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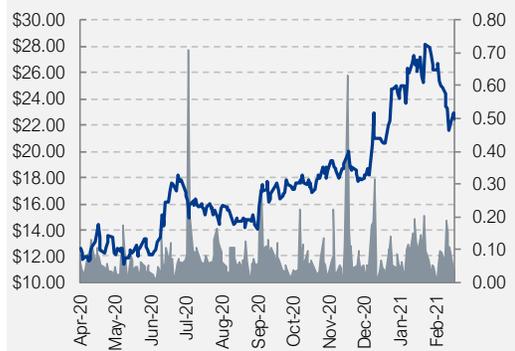
PRN-TSX, PROF-NASDAQ	
Rating:	Buy
Target:	US\$28.00 (was C\$36.50)
Price:	US\$21.77
Return:	28.6%
Valuation:	NPV (15% disc. rate), 20x EPS, 12.5x EV/EBITDA (F2024 estimates)

Market Data	
Basic Shares O/S (M)	20.2
FD Shares O/S (M)	23.0
Market cap, basic (US\$M)	439.9
Ent Val, basic (US\$M)	356.0
Pro-forma cash (rec Q, US\$M)	83.9
Pro-forma debt (rec. Q, US\$M)	0.0
52 Week Range	\$6.53-\$28.97
Avg. Weekly Volume (000)	439.3
Fiscal Year End	Dec-31

Milestone Watch	
Sonalleve, US/EU reg strategy	H1-21
US reimbursement status	H1-21
TULSA-PRO, clinical strategy/BPH	Q1-21

Financial Metrics			
In US\$000	2020A	2021E	2022E
TULSA-PRO, cap equip	4,453	7,956	16,034
TULSA-PRO, consum	346	2,869	11,541
Sonalleve, cap equip	1,780	3,552	9,160
Total prod revenue	7,303	14,971	37,934
Gross margin	3,473	7,781	20,903
EBITDA	(14,308)	(9,179)	3,491
EPS (basic)	(\$1.07)	(\$0.58)	\$0.04
EPS (fd)	(\$0.94)	(\$0.51)	\$0.03
P/E	NA	NA	>30x
EV/EBITDA (basic S/O)	NA	NA	49.9x

Company Description
 Profound Medical is an ON-based medical technology developer, with MR-guided prostate cancer-targeted ultrasound ablation technology TULSA-PRO & uterine fibroid targeted Sonalleve MR-HIFU, both approved in most target markets



Source: Refinitiv

FQ420 Data Reveals Growing Traction for Ultrasound Tissue Ablation, Reimbursement Drivers on The Horizon - BUY

ON-based ultrasound tissue ablation device developer Profound Medical reported FQ420 financial data for the Dec-end quarter that revealed steady revenue growth derived from sales of its flagship ultrasound ablation platforms TULSA-PRO (localized prostate cancer, benign prostatic hyperplasia) and Sonalleve MR-HIFU (uterine fibroids, osteoid osteoma), both of which form the basis for our valuation.

FQ420 update infuses minimal revisions to our investment thesis, but our financial forecasts and PT have both been revised to USD to reflect Profound's decision to use USD as its reporting currency going forward. Profound revised its reporting currency to USD, starting with FQ420 and retrospectively with F2020 full-year data, so we are revising our model and financial forecasts to reflect that revision. As a consequence of this, going forward we will present our PT in USD as well, as shown in Exhibit 2 and in our financial summary to the left. We provide a detailed summary of our currency-adjusted revenue and income statement projections in several exhibits below, but our model is otherwise minimally revised from our last update. Our revised PT of US\$28.00 (was C\$36.50) is still based on NPV (15% discount rate) and multiples of our F2024 EBITDA/EPS projections. At current levels, our PT corresponds to a one-year return of 28.6%.

Solid sequential product revenue growth speaks favorably to Profound's MR-guided ultrasound ablation platforms. The quarter itself was fairly benign and in line with our expectations, with FQ420 revenue of US\$2.9M up 36% from US\$2.1M in FQ419 and up 29% sequentially from US\$2.2M in FQ320. All three revenue values are of course well below levels we expect Profound to achieve in subsequent quarters. Based on our diligence, both devices perform well at accurately ablating diseased tissue in the prostate gland and in uterine fibroids. And both devices also use high-field magnetic resonance imaging as a guidance tool for precisely focusing high-intensity ultrasound energy with minimal damage to surrounding tissue. Full-year F2020 revenue was US\$7.3M, up substantially from US\$4.2M last year.

We expect TULSA-PRO to remain Profound's flagship medical device, with procedure-based revenue generated in parallel, but Sonalleve MR-HIFU has a strong clinical data set supporting installed base growth. Profound does not stratify its product revenue by category and so we do not know with precision how revenue was allocated across TULSA-PRO vs Sonalleve MR-HIFU capital equipment sales.

Both TULSA-PRO and Sonalleve MR-HIFU are approved in a similar number of medical markets (North America, Europe vs China, Europe for Sonalleve), for a similar number of indications, though with prevalence bias toward prostate disease (TULSA-PRO is approved for tissue ablation in general, but with data generated in localized prostate cancer and benign prostatic hyperplasia vs uterine fibroids and osteoid osteoma for Sonalleve). And both are comprehensively partnered with MR imaging equipment manufacturers like Philips (PHG-NY, NR) and Siemens (SIE-EU, NR) and more recently GE Healthcare (GE-NY, NR).

Profound indicated in its MD&A that it sold its ultrasound ablation systems primarily through its partnerships with Siemens and Philips, and since both partners are relevant for generating leads for both devices, this statement provides limited insight into relative unit sales activity.

