PROFOUND MEDICAL CORP. (PRN-TSX)

Biotechnology

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Now with FDA Approval, PRN is Poised to Establish Standard of Care in Intermediate Prostate Cancer

AUGUST 26, 2019 | 6:41 AM EDT
INITIATING COVERAGE

Outperform 2
Target Price C$4.00

Suitability	High Risk/Speculation

MARKET DATA

Current Price (Aug-19-19)	C$0.91
Market Cap (mln)	C$97
Current Net Debt (mln)	C$(6)
Enterprise Value (mln)	C$91
Shares Outstanding (mln)	108.1
30-Day Avg. Daily Value (mln)	C$0.1
Dividend	C$0.00
Dividend Yield	0.0%
52-Week Range	C$0.46 - C$0.99

KEY FINANCIAL METRICS

	1Q	2Q	3Q	4Q
EPS (C$, Dec FY)				
2018A	(0.06)	(0.05)	(0.05)	(0.04)
2019E	(0.03) A	(0.05) A	(0.05)	(0.05)
2020E	(0.05)	(0.05)	(0.05)	(0.04)

	2018A	2019E	2020E
EPS (C$, Dec FY)	(0.21)	(0.18)	(0.19)
P/E	NM	NM	NM
EBITDA (mln) (C$, Dec FY)	(17)	(15)	(16)
EV/EBITDA	NM	NM	NM

Source: Thomson One, Raymond James Ltd. Quarterly figures may not add to full year due to rounding.

RECOMMENDATION

We are initiating coverage of Profound Medical Corp. with an Outperform rating and $4.00 price target.

Profound Medical Corp. (PRN) is a commercial-stage, Toronto-based, therapeutic medical device company that is commercializing a novel technology—Targeted ULtraSound Ablation–PROstate (TULSA-PRO)—for the treatment of prostate cancer. With its highly experienced management team, excellent clinical trial data, and FDA marketing approval now under its belt, PRN is poised to establish the TULSA-PRO as the standard of care for treatment of intermediate prostate cancer, for which the U.S. sees almost 180,000 new diagnoses each year. By our estimate, this, combined with 400,000 new cases each year in benign prostatic hyperplasia (BPH – specifically large/ unusually shaped prostates), represents an addressable potential market size of $2.3 bln.

Clinical Value Proposition

PRN's Phase III/Pivotal trial data showed that TULSA-PRO is able to ablate either the entire prostate or specific focal regions, all while preserving the sensitive nerve bundles that are in close proximity to the organ. This safety profile has resulted in a marked improvement in the adverse outcomes seen in current standard of care—surgical prostatectomy or radiation—significantly reducing erectile dysfunction (from ~65% to ~20%) and urinary incontinence (from ~15% to ~2%). As such, patients with intermediate "GG2" disease, for whom urologists aim to balance the risk of advancing disease with the adverse outcomes of incontinence or impotence, now have a better treatment option with at least equal efficacy, but a far better safety profile. This, we believe, will be a primary driver of adoption of TULSA-PRO over the next three years, establishing it as the standard of care for treatment of intermediate prostate cancer.

Estimates

We use a conservative 1.25% penetration rate during the first three years of TULSA-PRO's commercialization, while revenues will still be patient-pay (i.e., pre-reimbursement). For these years—2020, 2021, and 2022—we estimate revenues of $12 mln, $27mln, and $54 mln respectively. We view these as very achievable revenue estimates because by 2022 an installed base of just 110 devices, each treating 110 patients per year, would generate $46 mln in revenue from TULSA-PRO, plus an additional $8 mln from ancillary products and services.

VALUATION

Our $4.00 price target is based on a 5-year discounted cash flow analysis—using a discount rate of 10%, and a terminal rate of 2%—yielding a total valuation for PRN of $436 mln, or $4.03 per share (rounded to $4.00), a >350% premium to PRN's current share price. *See our Valuation section for more details.*

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OVERVIEW OF PROFOUND MEDICAL CORP.

Profound Medical (PRN) is a commercial-stage, Toronto-based, therapeutic medical device company that is commercializing a novel technology—Targeted ULtraSound Ablation – PROstate (TULSA-PRO)—for the treatment of prostate cancer. The device combines real-time Magnetic Resonance Imaging (MRI) with High Intensity Directional Ultrasound to provide precise ablation of the prostate, while simultaneously protecting critical surrounding tissues from side effects common to traditional prostate cancer treatments: incontinence and impotence. PRN completed a multicentre Pivotal/Phase III Trial (TACT), which produced excellent safety and efficacy data and recently motivated the FDA to approve PRN's 510(k) application for marketing approval. TULSA-PRO is CE marked and currently sees nominal sales in Europe, but the big looming opportunity PRN plans to pursue is full commercialization through U.S. markets, which it now has the FDA's green light to initiate.

Key Management

Dr. Arun Menawat was appointed CEO of PRN in August 2016, after having sat on the board since October 2014. He brings significant relevant experience as the former CEO of Novadaq Technologies (NVDQ, previously), a Nasdaq-listed medical device company. During his 13-year tenure at Novadaq, Dr. Menawat guided the company from start-up status to becoming one of the fastest-growing medical device companies in the U.S., maintaining a market capitalization greater than US$1 billion during the final three years of his leadership. In June 2017, Novadaq announced its sale to Stryker Corporation (SYK) for a 96% premium to its share price. Dr. Menawat holds a PhD in Chemical Engineering from the University of Maryland and an Executive MBA from the J.L. Kellogg School of Management, Northwestern University. In 2014, he was named the EY Ontario Entrepreneur of the Year in health sciences.

Mr. Aaron Davidson joined PRN as CFO and Senior Vice President of Corporate Development in May 2018. Before joining Profound, Mr. Davidson served as Co-Head and Managing Director of H.I.G. BioHealth Partners, where he focused on investment opportunities with emerging life sciences companies. Notably, Mr. Davidson has had a long and productive history working with Dr. Menawat at Novadaq where as he was appointed to the board for eight years. Mr. Davidson earned his MBA from Harvard Business School and a bachelor's degree in finance from McGill University.

Please see Appendix I for further details on PRN's CEO and CFO, and biographies on the remainder of PRN management.

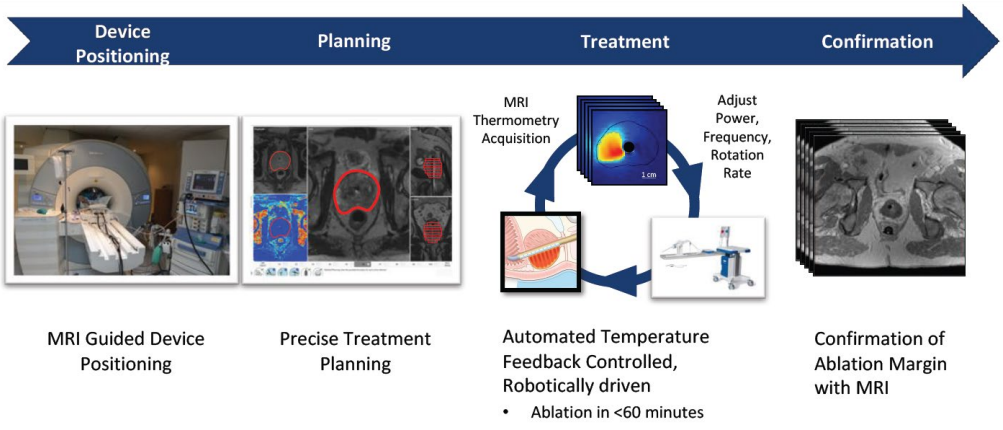
TULSA-PRO

The TULSA-PRO (Exhibit 1) was originally developed at Sunnybrook Health Sciences Centre in Toronto, Canada, where researchers found that high-intensity directional ultrasound could, under magnetic resonance imaging (MRI) guidance, accurately target and treat discrete regions of the prostate. The device combines real-time MRI with a transurethral, robotically-driven therapeutic ultrasound probe and closed-loop thermal feedback control that is designed to provide precise ablation of the prostate while simultaneously avoiding nearby nerve bundles. In this way, the TULSA-PRO provides efficacious treatment of the prostate while protecting the patient from incontinence and/or impotence: common adverse events associated with traditional prostate cancer treatments such as radical prostatectomy or radiation.

Exhibit 1: TULSA-PRO—PRN's Flagship Device for Incision-Free Treatment of the Prostate

Source: Profound Medical Corp.

Exhibit 2: TULSA-PRO Workflow

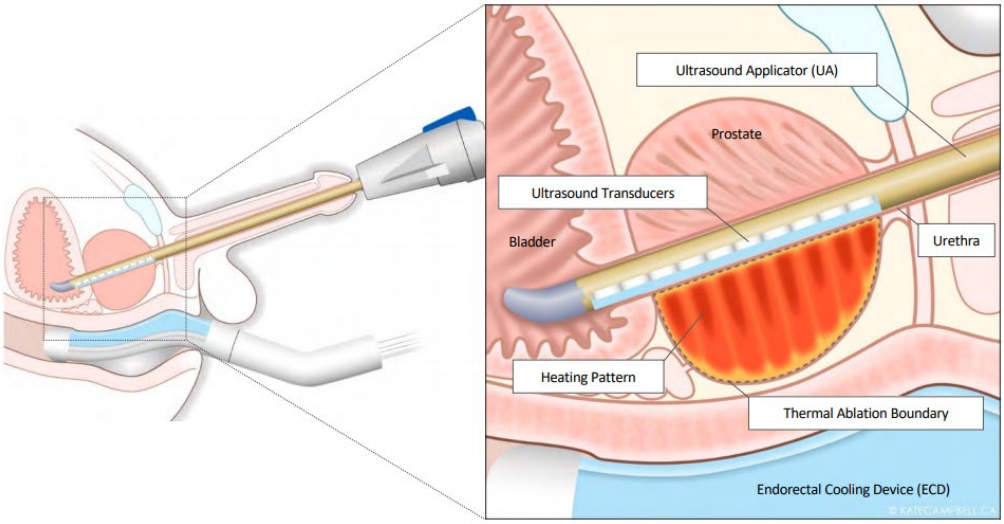


Source: Profound Medical Corp.

During treatment with TULSA-PRO (Exhibit 2):

- The patient is administered anesthesia and placed into an MRI device, which provides real-time imaging of the prostate. A radiologist-urologist team uses these images to map out personalized prostate treatment boundaries.
- Advanced robotic controls guide the ultrasound applicator, which accesses the prostate via the urethra. With its array of 10 transducers, the applicator precisely delivers ultrasound energy into the prostate, elevating temperature to 55°C at the ablation boundary, which denatures and kills the prostate tissue, including the tumour (Exhibit 3). Cooling devices are applied via the rectum to protect surrounding healthy tissues around the probe.

