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## Zomedica Corp. (ZOM-NYSE-American)

January 6, 2023

**BUY: A Diverse Provider in Veterinary Medicine: Diagnostics, Therapeutics & More**

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*Zomedica is positioning the company as a leading supplier of a wide range of products-services to the multi-billion-dollar global veterinary marketplace. Recent acquisitions combined with cash on the balance sheet (\$158M) position the company to establish itself as a leader in the vet marketplace. Our projected revenues to 2030 and our valuation assumes a reverse stock split.*

### Investment Highlights

**Pulse Vet** – Reducing Inflammation & Pain: The PulseVet platform treats musculoskeletal issues in horses and small animals. Today this represents most of the company’s revenues. We estimate that the company has close to 1200 installed units, with a potential to see that expand to 5,000. The focus is on the U.S., but there are opportunities outside the country (Europe, Japan, and Australia).

**Assisi** - We view the Assisi product as complementary to PulseVet as an at-home option to treat Pain & Inflammation and help separation anxiety dubbed “Calmer Canines.” We envision Assisi as a promotionally sensitive product line that has the potential to be significant. We believe the company is right to continue its focus on establishing the clinical utility behind PulseVet as the priority today.

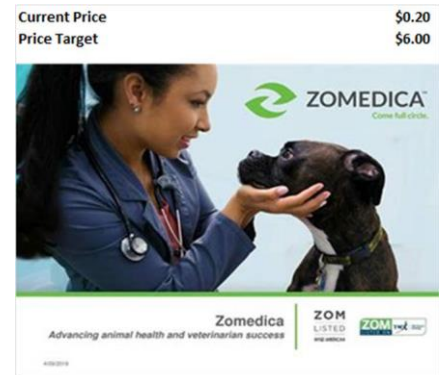
**TRUFORMA** Diagnostic Platform – The TRUFORMA platform is a razor/razor blade model. It comprises point-of-care diagnostic products for disease states in dogs and cats. TRUFORMA is a unique Diagnostics Platform. Five Assays (four of which are unique) today, with more coming; we anticipate another five next year. The platform is focused on the development and commercialization of diagnostic instruments that can run developed assays for use at the point of care that provide reference lab accuracy, thereby enabling practitioners to diagnose and treat diseases sooner.

**Revo – TrueView Digital Microscopy** - Liquid lens technology, 3D views. Automated slide preparation and processing with an AI option for reading results. Expected to launch 1H-2023.

**Vet Guardian: 24-hour patient monitoring** - This is a system using doppler radar technology in a touchless platform to ensure pets are safe and supervised at the clinic, from intake to discharge.

**Valuation:** Our valuation for Zomedica is based on revenue projections out to 2030. We anticipate a reverse stock split in our model. We know the market itself is quite large. We assume the company does not need to raise additional capital. We assume rising SG&A as the company commercializes its products. We assume an improving cost of goods sold (COGS) over time. Our valuation models: Free Cash Flow to the Firm (FCFF), discounted EPS (dEPS), and Sum-of-the-Parts (SOP), use a 15% discount rate. The result of these three models is then equal-weighted, averaged, and rounded to the nearest whole number to provide a 12-month target price.

**Risks to our thesis include:** 1. Commercial Execution; 2. Competition 3. Adoption Rates 4. Intellectual Property 5. Dilution



Source: Zomedica

Stock Data		
52-Week Range	\$0.15 -	\$0.50
Shares Outstanding (mil.)		979.9
Market Capitalization (mil.)		\$195
Enterprise Value (mil.)		\$76
Debt to Capital		0%
Book Value/Share		\$0.05
Price/Book		1.1
Average Three Months Trading Volume (K)		8,275
Insider Ownership		1.4%
Institutional Ownership		9.4%
Short interest (mil.)		8.9%
Dividend / Yield		\$0.00/0.0%



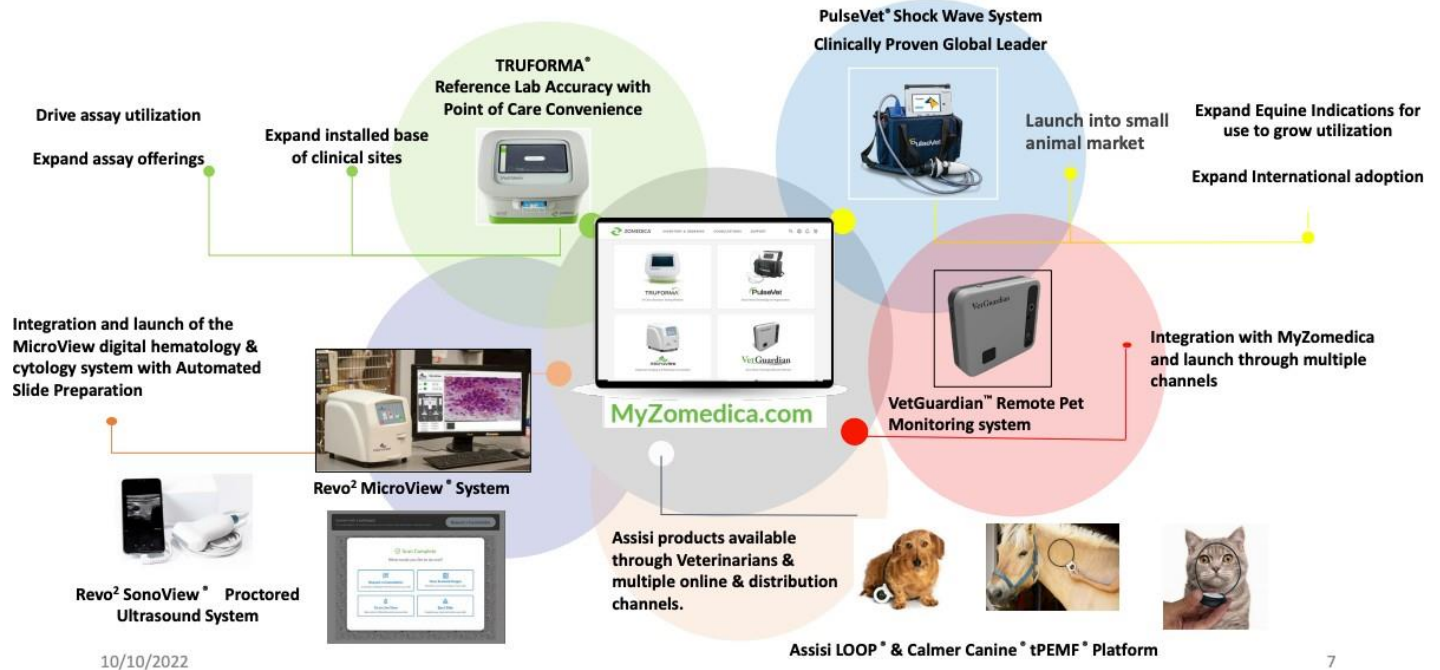
**Company Description:** (adapted from the company's filings): Zomedica Corp is a veterinary health company that creates products for companion animals by focusing on the unmet needs of clinical veterinarians. Their mission is to enrich the lives of the animals and the people that care for them by providing products and technologies that improve patient care and enhance practice health. Their product portfolio includes innovative diagnostics and therapeutic medical devices that emphasize patient health and enhance practice economics. Zomedica is currently commercializing two discrete platforms – the TRUFORMA platform, comprising point-of-care diagnostic products for disease states in dogs and cats, and the PulseVet platform, which provides for the treatment of musculoskeletal issues in horses and small animals. The TRUFORMA platform is focused on the development and commercialization of diagnostic instruments and related assays for use at the point of care that provides reference lab accuracy, thereby enabling practitioners to diagnose and treat diseases sooner. In addition, the Customer Appreciation Program provides interested customers with a TRUFORMA instrument pursuant to a written agreement under which the customer agrees to purchase assay cartridges for use on that instrument. In doing this, Zomedica establishes an installed base of TRUFORMA instruments so that assays available in the future can be added to their then-existing usage, similar to a razor/razor blade model. The PulseVet platform is a world leader in electro-hydraulic shockwave technology for the treatment of a wide variety of conditions in horses and small animals, such as osteoarthritis, tendon and ligament healing, bone healing, chronic pain relief, and wound healing.

