



Research Note

## MDxHealth

2017FY: Uncertainty Remains

**MDxHealth**

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<b>Name:</b>	<b>MDxHealth SA</b>
<b>Country:</b>	<b>Belgium</b>
<b>Price:</b>	<b>EUR 3.45</b>
<b>ISIN Code:</b>	<b>BE0003844611</b>
<b>Reuters Code:</b>	<b>MDXH.BR</b>
<b>Market Cap (EUR m):</b>	<b>172.3</b>
<b>EV (EUR m):</b>	<b>155.5</b>
<b>Cash &amp; cash eq. (EUR m):</b>	<b>16.8</b>
<b>Shares outstanding (m):</b>	<b>50.0</b>
<b>Volume:</b>	<b>206,269</b>
<b>Free float:</b>	<b>74%</b>
<b>52-week Range:</b>	<b>3.20-5.78</b>

	<b>2016A</b>	<b>2017A</b>	<b>2018E</b>
<b>Total Revenues</b>	29.970	40.508	35.0
<b>Net (Loss)/Profit</b>	(13.174)	(12.288)	(17.8)
<b>Net loss per share (cents)</b>	(0.26)	(0.25)	(0.36)
<b>R&amp;D costs</b>	1.977	2.000	2.000
<b>Cash increase/(decrease)</b>	(0.880)	(14.000)	(16.0)
<b>Cash and marketable sec.</b>	30.800	16.800	0.8

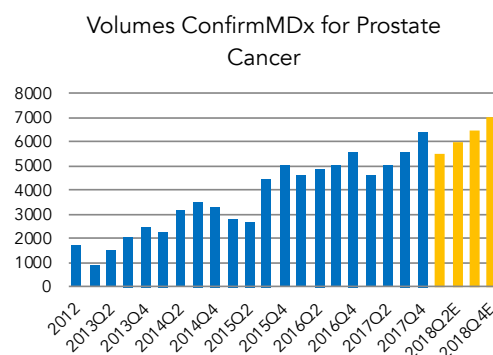
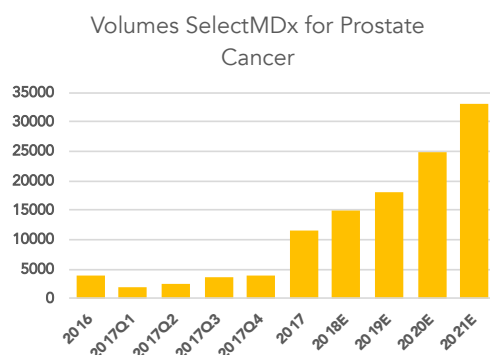
#### *Sales Confirm MDx falls behind in 2017H2, despite strong Q4*

Last week, MDxHealth published its 2017FY figures, which came in at the lower end of expectations. We already reduced our sales forecast for 2017 earlier this year following several



revenue growth warnings by the company. Total revenues increased with 35% to USD 40.5 million compared to USD 30.0 million in the same period last year. This includes the sale of MDxHealth's patents in colorectal cancer to Exact Sciences for USD 12.1 million. Excluding the sale of patents to Exact Sciences, total revenue increased by 13% to USD 28.2 million during 2017. Sales growth, particularly of ConfirmMDx (91% of total product and services revenue) was slowed down due to delays in obtaining billable cases from contracted customers and from a large post-marketing study. Test volumes for SelectMDx grew by more than 250%, and accounted for 35% of total volumes. According to the company, more than 33,000 patients were tested, which is a 39% increase compared to last year.

The lower price point of SelectMDx compared to ConfirmMDx and the early stage of payor adoption however limited the revenue for SelectMDx to approximately USD 1.8 million. The Company ended the year with a cash balance of USD 16.8 million compared to USD 30.8 million in 2016. Cash collections from ConfirmMDx and SelectMDx amounted to USD 23.1 million, 17% more than a year earlier. The CPT code that MDxHealth received for ConfirmMDx is effective as of January 2018. This code is expected to further streamline the Company's reimbursement efforts and significantly reduce collection periods. However, we do feel that the company will need to raise additional money in 2018H2, given its increased cash burn due to higher operating expenses. The lower share price (12M: -34%) could be a challenge to raise enough money at considerably higher share prices.



Source: Van Leeuwenhoek Inc

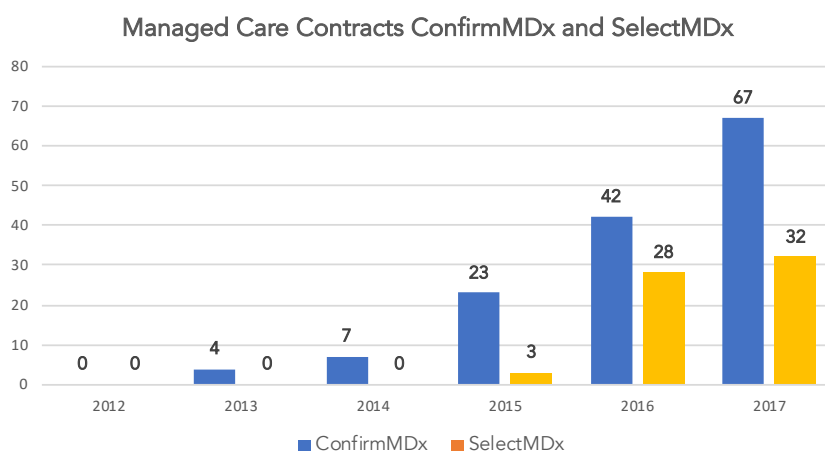
### *Increasing number of healthcare services agreements signed*

