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

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### Buy Rated: Zomedica Brings Structured Monitoring In-House

*Zomedica announced it has exercised its option to move forward with the acquisition of Structured Monitoring Products, Inc. (SMP), the makers of VetGuardian zero-touch vital signs remote monitoring system, at a previously negotiated purchase price. Exercising this option began a period where the companies have agreed to work together to complete due diligence and negotiate a definitive acquisition agreement.*

## Investment Highlights:

**Zomedica Exercises its Option to Acquire Structured Monitoring Products:** Recall that Zomedica has been distributing the VetGuardian system since January 2023 through its direct sales force and is currently in the process of extending its launch through U.S. animal health distributors. Zomedica will now conduct diligence and expects to finalize a definitive agreement which will include the price set according to the terms negotiated as part of the original investment agreement.

**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. VetGuardian Wireless Monitoring provides “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.

**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.



<b>Current Price</b>	\$0.21
<b>Price Target</b>	\$0.44

**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



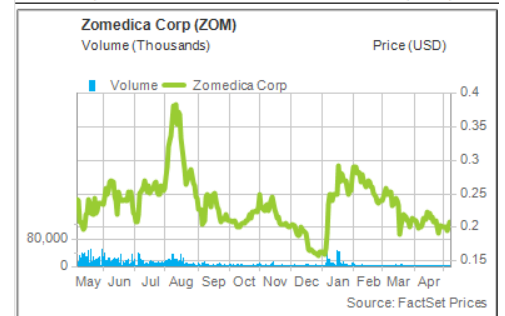
Video camera and LIDAR sensors detect movement



Thermal camera and proprietary algorithms detect temperature

Source: Zomedica

Stock Data			
52-Week Range	\$0.15	-	\$0.41
Shares Outstanding (mil.)	979.9		
Market Capitalization (mil.)	\$206		
Enterprise Value (mil.)	\$91		
Debt to Capital	0%		
Book Value/Share	\$0.05		
Price/Book	0.6		
Average Three Months Trading Volume (K)	6,365		
Insider Ownership	1.4%		
Institutional Ownership	9.6%		
Short interest (mil.)	8.7%		
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
<b>Product sales</b>																	
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
<b>Total Product Sales</b>	<b>3,751</b>	<b>4,246</b>	<b>4,776</b>	<b>6,007</b>	<b>18,930</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	1,863	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
<b>Total expenses</b>	<b>8,065</b>	<b>10,126</b>	<b>11,368</b>	<b>11,294</b>	<b>40,853</b>	<b>8,996</b>	<b>8,621</b>	<b>9,745</b>	<b>10,120</b>	<b>37,483</b>	<b>42,102</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)	(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)												
<b>Total other income</b>	<b>(99)</b>	<b>(225)</b>	<b>105</b>	<b>2,761</b>	<b>2,542</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>(2,526)</b>	<b>(19,381)</b>	<b>(2,366)</b>	<b>(1,281)</b>	<b>(1,460)</b>	<b>(2,350)</b>	<b>(7,458)</b>	<b>958</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				(845)	(845)												
Income Tax Benefit (Provision) & Other	(227)	(422)	657	2,358	2,366	-	-	-	-	-	-	-	1,268	2,991	4,794	9,445	23,515
<b>Tax Rate</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>5%</b>	<b>8%</b>	<b>10%</b>	<b>15%</b>	<b>25%</b>
<b>GAAP Net Income (loss)</b>	<b>(3,886)</b>	<b>(5,313)</b>	<b>(5,830)</b>	<b>(4,884)</b>	<b>(17,860)</b>	<b>(2,366)</b>	<b>(1,281)</b>	<b>(1,460)</b>	<b>(2,350)</b>	<b>(7,458)</b>	<b>958</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>(0.00)</b>	<b>(0.02)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>0.00</b>	<b>0.02</b>	<b>0.02</b>	<b>0.04</b>	<b>0.05</b>	<b>0.06</b>	<b>0.09</b>
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

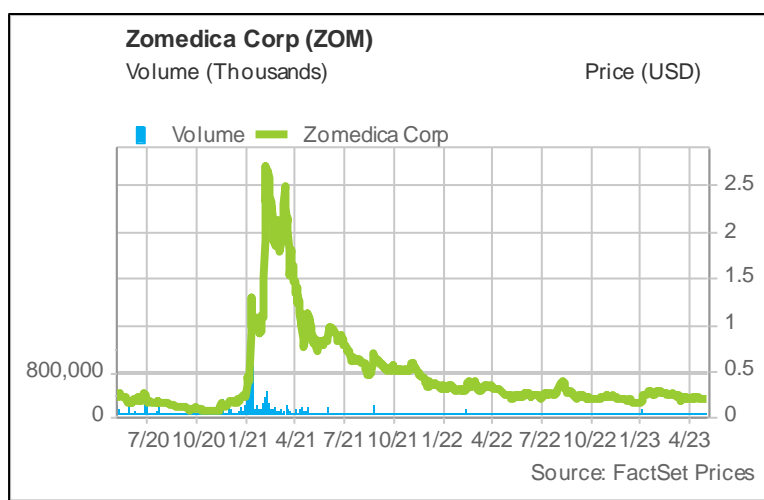
Source: Dawson James Securities estimates, company reports

**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
- Update Report – Buy – May 8, 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 1-May-23

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	26	72%	2	6%
Market Perform (Neutral)	10	28%	1	3%
Market Underperform (Sell)	1	0%	0	0%
<b>Total</b>	<b>36</b>	<b>100%</b>	<b>3</b>	<b>9%</b>

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