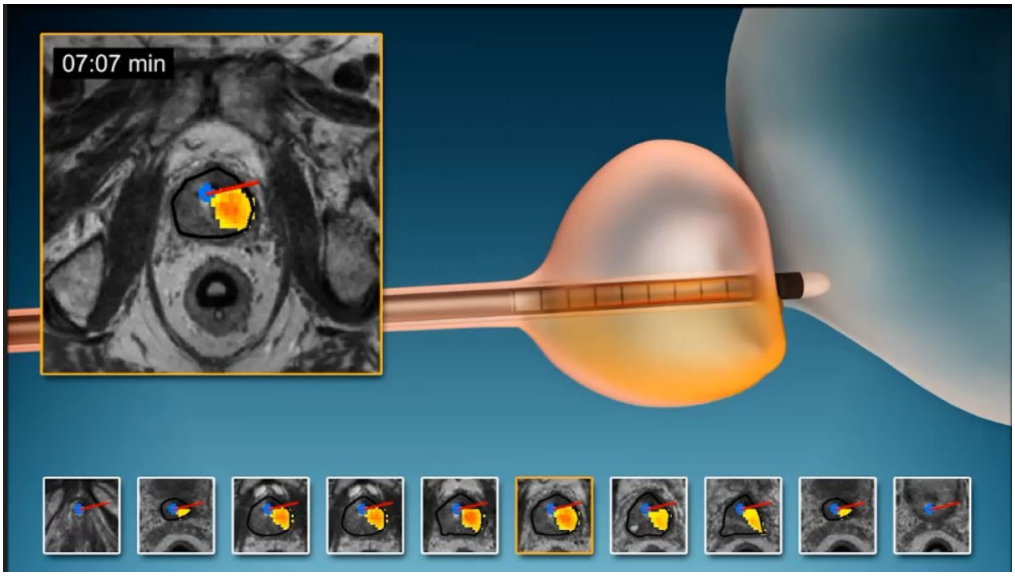
Exhibit 3: How the TULSA-PRO Provides Treatment



Source: Profound Medical Corp.

Throughout the procedure, real-time MRI thermometry is used to confirm the exact margins of the "kill zone" (Exhibit 4); the TULSA-PRO robot uses this feedback to adjust the delivered ultrasound's power, sonic frequency, and the probe's rate of rotation. In the realm of prostate treatment, this real-time treatment guidance and adjustment is unique to the TULSA-PRO, enabling the device's highly accurate and safe ablation of the tissue. Once the procedure is completed, the ablation margin is reviewed with MRI, confirming that treatment of the prostate was absolute.

Exhibit 4: TULSA-PRO Real-Time MRI Thermometry

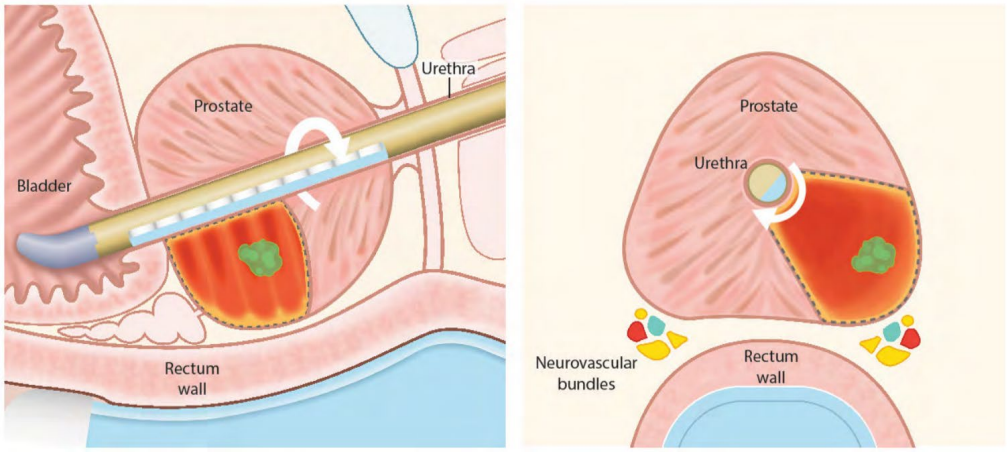


Source: Profound Medical Corp.

Focal Therapy

PRN is also investigating the use of TULSA-PRO for use in focal therapy: a novel use of the device wherein, rather than ablating the entire prostate, only the tumour-containing region is targeted (Exhibit 5). As only a small section of the prostate is treated using this method, the company believes it should prove less disruptive to the patient and provide an even better safety profile than the TULSA-PRO's standard application. Should the tumour recur in the non-treated region of the prostate, the procedure can be repeated (unlike with surgery or radiation).

Exhibit 5: Focal Treatment

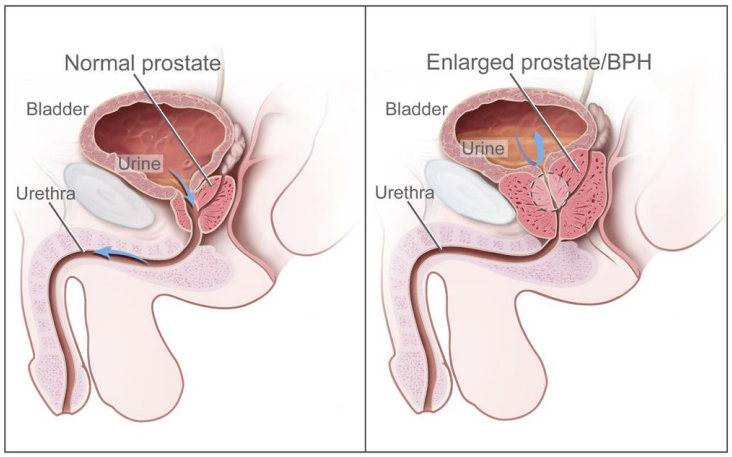


Source: Profound Medical Corp.

PROSTATE CANCER

Prostate cancer is a disease that forms in tissues of the prostate (a gland in the male reproductive system found below the bladder and in front of the rectum; Exhibit 6). It is the second most common form of cancer in men, with a current U.S. prevalence of 3.1 million new diagnoses per year.

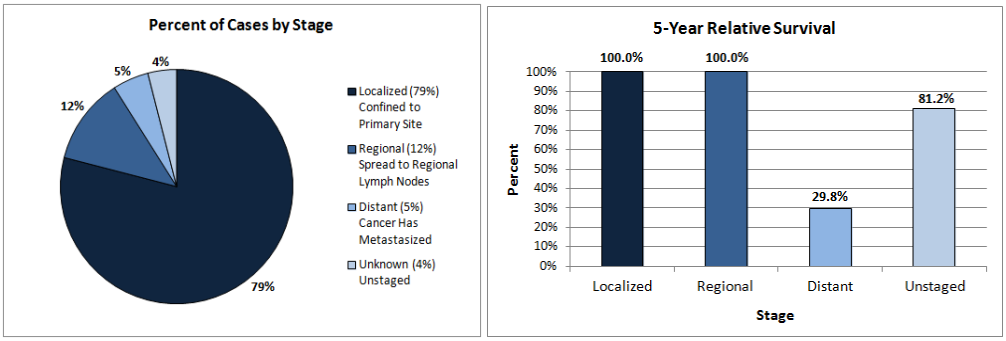
Exhibit 6: Anatomy of the Prostate



Source: Profound Medical Corp.

Five-year survival from prostate cancer is relatively high, at 98.6%. Patients with earlier stages of the disease have a 100% survival rate at five years; while only metastatic forms of the disease present poorer survival prognoses (Exhibit 7).

Exhibit 7: Prostate Cancer—Incidence and 5-Year Relative Survival Statistics by Disease Stage



Source: Profound Medical Corp., SEER

Treatment Options

Current treatments for non-metastatic prostate cancer include:

- **Active Surveillance:** The patient is tested every 3–6 months for any advancement of the disease.
- **Hormone Therapy:** If the cancer begins to grow, hormone therapy may be given to try and shrink the tumour.
- **Radical Prostatectomy**: If there is any advancement of the disease, the prostate is surgically removed (although this procedure results in relatively high complication rates; see below).
- **Radiation (Radio-) Therapy**: Focused radiation to kill the cancer (which also results in relatively high complication rates).
- **Clinical Trials of New Types of Treatment:** e.g., novel drugs, use of TULSA-PRO, etc.

Complication Rates

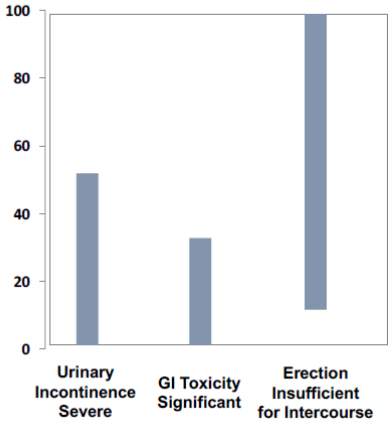
Exhibit 8: Localized Prostate Cancer Therapy—Unmet Need in Standard-of-Care

Functional Outcomes at 2 years[1]

	PROSTATECTOMY	RADIOTHERAPY
URINARY INCONTINENCE	No control or frequent urinary leakage	
	10%	3%
	Bothered by dripping or leaking urine	
	11%	2%
BOWEL FUNCTION	Bowel urgency	
	14%	34%
	Bothered by frequent bowel movements, pain, or urgency	
	3%	8%
SEXUAL FUNCTION	Erection insufficient for intercourse	
	79%	61%
	Bothered by sexual dysfunction	
	56%	48%

Rate of complications reported with radical prostatectomy & radiotherapy[2,3]

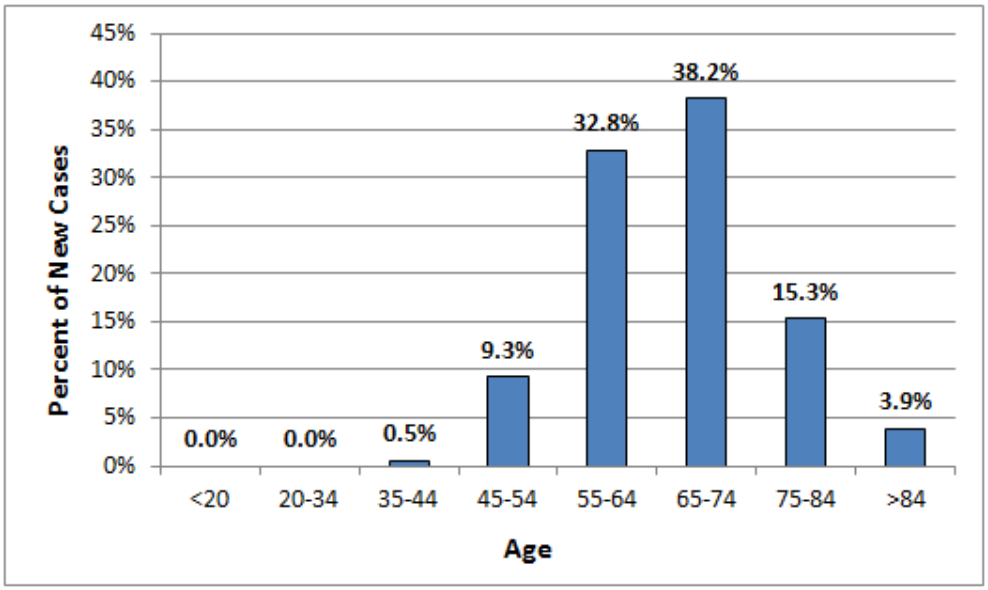
(Variation as reported in 436 publications)



Source: Profound Medical Corp.

In scenarios where the disease is still localized and slow-growing, active surveillance is the most prudent form of treatment. As the disease begins to advance, however, urologists generally recommend either radical prostatectomy (surgery) to remove the prostate entirely, or radiation treatment to kill the cancer and surrounding tissue. Of the 150,000 prostatectomies and 60,000 prostate radiation treatments in the U.S. each year**, more than 50% of patients experience lifelong adverse events, including incontinence (up to 34%) and sexual dysfunction/"impotence" (up to 79%).** See Exhibit 8. This is a particularly disturbing statistic because ~10% of diagnoses occur in men under 55 years of age (Exhibit 9), representing ~300,000 patients in the U.S. This group is particularly motivated to find treatments with outcomes that put them at risk of long-term, quality-of-life diminishing side effects.