Exhibit 1. Financial Summary for Profound Medical

<i>Year-end December 31</i> <i>(US\$000, exc per share data)</i>	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
TULSA-PRO, capital equipment	4,453	7,956	16,034	22,926	28,497	32,823	35,799	38,843	40,848
TULSA-PRO, accessories	346	2,869	11,541	27,168	52,777	86,796	124,572	167,413	210,023
Sonallev MR-HIFU, cap equip	1,780	3,552	9,160	18,345	27,530	35,715	40,781	45,848	50,915
Service, maintenance	724	595	1,198	1,713	2,130	2,453	2,675	2,903	3,053
Total prod revenue	7,303	14,971	37,934	70,153	110,933	157,787	203,828	255,007	304,839
Revenue growth, y/y (%)	75%	105%	153%	85%	58%	42%	29%	25%	20%
Gross margin	3,473	7,781	20,903	39,982	65,605	96,222	127,451	162,388	196,613
Gross margin, capital equipment	57.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
Gross margin, accessories (%)	68%	70%	73%	73%	73%	73%	73%	73%	73%
EBITDA	(14,308)	(9,179)	3,491	21,641	46,385	76,196	106,831	141,350	175,138
EBITDA margin (%)	NA	NA	9%	31%	42%	48%	52%	55%	57%
EBITDA growth, y/y (%)	NA	NA	(138%)	520%	114%	64%	40%	32%	24%
Net Income, fully-taxed	(21,623)	(11,704)	771	15,291	35,085	58,933	83,441	111,054	138,084
EPS (basic)	(\$1.07)	(\$0.58)	\$0.04	\$0.75	\$1.73	\$2.90	\$4.11	\$5.47	\$6.81
EPS (fd)	(\$0.94)	(\$0.51)	\$0.03	\$0.66	\$1.52	\$2.56	\$3.62	\$4.82	\$5.99
P/E	NA	NA	650.3x	32.8x	14.3x	8.5x	6.0x	4.5x	3.6x
EV/EBITDA (basic S/O)	NA	NA	49.9x	8.0x	3.8x	2.3x	1.6x	1.2x	1.0x

¹ Historic TULSA-PRO/Sonallev unit sales in F2019/20 are estimates of Leede Jones Gable; consolidated product revenue is as reported

Source: Historical data – Company Information (Profound Medical), Forecasts/Estimates – Leede Jones Gable

Although Profound does provide revenue stratification by geography, indicating whether unit sales were sourced from its operations in Mississauga ON or Hamburg DE, this provides us with limited clues as to relative unit volumes. We took our best guess on this in our F2020 revenue summary, but we admit that the error bars are likely considerable. Since Sonallev MR-HIFU had an installed base under Philips’ stewardship prior to divesting the business to Profound in 2017 of >50 systems, mostly in Asia and Europe; TULSA-PRO’s installed base does not yet rival that level, though it could in a year or two.

Exhibit 2. Valuation Summary for Profound Medical

NPV, discount rate		7.5%	10.0%	12.5%	15%	20%	25%
Implied value per share		\$61.18	\$50.38	\$41.76	\$34.81	\$24.71	\$17.93
Price/earnings multiple, F2024	P/E	7.5%	10%	12.5%	15%	20%	25%
Implied share price ¹	10	\$12.27	\$11.45	\$10.71	\$10.02	\$8.82	\$7.81
	20	\$24.54	\$22.90	\$21.42	\$20.03	\$17.64	\$15.62
	30	\$36.81	\$34.35	\$32.13	\$30.06	\$26.46	\$23.43
EV/EBITDA multiple, F2024		5x	7.5x	10x	12.5x	15x	17.5x
Implied share price ^{1,2}		\$13.71	\$18.74	\$23.78	\$28.81	\$33.85	\$38.88
One-year Profound Medical target price (US\$) ^{1,2}				\$27.88			

¹ F2024 fully-taxed EPS (fd) forecast \$1.52; EBITDA \$46.4M NPV discounted at 15%; fd S/O 23.0M

² Balance sheet data includes FQ420 pro forma cash of US\$83.9M, no LT debt (legacy FQ419 debt of C\$12.0M repaid during FQ120)

Source: Historical data – Company Information (Profound Medical), Forecasts/Estimates – Leede Jones Gable

Ultrasound ablation continues to perform well in published clinical studies – prostate cancer. We have not seen any recent clinical studies focused on (no pun intended) TULSA-PRO’s prostate tumor-ablating capabilities. But if we expand our sphere to include other ultrasound ablation platforms, we have seen a few studies in recent quarters that espouse the virtues of ultrasound ablation, if not specifically with TULSA-PRO.

For example, we reviewed a 44-patient Phase II localized prostate tumor ablation study published by University Health Network-based researchers earlier in 2021 in the journal *Radiology*. In that study, which alternatively used Insightec’s (Private) ExAblate platform to ablate localized tumors in men with unifocal (one tumor mass) clinically-significant disease, most of the treated patients (41 of 44) were disease-free at five-month follow-up (the good news), but with elevated IPSS scores at that time point (median value rose from 3.5 at baseline to 6 at five-month follow-up).

