

## Research Note

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

### MDxHealth SA

**Rating: Speculative Buy**

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November 13, 2019

### MXDHF \$1.13 — (Other OTC)

	2016 A*	2017 A*	2018 A*	2019 E*	2020 E
Revenue* (in millions)	\$24.9	\$28.2	\$28.4	\$22.2	\$32.0
Earnings per share	(\$0.29)	(\$0.25)	(\$0.54)	(\$0.40)	(\$0.24)
52-Week range	\$4.55 – \$1.33			Fiscal year ends: December	
Shares outstanding <small>a/o 09/27/19</small>	70.5 million		Revenue/shares (ttm)	\$0.33	
Approximate float	47.8 million		Price/Sales (ttm)	3.4X	
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 \$400,000 \$0 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 but reducing our 12-month price target to \$1.75 per share from \$2.00 per share due primarily to a reduced sales per share forecast, offset in part by an increase in sector valuation.**

**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 SelectMDx). The US sales team will use data driven analytics to engage its established customer base of urologists to drive increased utilization of its molecular diagnostic tests.**

**A reduction in operating expenses in 2019/2020 should result from the postponement of the commercial rollout of the 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 November 11, 2019, NEPH reported total revenue of \$15.6 million and a net loss of \$20.9 million or (\$0.35) per share for the nine-month period ended September 30, 2019. In the year-ago period total revenue was \$24 million and the net loss was \$22.8 million or (\$0.40) per share.**

**For 2019, we forecast total revenue of \$22.6 million (prior was \$25.8 million) and a loss per share of (\$0.40) (prior was of (\$0.36) per share). Our forecast reflects 9M19 results.**

**For 2020, we forecast sales growth of 44.1% to \$32 million (prior was \$34.9 million) and a loss per share of (\$0.24). We previously projected a loss per share of (\$0.22). Our revised forecast reflects slower than anticipated sequential growth of its two core molecular diagnostic prostate cancer tests offerings.**

**Please view our Disclosures on pages 10 - 12**

**Appreciation Potential**

**Maintaining Speculative Buy rating but reducing our 12-month price target to \$1.75 per share from \$2.00 per share due primarily to a reduced sales per share forecast, offset in part by an increase in sector valuation.** We anticipate a resumption of product and service revenue growth per share in 2020 by 25% compared to a revenue per share decrease of 17.9% in 2019. Our rating reflects the company's global penetration of an estimated two million annual prostate biopsies and a unique billing code for the ConfirmMDx test that became effective January 2018. Additionally, the company's SelectMDx test is likely to obtain national coverage in the US (by early 2020) once the final Local Coverage Determination is issued based on the recommendation of a Medicare Administrative Contractors' issuance of a draft recommendation of coverage for the test in August 2019.

The seven comparative diagnostic/genomics testing companies profiled in the chart below have a 2019 price to sales multiple of 7X (prior was 5.9X) and 2020 price to sales multiple of 10.5X (prior was 9.8X) versus MDxHealth's 2019 and 2020 price to sales multiples of 3.1X (prior was 3.4X) and 2.5X (unchanged), respectively.

We anticipate investors should accord shares of MDxHealth approaching that of its peers due to product and services sales per share increasing by 25% in 2020 (see table on right) compared to 12.8% for its peers. We applied a 5X multiple (prior was 4.5X) to our 2020 sales per share estimate of \$0.46, 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 50%.

Name	Symbol	Price 11-12-19	Market Cap in \$mil	2019E P/S	2020 Sales Growth	2020E P/S
Epigenomics AG	EPGNY	6.42	279	NMF	NMF	32.5
GenMark Diagnostics Inc	GNMK	5.60	325	3.7	27.3%	2.9
Genomic Health Inc	GHDX	63.44	2,385	NA	NA	NA
Myriad Genetics Inc.	MYGN	24.24	1,803	2.2	6.5%	2.1
Natera Inc.	NTRA	37.34	2,895	10.1	12.3%	8.7
Qiagen NV	QGEN	32.37	7,472	4.9	5.2%	4.7
Veracyte Inc.	VCYT	23.48	1,656	14.2	12.7%	12.2
				7.0	12.8%	10.5
Company						
MDxHealth SA	MXDHF	1.13	80	3.1	25.0%	2.5

