

July 13, 2022

**OPSENS INC. (OPS – TSX, \$2.42)**

**Rating: BUY**  
**Target Price: \$4.00**

**Q3 FINANCIALS WILL BE AN INFLECTION POINT**

Opsens Inc.	OPS		
<i>(Currency is C\$ unless noted otherwise)</i>			
Last Price (\$)	\$2.42		
12 Month Target Price (\$)	\$4.00		
Return To Target	65%		
52-Week Trading Range (\$)	\$1.55 / \$3.74		
Average Daily Volume (90-Day)	122.3K		
<b>MARKET INFO</b>			
Shares Outstanding (M)	108.3		
Market Capitalization (\$M)	262.1		
Enterprise Value (\$M)	232.5		
<b>FYE: AUG 31</b>	<b>F2021A</b>	<b>F2022E</b>	<b>F2023E</b>
Revenue (\$M)	\$34.5	\$36.0	\$58.7
Gross Margin (%)	54%	54%	59%
EBITDA (\$M)	\$2.0	(\$3.5)	\$6.0
EPS (FD, \$)	(\$0.01)	(\$0.04)	\$0.04
<b>MOST RECENT QUARTER</b>			<b>Feb-22</b>
Revenue (\$M)	\$8.1		
Gross Margin (%)	51%		
EBITDA (\$M)	(\$1.4)		
Net Income (\$M)	(\$2.4)		
Cash and Equiv. (\$M)	\$30.9		
Debt (\$M)	\$1.4		
<b>VALUATION</b>	<b>F2021A</b>	<b>F2022E</b>	<b>F2023E</b>
EV/Sales	6.7x	6.5x	4.0x
EV/EBITDA	NM	NM	38.7x
<b>EV/Sales</b>	<b>F2021A</b>	<b>F2022E</b>	<b>F2023E</b>
Small Cap Medical Devices	3.7x	3.5x	3.2x
<b>DISCLOSURE CODE:</b>			None
<i>(Please refer to applicable disclosures on the back page)</i>			
Website: <a href="http://opsensmedical.com/">http://opsensmedical.com/</a>			
Source: M Partners, Capital IQ, Bloomberg, Company Documents			



Opsens 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.

**Tomorrow morning, OPS will be reporting Q3/22 financial results that we expect to be a major inflection point for the FFR/dPR segment.** This will be the first quarter that OPS can fully penetrate its FFR/dPR sales channels without COVID restrictions hindering growth. As a reminder, the last time Opsens operated without COVID restrictions (Q3/21), it posted \$9.2M in revenue (+39% YoY, +5% QoQ) and 59% gross margin. We think that this quarter will be even better given the vastly increased hospital capacities and improved supply chains across North America.

We continue to believe there is a build-up of demand for cardiovascular procedures that will begin coming unlocked in Q3 and the coming quarters, leading to strong revenue growth for the FFR business. The increased revenue and EBITDA generation from this segment will then provide non-dilute financing for the SavvyWire launch (which we think has potential to become the dominant TAVR guidewire). 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.

Our expectations for the quarter are as follows:

- Revenue of \$9.4M (+16% QoQ, +2% YoY), including medical sales of \$8.3M (\$5.9M from FFR/dPR and \$2.4M from optical medical systems) and industrial sales of \$1.1M
- Gross profit of \$5.3M (56% margin) compared to \$4.2M (52% margin) reported last quarter
- EBITDA of -\$0.5M compared to -\$1.4M reported last quarter

OPS will be hosting its conference call at 11:00AM EST which can be accessed by dialing 1-833-756-0865 or 1-412-317-5754 or via live webcast on the Opsens website.

**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, Premier 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 growth.

**Our Thoughts:** 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, we are expecting accelerating sales growth from the FFR/dPR segment. **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.**

Disclosure Code: None

**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](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
<b>Total</b>	<b>19</b>