

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.**

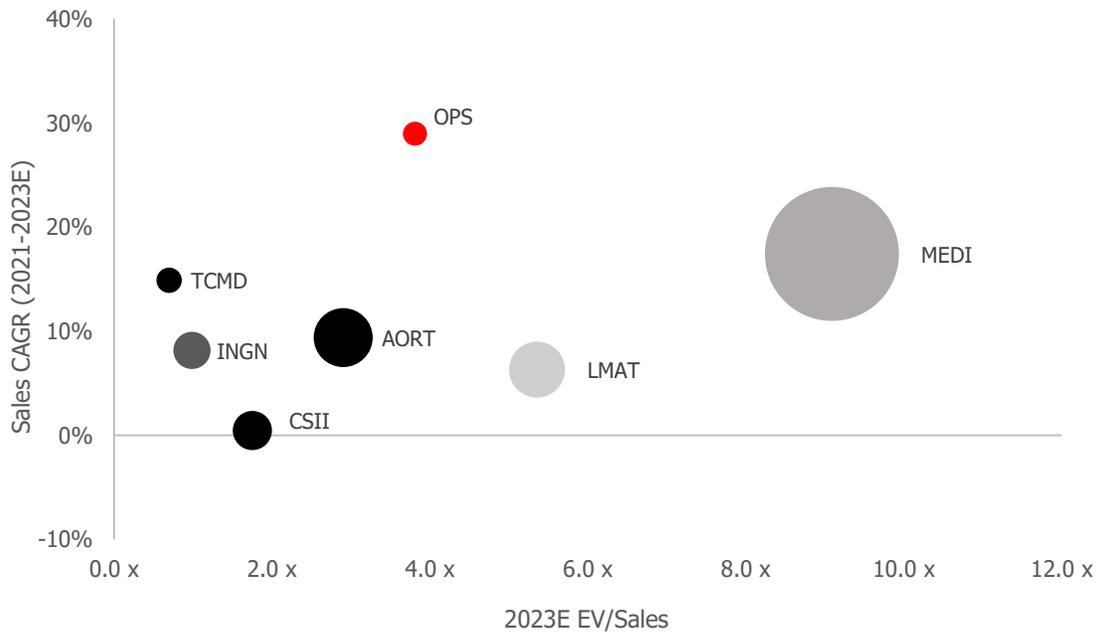


Figure 2: Peer Group Comparison (Bubble Size Indicates Enterprise Value)

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	Valuation		
	Sales	Sales	Multiple	\$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

Disclosure

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. Disclosure codes are used in accordance with IIROC Rules 3608, 3609, and 3616.

Description of Possible Disclosure Codes

1. M Partners or its affiliates collectively beneficially own 1% or more of any class of equity securities of the company which is the subject of the research report.
2. The analyst or any associate of the analyst responsible for the report or public comment hold shares in the company.
3. M Partners or a director or officer of M Partners or any analyst provided services to the company for remuneration other than normal investment advisory or trade execution services within the preceding 12 months, (may seek compensation for investment banking services from the company herein within the next 3 months).
4. The director, officer, employee or research analyst is an officer, director or employee of the company, or serves in an advisory capacity to the company.
5. The analyst has viewed the material operations of the company. We define material operations as an issuer's corporate head office and its main production facility or a satellite facility that is representative of the company's operations. Unless otherwise disclosed herein, the analyst's travel expenses were not paid for or reimbursed by the company.
6. M Partners provided investment banking services for the company during the 12 months preceding the publication of the research report
7. The analyst preparing the report received compensation based upon M Partners investment banking revenues for this issuer

Dissemination

M Partners has no further disclosures to make for any issuers mentioned in this report for which disclosures are not provided above. All final research reports and morning outlooks are disseminated to institutional clients of M Partners simultaneously in electronic form. Hard copies will be disseminated to any client that has requested to be on the distribution list of M Partners. Reproduction of this report in whole or in part without permission is prohibited.

Research Analysts

The Research Analyst(s) who prepare this report certify that their respective report accurately reflects his/her personal opinion and that no part of his/her compensation was, is, or will be directly or indirectly related to the specific recommendations or views as to the securities or companies. M Partners compensates its research analysts from a variety of sources and research analysts may or may not receive compensation based upon M Partners investment banking revenue.

Member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund
Participating organization of the Toronto Stock Exchange and the TSX Venture Exchange

http://www.mpartners.ca/email_disclaimer.html

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