

## Research Report – Update

*Investors should consider this report as only a single factor in making their investment decision.*

### MDxHealth SA

**Rating: Speculative Buy**

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September 8, 2020

### MXDHF \$0.74 — (Other OTC)

	2017 A*	2018 A	2019 A**	2020 E	2021 E
Total sales (in millions)	\$28.2	\$28.4	\$21.9	\$21.3	\$27.5
Earnings per share	(\$0.25)	(\$0.54)	(\$0.48)	(\$0.27)	(\$0.23)
52-Week range	\$1.47 – \$0.64			Fiscal year ends: December	
Shares outstanding <small>a/o 05/15/20</small>	90.7 million			Revenue/shares (ttm)	\$0.28
Approximate float	47.8 million			Price/Sales (ttm)	2.6X
Market Capitalization	\$67.1 million			Price/Sales (2021) E	2.5X
Tangible Book value/shr <small>Estimated</small>	\$0.00			Price/Earnings (ttm)	NMF
Price/Book	NMF			Price/Earnings (2021) E	NMF

\* Revenue excludes \$7 million of non-recurring patent revenue and \$5.3 million in non-recurring royalties \*\* Excludes a \$10.1 million one-time revenue reduction related to a receivables adjustment

MDxHealth SA, is a multinational healthcare company providing molecular diagnostics that provide actionable information to personalize the diagnosis and treatment primarily of urologic cancers. MXDHF's tests are based on proprietary genetic, epigenetic and other molecular technologies.

#### Key Investment Considerations:

**Maintaining Speculative Buy rating but reducing our 12-month price target to \$1.20 per share from \$1.75 due primarily to a reduced 2021 revenue forecast.**

**In 2019, MDxHealth restructured its revenue cycle that should drive improved cash collections, as well as the implementation of programs to improve operating efficiency. An improvement was made to provide its US sales team with data driven analytics in order to engage its established customer base of urologists. We anticipate as COVID-19 pandemic conditions ease the sales team should increase utilization of its ConfirmMDx and SelectMDx molecular diagnostic tests for prostate cancer.**

**The company's ConfirmMDx test has broad payer (insurance) coverage. We anticipate the SelectMDx test could obtain payer coverage by the end of 2020, even as the process has been temporarily delayed. In July 2020, MDxHealth's SelectMDx for prostate cancer test was included in the 2020 National Comprehensive Cancer Network Guidelines for Prostate Cancer Early Detection.**

**On August 26, 2020, MXDHF reported 1H20 total revenue of nearly \$9.9 million and a net loss of \$13.8 million or (\$0.18) per share. In 1H19 total revenue was \$10.9 million and the net loss was \$14.1 million or (\$0.24) per share. We forecasted a net loss per share of (\$0.16) on total revenue of \$11.7 million**

**For 2020, we forecast a sales decline of 2.4% to \$21.3 million (prior was \$28.1 million) and a loss per share of (\$0.27). We previously projected a loss per share of (\$0.39). Our revised sales forecast reflects lower than anticipated 1H20 results partly offset by a likely rebound as COVID-19 pandemic conditions improve in 2H20. The loss per share should narrow due to average outstanding shares increasing to 90 million from 71 million.**

**For 2021, we forecast sales growth of 29.2% to \$27.5 million and a loss per share of (\$0.23). We previously forecasted sales of \$36.5 million and a loss per share of (\$0.31).**

**Please view our Disclosures on pages 13 – 15.**

## Appreciation Potential

**Maintaining Speculative Buy rating but reducing our 12-month price target to \$1.20 per share from \$1.75 due primarily to a reduced 2021 revenue forecast.**

In 2019, MDxHealth restructured its revenue cycle that should drive improved cash collections, as well as the implementation of programs to improve operating efficiency. An improvement was made to provide its US sales team with data driven analytics in order to engage its established customer base of urologists. While COVID-19 pandemic conditions resulted in reduced 1H20 sales, in August 2020, the company observed its sales professionals remain connected to their urologist customers and the pipeline appears to be building at the start of the 2H20.

Supporting our rating is current and future insurance coverage for the company's ConfirmMDx and SelectMDx prostate cancer tests. The company's ConfirmMDx test has broad payer (insurance) coverage. We anticipate the SelectMDx test could obtain payer coverage by the end of 2020, even as the process has been temporarily delayed. In July 2020, MDxHealth's SelectMDx for prostate cancer test was included in the 2020 National Comprehensive Cancer Network Guidelines for Prostate Cancer Early Detection.

**Our 12-month price target of \$1.20 per share implies shares could appreciate 60% over the next twelve months.** According to finviz (a/o 09/01/20), the average trailing twelve-month price-to-sales multiple for similar market capitalization companies in the Medical Diagnostics and Device sectors are 4.3X. MXDHF's trailing twelve-month price-to-sales multiple is 2.6X. We anticipate investors could accord MXDHF a multiple approaching that of the sector given its forecasted sales growth of 29.2% for 2021. We applied a price-to-sales multiple of 4X (unchanged) to our 2021 sales per share forecast of \$0.30 to obtain a year-ahead price target of approximately \$1.20 per share.

A higher valuation of MDxHealth is likely to be supported by sales growth that should begin in 2H20, a narrowing of operating losses, reduced cash burn, and an increase in its ConfirmMDx and SelectMDx molecular diagnostic cancer test volumes. In 2021, we forecast MXDHF's operating losses narrowing to \$19.4 million from an estimated loss of \$23.4 million in 2020. The company's cash burn should narrow to \$14.9 million in 2021 from \$18.7 million in 2020. We forecast the company's molecular diagnostic cancer test volumes to reach 48,000 in 2021, up from an estimated 34,000 in 2020. In 2019, the company delivered approximately 39,900 tests.

