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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: Zomedica Acquires TRUFORMA Developer Qorvo

Zomedica announced the acquisition of Qorvo Biotechnologies LLC (QBT-Not Rated), creators of the Omnia and TRUFORMA point of care diagnostic platforms. Qorvo Biotechnologies, a wholly owned subsidiary of Qorvo US, Inc., focused on the development of point-of-care (POC) diagnostics solutions leveraging Qorvo's innovative Bulk Acoustic Wave (BAW) sensor technology. QBT developed the Omnia point of care diagnostic platform designed to perform assays for human patients and received FDA Emergency Use Authorization for its SARS-CoV-2 antigen tests. Utilizing the same BAW technology, QBT also developed the TRUFORMA point-of-care diagnostic platform to perform assays for companion animals which has been marketed under license by Zomedica Corp. and its wholly owned subsidiary, Zomedica Inc. ZOM's focus will continue to be in the veterinary marketplace.

Investment Highlights:

TruForma Platform



Source: Zomedica

Market Opportunity: There are approximately 2,500 Equine Veterinary practices in the U.S. and currently over 1,200 of them use Zomedica's PulseVet shock wave system. This should allow the company to easily engage with the Equine Veterinary community and bring this vital screening technology to patients. The company hopes to see this tool used by Equine veterinarians daily as they care for the millions of horses in the US susceptible to PPID.

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.

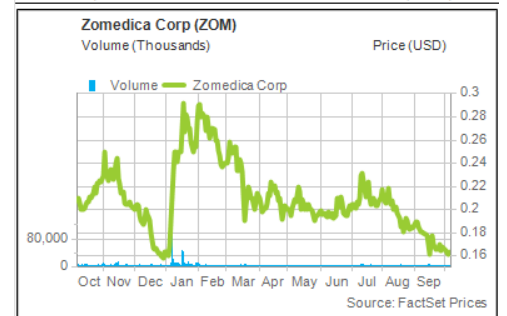
Risks to our thesis include: 1. Commercial Execution; 2. Competition 3. Adoption Rates 4. Intellectual Property 5. Dilution.

Current Price **\$0.16**
Price Target **\$0.44**



Source: Zomedica

Stock Data			
52-Week Range	\$0.15	-	\$0.34
Shares Outstanding (mil.)	979.9		
Market Capitalization (mil.)	\$157		
Enterprise Value (mil.)	\$26		
Debt to Capital	0%		
Book Value/Share	\$0.05		
Price/Book	0.6		
Average Three Months Trading Volume (K)	1,476		
Insider Ownership	1.4%		
Institutional Ownership	9.9%		
Short interest (mil.)	6.8%		
Dividend / Yield	\$0.00/0.0%		



Please find Important Disclosures beginning on Page 3.

Exhibit 1. Income Statement

ZoMedica: Income Statement (\$000)													
: YE December 31	2022A	1Q23A*	2Q23A*	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Product sales													
TruForma - 5 assays & expending - PofC Diagnostics - \$1.2B Market Opportunity	394	200	150	275	300	925	2,500	6,000	7,500	9,500	10,925	14,000	15,400
PulseVet - Muscoskelatal Treatment - \$150M Market	14,875	3,882	4,600	5,610	7,908	22,000	27,060	32,472	38,966	46,760	56,112	67,334	80,801
VetGuardian - Remote Pet Monitoring \$40M Market		125	35	500	550	1,210	1,500	5,500	6,600	7,920	9,108	10,019	11,021
Revo/TRUIVIEW - Veterinary Imaging \$1.3B Market Opportunity		125	35	500	550	1,210	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	6,020	8,285	10,808	30,595	43,060	63,972	80,566	97,555	114,526	133,572	172,745
Expenses													
COGS	5,278	1,647	1,972	2,714	3,540	9,873	14,210	19,192	22,559	24,389	27,486	30,722	38,004
COGS %	28%	30%	33%	33%	33%	32%	33%	30%	28%	25%	24%	23%	22%
Selling, General & Administrative	32,997	10,429	9,931	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	859	737	766	2,836	2,893	2,100	2,400	2,500	2,500	2,550	2,601
Total expenses	40,853	12,994	12,762	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)	(6,742)	(1,460)	688	(6,888)	958	15,180	25,358	37,391	47,937	62,966	94,059
Finance income	2,701	1,412	1,460										
Other Expense (& Fx)	(159)	(77)	(99)										
Total other income	2,542	1,335	1,361	-	-	-	-	-	-	-	-	-	-
Pretax Income	(19,381)	(6,177)	(5,304)	(1,460)	688	(6,888)	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)	(5,304)	(1,460)	688	(7,096)	958	15,180	24,090	34,400	43,143	53,521	70,544
GAAP-EPS	(0.02)	(0.01)	(0.01)	(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)	(0.01)	(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	979,924	979,950	979,950	979,950	980,930	980,195	983,384	987,324	964,330	926,332	889,831	854,768	821,087
Wgtd Avg Shrs (Dil) - '000s	979,924	979,950	979,950	979,950	980,930	980,195	983,139	987,077	966,753	928,659	892,066	856,915	821,087

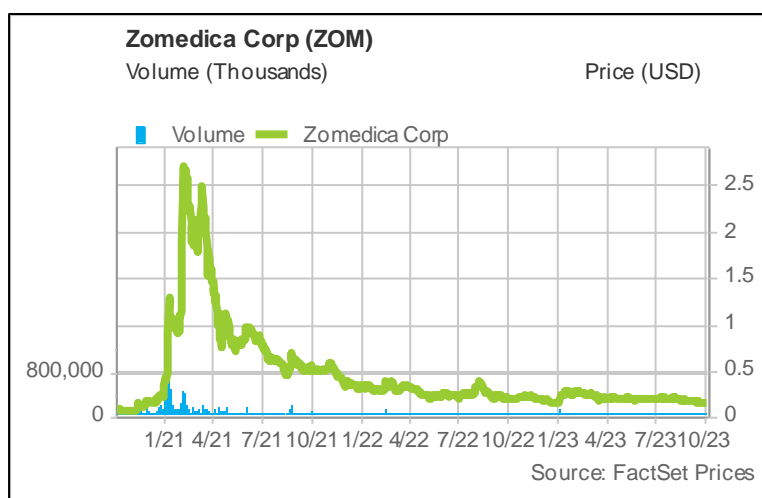
Source: Company reports and Dawson James * revenues breakdown is estimated

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
 Update Report – Buy – August 11, 2023 – Price Target \$0.44
 Update Report – Buy – September 6, 2023 – Price Target \$0.44
 Update Report – Buy – October 6, 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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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 27-Sep-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	22	64.70%	3	8.80%
Market Perform (Neutral)	12	35.30%	3	8.80%
Market Underperform (Sell)	0	0%	0	0.00%
Total	34	100%	6	17.60%

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