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# Zacks Small-Cap Research

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## American Shared Hospital Svces (AMS-NYSE AMERICAN)

### AMS: Growing O&O Unit Overtakes Leasing in Revenue Contribution; Q/Q Relative Contributions Could Fluctuate

AMS reported 1Q25 results today. Revenue improved 17% y/y to $6.1m. Expanding its O&O footprint is a core objective for AMS & a >3-fold advance in direct patient revenue offset a decline in leasing segment revenue. The direct segment accounted for 51% of total 1Q25 revenue.

### OUTLOOK

We expect the relative contributions of the leasing and direct segments could fluctuate from quarter-to-quarter as equipment upgrades are completed and as the O&O footprint expands. Recent approval from state regulators enable AMS to move forward on planned projects in Rhode Island under its O&O model, a core objective, and AMS anticipates significant synergies within its expanding Rhode Island footprint. In 1Q25, AMS acquired property in Bristol, RI where it expects to construct a linear accelerator facility that would likely begin treating patients in about 18-24 months.

| | |
|---|---|
| Current Price (5/14/25) | $2.98 |
| **Valuation** | **$4.85** |

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$2.51** |
| **52-Week Low** | **$4.60** |
| **One-Year Return (%)** | **1** |
| **Beta** | **0.35** |
| **Average Daily Volume (sh)** | **17,745** |
| **Shares Outstanding (mil)** | **6** |
| **Market Capitalization ($mil)** | **$18** |
| **Short Interest Ratio (days)** | **N/A** |
| **Institutional Ownership (%)** | **N/A** |
| **Insider Ownership (%)** | **28** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **N/A** |
| **Earnings Per Share (%)** | **..N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **9** |
| **P/E using 2025 Estimate** | **20** |
| **P/E using 2026 Estimate** | **N/A** |

| | |
|---|---|
| **Risk Level** | **Average,** |
| **Type of Stock** | **Small-Value** |

## ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2023 | 5 A | 6 A | 5 A | 6 A | 21 A |
| 2024 | 5 A | 7 A | 7 A | 9 A | 28 A |
| 2025 | 6 A | 7 E | 8 E | 10 E | 31 E |

**Per Share Data**

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2023 | 0.03 A | -0.02 A | 0.02 A | 0.06 A | 0.10 A |
| 2024 | 0.02 A | 0.55 A | -0.03 A | -0.20 A | 0.33 A |
| 2025 | -0.10 A | -0.07 E | 0.00 E | 0.09 E | -0.08 E |

Quarters might not sum due to rounding & share counts

Disclosures on page 9

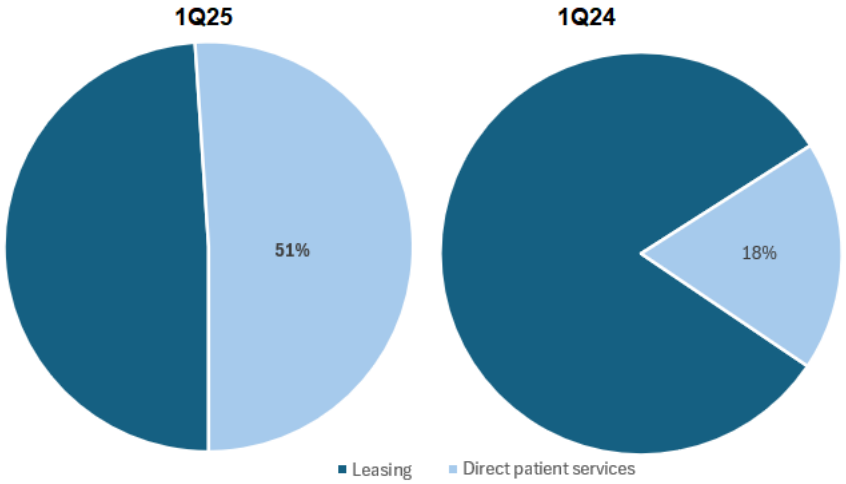
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## 3-FOLD ADVANCE IN DIRECT PATIENT REVENUE AS O&O FOOTPRINT EXPANDS

### *Company expects significant synergies within its expanding Rhode Island footprint*

American Shared Hospital Services (AMS-NYSE American), which provides advanced radiation therapy treatment systems to treat cancer patients, reported 1Q25 results. Revenues improved 17% year-over-year to $6.1 million compared to $5.2 million in 1Q24. A roughly 30% decline in revenues from the leasing segment to just under $3.0 million in 1Q25 compared to about $4.3 million in 1Q24 was offset by higher direct patient services segment revenue, which advanced more than 3-fold year-over-year to $3.1 million. The decline in revenues from the leasing segment reflected lower procedure volumes due to the 4Q24 and mid-1Q25 expiration of two contracts and downtime to upgrade another customer to an Esprit. PBRT volumes were also lower, reflecting what the company believes are normal cyclical fluctuations.