### Exhibit 1. Zomedica Growth by Acquisition

Deal	Date	Type	Cost	Total Annual Addressable Market (TAM)	Cumulative Annual TAM	Y/Y Growth
<b>TRUFORMA®</b>	March 2021	Launch		\$1.2B	<b>\$1.20B</b>	+500%
<b>PulseVet®</b>	October 1, 2021	Stock acquisition	\$71M	\$150M	<b>\$1.35B</b>	51%
<b>VetGuardian™</b>	May 2022	Convertible Note	\$1M	\$40M	<b>\$1.75B</b>	Launching 1H23
<b>Revo<sup>2</sup> / TRUVIEW</b>	July 1, 2022	Asset acquisition	\$6M <sup>(1)</sup>	\$1.3B	<b>\$3.05B</b>	Launching 1H23
<b>Assisi</b>	July 15, 2022	Asset acquisition	\$18M <sup>(2)</sup>	\$210M	<b>\$3.26B</b>	Acquired July 16, 2022

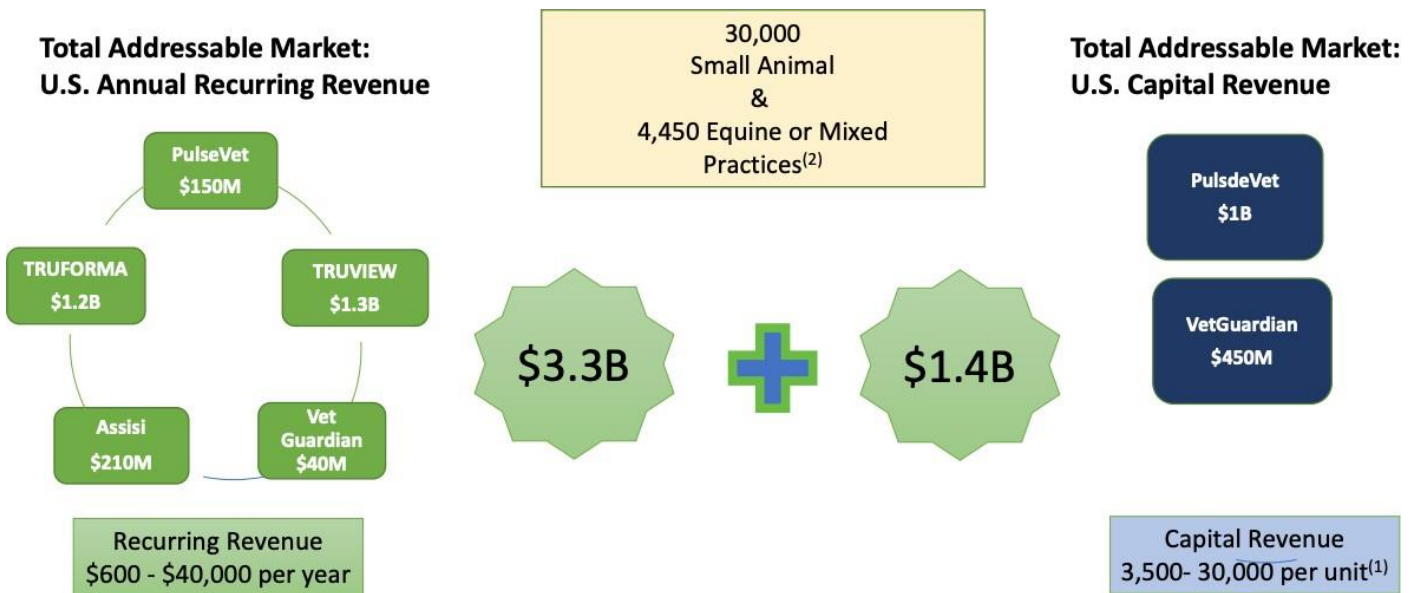
Source: Zomedica

**Exhibit 2. Expanding Product Portfolio**



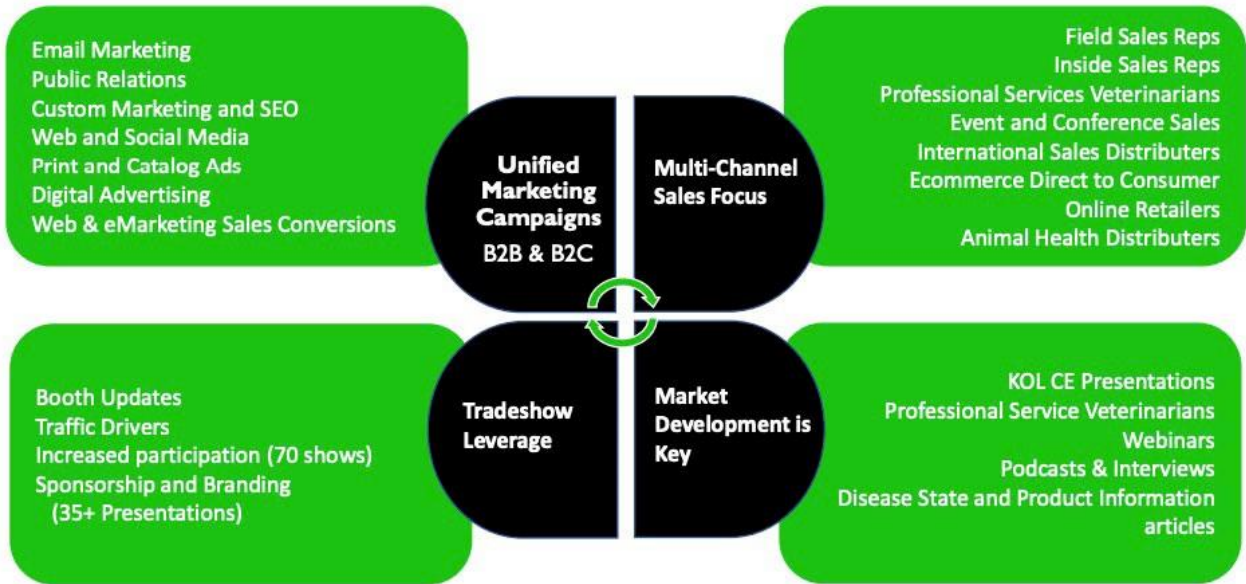
Source: Zomedica

**Exhibit 3. US Total Addressable Market - Large**



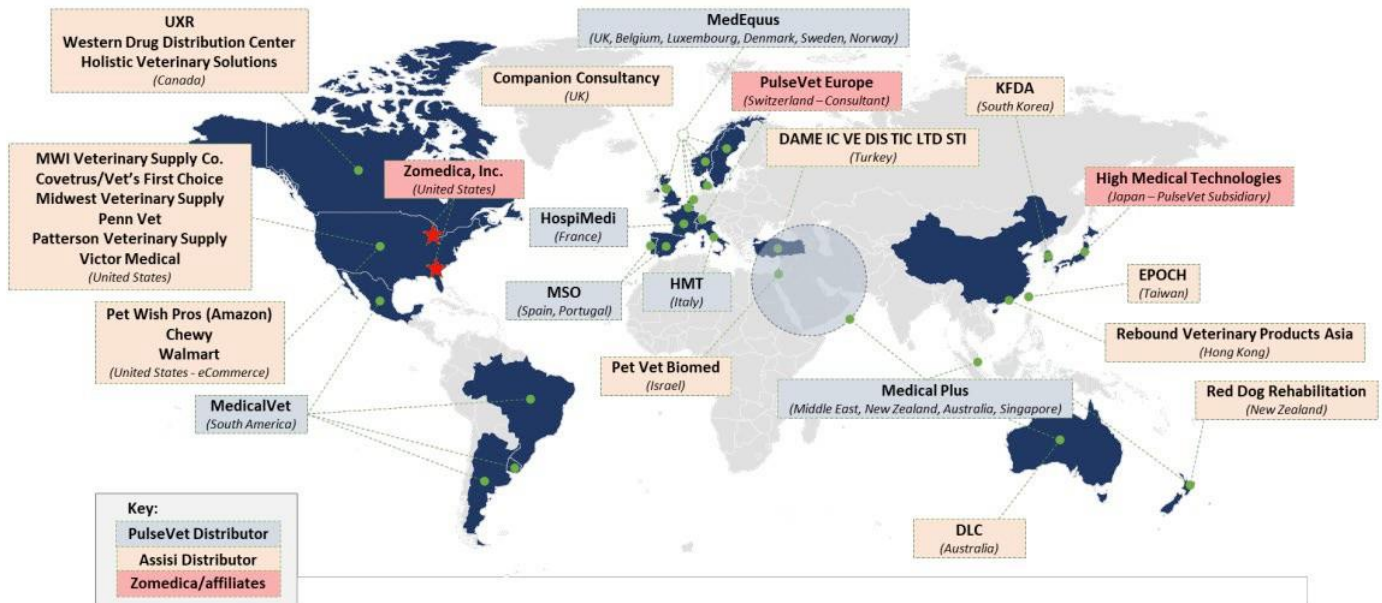
Source: Zomedica

**Exhibit 4. Diverse Go To Market Strategy**



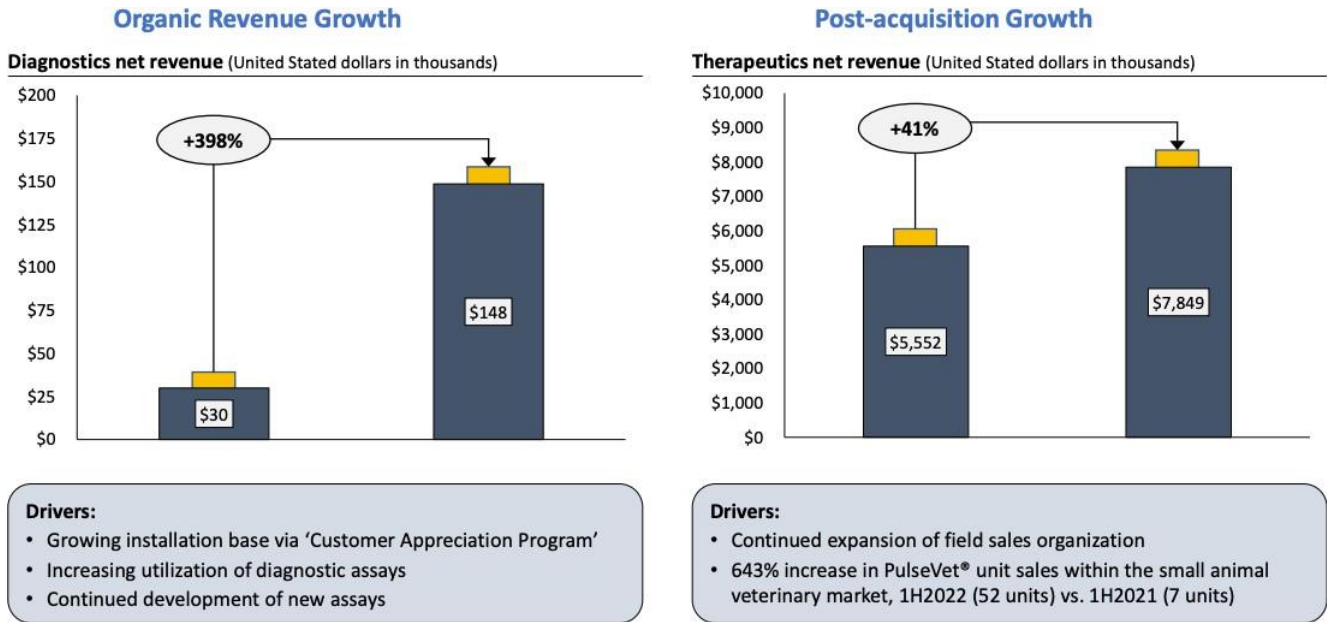
Source: Zomedica

**Exhibit 5. Global Sales Capacity**



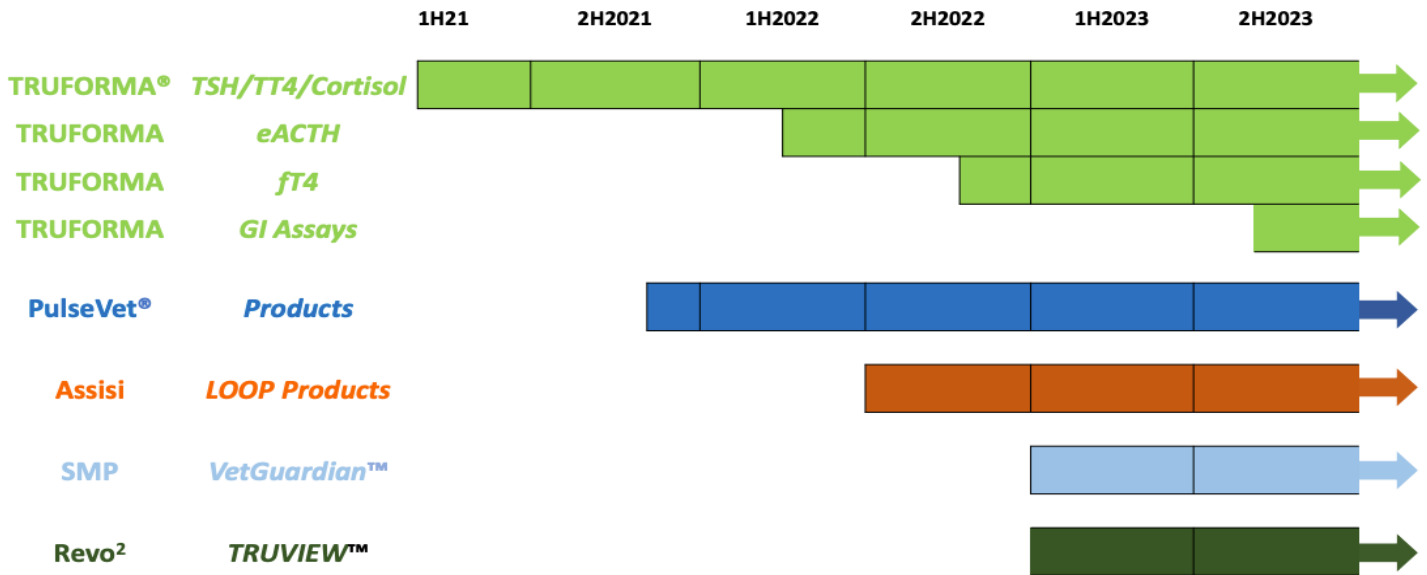
Source: Zomedica

Exhibit 6. Substantial year-over-year revenue growth



Source: Zomedica

Exhibit 7. 71% Zomedica Timeline



Source: Zomedica

**Exhibit 8. PulseVet – Zomedica’s first acquisition:** The PulseVet products use electrohydraulic shock wave generation technology in which a submerged high voltage spark gap is used to generate an expansive plasma bubble in front of a focusing reflector. The resultant high-pressure acoustic energy wave is directed and focused into the treatment animal to induce therapeutic healing effects. The PulseVet business model is a ‘razor/razor-blade’ type in which the consumables are required to be refurbished after approximately 50 procedures. Customers purchase a ProPulse generator unit as well as a handheld therapy delivery device called a “Trode.” Each Trode has a defined duty cycle of 50,000 individual pulses, which will deliver approximately 50 