



Research Note

MDxHealth

Excellent Buy Opportunity

MDxHealth

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Name:	MDxHealth SA
Country:	Belgium
Price:	EUR 2.91
ISIN Code:	BE0003844611
Reuters Code:	MDXH.BR
Market Cap (EUR m):	131.5
EV (EUR m):	99.8
Cash & cash eq. (EUR m):	31.7
Shares outstanding (m):	45.2
Volume:	105,277
Free float:	73%
52-week Range:	2.80-5.50

	2014A	2015A	2016E
Total Revenues	11.671	17.640	30.000
Net (Loss)/Profit	(15.256)	(14.473)	(12.800)
Net loss per share (cents)	(0.44)	(0.32)	(0.28)
R&D costs	2.376	4.500	3.800
Cash increase/(decrease)	(5.786)	12.783	(18.500)
Cash and marketable sec.	18.897	31.680	13.180



Exact Sciences plans to replace MDxHealth's NDRG4 biomarker in Cologuard

Last week, MDxHealth's share price went down with almost 20% due to a remark made by management of Exact Sciences (EXAS) during the publication of the 2015FY figures last Thursday. Management indicated that it has begun a program to replace Cologuard's NDRG4 biomarker, which is licensed to Exact Sciences by MDxHealth. EXAS expects this program will take 18 months to 24 months to complete. We find that the drop in share price is highly exaggerated as a result of EXAS' intention, as royalty income in the coming years still is relatively low. MDxHealth's value and future growth is expected to come from its own product pipeline with a focus on urologic cancers. The expected future royalty stream represents a relatively small part of its current value. We feel that the lower share price provides an excellent buying opportunity.

In 2010, MDxHealth entered into an exclusive licensing agreement with Exact Sciences Corporation for stool-based screening of colorectal cancer. Under the terms of the agreement, Exact Sciences obtained exclusive, worldwide rights to use MDxHealth's NDRG biomarker in stool-based detection of colorectal cancer, as well as non-exclusive access to MDxHealth's MSP platform technology for use with those biomarkers. It is the first non-invasive screening test for colorectal cancer that analyzes both stool DNA and blood biomarkers. The test incorporates one of MDxHealth's epigenetic biomarkers and was FDA-approved August 2014. According to the latest 2015FY figures, a total of more than 104,000 Cologuard® tests are sold in 2015 with almost 27,000 ordering physicians. For the next few years, a strong increase of the number of Cologuard tests are expected. The company continues to anticipate completing more than 240,000 Cologuard® tests during 2016, generating between USD 90-100 million in revenue. This represents a greater than 130% year-over-year increase in the number of Cologuard® tests completed and revenue growth of approximately 128 to 154% from 2015.



The total addressable market is estimated to be 80 million tests. Exact Sciences has the capacity to process more than 1 million Cologuard® tests per year. Exact Sciences has obtained FDA approval and CMS coverage, and launched its Cologuard® test in 2014H2. MDxHealth receives a low to mid single digit royalty on sales of Cologuard®.

Valuation reduced but focus remains on MDxHealth own strong product portfolio

In our model, we factored in royalty income estimates for Cologuard (Exact Sciences) of up to USD 20 million, based on potential total revenues for Cologuard in 2025 of USD 1.2-1.5 billion and an estimated royalty percentage of 4%. In our opinion it will take at least 3-4 year before Exact Sciences can have a new test on the market. Nonetheless we reduce the value of the potential future royalty stream from Cologuard to EUR 0.25 per share from EUR 1.10 per share. Based on NPV based valuation, we believe that MDxHealth is substantially undervalued at the current share price of EUR 2.91. Using our valuation model and taking into account the future revenues of ConfirmMDx®, SelectMDx™ and AssureMDx™ for Bladder Cancer, we believe the company's current total value should be EUR 361 million, or EUR 8.00 per share. This represents a substantial upside from the current share price.



Analyst: Marcel Wijma MSc

Marcel Wijma, Chief Research Officer and managing partner, has a longstanding history in financial biotech research. After selling Van Leeuwenhoek Research (VLR) to SNS Securities in 2006, he established an award winning analyst team in biotech/life sciences at SNS Securities. In 2009, Marcel was awarded by Financial Times/Starmine as being one of the Top-3 biotech analysts in Europe. Later that year, Marcel purchased VLR from SNS Securities after which the company was reconstituted. At VLR, he leads the professional VLR research organisation, which is augmented by selected external financial researchers with a specialisation in Life Sciences. Mr. Wijma has a Masters degree in Financial Economics from Erasmus University in Rotterdam.

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