JAGUAR CAPITAL

Date: January 3, 2023

Sensus Healthcare, Inc. (Nasdaq: SRTS)

On the Cutting Edge – With No Cutting at All…An Incredibly Profitable, High-Growth Small-Cap MedTech Company That Trades at Only 3x EV/EBITDA…>300% Upside Potential

Recommendation: Buy
Price Target: $30
Return Potential: +307% Upside (Base Case)

Key Statistics:

Price:	$7.42	
Market Capitalization:	$123	
Enterprise Value (EV):	$87	
Cash & Equivalents:	$38	
Total Debt:	$0	
Shares Outstanding:	16.6	
Float:	12.9	
Short Interest (% of Float):	11.4%	
Days to Cover (DTC):	3.8	
ADTV (Shares):	0.281	
ADTV ($):	$2.1	
Adj. Beta (6mo):	0.78	
52-Wk High / %Δ:	$15.25	(51.3%)
52-Wk Low / %Δ:	$5.58	33.0%

**Values in millions, except per share data.*
**Source: Bloomberg.*

Sales	1Q	2Q	3Q	4Q	FY
2020	$1.7	$1.2	$1.6	$5.1	$9.6
2021	$3.1	$5.4	$5.5	$13.0	$27.0
2022	$10.3	$12.1	$9.0	$12.8	$44.2
2023	$11.8	$13.8	$13.1	$15.5	$54.1

($ in Millions)
Source: Company reports, Jaguar estimates.

EPS	1Q	2Q	3Q	4Q	FY
2020	($0.22)	($0.16)	($0.10)	$0.06	($0.42)
2021	($0.07)	($0.02)	$0.01	$0.32	$0.24
2022	$0.97	$0.27	$0.11	$0.22	$1.57
2023	$0.20	$0.25	$0.24	$0.31	$1.01

Source: Company reports, Jaguar estimates.

Portfolio Manager Summary:
We are Long Sensus Healthcare, Inc. (SRTS) and have established a $30 PT based on our view of the company's highly differentiated skin cancer offering in the Dermatology channel paired with our proprietary sales/job tracker, impressive sales growth / margin profile, inflecting user adoption curve with excellent practice economics, scarcity value of being a rare (and highly) profitable micro-cap MedTech company, and extraordinarily cheap valuation (<3x EV/EBITDA and <5x P/E on 2024e). SRTS is coming off a lackluster 3Q print where Hurricane Ida in FL created an idiosyncratic headwind which has already been recouped. On the forward, we see rapid recovery in new user adoption and resulting earnings power. The post-3Q sell-off (stock is 51% off 52-Wk Highs) has created an extraordinary buying opportunity in a best-in-class MedTech growth asset on the cusp of a material inflection in market adoption. Our work suggests that SRTS should be worth $30 at least (Base Case PT) and that significant upside potential exists beyond that in our Bull Case scenarios.

Key tenets of our thesis include:

1) **Differentiated Product Portfolio – Non-Melanoma Skin Cancer is the "Crown Jewel"**: Sensus provides a low-dose, non-invasive, X-ray-based superficial radiation therapy (SRT) platform (*i.e.* SRT-100, SRT-100 Vision) used to treat non-melanoma skin cancers (NMSCs), primarily basal cell carcinoma (BCC) and squamous cell carcinoma (SCC), but also includes other applications such as keloid treatment. This non-invasive platform boasts excellent clinical outcomes (95-98% long-term success rates) and is less invasive than surgical procedures (*i.e.* Mohs surgery; excisions). SRT is quickly becoming the new standard-of-care for NMSCs; Sensus faces virtually no non-invasive competition; and the company's >700 system installed base (YE22e) is growing rapidly.

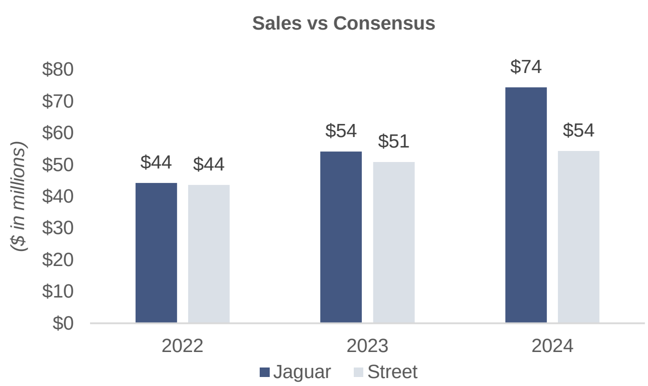
2) **Value Proposition: Highly Profitable Physician Practice Economics => "No-Brainer" Adoption**: As of January 2021, CMS (Medicare) materially raised key SRT therapy reimbursement rates to drive adoption of non-surgical (cheaper) therapies for skin cancers. We show how physicians can make $11-12k on an average "simple" patient and $22-23k on an average "complex" patient. This translates into roughly $3,000-6,000/hour of ROI. As for the capital equipment outlay, physicians can "break even" only treating between 1-3 patients per month (mean: 2.2x), with variance depending on patient complexity and billing mix. We consider this a "Win/Win/Win" scenario for CMS/Patients/Physicians and thus, a "No-Brainer" for adoption.

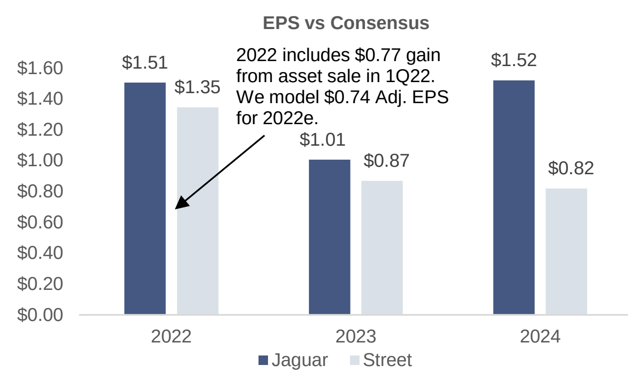
3) **Customer Concentration? No Problem – Exclusive Strategic Partner is a Massive Win**: Sensus has an exclusive partnership with SkinCure Oncology, Inc. ("SCO"), a nationwide shared-services provider of SRT therapy which has committed to providing a comprehensive turnkey model for the delivery of Image-Guided Superficial Radiation Therapy (IG-

SRT) via Sensus' SRT 100-Vision system. With virtually no upfront costs, SCO partners with dermatology offices by placing an SRT system, retrofitting treatment rooms with lead shielding, staffing of a radiation therapist (RT), practice/staff training on billing/marketing, and educational support and resources for prospective patients. While SCO has been a large customer for Sensus (we estimate ~50% for 2022e vs 57% in 2021), this is not a typical high-concentration customer which we would normally see as a risk. Instead of an "order taker," SCO is an exclusive strategic selling partner. We have grown **exceedingly comfortable** with this relationship based on several facts: (a) SCO is 100% exclusive – their business models rely on each other so SCO isn't going away; (b) SCO is well-capitalized and boasts an incredible FCF generation profile (self-funded; no interest rate risk for capital equipment purchasing); (c) the partnership give physicians a buy or revenue-share option, which is a Win/Win for Sensus; and (d) SCO is hiring and growing aggressively. *(See inside for details.)*

4) **Proprietary System/Employment Tracker at Key Partner**: To try and get an edge on both SCO and Sensus, we have begun tracking practice locations for both companies as well as new RT hiring for SCO. What's unique about SCO RT hiring is that it is law that SRT machines need to be run by state-licensed RTs, so each hire is essentially a new system placement (assuming one RT per account, which is what SCO provides). As of our last check on 12/19/22, SCO had 52 total positions open, 48 of which were RTs; that compares to our late October check which showed 43 total positions, of which 39 were RTs. We strip out "travelling" RT roles, which SCO uses to temporarily service/maintenance accounts which do not have a permanent RT hire on staff (turnover). In the two above checks there were 7 and 6 travelling RT roles included, so stripping those out we found 41 RT openings in December vs 33 in late October (+24% in 1.5 months). Our channel checks with management and other SCO employees indicate that virtually all of these RT openings were organic from new center expansion and comprised very little from RT staff turnover. One sales rep that we spoke with commented to us, "I haven't seen any RT turnover in my territory." Another commented that, "I believe the company is absolutely growing…my pipeline funnel has only gotten bigger; it has never gone down." Assuming that 35 (~85%) of the open 41 RT roles for SCO are new practice locations, that means the company is currently expanding its n=204 installed base by ~17%. This doesn't even capture their hiring plans for the rest of 2023 or thereafter. This conservative 35 pending system number constitutes ~25% of the Street's 2023 total system number – *incredible visibility* into 2023 when it was not even January yet. We will continue to track this metric.

5) **Material Upside to Street Estimates**: We believe Sensus will deliver material upside to current Street estimates over the coming years as the company's best-in-class, minimally-invasive oncology therapy solutions are adopted en masse, aided by patient preference, enhanced reimbursement which improves physician practice economics, and potential strategic partnerships that could drive even more upside to our current forecasts. We take a very conservative approach to modelling 2023e (potential for recession), and even in a worst case scenario, we see Sensus beating overly conservative Street estimates. For 2024e, we model 37% and 85% upside to current Street revenue and EPS estimates, respectively. As this upside is processed by investors, we expect a material re-rating of the company's valuation multiples. Management has also been *extraordinarily clear* that they remain committed to profitability and letting earnings fall to the bottom line.





Source: Company reports; Jaguar Capital estimates.

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6) **Strong Insider Ownership => Golden Parachute for Investors**: Sensus has incredibly strong insider ownership with >15% of outstanding shares owned by management and/or directors. This includes the Co-Founder, CEO, and Chairman, Joseph Sardano, who is the #1 holder of the company with ~1.13mn shares held or 6.8% of the company. We see this a very bullish sign as it is unlikely that the co-founder of the company is willing to let his legacy fade away and is likely to be open to value-enhancing plans (i.e. insider buying, strategic partnerships, and/or an outright sale of the company). Open market insider purchases at these levels would represent a ***material catalyst*** for SRTS shares, potentially sending the stock 50%+ higher if management delivers. **Jaguar is openly calling for management and the Board to announce open market stock purchases and to accelerate the company's share repurchase program**.

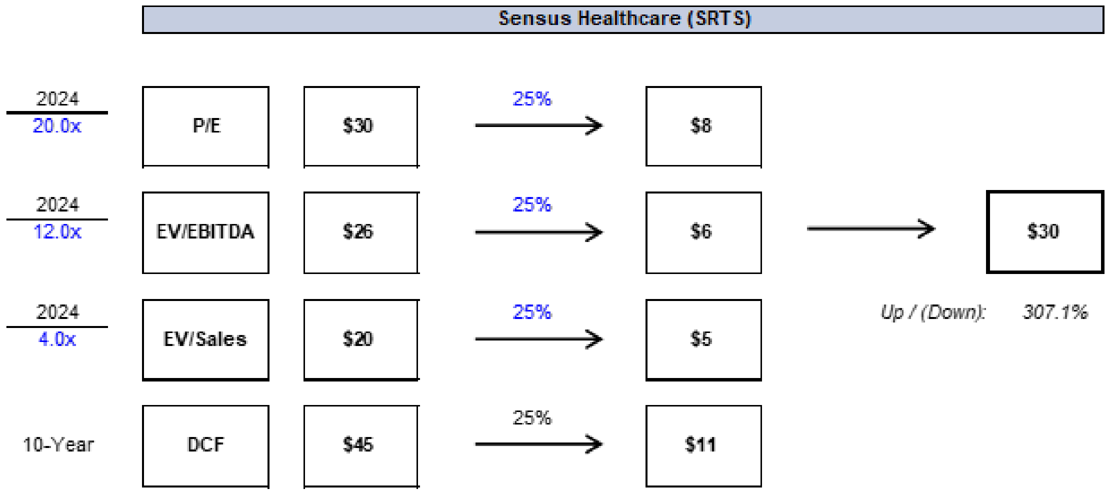
7) **Valuation: Scarcity Value + Upside to Street Estimates => Premium Multiple Warranted**: Sensus is one of the few and most (highly) profitable small-cap companies in MedTech, or the entirety of the market for that matter. We think that profile commands a premium valuation multiple versus its comp group given the scarcity value. Sensus is currently on track to deliver ~40% EBITDA margins for 2023e and we model ~400bp *annual* EBITDA margin expansion through 2025e. Expect >55% incremental operating margins through 2025e as well – this makes the company one of the most profitable companies that we have ever covered in the space. Management has also been extraordinarily clear about their commitment to profitability and letting earnings flow to the bottom line given their robust growth profile (+31% CAGR for 2022-2025e) and little need for additional operating expenses on the G&A and R&D lines. Our favorite line from management: "Make a quarter, spend a nickel." We should also note that this incredible earnings power is on a GAAP (not adjusted) basis and that our current estimates do not include any material contribution from the Veterinary market, Aesthetic Lasers, or new partners which would represent additional upside to our forecasts.

   We see current valuation is extraordinarily and unjustifiably cheap on all metrics, and believe the selloff since 3Q22 earnings creates a remarkable entry point for investors. At current, Sensus has **~30% of its market cap in cash**, is self-funded, and is generating robust free cash flow (FCF). No matter what way we cut it, SRTS is trading at a material discount to its comp groups on every metric: EV/Sales, EV/EBITDA, and P/E, despite growing these metrics at orders of magnitude higher than peers. *[See inside for valuation comp tables.]*

   -**EV/Sales**: SRTS is at 1.1x EV/Sales on 2024e vs comp group at ~4.5x, but Sensus is growing sales >50% faster.
   -**EV/EBITDA**: SRTS is at 2.7x EV/EBITDA on 2024e vs comp group at ~14.5x, but Sensus is growing EBITDA 200-330% faster.
   -**P/E**: SRTS is at 4.9x P/E on 2024e vs comp group at ~21.0x, but Sensus is growing EPS 200-300% faster.

   We do not think it is very hard to argue that SRTS should command a premium multiple to the comp group given its extraordinary growth and profitability profile. Simply putting a conservative 17x market multiple (current S&P 500 NTM P/E) on SRTS for 2024e EPS would yield a PT of ~$26 (~250% upside potential) despite growing materially faster than the broader market.

