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PAVmed (Nasdaq/PAVM)
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BUY
EsoCheck Joins the Pipeline

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

Investment Highlights

1) PAVmed has added a new pipeline product to its portfolio, with the recent licensing of EsoCheck, a system for the early detection of pre-cancerous conditions of the esophagus, with a potential addressable market of \$2 billion. Working through a new 82%-owned subsidiary, Lucid Diagnostics, the Company has started the processes necessary for FDA 510(k) regulatory submission of the device, including clearance of the cell sampling device and a Laboratory Developed Test (LDT) designation of the related DNA biomarker test. In addition, the ongoing multicenter National Institutes of Health (NIH)-funded clinical study of EsoCheck is also going well, with enrollment initiated at six leading US centers and several new centers coming online soon. PAVmed is targeting Q1/2019 for first commercial launch in the US for EsoCheck, and is also actively seeking potential strategic partners (technology founder Case Western Reserve owns the other 18% of Lucid Diagnostics) for the device. One indication of the attractiveness of EsoCheck's potential market is the prominence of a more rudimentary competing device from Medtronic (MDT, Not Rated), named the Cytosponge. For a more detailed description of EsoCheck and other competing devices in the market, see this recent article from GenomeWeb: <https://www.genomeweb.com/sequencing/pavmed-spinoff-lucid-diagnostics-aims-market-molecular-barretts-esophagus-test-2019#.W0OrdjZFxjo>.

2) Meanwhile, PAVmed is also making progress on its lead carpal tunnel syndrome treatment product, CarpX, steadily moving the program through the US FDA's 501(k) approval process. Earlier this summer PAVmed filed a resubmission with the FDA for CarpX which included a more current version of the device, which is expected to delay the regulatory review timeline by about six weeks for an expected agency response in the late summer timeframe. The Company is also on track for submitting an application for European CE Mark approval for CarpX this fall, is recruiting a Chief

Current Price \$1.17
Price Target \$4.50

Estimates	F2016A	F2017A	F2018E
Revenues(\$000s)	\$0	\$0	\$2,000
1Q March	0	0	0 A
2Q June	0	0	
3Q September	0	0	
4Q December	0	0	

EPS (diluted)	(\$0.44)	(\$0.77)	(\$0.36)
1Q December	(0.06)	(0.32)	(0.17) A
2Q March	(0.10)	(0.08)	
3Q June	(0.14)	(0.40)	
4Q September	(0.13)	0.02	

EBITDA/Share	(\$0.38)	(\$0.63)	(\$0.30)
EV/EBITDA (x)	N/A	N/A	N/A

Stock Data	
52-Week Range	\$0.87-\$9.31
Shares Outstanding (mil.)	17.5
Market Capitalization (mil.)	\$20.5
Enterprise Value (mil.)	\$16.8
Debt to Capital (3/18)	N/A
Book Value/Share (3/18)	\$0.01
Price/Book	N/A x
Average Trading Volume (3-month)	330,000
Insider Ownership	47.7%
Institutional Ownership	12.2%
Short interest	106,900
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

Commercial Officer, and is in active discussions with distribution partners in the US and commercialization partners outside the US including for markets in Europe, Asia and South America. Next up for PAVmed's **PortIO** implantable vascular access device will be the initiation of an animal study this summer and preparation of an Investigational Device Exemption (IDE) application for the product. The Company's **DisappEAR** resorbable, antimicrobial pediatric ear tube has seen several important manufacturing milestones recently, including the successful machining of ear tubes from commercially-sourced silk monoblocks. Finally, PAVmed recently stated that the Company will be accelerating the development of **NextFlo**, a fixed-rate infusion system for hospitals, thanks to additional financial resources garnered from PAVmed's recent rights offering.

3) In addition to a late June 2018 business update, PAVmed also reported financial results for their Q1/18 quarter in late May, including a net operating loss of \$2.8 million or (\$0.17) per share, as compared to a net loss of \$4.3 million or (\$0.32) per share in the same period one year ago. During the quarter, both R&D costs and overhead expenses decreased slightly, to \$560,000 and \$1.4 million, respectively, due primarily to lower charges this year for outside professional services and stock-based compensation. Operating cash burn was approximately \$1.7 million for PAVmed for the first quarter, and at the end of March the Company held \$3.6 million in cash and equivalents on its balance sheet. Since quarter-end, however, PAVmed has raised approximately \$6 million (in gross proceeds) from additional closings of its rights offering, which closed completely late last month. Results for first quarter were in-line with our most recent estimates, so we are maintaining our forecast of a net loss of \$7.0 million for 2018E for PAVmed, which equates to (\$0.36) per share on a higher number of shares outstanding following recent new share issuances, from (\$0.40) per share loss estimated earlier. Including the proceeds from recent rights offerings, we forecast that PAVmed will have adequate financial resources to last well into next calendar year. PAVmed could also augment its cash balances going forward through commercialization or marketing partnerships, or potentially through funding garnered separately by the new Lucid Diagnostics (EsoCheck) subsidiary.

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, 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 and our 12-18 month price target of \$4.50 for PAVM. (For further description of our stock valuation methods please refer to our Initiation Report on PAVM dated August 31, 2017 and our Company Update dated April 16, 2018)

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 or commercialization 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)	(\$0.36)
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)	(\$0.36)
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	19,500
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	19,500
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)	(\$0.30)
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)	(\$0.30)

Balance Sheets

(\$000s)

Assets:	12/31/17	3/31/18
Current Assets		
Cash and equivalents	\$1,535	\$3,631
Prepaid expenses and other current assets	88	114
Total current	1,623	3,745
Property and equipment, net	16	14
Deferred offering costs	0	0
Total Assets	\$1,640	\$3,759
Liabilities:		
Current liabilities		
Accounts payable	\$864	\$768
Accrued expenses and other current	706	493
Series A warrants	761	0
Derivative liability	212	0
Total current	2,544	1,261
Senior secured note, net	1,944	2,250
Stockholders' equity	(2,848)	248
TOTAL LIAB & EQ	\$1,640	\$3,759

Quarterly Earnings Comparisons

	March	June	September	December	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	0				\$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	(\$0.17)				(\$0.36)

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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Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	22	88%	7	32%
Market Perform (Neutral)	3	12%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	25	100%	7	28%

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