

MedX Health (MDX - V)

Netherlands Provides Investors a Blueprint for Understanding Significant Recurring Revenue Potential

December 15, 2020

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- MedX announced that it has begun the rollout of its technology package (hardware and software) in the Netherlands.
- Through its Dutch partner, IVPG (www.ivpg.nl), MedX has installed its SIAScope hardware and DermSecure software platform in 2 clinics and expects to be installed in 3 more by the end of the year.
- Even after only a month, the company has provided real-time data as per the patient uptake. In particular, over 800 assessments on 500 patients have been performed. **This equates to ~20 assessments per day per clinic.** As a reminder, MDX receives ~\$10 per assessment, which creates a very profitable recurring revenue stream.
- We believe there are some very important investment considerations from today's announcement:
 - a) The Netherlands is ranked 5th in the world in terms of melanoma skin cancer. In fact, over 50% of all reported cancers in the country are skin cancer;
 - b) The Dutch government has deemed that the current standard of care for skin cancer prevention is not working;
 - c) The choice of MedX's skin cancer assessment technology shows its efficacy.
- **With the early success in just its initial 2 clinics, IVPG has indicated it plans to roll-out the technology platform to 41 clinics over the next 12-18 months.**
- We believe investors should understand the recurring, high margin, revenue juggernaut that is in the midst of being created. Given the metrics already apparent after just one month at the 2 installed clinics, 41 clinics would represent ~\$3 million of recurring revenue (ie. 41 x 312 days x 20 scans x \$10).
- The Netherlands represents but the first of many country roll-outs that includes Brazil, Mexico, Canada and the United States. **Today's announcement provides investors a blueprint to understand the substantial operating leverage and earnings power inherent in MDX's recurring revenue model.**
- Note that all countries face similar skin cancer prevention issues (ie. difficulty in early detection and long wait times to see a dermatologist). **MedX's platform has proven to be very effective at early detection, which is a win-win for patients and payors.** As such, we anticipate future announcements could include clinic partnerships (ie. pharmacies, health clinics, etc) in countries around the world. With a population of 17 million and \$3 million of recurring revenue from only 41 clinics, we believe the Netherlands' announcement is very important but may ultimately represent a relatively small revenue contributor.
- From a valuation perspective, with a market cap of ~\$20 million and a model that is starting to demonstrate significant traction, **MedX trades at a fraction of other tele-health/recurring revenue technology companies.**
- We maintain our Buy recommendation and \$0.45 target price.

Roll-Out in the Netherlands

Buy (unch) \$0.45 (unch)

Recent/Closing Price	\$0.12
12-month Target Price	\$0.45
Potential Return	291%
52 Week Price Range	\$0.07 - \$0.16

Estimates

YE: Dec 31	FY20E	FY21E
Revenue (\$MM)	0.5	14.9
EBITDA (\$MM)	-2.3	5.2
EPS	-0.01	0.02

Valuation

	FY20E	FY21E
EV/Sales	40.3x	1.4x
EV/EBITDA	-9.0x	3.9x
P/E	-11.9x	5.2x

Stock Data (MM except per Share items)

Shares Outstanding	
Basic	175.4
FD	175.4
Market Cap	
Basic	\$20.2
FD	\$20.2
Net Debt	\$0.0
EV	\$20.2

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 November 30th, 2020	#Stocks	Distribution
BUY	57	67.1%
Speculative Buy	18	21.2%
Hold	0	0.0%
Sell	0	0.0%
Under Review	9	10.6%
Tender	1	1.2%
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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