therapy sessions depending on how many pulses the veterinarian prescribes for a particular treatment session. Once a Trode has reached the end of its duty cycle, the customer returns the unit to us, where it is refurbished and resold. PulseVet’s shock wave therapy systems can treat various musculoskeletal issues, such as broken bones, tendonitis, and torn ligaments. As PulseVet has continued to develop its technology, the number of potential indications has risen.

Because of the high power requirements of the therapy and the previous need to anesthetize smaller companion animals prior to treatment, PulseVet has historically focused on the U.S. equine market. The company has built industry relationships in some of the largest and most significant equine practices in the U.S., as well as relationships with highly regarded university educators and researchers. PulseVet’s business also targets customers in the U.K. and Western Europe.

- **Acquired October 1<sup>st</sup>, 2021**
- **World leader in shock wave therapy for wound healing, and difficult to treat injuries**
  - Widely adopted in the Equine market
  - Manufacturing capability in Roswell, GA
  - International commercial capability with offices in Japan and Switzerland.
- **Razor/blade model with high recurring revenue and 72% gross margins**
  - - Capital generates ~\$30,000 per system
  - - Trode refurbishments generate \$2,000 every 50 treatments
- **Launched small animal optimized handpiece in Q3 2021**
  - 15X the size of equine market

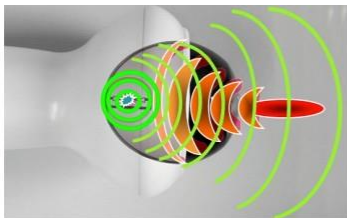


- **Revenue up 51% Acquisition to Date vs. Prior Year**
- **>500% increase in sales to small animal vets validates investment thesis.**



Source: Zomedica

**Exhibit 9. PulseVet – How it works**



**Indications Treated:**

- Tendon/Ligament/Muscle Healing
- Bone Fracture/Osteotomy Healing
- Osteoarthritis – Pain management and disease modifying
- Chronic Pain - Myofascial pain and back pain
- Wound Healing