Exhibit 9: Percent of New Cases by Age Group: Prostate Cancer

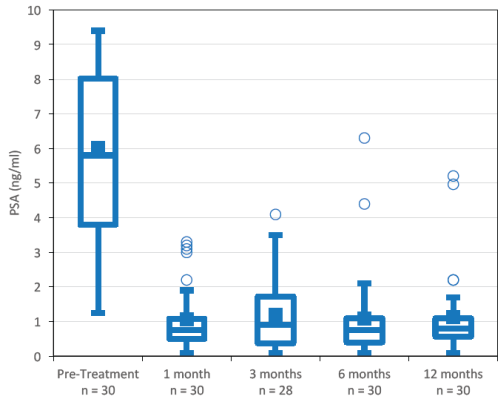


Source: Profound Medical Corp.

TULSA-PRO PHASE I CLINICAL TRIAL

In 2012, PRN began a 30-patient Phase I clinical trial testing the safety of using TULSA-PRO for the treatment of prostate cancer. Blood levels of prostate specific antigen (PSA)—a biomarker correlated with the presence of prostate cancer—over 2ng/ml provide the benchmark of prostate pathology. In its trial, PRN demonstrated a drop in median PSA from 5.8ng/ml pre-treatment with TULSA-PRO to <1ng/ml post-treatment (Exhibit 10), a strong signal of efficacy.

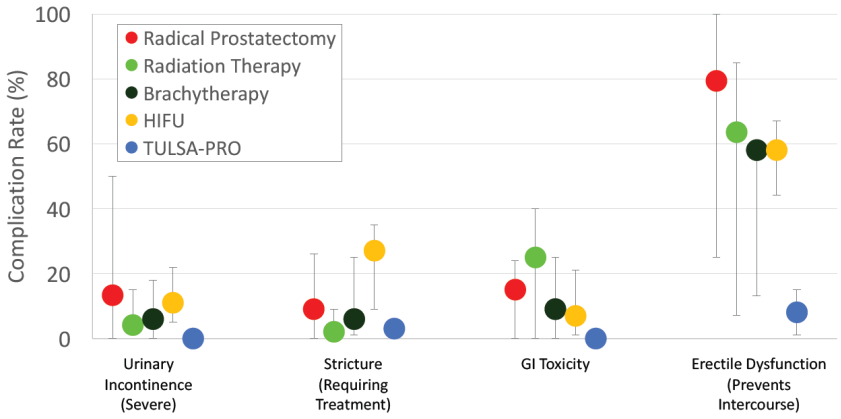
Exhibit 10: Ablation Efficacy at 12 Months



Source: Profound Medical Corp.

The Phase I trial was primarily designed to test safety of the TULSA-PRO device, and as part of this safety design 10% of the prostate periphery was purposely left unablated, leaving any cancer in this region untreated. As such, PRN reported a 61% reduction in cancer burden, which was relatively compelling because it suggested that full prostate ablation in the Pivotal/Phase III trial should result in a much greater reduction in cancer burden.

Exhibit 11: Complication Rates at 12 Months



Source: Profound Medical Corp.

Furthermore, retrospective analysis of published literature on complication rates showed that **treatment with TULSA-PRO demonstrated favourably low complication rates compared to surgery. Urinary incontinence was 0% versus 15%, and erectile dysfunction was 8% versus 60%, respectively** (Exhibit 11).

TULSA-PRO Pivotal/Phase III Trial

With the strong clinical signal yielded from its Phase I trial, PRN applied to the FDA in May 2016 for authorization to begin an "*Evaluation of the TULSA-PRO MRI-Guided Transurethral Ultrasound Prostate Ablation Device in Patients With Localized Prostate Cancer: a Prospective, Single-Arm, Pivotal/Phase III Clinical Study*" (TACT) (Exhibit 12).

Exhibit 12: TACT Pivotal/Phase III Clinical Trial Key Parameters

Actual Start Date	September 21, 2016
Number of Patients Enrolled	115
Primary Outcome Measures	Incidence of treatment-emergent adverse events after 1 year
Secondary Outcome Measures	Prostate ablation efficacy will be evaluated using the proportion of patients achieving a PSA base ≤ 25% of the pre-treatment baseline value
Other Outcome Measures	Rates of :1) erectile dysfunction, and; 2) urinary incontinence among others
Primary Completion Date	February 2019 (Final data collection date for primary outcome measure.)

Source: Profound Medical Corp., Clinicaltrials.gov

In February of 2019, PRN announced that it had completed recruitment of all 115 patients in the trial. At the same time, the company confirmed that it observed a median PSA reduction of 95%, and 96% of patients (110 of 115) met the PSA threshold endpoint (75% reduction): results far superior to those required to meet the trial's minimum efficacy endpoint (Exhibit 13).

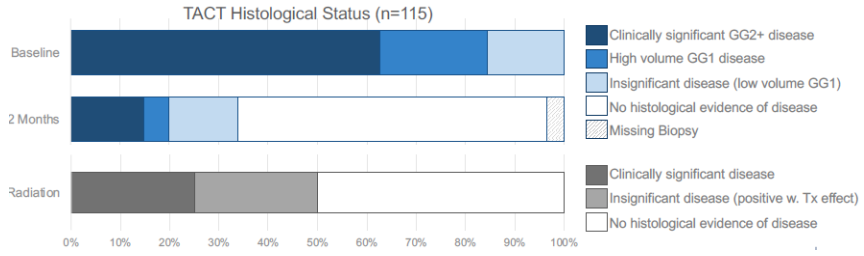
Exhibit 13: Prostate Ablation Efficacy—PSA Level Reductions

	Pre-Treatment	1 Month	3 Month	6 Month	12 Month	PSA NADIR
N	115	113	115	115	115	115
Median	**6.26**	**0.53**	**0.46**	**0.53**	**0.53**	**0.34**
IQR	4.65 – 7.95	0.30 – 1.19	0.17 – 0.95	0.20 – 1.00	0.28 – 1.25	0.12 – 0.56
Average	**6.72**	**0.90**	**0.77**	**0.77**	**0.93**	**0.51**
T-Test against baseline		<0.001	<0.001	<0.001	<0.001	<0.001

Source: Profound Medical Corp.

In May of 2019, PRN presented full clinical data from the trial at the American Urological Association (AUA) meeting (Exhibit 14). The data showed that among men with pre-treatment intermediate-risk disease: "GG2" (Gleason 3+4) disease, **54 of 68 (79%) were free of GG2 disease, and of men with one-year biopsy data, 72 of 111 (65%) showed a complete histological response and were free of *any* disease.** 41% (16 of 39) of positive biopsies were clinically insignificant while multivariate analysis revealed that among men with pre-treatment GG2 disease that bore no calcifications at screening, 51 of 60 (85%) were free of GG2 disease.

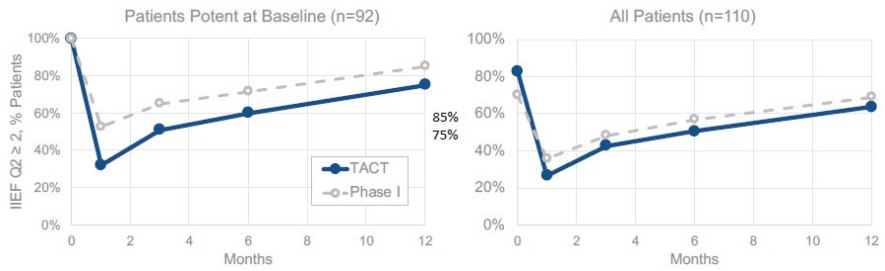
Exhibit 14: TACT Clinical Data As Presented At AUA—May 2019



Source: Profound Medical Corp.

Just as importantly, the data (Exhibit 15) revealed that **only 23.5% of patients had Grade 2 erectile dysfunction** (ED) (no patients had Grade 3 or higher), which was slightly above the 15% seen in the phase 1 trial; however, Grade 2 ED can be treated with drugs such as Viagra® or Cialis®. This is an important outcome, as ED ranges from 79% in prostatectomy patients to 63% in patients treated with radiation, making treatment with TULSA-PRO far safer, which in turn, we anticipate, should drive robust adoption during the first three years of patient-pay (i.e., pre-reimbursement) sales.

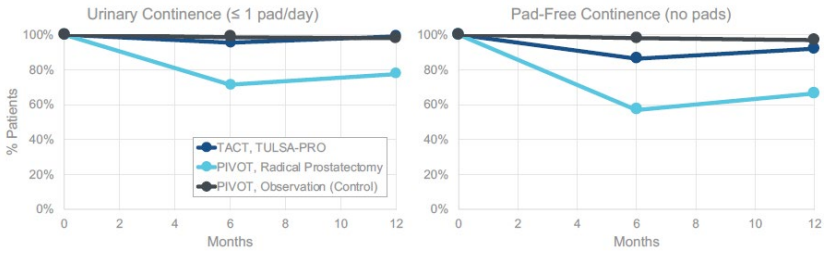
Exhibit 15: TACT Erectile Function – As Presented At AUA – May 2019



Source: Profound Medical Corp.

With respect to urinary incontinence, **only 2.6% of patients had moderate urinary incontinence**, an excellent outcome when compared to 15% in prostatectomy patients, and 4% in patients treated with radiation (Exhibit 16), another motivator for enthusiastic adoption of TULSA-PRO by urologists.

Exhibit 16: TACT Urinary Incontinence – As Presented At AUA – May 2019



Source: Profound Medical Corp.

REGULATORY PATHWAY: FDA CLEARANCE RECEIVED

PRN submitted its 510(k) application to the FDA in May of this year (2019). A 510(k) is a pre-market submission made to FDA to demonstrate that a device to be marketed is at least as safe and effective (i.e., substantially equivalent) to a legally marketed device. Applicants must compare their device to one or more similar legally marketed devices and support their substantial equivalency claims based on clinical data. **On August 16, PRN announced that it received 510(k) clearance from the FDA to market TULSA-PRO® for ablation of prostate tissue.** As such, we anticipate PRN beginning commercial sales immediately.

Clinical Value Proposition

Clinical Value Proposition | As observed in the Phase III/Pivotal trial data, TULSA-PRO is able to ablate either the entire prostate or specific focal regions, all while preserving the sensitive nerve bundles that are in close proximity to the organ. This has resulted in a marked reduction in the adverse outcomes of erectile dysfunction (from ~65% to ~20%) and urinary incontinence (from ~15% to ~2%) (Exhibit 17). As such, patients with intermediate "GG2" disease (or whom urologists try to balance the risk of advancing disease with the adverse outcomes of incontinence or impotence, now have a better treatment option with at least equal efficacy, but a far better safety profile. This, we believe, will be a primary driver of adoption over the product's first three years on the market.

