

## Research Report – Update

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

### MDxHealth SA

**Rating: Speculative Buy**

Howard Halpern

September 9, 2019

### MXDHF \$1.47 — (Other OTC)

	2016 A*	2017 A*	2018 A*	2019 E*	2020 E
Revenue* (in millions)	\$24.9	\$28.2	\$28.4	\$25.5	\$34.9
Earnings per share	(\$0.29)	(\$0.25)	(\$0.54)	(\$0.36)	(\$0.22)
52-Week range	\$4.55 – \$1.33			Fiscal year ends: December	
Shares outstanding <small>a/o 12/31/18</small>	59.9 million		Revenue/shares (ttm)	\$0.37	
Approximate float	44.9 million		Price/Sales (ttm)	4.0X	
Market Capitalization	\$88.1 million		Price/Sales (2020) E	2.5X	
Est. Tangible Book value/shr <small>a/o 06/30/19</small>	\$0.37		Price/Earnings (ttm)	NMF	
Price/Book	4.0X		Price/Earnings (2020) E	NMF	

\* Revenue excludes \$5 million in royalty and grant revenue in 2016; \$7 million of non-recurring patent revenue and \$5.3 million in non-recurring royalties in 2017; and \$700,000 and \$300,000 in royalty and grant revenue, respectively, in 2018 and 2019

MDxHealth SA, headquartered in Herstal, Belgium, is a multinational healthcare company providing actionable molecular diagnostic information to personalize the diagnosis and treatment of cancer, primarily urological prostate and in the future, bladder.

#### Key Investment Considerations:

**Maintaining Speculative Buy rating and 12-month price target of \$2.00 per share.**

**In 2019, MDxHealth is focused on implementing cost reduction measures and increasing the utilization of its two core molecular diagnostic prostate cancer tests offerings (ConfirmMDx and SlectMDx). The company has begun to refocus its sales process using data driven analytics based on insurance payor data. The US sales team will use that information to engage its established customer base of urologists to drive increased utilization of its molecular diagnostic tests.**

**A significant reduction in operating expenses in 2019 and 2020 should result from the postponement of the commercial rollout of its AssureMDx Bladder Cancer offering and delaying spending on two new products for prostate cancer.**

**In August 2019, the company announced a Medicare Administrative Contractor issued a draft Local Coverage Determination (LCD) for its SelectMDx for Prostate Cancer test. The draft recommends coverage of the test for qualified Medicare patients in the US. Once the final LCD is issued, the test should gain US coverage.**

**On August 29, 2019, the company reported total revenue of \$10.9 million and a net loss of \$14.1 million or (\$0.24) per share for the six-month period ended June 30, 2019. In the year-ago period total revenue was \$17.2 million and a net loss of \$15.1 million or (\$0.27) per share. Our forecast called for total revenue of \$10 million and a net loss of \$16.2 million or (\$0.27) per share.**

**For 2019, we forecast total revenue of \$25.8 million (a \$300,000 increase due to royalty income) and a loss per share of (\$0.36) (prior was of (\$0.37) per share). Our forecast reflects 1H19 results.**

**For 2020, we forecast sales growth of 35.2% to \$34.9 million (unchanged) and a loss per share of (\$0.22). We previously projected a loss per share of (\$0.21). Our revised forecast reflects the anticipation of continued sequential growth of its two core molecular diagnostic prostate cancer tests offerings.**

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

**Appreciation Potential**

**Maintaining Speculative Buy rating and 12-month price target of \$2.00 per share.** We anticipate annualized product and service revenue growth of 17.2% (2015 to 2020), which is unchanged from our prior forecast. Our rating reflects the company's global penetration of an estimated two million annual prostate biopsies, a unique billing code for the ConfirmMDx test that became effective January 2018, and the likelihood of its SelectMDx test obtaining national coverage in the US (by early 2020) once the final Local Coverage Determination is issued based the recommendation of a Medicare Administrative Contractors' issuance of a draft recommendation of coverage for the test in August 2019.

We anticipate investors should accord shares of MDxHealth approaching that of its peers due to product and services income sales increasing by 35.2% in 2020 (see table on right) compared to 13.2% for its peers. We applied a 4.5X multiple (unchanged) to our 2020 sales per share estimate of \$0.58, discounted for execution risk, to obtain a year ahead price target of approximately \$2.00 per share, implying a total year-ahead return in excess of 35%.