Source: Taglich Brothers estimates and Thomson Reuters - eikon

**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**

Total revenue reported in the nine months ended September 30, 2019, decreased 35% to \$15.6 million, compared to \$24 million in the year-ago period. Total revenue in the year-ago period included \$1.9 million of royalties and patent income compared to \$342,000 in the current period. Product revenue for the period (excluding royalties and patent income) decreased 31% to \$15.3 million from \$22.1 million in the year-ago period (see table below for result highlights).

USD in thousands (except per share data)	Nine Months Ended September 30,			
	2019	2018	\$ Change	% Change
Product revenue	15,270	22,117	(6,847)	(31)%
Royalties and patent income	342	1,865	(1,523)	(82)%
Total Revenue	15,612	23,982	(8,370)	(35)%
Gross Profit	6,819	15,116	(8,297)	(55)%
Operating expenses	(27,452)	(37,660)	10,208	27%
Operating loss	(20,633)	(22,544)	1,911	8%
Net loss	(20,915)	(22,842)	1,927	8%
Basic and diluted loss per share	(0.35)	(0.40)	0.05	13%

The company's ConfirmMDx billable test volume decreased (see table below) due primarily to a one-time volume increase last year due to a non-recurring utility study, as well as the company restructuring its commercial organization in 2019. For the three months ended September 30, 2019, billable test volume for ConfirmMDx was up 5% (see table below) reflecting parts of the company's restructuring efforts in 1H19 beginning to payoff.

Territory	Products	Nine Months Ended September 30,		
		2019	2018	% Change
U.S.	ConfirmMDx	13,037	14,975	(13)%
	SelectMDx	13,418	7,250	85%
E.U.	SelectMDx	3,383	1,903	78%

For the three and nine-months periods SelectMDx billable test volumes increased (see tables on the right).

Territory	Products	Three Months Ended September 30,		
		2019	2018	% Change
U.S.	ConfirmMDx	4,305	4,111	5%
	SelectMDx	3,200	2,315	38%
E.U.	SelectMDx	1,073	525	104%

In the first nine-months of 2019, operating expenses decreased \$10.2 million to \$27.5 million due primarily to the company's restructuring its commercial operations and the postponement of the commercial rollout of its AssureMDx Bladder Cancer offering and delaying spending on two new products for prostate cancer.

At September 30, 2019, the company had a cash balance of \$16.4 million that included the issuance of nearly 10.6 million in common stock for proceeds of approximately \$10 million. Subsequent to the end of the quarter, the company borrowed approximately \$10 under an existing credit facility with Kreos Capital. At November 1, 2019, cash and cash equivalents were approximately \$26.4 million.

## ***Projections***

### ***Basis of Forecast***

In 2020, we anticipate the company should deliver over 50,000 molecular diagnostic urological cancer tests globally, up from approximately 40,000 tests globally in 2019. In 9M19, the company delivered approximately 30,100 tests.

In 2018, the company billed \$53.5 million (\$54.5 million in 2017) for tests delivered, but approximately 51% was recognized as 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 \$400,000 compared to \$628,000 in 2018.

### ***Operations***

In 2019, we project total revenue of \$22.6 million, down \$3.6 million from our prior forecast due primarily 9M19 results. We forecast 40,000 (prior was 43,000) delivered molecular tests.

We project gross profit of \$10.9 million compared to \$16.7 million in 2018. We anticipate product and service gross margin declining to 47.2% compared to 58% in 2018. We project operating losses narrowing to \$24.4 million from \$32.1 million as operating expense margin improves to 156% 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 \$500,000 compared to \$414,000 in 2018 due to higher debt balances. Our 2019 net loss forecast is \$24.9 million or (\$0.40) per share on 62.6 million average shares outstanding. Our prior net loss forecast was \$21.6 million or (\$0.36) per share on 60 million average shares outstanding.