Exhibit 17: Real World Context and Outcomes

	Prostatectomy [1-4]	Radiation [1-5]	HIFU [6-8]	TULSA (TACT)
Biopsy / Histology	16 – 24% Pos. Surg. Margin (Meta-Analysis, Tewari *et al* 2012) 10 – 15% Pos. Surg. Margin (RCT, Yaxley *et al* 2016) 24% Pos. Surg. Margin (ProtecT, Hamdy *et al* 2016)	50% Negative (Complete response) 25% Insignificant disease (Positive w. treatment effect) 25% Positive clinically significant Pca (Meta-Analysis Page 5, Approx. No.)	59 – 61% Negative (Complete response, FDA IDE Studies DEN150011 & K153023, Intent to treat analysis) 63% Negative, after 40% having repeat HIFU and 39% ADT (n=774, Crouzet *et al* 2013)	65% Negative (Complete response) 14% Insignificant disease (GG1, ≤2 cores, < 50% CCL) 21% Positive clinically significant Pca
Erectile Dysfunction erections insufficient for penetration	79% *(Range: 25 – 100%)*	63% *(Range: 7 – 85%)*	58% *(Range: 38 – 67%)*	20% – 25% - Grade 2 medication indicated. No Grade 3 ED
Urinary Incontinence moderate to severe	15% *(Range: 0 – 50%)*	4% *(Range: 2 – 15%)*	3% *(Range: 3 – 22%)*	2.6% - Grade 2 pads indicated. No Grade 3 Incontinence
Urethral Stricture moderate to severe	9% *(Range: 3 – 26%)*	2% *(Range: 1 – 9%)*	35% *(Range: 9 – 35%)*	2.6%
GI Toxicity, moderate to severe diarrhea, urgency, incontinence, fistula	15% *(Range: 0 – 24%)*	25% *(Range: 0 – 40%)*	7% *(Range: 1 – 21%)*	No GI Toxicity

Source: Profound Medical Corp.

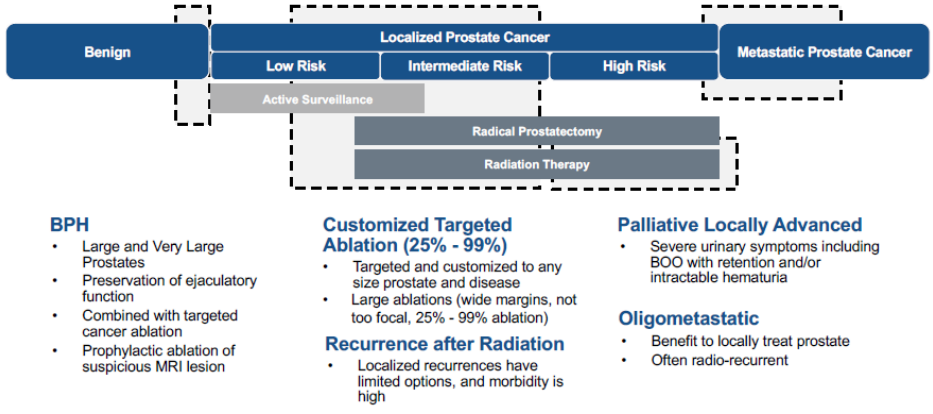
Addressable Market

PRN's Phase III/Pivotal trial data illustrated three primary outcomes:

1. Efficacy of treatment with TULSA-PRO is at least equivalent if not better than that of treatment by prostatectomy or radiation;
2. The safety profile of treatment with TULSA-PRO is significantly better than that of treatment by prostatectomy or radiation, improving outcomes of erectile dysfunction from ~65% to ~20%, and urinary incontinence from ~15% to ~2% (Exhibit 18); and
3. TULSA-PRO enables treatment of very large prostates, even in non-cancerous conditions such as benign prostatic hyperplasia (BPH).

Because of these outcomes, PRN's strategy is to initially drive adoption in low to intermediate risk patients (Exhibit 18) for whom urologists weigh the risk of advancing disease against the negative outcomes of surgery or radiation. By adopting treatment with TULSA-PRO, these clinicians now have a better option for their patients, and should the disease reappear after TULSA-PRO-treatment, they still have surgery or radiation as treatment options down the road. These clinicians will also have an option for treatment of very large non-cancerous prostates in patients with BPH.

Exhibit 18: The Case for Use Well Beyond Prostate Cancer



Source: Profound Medical Corp.

Based on these beachhead markets, we have estimated the addressable patient-pay market for treatment with TULSA-PRO (Exhibit 19) before it achieves reimbursement (pre-2022):

- For treatment of prostate cancer or BPH in the US, Canada, UK, Germany, and Japan, and a 25% achievable share within three years (2020 through 2022,) we see PRN likely able to achieve sales of $44 mln to $87 mln (depending on a market penetration of 5%-10%).
- We conservatively use the 1.25% market penetration target by end of 2022 for our sales projections and valuation (see Valuation section).

Exhibit 19: TULSA-PRO Total Addressable Market: Pre-reimbursement

New Prostate Cancer Diagnosis (US + Canada)	180,000	
BPH, Prostates, surgical candidates, Unusual shapes (US + Canada)	400,000	
Total Opportunity, # of patients	580,000	
	5%	10%
Total Addressable Market, patient paid is 5 -10% of total opportunity	29,000	58,000
Add selected International markets: UK, Germany, Japan (50% of US patient paid market)	14,500	29,000
Total patient pay addressable market # of patients	43,500	87,000
Addressable market ($M) *$4,000 per patient (includes: disposable + amortized capital + service)*	$174	$348
Achievable share (25%) during first three years of sales (non-reimbursed) ($M) ***TULSA Installed base = 110 at treatment rate 100 patients/year***	**$44**	**$87**

References:
1. American Cancer Society: 175,000 new prostate cancer diagnosed per year
2. BPH: 300,000 surgeries based upon CMS data, + 1% of 10 Million BHP patients in United Stated + Canada

Source: Profound Medical Corp.

VALUATION

We have conservatively estimated PRN's revenues from 2020 through 2022, by targeting revenue of $46 mln in TULSA-PRO capital equipment plus disposables' recurring revenue by the end of 2022. (See Addressable Market calculation in Exhibit 19). To meet this target, PRN would be required to sell 18, 34, and 50 devices in 2020, 2021, and 2022 respectively to achieve an installed base of ~110 TULSA-PRO devices by the end of that period (Exhibit 20). As such, assuming an average rate of treating ~110 patients per year per site, we then calculate TULSA capital equipment sales ($6.0 mln) plus recurring revenue sales ($39.9 mln) reaching $45.9 mln by the end of 2022. This would then be supplemented by an estimated $3.4 mln in Sonalleve capital equipment sales, and $5.0 mln in service revenue for an estimated $54.1 mln in total revenue for 2022.

Exhibit 20: PRN Revenue Projections

								Pre-reimbursement			Post-reimbursement	
Revenue Projections	**Q3-2019E**	**Q4-2019E**	**FY2019E**	**Q1-2020E**	**Q2-2020E**	**Q3-2020E**	**Q4-2020E**	**FY2020E**	**FY2021E**	**FY2022E**	**FY2023E**	**FY2024E**
TULSA-PRO												
New TULSA sales	1	2	3	3	4	5	6	18	34	50	66	82
Revenue from TULSA capital equipment ($M)	$0.1	$0.2	$0.4	$0.4	$0.5	$0.6	$0.7	$2.2	$4.1	$6.0	$7.9	$9.8
TULSA installed base	6	8	8	11	15	20	26	26	60	110	176	258
Avg # patients treated per site	16	17	33	18	19	20	21	78	94	110	126	142
Recurring revenue from disposables ($M)	$0.4	$0.5	$0.9	$0.8	$1.1	$1.6	$2.2	$5.7	$17.5	$39.9	$75.9	$128.8
TULSA Capital Equipment + Recurring Revenues ($M)	$0.5	$0.8	$1.3	$1.2	$1.6	$2.2	$2.9	$7.9	$21.6	$45.9	$83.9	$138.6
Sonalleve												
Net Sonalleve capital equipment sales ($M)	$0.8	$0.8	$1.5	$0.8	$0.8	$0.8	$0.8	$3.1	$3.2	$3.4	$3.5	$3.6
Total Capital Equipment + Recurring Revenues ($M)	**$1.3**	**$1.5**	**$4.6**	**$1.9**	**$2.4**	**$3.0**	**$3.7**	**$11.0**	**$24.8**	**$49.2**	**$87.4**	**$142.3**
Service revenue ($M)	$0.1	$0.2	$0.5	$0.2	$0.2	$0.3	$0.4	$1.1	$2.5	$4.9	$8.7	$14.2
Total Capital Equipment + Recurring + Service Revenues ($M)	**$1.4**	**$1.7**	**$5.1**	**$2.1**	**$2.6**	**$3.3**	**$4.1**	**$12.1**	**$27.3**	**$54.1**	**$96.1**	**$156.5**

Source: Profound Medical Corp., Raymond James Ltd.

We then used a discounted cash flow analysis of these revenues—with gross margins reaching 70% by 2022—using a discount rate of 10.0%, and a terminal value rate of 2.0% to calculate an implied equity value of $435.8 mln. Divided by 108.1 mln outstanding shares, we calculate a 12-month target price for PRN at $4.03 per share which we round to $4.00.

Exhibit 21: PRN Discounted Cash Flow Analysis

Discounted Cash Flow Analysis	Remaining FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Net Revenue	**3.1**	**12.1**	**27.3**	**54.1**	**96.1**	**156.5**
Operating Expense	13.1	31.2	38.4	51.2	71.8	88.3
EBIT	**(10.0)**	**(19.1)**	**(11.1)**	**3.0**	**24.3**	**68.1**
Tax Rate	*-0.3%*	*0.0%*	*0.0%*	*23.8%*	*23.8%*	*23.8%*
NOPLAT	**(10.1)**	**(19.1)**	**(11.1)**	**2.3**	**18.5**	**51.9**
D&A	0.2	0.4	0.5	0.7	0.8	1.0
SBC	0.8	1.6	1.6	2.0	3.5	4.5
Operating Cash Flow	**(9.1)**	**(17.1)**	**(9.0)**	**5.0**	**22.8**	**57.4**
Capex	-	(0.2)	(0.4)	(0.6)	(1.8)	(2.0)
Change in WC	(0.0)	(0.1)	(0.1)	(0.3)	(0.5)	(0.8)
Free Cash Flow to Firm (FCFF)	**(9.1)**	**(17.4)**	**(9.6)**	**4.1**	**20.5**	**54.6**
Present Value of FCFF	**(8.6)**	**(15.0)**	**(7.5)**	**2.9**	**13.4**	**32.3**

FCFF Terminal Growth Rate	2.0%
Discount Rate	10.0%

Terminal Value @ FY2024	696.7
Terminal Year EBITDA @ FY2024	74.5
Implied Terminal Multiple	**9.3 x**

	% of EV	Present Value
Sum of Present Value of Projected FCFF	*4.0%*	17.4
Present Value of Terminal Value	*96.0%*	412.4
Implied Enterprise Value, mm	***100.0%***	**429.8**
Less: Debt		14.5
Plus: Cash & Cash Equiv.		20.5
Implied Equity Value, mm		**435.8**
Diluted Shares Outstanding		**108.1**
Implied Share Price		**$4.03**

Source: Profound Medical Corp., Raymond James Ltd.

