

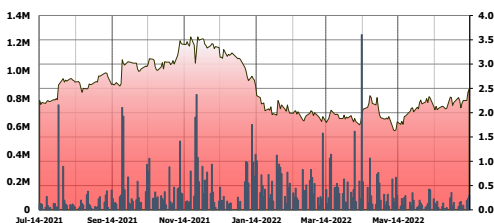
July 14, 2022

OPSENS INC. (OPS – TSX, \$2.28)

Rating: BUY
Target Price: \$4.00

RECORD QUARTERLY REVENUE; CATALYST HEAVY BACK HALF

| Opens Inc. | | OPS | |
|--|---------------|---------------|---------------|
| <i>(Currency is C\$ unless noted otherwise)</i> | | | |
| Last Price (\$) | | | \$2.28 |
| 12 Month Target Price (\$) | | | \$4.00 |
| Return To Target | | | 75% |
| 52-Week Trading Range (\$) | | \$1.55 / | \$3.74 |
| Average Daily Volume (90-Day) | | | 122.6K |
| MARKET INFO | | | |
| Shares Outstanding (M) | | | 108.5 |
| Market Capitalization (\$M) | | | 247.4 |
| Enterprise Value (\$M) | | | 220.7 |
| FYE: AUG 31 | F2021A | F2022E | F2023E |
| Revenue (\$M) | \$34.5 | \$36.2 | \$57.3 |
| Gross Margin (%) | 54% | 51% | 57% |
| EBITDA (\$M) | \$2.0 | (\$6.9) | \$3.6 |
| EPS (FD, \$) | (\$0.01) | (\$0.07) | \$0.02 |
| MOST RECENT QUARTER | | May-22 | |
| Revenue (\$M) | | | \$10.1 |
| Gross Margin (%) | | | 51% |
| EBITDA (\$M) | | | (\$2.1) |
| Net Income (\$M) | | | (\$2.9) |
| Cash and Equiv. (\$M) | | | \$28.0 |
| Debt (\$M) | | | \$1.2 |
| VALUATION | F2021A | F2022E | F2023E |
| EV/Sales | 6.4x | 6.1x | 3.8x |
| EV/EBITDA | NM | NM | 61.5x |
| EV/Sales | F2021A | F2022E | F2023E |
| Small Cap Medical Devices | 3.6x | 3.4x | 3.2x |
| DISCLOSURE CODE: | None | | |
| <i>(Please refer to applicable disclosures on the back page)</i> | | | |
| Website: http://opsensmedical.com/ | | | |
| Source: M Partners, Capital IQ, Bloomberg, Company Documents | | | |



Opens is a first mover and IP leader in optical pressure sensing. Its flagship product, the OptoWire, is a fiber optic pressure guidewire designed to improve the clinical outcome of patients with coronary artery disease. The OptoWire is approved for sale in the United States, European Union, Japan and Canada.

This morning Opsens Inc. announced record Q3/22 financial results that beat our estimates on revenue but missed on profitability. Similar to Q3 last year, OPS was able to rapidly scale medical revenue as COVID restrictions at hospitals dissipated while the extended agreement with Abiomed supported optical medical system sales. Gross margin came in softer than expected based on end-of-life production for the OptoWire 2, supply chain issues, and an increased proportion of revenue coming from distributor sales (vs. direct sales). On the conference call, management guided for gross margins in the low 50s for the coming quarters due to supply chain issues and a normalization in Japan FFR/dPR sales in Q4/22 (leading to a sequential decline in the FFR/dPR segment).

We continue to believe there is a build-up of demand for cardiovascular procedures that will come unlocked through coming quarters, leading to accelerating revenue growth for the FFR/dPR business in 2023. We view the material pullback in OPS shares from highs of \$3.50/share as a meaningful buying opportunity ahead of TAVR commercialization and continued resumption of FFR growth.

