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PAVmed (Nasdaq/PAVM)
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BUY
CarpX to lead the way in 2018

PAVmed is a medical device company bringing innovative products from concept to commercialization with speed and capital efficiency

Investment Highlights

1) PAVmed recently reported financial reports for their Q4/2017 and provided a progress report on their clinical and regulatory pipeline. For the quarter, the Company recorded net income of \$309,000, or \$0.02 per share, which included a gain for adjustments in warrant liability fair values, or a net loss of \$1.6 million or (\$0.12) per share on a non-GAAP adjusted basis. The net loss included R&D costs of \$555,000 and general and administrative expenses of \$1.3 million, which were lower for R&D and higher for G&A than for the previous year period. For the year, PAVmed posted a net loss of \$9.5 million or (\$0.71) per share, and at the end of the calendar year the Company held \$1.5 million in cash and equivalents on hand, which has been recently bolstered by \$4.3 million in net proceeds from an equity offering.

2) CarpX is clearly the leader in the Company's clinical pipeline in terms of timeline, and 2018 will be a pivotal year for this innovative medical device for the treatment of carpal tunnel syndrome. Late in 2017 PAVmed filed its 510(k) application with the US FDA for this product, and since filing the Company has met with the agency and agreed to compile and submit additional animal data (on thermal spread) and studies on physician usability (with cadavers). PAVmed expects to complete its information gathering for the FDA this spring, and while waiting for US approval the Company now plans to go forward with human clinical studies on CarpX outside the US, and actively seek European CE Mark acceptance and commercial partners in the US, Europe, Asia and South America. PAVmed's second key product, implantable intraosseous vascular access device **PortIO**, is somewhat further behind CarpX, as the FDA has responded to the Company's pre-submission file with a request for an additional seven-day animal study and human safety data in the form of a small, single-arm clinical study. While the animal study is underway, PAVmed has decided to wait on the additional human clinical study until a second generation, more elegant and compact PortIO product

Current Price **\$1.65**
Price Target **\$4.50**

Estimates	F2015A	F2016A	F2017A
Revenues(\$000s)	\$0	\$0	\$0
1Q March	0	0	0 A
2Q June	0	0	0 A
3Q September	0	0	0 A
4Q December	0	0	0 A
EPS (diluted)	(\$0.16)	(\$0.44)	(\$0.77)
1Q December	(0.01)	(0.06)	(0.32) A
2Q March	(0.03)	(0.10)	(0.08) A
3Q June	(0.05)	(0.14)	(0.40) A
4Q September	(0.06)	(0.13)	0.02 A

EBITDA/Share	(\$0.15)	(\$0.38)	(\$0.63)
EV/EBITDA (x)	N/A	N/A	N/A
Stock Data			
52-Week Range			\$1.35-\$9.31
Shares Outstanding (mil.)			17.2
Market Capitalization (mil.)			\$28.4
Enterprise Value (mil.)			\$26.9
Debt to Capital (12/17)			N/A
Book Value/Share (12/17)			(\$0.17)
Price/Book			N/A x
Average Trading Volume (3-month)			67,800
Insider Ownership			37.0%
Institutional Ownership			0.5%
Short Interest			7,730
Dividend / Yield			\$0.00/0.0%



Price target and ratings changes over the past 3 yrs:
 Initiated - August 31, 2017 - Buy - Price Target \$10.10
 Update - April 16, 2018 - Buy - Price Target \$4.50

design can be completed and possibly a strategic partner can be signed and brought into this process. **DisappEAR**, PAVmed's resorbable, anti-microbial pediatric ear tube, is also under active development with a projected FDA 510(k) application submission sometime in Q3/2018. Currently the Company is focusing its development efforts for DisappEAR on sourcing the raw silk material and creating an optimized manufacturing process, while seeking out commercialization partners in the US and Internationally. In addition, PAVmed has three other longer-term medical devices in its R&D pipeline, and continues to seek out new product acquisition/development opportunities, most likely via academic center partners, with one such agreement potentially completed in the near future.