8) **Valuation: $30 Price Target (PT)**: Our $30 Base Case scenario implies material upside to current levels as fundamentals come back into focus. We value SRTS shares on a weighted average basis (25% each) on a combination of valuation methodologies, including relative comps (P/E, EV/EBITDA, EV/Sales) and discounted cash flow (DCF). While we typically try not to overly rely on DCF analysis as outcomes can be extreme, we feel that it is sufficiently justifiable in this case considering the company's extraordinary free cash flow generation profile (generating +55% incremental EBIT margins through 2025e at a >40% operating margin; EBITDA also expected to have a >45% CAGR through 2025e as well). Separately, we provide Bull Case and Bear Case scenario analyses that generate PTs from $14 to $51. Even our EV/Sales Bear Case has ~90% upside potential. *[See inside for details on our Bull/Base/Bear Case scenarios.]*



9) **M&A / Private Equity Candidate**: It is incredibly interesting to us that the largest players in Radiation Oncology (Varian Medical Systems – acquired by Siemens Healthineers (SHL.GY) in April 2021; Elekta AB (EKTAb.SS); Accuray (ARAY)) are surprisingly absent from the largest market in oncology – non-melanoma skin cancer (NMSCs). However, as reimbursement rates continue to decline for core therapeutic indications (e.g. prostate, lung, liver), we believe providers of traditional radiation therapy services will begin to look for new ways to grow. It is very likely that we will see a wave of consolidation in the radiation oncology space, in our view, and highly profitable companies like Sensus should be coveted assets. Potential suitors for Sensus, in our view, could include other radiation oncology or aesthetic companies, including but not limited to GE Healthcare Technology (GEHC), AbbVie (ABBV), Siemens Healthineers (SHL.GY), Elekta AB (EKTAb.SS), Kloninklijke Philips NA (PHG / PHIA.NA), and others.

10) **Short Squeeze Candidate?**: Short interest utilization has been building since 3Q22 (up 91% since 11/15/22) – unjustifiably so in our opinion given the only modest miss to Street estimates which were driven by a hurricane in Florida (a ~$500k sales miss, -5.5% vs Street) – a two system shortfall that ended up being recouped / shipped the first week of 4Q22). Short interest has risen to 11.4% of the float (per Bloomberg) which is currently 3.8 days to cover (DTC). Should any of our potential near-term catalysts below materialize, we believe SRTS shares could skyrocket higher on an improved sentiment outlook paired with a hefty dose of management confidence in execution. There are only 16.7mn SRTS shares outstanding, and at incredibly depressed valuation levels, there could be asymmetric risk/reward to the upside.

11) **Key Potential Catalysts**: (a) 4Q Pre-Announcement Next Week which could happen at the JP Morgan Healthcare Conference. Given weak stock price performance since 3Q, we believe that management could be coming "armed" with a 4Q update to kick off their meetings and restore confidence in execution. (b) Insider Buying and/or Corporate Share Repurchases: As mentioned above, we are actively calling for management and the Board to start buying shares in the open market. There may be some lockups for management that can be quickly overcome, but an update on a larger/faster share repurchase program could be a material catalyst for the stock. Large open market purchases by senior management and the Board could cause shares to skyrocket back to the mid-teens range. (c) New Potential Partnerships (Vet/International) would represent upside to current forecasts. (d) Industry Conferences like AAD in March 2023 could be large customer selling opportunities for the company as KOLs get more podium time and SRT gains deeper adoption.

12) **Key Risks**: Key risks to our thesis include: (a) Capital Equipment Risk; (b) Consumer Recession Risk; (c) Reimbursement Risk; (d) China Exposure Risk; and (e) Supply Chain Risk. All of these potential risk factors are thoroughly addressed within our report.

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1) Background: A Differentiated, Non-Invasive Product Portfolio

Sensus Healthcare, Inc. ("Sensus") provides a low-dose, non-invasive, X-ray-based superficial radiation therapy (SRT) solution used to treat non-melanoma skin cancers (NMSCs), including basal cell carcinoma (BCC), squamous cell carcinoma (SCC), Kaposi sarcoma, metatypic sarcoma, cutaneous appendage carcinoma, as well as keloids. The company's SRT-100, SRT-100+, and SRT-100 Vision systems (includes high frequency ultrasound visualization capability) are marketed to private practice Dermatologists and Radiation Oncologists (both in private and hospital settings) at leading cancer centers, dermatology practices, hospitals, and plastic surgery clinics. In addition to capital equipment, Sensus also sells disposable lead shielding replacements, disposable radiation safety items, such as aprons and eye shields, ultrasound probe film, and disposable applicator tips, which are used to treat various sized lesions and different areas of the body, though these are small portion of total revenue.

SRT-100 Vision System:

SRT-100 System:

Obviously, skin cancer is an enormous total addressable market (TAM) and with regard to Sensus, basal cell carcinoma (BCC) and squamous cell carcinoma (SCC) are the most readily addressable conditions. According to public information, 1 in 5 adults will develop some form of skin cancer by age 70, the most common of which are BCC (~3.6mn new U.S. cases diagnosed annually) and SCC (~1.8mn new U.S. cases annually, half of which are invasive), the latter of which contributes to ~15,000 deaths per year in the U.S.[1] BCC is the most common form of cancer occurring in humans, and while rarely fatal, BCC can be highly destructive and disfigure local tissues if treatment is delayed or inadequate. In addition to dramatically high prevalence and incidence rates, the TAM for provider solutions is also enormous, as Sensus targets their marketing to ~14,000 Dermatologists across ~7,500 U.S. practice locations (including ~1,000 Mohs Surgeons), ~6,500 Plastic Surgeons, and ~5,500 Radiation Oncologists in the U.S. alone. Asia has also recently become a target market for the company with strong growth in China and soon to be Taiwan and India, so it's fair to assume that the TAM is even larger than this already impressive U.S. target base. SRT is widely covered for reimbursement by both Medicare and private carrier insurance and efficacy/outcomes are well documented. As for keloids, while technically an aesthetic procedure, treatment is only covered when using SRT therapy by the vast majority of payors.

Example of BCC:

Example of SCC:

What is also impressive, is that SRT has virtually no non-invasive competition as the status quo standard-of-care has been surgical intervention (*i.e.* Mohs micrographic surgery or surgical excision), and to a more limited extent, cryotherapy (liquid nitrogen) which boasts only modest long-term outcomes. Mohs surgery can take 1-3 hours per case, requires patients to stay overnight in hospitals and resulting downtime to heal, requires post-surgery wound dressings, and is all around more expensive for the healthcare system (*e.g.* may also require anesthesia or hospital OR costs). Mohs surgery is invasive for the patient and can result in material scarring which can also cause need for plastic/reconstructive surgery thereafter. Surgical excision tends be less costly than Mohs surgery (unless performed in an OR with the use of anesthesia), but is typically more applicable for benign lesions addressed in a physician office setting and/or for lesions on the trunk and extremities as opposed to the face/neck due to scarring risks.[2] SRT, on the other hand, is pain-free, typically only takes 2-3 minutes per session, and has more favorable reimbursement dynamics and practice economics for physicians (discussed more below). Given nearly equivalent outcome measures (95-98% SRT success rates vs 97-99% Mohs surgery success rates), patient preference for non-invasive therapies (No cutting! No scarring!) and physician preference for higher economics makes adoption a virtual "no-brainer", in our view. (The economics of adopting SRT via Sensus' SkinCure Onocology partnership can be even more of a "no-brainer" and we dive into that more later.) Of course there are instances when Mohs surgery is preferential (*e.g.* very deep or large lesions), but there are millions of cases where Mohs would not be preferred (*e.g.* in delicate anatomy such as the lips or around the eyes, hard to heal areas like the neck, or for patients on anti-coagulants or who are generally adverse to surgery).

According to management, COVID also served as an engagement tool for physicians to adopt SRT as patients can be treated with a bed-side cart and immuno-compromised oncology patients do not have to be transported to a surgical setting. On the 4Q21 call, management discussed the sea change that COVID had on driving adoption of SRT as surgeries were suspended during the pandemic – they believe this shift in adoption is a permanent "best practice" migration to SRT and away from Mohs surgery. SRT can also be used as an adjuvant treatment for basal cell carcinoma when further surgery could sacrifice major nerves or other vital structures, or there is a perineural invasion by cancer cells (hence the rationale for targeting SRT therapy to current Mohs surgeons).

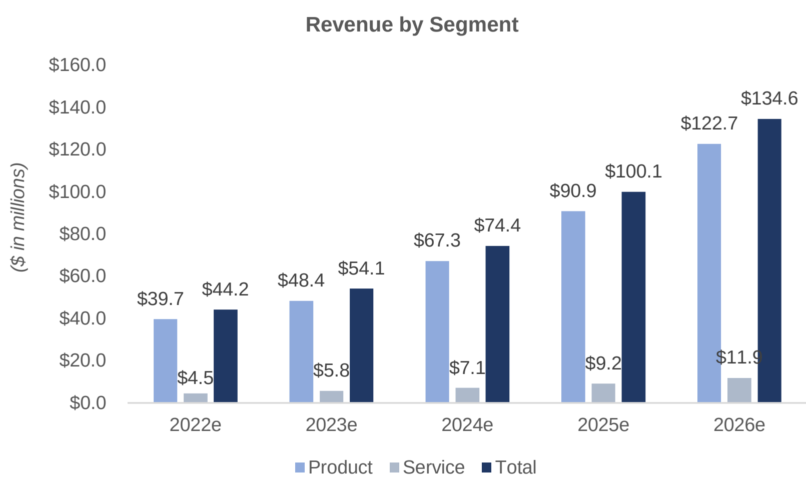
Any healthcare aficionado, of course, always loves to see the data and understand the details, so we have provided several links for background reading below….

-SRT-100 510(k) Approval: https://www.accessdata.fda.gov/cdrh_docs/pdf12/K123985.pdf
-SRT-100+ 510(k) Approval: https://www.accessdata.fda.gov/cdrh_docs/pdf17/K173425.pdf
-SRT-100 Vision 510(k) Approval: https://www.accessdata.fda.gov/cdrh_docs/pdf15/K150037.pdf
-Mohs Surgery Background: https://www.skincancer.org/treatment-resources/mohs-surgery/
-Mohs Surgery Demonstration: https://www.youtube.com/watch?v=aCV1UZ0Yj-o
-SRT Demonstration: https://www.youtube.com/watch?v=KbyLykrRp5A

Aside from status quo competition from Mohs surgery, there are virtually no other SRT or other non-invasive therapy providers that would serve as real competition. Previously, two other providers of SRT were Xstrahl (EU-based), which has a terrible reputation for unreliable products based on our diligence, and Xoft (a division of iCAD; Nasdaq: ICAD), which no longer markets their products for skin cancer after they ran into Medicare reimbursement troubles because of erroneous billing practices and further issues regarding high complication rates[3] lack of customer interest[4]. Xoft is currently primarily focused on electronic brachytherapy systems for breast and gynecological conditions[5] and we do not see them as competitive threat to Sensus whatsoever (the entirety of iCAD's Therapy segment only does ~$9mn in revenue). Lastly, other forms of radiation therapy, including electronic brachytherapy, IORT, and/or IMRT have faced declining reimbursement rates in recent years and are generally not economical for treating NMSCs.

Lastly, Sensus offers their "Sentinel Program" as a service offering, which is currently sporting >50% attachment rates for the higher end SRT-100 Vision systems, as physicians understand the ROI potential of the system and are adopting the service package for after their 1-year standard warranty expires. In addition, Sentinel allows the streamlining of service with remote diagnosis and asset management capabilities. According to management on the 1Q22 call, "This technology has been a game changer for our SRT customers and for Sensus as it clearly demonstrates the attractive ROI for the SRT-100 Vision and SRT-100+ systems. Sentinel is also included now in all 5 of our Sensus-branded aesthetic smart lasers." We note that over time, increased Service revenue should drive higher margin, recurring revenue mix, though this will likely stay in the low-to-mid teens% range of total revenue based on our modelling.

While most of our investment thesis revolves around the company's SRT oncology franchise as the "crown jewel" asset, Sensus has recently expanded into offering less invasive, Trans-Dermal Infusion systems as well as Aesthetic Lasers. These systems are lower ASP offerings and thus less important to the mix of revenue/margins for now, but we see the offerings as differentiated and currently reserve those line items as potential upside to our estimates. [We can revisit this topic in a future report.]



Source: Company reports; Jaguar Capital estimates.

2) <u>Value Proposition => Attractive Physician Economics</u>

While SRT therapy has been around for a number of years, there was plenty of argument to be made that reimbursement economics were not as favorable as they should have been in order to driver deeper adoption, and as therapy was diverted to surgical procedures like Mohs surgery (where reimbursement got extreme and is now starting to be questioned). However, beginning in January 2021, The Centers for Medicare and Medicaid (CMS) materially increased its Physician Fee Schedule (PFS) rates for several important SRT therapy codes – most importantly, "radiation treatment delivery" (CPT: 77401), which is the primary recurring code used to bill for individual therapy sessions (a typical course of SRT is 20 sessions performed over 4-6 weeks, according to our checks). Our channel checks indicate that societies like the American Academy of

Dermatology (AAD) and other industry players were instrumental in getting CMS to revisit SRT codes as they had not been revised since 2002; also, we have heard that this increase was partly to offset the increasing costs associated with over-utilized (over-billed) Mohs surgery to drive [cheaper] alternative therapy selection. Secondarily, we also believe that the SRT-100 platform offers dermatologists a competitive advantage by allowing them to retain patients for the treatment of NMSCs, rather than referring them out to specialists for Mohs surgery or other radiation procedures. Thirdly, the SRT-100 platform is currently being used by over 100 U.S. dermatology practices in the treatment of keloids. This is interesting because keloid therapy is not typically reimbursed as an aesthetic procedure unless it is performed using an SRT system in some cases, which gives physicians one more revenue generation tool and essentially turns an "aesthetic" procedure into a "medically necessary" procedure. (SRT therapy for keloids is also approved and being utilized in China, where condition is common – Sensus received Chinese approval in 2017.)

Sensus previously press-released the updated CMS coverage (https://sensushealthcare.com/sensus-healthcare-announces-cms-sets-rates-higher-for-srt-reimbursement/) and has also discussed this change as a material driver of adoption on multiple conference calls. On the 1Q21 earnings call (May 6, 2021), management stated:

> "…the Centers for Medicare & Medicaid Services or CMS, revalued our main procedure and other codes following years of lobbying by Sensus and a host of key opinion leaders who went to bat for us with CMS highlighting the efficacy and safety of SRT. The American Cutaneous Oncology Society is particular, in particular was most helpful working alongside Sensus with the American Academy of Dermatology. We have a lot of people to thank for believing in us and our technology. As we have previously indicated, Q1 has had us focused on helping the market better understand to new reimbursement coding. We stated that this will be a major part of our activities throughout the first half of 2021. Our salesforce along with our field applications team has been engaged with customers and prospects in delivering this message and will continue to do so throughout the year. Reimbursement increased not only for the main SRT code, but also increased for the evaluation and management codes. The combination of these increased values provides SRT users as much as 50% increase over the reimbursement values of the past several years. In addition, codes were revalued upward for the ultrasound capability in our SRT-100 Vision systems. This is caused a greater interest in our Vision product by our existing customers and prospects alike since break-evens are improved. It is also increased interest in shared revenue programs."

