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SANUWAVE Health (SNWV-OTC)

SNWV: HT Notes Extended. Provides More Breathing Room

Current Recommendation	**Buy**
Prior Recommendation	Neutral
Date of Last Change	05/15/2013
Current Price (06/18/15)	$0.9
Target Price	**$0.15**

OUTLOOK

While there were no major surprises to the Q1 financials, there was a disappointment and surprise related to operations – that being that DMC's analysis of the 130-patient supplemental trial data concluded that the primary endpoint (100% wound closure at 12 week follow-up) had not been met. While clearly not good news and "strike two", SNWV remains resilient to get on base with dermaPACE and management has a game plan which they hope will get their flagship device eventually approved by FDA.

We think the game plan makes sense and outline why we think there remains reasons to be optimistic. And while an adverse FDA decision and/or non-viable data would be another major gut-punch, we don't think it would necessarily be a death blow.

SUMMARY DATA

52-Week High	**$0.55**
52-Week Low	**$0.04**
One-Year Return (%)	**-83.35**
Beta	**1.18**
Average Daily Volume (sh)	**57,512**
Shares Outstanding (mil)	**63**
Market Capitalization ($mil)	**$5**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**4.6**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2015 Estimate	**N/A**
P/E using 2016 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**N/A**
Industry	**Med Products**

ZACKS ESTIMATES

Revenue
(in 000s of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	145 A	238 A	228 A	237 A	847 A
2015	211 A	231 E	244 E	258 E	944 E
2016					1,262 E
2017					1,889 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	-$0.06 A	-$0.04 A	-$0.03 A	-$0.00 A	-$0.12 A
2015	-$0.02 A	-$0.02 E	-$0.03 E	-$0.03 E	-$0.09 E
2016					-$0.09 E
2017					-$0.08 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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HealthTronics Loan Extended, Provides More Breathing Room

This morning (06.18.2015) SNWV announced that they have amended the maturity date of the $5.3 million HealthTronics notes from August 2015 (original) to January 31, 2017 (amended date). Terms look to be fairly favorable. The notes, which originally were unsecured are now fully secured by all assets of the company and HT receives 3.3 million, 10-year warrants with $0.55 strike - that, in our opinion, is about as painless as could be hoped for.

As we noted in our update following Q1 results announcement, we expected that HT would be open to relief options given that SNWV is likely worth more alive than dead, particularly with the potential that FDA approval of dermaPACE is still a possibility. This amendment provides not only additional breathing room for SNWV to advance its pipeline but should also eliminate what might have been a significant hindrance to raising additional capital.

See our May 8th report for our most recent comprehensive update on SNWV.

FINANCIAL MODEL

SANUWAVE Health, Inc.

	2014 A	Q1A	Q2E	Q3E	Q4E	2015 E	2016 E	2017 E	2018 E
Total Revenues	$847.4	$210.5	$231.0	$244.0	$258.0	$943.5	$1,262.0	$1,889.0	$2,961.0
YOY Growth	*5.9%*	*45.0%*	*-3.0%*	*7.3%*	*9.0%*	*11.3%*	*33.8%*	*49.7%*	*56.7%*
Cost of Revenues	$220.0	$58.8	$67.7	$70.8	$74.3	$271.6	$379.6	$566.7	$888.3
Gross Income	$627.4	$151.6	$163.3	$173.2	$183.7	$671.9	$882.4	$1,322.3	$2,072.7
Gross Margin	*74.0%*	*72.1%*	*70.7%*	*71.0%*	*71.2%*	*71.2%*	*69.9%*	*70.0%*	*70.0%*
R&D	$3,000.8	$634.6	$651.0	$794.0	$814.0	$2,893.6	$2,844.0	$2,778.0	$2,688.0
% R&D	*354.1%*	*301.6%*	*281.8%*	*325.4%*	*315.5%*	*306.7%*	*225.4%*	*147.1%*	*90.8%*
SG&A	$3,269.1	$566.3	$644.0	$681.0	$665.0	$2,556.3	$2,624.0	$2,715.0	$2,777.0
% G&A	*385.8%*	*269.1%*	*278.8%*	*279.1%*	*257.8%*	*271.0%*	*207.9%*	*143.7%*	*93.8%*
Depreciation	$14.3	$0.9	$5.0	$5.0	$5.0	$15.9	$50.0	$70.0	$75.0
Amortization	$306.7	$76.7	$76.7	$76.7	$76.7	$306.8	$306.8	$55.0	$40.0
Write down of assets	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating Income	($5,963.5)	($1,126.9)	($1,213.4)	($1,383.5)	($1,377.0)	($5,100.7)	($4,942.4)	($4,295.7)	($3,507.3)
Operating Margin	*-703.8%*	*-535.5%*	*-525.3%*	*-567.0%*	*-533.7%*	*-540.6%*	*-391.6%*	*-227.4%*	*-118.4%*
Total Other Expense	($10.6)	($32.2)	($80.0)	($203.0)	($215.0)	($530.2)	($1,060.0)	($1,260.0)	($1,500.0)
Pre-Tax Income	($5,974.1)	($1,159.1)	($1,293.4)	($1,586.5)	($1,592.0)	($5,687.0)	($6,002.4)	($5,555.7)	($5,007.3)
Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Discontinued Operations	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net Income	($5,993.3)	($1,171.8)	($1,293.4)	($1,586.5)	($1,592.0)	($5,687.0)	($6,002.4)	($5,555.7)	($5,007.3)
YOY Growth	*-49.9%*	*-54.3%*	*-23.8%*	*5.5%*	*599.6%*	*-5.1%*	*5.5%*	*-7.4%*	*-9.9%*
Net Margin	*-707.3%*					*-602.8%*	*-475.6%*	*-294.1%*	*-169.1%*
EPS (continuing ops)	($0.12)	($0.02)	($0.02)	($0.03)	($0.03)	($0.09)	($0.09)	($0.08)	($0.07)
Diluted Shares O/S	48,213	62,931	63,100	63,210	63,300	63,135	65,000	66,000	70,000

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The current distribution is as follows: Buy/Outperform- 22.4%, Hold/Neutral- 61.3%, Sell/Underperform – 13.4%. Data is as of midnight on the business day immediately prior to this publication.