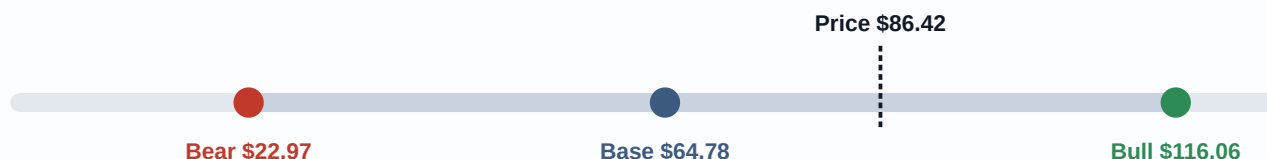


Initiated 2026-09-21 · Price \$86.42 (as of 2026-09-18, stockanalysis.com quote) · Mkt cap \$3.00bn · Health care / medical devices · Model: verified

Rating: Hold — Conviction: Low

The modeled cases straddle the price rather than sitting below it: bear \$23, base \$65, bull \$116 against \$86.42. That spread is the call. TransMedics has a real regulatory moat in multi-organ warm perfusion and raised FY2026 guidance, but growth has decelerated every year (+209%, +159%, +83%, +37%, now +22–25%) while operating margin fell from 17.9% in FY2025 to 12.5% in Q2 2026 and free cash flow went to roughly zero on the aviation build. Two observable things decide it within two quarters — whether growth stabilizes in the high teens, and whether FY2026 is the margin trough — and I have no edge on either yet. Where every case sits below the price I rate Sell; where they straddle it, Hold.

MODEL VALUE RANGE VS PRICE



Business overview

TransMedics sells the Organ Care System, which keeps donor hearts, lungs and livers warm and perfused in transit instead of on ice — and unusually, it also owns the logistics. Q2 2026 revenue of \$189.9mm split \$111.2mm product (+16%) and \$78.8mm service (+29%), the service line being the National OCS Program: TransMedics flies the organ, retrieves it, and bills the whole chain. That runs through 22 owned aircraft covering 82% of missions, extended into Europe by the 2026-07-01 acquisition of German operator PAD Aviation. Earnings turn on programme adoption (clinical, not discretionary), product/service mix, and how much of the network's cost the company absorbs before it scales.

Bull case

- Guidance went up, not down** — FY2026 raised to \$737–757mm, +22–25%, excluding PAD Aviation revenue entirely and assuming nothing from the ENHANCE Part B and DENOVO trials. Plays out if liver depth holds while heart and lung stabilize. *Model: rev_growth*
- Two unpriced legs: kidney and Europe** — the kidney push was the focus of recent conference commentary and the European network is being built now; neither is in guidance. The moat behind them is real: neither OrganOx nor XVIVO holds FDA approval for a multi-organ platform. *Model: rev_growth*
- The margin trough is self-inflicted and ends** — owning aircraft costs more up front and less afterwards, and at 82% mission coverage the build is mostly done. Plays out if FY2026's 12.5–14% adjusted operating margin is the floor. *Model: ebitda_margin*

Bear case

1. **Deceleration has been uninterrupted** — +209%, +159%, +83%, +37%, now +22–25%. Nothing in that sequence has found a floor yet. *Model: rev_growth*
2. **Competition sits where growth has to come from** — OrganOx and XVIVO are taking heart and lung share, and normothermic regional perfusion is a cheap substitute needing no OCS at all. Liver, the strength, is also the most penetrated. *Model: rev_growth*
3. **Margins are compressing now, not in a scenario** — gross margin 58.2% against 61.5% a year earlier, Q2 GAAP operating margin 12.5% against 17.9% for FY2025, and the FY2026 adjusted operating-margin outlook cut to 12.5–14% from about 16%. PAD Aviation dilutes further at first. *Model: ebitda_margin*
4. **Capital intensity, leverage and duration at once** — H1 2026 capex was \$43.7mm (12.0% of revenue) against free cash flow of about –\$1.9mm, on top of \$454.3mm of 2028 convertibles and ~\$353mm of aircraft finance leases. Beta 1.88 with the 10Y at 5.00% means a 13.0% discount rate on cash flows that are almost entirely terminal. *Model: capex_pct_rev, wacc, exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
Forward P/E (consensus EPS, NTM)	46.8x	n/a (unverified)	Penumbra ~59.1x fwd · XVIVO ~51.1x trailing	stockanalysis statistics / peer pages, 2026-09-21
EV/EBITDA (TTM, EV \$3.39bn)	29.3x	n/a (unverified)	Penumbra ~59.2x	stockanalysis statistics / peer pages, 2026-09-21
EV/Sales (TTM revenue \$668.5mm)	5.07x	n/a (unverified)	Penumbra ~8.61x	stockanalysis statistics / peer pages, 2026-09-21
EBITDA margin (GAAP op. income + D&A / revenue)	22.4% FY2025	–124% (FY2021) to +22.4% (FY2025); first positive year FY2024	n/a (unverified)	SEC EDGAR XBRL, 2026-09-21
FCF yield (TTM FCF \$79.0mm / mkt cap)	2.6%	H1 2026 FCF ≈ –\$1.9mm	n/a (unverified)	stockanalysis statistics / 10-Q, 2026-09-21