Below, we highlight the key SRT therapy codes that are used in a course of therapy as outlined in CMS's Physician Fee Schedule (PFS) in an In-Office ("Non-Facility" / hospital) setting. Readers can easily see the comprehensive rate increases for SRT therapy that began in 2021 and understand why higher rates would be an incentive to adopt the SRT platform, particularly when reimbursement rates in other treatment modalities have declined. We outline three hypothetical patient billing scenarios: (A) an average, "Simple", Single Lesion Patient Treated for 20 Sessions with the SRT-100 Vision system; (B) an average, "Complex", 3+ Lesion Patient Treated for 30 Sessions with the SRT-100 Vision system; and (C) an average, "Simple", Single Lesion Patient Treated for 20 Sessions with the SRT-100 (legacy) system. Key assumptions in the analysis below include: (1) a "simple" (single lesion) patient requires 20 treatment sessions (anecdotal feedback suggests true ranges can be 10-30 depending on the patient and/or provider, but 20 was out most common field check answer); we raise that to 30 sessions for the "complex" case; (2) the radiation physics consultation (Code: 77336) and radiation management (Code: 77427) codes are billed 1x for every 5 treatment sessions (so 4x billings each for a 20 treatment therapy course); and (3) we bill office visit codes (Code: 99203) 1x for an initial physician meeting and then 1x for each 2.5 additional treatment sessions for a visit conducted by a nurse tech / radiation therapist (Code: 99213), which could be conservative. **Important: We are using averages based on our channel checks for this analysis. Physicians commonly use different billing and coding practices both in the number of sessions billed and the combination of these codes depending on a variety of factors** (*e.g.* geographic location, attending practitioner, type of insurance, inclusion of ultrasound per session or not, etc.). **We supply these analyses for informational purposes only based on publicly available PFS information from www.cms.gov.**

Additionally, based on the billing rates associated with each scenario listed, we provide a snapshot of practice profitability based on patient type and common billing practices. These profitability assessments are informational only and can vary widely by practice. They also do not include fully burdened P&L expenses such as the cost of hiring a Radiation Therapist (RT), which is not material in our view but is also not included in the analyses. In a world of declining reimbursement rates for many procedure categories (*i.e.* radiation oncology, Mohs surgery, etc.), it is easy to see why physicians would be keen to adopt a **highly profitable** platform that would enhance their practice economics on top of providing excellent treatment options for their patients (win/win). (CMS also wins because SRT therapy is cheaper than Mohs surgery.)

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Scenario (A):

CMS Physician Fee Schedule (PFS)

Reimbursement Schedule for In-Office Setting

Analysis Assumes an Average, "Simple", Single Lesion Patient Treated for 20 Sessions with the SRT-100 Vision system.

Year	Code	Description	Work RVU	Non-Facility PE RVU	Malpractice RVU	Total Non-Facility RVU	Conversion Factor	# of Times / Sessions Billed	Payment to Physician	%∆ Y/Y
2020	77401	Radiation treatment delivery	0.00	0.68	0.01	0.69	36.0896	20x	$498.04	n/a
2021	77401	Radiation treatment delivery	0.00	1.25	0.01	1.26	34.8931	20x	$879.31	76.6%
2022	77401	Radiation treatment delivery	0.00	1.21	0.01	1.22	34.6062	20x	$844.39	(4.0%)
2023	77401	Radiation treatment delivery	0.00	1.22	0.01	1.23	33.0607	20x	$813.29	(3.7%)
2020	77261	Radiation therapy planning	1.30	0.65	0.09	2.04	36.0896	1x	$73.62	n/a
2021	77261	Radiation therapy planning	1.30	0.67	0.09	2.06	34.8931	1x	$71.88	(2.4%)
2022	77261	Radiation therapy planning	1.30	0.69	0.09	2.08	34.6062	1x	$71.98	0.1%
2023	77261	Radiation therapy planning	1.30	0.72	0.08	2.10	33.0607	1x	$69.43	(3.5%)
2020	77280	Set radiation therapy field	0.70	7.11	0.04	7.85	36.0896	20x	$5,666.07	n/a
2021	77280	Set radiation therapy field	0.70	7.55	0.05	8.30	34.8931	20x	$5,792.25	2.2%
2022	77280	Set radiation therapy field	0.70	7.21	0.05	7.96	34.6062	20x	$5,509.31	(4.9%)
2023	77280	Set radiation therapy field	0.70	7.32	0.05	8.07	33.0607	20x	$5,336.00	(3.1%)
2020	77300	Radiation therapy dose plan	0.62	0.29	0.02	0.93	36.0896	1x	$33.56	n/a
2021	77300	Radiation therapy dose plan	0.62	0.30	0.02	0.94	34.8931	1x	$32.80	(2.3%)
2022	77300	Radiation therapy dose plan	0.62	1.26	0.03	1.91	34.6062	1x	$66.10	101.5%
2023	77300	Radiation therapy dose plan	0.62	1.30	0.05	1.97	33.0607	1x	$65.13	(1.5%)
2020	77334	Radiation therapy aid(s)	1.15	2.40	0.06	3.61	36.0896	1x	$130.28	n/a
2021	77334	Radiation therapy aid(s)	1.15	2.47	0.05	3.67	34.8931	1x	$128.06	(1.7%)
2022	77334	Radiation therapy aid(s)	1.15	2.44	0.05	3.64	34.6062	1x	$125.97	(1.6%)
2023	77334	Radiation therapy aid(s)	1.15	2.53	0.05	3.73	33.0607	1x	$123.32	(2.1%)
2020	77336	Radiation physics consult	0.00	2.19	0.06	2.25	36.0896	4x	$324.81	n/a
2021	77336	Radiation physics consult	0.00	2.31	0.06	2.37	34.8931	4x	$330.79	1.8%
2022	77336	Radiation physics consult	0.00	2.35	0.08	2.43	34.6062	4x	$336.37	1.7%
2023	77336	Radiation physics consult	0.00	4.01	0.14	4.15	33.0607	4x	$548.81	63.2%
2020	77427	Radiation tx management x5	3.37	1.82	0.25	5.44	36.0896	4x	$785.31	n/a
2021	77427	Radiation tx management x5	3.37	1.88	0.25	5.50	34.8931	4x	$767.65	(2.2%)
2022	77427	Radiation tx management x5	3.37	1.95	0.25	5.57	34.6062	4x	$771.03	0.4%
2023	77427	Radiation tx management x5	3.37	2.06	0.26	5.69	33.0607	4x	$752.46	(2.4%)
2020	99203	Office/outpatient visit new 30-44min	1.42	1.48	0.13	3.03	36.0896	1x	$109.35	n/a
2021	99203	Office/outpatient visit new 30-44min	1.60	1.51	0.15	3.26	34.8931	1x	$113.75	4.0%
2022	99203	Office/outpatient visit new 30-44min	1.60	1.52	0.17	3.29	34.6062	1x	$113.85	0.1%
2023	99203	Office/outpatient visit new 30-44min	1.60	1.56	0.17	3.33	33.0607	1x	$110.09	(3.3%)
2020	99213	Office/outpatient visit est 20-29min	0.97	1.06	0.08	2.11	36.0896	8x	$76.15	n/a
2021	99213	Office/outpatient visit est 20-29min	1.30	1.25	0.10	2.65	34.8931	8x	$92.47	21.4%
2022	99213	Office/outpatient visit est 20-29min	1.30	1.26	0.10	2.66	34.6062	8x	$92.05	(0.4%)
2023	99213	Office/outpatient visit est 20-29min	1.30	1.28	0.10	2.68	33.0607	8x	$88.60	(3.7%)
2020	G6001	Echo guidance radiotherapy	0.58	2.70	0.03	3.31	36.0896	20x	$2,389.13	n/a
2021	G6001	Echo guidance radiotherapy	0.58	3.88	0.03	4.49	34.8931	20x	$3,133.40	31.2%
2022	G6001	Echo guidance radiotherapy	0.58	4.69	0.03	5.30	34.6062	20x	$3,668.26	17.1%
2023	G6001	Echo guidance radiotherapy	0.58	4.78	0.03	5.39	33.0607	20x	$3,563.94	(2.8%)
2020	**Total Single Lesion Per Patient Reimbursement**								**$10,086.32**	**n/a**
2021	**Total Single Lesion Per Patient Reimbursement**								**$11,342.35**	**12.5%**
2022	**Total Single Lesion Per Patient Reimbursement**								**$11,599.31**	**2.3%**
2023	**Total Single Lesion Per Patient Reimbursement**								**$11,471.07**	**(1.1%)**

SRT-100 ASP:	**$207,500**	**Patients Per/Month Needed to Breakeven*:**	**1.5x**
SRT-100 Vision ASP:	**$375,000**	**Patients Per/Month Needed to Breakeven*:**	**2.7x**

**does not include cost of hiring a Radiation Therapist (needed for Dermatology practices, but unlikely needed for Hospital or Radiation Oncology accounts).*

Source: www.cms.gov; Jaguar Capital estimates.

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Scenario B:

CMS Physician Fee Schedule (PFS)

Reimbursement Schedule for In-Office Setting

Analysis Assumes an Average, "Complex", 3+ Lesion Patient Treated for 30 Sessions with the SRT-100 Vision system.

Year	Code	Description	Work RVU	Non-Facility PE RVU	Malpractice RVU	Total Non-Facility RVU	Conversion Factor	# of Times / Sessions Billed	Payment to Physician	%∆ Y/Y
2020	77401	Radiation treatment delivery	0.00	0.68	0.01	0.69	36.0896	30x	$747.05	n/a
2021	77401	Radiation treatment delivery	0.00	1.25	0.01	1.26	34.8931	30x	$1,318.96	76.6%
2022	77401	Radiation treatment delivery	0.00	1.21	0.01	1.22	34.6062	30x	$1,266.59	(4.0%)
2023	77401	Radiation treatment delivery	0.00	1.22	0.01	1.23	33.0607	30x	$1,219.94	(3.7%)
2020	77261	Radiation therapy planning	1.30	0.65	0.09	2.04	36.0896	1x	$73.62	n/a
2021	77261	Radiation therapy planning	1.30	0.67	0.09	2.06	34.8931	1x	$71.88	(2.4%)
2022	77261	Radiation therapy planning	1.30	0.69	0.09	2.08	34.6062	1x	$71.98	0.1%
2023	77261	Radiation therapy planning	1.30	0.72	0.08	2.10	33.0607	1x	$69.43	(3.5%)
2020	77290	Set radiation therapy field	1.56	12.44	0.08	14.08	36.0896	30x	$15,244.25	n/a
2021	77290	Set radiation therapy field	1.56	12.74	0.07	14.37	34.8931	30x	$15,042.42	(1.3%)
2022	77290	Set radiation therapy field	1.56	11.91	0.09	13.56	34.6062	30x	$14,077.80	(6.4%)
2023	77290	Set radiation therapy field	1.56	11.89	0.09	13.54	33.0607	30x	$13,429.26	(4.6%)
2020	77300	Radiation therapy dose plan	0.62	0.29	0.02	0.93	36.0896	1x	$33.56	n/a
2021	77300	Radiation therapy dose plan	0.62	0.30	0.02	0.94	34.8931	1x	$32.80	(2.3%)
2022	77300	Radiation therapy dose plan	0.62	1.26	0.03	1.91	34.6062	1x	$66.10	101.5%
2023	77300	Radiation therapy dose plan	0.62	1.30	0.05	1.97	33.0607	1x	$65.13	(1.5%)
2020	77334	Radiation therapy aid(s)	1.15	2.40	0.06	3.61	36.0896	1x	$130.28	n/a
2021	77334	Radiation therapy aid(s)	1.15	2.47	0.05	3.67	34.8931	1x	$128.06	(1.7%)
2022	77334	Radiation therapy aid(s)	1.15	2.44	0.05	3.64	34.6062	1x	$125.97	(1.6%)
2023	77334	Radiation therapy aid(s)	1.15	2.53	0.05	3.73	33.0607	1x	$123.32	(2.1%)
2020	77336	Radiation physics consult	0.00	2.19	0.06	2.25	36.0896	6x	$487.21	n/a
2021	77336	Radiation physics consult	0.00	2.31	0.06	2.37	34.8931	6x	$496.18	1.8%
2022	77336	Radiation physics consult	0.00	2.35	0.08	2.43	34.6062	6x	$504.56	1.7%
2023	77336	Radiation physics consult	0.00	4.01	0.14	4.15	33.0607	6x	$823.21	63.2%
2020	77427	Radiation tx management x5	3.37	1.82	0.25	5.44	36.0896	6x	$1,177.96	n/a
2021	77427	Radiation tx management x5	3.37	1.88	0.25	5.50	34.8931	6x	$1,151.47	(2.2%)
2022	77427	Radiation tx management x5	3.37	1.95	0.25	5.57	34.6062	6x	$1,156.54	0.4%
2023	77427	Radiation tx management x5	3.37	2.06	0.26	5.69	33.0607	6x	$1,128.69	(2.4%)
2020	99203	Office/outpatient visit new 30-44min	1.42	1.48	0.13	3.03	36.0896	1x	$109.35	n/a
2021	99203	Office/outpatient visit new 30-44min	1.60	1.51	0.15	3.26	34.8931	1x	$113.75	4.0%
2022	99203	Office/outpatient visit new 30-44min	1.60	1.52	0.17	3.29	34.6062	1x	$113.85	0.1%
2023	99203	Office/outpatient visit new 30-44min	1.60	1.56	0.17	3.33	33.0607	1x	$110.09	(3.3%)
2020	99213	Office/outpatient visit est 20-29min	0.97	1.06	0.08	2.11	36.0896	12x	$76.15	n/a
2021	99213	Office/outpatient visit est 20-29min	1.30	1.25	0.10	2.65	34.8931	12x	$92.47	21.4%
2022	99213	Office/outpatient visit est 20-29min	1.30	1.26	0.10	2.66	34.6062	12x	$92.05	(0.4%)
2023	99213	Office/outpatient visit est 20-29min	1.30	1.28	0.10	2.68	33.0607	12x	$88.60	(3.7%)
2020	G6001	Echo guidance radiotherapy	0.58	2.70	0.03	3.31	36.0896	30x	$3,583.70	n/a
2021	G6001	Echo guidance radiotherapy	0.58	3.88	0.03	4.49	34.8931	30x	$4,700.10	31.2%
2022	G6001	Echo guidance radiotherapy	0.58	4.69	0.03	5.30	34.6062	30x	$5,502.39	17.1%
2023	G6001	Echo guidance radiotherapy	0.58	4.78	0.03	5.39	33.0607	30x	$5,345.92	(2.8%)
2020	**Total 3+ Lesions Per Patient Reimbursement**								**$21,586.99**	**n/a**
2021	**Total 3+ Lesions Per Patient Reimbursement**								**$23,055.62**	**6.8%**
2022	**Total 3+ Lesions Per Patient Reimbursement**								**$22,885.77**	**(0.7%)**
2023	**Total 3+ Lesions Per Patient Reimbursement**								**$22,314.98**	**(2.5%)**

SRT-100 ASP:	**$207,500**	**Patients Per/Month Needed to Breakeven*:**	**0.8x**
SRT-100 Vision ASP:	**$375,000**	**Patients Per/Month Needed to Breakeven*:**	**1.4x**

**does not include cost of hiring a Radiation Therapist (needed for Dermatology practices, but unlikely needed for Hospital or Radiation Oncology accounts).*

Source: www.cms.gov; Jaguar Capital estimates.