In 2020, we project a 44.1% increase in product and service revenue (total revenue) to \$32 million (prior was \$34.9 million). Our revenue growth forecast reflects approximately 50,000 delivered molecular tests (prior was 53,000). 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 \$18.2 million from an estimated \$10.9 million in 2019. We anticipate product and service gross margin improving to 57% from an estimated 47.2% in 2019 due to improved efficiencies in the company's sales process stemming from the 2019 restructuring program for the company's commercial operations. We project operating losses should narrow to \$15.8 million from an estimated \$24.4 million as operating expense margin improves to 106% from 156% 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 \$1.3 million decrease in operating expenses to \$34 million from an estimated \$35.3 million in 2019. We estimate a \$1.3 million decrease in SG&A to \$33 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 \$500,000 in 2019 due to higher debt balances. Our 2020 net loss forecast is \$16.8 million or (\$0.24) per share on 70.5 million average shares outstanding. We previously projected a net loss of \$12.9 million or (\$0.22) per share on 60 million average share outstanding.

### Finances

For 2019, we project cash burn of \$22.6 million and an increase in working capital of \$77,000. Cash used in operations of \$22.7 million and capital expenditures, is unlikely to be offset from \$20 million in proceeds from the issuance of common stock and a drawdown of the company's credit facility (approximately \$10 million each). We anticipate cash to be reduced \$2.9 million to \$23.3 million at December 31, 2019.

For 2020, we project cash burn of \$13.9 million and a decrease in working capital of \$1.9 million. The decrease in working capital is due primarily to an increase in payables. Cash used in operations of \$12 million, capital expenditures, and the repayment of debt should reduce cash by \$13.3 million to \$10 million at December 31, 2020.

### **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. In 3Q19, the company obtained net proceeds of approximately \$10 million from the issuance of approximately 10.6 million common shares. The most recent capital raise along with \$10 million of borrowings should provide the company with enough capital through our forecast period. However, if MDxHealth should require additional equity or debt funding in order grow the utilization of the company's core molecular diagnostic tests it would likely 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 (payers). 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

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 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 47.8 million shares and shares outstanding of 70.5 million. Average daily US volume over the three-month period ending November 12, 2019 was 100 shares.

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	18,500	18,667
Prepaid expenses and other current assets	580	745	791	888	1,232
Cash and cash equivalents	<u>30,871</u>	<u>16,827</u>	<u>26,203</u>	<u>23,301</u>	<u>9,994</u>
	51,488	39,316	47,863	45,189	32,493
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	2,085
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	15,230
<b>Total assets</b>	<u>\$ 67,721</u>	<u>\$ 58,521</u>	<u>\$ 65,476</u>	<u>\$ 62,338</u>	<u>\$ 47,723</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Loans and borrowings	430	361	264	-	-
Trade payables	7,546	8,055	6,453	6,840	8,000
Grants payable	-	-	-	-	-
Other current liabilities	3,535	3,816	4,358	4,025	5,000
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>11,065</u>	<u>13,300</u>
Deferred tax liabilities	729	616	575	630	630
Grants payable and deferred revenue	-	60	-	-	-
Long-term liabilities	1,550	661	1,045	1,045	1,045
Loans and borrowings	<u>108</u>	<u>523</u>	<u>262</u>	<u>10,000</u>	<u>9,000</u>
<b>Total long-term liabilities</b>	<u>2,387</u>	<u>1,860</u>	<u>1,882</u>	<u>11,675</u>	<u>10,675</u>
Total liabilities	<u>\$ 14,980</u>	<u>\$ 14,975</u>	<u>\$ 13,359</u>	<u>\$ 22,740</u>	<u>\$ 23,975</u>
<b>Total equity</b>	<u>52,741</u>	<u>43,546</u>	<u>52,117</u>	<u>39,598</u>	<u>23,748</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 67,721</u>	<u>\$ 58,521</u>	<u>\$ 65,476</u>	<u>\$ 62,338</u>	<u>\$ 47,723</u>
SHARES OUT	49,846	49,960	59,950	70,529	70,529