Exhibit 3. Revenue Projections for Profound Medical – TULSA-PRO

<i>Fiscal year-end Dec 31 (US\$000, unless otherwise indicated)</i>	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
TULSA-PRO - US/Canada, localized prostate cancer, recurring revenue											
Localized prostate cancer annual incidence, U.S.	195,801	199,717	203,712	207,786	211,941	216,180	220,504	224,914	229,412	234,001	238,681
Less: Assumed procedure volume for radical prostatectomy, da Vinci	75,770	77,286	78,831	80,408	82,016	83,656	85,330	87,036	88,777	90,552	92,364
Less: Assumed procedure volume for radical prostatectomy, laparoscopic	26,520	27,050	27,591	28,143	28,706	29,280	29,865	30,463	31,072	31,693	32,327
Total annual procedures amenable to ablation	93,511	95,382	97,289	99,235	101,220	103,244	105,309	107,415	109,563	111,755	113,990
TULSA-PRO market penetration (%)	0.1%	1.0%	4.0%	8.6%	16.0%	24.6%	33.6%	43.9%	52.7%	61.5%	70.4%
TULSA-PRO, annual procedures per system	7	25	50	65	80	90	95	100	100	100	100
Total TULSA-PRO prostate ablation procedure, US	119	925	3,850	8,580	16,160	25,380	35,340	47,200	57,700	68,700	80,200
Assumed price per accessories per proc (US\$)	\$2,040	\$2,081	\$2,122	\$2,165	\$2,208	\$2,252	\$2,297	\$2,343	\$2,390	\$2,438	\$2,487
TULSA-PRO, procedure-based revenue on accessories, US (US\$000)	\$231	\$1,925	\$8,171	\$18,575	\$35,684	\$57,164	\$81,189	\$110,605	\$137,914	\$167,490	\$199,437
TULSA-PRO - US/Canada, localized prostate cancer, capital equipment sales											
TULSA-PRO units sold	12	20	40	55	70	80	90	100	105	110	115
TULSA-PRO, price per system (US\$)	\$253,000	\$256,036	\$259,108	\$262,218	\$265,364	\$268,549	\$271,771	\$275,033	\$278,333	\$281,673	\$285,053
TULSA-PRO, capital revenue, US (US\$000)	\$3,036	\$5,121	\$10,364	\$14,422	\$18,576	\$21,484	\$24,459	\$27,503	\$29,225	\$30,984	\$32,781
Cumulative installed base, US	17	37	77	132	202	282	372	472	577	687	802
TULSA-PRO - EU, localized prostate cancer											
Localized prostate cancer annual incidence, U.S.	454,530	463,620	472,892	482,350	491,997	501,837	511,874	522,112	532,554	543,205	554,069
Less: Assumed procedure volume for radical prostatectomy, da Vinci	48,837	49,814	50,810	51,826	52,863	53,920	54,999	56,099	57,221	58,365	59,532
Less: Assumed procedure volume for radical prostatectomy, laparoscopic	36,628	37,360	38,108	38,870	39,647	40,440	41,249	42,074	42,915	43,774	44,649
Total annual procedures amenable to ablation	369,064	376,446	383,975	391,654	399,487	407,477	415,627	423,939	432,418	441,066	449,888
TULSA-PRO market penetration (%)	0.0%	0.1%	0.4%	0.9%	1.7%	2.8%	4.0%	5.0%	6.2%	7.0%	7.8%
TULSA-PRO, projected annual procedures per system, EU	5	20	35	50	65	80	90	95	100	100	100
Total TULSA-PRO prostate ablation proced, EU	50	400	1,400	3,500	6,825	11,600	16,650	21,375	26,600	30,800	35,100
Assumed price per accessories per procedure (€)	€ 1,918	€ 1,956	€ 1,995	€ 2,035	€ 2,076	€ 2,117	€ 2,160	€ 2,203	€ 2,247	€ 2,292	€ 2,338
TULSA-PRO, procedure-based revenue on accessories, EU (€000)	€ 96	€ 782	€ 2,793	€ 7,122	€ 14,166	€ 24,559	€ 35,956	€ 47,083	€ 59,764	€ 70,585	€ 82,048
TULSA-PRO, procedure-based revenue on accessories, EU (US\$000)	\$116	\$944	\$3,370	\$8,594	\$17,093	\$29,632	\$43,383	\$56,809	\$72,109	\$85,165	\$98,996
TULSA-PRO - EU, localized prostate cancer, capital equipment sales											
TULSA-PRO units sold	5	10	20	30	35	40	40	40	41	42	43
TULSA-PRO, price per system (€)	€ 234,950	€ 234,950	€ 234,950	€ 234,950	€ 234,950	€ 234,950	€ 234,950	€ 234,950	€ 234,950	€ 234,950	€ 234,950
TULSA-PRO, capital revenue, EU (€000)	€ 1,175	€ 2,350	€ 4,699	€ 7,049	€ 8,223	€ 9,398	€ 9,398	€ 9,398	€ 9,633	€ 9,868	€ 10,103
TULSA-PRO, capital revenue, EU (US\$000)	\$1,417	\$2,835	\$5,670	\$8,504	\$9,922	\$11,339	\$11,339	\$11,339	\$11,623	\$11,906	\$12,190
Cumulative installed base, EU	10	20	40	70	105	145	185	225	266	308	351
TULSA-PRO, total US revenue (US\$000) ¹	\$3,267	\$7,045	\$18,536	\$32,997	\$54,259	\$78,648	\$105,649	\$138,108	\$167,139	\$198,474	\$232,218
TULSA-PRO, total EU revenue (US\$000) ²	\$1,533	\$3,779	\$9,040	\$17,098	\$27,015	\$40,972	\$54,723	\$68,148	\$83,732	\$97,071	\$111,186
Cumulative installed base, US-EU	27	57	117	202	307	427	557	697	843	995	1,153
TULSA-PRO, total proc-driven rev (US\$000)	\$346	\$2,869	\$11,541	\$27,168	\$52,777	\$86,796	\$124,572	\$167,413	\$210,023	\$252,655	\$298,433
TULSA-PRO, total capital sales (US\$000)	\$4,453	\$7,956	\$16,034	\$22,926	\$28,497	\$32,823	\$35,799	\$38,843	\$40,848	\$42,890	\$44,971
Total TULSA-PRO gross sales (US\$000) ^{1,2,3}	\$4,800	\$10,824	\$27,575	\$50,095	\$81,274	\$119,620	\$160,371	\$206,256	\$250,871	\$295,545	\$343,404

^{1,2} USD:CDN currency exchange assumed to be 1.3x in all forecast periods; EUR:CDN currency exchange assumed to be 1.4x in all forecast periods

³ Cumulative TULSA-PRO installed base incorporates Leede Jones Gable estimates for historic unit sales levels during F2016-F2019

Source: Historical data – Company Information (Profound Medical), Forecasts/Estimates – Leede Jones Gable

Many recent prostate tumor ablations, even if not specific to TULSA-PRO, still support the utility of focused ultrasound ablation as a credible alternative to radical prostatectomy or radiation therapy. The magnitude of IPSS score elevation is actually modest and was not statistically-significant anyway, but we did see that 55% of men who were evaluable at five-month follow-up reported either mild or moderate erectile dysfunction and this is a side effect that will need to be closely monitored in any future ExAblate clinical study. Profound's data from the 110-patient TACT trial supporting TULSA-PRO's FDA approval did exhibit modest proportion of men with grade 2 erectile dysfunction at one-year follow-up (20-25% requiring medical intervention) but clearly at a lower proportion and in a longer, more comprehensive trial.

