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Toll-Free: 866-928-0928 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

Zomedica Corp. (ZOM-NYSE-American)

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Jason Kolbert

Managing Director & Senior Analyst
jkolbert@dawsonjames.com

Buy Rated: We Are Removing Our Stock Split Assumption

We are revising our own assumption regarding a reverse stock split. We have revised the assumed share count and made no other material changes to our model. The result is our price target is now set at \$.044.

Investment Highlights:

Revising Assumptions: We previously assumed the company would reverse the stock (40:1). We remove this assumption from our model. The result is our price target adjusts to \$0.44 and continues to support our Buy Rating. We have made no other changes to our assumptions – projected revenues and expenses.

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.

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, enabling practitioners to diagnose/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 have removed our anticipated reverse stock split. 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.

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

Current Price	\$0.21
Price Target	\$0.44



Source: Zomedica

Stock Data

52-Week Range	\$0.15	-	\$0.41
Shares Outstanding (mil.)	979.9		
Market Capitalization (mil.)	\$206		
Enterprise Value (mil.)	\$86		
Debt to Capital	0%		
Book Value/Share	\$0.05		
Price/Book	1.1		
Average Three Months Trading Volume (K)	2,577		
Insider Ownership	1.4%		
Institutional Ownership	9.5%		
Short interest (mil.)	8.5%		
Dividend / Yield	\$0.00/0.0%		



Exhibit 1. Income Statement

ZoMedica: Income Statement (\$000)																	
YE December 31	1Q22A	2Q22A	3Q22A	4Q22A	2022A	1Q23E	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Product sales																	
TruForma - 5 assays & expending - PoC 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	4,750	14,875	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/TRUVIEW - 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	1,107	3,661	900	1,200	1,400	1,500	5,000	6,000	7,000	8,000	9,000	10,350	11,385	12,524
Total Product Sales	3,751	4,246	4,776	6,007	18,930	6,630	7,340	8,285	7,770	30,025	43,060	63,972	80,566	97,555	114,526	133,572	172,745
Expenses																	
COGS	990	1,210	1,215	1,863	5,278	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%	31%	28%	35%	35%	35%	35%	35%	33%	30%	28%	25%	24%	23%	22%
Selling, General & Administrative	6,724	8,597	9,022	8,654	32,997	8,315	7,969	9,008	9,355	34,647	25,000	27,500	30,250	33,275	36,603	37,335	38,081
Research and Development	351	319	1,131	777	2,578	681	652	737	766	2,836	2,893	2,100	2,400	2,500	2,500	2,550	2,601
Total expenses	8,065	10,126	11,368	11,294	40,853	8,996	8,621	9,745	10,120	37,483	42,102	48,792	55,209	60,164	66,589	70,606	78,686
Operating Income (Loss)	(4,314)	(5,880)	(6,592)	(5,287)	(21,923)	(2,366)	(1,281)	(1,460)	(2,350)	(7,458)	958	15,180	25,358	37,391	47,937	62,966	94,059
Finance income	(107)	(277)	1,012	2,073	2,701												
Other Expense (& Fx)	8	52	(907)	688	(159)												
Total other income	(99)	(225)	105	2,761	2,542	-	-	-	-	-	-	-	-	-	-	-	-
Pretax Income	(4,215)	(5,655)	(6,487)	(2,526)	(19,381)	(2,366)	(1,281)	(1,460)	(2,350)	(7,458)	958	15,180	25,358	37,391	47,937	62,966	94,059
change in fair value of cash flow hedge				(845)	(845)												
Income Tax Benefit (Provision) & Other	(227)	(422)	657	2,358	2,366	-	-	-	-	-	-	-	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%
GAAP Net Income (loss)	(3,886)	(5,313)	(5,830)	(4,884)	(17,860)	(2,366)	(1,281)	(1,460)	(2,350)	(7,458)	958	15,180	24,090	34,400	43,143	53,521	70,544
GAAP-EPS	(0.00)	(0.01)	(0.01)	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	0.00	0.02	0.02	0.04	0.05	0.06	0.09
GAAP EPS (dil)	(0.00)	(0.01)	(0.01)	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	0.00	0.02	0.02	0.04	0.05	0.06	0.09
Wgtd Avg Shrs (Bas) - '000s	979,900	979,900	979,946	980,926	979,924	981,907	982,889	982,889	983,872	982,889	986,334	990,285	967,223	929,110	892,500	857,332	823,549
Wgtd Avg Shrs (Dil) - '000s	979,900	979,900	979,946	980,926	979,924	981,907	982,889	982,889	983,872	982,889	986,087	990,038	969,653	931,445	894,742	859,486	823,549

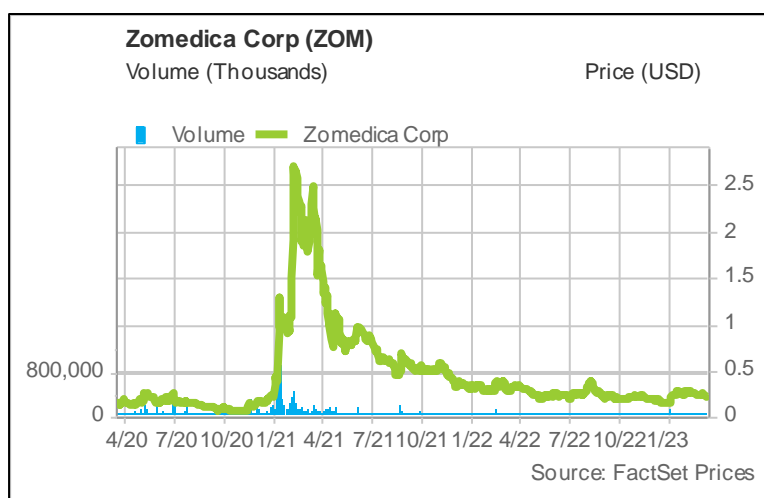
Source: Dawson James Securities estimates, company reports

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.

Important Disclosures:

Price Chart



Price target and rating changes over the past three years:

- Initiated – Buy – January 6, 2023 – Price Target \$6.0
- Update Report – Buy – January 17, 2023 – Price Target \$6.0
- Update Report – Buy – February 9, 2023 – Price Target \$6.0
- Update Report – Buy – March 16, 2023 – Price Target \$6.0
- Price Target Change – Buy Rated, March 21, 2023 – Price Target \$0.44

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1. **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months.
2. **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months.
3. **Sell:** The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

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Current as of 17-Mar-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	69%	1	3%
Market Perform (Neutral)	11	31%	2	6%
Market Underperform (Sell)	1	0%	0	0%
Total	36	100%	3	9%

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