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Zomedica Corp. (ZOM-NYSE-American)

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Buy Rated: Reports August 10th

Zomedica will report second quarter results after the close on August 10, 2023. We look forward to understanding how sales are doing, specifically PulseVet. We are also keenly interested in the launch of the Revo – digital microscope platform, VetGuardian (monitoring) and Assisi product line.

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.

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, and 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


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.)	\$85		
Debt to Capital	0%		
Book Value/Share	\$0.05		
Price/Book	0.6		
Average Three Months Trading Volume (K)	3,013		
Insider Ownership	1.4%		
Institutional Ownership	9.7%		
Short interest (mil.)	6.8%		
Dividend / Yield	\$0.00/0.0%		

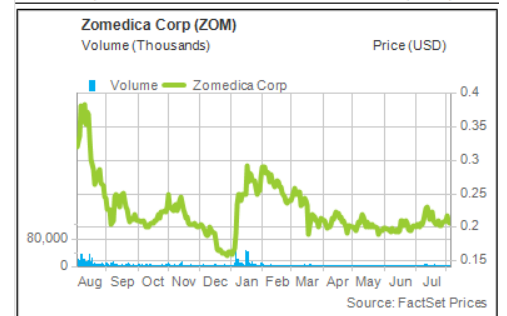


Exhibit 1. Income Statement

ZoMedica: Income Statement (\$000)													
YE December 31	2022A	1Q23A*	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Product sales													
TruForma - 5 assays & expending - PofC Diagnostics - \$1.2B Market Opportunity	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	14,875	3,882	5,390	5,610	7,118	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	550	1,425	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	550	1,425	6,000	13,000	19,500	24,375	28,031	30,834	53,000
Assisi - "LOOP" & Calmer Canine - Devices \$150M Market Opportunity	3,661	1,150	1,200	1,400	1,500	5,250	6,000	7,000	8,000	9,000	10,350	11,385	12,524
Total Product Sales	18,930	5,482	7,340	8,285	10,018	31,125	43,060	63,972	80,566	97,555	114,526	133,572	172,745
Expenses													
COGS	5,278	1,647	2,205	2,489	3,010	9,351	14,210	19,192	22,559	24,389	27,486	30,722	38,004
COGS %	28%	30%	30%	30%	30%	30%	33%	30%	28%	25%	24%	23%	22%
Selling, General & Administrative	32,997	10,429	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	2,578	918	652	737	766	2,836	2,893	2,100	2,400	2,500	2,500	2,550	2,601
Total expenses	40,853	12,994	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)	(21,923)	(7,512)	(1,281)	(1,460)	(102)	(6,358)	958	15,180	25,358	37,391	47,937	62,966	94,059
Finance income	2,701	1,412											
Other Expense (& Fx)	(159)	(77)											
Total other income	2,542	1,335	-	-	-	-	-	-	-	-	-	-	-
Pretax Income	(19,381)	(6,177)	(1,281)	(1,460)	(102)	(6,358)	958	15,180	25,358	37,391	47,937	62,966	94,059
change in fair value of cash flow hedge	(845)	286											
Income Tax Benefit (Provision) & Other	2,366	208	-	-	-	208	-	-	1,268	2,991	4,794	9,445	23,515
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	5%	8%	10%	15%	25%
GAAP Net Income (loss)	(17,860)	(6,099)	(1,281)	(1,460)	(102)	(6,566)	958	15,180	24,090	34,400	43,143	53,521	70,544
GAAP-EPS	(0.02)	(0.01)	(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)	(0.02)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	0.00	0.02	0.02	0.04	0.05	0.06	0.09
Wgt'd Avg Shrs (Bas) - '000s	979,924	979,950	980,930	980,930	981,911	980,930	984,368	988,311	965,295	927,258	890,721	855,623	821,908
Wgt'd Avg Shrs (Dil) - '000s	979,924	979,950	980,930	980,930	981,911	980,930	984,122	988,064	967,720	929,588	892,958	857,772	821,908

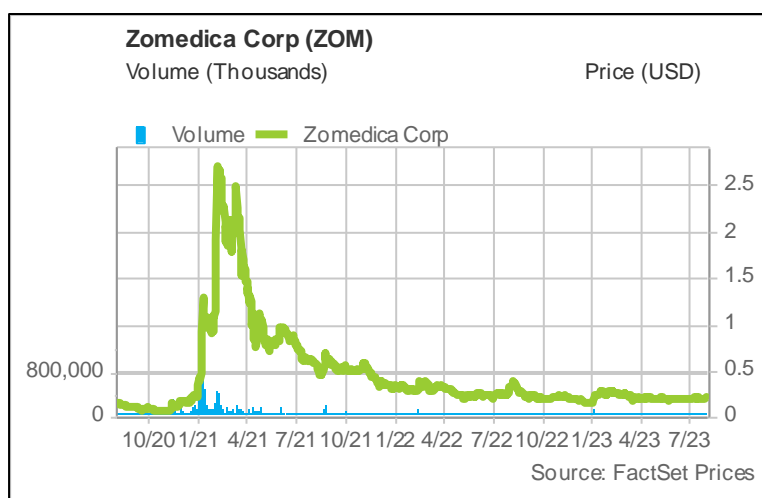
Source: Company reports and Dawson James * revenues breakdown is estimated

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
 Update Report – Buy – May 15, 2023 – Price Target \$0.44
 Update Report – Buy – June 12, 2023 – Price Target \$0.44
 Update Report – Buy – August 4, 2023 – Price Target \$0.44

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Information about valuation methods and risks can be found in the "Valuation" and "Risk Analysis" sections of this report.

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Ratings Definitions:

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.

The following chart reflects the range of current research report ratings for all companies, followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Current as of 1-Aug-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	24	69%	3	8.60%
Market Perform (Neutral)	11	31%	2	5.70%
Market Underperform (Sell)	0	0%	0	0%
Total	35	100%	5	14.30%

Analyst Certification:

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