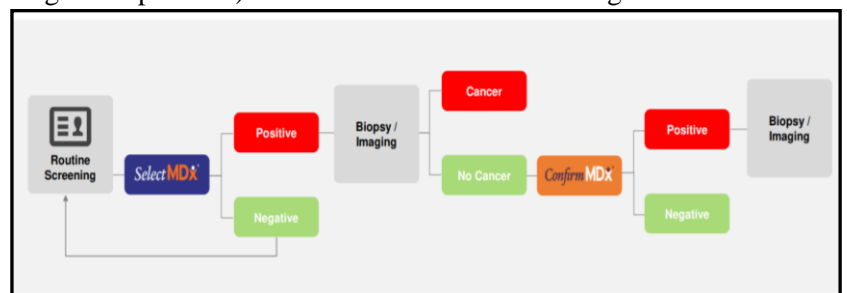
**In our view this stock is suitable for high risk-tolerant investors.** Shares of MXDHF shares are most suitable for investors seeking exposure to a molecular diagnostic stock with high growth potential.

## Overview

MDxHealth, headquartered in Herstal, Belgium, was established in 2003. The company has US headquarters in Irvine, CA, where it operates a CLIA (Clinical Laboratory Improvement Act) diagnostic laboratory, as well as a laboratory in Nijmegen, the Netherlands. MDxHealth's molecular biology technology is focused on cancer diagnostics, primarily urological cancers.

The company's tests (ConfirmMDx, SelectMDx tests) are based on proprietary genetic, epigenetic (the study of changes in organisms caused by modification of gene expression) and other molecular technologies that can assist physicians with the diagnosis of urologic cancers, prognosis of recurrence risk, and prediction of response to a specific therapy.

The company's aim is to provide a clinical pathway for diagnosing aggressive prostate cancer. The ConfirmMDx test was developed for improving the decision a doctor and patient would need to make in order to repeat a prostate biopsy. The SelectMDx test was developed to improve the decision needed to be made to proceed with an initial prostate biopsy. The flow chart above is from the company's August 2020 presentation that shows the overall process for its two cancer tests.



### History

In 2010, the company announced it commenced its transition from a research and licensing company to a commercial clinical diagnostic company through rationalized R&D efforts on a select number of core development projects.

In 2017, the company's core portfolio of molecular diagnostic cancer tests evolved to include ConfirmMDx, SelectMDx, and AssureMDx. The company is concentrating on marketing its ConfirmMDx and SelectMDx tests.

### **Core Product Portfolio**

The company is focusing its revenue generating efforts on two core offerings:

**ConfirmMDx** is a molecular diagnostic prostate cancer test, developed to overcome the shortcomings of prostate biopsies. ConfirmMDx uses residual tissue from previous negative prostate biopsies to rule out cancer-free men from undergoing unnecessary future biopsies and/or rule in men who may require repeat biopsies and guidance regarding future prostate biopsies. The test has a 96% negative predictive value.

The ConfirmMDx prostate cancer test uses an epigenetic assay consisting of GST-Pi - an enzyme expressed profusely in tumor cells, the gene RASSF1 - the loss of which is associated with the progression of several different cancers, and APC - a tumor suppression gene of which mutation can result in uncontrolled tumor growth. APC and RASSF1 are key field effect markers that increase the diagnostic sensitivity of the test. Field effect markers describe molecular changes in tissues adjoining a tumor that denote the presence of cancer that cannot be detected by microscopic examination of the tissue. The test is included in the US National Comprehensive Cancer Network (NCCN) Clinical Guidelines for Prostate Cancer Early Detection with the American Medical Association granting a unique billing code for the test, effective January 2018.

**SelectMDx** for prostate cancer was developed after the company acquired NovoGendix (September 2015). This test is a non-invasive laboratory based prostate cancer test. SelectMDx is a proprietary messenger RNA (or mRNA – when a molecule carries a portion of the DNA code to other parts of the cell for processing) urine-based test that identifies men at high risk who may benefit from a biopsy or MRI scan. Alternatively, the test can also identify those men at low risk so they may avoid unnecessary invasive procedures or costly imaging studies.

In July 2020, MDxHealth's SelectMDx for prostate cancer test was included in the 2020 National Comprehensive Cancer Network Guidelines for Prostate Cancer Early Detection.

### **Growth Strategy**

The company aims to improve patient outcomes globally by delivering molecular diagnostic solutions for urologic cancers. The near term focus will be on prostate cancer. The new management team will work toward increasing test utilization in the US, expand global distribution, and improve reimbursement coverage.

#### Increase Utilization - US

The company's primary sales objective is to increase adoption and utilization of its cancer tests in order to penetrate the US market opportunity of 750,000 US patients who test negative on their first prostate tissue biopsy every year. This translates to an estimated 3 million US men that could potentially benefit from the company's SelectMDx test with approximately 300,000 benefiting from its ConfirmMDx test. The new management team plans to use advanced data-driven market segmentation through the company's commercial team in order to attain a higher return on investment with regard to payor mix. The change in the sales process should enable the company to have its team of sales professionals be focused on results as opposed to activity-based driven.

The company's US salesforce should have the ability to grow test volumes within the company's existing customer base of urologists and office-based urologists, which have ordered over 200,000 tests since 2016. The company should have the potential to expand its customer base into approximately 19,000 practicing urologists in the US. Having established relationships and gaining insurance coverage before the end of 2020 should allow for quicker acceptance and higher revenue recognition from billed SelectMDx tests. In August 2020, the company observed that

even given the COVID-19 pandemic environment, its sales professionals remain connected to their urologist customers and the pipeline appears to be building at the start of the 2H20. The company anticipates with the buildup of physician and patient interactions, the easing of pandemic restrictions and patient access, there is the potential to accelerate test volumes through our forecast period.

#### Reimbursement Expansion

To grow revenue, the company needs to expand reimbursement coverage. The ConfirmMDx product completed the process and the reimbursement code became effective in January 2018. In 2020, the company's SelectMDx for Prostate Cancer test was included in the 2020 National Comprehensive Cancer Network Guidelines for Prostate Cancer Early Detection.