CONCLUSION & RECOMMENDATION

PRN is a commercial-stage, Toronto-based, therapeutic medical device company that is commercializing a novel technology—Targeted ULtraSound Ablation – PROstate (TULSA-PRO)—for the treatment of prostate cancer. With its highly experienced management team, excellent clinical trial data, and FDA marketing approval under its belt, PRN is poised to establish the TULSA-PRO as the standard of care for treatment of intermediate prostate cancer, for which the U.S. sees almost 180,000 new diagnoses each year. Combined with very large and unusually shaped prostates in patients diagnosed with benign prostatic hyperplasia (BPH), representing 400,000 new diagnoses each year, just a 1.25% penetration rate into these markets, based on patient-pay (pre-reimbursement) implies annual revenues—achievable by 2022—of $46 mln. We view this as a very achievable revenue estimate, as it would require an installed base of only 110 devices each treating 110 patients per year. Hence, our 5-year discounted cash flow analysis—that includes of revenues of $12 mln, $27 mln, and $54 mln in 2020, 2021, and 2022, respectively—yields a total valuation for PRN of $436 mln, or ~$4.00 per share, an over 350% premium to PRN's current share price.

INVESTMENT RISKS

Market Adoption

PRN currently has one primary competitor, EDAP TMS, which obtained FDA approval for its Ablatherm-HIFU to treat prostate cancer in late 2015. As a direct alternative to TULSA-PRO with a 3-4-year head start on marketing, there is a possibility that the Ablatherm will take a significant market share that PRN will not be able to penetrate despite TULSA-PRO's advantages (discussed above).

Management

With his considerable experience, Dr. Arun Menawat is a key value driver for PRN Should the company lose his leadership, this would be a significant hit to the company's value.

Financing

With $20.5 mln in cash, a current quarterly cash burn of ~5 mln, and our forecast of PRN only turning cash flow positive in 2022, we have estimated that the company will require—based on current and projected operations operations—an additional $40 mln in working capital. Hence, we have assumed that PRN may raise $20 mln of equity in Q4/19, with an additional $20 mln in 2021. We recognize that management may have the option of financing the second $20 mln through debt instead of equity. Nevertheless, should the company not succeed in raising the required working capital within the timeframes we've assumed, the market would likely perceive a financing overhang, which in turn would adversely affect the share price.

APPENDIX I: MANAGEMENT & BOARD OF DIRECTORS

Management

Arun Menawat — CEO | Before joining PRN, Dr. Menawat served as the President and CEO of Novadaq Technologies Inc. for 13 years, guiding the company from a start-up to one of the fastest-growing, NASDAQ-listed medical technology companies in North America, with a market cap of over US$1 billion during the final three years of his leadership. Earlier, Arun served as President of Cedara Software Corp., a company that developed the industry's first medical imaging software platform. Today, Cedara's imaging platform and its big data collection are part of IBM's Watson Health.

Dr. Menawat also serves as a board member of Stereotaxis, Inc. and ElMindA Ltd. and as an advisor to Baylis Medical. Earlier in his career, Arun held executive positions at Tenneco Inc. and Hercules Inc. in the areas of business development, technology development and mergers/acquisitions. He obtained a Ph.D. in Chemical Engineering from the University of Maryland, and an Executive MBA from the J.L. Kellogg School of Management, Northwestern University. In 2014, he was named the EY Ontario Entrepreneur of the Year in the health sciences category.

Aaron Davidson — CFO, SVP of Corporate Development | Mr. Aaron Davidson is CFO and Senior Vice President of Corporate Development of Profound Medical Inc., a medical technology company that is developing real-time MRI-guided thermal ultrasound systems for incision-free ablation of abnormal or cancerous tissue.

Before joining Profound, Mr. Davidson served as Co-Head and Managing Director of H.I.G. BioHealth Partners, where he focused on investment opportunities with emerging life sciences companies. Mr. Davidson began his career with Eli Lilly and Company, where he spent a decade in various operating management roles in the United States and Canada, including financial management, business development, strategic planning, market research and general management. Mr. Davidson continues to serve as a Venture Partner at H.I.G. Previously he led investments in, worked with the management teams of, and represented H.I.G. as a board member of several successful companies, including Alder Biopharmaceuticals (public), Forsight Vision5 (acquired), Gemin X Pharmaceuticals (acquired), HyperBranch Medical Technology (acquired), Intact Vascular, OnTarget Laboratories, Novadaq Technologies (public/acquired), and Salmedix (acquired). Mr. Davidson earned his MBA from Harvard Business School and a bachelor's degree in finance from McGill University.

Rashed Dewan — Vice President, Finance | Mr. Dewan has over 18 years of finance and accounting experience in public and private companies, with expertise in the medical device sector. He has extensive experience with systems design and implementation and a strong track record of success in accounting, finance, sales and operations management. Mr. Dewan is a Certified Public Accountant, and has a Bachelor of Science Degree with a concentration in Accounting from the University of Southern California.

Hartmut Warnken — Vice President, International Sales | Mr. Warnken has over 13 years' experience in the medical technology industry. He is a senior manager with proven success in sales and marketing. Mr. Warnken was most recently Vice President & General Manager Europe, Middle East, Japan and Asia-Pacific, Managing Director/Officer for IMRIS Pte. Ltd., IMRIS Germany GmbH and IMRIS KK Japan. Prior to his six years at IMRIS, Mr. Warnken held two positions at BrainLAB. He holds an MBA from ESCP-Europe Business School and an M.Eng. from Augsburg College.

Goldy Singh — Vice President, Regulatory Affairs and Product Management | Ms. Singh has been in the medical device industry for over two decades. She has secured 510(k) and CE mark approvals on a range of complex devices, leading both quality and regulatory affairs for a number of companies, including C.R. Bard and Philips Medical. Most recently, as Director of Quality & Regulatory Affairs at Natus Medical Inc., she managed a large product portfolio through a series of successfully launched products into the U.S., Canada and the EU. A reviewer of RAPS online university course material, Goldy is also regularly invited to share her unique expertise at industry and peer-attended events.

Board of Directors

Jean-François Pariseau — Mr. Pariseau is co-founder and Partner at Amplitude Ventures. Amplitude is a capital catalyst for highly innovative companies at the point of value acceleration. The Firm works with Canada's most promising healthcare companies with a shared vision of bringing groundbreaking technologies to patients. Amplitude is focused on building world-class Canadian companies in precision medicine and next-generation medical devices. Before co-founding Amplitude, Jean-Francois was Partner at the Healthcare Fund of BDC Capital and an investment manager with CDP Capital Technology Ventures, a $2 billion global fund investing in healthcare, information technology and advanced technologies, where he was responsible for healthcare investments in Canada and the US. Prior to joining the investment world, Jean-Francois was CEO of a consulting company specializing in regulatory affairs, and VP, R&D for a pharmaceutical-product distribution company, both of which he founded. Mr. Pariseau holds a Bachelor of Science in Biotechnology from Université de Sherbrooke, a Master of Science in Biomedical Sciences from Université de Montréal, and an MBA from HEC Montréal. Jean-François currently sits on the Board of Directors of Profound Medical Inc. and Imagia Inc. (Chair).

Arun Menawat — See Management section above.

Kenneth Galbraith — Mr. Galbraith is an accomplished life sciences industry veteran with over 25 years of experience acting as an executive, director, investor and advisor to companies in the biotechnology, medical device, pharmaceutical and healthcare sectors. He joined Ventures West as a General Partner in 2007 and led the firm's biotechnology practice prior to founding Five Corners Capital in 2013 to continue management of the Ventures West investment portfolio. Previously, he served as the Chairman and Interim CEO of AnorMED until its sale to Genzyme Corp. in a cash transaction worth almost US$600 million. Starting his career in the life sciences sector in 1987, Mr. Galbraith spent 13 years in senior management with QLT Inc., retiring in 2000 from his position as Executive Vice President and CFO when QLT's market capitalization exceeded US$5 billion. He has served on the boards of several public and private companies, including Angiotech Pharmaceuticals, Arbutus Biopharma and Cardiome Pharma. He currently serves on the boards of Macrogenics and Prometic Life Sciences. Mr. Galbraith earned a Bachelor of Commerce (Honors) degree from the University of British Columbia in 1985 and was appointed a Fellow of the Chartered Accountants of BC in 2013.

Arthur L. Rosenthal — Dr. Rosenthal is director and Chair of Compensation Committee for LivaNova PLC, a UK global medical technology company. Prior, Dr. Rosenthal served on the Cyberonics board of directors as a non-executive director and Chair of the Compensation Committee from January 2007 to October 2015. Since June 2010, Dr. Rosenthal has served as Professor of Practice in the Biomedical Engineering Department at Boston University. Since December 2011, Dr. Rosenthal has also served as CEO of gEyeCue, Ltd., which he co-founded, a development stage medical device company working on a guided biopsy for lower and upper gastrointestinal cancer screening. From June 2011 until July 2012, Dr. Rosenthal served as executive vice chairman of Cappella Medical

Devices Ltd. (now ArraVasc Ltd.), a development-stage company focused on novel device solutions for coronary artery disease. From June 2009 until June 2011, Dr. Rosenthal served as President and CEO of Cappella, Inc. Dr. Rosenthal served as chairman, from January 2002, and CEO, commencing in January 2005, of Labcoat, Ltd. until its acquisition by Boston Scientific Corporation in December 2008. From January 1994 to May 2000, Dr. Rosenthal was a Senior Vice President, Corporate Officer, and Chief Development Officer of Boston Scientific, and from May 2000 until his retirement in January 2005, he was a Senior Vice President, Chief Scientific Officer, and Executive Committee Member of Boston Scientific. From 2000 until 2010, Dr. Rosenthal served as a non-executive director, and from 2006 through 2009, as chairman of the Remuneration Committee, of Renovo, Ltd., a U.K. based pharmaceutical company that became publicly traded in 2006. In July 2009, Dr. Rosenthal joined the board of Interface Biologics, Inc., a Toronto-based development stage company focused on drug delivery devices, as a non-executive director. In April 2011, Dr. Rosenthal was elected Chairman at Interface Biologics, Inc. From April 2013 to May 2015, Dr. Rosenthal served as non-executive director and Member of the Compensation Committee of Arch Technologies, Inc. and is currently and member of Arch's Clinical Advisory Board. In 2015, Dr. Rosenthal was appointed to the Industrial Advisory Committee, CURAM (National University in Galway, Ireland). Dr. Rosenthal is a Fellow of the American Institute of Medical and Biological Engineering since 2003.

Brian Ellacott — Mr. Ellacott is an experienced global medical device executive. Mr. Ellacott joined Belmont Instrument as Chief Executive Officer in December 2017. Belmont Instrument is a Boston based private equity owned medical device company with a leading global position in fluid warming and infusion systems. Prior to Belmont Instrument, Mr. Ellacott was the President and CEO of Laborie Medical Technologies ("Laborie"). Laborie is a Urology and Gastroenterology medical device company based in Toronto with manufacturing facilities in Toronto, Montreal, Enschede NL, Attikon Switzerland and Portsmouth New Hampshire. Mr. Ellacott joined private equity owned Laborie as President and CEO in July 2013 and in four years completed 14 global acquisitions tripling Laborie's revenue and increasing EBITDA eight fold. The company was ranked as one of the fastest growing and most profitable medical device companies in the world. Prior to joining Laborie, Mr. Ellacott served as Executive Vice President and General Manager of Invacare's (NYSE:IVC) $1 billion North and South American homecare and rehabilitation business. Mr. Ellacott has also held executive positions with Baxter International and American Hospital Supply, with assignments in Canada, Australia and the United States. Mr. Ellacott serves on the board of Belmont and is the past Chairman of the board of the Canadian Assistive Devices Association. Mr. Ellacott holds a Bachelor of Business Administration Degree from Laurier University, Waterloo, Ontario Canada and is a dual United States and Canadian citizen.