And in a 560-patient long-term follow-up study published by German researchers also earlier this year in the journal *European Urology Focus*, data from patients with non-metastatic prostate cancer at enrollment, and for whom whole-gland ultrasound-based ablation was conducted primarily using EDAP TMS' (EDAP-Q, NR) Ablatherm, showed that at fifteen years, the cancer-specific survival rate for patients with low-, intermediate-, or high-risk cancer at enrollment was 95%, 89%, and 65%, respectively.

Exhibit 4. Revenue Projections for Profound Medical – Sonalleve MR-HIFU & Consolidated

<i>Fiscal year-end Dec 31</i> <i>(C\$000, unless otherwise stated)</i>	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Sonalleve MR-HIFU - US, uterine fibroid ablation, capital equipment sales											
Sonalleve MR-HIFU units sold	0	0	5	10	15	18	21	24	27	30	33
Sonalleve MR-HIFU, price per system (US\$)	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Sonalleve MR-HIFU, capital revenue, US (US\$000)	\$0	\$0	\$2,500	\$5,000	\$7,500	\$9,000	\$10,500	\$12,000	\$13,500	\$15,000	\$16,500
Sonalleve MR-HIFU, capital revenue, US (C\$000) ¹	\$0	\$0	\$3,250	\$6,500	\$9,750	\$11,700	\$13,650	\$15,600	\$17,550	\$19,500	\$21,450
Cumulative installed base, US	0	0	5	15	30	48	69	93	120	150	183
Sonalleve MR-HIFU - EU, uterine fibroid ablation, capital equipment sales											
Sonalleve MR-HIFU units sold	0	0	0	5	10	15	18	21	24	27	30
Sonalleve MR-HIFU, price per system (€)	€ 372,108	€ 372,108	€ 372,108	€ 372,108	€ 372,108	€ 372,108	€ 372,108	€ 372,108	€ 372,108	€ 372,108	€ 372,108
Sonalleve MR-HIFU, capital revenue, EU (€000)	€ 0	€ 0	€ 0	€ 1,861	€ 3,721	€ 5,582	€ 6,698	€ 7,814	€ 8,931	€ 10,047	€ 11,163
Sonalleve MR-HIFU, capital revenue, EU (US\$000)	\$0	\$0	\$0	\$2,245	\$4,490	\$6,735	\$8,081	\$9,428	\$10,775	\$12,122	\$13,469
Sonalleve MR-HIFU, capital revenue, EU (C\$000) ²	\$0	\$0	\$0	\$2,605	\$5,210	\$7,814	\$9,377	\$10,940	\$12,503	\$14,066	\$15,629
Cumulative installed base (excluding prior installs by Philips), l	0	0	0	5	15	30	48	69	93	120	150
Sonalleve MR-HIFU - China, uterine fibroid ablation, capital equipment sales											
Sonalleve MR-HIFU units sold	4	8	15	25	35	45	50	55	60	60	60
Sonalleve MR-HIFU, price per system (US\$)	\$444,000	\$444,000	\$444,000	\$444,000	\$444,000	\$444,000	\$444,000	\$444,000	\$444,000	\$444,000	\$444,000
Sonalleve MR-HIFU, cap rev, China (US\$000)	\$1,776	\$3,552	\$6,660	\$11,100	\$15,540	\$19,980	\$22,200	\$24,420	\$26,640	\$26,640	\$26,640
Cumulative installed base, China	8	16	31	56	91	136	186	241	301	361	421
Cumulative installed base, US-EU	8	16	36	76	136	214	303	403	514	631	754
Total capital sales, Sonalleve MR-HIFU (US\$000) ⁴	\$1,780	\$3,552	\$9,160	\$18,345	\$27,530	\$35,715	\$40,781	\$45,848	\$50,915	\$53,762	\$56,609
Total gross revenue, Sonalleve MR-HIFU (US\$000)	\$1,780	\$3,552	\$9,160	\$18,345	\$27,530	\$35,715	\$40,781	\$45,848	\$50,915	\$53,762	\$56,609
Consolidated Revenue (C\$000)											
Capital sales, TULSA-PRO	\$5,591	\$9,946	\$20,052	\$28,616	\$35,661	\$41,086	\$44,954	\$48,911	\$51,479	\$54,094	\$56,759
Capital sales, Sonalleve MR-HIFU	\$2,309	\$4,618	\$11,908	\$23,535	\$35,162	\$45,488	\$51,887	\$58,286	\$64,685	\$68,198	\$71,711
Consumables (ultrasound transducers, cooling devices), TULSA-PRO	\$434	\$3,597	\$14,533	\$34,118	\$66,222	\$108,696	\$155,884	\$209,702	\$262,958	\$316,555	\$374,135
Maintenance/service	\$724	\$595	\$1,198	\$1,713	\$2,130	\$2,453	\$2,675	\$2,903	\$3,053	\$3,205	\$3,361
Total consolidated revenue (C\$000)	\$9,058	\$18,756	\$47,691	\$87,983	\$139,174	\$197,724	\$255,401	\$319,803	\$382,174	\$442,052	\$505,966
Consolidated Revenue (US\$000)											
Capital sales, TULSA-PRO	\$4,453	\$7,956	\$16,034	\$22,926	\$28,497	\$32,823	\$35,799	\$38,843	\$40,848	\$42,890	\$44,971
Capital sales, Sonalleve MR-HIFU	\$1,780	\$3,552	\$9,160	\$18,345	\$27,530	\$35,715	\$40,781	\$45,848	\$50,915	\$53,762	\$56,609
Consumables (ultrasound transducers, cooling devices), TULSA-PRO	\$346	\$2,869	\$11,541	\$27,168	\$52,777	\$86,796	\$124,572	\$167,413	\$210,023	\$252,655	\$298,433
Maintenance/service	\$724	\$595	\$1,198	\$1,713	\$2,130	\$2,453	\$2,675	\$2,903	\$3,053	\$3,205	\$3,361
Total consolidated revenue (US\$000)	\$7,303	\$14,971	\$37,934	\$70,153	\$110,933	\$157,787	\$203,828	\$255,007	\$304,839	\$352,512	\$403,374