In 2020, the company's SelectMDx test final local coverage decision was delayed following retirement of previously issued draft local coverage decision by Palmetto GBA, a Medicare Administrative Contractor that assesses molecular diagnostic technologies under its Molecular Diagnostic Services program. MDxHealth is communicating with Medicare Administrative Contractor to update its technical assessment under the program for Medicare coverage of SelectMDx. We anticipate coverage could be received by the end of 2020.

Entering 2H20, the company had 96 US payor contracts for its ConfirmMDx test, which included 16 new contracts since the end of 2019. The company's SelectMDx test entered 2H20 with 33 US payor contracts, up from 26 at December 31, 2019.

### **Projections**

#### Basis of Forecast

In 2021, we anticipate the company should deliver nearly 48,000 (prior was 64,000) molecular diagnostic urological cancer tests (Confirm and Select) globally, up from an estimated 34,000 tests globally in 2020. In 2019, the company delivered approximately 39,900 tests. The decrease in test volume in 2020 is due primarily to COVID-19 pandemic conditions that reduced 1H20 test volumes by 33.5% to 14,147.

In 2019, the company restructured its revenue cycle to drive improved cash collections and operating efficiency. We anticipate recognized revenue from billed tests (cash collections) to normalize through our forecast period due primarily to increased insurance coverage and the likelihood that its SelectMDx test will become eligible for insurance coverage nationally in the US before the end of 2020.

#### Operations

In 2020, we project a 2.7% decrease in total revenue (primarily product and service revenue) to \$21.3 million (prior was \$28.1 million). Our revenue growth forecast reflects approximately 34,000 (prior was 50,000) delivered molecular tests. Our reduced total revenue forecast reflects lower 1H20 test volume stemming from the COVID-19 pandemic environment that should be partly offset by a 2H20 rebound in test volume as COVID-19 pandemic conditions ease.

We project gross profit increasing by \$521,000 to \$10.6 million due to total gross margins improving to 50% from 46.2% in 2019, partly offset by lower revenue. Gross margin improvement should reflect efficiencies in the company's sales process stemming from the 2019 rationalization program regarding US commercial operations. We project operating losses should narrow to \$23.4 million from \$33.1 million as operating expense margin improves to 160% from 198% in 2019. The improvement should reflect operating leverage stemming from completion of the company's restructuring program in 2019, partly offset by COVID-19 pandemic costs to safely maintain its California based laboratory the processes the company's Confirm and Select cancer tests.

We forecast a nearly \$9.2 million decrease in operating expenses to \$34 million from \$43.2 million (including \$1.3 million of restructuring charges) in 2019. We estimate a nearly \$3 million decrease in SG&A to \$30 million as the company continues to rationalize its global operations especially in light of COVID-19 pandemic conditions that reduced certain travel and marketing expense in 1H20. We project a nearly \$5 million decrease in research and development expense to \$4 million stemming from the 2019 suspension three cancer test programs.

We project financial expenses of \$1.3 million compared to \$516,000 in 2019 due to higher debt balances. Our 2020 net loss forecast is \$24.7 million or (\$0.27) per share on approximately 90 million average shares outstanding. We previously projected a net loss of \$27.4 million or (\$0.39) per share on 70.5 million average shares outstanding.

In 2021, we project 29.2% increase in total revenue (primarily product and service revenue) to \$27.5 million (prior was \$36.5 million) reflecting approximately 48,000 (prior was 64,000) delivered molecular tests, up from an estimated 34,000 in 2020.

We project gross profit increasing 42.3% to \$15.1 million due to total revenue growth and total gross margins improving to 55% from an estimated 50% in 2020. We project operating losses should narrow to \$19.4 million from an estimated \$23.4 million in 2020 as operating expense margin improves to 126% from an estimated 160% in 2020. The improvement should reflect sales growth and operating leverage stemming from efficiencies created from the company's 2019 rationalization program that instilled cost discipline within the sales organization.

We forecast a \$530,000 increase in operating expenses to nearly \$34.6 million from an estimated \$34 million in 2020. We estimate a \$1 million increase in SG&A to \$31.1 million to support sales growth, partly offset by a \$500,000 decrease in research and development expense to \$3.5 million.

We project financial expenses of \$1.4 million compared to an estimated \$1.3 million in 2020 due to a higher interest rate, partly offset by a lower debt balance. Our 2021 net loss forecast is \$20.8 million or (\$0.23) per share on 90.3 million average shares outstanding. Our prior net loss forecast was \$22 million or (\$0.31) per share on 70.5 million average shares outstanding.

#### Finances

For 2020, we project cash burn of \$18.7 million and an increase in working capital of \$2.7 million. The increase in working capital is due primarily to a decrease in payables and increase in inventories. The issuance of \$14.2 million in common stock will not cover cash used in operations of \$21.4 million and capital expenditures. We project a reduction in cash of \$7.3 million to \$14.8 million at December 31, 2020.

For 2021, we project cash burn of \$14.9 million and a decrease in working capital of nearly \$1.6 million. The decrease in working capital is due primarily to an increase in payables. We anticipate cash used in operations of \$13.4 million, capital expenditures, and repayment of debt should reduce cash by \$14.5 million to \$272,000 at December 31, 2021.

#### **1H20 Results**

Total revenues decreased 9.1% to \$9.9 million compared to \$10.9 million in the year-ago period. The current period included royalties of \$284,000 compared to \$302,000 in 1H19. In 1H20, product and service income decreased to \$9.6 million from \$10.6 million due primarily to a 12.3% decrease in billable test volume of its ConfirmMDx test to 7,662 from 8,732 and a 48.2% decrease in test volume of its SelectMDx to 6,485. The decline in test volume stems primarily from the COVID-19 pandemic environment that caused a decrease in patient visits to doctors.

Gross profit decreased to \$4.7 million from \$5 million due primarily to lower sales, partly offset by gross margin improvement to 47.4% from 45.7% in 1H19. Gross margin improvement reflects the payor mix.

Operating expenses in 1H20 decreased to \$17.7 million from \$18.8 million due primarily to the cost reduction program initiated by management in 2019 and maintaining operating discipline. In the current period, operating expenses included non-cash depreciation, amortization, and stock-based compensation of approximately \$2.4 million compared to approximately \$2 million in the year-ago period.