Name	Symbol	Price 09-06-19	Market Cap in \$mil	2019E P/S	2020 Sales Growth	2020E P/S
Epigenomics AG	EPGNY	8.54	308	NMF	NMF	37.0
GenMark Diagnostics Inc	GNMK	6.01	345	3.9	28.8%	3.0
Genomic Health Inc	GHDX	74.35	2,772	6.2	9.8%	5.6
Myriad Genetics Inc.	MYGN	24.25	1,791	2.0	4.4%	2.0
Natera Inc.	NTRA	32.04	2,247	7.7	18.8%	6.5
Qiagen NV	QGEN	34.17	7,887	5.1	8.0%	4.7
Veracyte Inc.	VCYT	25.67	1,244	10.4	9.5%	9.5
				5.9	13.2%	9.8
Company						
MDxHealth SA	MXDHF	1.47	88	3.4	35.2%	2.5

Source: Taglich Brothers estimates and Thomson Reuters

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

**Recent Developments**

**In August 2019**, the company announced that Palmetto GBA, a Medicare Administrative Contractor that assesses molecular diagnostic technologies, issued a draft local coverage determination for its SelectMDx for Prostate Cancer test. The draft recommends coverage of the test for qualified Medicare patients in the US. Management anticipates this could turn out to be an important step in providing insurance coverage for the company's SelectMDx test.

**In 1H19**, MDxHealth hired Michael McGarrity as its CEO. To strengthen the management team, the company hired Ron Kalfus as its CFO and John Bellano as its chief commercial officer. Mr. McGarrity has over 25 years of experience in the healthcare industry with device, diagnostics and biotechnology experience. Mr. Kalfus brings over 20 years of experience in both public and private companies within diagnostics and biotech sectors. Mr. Bellano has over 25 years of experience in the healthcare industry and began his career in the pharmaceuticals sector but moved into molecular diagnostics where he has spent the last 20 years. He most recently served as chief commercial officer of Sterilis Solutions.

**Overview**

MDxHealth, headquartered in Herstal, Belgium, was established in 2003. The company has a 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 of the prostate and bladder.

The company's development of noninvasive diagnostics is based on epigenetics (defined as the study of changes in organisms caused by modification of gene expression), which uses selected biomarkers to detect the presence of cancer and gauge the extent of its progress by analyzing patients' tissue, blood or urine samples. Biomarkers are measurable structures or processes in the body that indicate the presence of a disease and, potentially, the effects of treatments for that disease.

### 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.

### **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.

### **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. 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 will enable the company to have its team of sales professional be results driven as opposed to activity-based driven. Entering 2H19, the company's US sales force had 30 professionals.

A reorganized and refocused 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 performed over 100,000 tests since 2016. The company should have the potential to expand its customer base into the approximately 19,000 practicing urologists in the US. Having established relationships and gaining insurance coverage in early 2020 should allow for quicker acceptance and higher revenue recognition from billed SelectMDx tests.

#### Expanded Global Distribution

In 2017, the company launched in Europe its SelectMDx for Prostate Cancer in-vitro diagnostic (IVD) PCR kit that will enable diagnostic laboratories with manual and automated RNA extraction and PCR platforms to perform the

SelectMDx liquid biopsy test in their own facility. MDxHealth expects its current customers will use the kits in order to perform the SelectMDx for Prostate Cancer test in their own labs. In 2018, the company had eight new European distribution agreements.

In August 2019, the company announced it entered into an agreement with a global diagnostic company to commence a joint development program for the SelectMDx test on their decentralized point-of-care system. If successful this should enable SelectMDx to continue its growth within urology, while also providing opportunities in the point-of-care setting and the primary care market.

#### 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 2018, the company expects to submit a formal application for Medicare coverage through the Local Coverage Determination process for SelectMDx.

Entering 2019, the company had 80 US payor contracts for its ConfirmMDx test, which included 18 new contracts in 2018, as well as six new US commercial policies bringing the total commercial policies to 36. The company's SelectMDx test entered 2019 with 26 US payor contracts, which included 12 new contracts in 2018. A significant step for the SelectMDx test on the path to obtaining US coverage nationally occurred in August 2019, when it was announced a Medicare Administrative Contractor that assesses molecular diagnostic technologies issued a draft Local Coverage Determination (LCD) for its SelectMDx for Prostate Cancer test. The draft recommends coverage of the test for qualified Medicare patients in the US. The issuance of a final LCD should occur by early 2020.