**Revenue Breakdown, Leasing vs. Direct Patient Services Segment**




Source: Company reports

### *New Peru contract expected to boost revenue going forward*

Revenues from the direct patient services benefited from the closing of the RI acquisition on May 7, 2024 and the opening of the company's radiation therapy facility in Puebla, Mexico in July 2024. Radiation therapy revenues generated from these facilities reached $2.4 million. By comparison, there was no revenue from these sites generated in the same period of 2024. In terms of potential quarter-to-quarter fluctuations in direct patient segment procedures and revenue, patients in Peru and Ecuador generally are insured by the local government and procedure volumes can be impacted by local legislation changes and/or local economics. The two international Gamma Knife locations in Peru and Ecuador saw a 27% volume decrease in 1Q25. The stand-alone facility in Peru signed a new contract with social security in late February 2025, which is expected to add incremental procedure volumes in the facility.

Having reduced its estimated salvage value for the remaining domestic Gamma Knife units to $0, the company recognized a roughly $83k or $0.01 per share offset to net income in 1Q25, with estimated $10,000, or $0.00 per share, quarterly offsets expected over the next quarters. AMS realized a net loss of $625k, or ($0.10) per share compared to net income of $119k, or $0.02 per share, in 1Q24.

### *Transitioning from primarily leasing costly equipment to also operating facilities directly*

The company is transitioning from one that primarily leases expensive medical equipment to treat cancer patients to one that owns and operates (O&O) the equipment itself and serves patients directly. As indicated in the figure above, the direct or retail segment accounted for 51% of total revenue in 1Q25, up from 18% in 1Q24. We expect the relative contributions could fluctuate from quarter to quarter as equipment upgrades are completed and as the O&O footprint expands.

As the company continues to expand its O&O footprint, it also continues to engage with existing and potential new customers to sign, renew and extend lease agreements. Generally, extending an existing lease also involves an equipment upgrade so that the facility has the latest technology available. We expect the O&O segment to grow in relative importance. For example, in 2024, AMS began operating three Rhode Island facilities and began operating a new Versa HD Linear Accelerator (LINAC) in Puebla, Mexico under its model to own and operate equipment at select locations. These are recent measures aimed at boosting and diversifying revenue, including expanding operations geographically and by business line. Growing its O&O or retail footprint is a core objective for AMS.

The company recently obtained Certificate of Need (CON) approvals for a fourth treatment center in Bristol, Rhode Island and a proton beam radiation treatment (PBRT) center in Johnston, Rhode Island and anticipates significant synergies within its expanding Rhode Island footprint. In 1Q25, AMS acquired property in Bristol, Rhode Island where it expects to construct a linear accelerator facility. AMS anticipates that the facility could commence treating patients in about 18 to 24 months.

As AMS continues to expand the direct retail footprint, we expect strong growth of the direct segment to continue. AMS signed a JV in 3Q24 for an O&O Gamma Knife facility in Guadalajara, Mexico, with a 70% interest for AMS and 30% for its partner, HSJ (Hospital San Javier, Mexico's first medical center to offer Gamma Knife treatments beginning in 1994). The JV plans to upgrade HSJ's existing Gamma Knife® Perfexion™ system to an Esprit (see below). The company expects the facility to begin treating patients late in 2025.

### *Strong liquidity to support growth initiatives…*

AMS had liquidity of about $16.5 million at quarter end, including cash and equivalents and restricted cash of $11.5 million and $5.0 million remaining under its revolving credit line. This compares to cash and equivalents of $11.3 million at the end of 2024. We believe AMS has the financial flexibility to continue to upgrade its installed base and pursue other growth measures. Moreover, the company generally generates positive cash from operating activities.