^{1,2} USD:CDN currency exchange assumed to be 1.3x in all forecast periods; EUR:CDN currency exchange assumed to be 1.4x in all forecast periods

^{3,4} Cumulative TULSA-PRO/Sonalleve MR-HIFU installed base incorporates Leede Jones Gable estimates for historic unit sales levels during F2018-F2020; historic product-specific sales data are Leede Jones Gable estimates and not provided by Profound Medical

Source: Historical data – Company Information (Profound Medical), Forecasts/Estimates – Leede Jones Gable

Exhibit 5. Income Statement & Financial Forecasts for Profound Medical

Fiscal year-end Dec 31

(C\$000 to F2018, US\$000 in F2019-)

	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Revenue									
TULSA-PRO, capital equipment	4,453	7,956	16,034	22,926	28,497	32,823	35,799	38,843	40,848
TULSA-PRO, accessories/ consumables	346	2,869	11,541	27,168	52,777	86,796	124,572	167,413	210,023
Sonalleve-MR-HIFU, capital equipment	1,780	3,552	9,160	18,350	27,540	35,730	40,800	45,870	50,940
Service/maintenance	724	595	1,198	1,713	2,130	2,453	2,675	2,903	3,053
Total Revenue	\$7,303	\$14,971	\$37,934	\$70,158	\$110,944	\$157,803	\$203,847	\$255,029	\$304,864
TULSA-PRO unit sales ¹	17	30	60	85	105	120	130	140	146
Sonalleve MR-HIFU unit sales ¹	0	0	0	5	10	15	18	21	24
Cumulative TULSA-PRO installed base ¹	27	57	117	202	307	427	557	697	843
Cumulative Sonalleve MR-HIFU unit sales ¹	0	0	0	5	15	30	48	69	93
Direct costs, cap equip, TULSA-PRO ²	1,915	4,376	8,819	12,610	15,674	18,053	19,689	21,363	22,466
Direct costs, cap equip, Sonalleve MR-HIFU ²	1,915	1,954	5,038	10,093	15,147	19,652	22,440	25,229	28,017
Less: assessories, TULSA-PRO	0	861	3,174	7,471	14,514	23,869	34,257	46,039	57,756
Gross margin	\$3,473	\$7,781	\$20,903	\$39,985	\$65,610	\$96,229	\$127,460	\$162,398	\$196,624
Aggregate gross margin (%)	47.6%	52.0%	55.1%	57.0%	59.1%	61.0%	62.5%	63.7%	64.5%
Gross marg, cap equip, TULSA-PRO (%)	57.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
Gross marg, cap equip, Sonalleve (%)	(7.6%)	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
Gross margin, assessories (%)	67.5%	70.0%	72.5%	72.5%	72.5%	72.5%	72.5%	72.5%	72.5%
Operating Expenses									
Partnership/milestone-related payments	0	0	0	0	0	0	0	0	0
R&D expense, net	9,912	8,000	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Adjusted G&A expense	3,009	3,310	3,641	4,005	4,405	4,846	5,209	5,470	5,743
S&M expense, TULSA-PRO	3,860	3,807	4,245	4,606	4,862	4,982	4,943	4,804	4,639
S&M expense, Sonalleve MR-HIFU	1,000	1,843	2,027	2,230	2,453	2,698	2,968	3,264	3,591
Sonalleve MR-HIFU royalties to Philips	0	0	0	0	0	0	0	0	0
Other operating expenses	0	0	0	0	0	0	0	0	1
Total Operating Expense	\$16,781	\$15,117	\$15,385	\$16,111	\$16,767	\$17,328	\$17,652	\$17,774	\$17,883
EBITDA	(\$14,308)	(\$9,179)	\$3,491	\$21,644	\$46,390	\$76,203	\$106,840	\$141,360	\$175,149
EBITDA margin (%)	NA	(61.3%)	9.2%	30.9%	41.8%	48.3%	52.4%	55.4%	57.5%
Non-Operating Expenses									
Interest expense	472	0	0	0	0	0	0	0	0
Effective Interest Rate (%)	NA	NA	NA	NA	NA	NA	NA	NA	NA
Amortization Expense	1,538	1,526	1,526	1,526	1,526	1,526	1,526	1,526	1,526
Stock option expense	3,018	1,250	1,251	1,252	1,253	1,254	1,255	1,256	1,257
Interest income	(692)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Preferred share dividend expense	0	0	0	0	0	0	0	0	0
Loss (gain) on debt valuation, pay-down	0	0	0	0	0	0	0	0	0
Loss (gain) on derivative valuation	398	0	0	0	0	0	0	0	0
Loss (gain) on one time items	0	0	0	0	0	0	0	0	0
Loss (gain) on currency exchange	2,536	0	0	0	0	0	0	0	0
EBT	(\$21,578)	(\$11,704)	\$964	\$19,116	\$43,861	\$73,674	\$104,309	\$138,828	\$172,617
Adjusted EBT	(\$21,578)	(\$11,704)	\$964	\$19,116	\$43,861	\$73,674	\$104,309	\$138,828	\$172,617
Adjusted EBT margin (%)	NA	NA	2.5%	27.2%	39.5%	46.7%	51.2%	54.4%	56.6%
Tax expense	45	0	193	3,823	8,772	14,735	20,862	27,766	34,523
Less: tax loss carryforward	0	0	(193)	(3,823)	(8,772)	(14,735)	(4,280)	0	0
Effective tax rate (%)	NA	NA	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Adjusted net income	(\$21,623)	(\$11,704)	\$964	\$19,116	\$43,861	\$73,674	\$87,728	\$111,062	\$138,093
Tax-affected net income	(\$21,623)	(\$11,704)	\$771	\$15,293	\$35,089	\$58,939	\$83,447	\$111,062	\$138,093
Adjusted net margin (%)	NA	NA	2%	22%	32%	37%	41%	44%	45%
EPS (basic)	(\$1.07)	(\$0.58)	\$0.05	\$0.94	\$2.16	\$3.63	\$4.32	\$5.47	\$6.81
EPS (fd)	(\$0.94)	(\$0.51)	\$0.04	\$0.83	\$1.90	\$3.20	\$3.81	\$4.82	\$5.99
Adjusted fully-taxed EPS (basic)	(\$1.07)	(\$0.58)	\$0.04	\$0.75	\$1.73	\$2.90	\$4.11	\$5.47	\$6.81
Adjusted fully-taxed EPS (fd)	(\$0.94)	(\$0.51)	\$0.03	\$0.66	\$1.52	\$2.56	\$3.62	\$4.82	\$5.99
Shares out (basic)	20,209	20,290	20,290	20,290	20,290	20,290	20,290	20,290	20,290
Shares out (fd)	22,955	23,036	23,036	23,036	23,036	23,036	23,036	23,036	23,036