Handpiece Generates Shockwave into Tissue

Cellular generation of cytokines, growth factors stimulated

- Reduces inflammation, stimulates microcirculatory response
- Increases functional capillary density to promote healing
- Increase in bone morphogenic protein stimulates bone growth/healing

- >14 published clinical articles, including RCT’s
- PMA Cleared in US for Diabetic Foot Ulcers
- CE Marked in Europe for wound healing, OA

10/10/2022

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Source: Zomedica

The Small Companion Animal Market: As described earlier, the need for sedation when using shock wave therapy for small animals was a barrier to broad adoption in the small animal market. In September 2021, PulseVet introduced the X-Trode, a new handpiece that eliminates the need to sedate small animal patients in most cases. The company now plans to promote the X-Trode product in the small animal veterinary market and expects that customer experiences and more robust data from pending clinical studies will drive awareness and sales of shock wave therapy from the use of the X-Trode in the small animal space.

Several clinical studies of shock wave therapy are ongoing and or planned:

1. A study designed to measure efficacy in treating osteoarthritis (“OA”) in small animals with the X-Trode. Animals will randomly be divided into two groups, with and without shock wave treatment, and will be monitored for pain, functionality, and disease progression for 12 months.
2. A study designed to measure efficacy in treating pulmonary diseases in horses. Historically, shock wave therapy has not been applied to the lungs. However, recent studies by PulseVet and others have shown that the lungs can be treated safely. This study will examine the efficacy of treating exercise-induced pulmonary hemorrhage in horses. This study is expected to begin in the fourth quarter of 2022 and is expected to be completed three years after commencement.