The company had an operating loss of nearly \$13 million compared to \$13.9 million in the year-ago period. The narrowing of the operating loss stems from the decrease in operating expenses and improvement in gross margins, offset by lower total revenue. Total other expense (consisting primarily of financial expenses) was \$768,000 compared to \$225,000 in 1H19.

In 1H20, the company had a net loss of \$13.8 million or (\$0.18) per share compared to a net loss of \$14.1 million or (\$0.24). We projected a net loss of \$11.4 million or (\$0.16) per share on total revenue of \$11.7 million.

### Finances

In 1H20, the company's cash burn improved to \$12.9 million from \$14 million in the year-ago period. The company had cash of \$23.8 million at June 30, 2020, after receiving a \$14.2 million equity investment by MVM partners. While we anticipate the company has sufficient cash to operate through 2021, it will still continue to evaluating all financing options, including non-dilutive funding options in order to accelerate growth opportunities.

### ***Molecular Diagnostics Market***

According to market research firm Grand View Research, the global molecular diagnostics market is expected to grow at a compound annual rate of 9% reaching over \$18.2 billion in 2027 from \$9.4 billion in 2020. The molecular diagnostics industry is effective in diagnosing infectious diseases and performing preventive cancer screening, which aids professionals in prescribing accurate therapeutic interventions in the early stages of diseases.

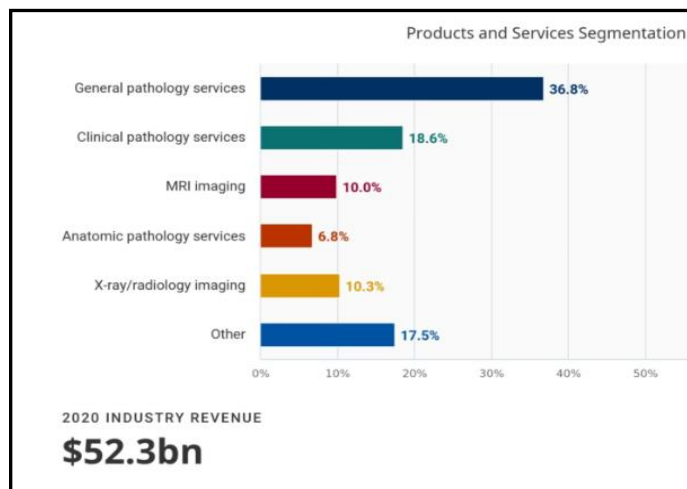
Using molecular diagnostics to obtain early diagnosis is becoming main stream as technological advancements are delivering rapid and accurate test results.

Grand View Research observed that North America was not only the largest market, but is projected to be the most influential market for molecular diagnostics globally. Also, oncology (cancer) is anticipated to grow approximately 11.3% to 2027 from 2020 due primarily to increasing awareness amongst patients and healthcare professionals regarding available technologies and molecular tests that increase the accuracy of diagnosing cancer.

In June 2020, market research store ResearchandMarkets published a report, Global Molecular Diagnostics Market - Technologies, Products, Applications and End-Use Sectors (2019-2022). The report projects the global molecular diagnostics market will increase by 14.9% annually to nearly \$19 billion in 2022 from nearly \$11 billion in 2019. The primary growth driver is due to COVID-19 pandemic conditions.

In June 2020, IBISWorld projected compound annual growth of 2.1% for the industry to \$57.8 billion by 2025 from an estimated \$52.3 billion in 2020. Industry growth should result from scientific advances that will yield new and improved service capabilities along with an aging US population requiring laboratory testing, as well as increased usage due to COVID-19 pandemic conditions for US diagnostic and medical laboratories.

We believe clinical pathology services (see chart on the right – source IBISWorld - Diagnostic and Medical Laboratories industry) closely mirror MDxHealth's core products. IBISWorld projects clinical pathology service revenue of \$9.7 billion in 2020, which should increase to \$10.8.3 billion in 2025 if the percentage within the diagnostic and medical laboratories industry remains stable.



### Prostate Cancer Market

In 2020, the American Cancer Society estimates there will be nearly 192,000 new cases of prostate cancer diagnosed in the US. In the US, The National Cancer Institute rates prostate cancer the second leading cause of death from cancer in men, however, early identification increases the chances of patients being cured due to advanced treatments.

In February 2020, market research and consulting firm Grandview Research projects the global prostate cancer diagnostic testing market should exceed \$11 billion in 2027, up \$2.8 billion in 2019 for 13.2% annualized growth. The increase in demand reflects the increasing prevalence of the disease, constant technological advancements, and

increased awareness. In a study conducted by the American Cancer Society, prostate cancer is the third leading cause of cancer-related deaths in US. The US is likely to be the largest and the fastest-growing market during the forecast period due to a shift in the diagnosis and treatment of early-stage prostate cancer via advances in molecular biology, genetics and biotechnology.

According to the latest data from the National Cancer Institute, the number of new cases of prostate cancer was 109.8 per 100,000 men per year. The number of deaths was 19.1 per 100,000 men per year.

The US is considered to be the largest market of prostate cancer stemming from the incidence of prostate cancer in the African American population. In May 2017, MDxHealth reported a retrospective study that demonstrated the ConfirmMDx test improved the identification of African American men at risk for aggressive cancer missed by a prostate biopsy. The study successfully identified men with false-negative biopsy results.

### ***Competition***

The company's ConfirmMDx and SelectMDx products compete in the molecular diagnostics sector with a focus on detecting and/or assessing the grade or aggressiveness of prostate cancer. Its products and services are vulnerable to intervening technology and intense price and service competition. The molecular diagnostic sector is highly competitive in terms of service and price, and will likely continue to undergo consolidation, permitting larger clinical laboratory service providers to increase cost efficiencies and service levels, resulting in more intense competition.

The market for assessing men at risk for prostate cancer is large and includes companies that possess substantially greater resources and experience in dealing with third-party payors. Additionally, companies and institutions are developing tests to detect proteins, nucleic acids, or the presence of fragments of mutated genes in the blood that are associated with prostate cancer.