¹ Historic unit sales as recorded above for TULSA-PRO & Sonalleve MR-HIFU are Leede Jones Gable estimates

² Historic cost of goods as recorded above for TULSA-PRO & Sonalleve MR-HIFU are Leede Jones Gable estimates, assumed to be comparable for each device

Source: Historical data – Company Information (Profound Medical), Forecasts/Estimates – Leede Jones Gable

Some TULSA-PRO-specific trials are ongoing and could support clinical utility of the device in prostate disease and other markets. Biopsy failure-free survival, a slightly more stringent measure of ablation efficacy, was slightly lower, but still impressive at 82%-73%-47%. We do not yet have ultra-long-term post-ablation survival/recurrence data like this for TULSA-PRO, but we are optimistic that these data are uniformly positive for prostate-targeted ultrasound ablation in general, and that TULSA-PRO-ablated patients can exhibit similarly-positive long-term disease-free survival if/when Profound and its clinical collaborators conduct Phase IV follow-up studies of this (or longer) duration.

Exhibit 6. Ongoing Clinical Studies Examining TULSA-PRO or Sonalleve MR-HIFU Ultrasound Ablation

Device	Innovator	Lead enrolling institution & lead investigator	Number of patients	Stage of Development	Primary Endpoint	Timeline to Interim Data	Comments/Study details
TULSA-PRO	Profound Medical-Sunnybrook	Turku University Hospital (Peter Bostrom MD PhD)	70 (four arms, distinct prostate diseases)	Phase IV (HIFU-PRO trial)	Tissue ablation accuracy, also one-year efficacy on tumor control & urologic side effects. Study amended to all for more salvage patients	Q1-21	Testing ultrasound ablation outcomes in local advanced, local recurrent, local recurrent prostate cancer after RT, & BPH
TULSA-PRO or Focal ONE	Profound Medical, EDAP TMS	Oslo University Hospital (Eduard Baco MD PhD)	200	Phase IV	Treatment failure at three-years; urological side effects, tumor progression, mortality	Q3-21	Comparing radical prostatectomy to ultrasound ablation, using either TULSA-PRO or EDAP's Focal ONE
TULSA-PRO	Profound Medical-Sunnybrook	Turku University Hospital (Peter Bostrom MD PhD)	30 (single arm)	Phase IV (PRO-TULSA-PC trial)	Disease-free survival at 90d, urological side effects, tumor progression/survival at one-year	Q4-21	Refining ablation protocols; using Philips Ingenia 3T MR,
TULSA-PRO	Profound Medical (Sunnybrook Health Sciences Center)	University of Chicago (Scott Eggener MD)	150 (single arm)	Phase IV	Treatment-related urological adverse events, proportion of subjects with PSA <25% from baseline, IPSS, prostate volume, biopsy at one-year	Q2-22	MR-guided transurethral ultrasound ablation platform, now FDA-approved, intended to further refine ablation protocols

Device	Innovator	Lead enrolling institution & lead investigator	Number of patients	Stage of Development	Primary Endpoint	Timeline to Interim Data	Comments/Study details
Sonalleve MR-HIFU, with Philips Ingenia 3T MRI	Koninklijke Philips NV	Turku University Hospital (Finland)	30	Phase IV	Change in subjective metastatic bone pain at six month follow-up	Q1-22	Sonalleve ultrasound ablation compared to Varian True-Beam RT system
Sonalleve MR-HIFU Breast Therapy System	Koninklijke Philips NV	Kantonsspital Winterthur KSW (Switzerland)	10	Phase I/II	Proportion of subjects with complete necrosis of target tumor, breast cancer	Q4-20	Breast tumor ablation as alternative to surgical resection is objective
Sonalleve MR-HIFU Breast Therapy System	Koninklijke Philips NV	UMC Utrecht (Netherlands)	10	Phase I/II	Amount of ablated tissue at two week follow-up	Q1-22	Early-stage breast tumors will be targeted (<3cm) for feasibility of tumor ablation
Sonalleve MR-HIFU	Koninklijke Philips NV	Washington University (MO)	10	Phase I/II	Achieving ablation-like intra-tumor temp with ultrasound energy; safety	Q1-25	Feasibility of using ultrasound for ablating localized advanced cervical cancer
Sonalleve MR-HIFU	Koninklijke Philips NV	Hospital for Sick Children, Sunnybrook Health Sciences Center (ON)	10	Phase IV	Changes in pain intensity from metastatic bone pain, up to three months	Q1-21	Despite Sunnybrook participation, Profound does not appear to be involved
Sonalleve MR-HIFU	Koninklijke Philips NV	Children's National Research Institute (DC)	14	Phase I	Disease response rate and immune markers at one-year follow-up	Q2-21	Testing tumor ablation in multiple pediatric solid tumor types
Sonalleve MR-HIFU, with Doxil	Koninklijke Philips NV	UMC Utrecht (Netherlands)	12	Phase I	Multiple measures of technical utility, but also tumor response (breast cancer only)	Q4-22	Using focused ultrasound as a way to induce tumor hyperthermia, release doxorubicin from liposomal formulation