Additional highlights from the quarter include:

- Revenue of \$10.1M (+24% QoQ, +9% YoY) vs. our estimate of \$9.4M. Medical sales came in at \$9.2M (including \$6.6M from FFR/dPR and \$2.6M from optical medical systems), industrial sales came in at \$0.9M
- Gross profit of \$5.1M (51% margin) vs. our estimate of \$5.3M (56% margin) and \$4.2M (52% margin) reported in Q2/22
- EBITDA of -\$2.1M vs. our expectation of -\$0.5M and -\$1.4M reported last quarter. The miss was driven by the lower gross margin and ramping SG&A/R&D expenses for the SavvyWire
- The Company ended the quarter with \$28.0M in cash

| Quarterly Financials Summary | | | | |
|------------------------------|---------|----------|----------|---------|
| | Q3/22A | MPI Est. | YoY | QoQ |
| Revenue (\$M) | \$10.1 | \$9.4 | 9% | 24% |
| Gross Margin (%) | 51% | 56% | -775 bps | -50 bps |
| EBITDA (\$M) | (\$2.1) | (\$0.5) | NM | NM |

Figure 1: Q3/22 Financials Summary

Group Purchasing Agreement: On Monday, Opsens announced that it was awarded a national group purchasing agreement for Interventional Specialty Diagnostics with Premier Inc. Premier is one of the largest GPOs in the industry with a network of 4,400 U.S. hospitals and health systems. Under the agreement, Premium members will be offered pre-negotiated prices and terms for OptoWire III and related system components. OPS now has GPO contracts covering over 90% of U.S. hospitals, an underpenetrated sales channel that we expect to assist in accelerating FFR/dPR sales growth.

Health Canada Approval: On April 26th, OPS announced that it received Health Canada approval for the SavvyWire. This comes ahead of the originally guided May/June timeline. OPS has initiated a phased commercialization process in Canada and expects to do a full launch in the back half of 2022 after completing 60 procedures (which it has already completed two-thirds of). We believe the Health Canada announcement de-risks the OPS story and provides us with further confidence that OPS will obtain FDA approval shortly. OPS remains on track for U.S. FDA approval in September/October and European CE Mark approval in early CY 2023.

Valuation: We continue to believe OPS will be able gain solid market share in TAVR due to the various key advantages of the SavvyWire (continuous pressure measurement, use of a single wire vs. multiple devices, single access point, cost savings, time savings) with potential to become the dominant guidewire in 3-5 years. Furthermore, with the easing of COVID restrictions at hospitals and the new GPO sales channels, we are expecting accelerating sales growth from the FFR/dPR segment in FY2023. When comparing OPS against its peers on 2023E EV/Sales (Figure 2 below) including only a minimal contribution from the SavvyWire, OPS still exhibits the highest growth rate, yet trades at an average multiple. **We are maintaining our BUY rating and our \$4.00/share target price based on 5x 2023E sales ex-TAVR and 2.5x 2025E TAVR sales.**