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Scenario C:

CMS Physician Fee Schedule (PFS)
Reimbursement Schedule for In-Office Setting
Analysis Assumes an Average, "Simple", Single Lesion Patient Treated for 20 Sessions with the SRT-100 system.

Year	Code	Description	Work RVU	Non-Facility PE RVU	Malpractice RVU	Total Non-Facility RVU	Conversion Factor	# of Times / Sessions Billed	Payment to Physician	%∆ Y/Y
2020	77401	Radiation treatment delivery	0.00	0.68	0.01	0.69	36.0896	20x	$498.04	n/a
2021	77401	Radiation treatment delivery	0.00	1.25	0.01	1.26	34.8931	20x	$879.31	76.6%
2022	77401	Radiation treatment delivery	0.00	1.21	0.01	1.22	34.6062	20x	$844.39	(4.0%)
2023	77401	Radiation treatment delivery	0.00	1.22	0.01	1.23	33.0607	20x	$813.29	(3.7%)
2020	77261	Radiation therapy planning	1.30	0.65	0.09	2.04	36.0896	1x	$73.62	n/a
2021	77261	Radiation therapy planning	1.30	0.67	0.09	2.06	34.8931	1x	$71.88	(2.4%)
2022	77261	Radiation therapy planning	1.30	0.69	0.09	2.08	34.6062	1x	$71.98	0.1%
2023	77261	Radiation therapy planning	1.30	0.72	0.08	2.10	33.0607	1x	$69.43	(3.5%)
2020	77280	Set radiation therapy field	0.70	7.11	0.04	7.85	36.0896	20x	$5,666.07	n/a
2021	77280	Set radiation therapy field	0.70	7.55	0.05	8.30	34.8931	20x	$5,792.25	2.2%
2022	77280	Set radiation therapy field	0.70	7.21	0.05	7.96	34.6062	20x	$5,509.31	(4.9%)
2023	77280	Set radiation therapy field	0.70	7.32	0.05	8.07	33.0607	20x	$5,336.00	(3.1%)
2020	77300	Radiation therapy dose plan	0.62	0.29	0.02	0.93	36.0896	1x	$33.56	n/a
2021	77300	Radiation therapy dose plan	0.62	0.30	0.02	0.94	34.8931	1x	$32.80	(2.3%)
2022	77300	Radiation therapy dose plan	0.62	1.26	0.03	1.91	34.6062	1x	$66.10	101.5%
2023	77300	Radiation therapy dose plan	0.62	1.30	0.05	1.97	33.0607	1x	$65.13	(1.5%)
2020	77334	Radiation therapy aid(s)	1.15	2.40	0.06	3.61	36.0896	1x	$130.28	n/a
2021	77334	Radiation therapy aid(s)	1.15	2.47	0.05	3.67	34.8931	1x	$128.06	(1.7%)
2022	77334	Radiation therapy aid(s)	1.15	2.44	0.05	3.64	34.6062	1x	$125.97	(1.6%)
2023	77334	Radiation therapy aid(s)	1.15	2.53	0.05	3.73	33.0607	1x	$123.32	(2.1%)
2020	77336	Radiation physics consult	0.00	2.19	0.06	2.25	36.0896	4x	$324.81	n/a
2021	77336	Radiation physics consult	0.00	2.31	0.06	2.37	34.8931	4x	$330.79	1.8%
2022	77336	Radiation physics consult	0.00	2.35	0.08	2.43	34.6062	4x	$336.37	1.7%
2023	77336	Radiation physics consult	0.00	4.01	0.14	4.15	33.0607	4x	$548.81	63.2%
2020	77427	Radiation tx management x5	3.37	1.82	0.25	5.44	36.0896	4x	$785.31	n/a
2021	77427	Radiation tx management x5	3.37	1.88	0.25	5.50	34.8931	4x	$767.65	(2.2%)
2022	77427	Radiation tx management x5	3.37	1.95	0.25	5.57	34.6062	4x	$771.03	0.4%
2023	77427	Radiation tx management x5	3.37	2.06	0.26	5.69	33.0607	4x	$752.46	(2.4%)
2020	99203	Office/outpatient visit new 30-44min	1.42	1.48	0.13	3.03	36.0896	1x	$109.35	n/a
2021	99203	Office/outpatient visit new 30-44min	1.60	1.51	0.15	3.26	34.8931	1x	$113.75	4.0%
2022	99203	Office/outpatient visit new 30-44min	1.60	1.52	0.17	3.29	34.6062	1x	$113.85	0.1%
2023	99203	Office/outpatient visit new 30-44min	1.60	1.56	0.17	3.33	33.0607	1x	$110.09	(3.3%)
2020	99213	Office/outpatient visit est 20-29min	0.97	1.06	0.08	2.11	36.0896	8x	$76.15	n/a
2021	99213	Office/outpatient visit est 20-29min	1.30	1.25	0.10	2.65	34.8931	8x	$92.47	21.4%
2022	99213	Office/outpatient visit est 20-29min	1.30	1.26	0.10	2.66	34.6062	8x	$92.05	(0.4%)
2023	99213	Office/outpatient visit est 20-29min	1.30	1.28	0.10	2.68	33.0607	8x	$88.60	(3.7%)
2020	**Total Single Lesion Per Patient Reimbursement**								**$7,621.04**	**n/a**
2021	**Total Single Lesion Per Patient Reimbursement**								**$8,116.48**	**6.5%**
2022	**Total Single Lesion Per Patient Reimbursement**								**$7,839.00**	**(3.4%)**
2023	**Total Single Lesion Per Patient Reimbursement**								**$7,818.52**	**(0.3%)**

SRT-100 ASP:	**$207,500**	**Patients Per/Month Needed to Breakeven*:**	**2.2x**
SRT-100 Vision ASP:	**$375,000**	**Patients Per/Month Needed to Breakeven*:**	**4.0x**

**does not include cost of hiring a Radiation Therapist (needed for Dermatology practices, but unlikely needed for Hospital or Radiation Oncology accounts).*

Source: www.cms.gov; Jaguar Capital estimates.

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Physician Practice Profitability by Scenario: ROI on Time

(A) **Average, "Simple", Single Lesion Patient Treated for 20 Sessions with the SRT-100 Vision system**:

Physician Return on Investment (ROI) in Time:

	Estimate:	Sessions:	
Office Time Devoted to Treatments:	5 mins	20x	100 mins
Office Time Devoted to Consultations, et al.	15 mins	4x	60 mins
Total:			2.7 hours
CMS Patient Value to Practice			$11,382.47
Payment per Hour of Work:			**$4,268.43**

Source: www.cms.gov; Jaguar Capital estimates.

(B) **Average, "Complex", 3+ Lesion Patient Treated for 30 Sessions with the SRT-100 Vision system**:

Physician Return on Investment (ROI) in Time:

	Estimate:	Sessions:	
Office Time Devoted to Treatments:	5 mins	30x	150 mins
Office Time Devoted to Consultations, et al.	15 mins	6x	90 mins
Total:			4.0 hours
CMS Patient Value to Practice			$22,314.98
Payment per Hour of Work:			**$5,578.75**

Source: www.cms.gov; Jaguar Capital estimates.

(C) **Average, "Simple", Single Lesion Patient Treated for 20 Sessions with the SRT-100 (legacy) system**:

Physician Return on Investment (ROI) in Time:

	Estimate:	Sessions:	
Office Time Devoted to Treatments:	5 mins	20x	100 mins
Office Time Devoted to Consultations, et al.	15 mins	4x	60 mins
Total:			2.7 hours
CMS Patient Value to Practice			$7,818.52
Payment per Hour of Work:			**$2,931.95**

Source: www.cms.gov; Jaguar Capital estimates.

****A Critical Observation**: The company's new higher-end SRT-100 Vision system generates higher profits overall and higher profit efficiency (ROI on Time) than the legacy SRT-100 system. This is primarily due to the ultrasound imaging capability enhancement offered on the Vision platform (CPT Code: G6001), which can generate roughly $2,000-6,000 additional reimbursement per case, depending on the number of sessions required (billed). This enhanced reimbursement is allowing for better treatment of complex patients, but it is also responsible for driving adoption of the therapy (generally) and for the Vision system (specifically), which carries a much higher ASP (~$375,000) vs the legacy SRT system (~$207,500).**

3) **Customer Concentration? No Problem – Exclusive Strategic Partner is a Massive Win**

Sensus has a cooperative partnership with SkinCure Oncology, Inc. ("SCO"), a nationwide shared-services provider of SRT therapy which has committed to providing a comprehensive turnkey model for the delivery of Image-Guided Superficial Radiation Therapy (IG-SRT) via Sensus' SRT 100-Vision system. SCO partners with both dermatologists and Mohs surgeons to bring cancer center-level radiotherapy treatment to physician offices, ensuring that patients have access to IG-SRT as a non-invasive treatment option for NMSCs. Investors can review SCO at their home site (https://www.skincureoncology.com/) and on their marketing site, "GentleCure" (https://www.gentlecure.com/). SCO provides a turnkey solution for dermatologists which includes virtually no upfront costs for the physician practice (SRT system is purchased by SCO, then placed with the practice), retrofitting of treatment rooms for lead shielding, staffing of a dedicated radiation therapist (RT), practice/staff training on billing/marketing, and educational support and resources for prospective patients. (One very nice elderly nurse called us back during our channel checks – she was a delight, so we appreciate her efforts and enthusiasm!).

For 2017-2022e, SCO accounted for 59% (2017), 71% (2018), 68% (2019), 40% (2020 – COVID shutdown), 57% (2021), and 50% (2022e) of Sensus' total revenue and currently comprises ~29% and 48% of Sensus' WW and US installed base. According to SCO's website, they current service 230 IG-SRT locations, though we have only located 204 in our proprietary practice tracker (it appears as though the SCO website has not been updated since July 2022, which could explain some lag in practice additions). Typically, we would be somewhat worried by this type of customer concentration on a company's revenue…. However, we have grown **exceedingly comfortable** with this partnership given several observations:

a. **SCO is 100% Exclusive to Sensus** – the *entirety* of their business model is tethered to Sensus' best-in-class SRT-100 Vision platform. This is not a typical high-concentration customer that has other alternatives. We can also observe this commitment given their "GentleCure" branding and marketing campaign which touts the Vision system as the key to their successful outcomes. Put shortly: SCO can't just walk away and as they continue to grow, Sensus has to grow with them.

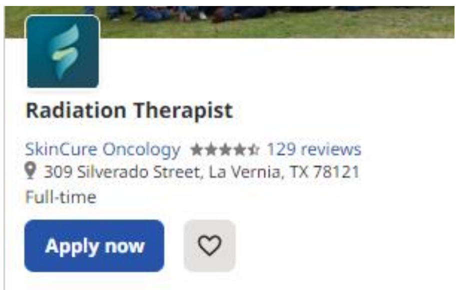
b. **SCO is well-capitalized**. While we do not know all the company's funding sources, we do know that they were previously backed by a $30mn PE investment from Seacoast Capital out of Boston, MA in 2019 (https://www.seacoastcapital.com/our-portfolio/#skincure-oncology). Upon deal closing, Seacoast Capital issued a press release on September 24, 2019:

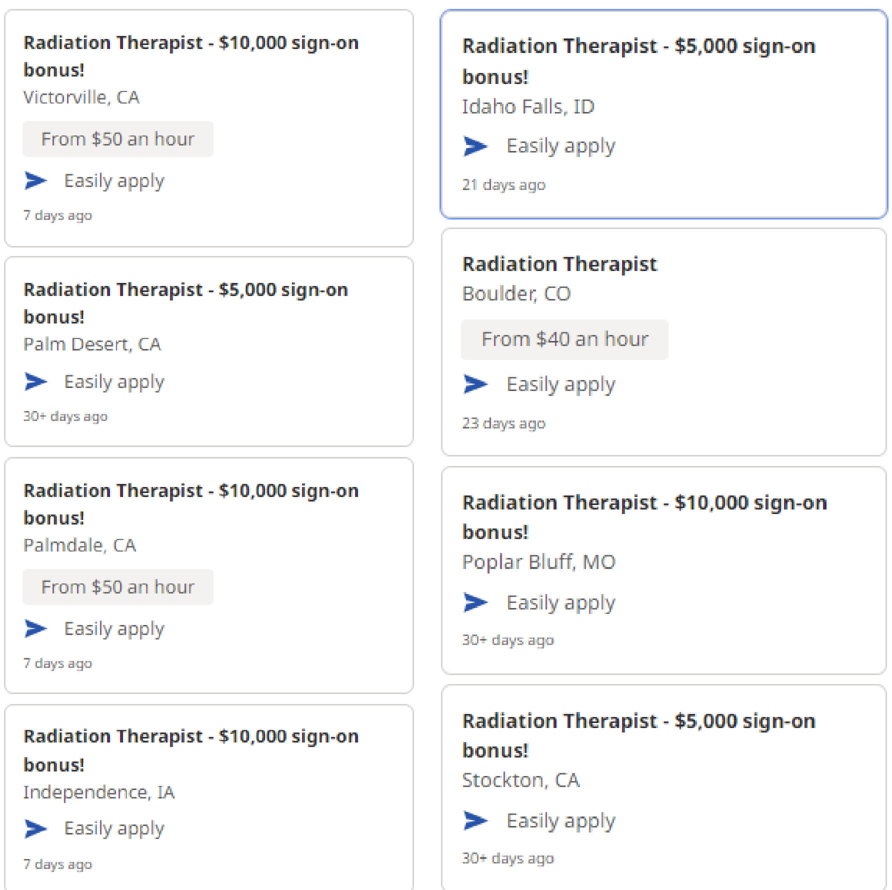
> "Kerwin, Steven, and their team have quickly penetrated a market with expansive potential, providing a surgical alternative to the millions of Americans who have non-melanoma skin cancer. Their first mover advantage has already provided for **strong free cash flow characteristics** that will only continue to improve. We look forward to working with SkinCure as they **continue to expand throughout the United States**." Added Thomas Gorman, a Partner at Seacoast Capital, "SkinCure is **an amazing growth story**, offering relief to millions of patients suffering from the most common form of cancer in the United States. Coupled with the Company's **experienced management team, strong unit economics, and strong revenue visibility**, the Company squarely fits our investment criteria." (https://www.seacoastcapital.com/news/seacoast-capital-invests-non-control-growth-capital-skincure-oncology/).

