



SANUWAVE Health, Inc.
(OTCQB: SNWV)

August 12, 2014
Target Price: \$2.80
Recent Price: \$0.38

Market Data

Fiscal Year	December 31
Industry	Medtech
Market Cap	\$19.3M
Price/Earnings (ttm)	N/A
Price/Book (mrq)	18.4x
Price/Sales (ttm)	23.5x
Insider Ownership	60.0%
Institutional Ownership	21.7%
Shares Outstanding	50.7M
Float	32.7M
Avg. Daily Vol. (3 mos.)	62,171

As of August 11, 2014

Income Snapshot

	TTM
Revenue	\$0.8M
EBITDA	(\$6.4M)
Net Loss	(\$9.4M)

Balance Sheet Snapshot

	MRQ
Cash	\$6.2M
Debt	\$5.5M

Company Website

<http://www.sanuwave.com>

Feedback from DMC expected in early Sept.; 48% YoY Revenue Growth in 2Q14

Feedback from independent Data Monitoring Committee (DMC) expected in early September. SNWV continues to remain on track to provide an initial efficacy analysis on the first 90 patients in its phase III PMA supplement trial. After reviewing the data, the DMC may recommend one of the following actions: 1) pause enrollment, which is the best case scenario and would indicate that the primary endpoint has been achieved in the first 90 patients, 2) increase enrollment to 130 patients, or 3) stop the trial due to poor results. If positive results are achieved and the DMC recommends pausing enrollment, it is expected that the confirmatory analysis would be completed and released in 4Q14. The early September feedback from the DMC is the most important near-term catalyst for the Company.

48% YoY Revenue Growth in 2Q14. SNWV's 2Q14 revenue was \$238,115, a 48% increase as compared to \$160,617 in 2Q13. Growth in orthoPACE device sales in Asia/Pacific, and more specifically South Korea, was the main revenue driver. Research and development (R&D) expenses in 2Q14 were \$1.0 million, as compared to \$0.6 million in 2Q13. We expect R&D expenses to be about the same in 3Q14, and if enrollment is halted following DMC feedback, than R&D expenses could decline to around \$700,000 in 4Q14. General and administrative (G&A) expenses were \$694,402 in 2Q14, as compared to \$1.2 million in 2Q13. This is primarily due to the forfeiture of non-vested stock options by a terminated employee in 2014. We expect G&A expenses to remain stable over the next few quarters. Net loss for 2Q14 was \$1.7 million, as compared to a net loss of \$0.8 million in 2Q13.

Strategic agreement signed with Premier Shockwave, Inc. to manage legacy OssaTron devices. SNWV announced on July 22nd that it signed an agreement with Premier Shockwave to monetize its legacy OssaTron devices. SNWV will receive royalties through the agreement, meaning that revenue received from the agreement will drop straight to the bottom line. Premier Shockwave is the U.S.'s largest mobile OssaTron service provider, with over 300 hospitals and surgery centers in 29 states. While revenue from the agreement isn't expected to be sizable, it should provide a solid increase to revenues. The revenue impact from this agreement should start being seen in early 2015.

Expansion of patent portfolio. During 2Q14, SNWV received a patent related to the use of shock waves for stimulation of proliferation inside the
Analyst: Spencer Lee **Email:** Spencer@redchip.com **Phone #:** 407-644-4256

body of donor stem cells. SNWV now has 38 patents and patents pending, and its shockwave technology is well protected across many different verticals, covering both medical and non-medical uses.

Reiterating target price of \$2.80. Our target price offers significant upside from the current price of \$0.38. The feedback from the DMC is a strong near-term catalyst, and positive feedback could drive a near-term increase in the share price.

Additional Information

Legal: Smith, Gambrell & Russell, LLP

Auditor: BDO USA, LLP

Transfer Agent: Action Stock Transfer Corp

[Company Information](#)

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Company Contact Info:

*SANUWAVE Health, Inc.
11475 Great Oaks Way, Suite 150
Alpharetta, GA 30022
Phone: 1-770-419-7525
www.sanuwave.com*

Investor Contact Info:

*RedChip Companies, Inc.
1017 Maitland Center Commons blvd.
Maitland, FL 32751
(407) 644-4256
www.redchip.com*