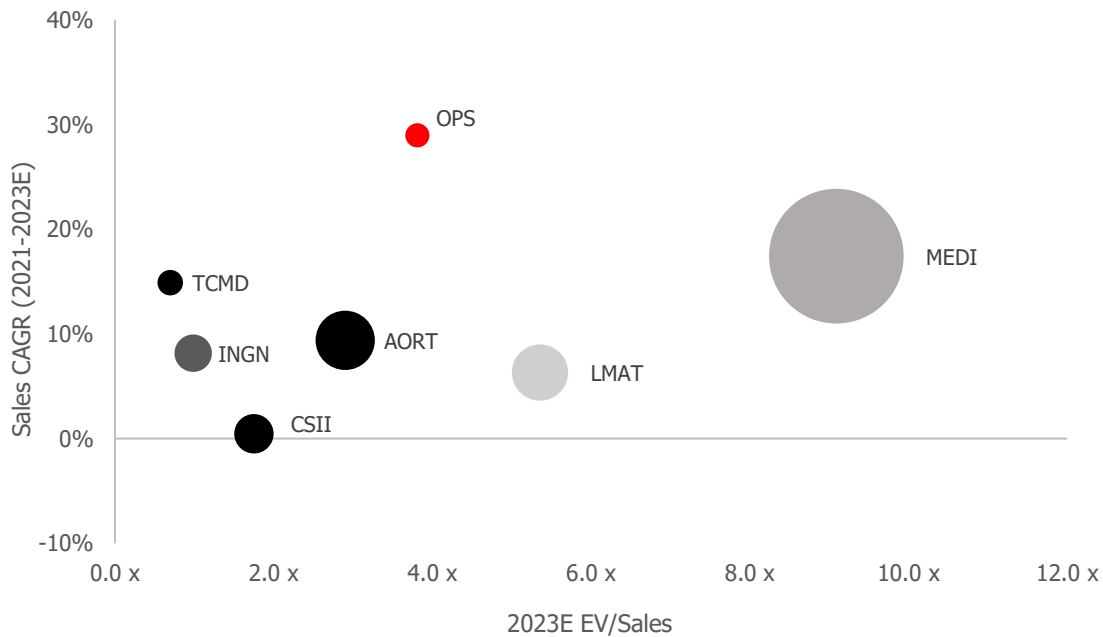


Figure 2: Peer Group Comparison (Bubble Size Indicates Enterprise Value)

July 14, 2022

| | 2021A | 2022E | 2023E | 2024E | 2025E |
|-----------------------------|--------------|--------------|--------------|---------------|---------------|
| U.S. TAVR Procedures (000s) | 97 | 111 | 128 | 147 | 169 |
| <i>Growth</i> | 15% | 15% | 15% | 15% | 15% |
| ROW TAVR Procedures (000s) | 97 | 111 | 128 | 147 | 169 |
| Total Procedures (000s) | 193 | 222 | 255 | 294 | 338 |
| Market Share (%) | 0% | 0% | 1% | 5% | 10% |
| SavvyWire Procedures (000s) | 0.0 | 0.1 | 2.6 | 14.7 | 33.8 |
| SavvyWire ASP (US\$) | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 |
| Revenue (US\$M) | \$0.0 | \$0.1 | \$2.6 | \$14.7 | \$33.8 |
| Revenue (C\$M) | \$0.0 | \$0.1 | \$3.3 | \$19.2 | \$44.2 |

| | 2023E | 2025E | Multiple | Valuation | |
|-------------------------------|--------|--------|----------|----------------|---------------|
| | Sales | Sales | | \$M | Per Share |
| Opsens ex-TAVR | \$54.0 | | 5.0x | \$269.9 | \$2.49 |
| TAVR | | \$44.2 | 2.5x | \$110.6 | \$1.02 |
| Total | | | | \$380.5 | \$3.51 |
| Debt | | | | (\$1.2) | (\$0.01) |
| Cash | | | | \$28.0 | \$0.26 |
| Equity Value (Rounded) | | | | \$407.3 | \$4.00 |

Figure 3: TAVR Assumptions & Price Target Calculation

| (C\$ Millions) | | | | | | | | | | | |
|---------------------|------------|------------|------------|------------|-------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Income Statement: | 1Q21A | 2Q21A | 3Q21A | 4Q21A | FY21A | 1Q22A | 2Q22A | 3Q22A | 4Q22E | FY22E | FY23E |
| Revenue | 8.3 | 8.8 | 9.2 | 8.1 | 34.5 | 8.1 | 8.1 | 10.1 | 10.0 | 36.2 | 57.3 |
| <i>YoY Growth</i> | 19% | 7% | 39% | 6% | 17% | -3% | -8% | 9% | 23% | 5% | 58% |
| Gross Profit | 4.7 | 4.6 | 5.4 | 4.0 | 18.7 | 4.1 | 4.2 | 5.1 | 5.2 | 18.6 | 32.4 |
| <i>Margin</i> | 56% | 52% | 59% | 50% | 54% | 51% | 51% | 51% | 52% | 51% | 57% |
| EBITDA | 1.3 | 0.0 | 0.5 | 0.2 | 2.0 | (1.1) | (1.4) | (2.1) | (1.3) | (6.9) | 3.6 |
| <i>Margin</i> | 16% | 0% | 6% | 2% | 6% | -14% | -18% | -21% | -13% | -19% | 6% |

Figure 4: Income Statement Projections

Disclosure Code: 6

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| Rating System | |
|---------------------|--|
| Buy: | Price expected to rise |
| Speculative Buy: | Buy rating with increased risk |
| Hold: | Properly priced |
| Sell: | Price is inflated and expected to decrease |
| Under Review (U/R): | Under review |
| Not Rated (N/R): | Not currently rated |

| Summary of Recommendations | |
|----------------------------|-----------|
| Buy | 17 |
| Speculative Buy | 1 |
| Hold | 0 |
| Sell | 0 |
| U/R | 1 |
| Total | 19 |