In 2017, MDxHealth was rather successful to increase the adoption and acceptance of ConfirmMDx and SelectMDx, both in the US and in Europe. In the US the focus for ConfirmMDx is on private payors and an additional 20 new payor contracts were signed. Payors reimbursing the tests now include the US Government Services Administration, 10 of 36 Blue Cross Blue Shield Association® affiliated plans, Medicaid programs and commercial payors, bringing the total number of contracted payors to 62. For SelectMDx the focus was to increase market penetration in the US and Europe. MDxHealth has signed nine new contracts with European and Middle-East distributors, which combined with the international launch of the CE-marked SelectMDx IVD-kit, enabled the Company to leverage the commercial infrastructure built over the last several years and make rapid and meaningful progress in the expansion of this product.

In October, the Company added to its commercial and R&D infrastructure through the opening of a new service and research laboratory at the Novio Tech Campus in Nijmegen, the Netherlands. This has expanded the Company's capacity to perform SelectMDx tests in Europe and support on-going research, development and commercial activities.



SelectMDx is currently indicated in the US and Europe for use in testing men with elevated PSA levels of 3-10 ng/ml before biopsy. However, the Company sees significant opportunity for SelectMDx to extend its use beyond the current validated pre-biopsy indication through active monitoring of 300,000 patients annually in the US and through use by general practitioners in the primary care setting for patients with lower levels of elevated PSA. The Company believes that these initiatives can quadruple the market opportunity for SelectMDx to more than 2 million patients annually in the US and a similar number for Europe.



### *Valuation MDxHealth revised downwards: Awaiting 2018Q1 figures first*

Based on our NPV based valuation, we still believe that MDxHealth is undervalued at the current share price of EUR 3.43. However, using our valuation model and taking into account the adjusted outlook for the future revenues of ConfirmMDx®, SelectMDx™ and AssureMDx™, we estimate MDX Health's current value at EUR 275-300 million or **EUR 5.50-6.00 per share** from EUR 400 million or EUR 8.00 per share. In order to adjust our model upwards, we first like to see some confirmation with the 2018Q1 figures that the newly received CPT code for ConfirmMDx positively impacts revenue growth.



### Valuation ConfirmMDx in Prostate Cancer

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Price	1150	1200	1250	1250	1250	1250	1250	1250	1250	1250
Number of tests	25000	33985	48292	63021	78181	93782	109833	126345	143327	153133
Market share	1.9%	2.5%	3.5%	4.5%	5.5%	6.5%	7.5%	8.5%	9.5%	10.0%
Tests US (million)	1.34	1.36	1.38	1.40	1.42	1.44	1.46	1.49	1.51	1.53
Revenues (million)	28.8	40.8	60.4	78.8	97.7	117.2	137.3	157.9	179.2	191.4
Net Margin 40%	11.5	16.3	24.2	31.5	39.1	46.9	54.9	63.2	71.7	76.6
WACC 10%	1.00	0.91	0.83	0.75	0.68	0.62	0.56	0.51	0.47	0.42
NPV (million)	11.5	14.8	20.0	23.7	26.7	29.1	31.0	32.4	33.4	32.4
Total NPV (million)	255.0									

### Valuation SelectMDx in Prostate Cancer

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Price	400	400	400	400	400	400	400	400	400	400
Number of tests	15000	18000	25000	33000	45000	60000	80000	105000	135000	175000
Market share	0.3 %	0.4%	0.5%	0.7%	1.0%	1.3%	1.7%	2.2%	2.9%	3.7%
Tests US (million)	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Revenues (million)	6.0	7.2	10.0	13.2	18.0	24.0	32.0	42.0	54.0	70.0
Net Margin 40%	2.4	2.9	4.0	5.3	7.2	9.6	12.8	16.8	21.6	28.0
WACC 10%	1.00	0.91	0.83	0.75	0.68	0.62	0.56	0.51	0.47	0.42
NPV (million)	2.2	2.4	3.0	3.6	4.5	5.4	6.6	7.8	9.2	10.8
Total NPV (million)	55.4									
Value per share (EUR)	0.92									

### Valuation AssureMDx in Bladder Cancer

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Price	250	250	500	500	500	500	500	500	500	500
Number of tests	1000	5000	11000	15000	18000	25000	33000	40000	50000	60000
Market share	0.1 %	0.7%	1.5%	1.9%	2.3%	3.1%	4.0%	4.8%	5.9%	6.9%
Tests US (million)	0.72	0.74	0.76	0.77	0.79	0.80	0.82	0.84	1.0	1.0
Revenues (million)	0.3	1.3	5.5	7.5	9.0	12.5	16.5	20.0	25.0	30.0
Net Margin 40%	0.1	0.5	2.2	3.0	3.6	5.0	6.6	8.0	10.0	12.0
WACC 10%	1.00	0.91	0.83	0.75	0.68	0.62	0.56	0.51	0.47	0.42
NPV (million)	0.1	0.5	1.8	2.3	2.5	3.1	3.7	4.1	4.7	5.1
Total NPV (million)	33.6									
Value per share (EUR)	0.56									





*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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