There are also studies that are being conducted by independent investigators, including:

1. A randomized, double-blinded, cross-over study of 24 dogs that previously had Tibial Plateau Leveling Osteotomy (“TPLO”) surgery and are currently presenting with OA. The animals will be treated with shock wave therapy and monitored for pain and functionality for 12 months. This study began in the first quarter of 2022 and is expected to be completed two years after commencement.
2. A study designed to measure the effect of shock wave therapy on Nocita injections. Nocita is a bupivacaine liposome injectable suspension used to control post-surgical pain. A study was previously carried out showing the effect of shockwave on Nocita liposomes using the PulseVet traditional trode. The same study will be carried out with the X- Trode to compare the output of the X- Trode with the traditional probe.
3. A study to document small animal tolerance of the X -Trode vs. the traditional trode. This study examines pain caused by treatment with the X -Trode compared to a traditional trode in dogs without sedation. This study began in the first quarter of 2021 and is expected to complete in the second quarter of 2023.

**Exhibit 10. Assisi Product Line Compliments PulseVet**



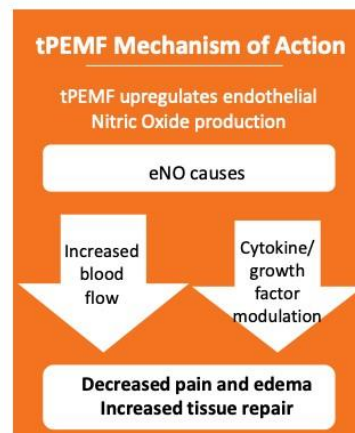
**Assisi Loop® & Loop Lounge**

- Sold for pain and inflammation from OA and wound healing
- "Re-sposable" requiring replacement after 150 treatments

**Newly Launched Line Extensions**

- **Dental loop** indicated for gum disease and pain from extractions
- **Calmer Canine** for separation Anxiety – Well timed for return to work.

**Total Available Annual Market (US only): \$200M**



Source: Zomedica

**The TRUFORMA platform.** The platform uses patented Bulk Acoustic Wave (BAW) technology to provide a non-optical and fluorescence-free system for the detection of disease at the point of care. The BAW technology enables the company to develop products with precise and repeatable testing of companion animals at the point of care with results provided during a typical veterinary appointment.

The strategic focus is on the commercialization of the diagnostic instrument and initial assays, the development of additional assays for the detection of thyroid disorders in dogs and cats and adrenal disorders in dogs, the development of three assays, cobalamin, cPL (canine pancreatic lipase), and folate, for the diagnoses of canine gastrointestinal issues, and additional assays for various disease states in the future. Zomedica is currently marketing the diagnostic instrument and related assays for canine and feline TSH, canine and feline tT4, and canine cortisol.

- The combined dynamic range of the canine and feline TRUFORMA TSH assay is 0.008-10.0 ng/mL compared to the Siemens IMMULITE Canine TSH assay dynamic range of 0.03-12 ng/mL. This assay will enable the quantification of samples with low levels of TSH, which is necessary to discriminate between normal and hyperthyroid feline samples. Verification data comparing the canine TRUFORMA TSH assay to the Siemens IMMULITE Canine TSH assay showed high correlation (R=0.99).
- The combined dynamic range of the canine and feline TRUFORMA tT4 assay is 0.45-30.0 µg/dL compared to the Siemens IMMULITE tT4 assay dynamic range of 0.5-15 µg/dL. Verification data comparing the canine and feline TRUFORMA tT4 assay to the Siemens IMMULITE Canine tT4 reference lab assay showed high correlation (R=0.94).
- The dynamic range of the canine TRUFORMA cortisol assay is 0.35-24.0 µg/dL compared to the Siemens IMMULITE Cortisol assay dynamic range of 1-50 µg/dL. Verification data comparing the canine TRUFORMA cortisol assay to the Siemens IMMULITE Cortisol reference lab assay showed high correlation (R=0.97).

**The product development cycle for new assays** begins with the feasibility phase, followed by the design, verification, and validation (University & Clinic) phases, and then launch. The feasibility, design, and verification phases of the TRUFORMA ACTH assay have been completed, with validation efforts currently underway. Zomedica believes that the availability of canine eACTH at the point of care has the potential to change the way veterinarians manage the two most common canine adrenal diseases, Cushing’s and Addison’s, by providing accurate results more quickly. The feasibility phase of the canine TRUFORMA tT4 assay has been completed, with design efforts underway. We believe that this will be the first tT4 assay available at point-of-care intended to be used for the rapid diagnosis of canine hypothyroidism. In addition to thyroid and adrenal disease panels, Zomedica has initiated the development of assays targeting non-infectious gastrointestinal disorders. The feasibility phase of the canine TRUFORMA cobalamin and canine TRUFORMA folate assays is underway. These assays are not commercially available at the point of care, and it usually takes days to send samples and receive results from a reference laboratory.

**Exhibit 11. Truforma – reference lab accuracy at the point of care**

- Based on clinically proven, highly sensitive Bulk Acoustic Wave (BAW) technology
- Developed and commercialized by Qorvo in Telecom & Aerospace industries
- FDA emergency use authorization for COVID testing by Qorvo Biotechnologies

Adrenal & Thyroid Point of Care Panels for Dogs and Cats



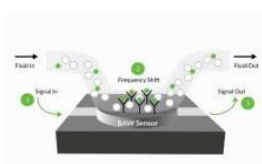
**Disposable Cartridge**  
Preloaded with Reagents  
Minimizes sample prep and simplifies workflow