Linda Maxwell — Dr. Maxwell, a seasoned surgeon and entrepreneur, is the Founding and Executive Director of the Biomedical Zone, a business incubator for emerging health technology companies. It is an innovative strategic partnership between St. Michael's Hospital and Ryerson University. Under Dr. Maxwell's stewardship, the Biomedical Zone has gone from concept to creation to going concern, supporting Toronto's leading health technology businesses and driving disruption and innovation adoption in the clinical setting. Dr. Maxwell's breadth of experience and scope of expertise is founded on over a decade and a half as an accomplished head and neck/facial plastic surgeon. Her academic medical career is distinguished by university appointments as a clinical instructor, medical school faculty member, and published scientific author. A frequent public speaker and panelist, Dr. Maxwell has addressed national and international communities on scientific research, innovation, and entrepreneurship. Additionally, Dr. Maxwell has worked internationally as a senior tech transfer manager and partnership leader for innovation and commercialization for the National Health Service and University of Oxford. She also worked for Medtronic on business strategy for South

America (Brazil) and continues to consult to Medtronic on international clinical trials as an external medical monitor. In addition to her professional endeavors, Dr. Maxwell is a member of the Institute of Corporate Directors. She serves as a director for Profound Medical, MedicAlert Foundation Canada and Economic Club of Canada. She serves as an innovation and health technology subject matter expert for the Federal government, Canadian Space Agency, Canadian Medical Association, Ontario Chief Innovation Strategist. Dr. Maxwell earned a Bachelor's degree with honors from Harvard University (Biology, cum laude), M.D. from Yale University, and M.B.A. from University of Oxford. She completed six years of residency and fellowship training in surgery at the University of Toronto. Additionally, Dr. Maxwell successfully completed Royal College of Canada, American College of Surgery, and American Board of Facial Plastic Reconstructive Surgery certifications.

Steve Forte — Mr. Forte is a senior finance leader with broad experience managing complex, large-scale finance environments. Most recently, he served as Chief Financial Officer at Clementia Pharmaceuticals Inc. (NASDAQ:CMTA), which was acquired by Ispen S.A. for approximately US$1.3 billion in April 2019. Before joining Clementia, Mr. Forte was CFO of Thinking Capital Financial Corporation, a leading financial technology firm, which he helped lead through rapid growth and ultimately to a successful sale of the company to Purpose Investments. Prior to that, Mr. Forte's experience includes nearly a decade at Aptalis Pharma Inc., where he was responsible for the overall corporate controllership function of a multinational pharmaceutical company with approximately $700 million in annual revenue, six operating companies, five manufacturing sites and 40 subsidiaries. Mr. Forte led Aptalis' preparations for a U.S. IPO prior to the successful sale of the company to Forest Labs for US$2.9 billion. Mr. Forte received his Bachelor of Commerce in Accountancy from Concordia University and is a CPA/CMA.

APPENDIX II: PROSTATE CANCER TREATMENT OPTIONS

Exhibit 22: Prostate Cancer Treatment Comparison

Procedure	Advantages	Limitations / Risks
Radical Prostatectomy (includes robot-assist)	Certainty of removing whole gland Good outcomes data	Invasive Hospital stay required Potential for post-surgical complications High cost
EBRT	Non-invasive	Collateral tissue damage Multiple visits required Recurrence High cost
Brachytherapy and High Dose Radiation	Minimally invasive Low cost Image-guided	Seed migration Collateral damage Potential for complications Recurrence
Cryotherapy	Minimally invasive Image-guided	High rates of collateral tissue damage Potential for complications
HIFU	Minimally invasive Image-guided Good outcomes data	Trans-rectal delivery can result in complications Prostate volume must be less than 40 cubic centimetres Significant capital equipment cost Potential for issues arising out of overheating of tissue
Watchful Waiting (includes active surveillance)	Low cost Non-invasive	Multiple visits required Treatment delay resulting in more aggressive treatment
Proton Beam Therapy	Adjustable energy deposition depth	Very costly equipment Limited data to support claims

Source: Profound Medical Corp.

APPENDIX III: COMPETITION

EDAP TMS (EDAP-NASDAQ)

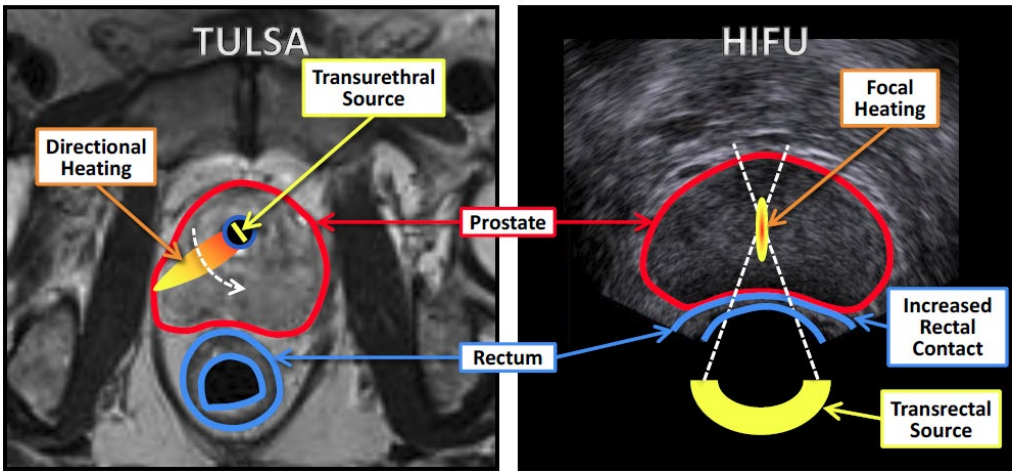
The Ablatherm® HIFU device was developed in 1993 for the radical treatment of localized prostate cancer. It is suitable for men who are at risk of surgery owing to their age or other associated illnesses, or who may not want to undergo surgery. It may also be suitable for men with cancer recurrence following radiotherapy.

Exhibit 23: EDAP's Ablatherm®

Source: EDAP TMS

During the procedure, after a local or general anaesthetic is administered, the patient lies on his side and remains in this position throughout the treatment (Exhibit 23). Using ultrasound, the urologist maps out the ablation boundaries, and a probe is introduced in the rectum. The treatment transducer then emits HIFU into the prostate. At the point where the ultrasound waves are focused, the absorption of the ultrasound beam creates a sudden temperature increase (to ~85°C) which destroys the tissue in the targeted zone (Exhibit 24).

Exhibit 24: TULSA vs. HIFU Mechanism of Action



Source: Profound Medical Corp.

Comparison of Ablatherm and TULSA-PRO

Key differences between Ablatherm and TULSA-PRO include:

Directional versus Focal Heating: TULSA-PRO fires a beam of directional ultrasound that is rotated around its axis to denature the tissue; the procedure takes about 40 minutes. This is in contrast to Ablatherm which fires the HIFU focus in a rastering pattern to ablate the three-dimensional organ one focus point at a time, which takes approximately three hours to complete.

Treatment Time: Treatment with the TULSA-PRO takes ~45 minutes. However, with in-MRI suite patient set-up, PRN assumes a total treatment time of two hours. As we describe above, a key value proposition of the TULSA-PRO is usage of underutilized MRI time, about eight hours per day. Therefore, use of the TULSA-PRO at full capacity would yield four treatments per day.

Temperature: TULSA-PRO uses directional heating (a beam of ultrasound) that raises the temperature of the tissue throughout that beam to 57°C, while Ablatherm fires foci of HIFU that incinerate the tissue at 85°C. Using a lower temperature minimizes temperature "bleed" into surrounding tissue and provides a better safety profile for the patient.

MRI versus Ultrasound Imaging: TULSA-PRO uses MRI, which is a very high-resolution imaging modality, to map the ablation boundaries. MRI also measures tissue temperature which is used in real time to deliver ultrasound heat (called closed loop system); once the desired heat is achieved, treated tissue is concurrently verified by the MRI. Ablatherm uses ultrasound imaging, which is a lower-resolution modality and has no closed loop system measuring the temperature to deliver the desired ultrasound or monitor the treated tissue.

MRI Suite versus Physician's Office: A key advantage of the Ablatherm is that it can be performed in a physician's office, a much lower-cost environment relative to that of running an MRI suite (~$450,000 per year). An important distinction however is that, as described above, the Ablatherm would be purchased by the urologist, and used approximately twice a week. The TULSA-PRO, on the other hand, could be used at close to capacity; i.e., four procedures per day, or 20 per week.

Insightec's ExAblate®

Distributed by GE Healthcare, this is an alternative to PRN's Sonalleve (Exhibit 25). Using MRI-guided HIFU, the ExAblate is currently being used to treat both uterine fibroids and palliative bone metastases, which are the same two applications for which Sonalleve is indicated.

Exhibit 25: The ExAblate®

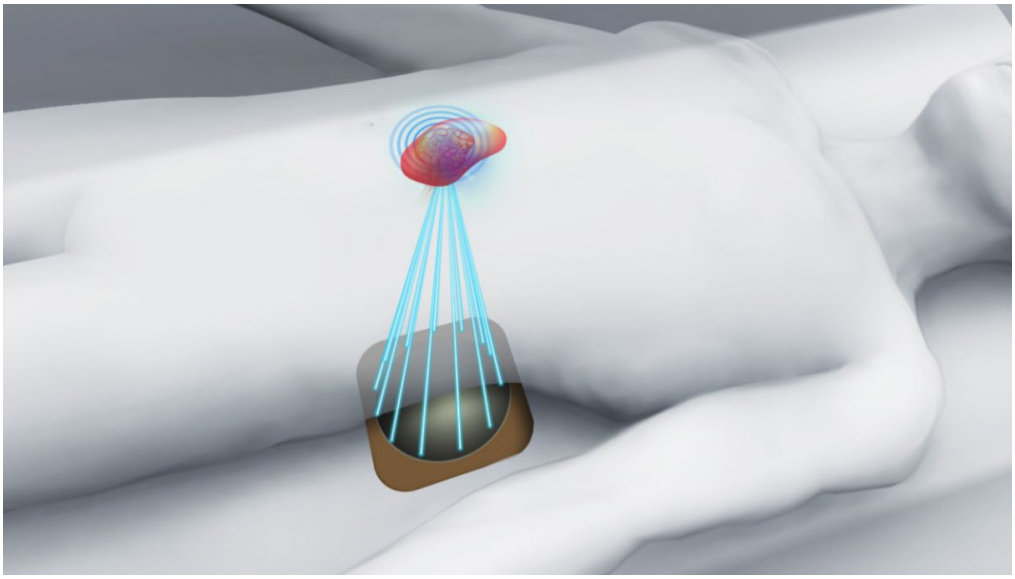
Source: Insightec

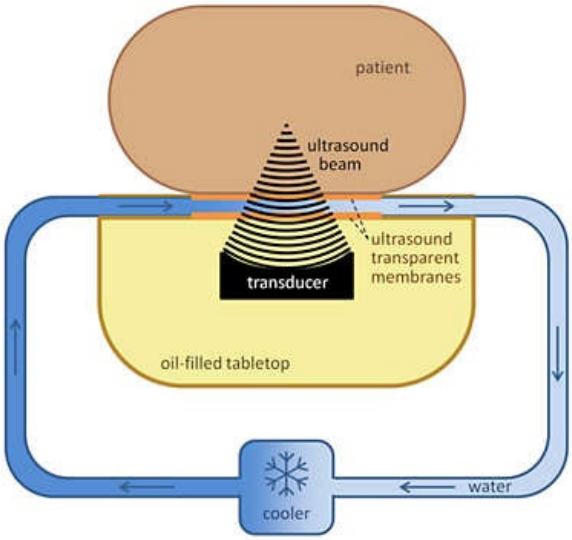
For uterine fibroids the device has a good safety profile, while providing rapid and durable resolution of fibroid symptoms. As the procedure is non-invasive, post-treatment recovery is relatively short at 1–2 days compared to one week for uterine artery embolization, two weeks for myomectomy or six weeks for a hysterectomy. To date, over 10,000 cases have been treated with the ExAblate device. For treatment of palliative bone metastases, the device treats osteoblastic and osteolytic bone metastases from all cancer types. The treatment itself is a single session outpatient procedure where patients go home the same day. Furthermore, since it does not involve ionizing radiation, the procedure can also be repeated should the disease progress.