3) Looking ahead, we are forecasting that PAVmed will post a net loss of \$7.0 million or (\$0.40) per share for 2018E, assuming levels of R&D and general and administrative costs similar to those of 2017, with operating cash burn of \$6-\$7 million for the year, similar to the amount for 2017. In addition, we are forecasting that the Company will accrue some amount of revenues this year, either from product commercialization or partnership agreement milestones and fees. With current levels of monthly cash usage, we estimate that the Company will have adequate financial resources to reach into calendar 2019, although the near-term receipt of additional funding from either partnerships or the recently announced rights offering could extend the Company's financial resources further, or even possibly held speed up certain R&D pipeline programs if proceeds are large enough. Key catalysts for 2018 for PAVmed are expected to center around its CarpX program, including potential US marketing clearance, although news on other products could also be forthcoming, depending to some extent on the success of the Company's ongoing business development activities.

Conclusion

Possibly due to its newness as a public company, shares of PAVmed have lagged the solid stock price performance of many other medical device companies in recent history, particularly considering the historical success in developing companies shown by the Company's executive management team and advisors. However, with a deep device pipeline of six products, visible development progress on its first three product candidates, an active search for additional product assets and a recently-strengthened balance sheet, PAVmed shares may soon attract growth-oriented and value-investors as news flow continues, and thus we believe PAVM shares may soon follow those of other medical device stocks which have recently exhibited strong price appreciation. Thus, we are maintaining our Buy rating on PAVM shares. However, due to several factors, including increased shares outstanding for PAVM, a recent downturn in the overall market for small capitalization stocks, and the necessity of removing one stock from our comparison group (AngioDynamics, or ANGO, Not Rated) as this company has advanced well into commercialization stage, we are reducing our 12-18 month price target on PAVM shares to \$4.50. (For further description of our stock valuation method please refer to our Initiation Report on PAVM dated August 31, 2017.)

Risk Factors

In addition to normal economic and market risk factors that impact most equities and the common risks shared by PAVmed with other companies in the industry, we believe an investment in PAVM involves the following risks:

- **Reliance on key management** – At present, PAVM relies on several key members of its management team who either founded the Company or have been in key executive positions for an extended period of time. Should one or more of these key executives leave the Company, PAVM could find it difficult to replace their long-standing knowledge of operations and industry expertise.
- **Reliance on future partnerships** – To date, PAVM has not signed major development partnerships and has signed a joint venture development agreement for only one of its medical device product candidates. However, in the future the Company may decide or be required to sign additional such agreements, and as such certain factors related to product marketing and/or new product development may be determined by third parties and out of the control of Company management.
- **Limited stock liquidity** – Trading volume in PAVM stock is comparatively light and these shares have a relatively limited history of trading compared with other healthcare stocks. As such, news regarding PAVM, its target market, partners and/or competitors could lead to significant volatility in the stock price.
- **Competitive markets** – The Company and its potential partners are expected to compete in its target medical device markets with a number of companies, many of which are considerably larger than the Company. There can be no assurance that the Company and its partners will be able to successfully compete and launch new products into these competitive markets in the future.
- **FDA and regulatory risks** – PAVM and its potential partners are subject to regulatory review for ongoing medical device research and development, principally approval and review processes of the US Food and Drug Administration and other non-domestic regulatory agencies. In addition, the quality assurance and manufacture of the Company's products will be subject to ongoing oversight and regulation, and any negative correspondence from the FDA or other regulatory agencies in the future could have an adverse effect on the ongoing operations of the Company.
- **Lack of historic profitability** - PAVM has not achieved operating profitability since its founding, and according to our forecasts may not be expected to do so in the near future. Although the Company maintains adequate cash reserves at the present time, there can be no assurance the Company will not need to raise additional working capital in the future should operating losses continue.
- **Need to defend patents and other intellectual property** – PAVM currently has applications pending in both the US and International jurisdictions on its medical devices and related technology, some of which may expire in the near future. The Company may be required to defend its patents in the US and overseas in the future, and there can be no assurance these defenses will be successful.

Robert M. Wasserman

PAVmed, Inc.
Consolidated Statements of Income
 (In 000s, except per share data)

