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Icad Inc (ICAD-NASDAQ)

ICAD: Reimbursement Issue: Model, Price Target Under Review. Moving Rec to Hold for now

Current Recommendation	**Neutral**
Prior Recommendation	Outperform
Date of Last Change	05/07/2015
Current Price (05/08/15)	$4.63
Target Price	**$15.00**

OUTLOOK

iCAD's guidance, prior to this issue, was for 2015 revenue of $55M - $59M, or growth of 25% - 34%. We had been modeling 2015 total revenue of $57M, including $37.8M (+49%) of Therapy-related revenue. As a result of this Noridian announcement, our model and price target are under review.

Based on the ambiguity of how significant this issue may be in terms of iCAD's financial performance, we feel it is appropriate to move our investment recommendation from Buy to Hold.

SUMMARY DATA

52-Week High	**$11.63**
52-Week Low	**$4.28**
One-Year Return (%)	**-33.19**
Beta	**1.22**
Average Daily Volume (sh)	**280,882**
Shares Outstanding (mil)	**16**
Market Capitalization ($mil)	**$73**
Short Interest Ratio (days)	**4.35**
Institutional Ownership (%)	**46**
Insider Ownership (%)	**15**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**11.8**
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	**Above Avg.,**
Type of Stock	**Small-Value**
Industry	**Comp-Software**

ZACKS ESTIMATES

Revenue
(in '000 of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	8,520 A	9,667 A	12,572 A	13,165 A	43,924 A
2015	13220 A	13774 E	14827 E	15276 E	57,097 E
2016					74,846 E
2017					91,974 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	-$0.02 A	-$0.07 A	$0.02 A	-$0.01 A	-$0.07 A
2015	-$0.12 A	$0.03 E	$0.04 E	$0.05 E	$0.00 E
2016					$0.37 E
2017					$0.69 E

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

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WHAT'S NEW…

Skin Reimbursement Issue: Moving rec to hold for now. Model, price target and rec are under review:

A memo issued by Noridian Healthcare Solutions, the Medicare contractor for the West coast, instructs physicians that CPT Code 0182T ("High dose rate electronic brachytherapy, per fraction") should not be used to bill for brachytherapy for non-melanoma skin cancer. Code 0182T was set up to be used to treat breast cancer. For non-melanoma skin cancer, effective June 8, 2015, Noridian says Code 17999 ("Unlisted procedure, skin, mucous membrane and subcutaneous tissue") should be used along with a code designating the location and size of the lesion.

We note that it has been industry standard to use 0182T to bill for non-melanoma skin cancer and an outstanding opinion by The American Society for Radiation Oncology (ASTRO) was that 0182T "is the appropriate code for outpatient services provided for electronic brachytherapy. It has mostly been used and reimbursed for breast cancer but is also being applied to gynecologic and other sites."

iCAD notes that they and others in the industry are addressing the issue and have requested clarification from CMS and Noridian but also note that "there is insufficient clarification of the reimbursement matter to assess the potential impact that this matter could have on the Company's guidance for 2015. Any significant changes in CPT reimbursement from current levels could have a material impact on the Company's revenues."

iCAD's guidance, prior to this issue, was for 2015 revenue of $55M - $59M, or growth of 25% - 34%. We had been modeling 2015 total revenue of $57M, including $37.8M (+49%) of Therapy-related revenue. As a result of this Noridian announcement, our model and price target are under review. Based on the ambiguity of how significant this issue may be in terms of iCAD's financial performance, we feel it is appropriate to move our investment recommendation from Buy to Hold.

We will update our model, price target and investment recommendation, if appropriate, when more information becomes available.