APPENDIX IV: SONALLEVE MR-HIFU

PRN acquired the Sonalleve business from Philips in Q2/17. Sonalleve MR-HIFU is an innovative therapeutic platform that combines real-time MRI imaging and thermometry with HIFU to enable precise and incision-free ablation of uterine fibroids and palliative pain treatment of bone metastases.

Exhibit 26: How Sonalleve Works





Source: Profound Medical Corp.

The Sonalleve device uses a transducer to focus ultrasound energy into a small volume at target locations inside the body (Exhibit 14). During treatment, the ultrasound energy beam passes through the intact skin and soft tissue, causing localized high temperatures only in the focus area. The skin and intermediate tissue are left unharmed. Within a few seconds this produces a well-defined region of coagulative necrosis.

The patient's skin over the ultrasound window is kept at a constant temperature of about 20°C. The window in the table is equipped with a double membrane, and cooled water is kept circulating in between, providing an efficient heat sink and hence constant temperature to the patient's skin. To enhance cooling efficiency, patients are positioned directly on the membrane.

Only MRI can measure temperature changes in the treated area in real time. MRI provides anatomical reference data for treatment planning, while real-time temperature-sensitive images are acquired during ablation to provide information about treatment progress, and monitor critical anatomical structures.

During treatment, the MRI scanner acquires temperature-sensitive images to monitor local heat distribution and identify critical structures that must not be subjected to heat. The temperature information is used to automatically enhance HIFU delivery parameters, thus creating a feedback loop based on real-time temperature monitoring. This is essential to keep treatment times short while maintaining high-quality care throughout the procedure. Homogeneous heating and real-time feedback compensate for local variations in tissue properties, such as inhomogeneous absorption, attenuation, perfusion and diffusion.

APPENDIX V: FINANCIAL SUMMARY

Exhibit 27: Income Statement

Income Statement	FY2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	FY2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	FY2020	FY2021	FY2022	FY2023	FY2024
Net Revenue	**2.6**	**1.5**	**0.6**	**1.4**	**1.7**	**5.1**	**2.1**	**2.6**	**3.3**	**4.1**	**12.1**	**27.3**	**54.1**	**96.1**	**156.5**
Cost of Sale	1.8	0.5	0.2	0.6	0.8	2.2	0.9	1.1	1.4	1.7	5.1	10.9	20.6	33.6	46.9
Gross Profit	**0.8**	**0.9**	**0.3**	**0.8**	**0.9**	**3.0**	**1.2**	**1.5**	**1.9**	**2.3**	**6.9**	**16.4**	**33.6**	**62.5**	**109.5**
R&D (adj for D&A)	8.6	2.2	2.7	2.6	2.6	10.0	3.0	3.0	3.0	3.0	12.0	12.0	12.0	15.0	15.0
SG&A (adj. for SBC)	9.7	0.9	2.4	2.5	2.5	8.3	2.5	2.5	3.0	3.0	11.0	12.5	15.0	18.0	20.0
EBITDA	**(17.4)**	**(2.1)**	**(4.7)**	**(4.3)**	**(4.2)**	**(15.3)**	**(4.3)**	**(4.0)**	**(4.1)**	**(3.7)**	**(16.1)**	**(8.1)**	**6.6**	**29.5**	**74.5**
D&A	0.5	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.4	0.5	0.7	0.8	1.0
Depreciation of right-of-use assets	-	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.4	0.4
Amortization of Intangibles	1.1	0.3	0.3	0.2	0.2	0.9	0.2	0.2	0.2	0.2	0.6	0.5	0.5	0.5	0.5
SBC	1.1	0.1	0.4	0.4	0.4	1.3	0.4	0.4	0.4	0.4	1.6	1.6	2.0	3.5	4.5
EBIT	**(20.2)**	**(2.7)**	**(5.6)**	**(5.1)**	**(4.9)**	**(18.3)**	**(5.0)**	**(4.7)**	**(4.9)**	**(4.4)**	**(19.1)**	**(11.1)**	**3.0**	**24.3**	**68.1**
Interest expense	1.1	0.3	0.3	0.3	0.3	1.3	0.3	0.3	0.3	0.3	1.3	1.5	1.5	1.5	1.5
Other items	(0.7)	(0.2)	(0.1)	-	-	(0.3)	-	-	-	-	-	-	-	-	-
One-time item	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBT	**(20.5)**	**(2.9)**	**(5.8)**	**(5.4)**	**(5.2)**	**(19.4)**	**(5.4)**	**(5.1)**	**(5.2)**	**(4.7)**	**(20.4)**	**(12.6)**	**1.5**	**22.8**	**66.6**
Current tax	0.2	0.0	0.0	-	-	0.1	-	-	-	-	-	-	0.4	5.4	15.9
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income from Continued Operation	**(20.8)**	**(2.9)**	**(5.8)**	**(5.4)**	**(5.2)**	**(19.4)**	**(5.4)**	**(5.1)**	**(5.2)**	**(4.7)**	**(20.4)**	**(12.6)**	**1.1**	**17.3**	**50.8**
Discontinued Operations				-	-	-	-	-	-	-	-	-	-	-	-
Net Income to NCI				-	-	-	-	-	-	-	-	-	-	-	-
Earnings to Preferred and Other Securities				-	-	-	-	-	-	-	-	-	-	-	-
Net Income to Common Shareholders	**(20.8)**	**(2.9)**	**(5.8)**	**(5.4)**	**(5.2)**	**(19.4)**	**(5.4)**	**(5.1)**	**(5.2)**	**(4.7)**	**(20.4)**	**(12.6)**	**1.1**	**17.3**	**50.8**
Adjustments for Convertible Securities						-					-				
Diluted Net Income to Common Shareholders	**(20.8)**	**(2.9)**	**(5.8)**	**(5.4)**	**(5.2)**	**(19.4)**	**(5.4)**	**(5.1)**	**(5.2)**	**(4.7)**	**(20.4)**	**(12.6)**	**1.1**	**17.3**	**50.8**
Non-GAAP Adjustments				-	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP Adjustments for Dilutive Securities				-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Net Income	**(20.8)**	**(2.9)**	**(5.8)**	**(5.4)**	**(5.2)**	**(19.4)**	**(5.4)**	**(5.1)**	**(5.2)**	**(4.7)**	**(20.4)**	**(12.6)**	**1.1**	**17.3**	**50.8**
Current tax rate	**-1.1%**	**-1.2%**	**-0.3%**	**0%**	**0%**	**-0.3%**	**0%**	**0%**	**0%**	**0%**	**0.0%**	**0%**	**23.8%**	**23.8%**	**23.8%**
Earnings Per Share - WAB	**($0.21)**	**($0.03)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.18)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.04)**	**($0.19)**	**($0.12)**	**$0.01**	**$0.16**	**$0.47**
Earnings Per Share - WAD	**($0.21)**	**($0.03)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.18)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.04)**	**($0.19)**	**($0.12)**	**$0.01**	**$0.16**	**$0.47**
Adjusted Earnings Per Share - WAD (No Adjustments)	**($0.21)**	**($0.03)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.18)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.04)**	**($0.19)**	**($0.12)**	**$0.01**	**$0.16**	**$0.47**
Shares Outstanding - WAB	100.4	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1
Shares Outstanding - WAD	100.4	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1
Adjusted Shares Outstanding - WAD	100.4	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1	108.1

Source: Profound Medical Corp., Raymond James Ltd.

Exhibit 28: Cash Flow Statement

Cumulative Cash Flow Statement	FY2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	FY2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	FY2020	FY2021	FY2022	FY2023	FY2024
CFO															
Net Loss	(20.8)	(2.9)	(5.8)	(5.4)	(5.2)	(19.4)	(5.4)	(5.1)	(5.2)	(4.7)	(20.4)	(12.6)	1.1	17.3	50.8
Depreciation of property & equipment	0.5	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.4	0.5	0.7	0.8	1.0
Amortization of intangible assets	1.1	0.3	0.3	0.2	0.2	0.9	0.2	0.2	0.2	0.2	0.6	0.5	0.5	0.5	0.5
Depreciation of right-of-use assets	-	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.4	0.4
Loss on disposal of property and equipment	-	-	-			-					-				
Preferred share dividend expense	-	-	-			-					-				
Share-based compensation	1.1	0.1	0.4	0.4	0.4	1.3	0.4	0.4	0.4	0.4	1.6	1.6	2.0	3.5	4.5
Loss on recognition of convertible notes	-	-	-			-					-				
Gain on extinguishment of long-term debt	-	-	-			-					-				
Change in deferred rent	0.0	-	-			-					-				
Change in fair value of contingent consideration	(0.3)	(0.1)	(0.1)			(0.2)					-				
Change in fair value of convertible notes	-	-	-			-					-				
Change in fair value of derivatives	(0.1)	0.1	(0.0)			0.1					-				
General and administrative expenses	-	-	-			-					-				
Transaction costs related to business acquisition	-	-	-			-					-				
Listing expense	-	-	-			-					-				
Government grant	-	-	-			-					-				
Gain on conversion of convertible notes	-	-	-			-					-				
Non-cash interest and accretion expense	1.0	0.3	0.3			0.7					-				
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CFO before WC	**(17.4)**	**(2.0)**	**(4.7)**	**(4.7)**	**(4.5)**	**(15.9)**	**(4.6)**	**(4.3)**	**(4.4)**	**(4.0)**	**(17.3)**	**(9.6)**	**4.7**	**22.5**	**57.2**
Trade and other receivables	1.6	-	(0.2)			(0.2)					-				
Investment tax credits receivables	(0.2)	(0.4)	0.4			-					-				
Inventory	(2.2)	0.2	(0.2)			0.0					-				
Prepaid expenses and deposits	0.1	0.0	0.0			0.1					-				
Accounts payable and accrued liabilities	(1.2)	(0.3)	(1.3)			(1.6)					-				
Provisions	0.3	(1.2)	(0.0)			(1.2)					-				
Customer deposits	-	-	-			-					-				
Deferred revenue	0.5	0.4	(0.1)			0.4					-				
Tax payable	0.2	0.0	(0.1)			(0.1)					-				
HST receivable and other assets	-	-	-			-					-				
Net CFO	**(18.3)**	**(3.2)**	**(6.3)**	**(4.7)**	**(4.5)**	**(18.7)**	**(4.6)**	**(4.3)**	**(4.4)**	**(4.0)**	**(17.3)**	**(9.6)**	**4.7**	**22.5**	**57.2**
CFI															
Purchase of intangible assets	-	-	-			-					-				
Purchase of property and equipment	-	-	-	-	-	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.4)	(0.6)	(1.8)	(2.0)
Cash acquired in business acquisition	-	-	-			-					-				
Transaction costs related to business acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash acquired from Profound	-	-	-			-					-				
Sale of short-term equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net CFI	**-**	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.2)**	**(0.4)**	**(0.6)**	**(1.8)**	**(2.0)**
CFF															
Payment of long-term debt	(5.9)	(0.3)	(0.2)			(0.5)					-				
Payment of other liability	(0.2)	(0.0)	(0.0)			(0.0)					-				
Payment of lease liabilities	-	(0.1)	(0.1)			(0.1)					-				
Proceeds from share options exercised	0.1	-	0.0			0.0					-				
Proceeds from convertible notes	-	-	-			-					-				
Issuance of preferred shares	-	-	-			-					-				
Issuance of common shares	34.5	-	-		20.0	20.0					-	20.0			
Proceeds from long-term debt	-	-	-			-					-				
Transaction costs paid	(2.5)	-	-			-					-				
Proceeds from bank loan	12.5	-	-			-					-				
Repayment of bank loan	-	-	-			-					-				
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank loan costs paid	(0.7)	-	-			-					-				
Interest paid	-	-	-			-					-				
Net CFF	**37.9**	**(0.4)**	**(0.3)**	**-**	**20.0**	**19.3**	**-**	**-**	**-**	**-**	**-**	**20.0**	**-**	**-**	**-**
FX	-	-	-			-					-				
Net Change in Cash Balance	**19.6**	**(3.6)**	**(6.6)**	**(4.7)**	**15.5**	**0.7**	**(4.7)**	**(4.4)**	**(4.5)**	**(4.0)**	**(17.5)**	**10.0**	**4.1**	**20.7**	**55.2**
Beginning Cash Balance	**11.1**	**30.7**	**27.0**	**20.5**	**15.8**	**30.7**	**31.3**	**26.7**	**22.3**	**17.8**	**31.3**	**13.8**	**23.8**	**27.9**	**48.6**
Ending Cash Balance	**30.7**	**27.0**	**20.5**	**15.8**	**31.3**	**31.3**	**26.7**	**22.3**	**17.8**	**13.8**	**13.8**	**23.8**	**27.9**	**48.6**	**103.8**