Companies and subsidiaries within large companies in the molecular diagnostic market include, Luminex Corporation, Danaher Corp., Siemens, Hologic, Seegene, Roche Diagnostics and Abbott Molecular Diagnostics.

### ***Risks***

#### Losses

MDxHealth's operations have yet to turn profitable. In 2019, the company's accumulated deficit reached \$187 million, up from \$56 million in 2014. Significant losses are likely to continue through 2021. Lack of profitability could result in the company's inability to execute its growth strategy.

#### Dilution

In May 2020, the company obtained net proceeds of approximately \$14.2 million from the issuance of nearly 20.2 million common shares. While this capital raise should provide the company with enough capital through 2021, MDxHealth is likely to seek additional equity or debt funding in order to grow the utilization of the company's core molecular diagnostic tests. If the company were to issue additional common shares in connection with additional financing, it would dilute the ownership interest of current shareholders.

#### COVID-19 Pandemic

The COVID-19 global pandemic presents concerns that may dramatically affect the company's ability to conduct normal business operations (such as patients seeing their doctors) effectively. While the trajectory of the COVID-19 pandemic remains uncertain, it is likely that MXDHF operations are likely to improve in the 2H20 as doctors' visits begin to return to more normal operations. Also, COVID-19 pandemic conditions could impact the company's US laboratory operation.

#### Regulatory

The company's laboratory-based diagnostic tests and other products could be subject to regulatory clearance in the US and other overseas markets. Delays in, or failure to secure regulatory approval, could delay the launch of newly developed products and services.



### Reimbursement

The company's molecular diagnostic tests depend on the availability of coverage and adequate reimbursement from government and private insurance companies (payors). Favorable insurance coverage and reimbursement are essential to MDxHealth's commercial goals. The company does not recognize revenue for test results delivered without a contract for reimbursement or without a history of consistent payment.

### Competition

The company's ConfirmMDx and SelectMDx products compete in the molecular diagnostics sector with a focus on detecting and/or assessing the grade or aggressiveness of prostate cancer. Its products and services are vulnerable to intervening technology and intense price and service competition. The molecular diagnostic sector is highly competitive in terms of service and price, and will likely continue to undergo consolidation, permitting larger clinical laboratory service providers to increase cost efficiencies and service levels, resulting in more intense competition.

### Technology

Larger, more financially secure companies may have an established market presence within the molecular diagnostic testing sector. Based on direct comparisons for certain indications, MDxHealth's tests may provide superior outcomes compared to existing competitive products, but new diagnostic tests could potentially gain market share.

### Product Liability

The marketing, sale and use of MDxHealth's tests could lead to product or professional liability claims against it if someone were to allege that its tests failed to perform as they were designed, or if someone were to misinterpret test results or improperly rely on them for clinical decisions. Although MDxHealth maintains product and professional liability insurance which is deemed to be appropriate and adequate, it may not fully protect the company from the financial impact of defending itself against product liability or professional liability claims or any judgments, fines or settlement costs arising out of any such claims. Furthermore, any product liability lawsuit could harm its reputation, which could impact its results of operations.

### Execution

The company has achieved some revenue growth momentum based on its presence in the US market for prostate cancer diagnostics, but achieving critical mass will require better penetration that will hinge on acceptance of SelectMDx, leverage of the sales infrastructure, and broader reimbursement coverage.

### Shareholder Control

Three large shareholders collectively own 38.9% of the outstanding voting stock (as of June 2020 – source: company's shareholder information page). This group could potentially greatly influence the outcome of matters requiring stockholder approval, which may or may not be in the best interests of the other shareholders.

### Miscellaneous Risk

The company's financial results and equity values are subject to other risks and uncertainties, including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

### Trading Volume

The company has an estimated float of approximately 47.8 million shares and shares outstanding of 90.7 million. Average daily volume in the US and Brussels over the three-month period ending September 4, 2020 was 15 shares and 50,200 shares traded a day.



MDxHealth SA  
Consolidated Balance Sheets  
FY2017 – FY2021E  
(in thousands)

	<u>FY17A</u>	<u>FY18A</u>	<u>FY19A</u>	<u>FY20E</u>	<u>FY21E</u>
<b>ASSETS</b>					
Current assets:					
Inventories	1,919	1,807	1,192	<b>2,000</b>	<b>2,700</b>
Trade receivables	19,825	19,062	6,645	<b>7,290</b>	<b>6,493</b>
Prepaid expenses and other current assets	745	791	1,020	<b>735</b>	<b>962</b>
Cash and cash equivalents	<u>16,827</u>	<u>26,203</u>	<u>22,050</u>	<u><b>14,781</b></u>	<u><b>272</b></u>
	39,316	47,863	30,907	<b>24,806</b>	<b>10,427</b>
Non-current assets:					
Goodwill	\$ 1,145	\$ 1,145	\$ -	\$ -	\$ -
Intangible assets	15,492	14,394	7,269	<b>7,269</b>	<b>7,269</b>
Property, plant and equipment - includes right-of-use assets	<u>2,568</u>	<u>2,074</u>	<u>2,452</u>	<u><b>2,450</b></u>	<u><b>2,450</b></u>
<b>Total non-current assets</b>	19,205	17,613	9,721	<b>9,719</b>	<b>9,719</b>
<b>Total assets</b>	<u>\$ 58,521</u>	<u>\$ 65,476</u>	<u>\$ 40,628</u>	<u>\$ 34,525</u>	<u>\$ 20,146</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Loans and borrowings	361	264	565	<b>565</b>	<b>565</b>
Trade payables	8,055	6,453	4,958	<b>3,698</b>	<b>5,156</b>
Lease liabilities	-	-	650	-	-
Other current liabilities	3,816	4,358	3,345	<b>3,345</b>	<b>3,345</b>
Other current financial liabilities	<u>883</u>	<u>402</u>	<u>909</u>	<u><b>909</b></u>	<u><b>909</b></u>
<b>Total current liabilities</b>	<u>13,115</u>	<u>11,477</u>	<u>10,427</u>	<u><b>8,517</b></u>	<u><b>9,975</b></u>
Deferred tax liabilities	616	575	-	-	-
Lease liabilities	-	-	735	<b>735</b>	<b>735</b>
Grants payable and deferred revenue	60	-	-	-	-
Long-term liabilities	661	1,045	690	<b>690</b>	<b>690</b>
Loans and borrowings	<u>523</u>	<u>262</u>	<u>9,052</u>	<u><b>9,052</b></u>	<u><b>8,000</b></u>
<b>Total long-term liabilities</b>	<u>1,860</u>	<u>1,882</u>	<u>10,477</u>	<u><b>10,477</b></u>	<u><b>9,425</b></u>
Total liabilities	<u>\$ 14,975</u>	<u>\$ 13,359</u>	<u>\$ 20,904</u>	<u>\$ 18,994</u>	<u>\$ 19,400</u>
<b>Total equity</b>	<u>43,546</u>	<u>52,117</u>	<u>19,724</u>	<u><b>15,531</b></u>	<u><b>745</b></u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 58,521</u>	<u>\$ 65,476</u>	<u>\$ 40,628</u>	<u>\$ 34,525</u>	<u>\$ 20,146</u>
SHARES OUT	49,960	59,950	70,529	<b>90,691</b>	<b>90,691</b>