#### **Projections**

##### Basis of Forecast

In 2020, we anticipate the company should deliver over 53,000 molecular diagnostic urological cancer test globally, up from approximately 43,000 tests globally in 2019. In 1H19, the company delivered approximately 21,300 tests.

In 2018, the company billed \$53.5 million (\$54.5 million in 2017) for tests delivered, but approximately 51% was recognized a revenue. We anticipate recognized revenue from billed tests to increase in 2020 due primarily to increased insurance coverage and the likelihood by early 2020 that its SelectMDx test will become eligible for insurance coverage nationally in the US.

In 2019, we anticipate limited royalty income of approximately \$302,000 compared to \$628,000 in 2018.

##### Operations

In 2019, we project total revenue of \$25.8 million, up \$302,000 from our prior forecast due primarily to unanticipated royalty income. We forecast product and service income of \$25.5 million (unchanged) on approximately 43,000 (prior was 42,000) delivered molecular tests. Our forecast reflects 1H19 results.

We project a \$1.4 million decrease in gross profit to \$14.2 million from \$16.7 million in 2018. We anticipate product and service gross margin declining to 54.5% compared to 58% in 2018. We project operating losses narrowing to \$21 million from \$32.1 million as operating expense margin improves to 137% from 172% in 2018. The improvement should reflect the implementation of the company's cost reduction program.

We forecast a decrease in operating expenses to \$35.3 million from \$48.8 million in 2018. We estimate a 23.5% decrease in SG&A to \$34.3 million as the company rationalizes its US and European operations, as well as the suspension of spending on new product programs that the company invested in during most of 2018. We project research and development expenses to decrease \$3.3 million to \$1 million due to suspension of product development efforts on two new products previously being developed in 2018.

We project financial expenses of \$600,000 compared to \$414,000 in 2018 due to higher debt balances. Our 2019 net loss forecast is \$21.6 million or (\$0.36) per share. Our prior net loss forecast was \$22.1 million or (\$0.37) per share.

In 2020, we project a 36.8% increase in product and service revenue (total revenue) to \$34.9 million (unchanged). Our revenue growth forecast reflects over 53,000 delivered molecular tests. We anticipate recognized billings could approach 55% and the average revenue per test increasing as payors recognize the utility of the company's ConfirmMDx and SelectMDx offerings.

We project gross profit increasing to \$21.1 million from an estimated \$14.2 million in 2019. We anticipate product and service gross margin improving to 60.5% from an estimated 54.5% in 2019 due to improved efficiencies in the company's sales process. We project operating losses should narrow to \$11.9 million from an estimated \$21 million as operating expense margin improves to 94.8% from 137% in 2019. The improvement should reflect sales growth and operating leverage stemming from completing the implementation of the company's restructuring program in 2019.

We forecast a \$2.2 million decrease in operating expenses to \$33.1 million from an estimated \$35.3 million in 2019. We estimate a \$2.2 million decrease in SG&A to \$32.1 million as the company continues to rationalize its global operations. We project flat research and development expense at \$1 million.

We project financial expenses of \$1 million compared to an estimated \$600,000 in 2019 due to higher debt balances. Our 2020 net loss forecast is \$12.9 million or (\$0.22) per share. We previously projected a net loss of \$12.4 million or (\$0.21) per share.

#### Finances

For 2019, we project cash burn of \$19 million and an increase in working capital of \$1.9 million due primarily to an increase in receivables, partly offset by an increase in payables. Cash used in operations of \$21 million, capital expenditures, and repayment of debt should reduce cash by \$22 million to \$4.2 million at December 31, 2019.

For 2020, we project cash burn of \$9.9 million and a decrease in working capital of \$89,000. Estimated borrowings of \$7 million will not cover cash used in operations of \$9.9 million and capital expenditures. We project a \$3.2 million reduction in cash to \$1.1 million at December 31, 2020.

#### **1H19 Results**

Total revenues were \$10.9 million compared to \$17.2 million in the year-ago period. The current period included royalties of \$302,000 compared to \$562,000 in 1H18. In 1H19, product and service income decreased to \$10.6 million from \$16.6 million due primarily to a 20% decrease in worldwide sales of its ConfirmMDx test to 8,732 patient tests performed, offset in part by growth in its SelectMDx offering which had over 12,500 test performed globally compared to 6,300 in the year-ago period.

Gross profit decreased to \$5 million from \$10.5 million due primarily to gross margin compression to 45.7% from 61.2% in 1H18. Gross margin compression reflects lower sales volume, accounts receivable adjustments, and payor mix.