Model-implied value range (from `model-summary.json` ; generic module, DCF-Gordon and DCF-exit-multiple, midpoints): Bear \$22.97 · Base \$64.78 · Bull \$116.06 per share, i.e. implied returns of –73.4% / –25.0% / +34.3% vs \$86.42. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits in the optimistic half of the distribution but inside it, and the base case being 25% low is within what the exit multiple alone can move: the bull case's 21x exit on the base operating path lifts the base midpoint to roughly \$76.

The 21.5x trailing P/E on screens is meaningless: FY2025 net income of \$190.3mm included the release of a \$103.3mm US deferred-tax valuation allowance in Q4 2025. The 46.8x forward multiple is the honest one; this model taxes at the 21.1% rate actually paid in H1 2026.

Balance sheet: net leverage 0.30x FY0 EBITDA against gross 3.79x, and that gap is the point — \$867mm of gross debt against \$472.7mm of cash. The ladder is lumpy: \$20mm in 2027, then **\$454.3mm of 1.50% convertibles in 2028**, \$39.7mm in 2029, ~\$353mm of aircraft finance leases beyond 2030. Refinancing those converts into a 5% risk-free world is a real event, and it is why S3 and S7a weigh more here than for a debt-free peer. No agency rating retrieved this session.

Model note: built and LibreOffice-verified (3,188 cells matched, 0 failing error checks). One warning check fails: `market.diluted_shares` (35.9mm) is derived from Q2 net income over diluted EPS rather than a filed count, because the release's 40.7mm "fully diluted" figure includes the 2028 converts' shares, which this model treats as debt. No assumptions lack a basis; no scenario CHECKs remain. Three further judgments: the term loan's and finance leases' rates and maturities were not disclosed in the excerpt retrieved, so their ~7–7.5% coupons and ladder placements are estimates; the converts' conversion price was not retrieved, so in-the-money conversion would dilute more than the modeled +1.5% a year; and finance-leased aircraft never pass through capex, so that driver understates the real asset build. Generator note (2026-09-24): in this module `share_change` , `capital_return_pct` and `cost_of_debt` move EPS and the net-cash path only, and `peer_pe` feeds a cross-check only; none changes the value range, so bull/bear tags no longer cite them. Scenario deltas were rebuilt after `multiple_pct` shocks were extended to the Gordon method (previously they moved only the exit-multiple half), and EPS now uses average diluted shares.

