

Osprey Med Inc (OSP)

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

2Q17 Cashflow Statement Delivers Further Evidence that OSP is Now Realising its Potential

Key Information

Current Price (\$ps)	0.42
12m Target Price (\$ps)	0.70
52 Week Range (\$ps)	0.27 - 0.50
Target Price Upside (%)	66.7%
TSR (%)	66.7%
Reporting Currency	USD
Market Cap (\$m)	108.3
Sector	Health Care
Avg Daily Volume (m)	0.1
ASX 200 Weight (%)	0%

Fundamentals

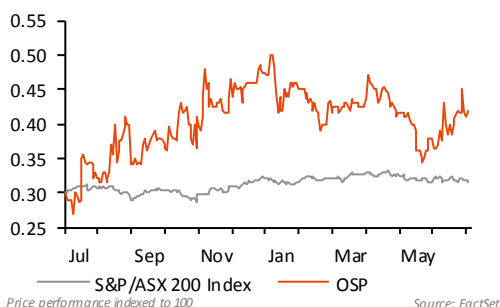
YE 31 Dec (USD)	FY16A	FY17E	FY18E	FY19E
Sales (\$m)	0.6	4.2	10.2	18.0
NPAT (\$m)	(11.7)	(13.9)	(9.1)	0.3
EPS (cps)	(4.6)	(5.4)	(3.5)	0.1
EPS Growth (%)	42.3%	(18.7%)	34.6%	103.7%
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)				

Ratios

YE 31 Dec	FY16A	FY17E	FY18E	FY19E
P/E (x)	(7.3)	(5.9)	(9.0)	nm
EV/EBITDA (x)	(5.5)	(5.2)	(9.0)	216.8
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 (%)	10.6%	4.0%	(4.3%)	29.5%
Absolute (%)	10.5%	1.2%	(8.7%)	35.5%
Benchmark (%)	(0.1%)	(2.8%)	(4.4%)	6.0%



Major Shareholders

Brandon Capital Partners	23.5%
Talu Ventures	13.2%
Kinetic Investment Management	9.8%

Event

OSP has released its Q217 4C and commentary which shows all metrics by which we judge the company have accelerated again. This is a clear BUY signal.

Highlights

- Sales growth has accelerated.** Sales momentum accelerated in 2Q 2017 to 42% quarter-on-quarter unit sales growth vs 1Q 2017. This is OSPs eleventh consecutive quarter of unit sales growth for its dye saving technologies. DyeVert and DyeVert Plus unit sales grew by 42% to 1,149 units in 2Q 2017, compared to 812 units sold in 1Q 2017. This represents growth of 244% compared with 2Q 2016.
- Leading indicators for future growth are strong,** with units sampled increasing by 15% and the pipeline of hospitals in the evaluation-to-purchase phase growing 18%. Total hospitals ordering DyeVert increased by 36% in 2Q 2017 vs 1Q 2017 and penetration with in hospitals was reported to be growing.
- Profitability is now clearly visible.** OSP reported that its first two profitable sales territories in San Antonio and Atlanta continued to perform well in 2Q 2017, with other sales territories following a similarly strong sales trajectory. This bodes well for group profitability to be realised inline with expectations. This and OSPs strong balance sheet with cash of US\$15.1m at 30 June 2017 (A\$20.1m at FX rate of \$0.75) now has the company very well positioned to further increase the number of sales reps it has in order to fully realise its opportunities in a an addressable market estimated at USD1.8billion.

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. But that is history, 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 TP. BUY.

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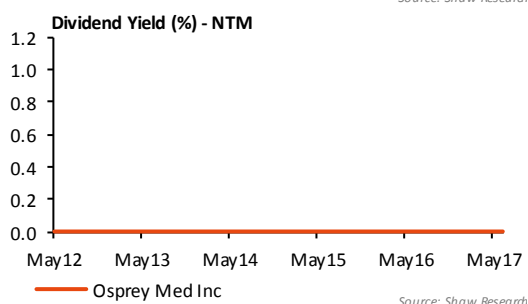
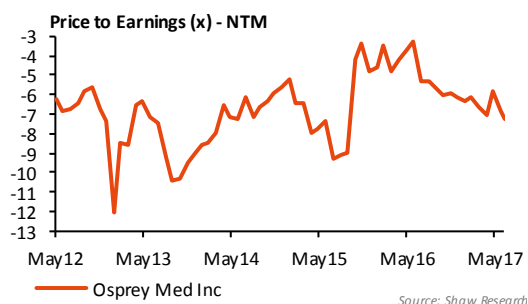
Osprey Med Inc
Health Care
Health Care Equipment & Services
FactSet: OSP-AU / Bloomberg: OSP AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.42
Target Price (\$ps)	0.70
52 Week Range (\$ps)	0.27 - 0.50
Shares on Issue (m)	257.7
Market Cap (\$m)	108.3
Enterprise Value (\$m)	98.3
TSR (%)	66.7%