Operating expenses in 1H19 decreased to \$18.8 million from \$25.5 million due primarily to the cost reduction program initiated by the new management team that included suspending research and development projects in order to focus on its two core molecular diagnostic tests.

The company had an operating loss of \$13.9 million compared to a loss of \$15 million. The narrowing of the operating loss stems from the decrease in operating expenses, offset by lower total revenue. Total other expense (consisting primarily of financial expenses) was \$275,000 compared to \$145,000 in 2H17.

In 1H19, the company had a net loss of \$14.1 million or (\$0.24) per share compared to a net loss of \$15.1 million or (\$0.27) per share. We projected a net loss of \$16.1 million or (\$0.27) per share on total revenue of \$10 million.

### Finances

In 1H19, the company had cash burn of \$14 million, which included \$1.3 million in non-recurring restructuring charges. Excluding the charges, cash burn was \$12.7 million compared to \$15 million in 1H18. The company had cash of \$12.2 million at June 30, 2019. The company estimates that it has sufficient cash to operate through 1Q20 and is evaluating all financing options, including non-dilutive funding options.

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

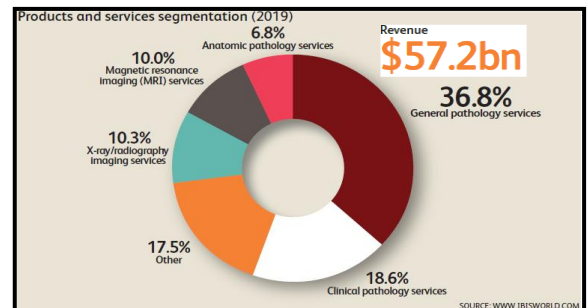
According to market research firm Grand View Research, the global molecular diagnostics market is expected to grow at a compound annual rate of 9.1% reaching over \$19.9 billion in 2026 from \$9.9 billion in 2018. The molecular diagnostics industry is effective in diagnosing infectious diseases and performing 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 mainstream 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.

In February 2019, market research store ResearchandMarkets published a report, Global Molecular Diagnostics Market - Growth, Trends, and Forecast (2019-2024). The report projects the global molecular diagnostics market will increase by 9.2% annually to approximately \$13.3 billion in 2024 from \$7.9 billion in 2018. This firm anticipates the primary drivers will be growth of infectious diseases and various types of cancer, increasing awareness and acceptance of personalized medicine and companion diagnostics, growth in biomarker identification and advancements in molecular techniques.

In May 2019, IBISWorld projected compound annual growth of 2.2% for the industry to \$65.2 billion by 2025 from an estimated \$57.2 billion in 2019. Industry growth should result from scientific advances that will yield new and improved service capabilities along with an aging US population requiring laboratory testing.



We believe clinical pathology services closely mirror MDxHealth's core products. IBISWorld projects clinical pathology service revenue of \$10.6 billion in 2016, which should increase to \$12.3 billion in 2025, if the percentage within the diagnostic and medical laboratories industry remains stable.

### Prostate Cancer Market

According to the American Cancer Society, there are an estimated 175,000 new cases of prostate cancer diagnosed in the US annually. 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 August 2018, market research and consulting firm Grandview Research projects the global prostate cancer diagnostic testing market will reach \$5.5 billion in 2025, a 12.3% annualized increase from an estimated \$2.5 billion in 2018. 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 120 per 100,000 men per year. The number of deaths was 20 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 2018, the company's accumulated deficit reached \$111 million, up from \$56 million in 2014. Significant losses are likely to continue through 2020. Lack of profitability could result in the company's inability to execute its growth strategy.

#### Dilution

In March 2018, the company obtained net proceeds in excess of \$42 million from the issuance of nearly 10 million common shares. While this recent capital raise should provide the company with enough capital through 1Q20, MDxHealth should require 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.

#### 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. In 2018, the company had a total net amount of approximately \$53.5 million that was billed for tests delivered in 2018, but a large portion will only be recognized when the payment is collected (approximately 49% has yet to be collected).

#### Competition

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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 30% of the outstanding voting stock (as of the company's 2018 annual report published April 2019). 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 a float of 44.9 million shares and shares outstanding of 59.9 million. Average daily US volume over the three-month period ending September 6, 2019 was 141 shares traded a day.