### *Ongoing domestic and international expansion*

In all, the company owns treatment centers in Rhode Island, Peru, Ecuador and the site in Puebla, Mexico that has the Versa HD LINAC. The cancer centers in Rhode Island represent AMS's first domestic retail locations and expand AMS's retail / direct business segment footprint substantially. All three Rhode Island sites are equipped with state-of-the-art cancer treatment technology using LINACs and comprehensive treatment planning software. The RI centers are located near Rhode Island hospital campuses. The company views the Rhode Island deal as a milestone acquisition that expands its footprint of O&O radiation oncology centers into the U.S. Moreover, AMS has entered into a professional services agreement with Brown University Health System, which the company notes is the state's largest health system for radiation oncologists. The agreement streamlines physician recruitment and improves patient service capabilities, according to AMS which anticipates additional synergies reflecting the proximity of the existing and planned Rhode Island facilities to one another.

Moreover, the company's international footprint has expanded as AMS has expanded its direct or retail segment footprint. In addition to revenue from the Rhode Island facilities, the company is generating O&O revenue from sites in Mexico and South America. The radiation therapy center in Puebla, Mexico began treating patients in July 2024.




Source: Company reports

### *Expect asset-light approach to opening new center…*

On the planned freestanding PBRT system in Johnston, Rhode Island, the time required to design, construct the facility and then install the machine means that the facility is not expected to be operational until some two to three years from receipt of the CON. The company expects construction could be completed by late 2027-early 2028 and that the new facility could begin treating patients then.

The company believes its facilities operate in underserved areas of Rhode Island. Moreover, with only two PBRT systems currently in operation in the northeast, according to AMS, the company also believes the location of the planned facility enables access to this treatment and will enable many Rhode Island cancer patients to avoid the need to travel to Boston or New York for critical care.

PBRT has several advantages compared to more traditional treatments. It delivers higher radiation doses to the tumor with less radiation to healthy tissue. PBRT is an alternative to traditional external beam, photon-based radiation delivered by linear accelerators that was introduced clinically in the 1950s, and is currently used to treat multiple cancer types, including prostate, brain, spine, head and neck, lung, breast, gastrointestinal tract and pediatric tumors. Despite the advantage of the technology, the use of PBRT in the U.S. has been relatively limited until recently, primarily reflecting high capital costs.

Given its conservative fiscal strategy, the company has outlined a relatively *asset-light* model for opening a new O&O PBRT center. We would expect the company to seek to partnership to reduce its upfront capital investment and still retain a majority interest in the PBRT center. Depending on the potential partner, this could not only reduce the company's required upfront capital commitment, but potentially also broaden the medical services that the overall center could offer.

## VALUATION

The company is optimistic about continuing to grow both its Gamma Knife operations and new businesses, as well as potentially introducing other business lines to support installation of additional radiation therapies in the future.

AMS is not like traditional financial institutions or in-house arms of equipment manufacturers helping finance the installations at hospitals / medical centers. Thus, there does not seem to be a direct competitor, in our view. We look to AMS' recent trading history and note that over the past three years, the shares have traded in a P/E range of about 11x up to 21x on normalized EPS. If we apply a 17x multiple – within the historic range – and a roughly 90% confidence metric to our 2025 EPS forecast to reflect factors that might impact the multiple, including that costs for new initiatives come in higher than we forecast, we derive a near-term valuation of roughly $4.85.

If the company delivers milestones earlier than anticipated, it could impact these multiples. In success we would anticipate multiple expansion and share price appreciation over time. Any delay or failure in successful execution of the strategy could represent a potential risk to The company's valuation and cause the share price to decline. The company believe the risk / reward ratio could be attractive for investors who have a higher than average risk tolerance and longer time horizon.

## RECENT NEWS

- AMS reported 1Q25 results on May 15, 2025.
- AMS announced it received official notice of Certificate of Need approval to acquire the technology to construct and operate a PBRT facility in Rhode Island on December 17, 2024.
- On October 18, 2024, AMS announced key management appointments.
- On August 6, 2024, AMS announced that patient treatments at Puebla, Mexico had started.
- AMS signed a JV for a Gamma Knife facility in Guadalajara, Mexico on July 9, 2024.
- On June 7, 2024, AMS extended its agreement with PeaceHealth Sacred Heart Medical Center.
- AMS closed the Rhode Island deal on May 9, 2024.

## RISKS

We believe risks to American Shared Hospital achieving its goals, and to our valuation, include the following, among others.