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)	FY15A	FY16A	FY17E	FY18E	FY19E
EPS (Reported) (cps)	(7.9)	(4.6)	(5.4)	(3.5)	0.1
EPS (Underlying) (cps)	(7.9)	(4.6)	(5.4)	(3.5)	0.1
EPS (Underlying) Growth (%)	(18.6%)	42.3%	(18.7%)	34.6%	103.7%
PE (Underlying) (x)	(2.8)	(7.3)	(5.9)	(9.0)	nm
EV / EBIT (x)	(1.8)	(5.5)	(5.2)	(9.0)	216.8
EV / EBITDA (x)	(1.8)	(5.5)	(5.2)	(9.0)	216.8
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)	FY15A	FY16A	FY17E	FY18E	FY19E
Sales	0.2	0.6	4.2	10.2	18.0
Sales Growth (%)	2,142.1%	238.1%	617.8%	142.9%	76.5%
Other Operating Income	0.0	0.0	0.0	0.0	0.0
EBITDA	(12.2)	(11.7)	(14.5)	(9.4)	0.4
EBITDA Margin (%)	nm	nm	nm	(92.2%)	2.2%
Depreciation & Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(12.2)	(11.7)	(14.5)	(9.4)	0.4
EBIT Margin (%)	nm	nm	nm	(92.2%)	2.2%
Net Interest	0.1	0.0	0.6	0.3	(0.1)
Pretax Profit	(12.2)	(11.7)	(13.9)	(9.1)	0.3
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	(12.2)	(11.7)	(13.9)	(9.1)	0.3
Significant Items	0.0	0.0	0.0	0.0	0.0
NPAT Reported	(12.2)	(11.7)	(13.9)	(9.1)	0.3
Cashflow (USD) (m)	FY15A	FY16A	FY17E	FY18E	FY19E
EBIT	(12.2)	(11.7)	(14.5)	(9.4)	0.4
Tax Paid	0.0	0.0	0.0	0.0	0.0
Net Interest	0.0	0.0	0.6	0.3	(0.1)
Depreciation & Amortisation	0.0	0.0	0.0	0.0	0.0
Other	0.7	1.2	(0.3)	(1.0)	(1.3)
Operating Cashflow	(11.6)	(10.5)	(14.3)	(10.1)	(1.0)
Capex	(0.1)	(0.4)	0.0	0.0	0.0
Acquisitions and Investments	(0.6)	0.0	0.0	0.0	0.0
Disposal of Fixed Assets/Investments	7.7	0.0	0.0	0.0	0.0
Other	0.3	0.0	0.0	0.0	0.0
Investing Cashflow	7.3	(0.4)	0.0	0.0	0.0
Equity Raised / Bought Back	11.9	21.0	0.0	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	11.9	21.0	0.0	0.0	0.0
Net Change in Cash	7.6	10.1	(14.3)	(10.2)	(1.1)
Balance Sheet (USD) (m)	FY15A	FY16A	FY17E	FY18E	FY19E
Cash	11.8	21.9	7.6	(2.6)	(3.6)
Accounts Receivable	0.0	0.1	0.7	1.7	3.0
Inventory	0.3	0.3	0.3	0.3	0.3
Other Current Assets	0.1	0.1	0.1	0.1	0.1
PPE	0.3	0.5	0.4	0.5	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	12.6	23.0	9.1	0.0	0.3
Accounts Payable	0.3	0.4	0.6	0.6	0.5
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	0.7	0.9	0.9	0.9	0.9
Total Liabilities	1.0	1.3	1.5	1.5	1.4
Total Shareholder Equity	11.6	21.6	7.7	(1.4)	(1.1)
Ratios	FY15A	FY16A	FY17E	FY18E	FY19E
ROE (%)	(106.9%)	(70.5%)	(95.0%)	(290.7%)	(26.8%)

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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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