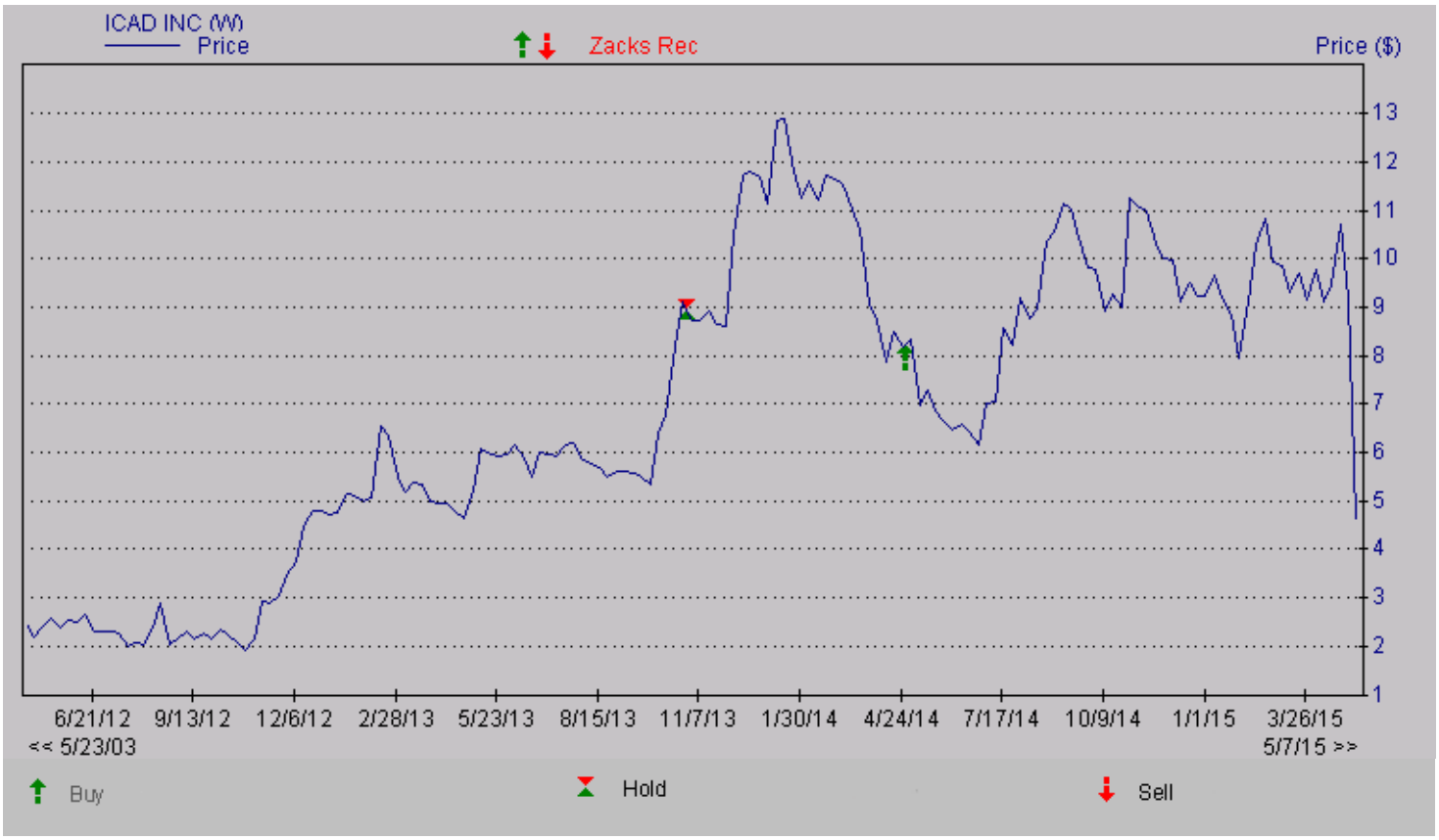
FINANCIAL MODEL

iCAD Inc.

Model is currently under review

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HISTORICAL ZACKS RECOMMENDATIONS



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Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 25.8%, Hold/Neutral- 57.4%, Sell/Underperform – 14.6%. Data is as of midnight on the business day immediately prior to this publication.