- AMS might not gain market share with new businesses as quickly as the company expects, which could lead to slower than anticipated revenue ramp.
- The company could incur unanticipated costs associated with its initiatives.
- Competition could increase.
- AMS might need to raise capital to support its strategy that might be dilutive to current shareholders.
- Government initiatives aimed at changing reimbursement rates and other potential regulatory changes could be more substantial than management anticipates.
- As the company continues its diversification strategy, it still faces revenue concentration risk until the strategy is further advanced.
- The company faces technology risk.

## PROJECTED FINANCIALS

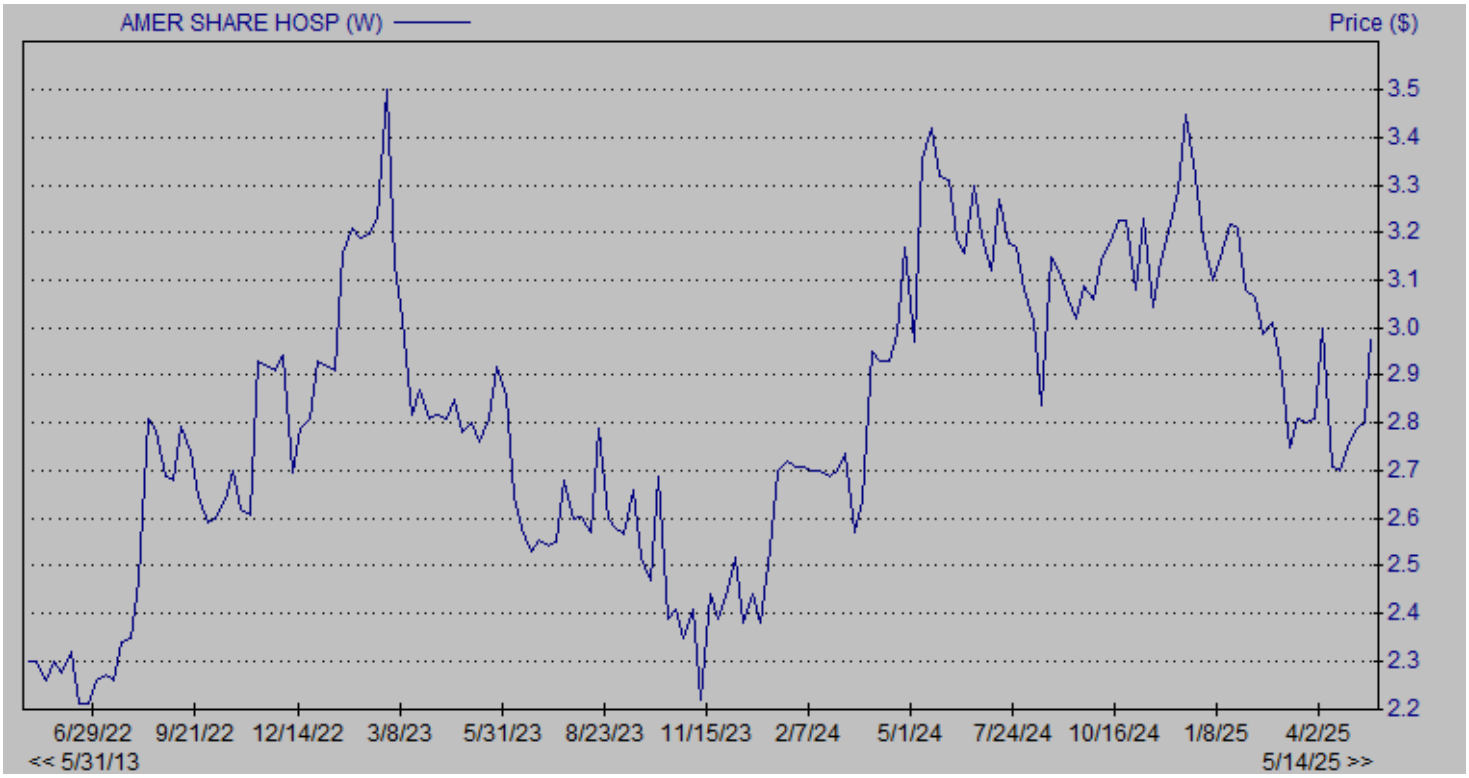
**American Shared Hospital Services Income Statement & Projections** ($ Mns except per share data)