MDxHealth SA  
Consolidated Balance Sheets  
FY2016 – FY2020E  
(in thousands)

	FY16A	FY17A	FY18A	FY19E	FY20E
<b>ASSETS</b>					
Current assets:					
Inventories	1,479	1,919	1,807	2,500	2,600
Grants receivable	60	-	-	-	-
Trade receivables	18,498	19,825	19,062	21,250	21,803
Prepaid expenses and other current assets	580	745	791	1,020	1,343
Cash and cash equivalents	<u>30,871</u>	<u>16,827</u>	<u>26,203</u>	<u>4,221</u>	<u>1,065</u>
	51,488	39,316	47,863	28,991	26,811
Non-current assets:					
Goodwill	\$ 1,145	\$ 1,145	\$ 1,145	\$ 1,145	\$ 1,145
Intangible assets	12,829	15,492	14,394	13,924	12,000
Property, plant and equipment	2,259	2,568	2,074	2,080	-
Grants receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total non-current assets</b>	16,233	19,205	17,613	17,149	13,145
<b>Total assets</b>	<u>\$ 67,721</u>	<u>\$ 58,521</u>	<u>\$ 65,476</u>	<u>\$ 46,140</u>	<u>\$ 39,956</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Loans and borrowings	430	361	264	-	-
Trade payables	7,546	8,055	6,453	7,733	8,000
Grants payable	-	-	-	-	-
Other current liabilities	3,535	3,816	4,358	4,025	4,500
Short-term liabilities	<u>1,082</u>	<u>883</u>	<u>402</u>	<u>200</u>	<u>300</u>
<b>Total current liabilities</b>	<u>12,593</u>	<u>13,115</u>	<u>11,477</u>	<u>11,958</u>	<u>12,800</u>
Deferred tax liabilities	729	616	575	630	210
Grants payable and deferred revenue	-	60	-	-	-
Long-term liabilities	1,550	661	1,045	1,045	247
Loans and borrowings	<u>108</u>	<u>523</u>	<u>262</u>	<u>-</u>	<u>7,000</u>
<b>Total long-term liabilities</b>	<u>2,387</u>	<u>1,860</u>	<u>1,882</u>	<u>1,675</u>	<u>7,457</u>
Total liabilities	<u>\$ 14,980</u>	<u>\$ 14,975</u>	<u>\$ 13,359</u>	<u>\$ 13,633</u>	<u>\$ 20,257</u>
<b>Total equity</b>	<u>52,741</u>	<u>43,546</u>	<u>52,117</u>	<u>32,507</u>	<u>19,699</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 67,721</u>	<u>\$ 58,521</u>	<u>\$ 65,476</u>	<u>\$ 46,140</u>	<u>\$ 39,956</u>
SHARES OUT	49,846	49,960	59,950	59,960	59,965

Source: Company reports and Taglich Brothers estimates

MDxHealth SA  
Annual Income Statement  
FY2016 – FY2020E  
(in thousands)

	FY2016A	FY2017A	FY2018A	FY2019E	FY2020E
Product and service income	\$ 24,924	\$ 28,162	\$ 27,710	\$ 25,500	\$ 34,885
Royalties	4,943	5,346	628	302	-
Patent income	-	7,000	-	-	-
Government grants	103	-	59	-	-
Total revenue	29,970	40,508	28,397	25,802	34,885
Cost of goods and services sold	10,103	10,203	11,652	11,600	13,775
<b>Total Gross Profit</b>	19,867	30,305	16,745	14,202	21,110
Operating Expenses:					
Research and Development	1,977	3,505	4,280	1,000	1,000
SG&A	30,953	39,142	44,798	34,250	32,055
Other operating income	(220)	(68)	(261)	-	-
Other operating expenses	3	-	26	-	-
Total Operating Expenses	32,713	42,579	48,843	35,250	33,055
<b>Operating Income (loss)</b>	(12,846)	(12,274)	(32,098)	(21,048)	(11,945)
Other Income (Expense)					
Financial income	36	10	21	20	20
Financial expenses	(477)	(137)	(414)	(600)	(1,000)
Total Other Income (Expense)	(441)	(127)	(393)	(580)	(980)
<b>Pre-Tax Income (loss)</b>	(13,287)	(12,401)	(32,491)	(21,628)	(12,925)
Income Tax Expense (Benefit)	(113)	(113)	(41)	-	-
<b>Net Income (loss)</b>	<u>\$ (13,174)</u>	<u>\$ (12,288)</u>	<u>\$ (32,450)</u>	<u>\$ (21,628)</u>	<u>\$ (12,925)</u>
<b>EPS (loss)</b>	<u>\$ (0.29)</u>	<u>\$ (0.25)</u>	<u>\$ (0.54)</u>	<u>\$ (0.36)</u>	<u>\$ (0.22)</u>
Weighted Average Shares Outstanding	<u>46,075</u>	<u>49,949</u>	<u>59,995</u>	<u>59,995</u>	<u>59,995</u>
EBITDA	\$ (10,558)	\$ (9,445)	\$ (29,131)	\$ (17,848)	\$ (7,745)
Margins					
Total Gross Margin	66.3%	74.8%	59.0%	55.0%	60.5%
Gross Margin - product and service income	59.5%	63.8%	58.0%	54.5%	60.5%
Operating Margin	(42.9%)	(30.3%)	(113.0%)	(81.6%)	(34.2%)
Research and Development	6.6%	8.7%	15.1%	3.9%	2.9%
SG&A	103.3%	96.6%	157.8%	132.7%	91.9%
Other operating income	(0.7%)	(0.2%)	(0.9%)	0.0%	0.0%
Total operating expense	109.2%	105.1%	172.0%	136.6%	94.8%
Pre-Tax Margins	(44.3%)	(30.6%)	(114.4%)	(83.8%)	(37.1%)
Tax rate	0.9%	0.9%	0.1%	0.0%	0.0%
YEAR / YEAR GROWTH					
Total Revenues	69.9%	35.2%	(29.9%)	(9.1%)	35.2%
Product and service income - Revenue	58.2%	13.0%	(1.6%)	(8.0%)	36.8%

