

MedX Health (MDX - V)

Ready to Take Its Place Amongst the Tele-Health Stocks

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- Tele-health has always seemed on the cusp of capturing investor attention. In fact, we have been highlighting the growth potential of "remote monitoring" of some indications to reduce hospital visits for several years. However, the vast majority of medical visits continue to be "face-to-face" with doctors as such billing codes are already well entrenched. Furthermore, the medical community is typically quite conservative and radical change in behaviour comes slowly or needs a specific catalyst to effect such a change. **That catalyst may be COVID-19.**
- The pandemic has certainly put healthcare stocks in the cross-hairs of investors, and not just those who are directly impacted such as those providing respiratory equipment, ie. Viamed (VMD – T, Buy \$12.50 TP) and Protech (PTQ – T, Buy \$2.50 TP) or testing companies, ie. Microbix Biosystems (MBX – T, NR) but also those companies who may benefit from the changing dynamics of the medical industry. For example, over the past month, there have been a significant amount of cancellations for such things as GP appointments. The reality is that neither patients nor doctors can afford to postpone such appointments indefinitely.
- In fact, the medical community is similar to other segment of the economy where it is now possible to work remotely in a consultation, monitoring or triage capacity. This potentially sustainable change in business practice has given a major lift to the shares of companies who are well positioned to benefit, such as:
 - a) Teladoc Health (TDOC – US, NR): This US\$18.5 billion market cap company, who focuses on "virtual care" (ie. consultation with doctors) has seen its shares rise 150% YTD to a new all-time high of US\$202. Based on current FY21 forecasts, the stock trade at 21x sales and 164x EBITDA.
 - b) Masimo (MASI – US, NR): This is a US\$12 billion market cap company who manufactures non-invasive, remote monitoring technologies. YTD, the stock is +37% to a new all-time high of US\$221. Based on current FY21 estimates, the stock trades at 7.5x sales and 24x EBITDA.
 - c) Well Health (WELL – T, Buy \$2.50 TP): Also approaching an all-time at \$2.00, WELL trades at ~4.5x FY21 sales estimates.
- Dermatology is facing a similar dilemma with patients who are unable to get to the clinics. However, the issue with dermatology is a little different from other doctors such as a GP, in that a dermatologist needs to get a clear picture of the mole/lesion, below the skin, to determine if it is cancerous. This is not possible with pictures from cell phones or cameras being sent on an unsecure basis through email.
- **MedX Health** is the only company who has both a regulatory approved front-end scanning technology (SIAscope) and a HIPPA, PIPEDA and GDPR approved tele-health platform (DermSecure) through which to send the high resolution images securely to the dermatologist. As Dr. Siegel, a former head of the American Academy of Dermatology said, "...tele-dermatology has been slow to catch-on because of its poor image quality, but with MedX...it's as close to having a patient in front of you as I have seen."
- With a growing backlog, we believe MedX will take its position amongst the leaders in the tele-health movement, yet at 1.4x FY21 revenue estimates, it trades at a fraction of their valuations. **Maintain Buy**

Tele-Health Focus

Buy (unch)

\$0.45 (unch)

Recent/Closing Price	0.135
12-month Target Price	\$0.45
Potential Return	233%
52 Week Price Range	\$0.07 - \$0.17

Estimates

YE: Dec 31	FY20E	FY21E
Revenue (\$MM)	4.4	14.9
EBITDA (\$MM)	0.4	5.2
EPS	0.00	0.02

Valuation

	FY20E	FY21E
EV/Sales	4.9x	1.4x
EV/EBITDA	52.6x	4.1x
P/E	76.4x	5.6x

Stock Data (MM except per Share items)

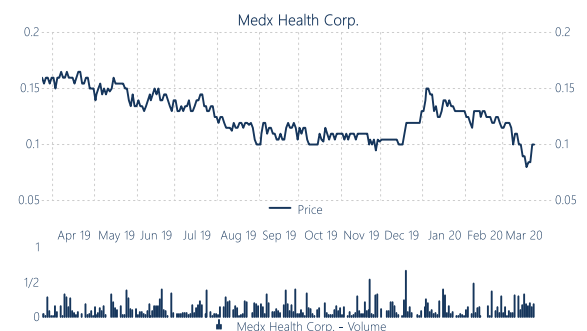
Shares Outstanding	
Basic	157.8
FD	231.5
Market Cap	
Basic	\$21.3
FD	\$31.3
Net Debt	\$0.0
EV	\$21.3

About the Company

MedX's mission is to develop and implement non-invasive, practical, drug free and cost-effective skin analysis and assessment systems for use by trained medical professionals. The company's Class 2 skin cancer scanning device with images that can be uploaded on its proprietary cloud-based tele-health platform are sent to local dermatologists for review. MedX is through its R&D phase with regulatory approval in 35 countries and has firmly commenced commercialization.

All prices in C\$ unless otherwise stated

Stock Performance



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As at March 31st, 2020	#Stocks	Distribution
BUY	61	71.8%
Speculative Buy	8	9.4%
Hold	4	4.7%
Sell	0	0.0%
Under Review	12	14.1%
Tender	0	0.0%
Total	85	100%

BUY Total 12-month return expected to be > 15%
 Speculative Buy Potential 12-month return is high (>15%) but given elevated risk, investment could result in a material loss
 Hold Total 12-month return is expected to be between 0% and 15%
 Sell Total 12-month return is expected to be negative
 Under Review
 Tender Clients are advised to tender their shares to a takeover bid or similar offer

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