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	\$ 22,200	\$ 32,000
Royalties	4,943	5,346	628	400	-
Patent income	-	7,000	-	-	-
Government grants	103	-	59	-	-
Total revenue	29,970	40,508	28,397	22,600	32,000
Cost of goods and services sold	10,103	10,203	11,652	11,725	13,775
<b>Total Gross Profit</b>	19,867	30,305	16,745	10,875	18,225
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	33,000
Other operating income	(220)	(68)	(261)	-	-
Other operating expenses	3	-	26	-	-
Total Operating Expenses	32,713	42,579	48,843	35,250	34,000
<b>Operating Income (loss)</b>	(12,846)	(12,274)	(32,098)	(24,375)	(15,775)
Other Income (Expense)					
Financial income	36	10	21	20	20
Financial expenses	(477)	(137)	(414)	(500)	(1,000)
Total Other Income (Expense)	(441)	(127)	(393)	(480)	(980)
<b>Pre-Tax Income (loss)</b>	(13,287)	(12,401)	(32,491)	(24,855)	(16,755)
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>\$ (24,855)</u>	<u>\$ (16,755)</u>
<b>EPS (loss)</b>	<u>\$ (0.29)</u>	<u>\$ (0.25)</u>	<u>\$ (0.54)</u>	<u>\$ (0.40)</u>	<u>\$ (0.24)</u>
Weighted Average Shares Outstanding	<u>46,075</u>	<u>49,949</u>	<u>59,995</u>	<u>62,587</u>	<u>70,529</u>
EBITDA	\$ (10,558)	\$ (9,445)	\$ (29,131)	\$ (21,175)	\$ (11,575)
Margins					
Total Gross Margin	66.3%	74.8%	59.0%	48.1%	57.0%
Gross Margin - product and service income	59.5%	63.8%	58.0%	47.2%	57.0%
Operating Margin	(42.9%)	(30.3%)	(113.0%)	(107.9%)	(49.3%)
Research and Development	6.6%	8.7%	15.1%	4.4%	3.1%
SG&A	103.3%	96.6%	157.8%	151.5%	103.1%
Other operating income	(0.7%)	(0.2%)	(0.9%)	0.0%	0.0%
Total operating expense	109.2%	105.1%	172.0%	156.0%	106.3%
Pre-Tax Margins	(44.3%)	(30.6%)	(114.4%)	(110.0%)	(52.4%)
Tax rate	0.9%	0.9%	0.1%	0.0%	0.0%
YEAR / YEAR GROWTH					
Total Revenues	69.9%	35.2%	(29.9%)	(20.4%)	41.6%
Product and service income - Revenue	58.2%	13.0%	(1.6%)	(19.9%)	44.1%