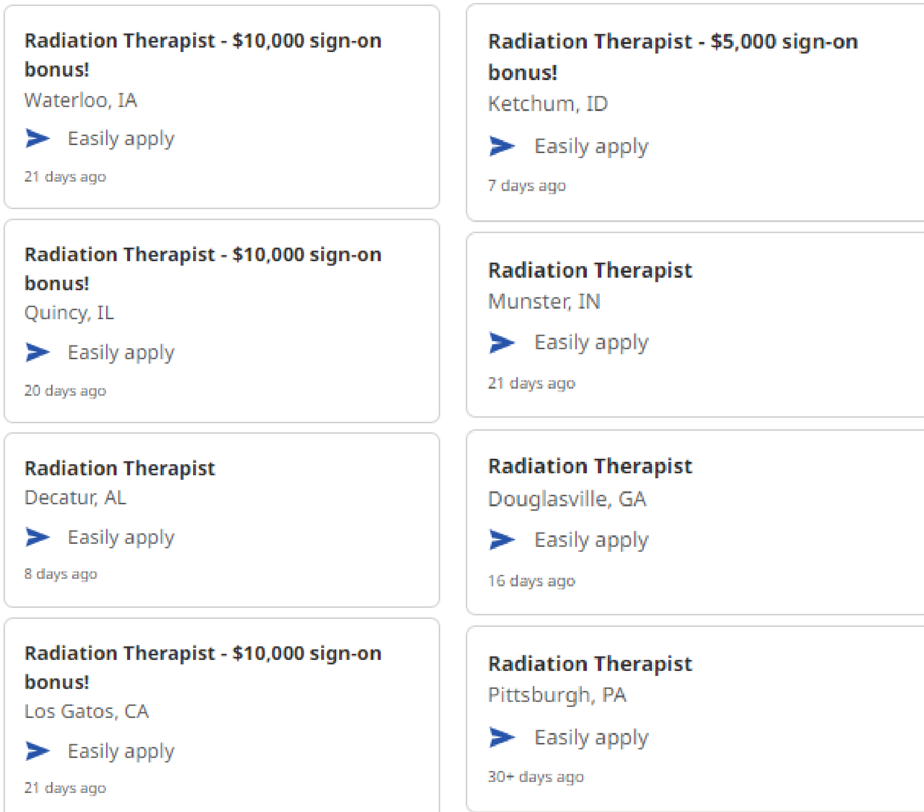
Based on our due diligence checks, we believe that SCO's incredibly strong free cash flow generation profile drives the majority of ongoing SRT system purchases (self-funded), so a higher interest rate macro environment should have virtually no impact on SCO's growth trajectory, and thus should pose no material growth risks for Sensus. The U.S. market remains incredibly underpenetrated (<3%), and a no-risk revenue-sharing model for dermatology practices should keep SCO (and Sensus) growing for many years to come.

c. **SCO Partnership is a Win/Win for Sensus**: SCO is a strategic selling partner, not a customer that is buying SRT systems just because they like them…their business models are connected. If a physician practice is ready to adopt SRT therapy, then they can buy a system directly from Sensus, staff their own RT, handle their own marketing and billing, and keep 100% of their payments (both cash payments and reimbursements). However, if a practice is not ready to make a capital outlay, they can simply partner with SCO for their GentleCure program and have a system placed for essentially free (or at least no upfront costs) and outsource the program for management by SCO. In this case, SCO manages all of it and has a revenue sharing arrangement with the dermatology practice. There is virtually no downside risk for a practice, which as we stated before, makes this a "No-Brainer" adoption decision because they have the upside and diversification of a new revenue stream but have no material risks in the deal. Either way, Sensus gets to book a system sale (Win/Win).

d. **SCO is Hiring Aggressively** – and we see that as a *very strong indicator of growth*. A simple search of the company's career website (powered by Indeed.com) shows that they are hiring for RTs rapidly and across the entire country. Many of these positions are offering $5,000-10,000 signing bonuses which is a material sum relative to the average RT salary or hourly wage. (Below, we translate this data into our Proprietary Job & Practice Location Trackers.) In addition to hiring aggressively, it should not go unmentioned that the company has a very positive profile rating for Radiation Therapists on Indeed.com (4.4 out of 5 Stars) out of 129 reviews.







4) **Proprietary System/Employment Tracker at Key Partner**

In order to try and get an edge on both SCO and Sensus, we have begun tracking practice locations for both companies (reported independently on their respective websites) as well as new RT hiring for SCO, which they place at their dermatology practice partner offices. (Sensus does not hire RTs directly as that is left to the customer account.) What's unique for us about SCO RT hiring is that it is law that SRT machines need to be run by state-licensed RTs, so each hire is essentially a new system placement (assuming one RT per account, which is what SCO provides). So by tracking new RT hires, we can get a good sense of open SCO system placement mandates.

As of our last check on 12/19/22, SCO had 52 total positions open, 48 of which were RTs; that compares to our late October check which showed 43 total positions, of which 39 were RTs. One caveat is that we think it is prudent to strip out "travelling" RT roles, which we believe SCO uses to temporarily service/maintenance accounts which do not have a permanent RT hire on staff (turnover), so we strip those out to get pure new RT hiring trends. In the two above checks there were 7 and 6 travelling RT roles included, so stripping those out we found 41 RT openings in December vs 33 in late October (+24% in 1.5 months). Further, our channel checks with management and other SCO employees indicate that virtually all of these RT openings were organic from new center expansion and comprised very little from RT staff turnover. One sales rep that we spoke with commented to us, "I haven't seen any RT turnover in my territory." Another commented that, "I believe the company is absolutely growing…my pipeline funnel has only gotten bigger; it has never gone down."

If we assume that 35 (~85%) of the open 41 RT roles for SCO are new practice locations, which we see as conservative based on our checks, that means the company is currently expanding its n=204 installed base by ~17%. This doesn't even capture their hiring plans for the rest of 2023 or thereafter. This doesn't even capture their hiring plans for the rest of 2023 or thereafter. This conservative 35 pending system number constitutes ~25% of the Street's 2023 total system number – *incredible visibility* into 2023 when it was not even January yet. We will continue to track this metric to try and get an edge on upcoming quarterly results. As aforementioned, we have grown **exceedingly comfortable** with this partnership.

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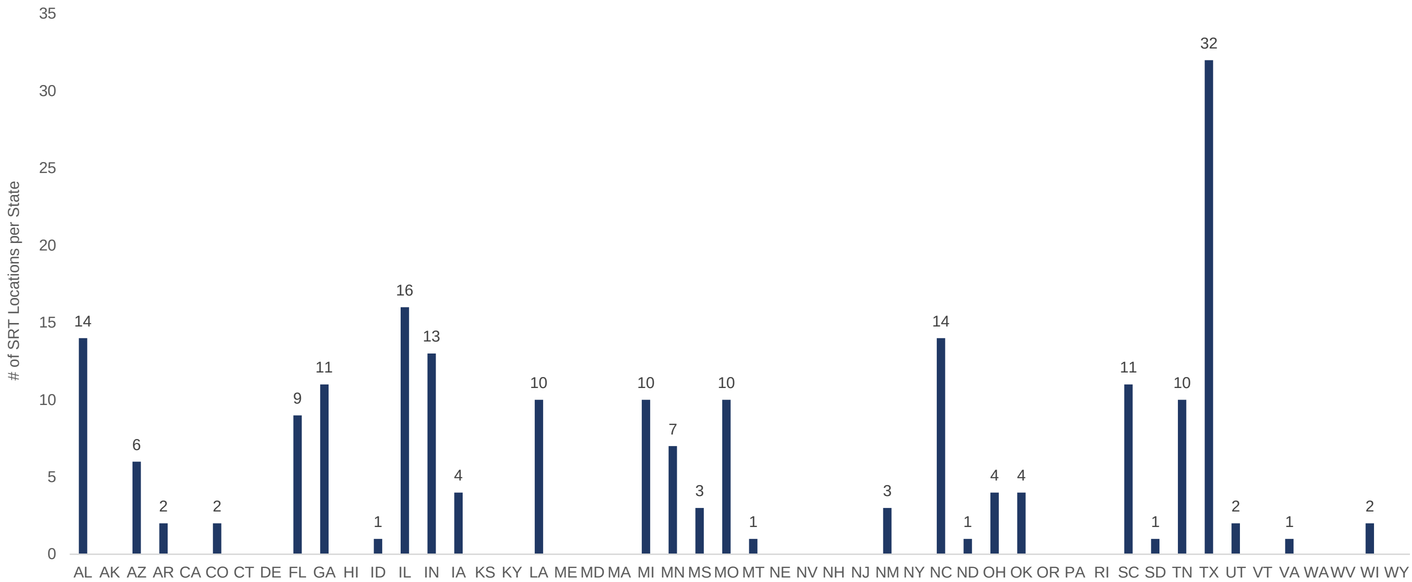
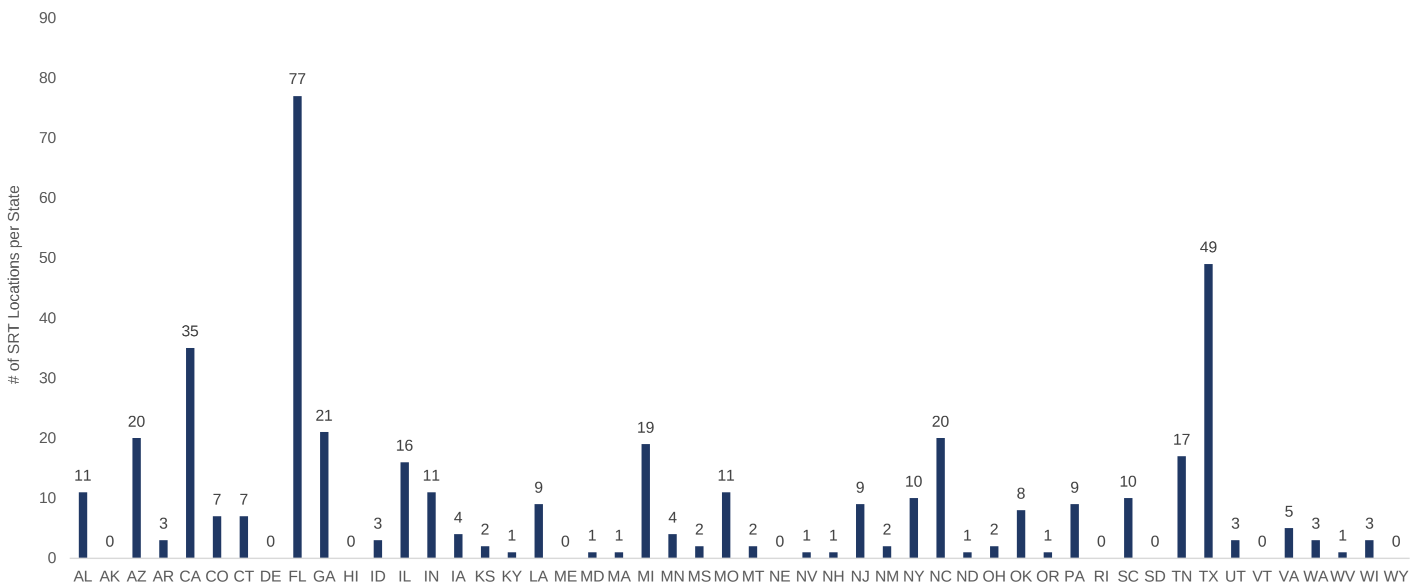
SkinCure Oncology – U.S. Practice Locations

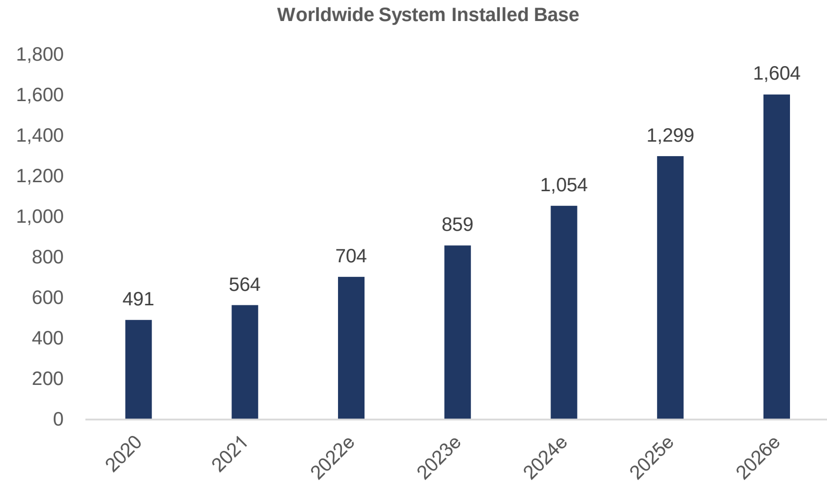
n=204



Sensus Healthcare – U.S. Practice Locations

n=422

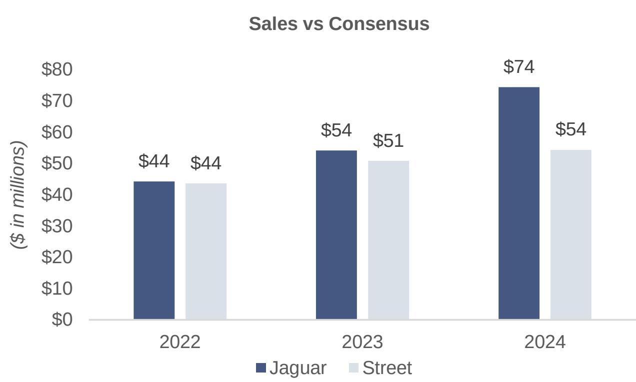


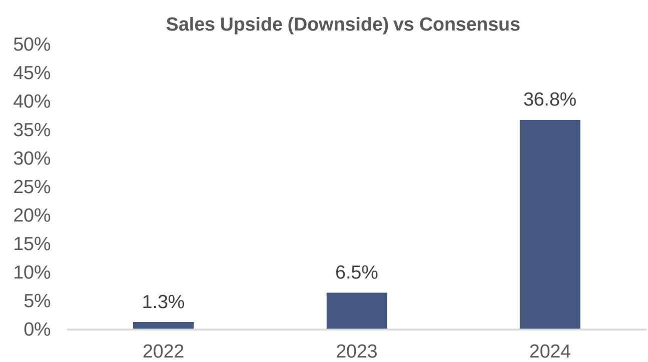


Source: Company reports; Jaguar estimates.

