

Due Diligence Report: Upward Trend and Upcoming Catalysts; Investors get Anxious

Summary

EDAP TMS S.A. (EDAP), incorporated on February 21, 1997, is engaged in developing and marketing the Ablatherm and Focal One devices for high intensity focused ultrasound (HIFU) treatment of localized prostate cancer. The Company operates two divisions: High Intensity Focused Ultrasound and Urology Devices and Services (UDS) (including lithotripsy activities). Through these two divisions, the Company develops, produces and markets medical devices, mainly for urological diseases. The Company's HIFU and UDS divisions operate in Europe, the Americas, Asia and the rest of the world. The Company is developing HIFU technology for the treatment of certain other types of tumors. The Company also produces and commercializes medical equipment for treatment of urinary tract stones using extra-corporeal shockwave lithotripsy (ESWL) and distributes other types of urology devices in certain countries. The Company's HIFU division is engaged in the development, manufacturing and marketing of medical devices based on HIFU technology for the invasive treatment of urological and other clinical indications. HIFU technology uses a high-intensity convergent ultrasound beam generated by high power transducers to produce heat. HIFU technology is intended to allow the surgeon to destroy a well-defined area of diseased tissue without damaging surrounding tissue and organs, thereby eliminating the need for incisions, transfusions and general anesthesia and associated complications. The Company's HIFU Division markets two HIFU devices: the Ablatherm and the Focal One. The Ablatherm is used for the treatment of organ-confined prostate cancer, referred to as T1-T2 stage. Ablatherm is approved for commercial distribution in the European Union, South Korea, Canada, Australia, Taiwan, South Africa, New Zealand, the Philippines, Argentina, Mexico, Brazil, Russia, Venezuela, Peru and Ecuador. HIFU Division also produces and markets the Focal One device, a HIFU robotic device for the focal therapy of localized prostate cancer, thereby destroying focused cancer cells only. Focal One is approved for commercial distribution in the European Union, Canada and Saudi Arabia. As of December 31, 2014, the Company's HIFU division had an installed base of 98 Ablatherm machines, nine Focal One and 295 trained clinical sites around the world were using this technology. In addition, the HIFU division is also engaged in leasing equipment, as well as the sale of disposables, spare parts and maintenance services. The Company's HIFU mobile treatment option provides access to the HIFU devices without requiring hospitals and clinics to make an up-front investment in the equipment. Instead, hospitals and clinics perform treatments using these devices.

EDAP TMS SA has a current market capitalization of \$135.22 M with 24.96 M outstanding shares. Its daily average volume traded is 362,586 shares.

Key Indicators (Q2 2015; EUR)

Shares Outstanding	24.96 M
Revenue	7.84 M
Gross Profit	3.33 M
Net Income (basic/diluted)	0.49 M
Cash and Short-term Inv	12.14 M
Total Debt	5.25 M

Performance (6 months)



Recent News and Analysis:

On Monday, the Company announced that it has received 510(k) clearance from the U.S. Food and Drug Administration (FDA) to market Ablatherm Integrated Imaging HIFU in the U.S. for the ablation of prostate tissue. EDAP expects to commercialize Ablatherm HIFU in the U.S. immediately. This clearance represents a unique opportunity for EDAP and its superior HIFU technology to penetrate the largest prostate market in the world in the same way it has emerged as the leading HIFU technology in Europe. With an established US sales and services infrastructure, the pieces are in place to begin deploying Ablatherm devices in the U.S. very quickly.

Following the above news, analysts believe there is even more good news on the way with Q3 earnings expected on Nov 19, 2015. Analysts have price targets in excess of \$11.00 compared to Monday's close of \$5.49. This poses huge upside potential with a near term catalyst only a few days away. Analysts point to the high volumes achieved in the recent past as an opportunity for the future. Strong on high relative volume stocks are worth watching because major volume moves tend to indicate underlying activity such as M&A events, material stock news, analyst upgrades, insider buying, buying from 'super investors,' or that hedge funds and momentum traders are piling into a stock ahead of a catalyst. Regardless of the impetus behind the price and volume action, when a stock moves with strength and volume it can indicate the start of a new trend on which early investors can capitalize.

Conclusions:

Shares of EDAP have rallied for the past month to gain 33.9%. This rally was supported by several catalysts of which the last is upcoming in the next several days. On Nov 19, the company is scheduled to report Q3 earnings. Analysts and investors are getting anxious as the day approaches and have been moving the stock in an upward trajectory. The cherry on top was certainly the most recent news of FDA approval for the Ablatherm HIFU which leads to assumptions of increased revenues and an increasing

bottom line. The previous quarter, the company recorded a net income of approximately \$0.5 M, an improvement from the net loss recorded the previous quarter. Fundamentals are looking bright for the company and upcoming earnings can send this flying. Definitely a watch-list worthy candidate.

Sources:

1. <http://www.reuters.com/finance/stocks/companyProfile?rpc=66&symbol=EDAP.O>
2. <http://stockcharts.com/h-sc/ui?s=EDAP&p=D&b=5&g=0&id=p78439035210>
3. <http://www.google.ca/finance?q=NASDAQ%3AEDAP&hl=en&gl=ca&ei=1E9BVrGoF5WgjAHK27PACg>
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5. <http://www.financialmagazin.com/does-edap-tms-sa-adr-have-any-gas-after-todays-huge-increase/>
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7. <http://www.thestreet.com/story/13321798/1/edap-tms-edap-is-strong-on-high-volume-today.html>

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