Source: Profound Medical Corp., Raymond James Ltd.

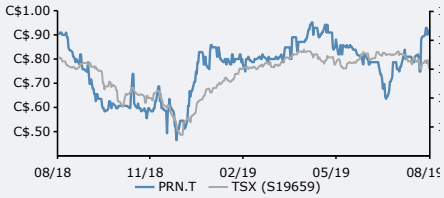
Exhibit 29: Balance Sheet

Balance Sheet	FY2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	FY2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	FY2020	FY2021	FY2022	FY2023	FY2024
Current Assets															
Cash	30.7	27.0	20.5	15.8	31.3	31.3	26.7	22.3	17.8	13.8	13.8	23.8	27.9	48.6	103.8
Trade and other receivables	2.7	3.0	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Investment				-	-	-	-	-	-	-	-	-	-	-	-
HST receivable and other assets				-	-	-	-	-	-	-	-	-	-	-	-
Investment tax credits receivable	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Inventory	3.6	3.4	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Deferred costs				-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and deposits	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Current Assets	**37.9**	**34.2**	**27.7**	**23.0**	**38.5**	**38.5**	**33.9**	**29.5**	**25.0**	**21.0**	**21.0**	**31.0**	**35.1**	**55.8**	**111.0**
Non-Current Assets															
Property and equipment	1.2	1.0	0.9	0.8	0.7	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.3	1.3	2.3
Intangible assets	4.0	3.7	3.4	3.3	3.1	3.1	3.0	2.8	2.6	2.5	2.5	2.0	1.5	1.0	0.5
Right-of-use assets		2.5	2.4	2.3	2.2	2.2	2.1	2.0	1.9	1.8	1.8	1.4	1.0	0.6	0.2
Goodwill	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Derivatives				-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	**8.6**	**10.7**	**10.2**	**9.8**	**9.5**	**9.5**	**9.2**	**8.8**	**8.5**	**8.2**	**8.2**	**7.2**	**6.2**	**6.3**	**6.4**
Total Assets	**46.5**	**44.9**	**37.9**	**32.8**	**48.0**	**48.0**	**43.0**	**38.4**	**33.6**	**29.2**	**29.2**	**38.2**	**41.3**	**62.1**	**117.4**
Current Liabilities															
Accounts payable and accrued liabilities	3.9	3.6	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Bank loan				-	-	-	-	-	-	-	-	-	-	-	-
Preferred shares				-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Lease liabilities		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Customer deposits				-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Long-term debt	1.3	2.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Provisions	1.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other liabilities	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Income taxes payable	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Current Liabilities	**7.9**	**7.3**	**7.5**	**7.5**	**7.5**	**7.5**	**7.5**	**7.5**	**7.5**	**7.5**	**7.5**	**7.5**	**7.5**	**7.5**	**7.5**
Non-Current Liabilities															
Long-term debt	10.6	10.0	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Deferred revenue	0.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Provisions	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	0.0	0.0
Other liability	1.0	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Lease liabilities		2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Taxes payable				-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current liabilities	**12.0**	**13.6**	**12.0**	**12.0**	**12.0**	**12.0**	**12.0**	**12.0**	**12.0**	**12.0**	**12.0**	**12.0**	**12.0**	**12.0**	**12.0**
Total Liabilities	**19.9**	**21.0**	**19.4**	**19.4**	**19.4**	**19.4**	**19.4**	**19.4**	**19.4**	**19.4**	**19.4**	**19.4**	**19.4**	**19.4**	**19.4**
Shareholders' Equity															
Share Capital	120.9	120.9	120.9	120.9	140.9	140.9	140.9	140.9	140.9	140.9	140.9	160.9	160.9	160.9	160.9
Contributed surplus	16.8	16.8	17.2	17.6	18.0	18.0	18.4	18.8	19.2	19.6	19.6	21.2	23.2	26.7	31.2
Accumulated other comprehensive income	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Foreign currency translation reserve				-	-	-	-	-	-	-	-	-	-	-	-
Deficit	(111.0)	(113.8)	(119.6)	(125.1)	(130.3)	(130.3)	(135.7)	(140.7)	(145.9)	(150.7)	(150.7)	(163.3)	(162.2)	(144.9)	(94.1)
Total SE	**26.6**	**23.9**	**18.4**	**13.4**	**28.6**	**28.6**	**23.6**	**18.9**	**14.1**	**9.8**	**9.8**	**18.7**	**21.9**	**42.7**	**98.0**
NCI				-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities & SE	**46.5**	**44.9**	**37.9**	**32.8**	**48.0**	**48.0**	**43.0**	**38.4**	**33.6**	**29.2**	**29.2**	**38.2**	**41.3**	**62.1**	**117.4**

Source: Profound Medical Corp., Raymond James Ltd.

COMPANY DESCRIPTION

Profound Medical (PRN) is commercializing a novel non-invasive, image-guided therapeutic technology, the TULSA-PRO®, which combines real-time magnetic resonance imaging with transurethral, robotically-driven therapeutic ultrasound and closed-loop thermal feedback control. The system is designed to provide precise ablation of pathologic prostate tissue while simultaneously protecting critical surrounding anatomy. TULSA-PRO® has recently been given 510(k) marketing authorization by the FDA, subsequent to which PRN is rapidly launching its marketing efforts in the United States.



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Company Name	Disclosure
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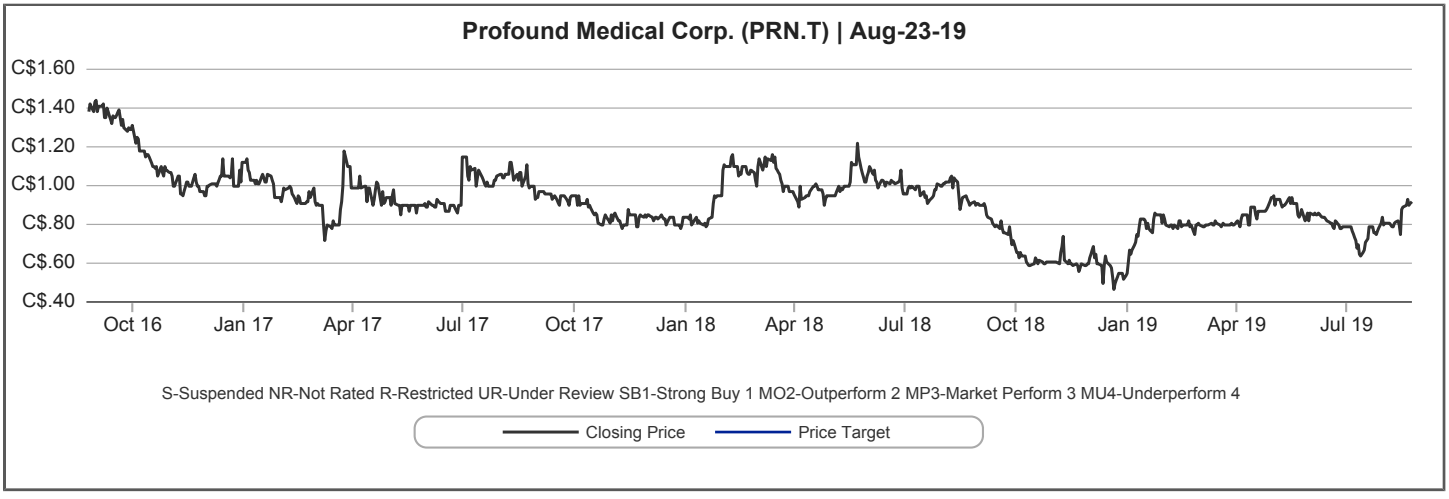
Target Prices: The information below indicates our target price and rating changes for the subject companies over past three years.



Valuation Methodology

Profound Medical Corp.:
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Company-Specific Risks

Profound Medical Corp.:
Market Adoption:
Profound Medical Corp. currently has one primary competitor, EDAP TMS, which obtained FDA approval for its Ablatherm-HIFU to treat prostate cancer in late 2015. As a direct alternative to TULSA-PRO with a 3-4-year head start on marketing, there is a possibility that the Ablatherm will take a significant market share that PRN will not be able to penetrate despite TULSA-PRO's advantages (discussed above).
Management:
With his considerable experience, Dr. Arun Menawat is a key value driver for Profound Medical Corp. Should the company lose his leadership, this would be a significant hit to the company's value.
Financing:
With $20.5 mln in cash, a current quarterly cash burn of ~5 mln, and our forecast of Profound Medical only turning cash flow positive in 2022, we have estimated that the company will require—based on current and projected operations operations—an additional $40 mln in working capital. Hence, we have assumed that Profound may raise $20 mln of equity in Q4/19, with an additional $20 mln in 2021. We recognize that management may have the option of financing the second $20 mln through debt instead of equity. Nevertheless, should the company not succeed in raising the required working capital within the timeframes we've assumed, the market would likely perceive a financing overhang, which in turn would adversely affect the share price.

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