Scenario stress test

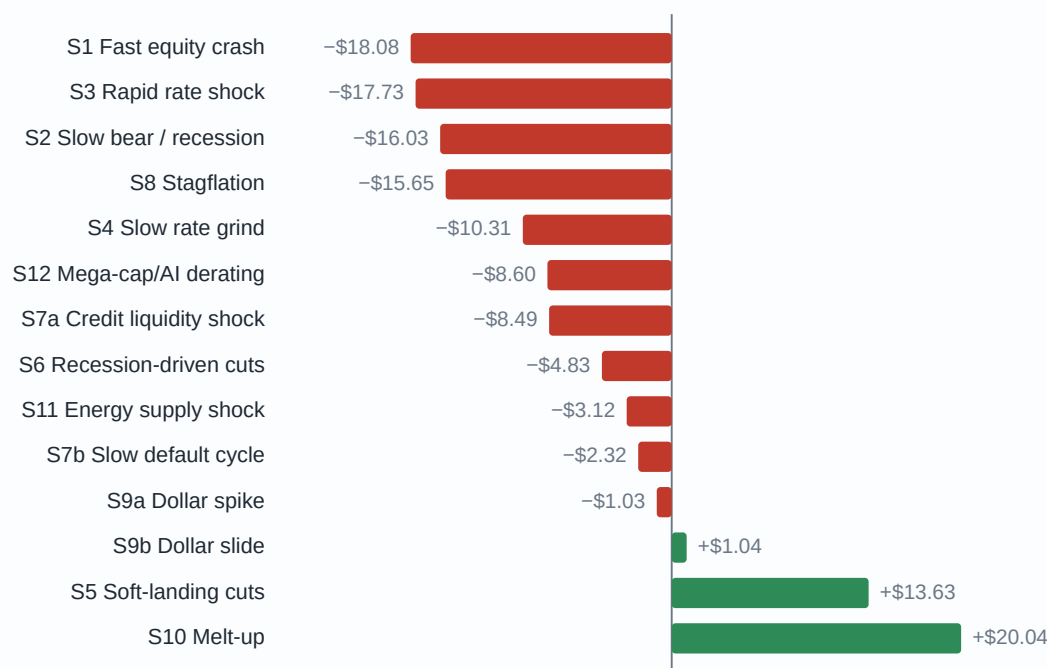
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Beta 1.88, small cap, thin forward GAAP earnings: the kind of name that gaps down in a de-risking	High	–\$18.08
S2 Slow bear / recession	–	Transplants are clinical, not discretionary, but hospital budgets and staffing slow programme expansion	High	–\$16.03
S3 Rapid rate shock	–	Worst case for the name: almost all value is terminal and the 2028 converts must be refinanced higher	High	–\$17.73
S4 Slow rate grind	–	Same channel, slower, across the horizon	Med	–\$10.31
S5 Soft-landing cuts	+	Long-duration growth with a refinancing need ahead: falling rates help twice	Med	+\$13.63
S6 Recession-driven cuts	–	Hospital budget pressure outweighs cheaper money, but the rate relief cushions it	Med	–\$4.83
S7a Credit liquidity shock	–	A borrower with a 2028 convertible maturity and aircraft leases is genuinely exposed when credit windows shut	Med	–\$8.49
S7b Slow default cycle	–	Refinancing cost plus slower programme adds at financially stressed hospital systems	Low	–\$2.32
S8 Stagflation	–	Jet fuel, aviation labour and clinical staffing inflate faster than reimbursement-linked pricing can follow	High	–\$15.65
S9a Dollar spike	–	Mostly US today, but the European network and PAD Aviation put euro revenue and costs on the books	Low	–\$1.03
S9b Dollar slide	+	Small translation tailwind on the emerging European operation	Low	+\$1.04
S10 Melt-up	+	High-beta growth medtech is what a melt-up re-rates; the peer cohort already trades at 50–60x	High	+\$20.04
S11 Energy supply shock	–	Direct and unusual: a captive fleet flying 82% of missions makes jet fuel a real input cost	Med	–\$3.12
S12 Mega-cap/AI derating	–	Not an AI name, but small-cap high-multiple growth de-rates alongside the leadership it is funded by	Med	–\$8.60

Magnitude labels re-ranked 2026-09-25 to match the model's dollar deltas (skill 3a-v-b item 7; the 2026-09-24 generator fix enlarged multiple-shock rows): S6 Low → Med, S2 Med → High.

Currently active/on watch per the playbook: S3 partially active (10Y 5.00%, price leg met, pace legs short) — the worst row here; S8, S10 and S11 on watch, with S8 and S11 reaching this name through jet fuel more directly than most, and S11 escalated after the 2026-09-19/20 Houthi strikes on Riyadh and Yanbu.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades to Buy if: FY2027 guidance holds growth at or above 18% while margin recovers off the FY2026 floor — the bull operating path, which puts the range above the price; or the price falls toward the base case near \$65 with the story merely stable. **Downgrades to Sell if:** FY2027 growth guides below the mid-teens, the margin trough extends into 2027 on PAD dilution, or heart and lung visibly cede share to OrganOx, XVIVO or NRP — any of which drags the base toward the bear path.

Watch items

- **W1:** FY2027 revenue growth guidance — 18%+ supports the bull path, below the mid-teens confirms bear:1 — Q4 2026 results, late Feb 2027 — *Model: rev_growth*
- **W2:** Adjusted operating margin against the cut 12.5–14% outlook — Q3 sequential improvement means the trough is in; a further cut confirms bear:3 — Q3 2026 results, late Oct/early Nov — *Model: ebitda_margin*
- **W3:** Capex and free cash flow — H1 2026 ran \$43.7mm capex and about -\$1.9mm FCF; positive FCF in H2 shows the fleet build peaking — quarterly cash flow statement — *Model: capex_pct_rev*
- **W4:** Any refinancing or exchange of the \$454.3mm 1.50% converts ahead of 2028, and at what coupon — 8-K or quarterly debt note — *Model: cost_of_debt*

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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.