Source: Company reports and Taglich Brothers estimates

MDxHealth SA  
Income Statement Model  
Semi Annual FY2019A – 2021E  
(in thousands)

	FY2017A	FY2018A	FY2019A*	<b>FY2020E</b>	<b>FY2021E</b>
Product and service income	\$ 28,162	\$ 27,710	\$ 21,521	<b>\$ 20,995</b>	<b>\$ 27,500</b>
Royalties	5,346	628	342	<b>284</b>	-
Patent income (licenses)	7,000	-	-	-	-
Government grants	-	59	-	-	-
Total revenue	40,508	28,397	21,863	<b>21,279</b>	<b>27,500</b>
Cost of goods and services sold	10,203	11,652	11,755	<b>10,650</b>	<b>12,375</b>
<b>Total Gross Profit</b>	30,305	16,745	10,108	<b>10,629</b>	<b>15,125</b>
Operating Expenses:					
Research and Development	3,505	4,280	8,997	<b>4,000</b>	<b>3,500</b>
SG&A	39,142	44,798	33,005	<b>30,035</b>	<b>31,065</b>
Other operating income	(68)	(261)	(1)	-	-
Other operating expenses	-	26	1,198	-	-
Total Operating Expenses	42,579	48,843	43,199	<b>34,035</b>	<b>34,565</b>
<b>Operating Income (loss)</b>	(12,274)	(32,098)	(33,091)	<b>(23,406)</b>	<b>(19,440)</b>
Other Income (Expense)					
Financial income	10	21	10	-	-
Financial expenses	(137)	(414)	(516)	<b>(1,300)</b>	<b>(1,400)</b>
Total Other Income (Expense)	(127)	(393)	(506)	<b>(1,300)</b>	<b>(1,400)</b>
<b>Pre-Tax Income (loss)</b>	(12,401)	(32,491)	(33,597)	<b>(24,706)</b>	<b>(20,840)</b>
Income Tax Expense (Benefit)	(113)	(41)	-	-	-
<b>Net Income (loss)</b>	<u>\$ (12,288)</u>	<u>\$ (32,450)</u>	<u>\$ (33,597)</u>	<u><b>\$ (24,706)</b></u>	<u><b>\$ (20,840)</b></u>
<b>EPS (loss)</b>	<u>\$ (0.25)</u>	<u>\$ (0.54)</u>	<u>\$ (0.48)</u>	<u><b>\$ (0.27)</b></u>	<u><b>\$ (0.23)</b></u>
Weighted Average Shares Outstanding	<u>49,949</u>	<u>59,995</u>	<u>70,529</u>	<u><b>90,691</b></u>	<u><b>90,691</b></u>
EBITDA	\$ (9,445)	\$ (29,131)	\$ (22,506)	<b>\$ (18,656)</b>	<b>\$ (14,440)</b>
Margins					
Total Gross Margin	74.8%	59.0%	46.2%	<b>50.0%</b>	<b>55.0%</b>
Gross Margin - product and service income	63.8%	58.0%	45.4%	<b>49.3%</b>	<b>55.0%</b>
Operating Margin	(30.3%)	(113.0%)	(151.4%)	<b>(110.0%)</b>	<b>(70.7%)</b>
Research and Development	8.7%	15.1%	41.2%	<b>18.8%</b>	<b>12.7%</b>
SG&A	96.6%	157.8%	151.0%	<b>141.1%</b>	<b>113.0%</b>
Other operating income	(0.2%)	(0.9%)	(0.0%)	<b>0.0%</b>	<b>0.0%</b>
Total operating expense	105.1%	172.0%	197.6%	<b>159.9%</b>	<b>125.7%</b>
Pre-Tax Margins	(30.6%)	(114.4%)	(153.7%)	<b>(116.1%)</b>	<b>(75.8%)</b>
Tax rate	0.9%	0.1%	0.0%	<b>0.0%</b>	<b>0.0%</b>
YEAR / YEAR GROWTH					
Total Revenues	35.2%	(29.9%)	(23.0%)	<b>(2.7%)</b>	<b>29.2%</b>

\* Excludes a \$10.1 million one-time revenue reduction related to a receivables adjustment

