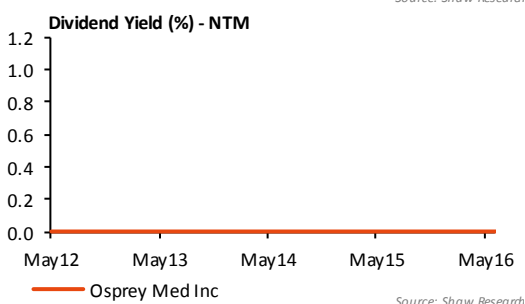
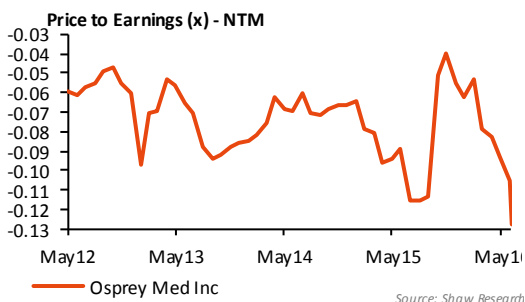
Osprey Med Inc
Health Care
Health Care Equipment & Services
FactSet: OSP-AU / Bloomberg: OSP AU

Key Items	Data
Recommendation	BUY
Risk	MEDIUM
Price (\$ps)	0.25
Target Price (\$ps)	0.70
52 Week Range (\$ps)	0.20 - 0.85
Shares on Issue (m)	154.2
Market Cap (\$m)	38.5
Enterprise Value (\$m)	18.1
TSR (%)	180.0%

Valuation NPV	Data
Beta	1.20
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)	FY13A	FY14A	FY15E	FY16E	FY17E
EPS (Reported) (cps)	(674.3)	(711.4)	(608.1)	(396.1)	96.1
EPS (Underlying) (cps)	(674.3)	(711.4)	(608.1)	(396.1)	96.1
EPS (Underlying) Growth (%)	(7.7%)	(5.5%)	14.5%	34.9%	124.3%
PE (Underlying) (x)	(0.1)	(0.1)	(0.0)	(0.0)	0.2
EV / EBIT (x)	(7.2)	(5.7)	(1.8)	(3.6)	12.2
EV / EBITDA (x)	(7.2)	(5.7)	(1.8)	(3.6)	12.2
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)	FY13A	FY14A	FY15E	FY16E	FY17E
Sales	0.0	0.0	0.1	1.1	6.8
Sales Growth (%)			1,396.8%	956.6%	514.8%
Other Operating Income	0.0	0.0	0.0	0.0	0.0
EBITDA	(8.3)	(8.8)	(7.6)	(5.2)	1.5
EBITDA Margin (%)	nm	nm	nm	nm	22.5%
Depreciation & Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(8.3)	(8.8)	(7.6)	(5.2)	1.5
EBIT Margin (%)	nm	nm	nm	nm	22.5%
Net Interest	0.0	0.0	0.1	0.3	0.2
Pretax Profit	(8.3)	(8.8)	(7.5)	(4.9)	1.7
Tax	0.0	0.0	0.0	0.0	(0.5)
Tax Rate (%)	(0.0%)	(0.0%)	0.0%	0.0%	(30.0%)
Minorities	0.0	0.0	0.0	0.0	0.0
NPAT Underlying	(8.3)	(8.8)	(7.5)	(4.9)	1.2
Significant Items	0.0	0.0	0.0	0.0	0.0
NPAT Reported	(8.3)	(8.8)	(7.5)	(4.9)	1.2
Cashflow (USD) (m)	FY13A	FY14A	FY15E	FY16E	FY17E
EBIT	(8.3)	(8.8)	(7.6)	(5.2)	1.5
Tax Paid	0.0	0.0	0.0	0.0	(0.7)
Net Interest	0.0	0.0	0.1	0.3	0.2
Depreciation & Amortisation	0.0	0.0	0.0	0.0	0.0
Other	1.2	0.8	(0.1)	(0.1)	(1.0)
Operating Cashflow	(7.2)	(8.0)	(7.6)	(5.0)	0.2
Capex	(0.2)	(0.1)	0.0	0.0	0.0
Acquisitions and Investments	0.0	(4.5)	5.4	0.0	0.0
Disposal of Fixed Assets/Investments	0.0	4.7	(0.4)	0.0	0.0
Other	(7.1)	0.0	0.1	0.0	0.0
Investing Cashflow	(7.4)	0.0	5.1	0.0	0.0
Equity Raised / Bought Back	12.4	0.0	8.9	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	0.1	0.0	0.0	0.0	0.0
Financing Cashflow	12.5	0.0	8.9	0.0	0.0
Net Change in Cash	(2.1)	(8.0)	6.4	(5.1)	0.2
Balance Sheet (USD) (m)	FY13A	FY14A	FY15E	FY16E	FY17E
Cash	11.6	3.6	9.3	4.4	4.6
Accounts Receivable	0.0	0.0	0.0	0.2	1.1
Inventory	0.1	0.2	0.2	0.2	0.2
Other Current Assets	3.2	6.0	0.6	0.6	0.6
PPE	0.2	0.2	0.2	0.3	0.3
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	19.0	10.1	10.4	5.8	6.9
Accounts Payable	0.5	0.2	0.2	0.2	0.1
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	0.6	0.8	0.1	0.1	0.1
Total Liabilities	1.1	1.0	0.3	0.3	0.2
Total Shareholder Equity	17.9	9.1	9.8	5.1	6.2
Ratios	FY13A	FY14A	FY15E	FY16E	FY17E
ROE (%)	(49.4%)	(65.0%)	(79.5%)	(65.9%)	20.9%

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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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