Source: Company reports and Taglich Brothers estimates

MDxHealth SA  
Income Statement Model  
Semi Annual FY2018A – 2020E  
(in thousands)

	1H18A	FY2018A	1H19A	FY2019E	1H20E	FY2020E
Product and service income	\$ 16,638	\$ 27,710	\$ 10,571	\$ 25,500	\$ 13,750	\$ 34,885
Royalties	562	628	302	302	-	-
Patent income	-	-	-	-	-	-
Government grants	-	59	-	-	-	-
<b>Total revenue</b>	<b>17,200</b>	<b>28,397</b>	<b>10,873</b>	<b>25,802</b>	<b>13,750</b>	<b>34,885</b>
Cost of goods and services sold	6,674	11,652	5,909	11,600	6,800	13,775
<b>Total Gross Profit</b>	<b>10,526</b>	<b>16,745</b>	<b>4,964</b>	<b>14,202</b>	<b>6,950</b>	<b>21,110</b>
Operating Expenses:						
Research and Development	1,898	4,280	500	1,000	500	1,000
SG&A	23,682	44,798	18,327	34,250	16,550	32,055
Other operating income	(116)	(261)	-	-	-	-
Other operating expenses	14	26	-	-	-	-
<b>Total Operating Expenses</b>	<b>25,478</b>	<b>48,843</b>	<b>18,827</b>	<b>35,250</b>	<b>17,050</b>	<b>33,055</b>
<b>Operating Income (loss)</b>	<b>(14,952)</b>	<b>(32,098)</b>	<b>(13,863)</b>	<b>(21,048)</b>	<b>(10,100)</b>	<b>(11,945)</b>
Other Income (Expense)						
Financial income	12	21	10	20	10	20
Financial expenses	(157)	(414)	(285)	(600)	(500)	(1,000)
<b>Total Other Income (Expense)</b>	<b>(145)</b>	<b>(393)</b>	<b>(275)</b>	<b>(580)</b>	<b>(490)</b>	<b>(980)</b>
<b>Pre-Tax Income (loss)</b>	<b>(15,097)</b>	<b>(32,491)</b>	<b>(14,138)</b>	<b>(21,628)</b>	<b>(10,590)</b>	<b>(12,925)</b>
Income Tax Expense (Benefit)	16	(41)	-	-	-	-
<b>Net Income (loss)</b>	<b>\$ (15,113)</b>	<b>\$ (32,450)</b>	<b>\$ (14,138)</b>	<b>\$ (21,628)</b>	<b>\$ (10,590)</b>	<b>\$ (12,925)</b>
<b>EPS (loss)</b>	<b>\$ (0.27)</b>	<b>\$ (0.54)</b>	<b>\$ (0.24)</b>	<b>\$ (0.36)</b>	<b>\$ (0.18)</b>	<b>\$ (0.22)</b>
Weighted Average Shares Outstanding	55,974	59,995	59,995	59,995	59,995	59,995
EBITDA	\$ (12,928)	\$ (29,131)	\$ (12,238)	\$ (17,848)	\$ (8,600)	\$ (7,745)
Margins						
Total Gross Margin	61.2%	59.0%	45.7%	55.0%	50.5%	60.5%
Gross Margin - product and service income	59.9%	58.0%	44.1%	54.5%	50.5%	60.5%
Operating Margin	(86.9%)	(113.0%)	(127.5%)	(81.6%)	(73.5%)	(34.2%)
Research and Development	11.0%	15.1%	4.6%	3.9%	3.6%	2.9%
SG&A	137.7%	157.8%	168.6%	132.7%	120.4%	91.9%
Other operating income	(0.7%)	(0.9%)	0.0%	0.0%	0.0%	0.0%
Total operating expense	148.1%	172.0%	173.2%	136.6%	124.0%	94.8%
Pre-Tax Margins	(87.8%)	(114.4%)	(130.0%)	(83.8%)	(77.0%)	(37.1%)
Tax rate	(0.1%)	0.1%	0.0%	0.0%	0.0%	0.0%
YEAR / YEAR GROWTH						
Total Revenues	(29.1%)	(29.9%)	(36.8%)	(9.1%)	26.5%	35.2%
Product and service income - Revenue	38.6%	(1.6%)	(36.5%)	(8.0%)	30.1%	36.8%