**Bold figures are Taglich Brothers estimates**

Source: Company reports and Taglich Brothers estimates

MDxHealth SA  
Income Statement Model  
Semi Annual FY2019A – 2021E

	(in thousands)					
	1H19A	FY2019A*	1H20A	FY2020E	1H21E	FY2021E
Product and service income	\$ 10,571	\$ 21,521	\$ 9,596	<b>\$ 20,995</b>	<b>\$ 11,995</b>	<b>\$ 27,500</b>
Royalties	200	342	284	<b>284</b>	-	-
Patent income (licenses)	102	-	-	-	-	-
Government grants	-	-	-	-	-	-
Total revenue	10,873	21,863	9,880	<b>21,279</b>	<b>11,995</b>	<b>27,500</b>
Cost of goods and services sold	5,909	11,755	5,194	<b>10,650</b>	<b>5,750</b>	<b>12,375</b>
<b>Total Gross Profit</b>	4,964	10,108	4,686	<b>10,629</b>	<b>6,245</b>	<b>15,125</b>
Operating Expenses:						
Research and Development	1,970	8,997	<b>1,987</b>	<b>4,000</b>	<b>1,500</b>	<b>3,500</b>
SG&A	16,866	33,005	<b>15,687</b>	<b>30,035</b>	<b>16,000</b>	<b>31,065</b>
Other operating income	(9)	(1)	-	-	-	-
Other operating expenses	-	1,198	-	-	-	-
Total Operating Expenses	18,827	43,199	17,674	<b>34,035</b>	<b>17,500</b>	<b>34,565</b>
<b>Operating Income (loss)</b>	(13,863)	(33,091)	(12,988)	<b>(23,406)</b>	<b>(11,255)</b>	<b>(19,440)</b>
Other Income (Expense)						
Financial income	6	10	-	-	-	-
Financial expenses	(231)	(516)	<b>(768)</b>	<b>(1,300)</b>	<b>(700)</b>	<b>(1,400)</b>
Total Other Income (Expense)	(225)	(506)	(768)	<b>(1,300)</b>	<b>(700)</b>	<b>(1,400)</b>
<b>Pre-Tax Income (loss)</b>	(14,088)	(33,597)	(13,756)	<b>(24,706)</b>	<b>(11,955)</b>	<b>(20,840)</b>
Income Tax Expense (Benefit)	-	-	-	-	-	-
<b>Net Income (loss)</b>	<u>\$ (14,088)</u>	<u>\$ (33,597)</u>	<u>\$ (13,756)</u>	<u><b>\$ (24,706)</b></u>	<u><b>\$ (11,955)</b></u>	<u><b>\$ (20,840)</b></u>
<b>EPS (loss)</b>	<u>\$ (0.24)</u>	<u>\$ (0.48)</u>	<u>\$ (0.18)</u>	<u><b>\$ (0.27)</b></u>	<u><b>\$ (0.13)</b></u>	<u><b>\$ (0.23)</b></u>
Weighted Average Shares Outstanding	<u>58,908</u>	<u>70,529</u>	<u><b>77,500</b></u>	<u><b>90,691</b></u>	<u><b>90,691</b></u>	<u><b>90,691</b></u>
EBITDA	\$ (11,888)	\$ (22,506)	<b>\$ (10,614)</b>	<b>\$ (18,656)</b>	<b>\$ (9,005)</b>	<b>\$ (14,440)</b>
Margins						
Total Gross Margin	45.7%	46.2%	47.4%	<b>50.0%</b>	<b>52.1%</b>	<b>55.0%</b>
Gross Margin - product and service income	44.1%	45.4%	45.9%	<b>49.3%</b>	<b>52.1%</b>	<b>55.0%</b>
Operating Margin	(127.5%)	(151.4%)	(131.5%)	<b>(110.0%)</b>	<b>(93.8%)</b>	<b>(70.7%)</b>
Research and Development	18.1%	41.2%	20.1%	<b>18.8%</b>	<b>12.5%</b>	<b>12.7%</b>
SG&A	155.1%	151.0%	158.8%	<b>141.1%</b>	<b>133.4%</b>	<b>113.0%</b>
Other operating income	(0.1%)	(0.0%)	0.0%	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Total operating expense	173.2%	197.6%	178.9%	<b>159.9%</b>	<b>145.9%</b>	<b>125.7%</b>
Pre-Tax Margins	(129.6%)	(153.7%)	(139.2%)	<b>(116.1%)</b>	<b>(99.7%)</b>	<b>(75.8%)</b>
Tax rate	0.0%	0.0%	0.0%	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
YEAR / YEAR GROWTH						
Total Revenues	(36.8%)	(23.0%)	(9.1%)	<b>(2.7%)</b>	<b>21.4%</b>	<b>29.2%</b>

\*Excludes a \$10.1 million one-time revenue reduction related to a receivables adjustment

**Bold figures are Taglich Brothers estimates**

Source: Company reports and Taglich Brothers estimates

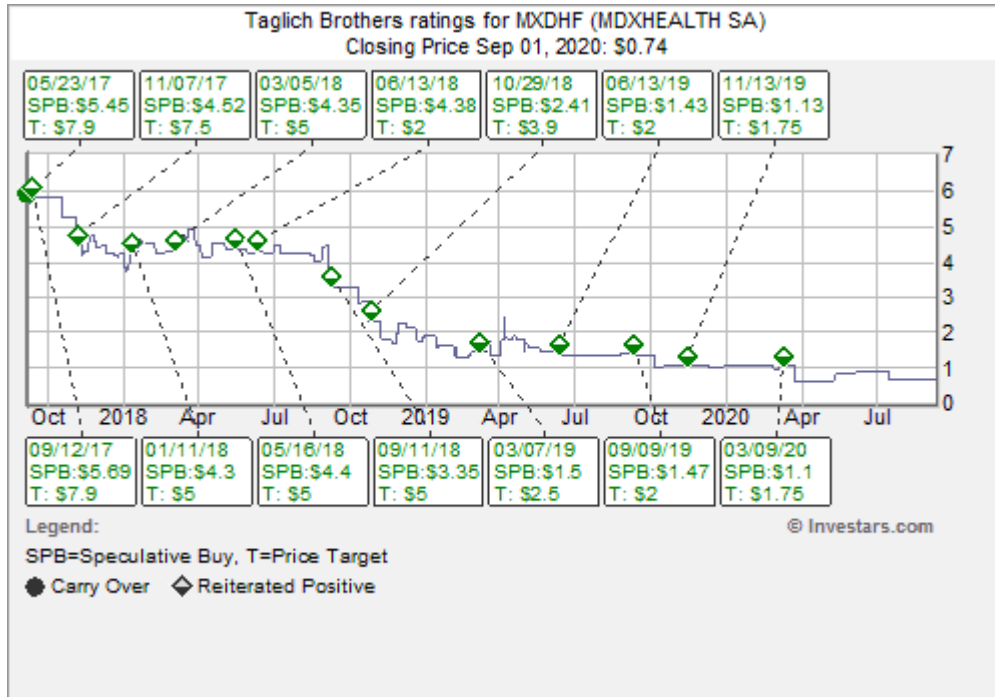
Taglich Brothers, Inc.