+



**Compact Instrument Design**  
Easy to install and use with a small footprint for crowded clinics.

=



**Timely and Accurate Results**  
Supports practitioner’s ability to diagnose with confidence



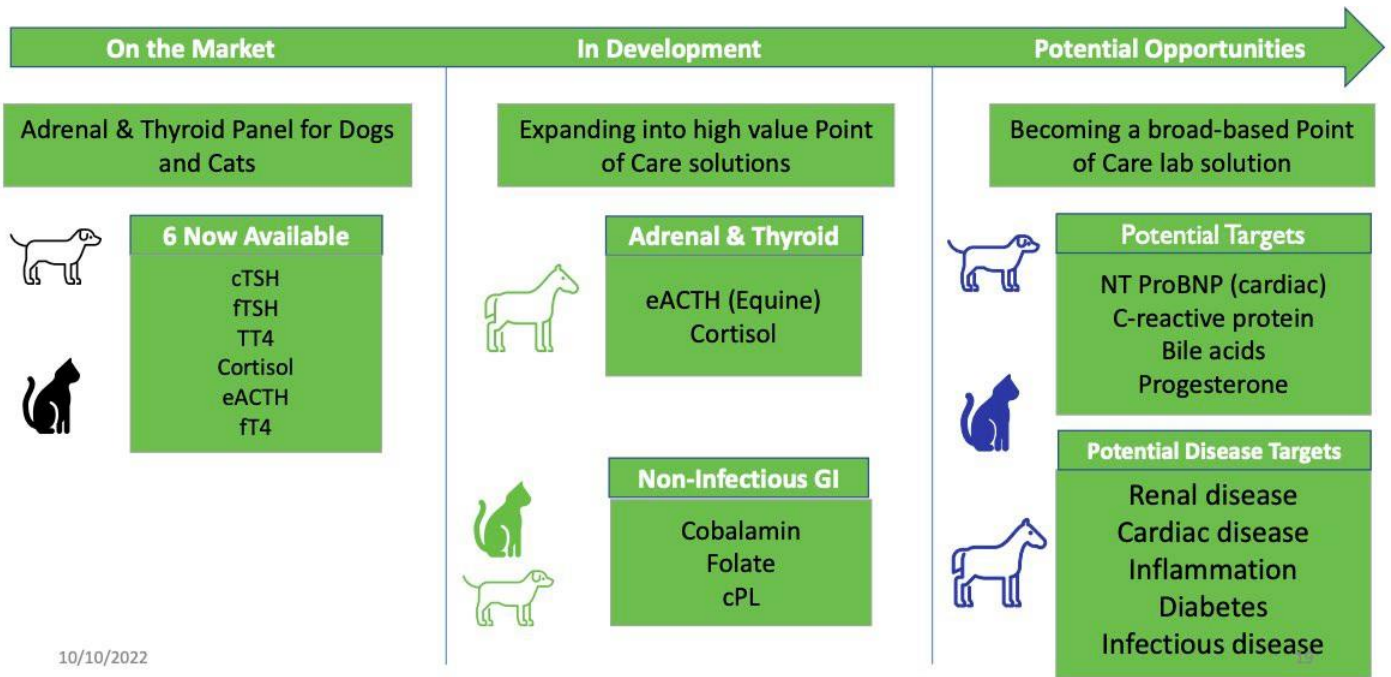
**Broad Licensed IP Portfolio**

70 issued and disclosed patents covering instrument, cartridge, assay development, board and assembly, die and manufacturing



Source: Zomedica

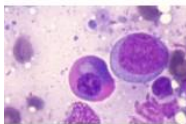
**Exhibit 12. Truforma Development Targets**



Source: Zomedica

**Exhibit 13. Revo2 Asset Acquisition**

**MicroView Digital Microscopy w/fully automated slide preparation**



- **Innovative digital imaging system with best-in-class visualization**
- **First in class automated slide preparation**
  - Improves workflow in the clinic
  - Reduces slide prep errors – improving diagnostic results
- **Allows the user to make diagnosis – or send to a pathologist for rapid second opinion**



- **Total Available Annual Market (US only): \$1.3B**
- **Zomedica Launch: First Half 2023**

Source: Zomedica

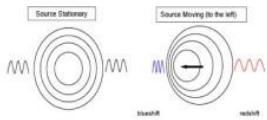
**Exhibit 14. VetGuardian Wireless Monitoring:** Gain Peace of Mind with Zero-Touch Remote Monitoring. Reduce Stress. Patients (dogs and cats) are more likely to bite or scratch when stressed by wires and wearables. The technology, “Remote Surveillance,” allows the doctor to view patient vitals anytime, anywhere. Get alerts when vitals fall out of their customizable range. The potential to save “Time & Money” – Forget hiring someone for the night shift. Use VetGuardian to create a new revenue stream.

**Convertible Note Investment**

- Provides funding for current management to complete development
- Zomedica has rights to Commercialize and/or Acquire the technology
- Collaborating on final design, cloud integration with myZomedica & manufacturing

**About the VetGuardian System**

- 24-hour monitoring capability provides improved care to patient and new revenue to practice
- **Total Available Market (US only): >\$450M in small animal alone**
- **Zomedica Launch: First Half 2023**

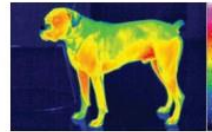


**Continuous Waveform Doppler Radar** detects pulse and respiration

10/10/2022



**Video camera and LIDAR sensors** detect movement



**Thermal camera and proprietary algorithms** detect temperature



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Source: Zomedica

## Model Assumptions

1. We assume Zomedica revises the company's capital structure, i.e., a reverse stock split (40:1) resulting in 25M shares of common stock. We cannot predict exactly the mechanics of such a change, so our assumptions should be expected to be revised accordingly. This is likely to change our target price.
2. Why Improve the capital structure? It can make the stock more attractive to institutional ownership. We expect to see the stock transition the shareholder base from retail to institutions and a retail mix.
3. We assume the company's \$158M in cash & equivalents is enough to carry the company to profitability.
4. PulseVet. Currently, we believe the company has approximately 1,500 system installations (75% U.S. based – this is in the equine-only practices or 1200 in the US). We assume expansion to 5,000 (and reaching 10,000 in ten years) as the technology is adopted in the small animal marketplace. We assume the market today is approximately 2,400 equine, 30-32,000 small animal practices, and an additional 2,200 in mixed practices (small and large animals). What's an installation worth in capital sales (generator & the initial treating device, "the trode")? Small animals should be about \$32k, equine \$38k (one trode for small animals versus four for large horses). We assume an average use of three trodes per year for horses and two trodes for small animals. Each trode represents \$2,000.
5. Assisi (20%) – Pain & Inflammation + Calmer Canines. We view the Assisi technology as similar to PulseVet but with different, tailored capabilities. It represents the development of an at-home treatment market. It is what is called a "Responsible" product – you buy it and use it until it wears out and needs to be replaced. Loops have built-in 150 15-minute treatments. One of the target markets is older dogs suffering from arthritic joints. Even hospice care. The company's Loop Lounge bed offers a therapeutic alternative to drugs and surgery to alleviate pain. We view this market as promotionally sensitive. We expect the company to prioritize efforts focused on PulseVet first as management tests and refines its commercial strategy for Assisi. The product is now sold through a combination of distributors (web store, Chewy, Amazon) and, as such, has few additional selling costs. A network of distributors exists outside the US, with what we assume is at favorable margins – 65% margin. The product today has 4,000 existing vet customers, providing alternatives to surgery and drugs. We remind ourselves that Assisi has been an attractive acquisition as it came with what we regard as pre-packaged revenue that generates free cash. There is also a re-order business associated with the batteries. Another market for Assisi is in "Calmer Canine's" or separation anxiety. We view this as another "promotion-sensitive" market that, with time, could become large.
6. TruForma: A Diagnostics Platform – Razor & Razor blade model. As we have previously stated, we approach the market size as a small animal and mixed practices 32k and eventually equines practices – 2400, recognizing there are no assays for horses today, but they are coming. We see \$15M in revenues by the end of the decade. What might the math look like? We assume each system consumes eight assays per week or \$43,000 in annual revenues. Tallying the math, we get 700 units x \$43k = \$30M in revenues. Our model has \$15M by the end of the decade. Why? It's a long road to introduce a new diagnostic platform in the established veterinary practice business. It's easy to place units, but they don't generate revenues until cartridges are used. We assume cartridges range from \$24 to \$80 per test. The company's initial strategy is to support tests where there is little or no competitive product available. We anticipate this as a "slow and gradual process," uptake on placement, use, and test. In the equine market, the first assay is coming. Avoiding laminitis – Cushing's disease is one possible cause and often goes unnoticed. EACTH is typically used as the marker. This requires a sample to be immediately frozen after drawing and shipped off-site. What is the value of an on-site, rapid, point-of-care test to the owner of a million-dollar thorough breed horse? The assay utilizes the "Free t4" thyroid panel, mimicking human health.
7. Revo: Microscope: Free placement of devices with 100 slides minimum at \$5.00 per slide. Additional \$65 fee for Reading slides.  $100 * \$5 * 12 = \$6k$  per year and 20% rate for AI reads = creates a range of \$12k and up. per installation.
8. VetGuardian: Remote Monitoring: \$11M in 2030 5,000 accounts represent 16% of the addressable market. We expect the company to sell units at \$4,500 with a subscription service for monitoring at \$600 per year. Access to the cloud, iPhone with up to four or five units. Practices can charge \$50 plus per day for service. We assume surgical practices, Emergency centers, and ICU hospitals will be the focus markets. Eventually, we can see a use for breeders – to monitor the temperature in high-value equines. There are even esoteric markets – such as exotic animals. These animals can be hard to work with post-surgery once they are awake but still need to be monitored.
9. We see additional acquisitions coming, which means additional revenues, but for simplicity and conservatism, we do not include such revenues in our model.