Source: Company reports and Taglich Brothers estimates

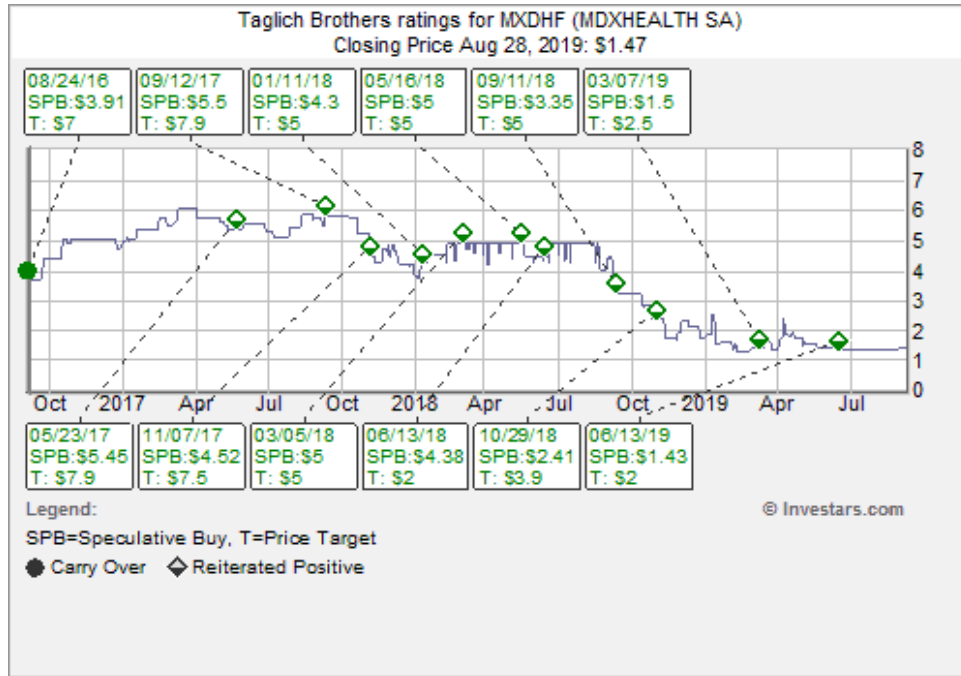
Taglich Brothers, Inc.

MDxHealth SA  
Cash Flow Statement  
FY2016 – FY2020E  
(in thousands)

