

Admedus

AHZ AU / AHZ.AX

Market Cap
US\$105.8m
 A\$134.7m

Avg Daily Turnover
US\$0.42m
 A\$0.55m

Free Float
100.0%
 1,843 m shares

Current **A\$0.073**
 Target **A\$0.20**
 Prev. Target **A\$0.20**
 Up/Downside **180.7%**

STOCK RATING

ADD

HOLD

REDUCE

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	0.8	-45.6	-48.3
Absolute	0.0	-41.6	-41.6

Major shareholders	% held
Minderoo Group Pty Ltd	8.4

Solid third quarter

AHZ posted a solid 3QFY15 result with revenue up 47% to A\$2.4m. We estimate the key CardioCel® sales were approximately A\$800,000 with now over 60 centres in US and Europe using the device. Following the recent capital raising, AHZ is well funded and a number of key catalysts over the coming quarters will likely see the share price recover from the current levels. Add maintained.

Third quarter solid performance

AHZ posted a solid 3QFY15 result, with revenue up 47% to A\$2.4m (on pcp). CardioCel® sales for quarter are estimated at A\$800k and this device is being used in 60 centres in US and Europe. The CardioCel® patch has now been implanted in over 1,600 patients to repair heart defects. Net cash outflow for the quarter was A\$6.1m. The cash balance at the end of the quarter was A\$15.4m, with the rights issue completing in April, the cash reserves are now over A\$31m.

Near-term catalysts to focus on

There are two catalysts on which we believe the market will focus in the near term: 1) the vaccine trial (HSV-2 Phase 2) recruitment is expected to be completed before the end of June 2015 with interim results due before the end of the calendar year (we assume a licensing transaction in FY16); and 2) CardioCel sales are forecast to continue solid growth in 4QFY15 (next update will be late July) and our forecast of A\$2.6m is expected to be achieved or exceeded. The other area of interest is the recent announcement demonstrating a broader application of the underlying tissue regenerative technology. It has shown success in a pre-clinical study in the repair of dura mater (outer membrane enveloping the brain and spinal cord). We have not placed any value in our model on this application; however, we believe the broader applications have significant value.

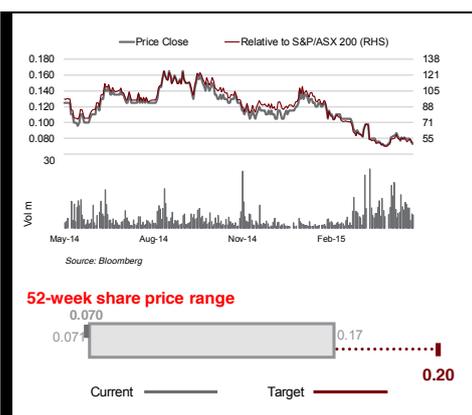
Investment view – maintain positive stance

We maintain our High Conviction call on AHZ and Add recommendation. We have made no changes to our forecasts and our DCF valuation and share price target of A\$0.20 remain unchanged. The key risks are slower-than-expected CardioCel® sales and delayed or poor clinical results in the vaccine program.

Financial Summary

	Jun-14A	Jun-15F	Jun-16F	Jun-17F	Jun-18F
Revenue (A\$m)	9.8	10.8	30.2	67.6	105.2
Operating EBITDA (A\$m)	-7.09	-18.29	2.45	21.98	40.21
Net Profit (A\$m)	-6.63	-19.50	1.55	20.96	39.40
Normalised EPS (A\$)	(0.005)	(0.012)	0.001	0.011	0.021
Normalised EPS Growth	(29%)	123%	NA	1254%	88%
FD Normalised P/E (x)	NA	NA	86.88	6.42	3.41
DPS (A\$)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	NA	43.74	4.28	1.55
P/FCFE (x)	NA	NA	63.74	6.22	3.37
Net Gearing	(52.7%)	(70.1%)	(61.8%)	(62.1%)	(68.8%)
P/BV (x)	2.98	3.07	2.97	2.03	1.27
ROE	(27.3%)	(49.3%)	3.5%	37.5%	45.8%
% Change In Normalised EPS Estimates		0%	0%	0%	0%
Normalised EPS/consensus EPS (x)		1.19		1.14	

SOURCE: MORGANS, COMPANY REPORTS



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1420 companies under coverage for quarter ended on 31 March 2015		
	Rating Distribution (%)	Investment Banking clients (%)
Add	55.4%	6.6%
Hold	31.3%	3.8%
Reduce	13.2%	1.3%

CIMB Recommendation Framework

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
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