

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	
MARKET INFO			
Shares Outstanding (M)		108.3	
Market Capitalization (\$M)		262.1	
Enterprise Value (\$M)		232.5	
FYE: AUG 31	F2021A	F2022E	F2023E
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
MOST RECENT QUARTER			Feb-22
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	
VALUATION	F2021A	F2022E	F2023E
EV/Sales	6.7x	6.5x	4.0x
EV/EBITDA	NM	NM	38.7x
EV/Sales	F2021A	F2022E	F2023E
Small Cap Medical Devices	3.7x	3.5x	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			



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

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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