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	\$ 22,200	\$ 13,750	\$ 32,000
Royalties	562	628	302	400	-	-
Patent income	-	-	-	-	-	-
Government grants	-	59	-	-	-	-
<b>Total revenue</b>	<b>17,200</b>	<b>28,397</b>	<b>10,873</b>	<b>22,600</b>	<b>13,750</b>	<b>32,000</b>
Cost of goods and services sold	6,674	11,652	5,909	11,725	6,800	13,775
<b>Total Gross Profit</b>	<b>10,526</b>	<b>16,745</b>	<b>4,964</b>	<b>10,875</b>	<b>6,950</b>	<b>18,225</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	33,000
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>34,000</b>
<b>Operating Income (loss)</b>	<b>(14,952)</b>	<b>(32,098)</b>	<b>(13,863)</b>	<b>(24,375)</b>	<b>(10,100)</b>	<b>(15,775)</b>
Other Income (Expense)						
Financial income	12	21	10	20	10	20
Financial expenses	(157)	(414)	(285)	(500)	(500)	(1,000)
<b>Total Other Income (Expense)</b>	<b>(145)</b>	<b>(393)</b>	<b>(275)</b>	<b>(480)</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>(24,855)</b>	<b>(10,590)</b>	<b>(16,755)</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>\$ (24,855)</b>	<b>\$ (10,590)</b>	<b>\$ (16,755)</b>
<b>EPS (loss)</b>	<b>\$ (0.27)</b>	<b>\$ (0.54)</b>	<b>\$ (0.24)</b>	<b>\$ (0.40)</b>	<b>\$ (0.15)</b>	<b>\$ (0.24)</b>
Weighted Average Shares Outstanding	55,974	59,995	59,995	62,587	70,529	70,529
EBITDA	\$ (12,928)	\$ (29,131)	\$ (12,238)	\$ (21,175)	\$ (8,600)	\$ (11,575)
Margins						
Total Gross Margin	61.2%	59.0%	45.7%	48.1%	50.5%	57.0%
Gross Margin - product and service income	59.9%	58.0%	44.1%	47.2%	50.5%	57.0%
Operating Margin	(86.9%)	(113.0%)	(127.5%)	(107.9%)	(73.5%)	(49.3%)
Research and Development	11.0%	15.1%	4.6%	4.4%	3.6%	3.1%
SG&A	137.7%	157.8%	168.6%	151.5%	120.4%	103.1%
Other operating income	(0.7%)	(0.9%)	0.0%	0.0%	0.0%	0.0%
Total operating expense	148.1%	172.0%	173.2%	156.0%	124.0%	106.3%
Pre-Tax Margins	(87.8%)	(114.4%)	(130.0%)	(110.0%)	(77.0%)	(52.4%)
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%)	(20.4%)	26.5%	41.6%
Product and service income - Revenue	38.6%	(1.6%)	(36.5%)	(19.9%)	30.1%	44.1%

Source: Company reports and Taglich Brothers estimates

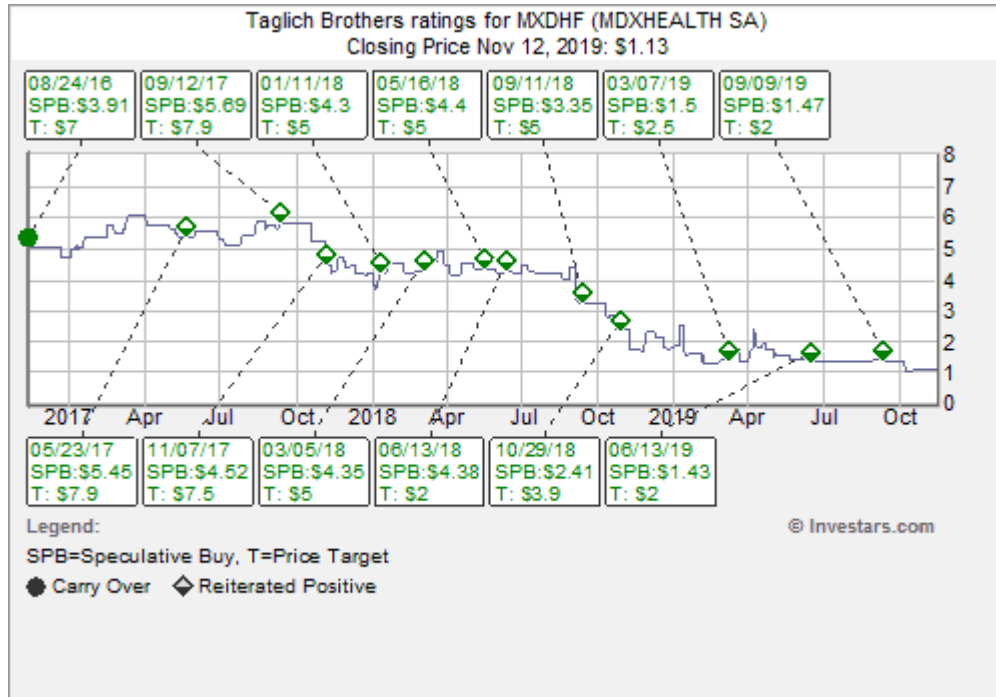


MDxHealth SA  
Cash Flow Statement  
FY2016 – FY2020E  
(in thousands)

