

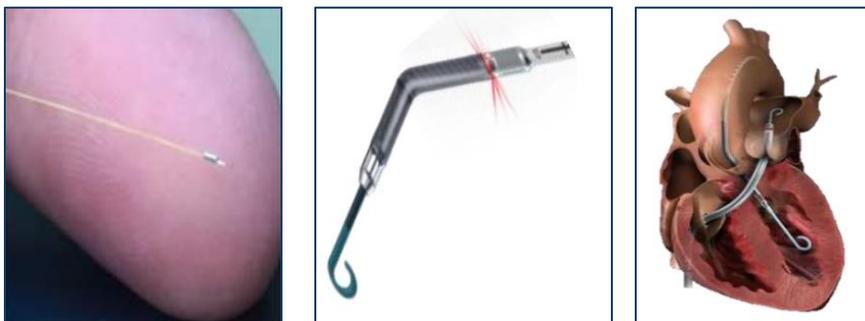
## Sensera Ltd.

### Key MedTech client gets FDA approval for a heart pump using SEI's sensor technology

On 2 April, Abiomed (NASDAQ:ABMD) received US FDA approval for its new Impella CP heart pump with SmartAssist, which supports blood circulation for the heart, brains, kidneys etc. The device uses Sensera's (ASX:SEI) optical sensors that are placed inside the Impella catheter.

Abiomed is one of SEI's new MedTech customers and we believe this FDA approval underpins SEI's revenue projections for the MEMS business in the next several years.

FIGURE 1: SEI'S OPTICAL SENSOR AND ABIOMED HEART PUMP



Source: Sensera, Abiomed

With the Impella Abiomed is targeting a US\$ 5BN market, potentially comprising of more than 300k new patients annually in the US, Germany and Japan alone. Abiomed has also received approval for the Impella in China, Canada and across Europe and the UK.

With the inclusion of SEI's sensors in the Impella product, we anticipate SEI will also be able to provide its MEMS to future iterations of the Impella, i.e. as Abiomed develops and refines the product further.

Additionally, from a commercial point of view we expect SEI will be able to showcase this design-in with other MedTech companies.

On target to hit our US\$ 11.2M revenue est. for FY19

In its appendix 4C, released on 19 April, SEI announced revenues of US\$ 2.2M in 3Q18 (March quarter), which is more than the US\$ 2.07M the company achieved in the whole of 1HY18 and implies a 38% Q-o-Q revenue growth.

Number of shares (m)	159.8
Number of shares FD (m)	167.3
Market capitalisation (A\$ m)	35.2
Free Float (%)	100%
12 month high/low A\$	0.43 - 0.23
Average daily volume (k)	284



## Flash Note

### Sensera Limited

(ASX:SEI)

Technology Hardware & Equipment

Australia

Risk: High

Sensera Limited (ASX:SEI) designs, develops and manufactures Micro Devices (MEMS) for Medical and Industrial applications. Through recently acquired Nanotron, the company provides tracking solutions for the Agriculture, Mining and Healthcare verticals. The company's MEMS business is based in Boston (USA), while Nanotron is based in Germany.

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## BUY

Current price: A\$ 0.22

Price target: A\$ 0.50

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Our revenue estimate for FY18 in total stands at US\$ 6.86M and implies revenues of US\$ 2.6M in Q4 (+17.5% Q-o-Q), which seems quite attainable after US\$ 0.5M, US\$ 1.6M and US\$ 2.2M respectively in the first three quarters of the year.

On the back of the Q3 revenue number, we believe there may be upside potential to this US\$ 2.6M Q4 revenue estimate, driven by the ramp up of the Abiomed contract and a generally strong performance at Nanotron. The company's revenue guidance for FY18 is unchanged at US\$ 6.25M to US\$ 7.25M, but we now expect this number will come in at the upper end of the range.

First revenue guidance for FY19 calls for 60% increase

SEI also gave its first revenue guidance for the next financial year, FY19, commencing on 1 July. The company anticipates a 60% revenue increase next financial year. We had forecast a revenue level of US\$ 11.2M for FY19, an increase of 63% compared to our US\$ 6.9M forecast for FY18.

Given that we see some upside to our FY18 revenue number, a 60% revenue increase for FY19 (rather than 63%) leads us to believe that revenues of US\$ 11.2M in FY19 are very feasible.

Please see our research initiation published on 28 March 2018 for the full financial model.

Cashflow positive towards end of FY19 reiterated

The company saw some pushouts of cash receipts from Q3 into the current quarter. As timing of cash receipts can vary from one quarter to another, the pushout doesn't concern us too much as this delay will be made up for in the current quarter. Rather, we focus on SEI reaching cashflow break even. The company reiterated its expectation that it will become cashflow positive towards the end of FY19.

While we have previously suggested the company may need to raise an additional US\$ 8M in fresh capital for working capital and Capex purposes, SEI indicated it might raise fresh capital partially through non-equity instruments, which should limit dilution for existing shareholders somewhat. This could potentially alleviate some of the recent pressure on the share price.

Starting to fire on all cylinders

With revenues from the MedTech sector now starting to kick in, SEI is beginning to fire on all cylinders, i.e. Mining, Agriculture, Military and Healthcare. In our view, SEI is only just scratching the surface of what is possible with its technology in the age of IoT and connected devices and we expect the company will be able to report more commercial wins in its relevant sectors in the near to medium term.

Reiterate our BUY rating and A\$ 0.50 price target

At the current share price, SEI is valued at an EV/EBITDA of just 2.3x our FY19 estimates, which is well below the peer group average of 3.9x. Furthermore, SEI's revenue growth rate is in line with peers that are trading at 1.5x to 2x the peer group average. In other words, we believe SEI is clearly undervalued. For these reasons, we reiterate our Buy recommendation and our A\$ 0.50 price target.

A management conference call to discuss the 3Q18 results is scheduled for 27 April.

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