

Medical Developments (MVP)

Sales, Earnings, Dividends & the Upside Expected of a Biotech

NOT RATED

Risk: High

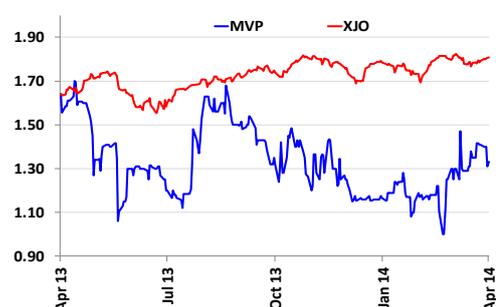
Key Information

Price (\$ps)	1.33
Market Cap (\$M)	77
GICS Sector	Pharma, Biotech & Life
52 week Hi-Lo (\$ps)	1.81-0.95
Daily Vol (M, mth avg)	0.1

Investment Fundamentals

YE 30 June	FY11	FY12	FY13
Sales (\$m)	5.4	11.5	11.7
EBITDA (\$m)	3.4	3.8	1.7
NPAT (\$m)	2.3	2.7	1.2
Cash (\$m)	0.8	3.5	3.9
R&D Spend (\$m)	-	-	-
NOCF (\$m)	1.0	3.2	3.0

MVP vs S&P/ASX Market Index



Performance	1 Mth	3 Mth	12 Mth
Absolute (MVP)	2.3%	15.2%	-16.1%
Rel to S&P/ASX Market	3.0%	13.2%	-26.6%

Company Activities

MVP is an Australian medical device company that manufactures products in the fields of pain relief, asthma and veterinary health.

Major Shareholders

Shareholding	
Williams, David John	52.4%

Directors and Management

David Williams
Allan McCallum
Maurice Ryn
Harry Oxer
Robert Johnston
Leon Hoare

Why Shaw is Interested in MVP

With sales from three divisions (into 11 countries), earnings and dividends for the past few years, MVP is a relatively low risk opportunity with very significant upside in front of it. Its flagship product, Pentrox, a morphine replacement, has dominated the Australian ambulance market for 15 years and will be launched into global markets. The costs of generating clinical data are behind the company, which frees up cash flow potentially for increased dividends. The company has a market cap of only \$80mn

Three Divisions - all with promise:

- Pentrox:** Pentrox is an analgesic that has a rapid onset, is inhaled, self-administered, non-addictive, has no risk of overdose and is easily stored. Sales (\$2.6m in 1H14) predominately come from Australia and NZ with some in the Middle East, Eastern Europe and U.S. MVP is the only manufacturer in the world, and has spent the last three years generating the clinical data required to launch Pentrox into global markets. Phase III was successful and European commercial launch is expected in 2015. In addition, a CSIRO project has reduced the cost of production by 50%, which will make the product cost competitive with other analgesics, and see Australian sales start generating much greater margins.
- Medical Devices:** MVP has a range of asthma and resuscitation products, its key product being an Asthma Space Chamber, used for asthma and COLDs (Chronic Obstructive Lung Disease). Sales primarily come from Australia and NZ but MVP is making an effort to market the devices globally: UK distribution approval for the Space Chamber was secured during the past HY; an application for FDA approval in the USA has been submitted and MVP expects approval in FY14; European and Asian distributors for the product have been appointed; MVP also signed a tender to exclusively supply Canadian hospitals with asthma devices. Medical devices experienced sales growth of 66% in the past half year on the pc and is contributing more to group profitability.
- Veterinary:** MVP offers a range of open and closed circuit anesthetic machines, vaporizers and breathing monitors to the veterinary market. Sales revenues have declined in recent years. The impact on group profit is almost immaterial.

Two Key Catalysts About to be Achieved

Firstly, if MVP achieves international regulatory approvals for Pentrox it looks as though it will transform the company. The UK review occurs in October and MVP has reported the first round of questions is reasonable.

Secondly, the CSIRO's assistance program, which is targeting further cost reductions, will make Pentrox not only superior to Morphine and Nitrus Oxide from a performance perspective, but also from a cost standpoint.



Head of Equities

Garry Lowrey +612 9238 1574

Research

Head of Research, Strategy, Diversified Financials

Martin Crabb mcrabb@shawstock.com.au +612 9238 1352

Executive Assistant - Research

Melody Matthews mmatthews@shawstock.com.au +612 9238 1299

Industrials

Biotech, Commercial Services, Travel

Darren Vincent dvincent@shawstock.com.au +612 9238 1269

Financial Services, Media, Telcos

David Spotswood dspotswood@shawstock.com.au +613 9268 1115

Mining Services / Contractors, Small Retailers

Danny Younis dyounis@shawstock.com.au +612 9238 1292

Retail, Real Estate

Scott Marshall smarshall@shawstock.com.au +612 9238 1219

Resources

Resources & Mining

Vincent Pisani vprisani@shawstock.com.au +612 9238 1296

Rating Classification

Buy	Expected to outperform the overall market
Hold	Expected to perform in line with the overall market
Sell	Expected to underperform the overall market
Not Rated	Shaw has issued a factual note on the company but does not have a recommendation

Risk Rating

High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market.

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HEAD OFFICE: Level 15, 60 Castlereagh Street, Sydney NSW 2000 Tel (02) 9238 1238

BRISBANE: Level 27, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000 Tel (07) 3036 2500

MELBOURNE: Level 20, 90 Collins Street, Melbourne VIC 3000 Tel (03) 9268 1000

PERTH: Level 14, 197 St Georges Terrace, Perth WA 6000 Tel (08) 6188 7643

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