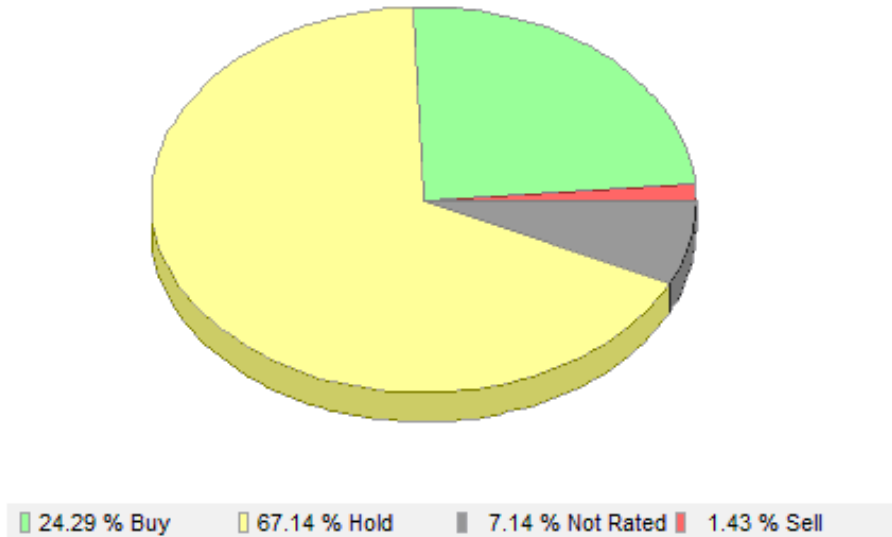
	<u>FY2016 A</u>	<u>FY2017 A</u>	<u>FY2018 A</u>	<u>FY2019 E</u>	<u>FY2020 E</u>
<i>Cash Flows from Operating Activities</i>					
Income (loss)	\$(12,846)	\$(12,274)	\$(32,098)	\$(21,048)	\$(11,945)
Depreciation, amortization, and impairment	1,720	1,886	2,937	1,000	1,000
Share-based compensation	568	943	1,006	1,000	1,000
Interest paid	(12)	(39)	-	-	-
Income taxes	113	-	-	-	-
Cash (burn) earnings	<u>(10,457)</u>	<u>(9,484)</u>	<u>(28,155)</u>	<u>(19,048)</u>	<u>(9,945)</u>
<i>Changes In:</i>					
Inventories	(52)	(440)	112	(693)	(100)
Accounts receivable	(7,566)	(1,432)	717	(2,188)	(553)
Accounts payable includes other	1,490	867	(1,217)	947	742
Net (increase) decrease in Working Capital	<u>(6,128)</u>	<u>(1,005)</u>	<u>(388)</u>	<u>(1,934)</u>	<u>89</u>
<b>Net cash provided (used) by Operations</b>	<u>(16,585)</u>	<u>(10,489)</u>	<u>(28,543)</u>	<u>(20,982)</u>	<u>(9,856)</u>
<i>Cash Flows from Investing Activities</i>					
Acquisition of subsidiary, net - Earn out	-	(1,105)	-	-	-
Interest received	5	-	-	-	-
Other financial profit (loss)	(434)	(88)	-	-	-
Capital expenditures	(1,112)	(1,172)	(433)	(250)	(300)
Purchase of intangibles	<u>(3,775)</u>	<u>(3,688)</u>	<u>(912)</u>	<u>-</u>	<u>-</u>
<b>Net cash (used) provided in Investing</b>	<u>(5,316)</u>	<u>(6,053)</u>	<u>(1,345)</u>	<u>(250)</u>	<u>(300)</u>
<i>Cash Flows from Financing Activities</i>					
Proceeds (payments) from loans and borrowings	80	346	(751)	(750)	7,000
Proceeds from issuance of shares, net	<u>21,015</u>	<u>227</u>	<u>42,423</u>	<u>-</u>	<u>-</u>
<b>Net cash provided (used) by Financing</b>	<u>21,095</u>	<u>573</u>	<u>41,672</u>	<u>(750)</u>	<u>7,000</u>
Exchange rate	<u>(3)</u>	<u>1,925</u>	<u>(2,408)</u>	<u>-</u>	<u>-</u>
Net change in Cash	(809)	(14,044)	9,376	(21,982)	(3,156)
Cash Beginning of Period	<u>31,680</u>	<u>30,871</u>	<u>16,827</u>	<u>26,203</u>	<u>4,221</u>
Cash End of Period	<u>\$ 30,871</u>	<u>\$ 16,827</u>	<u>\$ 26,203</u>	<u>\$ 4,221</u>	<u>\$ 1,065</u>

Source: Company reports and Taglich Brothers estimates

**Price Chart**



**Taglich Brothers Current Ratings Distribution**



<b>Investment Banking Services for Companies Covered in the Past 12 Months</b>		
Rating	#	%
Buy	2	9
Hold		
Sell		
Not Rated	1	25

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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.

**Dropping Coverage** – Research coverage discontinued due to the acquisition of the company, termination of research services, 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.