Source: US National Institutes of Health clinical database, company reports

A few clinical studies are ongoing, as we show in Exhibit 6, ostensibly to refine methodologies for deploying focused ultrasound energy from TULSA-PRO to maximize tumor ablation without damaging surrounding tissue, specifically nerve bundles near the

prostate gland that if damaged can lead to long-term urological dysfunction. We are confident that TULSA-PRO-based outcomes will improve with practitioner experience, as with most medical devices we have examined in our coverage history.

Exhibit 7. Comparable Companies for Profound Medical

Company	Curr	Sym	Shares out (M)	Share price 4-Mar	Mkt cap (\$M)		Ent val (\$M)		EV/EBITDA			Price/Earnings			Status of lead program
					(curr)	(C\$)	(curr)	(C\$)	(T12)	FY1	FY2	(T12)	FY1	FY2	
Canadian medical technology development peers															
Greenbrook TMS	USD	GTMS	13.5	\$18.59	251	\$318	219	\$278	NA	NA	20.8x	NA	NA	NA	FDA-approved transcranial magnetic stimulation platform for treating major depressive disorder
Helius Medical Technologies	USD	HSM	2.2	\$13.60	30	\$38	27	\$35	NA	NA	NA	NA	NA	NA	Portable neuromodulation stimulator (PoNS), targets traumatic brain injury or MS-related gait/balance disorders
Neovasc	USD	NVCN	28.9	\$1.62	47	\$59	33	\$42	NA	NA	NA	NA	NA	NA	Implantable CV devices - coronary sinus stent Reducer (angina), TMVR device Tiara (mitral regurgitation)
Perimeter Medical	CAD	PINK	39.2	\$4.23	166	\$210	154	\$195	NA	NA	NA	NA	NA	NA	OCT-based tissue imaging platform for breast and other cancer forms
Opsens	CAD	OPS	106.6	\$1.71	182	\$231	183	\$232	NA	NA	28.2x	NA	NA	29.5x	Implantable CV devices - coronary sinus stent Reducer (angina), TMVR device Tiara (mitral regurgitation)
Average						\$134		\$126							
Peer firms with ablative technologies in development or at commercial-stage															
AtriCure	USD	ARTC	45.6	\$66.98	3,052	\$3,862	2,873	\$3,636	NA	NA	NA	NA	NA	NA	Cryoablation probes for surgical ablation/AF ablation
Edap TMS	EUR	EDAP	29.1	€ 8.04	€ 234	\$358	€ 177	\$270	NA	NA	NA	NA	NA	43.9x	HIFU prostate ablation device Ablatherm [FDA-approved in Nov/15], Focus One [CE Marked in Jun/13], US\$15.8M in F2019 HIFU sales
Elbit Imaging	ILS	EMITF	9.2	ILS 594.30	ILS 5,462	\$2,087	ILS 55	\$21	NA	NA	NA	NA	NA	NA	InSightec division is developing MR-guided focused ultrasound platform called Exablate, part of Elbit Medical
Misonix	USD	MSON	17.4	\$18.56	323	\$408	332	\$421	NA	NA	NA	NA	NA	NA	Ultrasound equipment (spine, neuro, wound debridement, laparoscopic); not focused on tissue ablation
Average						\$1,679		\$1,087							
Mature imaging or prostate ablation technology firms															
Elekta AB	SEK	EKTA	367.1	SEK 111.3	SEK 40,840	\$6,134	SEK 43,397	\$6,518	13.0x	13.1x	12.3x	NA	30.3x	26.8x	Sweden-based radiotherapy-radio-surgery-brachy-surgery firm, modest focus on prostate cancer among other oncology markets
Hologic	USD	HOLX	257.7	\$71.97	18,544	\$23,464	20,460	\$25,887	9.1x	6.5x	10.8x	13.5x	8.1x	14.1x	Diversified medical imaging firm, focus on women's health (Selenia 3D mammography); sells ProgenSA PCA3 prostate cancer test
Integra LifeSciences Holdings	USD	IART	84.4	\$67.92	5,730	\$7,251	6,815	\$8,623	20.3x	17.8x	15.8x	42.8x	23.5x	20.3x	Diversified surgical/medical equipment manufacturer (neurosurgery, orthopedics, general surgery), including tissue ablation
Intuitive Surgical	USD	ISRG	117.7	\$727.15	85,599	\$108,308	80,374	\$101,697	NA	NA	33.2x	NA	58.0x	47.6x	da Vinci robotic surgery platform is leading device for robot-assisted radical prostatectomy
Koninklijke Philips NV	EUR	PHG	905.1	€ 44.92	€ 40,658	\$62,069	€ 43,682	\$66,684	NA	12.3x	11.2x	NA	23.0x	20.1x	Netherlands-based imaging & diagnostics giant with TULSA-PRO alliance; image-guided therapy division generated €1.6B in F2016
Siemens	EUR	SIE	799.3	€ 133.12	€ 106,404	\$162,437	€ 137,550	\$209,984	15.1x	15.1x	13.0x	25.1x	20.8x	18.3x	Germany-based imaging & diagnostics giant, also TULSA-PRO alliance; intervent oncol division markets RF ablation platform (liver cancer)
Toshiba	JPY	6502	453.8	¥3,550	¥1,611,151	\$19,049	¥1,632,614	\$19,302	9.4x	8.1x	6.2x	18.3x	20.2x	13.5x	MR imaging giant, though not specifically partnered with Profound
Varian Medical	USD	VAR	91.8	\$175.96	16,160	\$20,447	15,618	\$19,761	28.8x	21.4x	18.7x	56.7x	33.8x	29.5x	Developed market-leading TrueBeam image-guided radiation therapy platform (acq by Siemens AG in Aug/20)
Average						\$51,145		\$57,307			15.2x			23.8x	
Profound Medical	USD	PRN	20.3	\$21.77	\$442	\$442	\$358	\$358	NA	NA	NA	NA	NA	NA	Ultrasound ablation platforms TULSA-PRO (US/EU-approved), Sonalleve MR-HIFU (US/China-approved for uterine fibroids)