**Valuation:** Our valuation for Zomedica is based on revenue projections out to 2030. We know the market itself is quite large. We assume the company does not need to raise additional capital. We assume rising SG&A as the company commercializes its products. With volume comes efficiency; we assume an improving cost of goods sold (COGS) over time. Our valuation models: Free Cash Flow to the Firm (FCFF), discounted EPS (dEPS), and Sum-of-the-Parts (SOP), use a 15% discount rate. We select 15% for Zomedica as the company has plenty of capital and approved products, and the principal risk is execution. The result of these three models is then equal-weighted and averaged, and rounded to the nearest whole number to provide a 12-month target price.

### Exhibit 15. Free Cash Flow Model

Average \$	6
Price Target \$	7
Year	2023

#### DCF Valuation Using FCF (mln):

units ('000)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(23,130)	(8,066)	707	15,180	25,358	37,391	47,937	62,966	94,059
Tax Rate	0%	0%	0%	0%	5%	8%	10%	15%	25%
EBIT(1-t)	(23,130)	(8,066)	707	15,180	24,090	34,400	43,143	53,521	70,544
CapEx	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Change in NWC	-	-	-	-	-	-	-	-	-
FCF	(23,130)	(8,066)	707	15,180	24,090	34,400	43,143	53,521	70,544
PV of FCF	(26,599)	(8,066)	615	11,479	15,840	19,668	21,450	23,139	26,520
Discount Rate	15%								
Long Term Growth Rate	1%								
Terminal Cash Flow	508,925								
Terminal Value YE2030	191,324								
NPV	301,968								
NPV-Debt	-								
Shares out (thousands)	46,019 2030E								
NPV Per Share	\$ 6.56								

Source: Dawson James estimates

### Exhibit 16. Discounted EPS Model

Current Year	2023
Year of EPS	2030
Earnings Multiple	10
Discount Factor	15%
Selected Year EPS	\$ 1.53
NPV	\$ 5.76

Source: Dawson James estimates

Earnings Multiple	Discount Rate and Earnings Multiple Varies, Year is Constant					
	2030 EPS					
	5.8	5%	10%	15%	20%	25%
5	\$5.45	\$3.93	\$2.88	\$2.14	\$1.61	\$ 1.22
10	\$10.89	\$7.87	\$5.76	\$4.28	\$3.21	\$ 2.44
15	\$16.34	\$11.80	\$8.64	\$6.42	\$4.82	\$ 3.66
20	\$21.79	\$15.73	\$11.53	\$8.56	\$6.43	\$ 4.89
25	\$27.24	\$19.67	\$14.41	\$10.70	\$8.04	\$ 6.11
30	\$32.68	\$23.60	\$17.29	\$12.83	\$9.64	\$ 7.33
35	\$38.13	\$27.53	\$20.17	\$14.97	\$11.25	\$ 8.55
40	\$43.58	\$31.47	\$23.05	\$17.11	\$12.86	\$ 9.77

Source: Dawson James estimates

### Exhibit 17. Sum-of-the-Parts Model

ZoMedica	LT Gr	Discount Rate	Yrs. to Mkt Peak	% Success	Peak Sales MM's	Term Val
TruForma - 5 assays & expending -PofC Diagnosti	1%	15%	5	70%	\$15	\$110
NPV						\$0.42
PulseVet - Muscoskeletal Treatment - \$150M Marke	1%	15%	5	70%	\$81	\$577
NPV						\$2.18
VetGuardian - Remote Pet Monitoring \$40M Market	1%	15%	5	70%	\$11	\$79
NPV						\$0.30
Revo/TRUVIEW - Veterinary Imaging \$1.3B Market Op	1%	15%	5	70%	\$53	\$379
NPV						\$1.43
Assisi - "LOOP" & Calmer Canine - Devices \$150M	1%	15%	5	70%	\$13	\$89
NPV						\$0.34
NPV						\$4.67
Net Margin						50%
MM Shrs OS (2030E)						46
Total						\$5

Source: Dawson James estimates

**Risks to our thesis include:** 1. Commercial Execution; 2. Competition 3. Adoption Rates 4. Intellectual Property 5. Dilution

- **Commercial execution.** The company has ambitious goals. There can be no assurance that the requirements to achieve market penetration will be met. The company needs to continue to build its salesforce and product offerings, demonstrating advantages to the fragmented veterinary care provider-networks.
- **The Competitive Landscape, Adoption Rates & IP.** The company does have intellectual property and knows how to protect the utility of its devices and software; however, we expect that the technology cycle will be competitive, and the company may face competition from well-financed competitors who are already in position in the target markets.
- **Dilution:** The company, while well-capitalized today, may at some point need to return to the markets for additional capital. Our model assumes a reverse stock split; however, we do not assume the need for additional capital. We could be proven wrong. Should the need arise for capital, there can be no assurances that the company can successfully raise the capital required to execute its business strategy.