FYE December	2014	2015	1Q16 March	2Q16 June	3Q16 September	4Q16 December	2016	1Q17 March	2Q17 June	3Q17 September	4Q17 December	2017	2018E
Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,000
Operating Expenses													
General and administrative	263	1,287	518	960	1,350	1,104	3,931	1,500	1,320	1,263	1,333	5,415	5,500
Research and development	11	489	179	355	578	607	1,720	657	702	705	555	2,619	2,500
Total operating expenses	274	1,777	697	1,315	1,929	1,711	5,651	2,156	2,021	1,968	1,888	8,034	8,000
Income (loss) from operations	(\$274)	(\$1,777)	(\$697)	(\$1,315)	(\$1,929)	(\$1,711)	(\$5,651)	(\$2,156)	(\$2,021)	(\$1,968)	(\$1,888)	(\$8,034)	(\$6,000)
Other income (loss)	0	0	0	0	0	0	0	(2,114)	1,032	(3,161)	2,758	(1,485)	(1,000)
Net income (loss) before taxes	(\$274)	(\$1,777)	(\$697)	(\$1,315)	(\$1,929)	(\$1,711)	(\$5,651)	(\$4,270)	(\$990)	(\$5,129)	\$870	(\$9,519)	(\$7,000)
Income taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Net income (loss)	(\$274)	(\$1,777)	(\$697)	(\$1,315)	(\$1,929)	(\$1,711)	(\$5,651)	(\$4,270)	(\$990)	(\$5,129)	\$870	(\$9,519)	(\$7,000)
Basic income per share	(\$0.03)	(\$0.16)	(\$0.06)	(\$0.10)	(\$0.14)	(\$0.13)	(\$0.44)	(\$0.32)	(\$0.07)	(\$0.38)	\$0.06	(\$0.71)	(\$0.40)
Diluted income per share	(\$0.03)	(\$0.16)	(\$0.06)	(\$0.10)	(\$0.14)	(\$0.13)	(\$0.44)	(\$0.32)	(\$0.08)	(\$0.40)	\$0.02	(\$0.77)	(\$0.40)
Basic shares outstanding	8,618	11,279	12,250	12,995	13,310	13,318	12,972	13,331	13,331	13,333	13,984	13,495	17,500
Diluted shares outstanding	8,618	11,279	12,250	12,995	13,310	13,318	12,972	13,331	13,331	13,333	13,984	13,495	17,500
Key ratios:													
Revenue growth	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
G & A/revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
R&D/revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deprec, amort & non-cash comp.	200	133	0.1	177	270	304	751	274	260	271	250	1,055	1,200
Cash Flow/share	(\$0.01)	(\$0.15)	(\$0.06)	(\$0.09)	(\$0.12)	(\$0.11)	(\$0.38)	(\$0.14)	(\$0.13)	(\$0.13)	(\$0.12)	(\$0.63)	(\$0.33)
EBITDA/share	(\$0.01)	(\$0.15)	(\$0.06)	(\$0.09)	(\$0.12)	(\$0.11)	(\$0.38)	(\$0.14)	(\$0.13)	(\$0.13)	(\$0.12)	(\$0.63)	(\$0.33)

Balance Sheets

(\$000s)

Assets:	12/31/16	12/31/17
Current Assets		
Cash and equivalents	\$586	\$1,535
Prepaid expenses and other current assets	155	88
Total current	741	1,623
Property and equipment, net	18	16
Deferred offering costs	111	0
Total Assets	\$870	\$1,640
Liabilities:		
Current liabilities		
Accounts payable	\$949	\$864
Accrued expenses and other current	240	706
Series A warrants	0	761
Derivative liability	0	212
Total current	1,189	2,544
Senior secured note, net	0	1,944
Stockholders' equity	(319)	(2,848)
TOTAL LIAB & EQ	\$870	\$1,640

Quarterly Earnings Comparisons

	December	March	June	September	Total
Revenues (in \$000)					
2014					0
2015	0	0	0	0	0
2016	0	0	0	0	0
2017	0	0	0	0	0
2018E					\$2,000
Earnings per Share (diluted)					
2014					(\$0.03)
2015	(\$0.01)	(\$0.03)	(\$0.05)	(\$0.06)	(\$0.16)
2016	(\$0.06)	(\$0.10)	(\$0.14)	(\$0.13)	(\$0.44)
2017	(\$0.32)	(\$0.08)	(\$0.40)	\$0.02	(\$0.77)
2018E					(\$0.40)

Source: Dawson James Securities, Inc. estimates; Company documents

Important Disclosures:

Price Chart:



Price target and ratings changes over the past 3 years:

Initiated – Buy - August 31, 2017 – Price Target \$10.10
 Update – Buy – April 16, 2018 – Price Target reduced to \$4.50

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- 1) **Buy:** the analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** the analyst believes the price of the stock is fairly valued for the next 12-18 months;
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Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
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Market Perform (Neutral)	3	17%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	18	100%	6	33%

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