Source: Historical data – Company Information (Profound Medical), Forecasts/Estimates – Leede Jones Gable

Ultrasound ablation continues to perform well in published clinical studies – uterine fibroids. Shifting to Sonalleve, which performed well in the original 107-patient uterine fibroid ablation study published in 2016 in the *Journal of Therapeutic Ultrasound* on which Chinese approval (and our original positive view on the device) was based. The device continues to perform well in subsequent clinical studies. In one recent 165-patient study published last year in the journal *European Radiology* by Netherlands-based researchers, data showed that new insights into how to conduct Sonalleve-based fibroid ablation were able to reduce treatment failure rates from 20% historically (at least at this institution, which was the Netherlands-based Isala Hospital) to 4%. And separately, ineligibility rate from inaccessible fibroids declined from 18% to 0%, just by modifying treatment protocols independent of Sonalleve's MR-guided ultrasound ablation capabilities.

We see no reason why Sonalleve MR-HIFU unit sales cannot scale upward in coming quarters, with positive US regulatory regard now granted and with growing clinical evidence of its utility in uterine fibroid ablation and other markets. This study was specifically mentioned in Profound's FQ420 MD&A (or at least its lead author IM Verpalen was specifically identified). This research team published a positive review of uterine fibroid ultrasound ablation in 2019 in the *European Journal of Radiology*, which we previously reviewed. We see no reason why advances like this cannot enhance Sonalleve's medical prospects in other geographies beyond China, where it is approved for uterine fibroid ablation, and in the US, where it was FDA-approved last quarter for a niche indication (osteoid osteoma) that should nonetheless provide foundational support for future clinical studies in that geography. We were interested to see that there are a few small Sonalleve-based ablation clinical studies still ongoing, mostly in EU, and interestingly, mostly focused on indications beyond those for which the device is approved (Exhibit 6). These include breast tumor ablation and metastatic bone pain, from which we look forward to efficacy data in a year or two.

US sales traction on TULSA-PRO is growing. On other updates, we were encouraged to hear that Profound's early TULSA-PRO adopters (mostly in Germany so far) are reporting an average of about 60 procedures per year, well above the 40 procedures per year that the firm originally assumed and substantially above the 25 procedures per year that our model assumes during the first year or two after installation and training have concluded. Profound is placing TULSA-PRO in some high-profile imaging centers already, including of course within RadNet's (RDNT-Q, NR) imaging network as announced last year, but also in the MN/AZ-based Mayo Clinic, the TX-based UT Southwestern Medical Center, the CT-based Yale Cancer Center, and the PA-based Wellspan Advanced Prostate Cancer Center. We do not see any imaging-equipped urology clinics in this list but we assume that Profound and its partners will continue to generate leads in this market niche in parallel with its ongoing focus on US/EU hospitals and cancer centers.

Efforts to apply for TULSA-PRO-specific CPT codes are ongoing, but existing codes seem to be functioning for hospitals already conducting TULSA-PRO-based procedures. TULSA-PRO-specific reimbursement codes could still be key to driving adoption, but we were encouraged to hear from Profound that an existing CPT code could be relevant to TULSA-PRO. We suspect this is the code granted to EDAP TMS (EDAP-Q, NR) in Jun/19, ostensibly for its Focal ONE and Ablatherm platforms, but which seems broadly relevant to any procedure involving ultrasound-based prostate tumor ablation, which TULSA-PRO obviously does. We expect Profound's efforts to gain a TULSA-PRO-specific code will continue, but in the interim, there is clearly a mechanism by which the economics of TULSA-PRO-based prostate tumor ablations can function.

Summary & valuation. We are **maintaining our BUY rating on PRN, while shifting our PT to US\$28.00** (essentially a currency change from our prior C\$36.50 PT) and simultaneously converting our prior income statement and financial forecast data to USD in parallel. Our model still assumes that both TULSA-PRO and Sonalleve MR-HIFU unit sales can scale upward in coming quarters, with or without a device-specific CPT code to drive procedural reimbursement. Clinical evidence is strong for both devices, both of which admittedly require high-field MR capabilities at centers where ultrasound ablation can be conducted, but the prevalence of MR imaging capabilities is growing and not shrinking worldwide, and the interplay between TULSA-PRO ultrasound ablation and MR guidance is in our view positive for both platforms.

Our model still assumes that Profound can be EBITDA/EPS-positive by end-of-F2022, as shown in Exhibit 1, and we still base our valuation on NPV (15% discount rate) and multiples of our F2024 EBITDA/fd fully-taxed EPS forecast (US\$46.4M/US\$1.52, respectively). Taking the average of these three methods, as shown in Exhibit 2, gives us an average PT of US\$27.91, which we round to US\$28.00. At current levels, our PT corresponds to a one-year return of 28.6%.

On the milestone watch, we will be looking for announcements for new TULSA-PRO or Sonalleve MR-HIFU unit sales into high-profile imaging clinics, hospitals, or cancer treatment centers and of any new published clinical data that could support medical prospects for these devices even further. Efforts to gain favor with the US CMS on creating TULSA-PRO and/or Sonalleve MR-HIFU-specific CPT codes should continue in the background, with resolution probably not until end-of-year, or perhaps FH122.

Disclosures none

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