5) **<u>Material Upside to Street Estimates</u>**

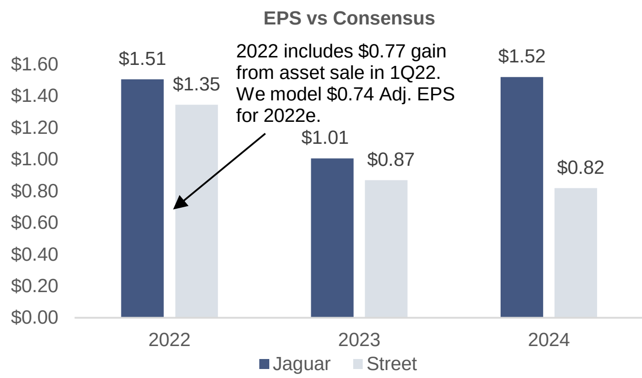
We believe that Sensus will deliver ***<u>material upside</u>*** to current Street estimates over the coming years as the company's best-in-class, minimally-invasive oncology therapy solutions are adopted en masse, aided by patient preference, enhanced reimbursement which improves physician practice economics, and potential strategic partnerships that could drive even more upside to our current forecasts. That said, we have taken an extremely conservative approach to modelling 2023 revenues and profitability given the potential for an economic recession which could weigh on capital equipment purchasing. <u>Conservatively</u>, we model only 155 total system placements for 2023e (only ~10% growth versus our 2022e estimate) despite the fact that the company will enter 2023 with ~24% more US Direct Sales Reps than it started with in 2022. Even if capital equipment purchasing was cut materially (unlikely given attractive physician practice economics and SCO relationship), we still see the company as being able to comfortably exceed the Street's current $51mn revenue bogey for 2023. Thereafter, we expect another acceleration in growth momentum in 2H23 as comps ease and economic recovery unfolds. After sporting incredible growth in 2021 (+182% off COVID lows in 2020), we model Sensus delivering an impressive +64% growth for 2022e, dipping to +22% in 2023e, and then inflecting to +37%/+35%/+34% for 2024-2026e. We model a total revenue CAGR of +31% for 2022-2025e – one of the best growth profiles in all Medical Technology, Healthcare, and the broader market for that matter. Continued beats on the revenue line should allow for improved investor sentiment and resulting multiple expansion as sell-side estimates chase to keep up with reality.

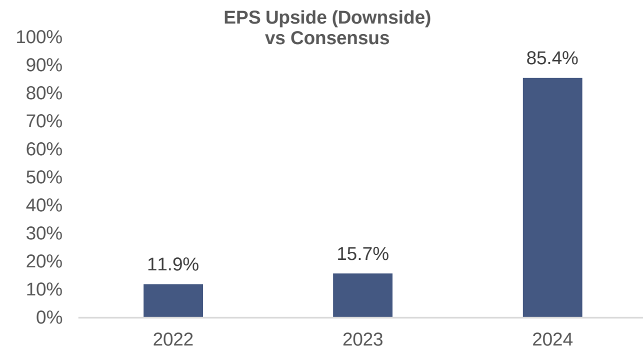




Source: Company reports; Jaguar estimates.

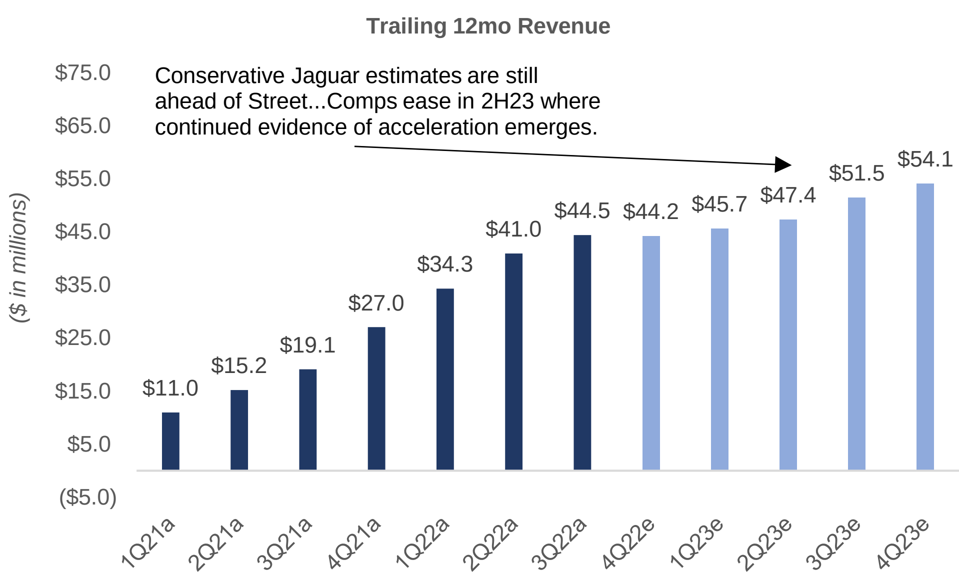
Similarly, we also see material upside to profitability metrics relative to current Street modelling, driven by both upside to revenue estimates and a disciplined operating expense structure which should allow for meaningful margin expansion in the years ahead. In our Base Case, we model operating margins (EBIT) expanding from an already impressive 34.2% in 2022e by >1,200bps to 46.5% in 2025e (~410bp OMx annually), which also makes this one of the best margin expansion stories in our coverage, despite already sporting impressive levels. <u>Collectively, for 2024e, we model 37% and 85% upside to current Street revenue and EPS estimates, respectively.</u> As this upside is processed by investors, we expect a material re-rating of the company's valuation multiples.





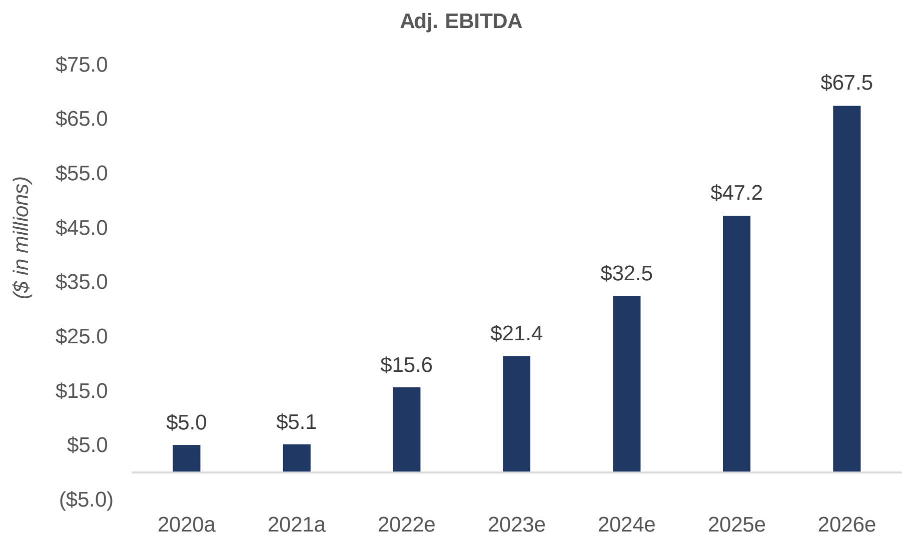
Source: Company reports; Jaguar estimates.

<u>Trailing 12-Month Revenue</u>:



Source: Company reports; Jaguar estimates.

Adjusted EBITDA:



Source: Company reports; Jaguar estimates.
**2020 and 2022 EBITDA estimates have been adjusted (lowered) for an inventory gain ($758k) in 4Q20 and an asset sale ($15mn gross gain / $13mn net) in 1Q22, respectively.*

6) **Strong Insider Ownership => Golden Parachute for Investors**

Sensus has incredibly strong insider ownership with >15% of outstanding shares owned by management and/or directors. This includes the Co-Founder, CEO, and Chairman, Joseph Sardano, who is the #1 holder of the company with ~1.13mn shares held or 6.8% of the company. We see this a very bullish sign as it is unlikely that the co-founder of the company is willing to let his legacy fade away and is likely to be open to value-enhancing plans (*i.e.* insider purchases, strategic partnerships, and/or an outright sale of the company), in our view, which we touch on in more detail below.

We believe that open market insider purchases at these levels would represent a ***material catalyst*** for SRTS shares, potentially sending the stock 50%+ higher if management were to buy at least $1mn on the open market (the CEO, President, and a Director sold ~$3.5mn between August-September 2022 at a price range of $12.40-14.48). **Jaguar is openly calling for management to announce open market stock purchases and to accelerate the company's share repurchase program**, for which the Board has already approved a $3mn program (of which we believe ~$2mn remains available as of the end of 3Q22 and could also be increased). While we are totally fine with management getting paid for extraordinary value creation, which allows them to diversify their net worth, we see the unjustifiable collapse in the stock price of recent as a call for management to place a stake in the ground and rebuy their shares on discount.

All that said, the recent CEO selling was only a ~16% reduction in his total holdings and he still has material skin in the game as the #1 holder of the company. Ultimately, we believe that a sale of the company will be the final destination here.

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Key Insider Ownership Statistics:

Holder	Title	Shares	% of S/O:	# Holder Rank
Joseph Sardano	Co-Founder, CEO, Chairman	1,130,293	6.80%	1
Stephen Cohen	Co-Founder, EVP - Strategic Initiatives, Dermatology (Retired)	830,585	5.00%	3
William McCall	Director	325,723	1.96%	9
Samueal O'Rear	Director	123,570	0.74%	20
Michael Sardano	President, General Counsel	49,519	0.30%	34
Javier Rampolla	CFO	48,856	0.29%	36
	Total:	2,508,546	15.09%	

Source: Bloomberg.

Key Institutional & HNW Ownership Statistics:

Holder	Shares	% of S/O:	# Holder Rank
Joseph Sardano	1,130,293	6.80%	1
Edwin Solot	1,115,109	6.71%	2
Stephen Cohen	830,585	5.00%	3
Acadian Asset Management LLC	595,619	3.59%	4
The Vanguard Group, Inc.	593,871	3.57%	5
Hillsdale Investment Management, Inc.	544,336	3.28%	6
G2 Investment Partners Management LLC	462,175	2.78%	7
EAM Investors LLC	327,261	1.97%	8
William McCall	325,723	1.96%	9
Punch & Associates Investment Manager	302,340	1.82%	10
Renaissance Technologies LLC	266,034	1.60%	11
Parametric Portfolio Associates LLC	204,177	1.23%	12
Calamos Partners LLC	201,188	1.21%	13
Dimensional Fund Advisors LP	195,245	1.18%	14
Divisadero Street Capital Management LP	180,000	1.08%	15
EAM Global Investors LLC	175,257	1.05%	16
Aware Super Pty Ltd	136,919	0.82%	17
Morgan Stanley	131,152	0.79%	18
Ameriprise Financial	126,466	0.76%	19
Samuel O'Rear	123,570	0.74%	20
Total:	7,967,320	47.94%	

Source: Bloomberg.

7) **Valuation: Scarcity Value + Upside to Street Estimates => Premium Multiple Warranted**

Sensus is one of the few and most (highly) profitable small-cap companies in MedTech, or the entirety of the market for that matter. We think that profile commands a premium valuation multiple versus its comp group given the scarcity value. Sensus is currently on track to deliver ~40% EBITDA margins for 2023e and we model ~400bp annual EBITDA margin expansion through 2025e. Expect >55% incremental operating margins through 2025e as well – this makes the company one of the most profitable companies that we have ever covered in the space. Management has also been extraordinarily clear about their commitment to profitability and letting earnings flow to the bottom line given their robust growth profile (+31% CAGR for 2022-2025e) and little need for additional operating expenses on the G&A and R&D lines. Our favorite line from management: "Make a quarter, spend a nickel." We should also note that this incredible earnings power is on a GAAP (not adjusted) basis; and that our current estimates do not include any material contribution from the Veterinary market or from Aesthetic Lasers accessed through the company's leasing program, and represent additional upside to our forecasts.

We see current valuation as extraordinarily and unjustifiably cheap on all metrics, and that the selloff since 3Q22 earnings creates a remarkable entry point for investors. At current, Sensus has **~30% of its market cap in cash**, is self-funded, and is generating robust free cash flow (FCF). No matter what way we cut it, SRTS is trading at a material discount to its comp groups on every metric: EV/Sales, EV/EBITDA, and P/E, despite growing these metrics at orders of magnitude higher than peers.

-**EV/Sales**: SRTS is at 1.1x EV/Sales on 2024e vs comp group at ~4.5x, but Sensus is growing sales >50% faster.
-**EV/EBITDA**: SRTS is at 2.7x EV/EBITDA on 2024e vs comp group at ~14.5x, but Sensus is growing EBITDA 200-330% faster.
-**P/E**: SRTS is at 4.9x P/E on 2024e vs comp group at ~21.0x, but Sensus is growing EPS 200-300% faster.