MDxHealth SA  
Cash Flow Statement  
FY2017 – FY2021E  
(in thousands)

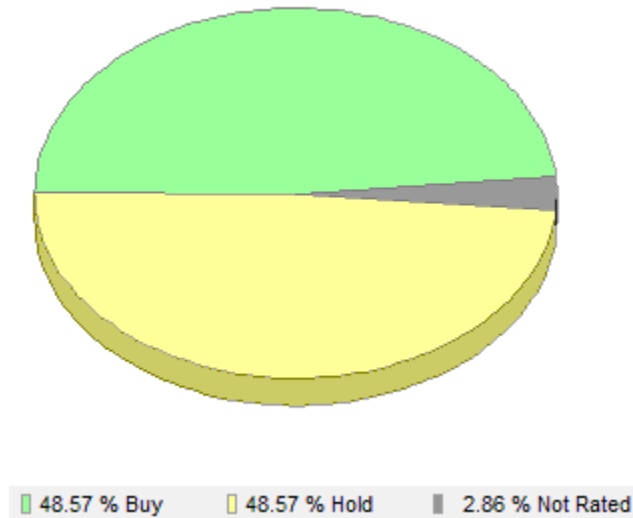
	<u>FY2017 A</u>	<u>FY2018 A</u>	<u>FY2019 A</u>	<u>FY2020 E</u>	<u>FY2021 E</u>
<i>Cash Flows from Operating Activities</i>					
Income (loss)	\$ (12,274)	\$ (32,098)	\$ (43,169)	\$ (23,406)	\$ (19,440)
Depreciation, amortization, and impairment	1,886	2,937	3,420	3,750	3,500
Share-based compensation	943	1,006	872	1,000	1,000
(Gain) loss on disposal of fixed assets	-	-	1	-	-
Impairment	-	-	6,292	-	-
Interest paid	(39)	-	-	-	-
Cash (burn) earnings	<u>(9,484)</u>	<u>(28,155)</u>	<u>(32,584)</u>	<u>(18,656)</u>	<u>(14,940)</u>
<i>Changes In:</i>					
Inventories	(440)	112	615	(808)	(700)
Accounts receivable	(1,432)	717	12,188	(645)	797
Accounts payable includes other	867	(1,217)	(2,508)	(1,260)	1,458
Net (increase) decrease in Working Capital	<u>(1,005)</u>	<u>(388)</u>	<u>10,295</u>	<u>(2,713)</u>	<u>1,555</u>
<b>Net cash provided (used) by Operations</b>	<u>(10,489)</u>	<u>(28,543)</u>	<u>(22,289)</u>	<u>(21,369)</u>	<u>(13,385)</u>
<i>Cash Flows from Investing Activities</i>					
Acquisition of subsidiary, net - Earn out	(1,105)	-	-	-	-
Other financial profit (loss)	(88)	-	-	-	-
Capital expenditures	(1,172)	(433)	(73)	(100)	(125)
Purchase of intangibles	<u>(3,688)</u>	<u>(912)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net cash (used) provided in Investing</b>	<u>(6,053)</u>	<u>(1,345)</u>	<u>(73)</u>	<u>(100)</u>	<u>(125)</u>
<i>Cash Flows from Financing Activities</i>					
Payments on long-term debt	-	-	(589)	-	(1,000)
Payments on lease liability and interest	-	-	(1,139)	-	-
Proceeds (payments) from loans and borrowings	346	(751)	10,111	-	-
Proceeds from issuance of shares, net	<u>227</u>	<u>42,423</u>	<u>9,582</u>	<u>14,200</u>	<u>-</u>
<b>Net cash provided (used) by Financing</b>	<u>573</u>	<u>41,672</u>	<u>17,965</u>	<u>14,200</u>	<u>(1,000)</u>
Exchange rate	<u>1,925</u>	<u>(2,408)</u>	<u>244</u>	<u>-</u>	<u>-</u>
Net change in Cash	(14,044)	9,376	(4,153)	(7,269)	(14,510)
Cash Beginning of Period	<u>30,871</u>	<u>16,827</u>	<u>26,203</u>	<u>22,050</u>	<u>14,781</u>
Cash End of Period	<u>\$ 16,827</u>	<u>\$ 26,203</u>	<u>\$ 22,050</u>	<u>\$ 14,781</u>	<u>\$ 272</u>

Source: Company reports and Taglich Brothers estimates

**Price Chart**



**Taglich Brothers Current Ratings Distribution**



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	2	11
Hold		
Sell		
Not Rated		

**Important Disclosures**

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**Analyst Certification**

**I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.**

**Public Companies mentioned in this report:**

Veracyte Inc.	(NASDAQ: VCYT)	Foundation Medicine Inc.	(NYSE: FMI)
Natera Inc	(NASDAQ: NTRA)	GenMark Diagnostics Inc.	(NASDAQ: GNMK)
Pacific Edge	(NASDAQ: PFGTF)	Genomic Health Inc	(NASDAQ: GHDX)
Epigenomics	(NASDAQ: EPGNY)	Exact Sciences Corporation	(NASDAQ: EXAS)

**Meaning of Ratings**

**Buy** – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

**Speculative Buy** – Long-term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

**Neutral** – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

**Sell** – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

**Discontinued** – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

**Some notable Risks within the Microcap Market**

**Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company-specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.**

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From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.