

Seeking Alpha

Finding Some Help in the Healthcare Sector

by: M. E. Garza July 29, 2011

Shares of **Spectranetics Corporation** ([SPNC](#)) went from \$6.56 to as high as \$7.20 before closing the day at up \$.39 at \$6.95 (+5.95%) after we told our premium readers on Wednesday that despite the fact company shares had been trading lower in previous days, the stock appeared undervalued.

As we told our subscribers, Canaccord Adams analyst Jason Mills also thought the stock was a BUY with an \$8.75 price target and on Thursday morning, the company [announced](#) that they had achieved record revenues of \$32.2 million in the second quarter and 7% growth over the prior year. Other highlights from their key announcement included:

- Lead Management revenue increased 15% compared with prior year second quarter
- Vascular Intervention revenue continued turnaround with second consecutive quarter of sequential revenue growth, up 8% over first quarter 2011 levels
- International revenue grew 42% over prior year second quarter
- Net income of \$584,000, or \$0.02 per diluted share, a significant improvement compared with prior year second quarter net income of \$91,000, or \$0.00 per diluted share

As we alerted, prior to today's news, Mills' thesis was that SPNC's proprietary LM business is worth the stock's current valuation on its own, noting its growth profile (>10%), high barriers to entry, low penetration (<20%E), and SPNC's leadership position with a proprietary, expanding product line. On the Vascular Intervention (VI) side, he realizes growth is currently sluggish, but he thinks VI has more value than is reflected currently in the stock, noting 1) new product launches upcoming; 2) first-mover ISR clinical trial starting soon; and 3) improving outpatient reimbursement environment, which augmented capital placements in Q1 – an important leading indicator.

As such he has increased his year-end 2011 price target to \$8.75 from \$8.00, reflecting 1.9x our 2012 revenue estimate of \$134M.

The company recently gave an update on its progress regarding focus growth initiatives. We believe the most significant update comes in the form of the recently announced FDA approval to start the EXCITE in-stent restenosis trial. The company expects to begin enrollment within the next few weeks.

The Spectranetics Corporation designs, manufactures, and markets single use medical devices used in minimally invasive surgical procedures within the cardiovascular system in conjunction with its proprietary excimer laser system, the CVX-300.

The company's lead management product line comprises excimer laser sheaths, non-laser sheaths, and cardiac lead management accessories for the removal of pacemaker and defibrillator cardiac leads. It sells its products in the United States, Canada, Europe, the Middle East, the Asia Pacific, Latin America, and Puerto Rico. The company has strategic alliances with Kensey Nash Corporation ([KNSY](#)) and ELANA BV. The Spectranetics Corporation was founded in 1984 and is based in Colorado Springs, Colorado.

There are more forward looking news items to trade on. Even in these scared markets. We continue to expect positive near term positive catalysts for several other stocks, namely:

TapImmune ([TPIV.OB](#)) -- we firmly believe the month of August will be filled with positive developments on multiple fronts as outlined in our recent [special report](#).

Immunocellular Therapeutics ([IMUC.OB](#)) -- On Thursday, Summer Street Research [initiated coverage](#) on the company with a Buy rating and price target of \$8. While we feel the new price target may be a little high, there is definite upside at IMUC. This is particularly true if the firm announces an uplisting to the AMEX as previously [reported](#). Once they are on a bigger exchange, the stock will get more attention from brokers, funds and institutionals. Their science platform is solid, their management team has shown that they can be very careful with cash management and they one of the leading candidates in the cancer immunotherapy space. A nice base has been building at the \$2 mark and it should continue higher from here.

Synergy Pharmaceuticals, Inc. ([SGYP.PK](#)), the developer of new drugs to treat gastrointestinal disorders and diseases also has a forward looking catalyst and some recent coverage from Joseph Morgan that calls for a \$15 price target on the stock. Fellow Seeking Alpha contributor James Altucher has been following their story and reports the details in [his latest write up](#).

Finally, we continue to expect some positive news flow and developments from **ChromaDex Inc. ([CDXC.OB](#))** despite the fact that the trading action has been extremely disappointing. At the close on Thursday, someone dumped shares immediately prior to the close and in doing so cut 10% out of the price- all on low volume. That action may have created a significant buying opportunity for traders because nothing has changed fundamentally. In fact, after speaking with management at the company, we know that full commercialization efforts at GNC Stores ([GNC](#)) (and with others) are in full force and that the [positive catalysts](#) we reported recently are still on-tap. We are also hearing rumors that billionaire investor Phil Frost- and others who have a large position in the company- would love to see CDXC uplisted as well. The Amex- with a \$2 price requirement- could be the most logical place where this one is headed. That tells you there continues to be a nice trade built-in here.

Disclosure: I am long TPIV.OB.