We do not think it is very hard to argue that SRTS should command a premium multiple to the comp group given its extraordinary growth and profitability profile. Simply putting a conservative 17x market multiple (current S&P 500 NTM P/E) on SRTS for 2024e EPS would yield a PT of ~$26 (~250% upside potential) despite growing materially faster than the broader market. We understand that historically investors have been reluctant to place higher valuation premiums on capital equipment-heavy and aesthetics companies. However, we would push back here on this hesitancy given that: **(1)** Sensus is delivering best-in-class top-line growth in an enormous TAM that is massively underpenetrated and where there is little competition; **(2)** Sensus' top-tier profitability profile and continued compounding of FCF; **(3)** the company's core focus is in oncology which is less discretionary than pure aesthetic cash-pay procedures (SRT therapy has widely established reimbursement that is highly profitable to physicians, primarily dermatologists who can acquire a system with virtually no upfront cost from SCO and use revenues to offset other declining profit centers); **(4)** the company's clean balance sheet with ~30% of market cap in cash and no debt; **(5)** we believe the company is an easily digestible and attractive M&A target for multiple potential suitors; and **(6)** even other pure aesthetic plays (*e.g.* InMode / INMD) are commanding >4x EV/Sales despite SRTS growing ~2x faster and with a similar profitability profile (INMD better GM%, but SRTS better EBITA profile). Regardless, we see material multiple expansion opportunities as fundamentals come back into play and execution resumes.

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<u>EV/Sales Comp Group Comparison</u>:

	Price as of 1/2/2023	Market Cap.**	EV/Sales NTM	EV/Sales 2023e	EV/Sales 2024e	'22-'24e CAGR Sales
SMID-Cap Growth MedTech						
APEN	$9.97	$415	4.5x	4.5x	3.7x	20.2%
ANGO	$13.77	$539	1.6x	1.6x	1.5x	8.2%
ATRC	$44.38	$2,064	5.3x	5.3x	4.6x	15.0%
AXGN	$9.98	$422	2.7x	2.7x	2.4x	14.5%
AXNX	$62.53	$3,097	8.4x	8.4x	6.9x	23.1%
CERS	$3.65	$648	3.1x	3.1x	2.7x	12.3%
CLPT	$8.47	$208	6.9x	6.5x	5.0x	30.0%
GKOS	$43.68	$2,084	6.9x	6.9x	6.1x	11.5%
GMED	$74.27	$7,414	5.9x	5.9x	5.4x	8.9%
FNA	$19.11	$1,474	6.8x	6.8x	5.7x	19.9%
INMD	$35.70	$2,966	4.7x	4.7x	4.1x	15.6%
IRTC	$93.67	$2,820	5.6x	5.6x	4.7x	19.9%
LUNG	$8.43	$315	2.9x	2.9x	2.3x	20.9%
NARI	$63.56	$3,410	6.9x	6.9x	5.9x	19.2%
NUVA	$41.24	$2,150	2.3x	2.3x	2.1x	6.1%
NVRO	$39.60	$1,403	2.7x	2.7x	2.5x	10.7%
PEN	$222.46	$8,449	8.5x	8.5x	7.3x	17.0%
SILK	$52.85	$2,015	11.5x	11.5x	9.3x	25.2%
SRDX	$34.12	$482	4.3x	4.4x	4.0x	8.3%
STXS	$2.07	$155	3.4x	3.4x	2.5x	36.7%
TMCI	$22.99	$1,276	7.2x	7.2x	5.7x	27.0%
VCEL	$26.34	$1,244	6.0x	6.0x	5.0x	19.4%
VRAY	$4.48	$813	5.4x	5.4x	4.1x	33.6%
Median			**5.4x**	**5.4x**	**4.6x**	**19.2%**
Average			**5.4x**	**5.4x**	**4.5x**	**18.4%**
SRTS	**$7.42**	**$123**	**1.6x**	**1.6x**	**1.1x**	**29.5%**
						<u>Relative / Excess Growth:</u>
Upside to Comp Group Median Multiple			***227%***	***244%***	***302%***	**1.5x**
Upside to Comp Group Average Multiple			***227%***	***242%***	***292%***	**1.6x**

Source: Bloomberg, Jaguar estimates.

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EV/EBITDA & P/E Comp Group Comparison:

	Price as of 1/2/2023	Market Cap.**	EV/EBITDA NTM	EV/EBITDA 2023e	EV/EBITDA 2024e	P/E NTM	P/E 2023e	P/E 2024e	'22-'24e CAGR Sales	'22-'24e CAGR EBITDA	'22-'24e CAGR EPS
Profitable MedTech, Tools, & Diagnostics											
A	$149.65	$44,307	21.3x	21.3x	19.2x	26.1x	26.0x	23.4x	4.9%	4.1%	10.2%
ABT	$109.79	$191,427	18.8x	18.8x	17.1x	24.9x	25.0x	22.8x	(2.1%)	(3.8%)	(4.0%)
ALC	$68.55	$33,595	15.7x	15.7x	14.1x	28.4x	28.5x	24.2x	5.7%	11.1%	13.9%
ALGN	$210.90	$16,474	17.1x	17.2x	14.5x	26.7x	26.7x	21.6x	6.1%	9.0%	16.4%
AORT	$12.12	$489	16.1x	16.2x	12.6x	NA	NA	NA	9.6%	23.8%	NA
ARAY	$2.09	$196	9.8x	9.5x	6.0x	38.0x	34.3x	9.3x	7.5%	75.0%	NA
AVNS	$27.06	$1,258	10.2x	10.2x	9.1x	16.0x	16.0x	13.9x	4.0%	11.1%	13.0%
AVTR	$21.09	$14,219	12.7x	12.7x	11.7x	14.9x	14.9x	13.1x	2.3%	4.9%	7.4%
AZTA	$58.22	$4,020	27.9x	28.0x	19.6x	92.1x	33.3x	33.3x	15.4%	38.2%	0.0%
BRKR	$68.35	$10,053	17.5x	17.6x	16.0x	27.0x	27.0x	24.1x	5.1%	7.9%	10.7%
BAX	$50.97	$25,695	11.2x	11.2x	10.2x	14.1x	14.1x	12.3x	2.9%	6.6%	7.7%
BDX	$254.30	$72,289	17.1x	16.7x	15.6x	20.7x	20.8x	18.9x	3.1%	7.1%	9.4%
BIO	$420.49	$12,460	17.2x	17.2x	15.0x	27.6x	27.7x	23.9x	5.8%	11.0%	10.5%
BSX	$46.27	$66,273	18.9x	18.9x	17.1x	23.6x	23.7x	21.0x	6.7%	9.9%	12.7%
CNMD	$88.64	$2,702	16.2x	16.3x	13.7x	26.3x	26.3x	21.7x	9.1%	14.8%	14.1%
COO	$330.67	$16,320	17.6x	17.5x	16.2x	25.9x	25.9x	22.9x	5.9%	15.9%	9.4%
CUTR	$44.22	$867	44.0x	44.6x	16.7x	NA	NA	NA	20.1%	NA	NA
DHR	$265.42	$193,216	19.9x	19.9x	18.2x	25.4x	25.4x	23.2x	3.7%	4.2%	4.2%
ENOV	$53.52	$2,898	12.7x	12.7x	11.0x	21.7x	21.8x	18.1x	6.5%	14.0%	15.1%
EW	$74.61	$46,128	23.3x	23.3x	20.7x	29.9x	29.9x	26.3x	9.1%	6.1%	7.5%
GMED	$74.27	$7,414	17.0x	17.1x	15.4x	31.7x	31.7x	28.3x	8.9%	11.2%	13.7%
HAE	$78.65	$3,980	14.5x	16.9x	13.3x	25.8x	26.5x	21.8x	3.8%	12.8%	12.0%
HOLX	$74.81	$18,391	14.9x	14.8x	13.7x	20.8x	20.9x	18.5x	(2.9%)	(8.8%)	(7.3%)
IART	$56.07	$4,683	13.3x	13.3x	12.5x	15.9x	15.9x	14.7x	4.1%	6.7%	7.4%
ICUI	$157.48	$3,777	13.2x	13.2x	11.9x	21.1x	21.2x	16.0x	5.5%	13.6%	23.2%
IDXX	$407.96	$33,786	30.1x	30.1x	27.1x	43.4x	43.4x	37.9x	8.3%	13.4%	15.9%
INMD	$35.70	$2,966	9.7x	9.7x	8.4x	13.5x	13.5x	11.8x	15.6%	15.6%	14.8%
JNJ	$176.65	$461,849	13.0x	13.0x	12.4x	17.0x	17.0x	16.4x	2.7%	5.7%	3.6%
LIVN	$55.54	$2,973	17.5x	17.5x	15.6x	22.4x	22.4x	20.2x	5.0%	11.0%	8.7%
LMAT	$46.02	$1,012	21.1x	21.1x	18.0x	38.5x	38.6x	33.4x	6.5%	15.9%	18.7%
MASI	$147.95	$7,777	20.6x	20.6x	18.5x	34.7x	34.7x	30.2x	12.9%	8.8%	7.2%
MDT	$77.72	$103,382	12.5x	12.4x	12.0x	14.4x	14.2x	13.7x	2.5%	1.4%	4.0%
MMSI	$70.62	$4,020	17.2x	17.2x	15.1x	25.0x	25.0x	22.7x	4.7%	12.5%	10.0%
MTD	$1,445.45	$32,225	26.2x	26.2x	24.4x	34.1x	34.2x	30.2x	3.7%	6.9%	10.7%
NUVA	$41.24	$2,150	9.5x	9.5x	8.5x	18.1x	18.1x	15.3x	6.1%	11.2%	14.7%
OFIX	$20.53	$411	15.4x	15.5x	12.0x	37.9x	38.0x	29.8x	13.4%	23.2%	28.6%
OMCL	$50.42	$2,251	17.3x	17.4x	11.3x	28.0x	28.1x	15.6x	2.6%	12.1%	8.3%
PHG	$14.99	$13,331	8.4x	8.4x	7.0x	12.8x	12.9x	9.2x	5.1%	25.9%	31.2%
PKI	$140.22	$17,712	20.5x	20.5x	18.9x	23.7x	23.7x	21.0x	NA	NA	NA
QDEL	$85.67	$5,658	10.2x	10.2x	9.4x	16.5x	16.5x	14.0x	NA	NA	NA
QGEN	$49.87	$11,355	15.4x	15.4x	14.3x	23.6x	23.6x	21.3x	2.1%	0.6%	0.9%
SNN	$26.89	$11,707	10.2x	10.2x	9.4x	15.9x	15.9x	14.1x	4.2%	7.6%	11.7%
STAA	$48.54	$2,340	25.5x	25.6x	16.7x	35.9x	36.0x	24.2x	25.7%	45.6%	27.9%
SWAV	$205.61	$7,431	36.6x	36.7x	27.4x	54.7x	54.9x	43.5x	28.4%	39.9%	26.6%
RMD	$208.13	$30,488	21.9x	21.9x	20.4x	30.4x	30.7x	27.3x	9.2%	8.6%	13.5%
SKIN	$9.10	$1,303	16.8x	16.9x	11.5x	43.9x	44.2x	22.9x	21.5%	58.0%	102.3%
STE	$184.69	$18,436	15.1x	9.7x	14.3x	20.5x	20.5x	18.7x	6.2%	6.3%	10.2%
TCMD	$11.48	$231	11.7x	11.8x	8.4x	NA	NA	NA	12.9%	38.6%	NA
TFX	$249.63	$11,709	15.1x	15.1x	13.9x	18.4x	18.4x	16.5x	4.8%	7.5%	8.0%
TMO	$550.69	$215,978	20.4x	20.4x	18.3x	23.8x	23.8x	20.9x	4.2%	5.7%	6.8%
SYK	$244.49	$92,522	20.3x	20.3x	18.5x	25.0x	25.0x	22.6x	6.2%	9.4%	8.7%
TECH	$82.88	$13,010	26.3x	25.9x	21.7x	36.3x	26.6x	18.4x	11.5%	10.2%	45.0%
TFX	$249.63	$11,709	15.1x	15.1x	13.9x	18.4x	18.4x	16.5x	4.8%	7.5%	8.0%
VCEL	$26.34	$1,244	30.7x	30.8x	21.6x	NA	NA	NA	19.4%	54.8%	NA
WAT	$342.58	$20,352	20.4x	20.4x	19.1x	26.9x	27.0x	24.4x	4.5%	5.2%	8.5%
XRAY	$31.84	$6,843	12.2x	12.2x	11.0x	17.2x	17.2x	14.6x	0.9%	3.4%	5.4%
ZBH	$127.50	$26,756	13.2x	13.2x	12.7x	18.3x	18.3x	17.0x	2.9%	3.6%	4.7%
ZYXI	$13.91	$521	14.8x	14.9x	9.9x	23.6x	23.7x	15.4x	26.1%	37.8%	45.6%
Median			**16.9x**	**16.9x**	**14.3x**	**25.0x**	**25.0x**	**21.0x**	**5.8%**	**10.2%**	**10.2%**
Average			**17.7x**	**17.7x**	**14.9x**	**26.6x**	**25.3x**	**21.0x**	**7.8%**	**14.9%**	**14.1%**
SRTS	**$7.42**	**$123**	**4.3x**	**4.1x**	**2.7x**	**7.9x**	**7.4x**	**4.9x**	**29.7%**	**44.1%**	**43.7%**
									Relative / Excess Growth:		
Upside to Comp Group Median Multiple			***290%***	***316%***	***435%***	***216%***	***239%***	***331%***	**5.2x**	**4.3x**	**4.3x**
Upside to Comp Group Average Multiple			***308%***	***337%***	***457%***	***237%***	***244%***	***330%***	**3.8x**	**3.0x**	**3.1x**

*ISRG, PEN, PODD and others were excluded due to emerging profitability (inflated multiples) or non-compatibility on SBC reporting.
**PKI excluded from CAGRs calculation due to spin-off. QDEL excluded due to COVID testing lap; ABT & HOLX maintained bc <% of mix.

8) **Valuation: $30 Price Target (PT)**:

We value SRTS shares on a weighted average basis (25% each) based on a combination of valuation methodologies, including relative comps (P/E, EV/EBITDA, EV/Sales) and discounted cash flow (DCF). While we typically try not to overly rely on DCF analysis as outcomes can be extreme, we feel that it is sufficiently justifiable in this case considering the company's extraordinary free cash flow generation profile (generating >55% incremental EBIT margins through 2025e at a >40% operating margin; EBITDA also expected to have a +45% CAGR through 2025e as well). Our $45 DCF value per share is indeed higher than what our comps analyses output and pulls our combined PT higher, though we believe this is what will make the company more attractive to both strategic and financial sponsors. For comps analyses, we use 2024 estimates to arrive at our year-end 2023 price targets (PTs; multiple applied to 1-year forward estimates), which derive values of $30 (20x P/E), $26 (12x EV/EBITDA), and $20 (4.0x EV/Sales), which we believe are conservative multiples given the company's outsized growth and profitability profile, as well as their impressive balance sheet (no debt; ~30% of market cap in cash). For DCF, our assumptions include a 1.50 Beta (*very* conservative assumption; should be closer to 1.25), 8% intermediate growth rate, and a 3% terminal growth rate, discounted back at a 10.5% WACC.