**Exhibit 18. Income Statement**

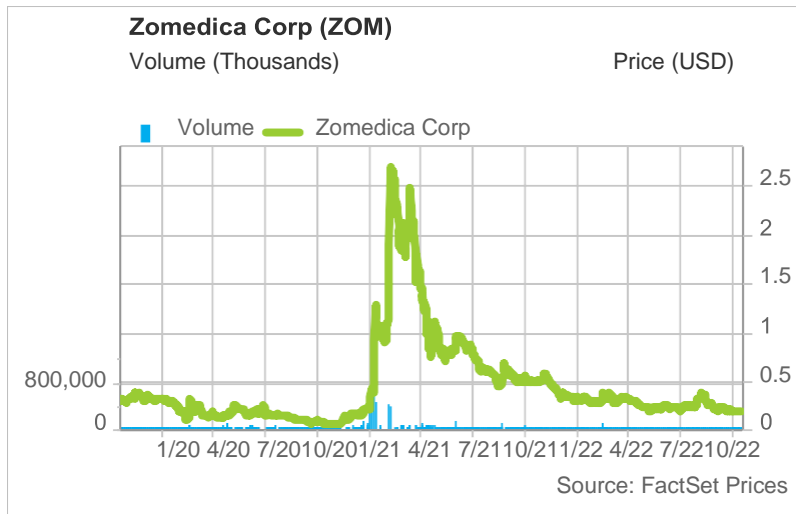
ZoMedica: Income Statement (\$000)																	
YE December 31	1Q22A	2Q22A	3Q22A	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Product sales</b>																	
TruForma - 5 assays & expending - PofC Diagnostics - \$1.2B Market Opportunity	50	94	100	150	394	200	250	275	300	1,025	2,500	6,000	7,500	9,500	10,925	14,000	15,400
PulseVet - Musculoskeletal Treatment - \$150M Market	3,001	3,403	3,721	3,750	13,875	5,280	5,390	5,610	5,720	22,000	27,060	32,472	38,966	46,760	56,112	67,334	80,801
VetGuardian - Remote Pet Monitoring \$40M Market						125	250	500	125	1,000	1,500	5,500	6,600	7,920	9,108	10,019	11,021
Revo/TRUIVIEW - Veterinary Imaging \$1.3B Market Opportunity						125	250	500	125	1,000	6,000	13,000	19,500	24,375	28,031	30,834	53,000
Assisi - "LOOP" & Calmer Canine - Devices \$150M Market Opportunity	750	849	955	975	3,530	900	1,200	1,400	1,500	5,000	6,000	7,000	8,000	9,000	10,350	11,385	12,524
<b>Total Product Sales</b>	<b>3,751</b>	<b>4,246</b>	<b>4,776</b>	<b>4,875</b>	<b>17,648</b>	<b>6,630</b>	<b>7,340</b>	<b>8,285</b>	<b>7,770</b>	<b>30,025</b>	<b>43,060</b>	<b>63,972</b>	<b>80,566</b>	<b>97,555</b>	<b>114,526</b>	<b>133,572</b>	<b>172,745</b>
<b>Expenses</b>																	
COGS	990	1,210	1,215	1,000	4,415	2,321	2,569	2,900	2,720	10,509	14,210	19,192	22,559	24,389	27,486	30,722	38,004
COGS %	26%	28%	25%	21%	25%	35%	35%	35%	35%	35%	33%	30%	28%	25%	24%	23%	22%
Selling, General & Administrative	6,724	8,597	9,022	9,000	33,343	8,402	8,052	9,103	9,453	35,010	25,000	27,500	30,250	33,275	36,603	37,335	38,081
Research and Development	351	319	1,131	1,000	2,801	739	709	801	832	24,027	3,143	2,100	2,400	2,500	2,500	2,550	2,601
<b>Total expenses</b>	<b>8,065</b>	<b>10,126</b>	<b>11,368</b>	<b>11,000</b>	<b>40,559</b>	<b>9,142</b>	<b>8,761</b>	<b>9,904</b>	<b>10,285</b>	<b>38,091</b>	<b>42,353</b>	<b>48,792</b>	<b>55,209</b>	<b>60,164</b>	<b>66,589</b>	<b>70,606</b>	<b>78,686</b>
Operating Income (Loss)	(4,314)	(5,880)	(6,592)	(6,125)	(22,911)	(2,512)	(1,421)	(1,619)	(2,515)	(8,066)	707	15,180	25,358	37,391	47,937	62,966	94,059
Finance income	(107)	(277)	1,012		628												
Other Expense (& Fx)	8	52	(907)		(847)												
<b>Total other income</b>	<b>(99)</b>	<b>(225)</b>	<b>105</b>	<b>-</b>	<b>(219)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Pretax Income</b>	<b>(4,215)</b>	<b>(5,655)</b>	<b>(6,487)</b>	<b>(6,125)</b>	<b>(23,130)</b>	<b>(2,512)</b>	<b>(1,421)</b>	<b>(1,619)</b>	<b>(2,515)</b>	<b>(8,066)</b>	<b>707</b>	<b>15,180</b>	<b>25,358</b>	<b>37,391</b>	<b>47,937</b>	<b>62,966</b>	<b>94,059</b>
change in fair value of cash flow hedge																	
Income Tax Benefit (Provision) & Other	(227)	(422)	657	-	8	-	-	-	-	-	-	-	1,268	2,991	4,794	9,445	23,515
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	5%	8%	10%	15%	25%
<b>GAAP Net Income (loss)</b>	<b>(3,886)</b>	<b>(5,313)</b>	<b>(5,830)</b>	<b>(6,125)</b>	<b>(23,138)</b>	<b>(2,512)</b>	<b>(1,421)</b>	<b>(1,619)</b>	<b>(2,515)</b>	<b>(8,066)</b>	<b>707</b>	<b>15,180</b>	<b>24,090</b>	<b>34,400</b>	<b>43,143</b>	<b>53,521</b>	<b>70,544</b>
<b>GAAP-EPS</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.06)</b>	<b>(0.10)</b>	<b>(0.17)</b>	<b>0.03</b>	<b>0.60</b>	<b>0.95</b>	<b>1.35</b>	<b>1.69</b>	<b>2.09</b>	<b>2.75</b>
GAAP EPS (dil)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)	(0.00)	(0.00)	(0.05)	(0.07)	(0.02)	0.02	0.40	0.61	0.84	1.02	1.21	1.53
Wgtd Avg Shrs (Bas) - '000s	979,900	979,900	979,946	980,926	980,168	981,907	982,889	25,000	25,025	503,705	25,088	25,188	25,289	25,390	25,492	25,594	25,697
Wgtd Avg Shrs (Dil) - '000s	979,900	979,900	979,946	980,926	980,168	990,735	1,000,643	35,000	35,350	515,432	36,243	37,714	39,246	40,839	42,497	44,223	46,019

Source: Dawson James estimates, company reports

Companies mentioned in this report:

**Important Disclosures:**

**Price Chart:**



Price target and ratings changes over the past three years:

Initiated – Buy – January 6, 2023 – Price Target \$6.0

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Current as of 5-Jan-23

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	22	71%	1	5%
Market Perform (Neutral)	8	26%	1	13%
Market Underperform (Sell)	1	3%	0	0%
Total	31	100%	2	6%

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