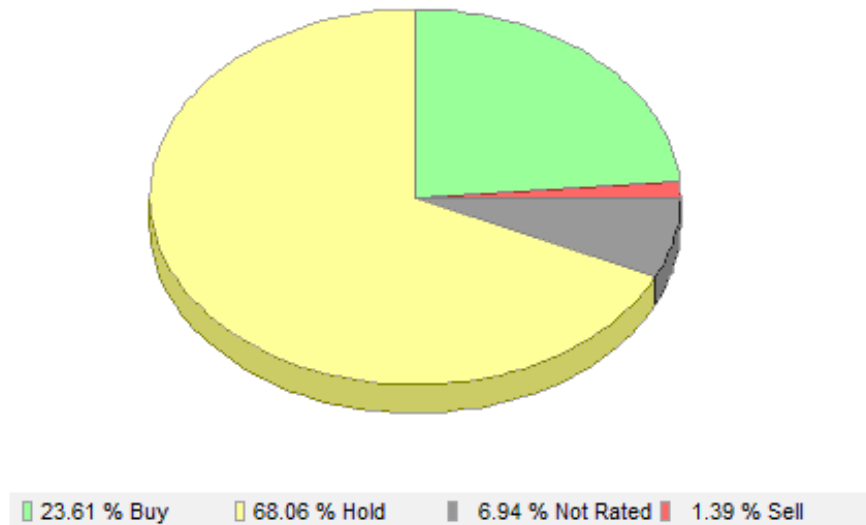
	FY2016 A	FY2017 A	FY2018 A	FY2019 E	FY2020 E
<i>Cash Flows from Operating Activities</i>					
Income (loss)	\$(12,846)	\$(12,274)	\$(32,098)	\$(24,375)	\$(15,775)
Depreciation, amortization, and impairment	1,720	1,886	2,937	900	900
Share-based compensation	568	943	1,006	900	1,000
Interest paid	(12)	(39)	-	-	-
Income taxes	113	-	-	-	-
Cash (burn) earnings	<u>(10,457)</u>	<u>(9,484)</u>	<u>(28,155)</u>	<u>(22,575)</u>	<u>(13,875)</u>
<i>Changes In:</i>					
Inventories	(52)	(440)	112	(693)	(100)
Accounts receivable	(7,566)	(1,432)	717	562	(167)
Accounts payable includes other	1,490	867	(1,217)	54	2,135
Net (increase) decrease in Working Capital	<u>(6,128)</u>	<u>(1,005)</u>	<u>(388)</u>	<u>(77)</u>	<u>1,869</u>
<b>Net cash provided (used) by Operations</b>	<u>(16,585)</u>	<u>(10,489)</u>	<u>(28,543)</u>	<u>(22,652)</u>	<u>(12,006)</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)	10,000	(1,000)
Proceeds from issuance of shares, net	<u>21,015</u>	<u>227</u>	<u>42,423</u>	<u>10,000</u>	<u>-</u>
<b>Net cash provided (used) by Financing</b>	<u>21,095</u>	<u>573</u>	<u>41,672</u>	<u>20,000</u>	<u>(1,000)</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	(2,902)	(13,306)
Cash Beginning of Period	<u>31,680</u>	<u>30,871</u>	<u>16,827</u>	<u>26,203</u>	<u>23,301</u>
Cash End of Period	<u>\$ 30,871</u>	<u>\$ 16,827</u>	<u>\$ 26,203</u>	<u>\$ 23,301</u>	<u>\$ 9,994</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	10
Hold		
Sell		
Not Rated	1	25

**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:**

Epigenomics	(NASDAQ: EPGNY)	GenMark Diagnostics Inc.	(NASDAQ: GNMK)
Genomic Health Inc	(NASDAQ: GHDX)	Myriad Genetics Inc.	(NASDAQ: MYGN)
Natera Inc	(NASDAQ: NTRA)	Veracyte Inc.	(NASDAQ:VCYT)
Qiagen NV	(NASDAQ: QGEN)	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.