Price Target (PT) Methodology:

Sensus Healthcare (SRTS)

	Method	Value	Weight	Weighted Value		Price Target
2024 20.0x	**P/E**	**$30**	25% →	**$8**		
2024 12.0x	**EV/EBITDA**	**$26**	25% →	**$6**	→	**$30**
2024 4.0x	**EV/Sales**	**$20**	25% →	**$5**		*Up / (Down): 307.1%*
10-Year	**DCF**	**$45**	25% →	**$11**		

As a supplement to our above framework, we also like to employ scenario analysis to spot check our work and to understand other valuation outcomes should financial results come in above or below our forecasts. We conducted this analysis for both EV/Sales and P/E frameworks. Even in our most bearish scenario ($14 PT), we find ~90% upside to current levels which should be highly reassuring for new investors. Our most bullish scenario ($51 PT) contemplates almost 600% of upside potential.

2024 EV/Sales Scenario Analysis

	Bear	Base	Bull
Sales:	$65.0	$74.4	$90.0
GM%:	68.0%	68.5%	70.1%
Cash @ 3Q22	$38	$38	$38
Cash % of Mkt Cap:	31%	31%	31%
Debt:	$0	$0	$0
Implied EV:	$86	$86	$86
EV/Sales Multiple:	3.0x	4.0x	5.0x
Equity Value:	$232	$335	$487
S/O:	16.7	16.7	16.7
Price Target:	**$14**	**$20**	**$29**
Upside / (Downside):	*89%*	*172%*	*295%*

2024 P/E Scenario Analysis

	Bear	Base	Bull
Sales:	$65.0	$74.4	$90.0
GM%:	68.0%	68.5%	71.0%
OM%:	40.1%	42.8%	50.0%
Tax Rate:	20.0%	20.0%	20.0%
NI:	$21.4	$26.0	$38.5
EPS:	$1.25	$1.52	$2.25
P/E Multiple:	15.0x	20.0x	22.5x
S/O:	16.7	16.7	16.7
Price Target:	**$19**	**$30**	**$51**
Upside / (Downside):	*153%*	*310%*	*583%*

9) **M&A / Private Equity Candidate**:

It is incredibly interesting to us that the largest players in Radiation Oncology (Varian Medical Systems – acquired by Siemens Healthineers (SHL.GY) in April 2021; Elekta AB (EKTAb.SS); Accuray (ARAY)) are surprisingly absent from the largest market in oncology – non-melanoma skin cancer (NMSCs). However, as reimbursement rates continue to decline for core therapeutic indications (*e.g.* prostate, lung, liver), we believe providers of traditional radiation therapy services (IMRT, IGRT, VMAT, SBRT, SRS, etc.) will begin to look for new ways to grow and new therapeutic indications to target. It is very likely that we will see a wave of consolidation in the radiation oncology space, in our view, and highly profitable companies like Sensus should be coveted assets in the space, as opposed to an Accuray (ARAY) which is barely profitable or a ViewRay (VRAY), where the technology is excellent but they're bleeding cash aggressively, for example.

We also just saw the spin-off of GE Healthcare Technologies (GEHC) from their ParentCo (GE). At the company's recent analyst day in early December 2022, management maintained their commitment to doing tuck-in M&A transactions, which combined with growth strategies in Imaging (~54% of revenue) should be a material driver of moving GE Healthcare from a low-single digit % revenue grower (+LSD%) to a mid-single digit (+MSD%) grower. As management has been non-committal on their future dividend policy and SpinCo is sitting on ~$1.8bn of cash at only 2.5x leverage (ex-pension liabilities; also in-line with large-cap MedTech peer group), it would imply to us that tuck-in M&A is a strategic priority for the company with investors willing to assign higher valuation multiples to higher growth companies. We would not be surprised whatsoever for GE Healthcare to reenter the radiation oncology space in the near term, particularly as they would benefit from leveraging their >400,000 Imaging system unit installed base and accelerate their growth profile. Similarly, as Koninklijke Philips NV (PHG / PHIA.NA) begins to emerge from the storm in its Sleep business (massive recalls), we could also see them begin to get more active in the radiation therapy space.

10) **Short Squeeze Candidate?**:

While not a top short squeeze candidate in our view, short interest utilization has been building since 3Q22 (up 91% since 11/15/22) – unjustifiably so in our opinion given the only modest miss to Street estimates which were driven by a hurricane in Florida (a ~$500k sales miss, -5.5% vs Street) was driven by a two system shortfall that ended up being recouped and shipped the first week of 4Q22). In total, short interest has risen to 11.4% of the float (per Bloomberg) which is currently 3.8 days to cover (DTC). Should any of our potential near-term catalysts below materialize, we believe SRTS shares could skyrocket higher on an improved sentiment outlook paired with a hefty dose of management confidence in execution. There are only 16.7mn SRTS shares outstanding, and at incredibly depressed valuation levels, there could be asymmetric risk/reward to the upside. [Bloomberg is currently forecasting a +10% move on the upcoming earnings print based on option-implied volatility.]

11) **Key Potential Catalysts**:

Several potential key catalysts (some very near-term) could drive a material re-rating of SRTS shares higher…. We believe these should be on investors' radars:

a. **4Q Pre-Announcement Next Week**: We know that Sensus will be in attendance at the upcoming JP Morgan Healthcare Conference next week in San Francisco. Given weak stock price performance in recent months, we believe that management may be coming "armed" with an above-consensus 4Q announcement to kick off their investor meetings. While we do not know if this is definitive, it seems like a very likely near-term catalyst. Thereafter, there is potential that management could offer first-time sales guidance on its official 4Q22 call in late February / early March 2023.

b. **Insider Buying and/or Corporate Share Repurchases**: We believe that management is eager to start making more aggressive purchases of SRTS stock and open market purchases by senior management and the Board of Directors could drive SRTS shares materially higher from here. Also, as of the end of 3Q22, we believe there was ~$2mn left on the company's share repurchase program. Management is likely to have put that to work in the 4Q22 period (which we will get visibility on soon), but a new (larger/faster) share repurchase program could be material catalyst for shares.

c. **New Strategic Partnerships**: IG-SRT is hitting momentum in terms of adoption and the TAM has barely even had its surface scratched. New international partnerships (*e.g.* India) or new market Veterinary partnerships (with major players like Idexx Laboratories (IDXX) or Patterson Companies (PDCO)) could create upside to current forecasts.

d. **Industry Conferences**: Upcoming meetings like the American Academy of Dermatology (AAD) or the Miami Cosmetology Week in March, or the Las Vegas Cosmetology Week in the Fall could drive an influx of system orders as KOLs garner more podium time and attendance is less hampered than during the COVID pandemic.

12) **Key Risks**:

a. Capital Equipment: Capital equipment-levered names can be lumpy at times given short-term shifts in product and geographic mix and ASPs can be large swing factors on the P&L in any given quarter. Caital can also be lumpy for earlier stage growth companies (*e.g.* customers taking vacation time). Higher sales channel exposures in key regions (*e.g.* FL, TX) can have weather-related disruptions (*i.e.* FL hurricane in 3Q22). High customer concentration (SCO) is also risk factor, but as we highlighted above, we see SCO's business model as tethered to the success of Sensus, they are well-funded, they provide a differentiated solutions offering, and they are growing aggressively.

b. Consumer Recession: A pullback in consumer spending could hurt sales and profits. While the core customer is in oncology (less deferable), the risk would be that physicians slowed purchasing trends due to hesitancy about the economy.

That said, the SCO partnership should help alleviate this concern given there are virtually no upfront costs for adopting physicians.

c. Reimbursement Risk: While Sensus and the overall radiation therapy industry received some attractive coding upgrades that began in January 2021, it does not mean that those rates are permanent. CMS can always decide to change rates which

could impact physician economics. That said, we see the recent increases as more than justified (had not been updated since 2002) and are unlikely to be rolled back ny time soon. We also believe the recent CMS increases were also an attempt to drive oncology procedures to lower overall cost centers and modalities.x

d. China Exposure: China is an important growth market for Sensus and a recession there could impact international sales. Sensus uses a distributor in China (new partner signed later in 2020). Sensus' Chinese partner's selling license was renewed in 2021 and is valid through the end of 2026.

e. Supply Chain Risk: Sensus has a single preferred supplier for the x-ray tubes and other major components used in the company's products. Although other suppliers exist in the market, the company believes that its preferred supplier's products are of a superior quality. The loss of the preferred supplier, or its inability to supply the company with an adequate supply of these components, could negatively impact revenues and profitability.

Disclosures and Disclaimers:

1) We are long shares of Sensus Healthcare, Inc. (SRTS). We may also trade options on SRTS, both long and short.

2) We have no responsibility to update readers on our views, proprietary trading strategies, or to discuss positioning including the exit of our position(s). Reader takes full responsibility for their own trading strategies and related profits or losses. Our views are only applicable as of the timing of this publication.

3) Our investment research is based on our fundamental work and valuation analyses. Other investors may differ in their views versus those of Jaguar Capital. This document/report does not constitute any offer to buy or sell any security, interest in any security, or interest in any form of pooled investment vehicle.

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Appendix:

P&L Summary:

Sensus Healthcare, Inc.
Quarterly Income Statement
($ in millions, except per share data)

	2021A FY	2022E FY	2023E FY	2024E FY	2025E FY	2026E FY	'22-'25 CAGR
Net sales	**27.042**	**44.244**	**54.144**	**74.394**	**100.089**	**134.559**	31.3%
Y/Y growth	*182.4%*	*63.6%*	*22.4%*	*37.4%*	*34.5%*	*34.4%*	
Cost of goods sold	10.055	14.506	17.134	23.434	31.028	41.040	
Gross profit	**16.987**	**29.737**	**37.011**	**50.960**	**69.062**	**93.518**	
S&M	4.839	6.675	7.758	10.287	13.340	17.261	26.0%
G&A	4.593	4.666	4.870	5.070	5.270	5.470	4.1%
R&D	3.435	3.262	3.550	3.750	3.950	4.150	6.6%
EBIT	**4.120**	**15.134**	**20.833**	**31.853**	**46.502**	**66.638**	45.4%
D&A	0.611	0.316	0.300	0.315	0.331	0.347	
SBC	0.414	0.197	0.280	0.300	0.400	0.500	
Other expense (income)	0.000	0.000	0.000	0.000	0.000	0.000	
EBITDA	**5.145**	**15.647**	**21.413**	**32.468**	**47.233**	**67.485**	44.5%
Interest expense (income)	0.000	(0.218)	(0.400)	(0.600)	(0.800)	(1.000)	
Other expense (income)	0.001	0.000	0.000	0.000	0.000	0.000	
Pre-tax income	**4.119**	**15.352**	**21.233**	**32.453**	**47.302**	**67.638**	45.5%
Tax rate	*0.0%*	*20.0%*	*20.0%*	*20.0%*	*19.8%*	*19.6%*	
Income taxes	0.000	3.078	4.247	6.491	9.366	13.257	
Net income	**4.119**	**12.274**	**16.986**	**25.962**	**37.936**	**54.381**	45.7%
Fully diluted shares, post-split, post-IPO	16.5	16.7	16.9	17.1	17.3	17.5	
Earnings per share	**$0.25**	**$0.74**	**$1.01**	**$1.52**	**$2.20**	**$3.11**	43.9%
Margins							
Gross profit	62.8%	67.2%	68.4%	68.5%	69.0%	69.5%	
S&M	17.9%	15.1%	14.3%	13.8%	13.3%	12.8%	
G&A	17.0%	10.5%	9.0%	6.8%	5.3%	4.1%	
R&D	12.7%	7.4%	6.6%	5.0%	3.9%	3.1%	
EBIT	15.2%	34.2%	38.5%	42.8%	46.5%	49.5%	
EBITDA	19.0%	35.4%	39.5%	43.6%	47.2%	50.2%	
Pre-tax income	15.2%	34.7%	39.2%	43.6%	47.3%	50.3%	
Net income	15.2%	27.7%	31.4%	34.9%	37.9%	40.4%	
Y/Y Growth Rates							
Sales	182.4%	63.6%	22.4%	37.4%	34.5%	34.4%	
COGS	438.9%	44.3%	18.1%	36.8%	32.4%	32.3%	
Gross profit	120.3%	75.1%	24.5%	37.7%	35.5%	35.4%	
S&M	258.7%	37.9%	16.2%	32.6%	29.7%	29.4%	
G&A	488.8%	1.6%	4.4%	4.1%	3.9%	3.8%	
R&D	308.0%	(5.0%)	8.8%	5.6%	5.3%	5.1%	
EBIT	(13.1%)	267.3%	37.7%	52.9%	46.0%	43.3%	
EBITDA	2.1%	204.1%	36.9%	51.6%	45.5%	42.9%	
Pre-tax income	(13.1%)	272.7%	38.3%	52.8%	45.8%	43.0%	
Net income	(13.1%)	198.0%	38.4%	52.8%	46.1%	43.3%	
EPS	(13.4%)	195.0%	36.7%	51.1%	44.4%	41.7%	
Other ratios							
Operating leverage	(195.5%)	203.7%	15.3%	15.5%	11.5%	8.9%	
Financial leverage	(0.1%)	5.4%	0.7%	(0.1%)	(0.2%)	(0.3%)	
Tax leverage	(0.0%)	(74.7%)	0.1%	(0.0%)	0.4%	0.4%	
Share leverage	(0.3%)	(2.9%)	(1.7%)	(1.8%)	(1.7%)	(1.6%)	
Earnings leverage	(195.8%)	131.4%	14.3%	13.7%	9.9%	7.3%	
Incremental EBIT	(3.5%)	64.0%	57.6%	54.4%	57.0%	58.4%	

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Footnotes:

1: https://www.skincancer.org/skin-cancer-information/
2: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5054999/
3: https://pubmed.ncbi.nlm.nih.gov/27334211/
4: https://clinicaltrials.gov/ct2/show/NCT04349111
5: https://www.sec.gov/ix?doc=/Archives/edgar/data/0000749660/000119312522086983/d289381d10k.htm