| | *1Q24A* | *2Q24A* | *3Q24A* | *4Q24A* | *2024A* | *1Q25A* | *2Q25E* | *3Q25E* | *4Q25E* | *2025E* |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | | |
| Rental income from medical services | $4.25 | $3.90 | $3.31 | $4.17 | $15.63 | $2.99 | $3.49 | $3.24 | $3.24 | $12.96 |
| Patient income | 0.96 | 3.16 | 3.69 | 4.75 | 12.56 | 3.12 | 3.81 | 4.57 | 6.40 | 17.89 |
| Equipment sales, net | - | - | - | 0.16 | 0.16 | - | - | - | - | - |
| Total revenue | 5.22 | 7.06 | 7.00 | 9.07 | 28.34 | 6.11 | 7.29 | 7.81 | 9.63 | 30.85 |
| Costs of revenue: | | | | | | | | | | |
| Maintenance & supplies | 0.51 | 0.55 | 0.61 | 0.67 | 2.34 | 0.61 | 0.73 | 0.78 | 0.86 | 2.97 |
| Depreciation & amortization | 1.30 | 1.46 | 1.67 | 1.65 | 6.07 | 1.45 | 1.71 | 1.75 | 1.80 | 6.70 |
| Other direct operating costs | 1.09 | 2.42 | 3.18 | 3.37 | 10.07 | 2.86 | 3.76 | 3.38 | 3.55 | 13.56 |
| Other | 0.17 | 0.17 | 0.17 | 0.17 | 0.68 | 0.25 | 0.17 | 0.17 | 0.32 | 0.91 |
| Total direct costs | 3.07 | 4.59 | 5.63 | 5.87 | 19.16 | 5.17 | 6.37 | 6.08 | 6.53 | 24.14 |
| Gross margin | 2.14 | 2.47 | 1.37 | 3.20 | 9.19 | 0.94 | 0.93 | 1.73 | 3.11 | 6.71 |
| Selling & administrative expense | 1.88 | 1.90 | 1.92 | 1.71 | 7.41 | 1.81 | 1.55 | 1.55 | 1.59 | 6.50 |
| Interest expense | 0.35 | 0.39 | 0.34 | 0.43 | 1.50 | 0.43 | 0.44 | 0.44 | 0.45 | 1.76 |
| Loss, write down | | 0.19 | | 2.90 | 3.08 | | - | - | - | - |
| Operating income (loss) | (0.08) | (0.00) | (0.89) | (1.83) | (2.81) | (1.30) | (1.07) | (0.26) | 1.07 | (1.55) |
| Purchase Gain RI Acquisition | | 3.68 | 0.26 | (0.15) | 3.79 | | - | - | - | - |
| (Loss) on early extinguishment of debt | | | | - | - | | - | - | - | - |
| Interest & other income | 0.11 | 0.06 | 0.05 | 0.04 | 0.25 | 0.06 | 0.04 | 0.04 | 0.03 | 0.17 |
| Pretax income | 0.02 | 3.74 | (0.58) | (1.94) | 1.24 | (1.24) | (1.03) | (0.22) | 1.10 | - (1.38) |
| Income tax expense | (0.04) | (0.03) | (0.17) | (0.07) | (0.30) | (0.32) | (0.41) | (0.06) | 0.41 | (0.38) |
| Net income | 0.07 | 3.77 | (0.41) | (1.87) | 1.53 | (0.91) | (0.62) | (0.17) | 0.69 | (1.00) |
| Plus (less) minority interests | 0.05 | (0.17) | 0.20 | 0.56 | 0.65 | 0.29 | 0.15 | 0.18 | (0.13) | 0.49 |
| Net income to AMS | 0.12 | 3.60 | (0.21) | (1.31) | 2.19 | (0.63) | (0.47) | 0.02 | 0.57 | (0.51) |
| *Per share data* | | | | | | | | | | |
| EPS (FD) | $0.02 | $0.55 | ($0.03) | ($0.20) | $0.33 | ($0.10) | ($0.07) | $0.00 | $0.09 | ($0.08) |
| Avg shares out (FD) | 6.576 | 6.583 | 6.482 | 6.542 | 6.703 | 6.572 | 6.450 | 6.450 | 6.449 | 6.480 |

Source: Company reports, Zacks estimates

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