



Research Note

## MDxHealth

2017Q3: Outlook under pressure

**MDxHealth**

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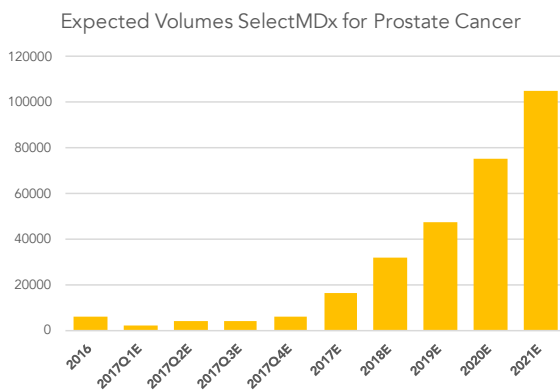
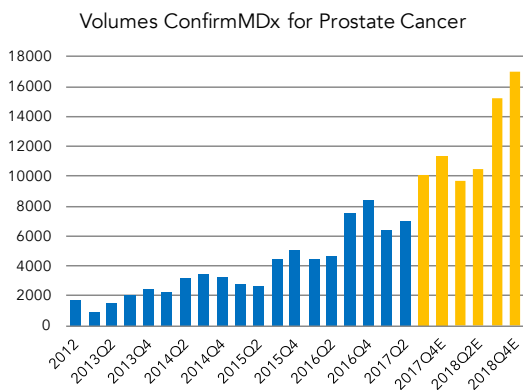
<b>Name:</b>	<b>MDxHealth SA</b>
<b>Country:</b>	<b>Belgium</b>
<b>Price:</b>	<b>EUR 3.96</b>
<b>ISIN Code:</b>	<b>BE0003844611</b>
<b>Reuters Code:</b>	<b>MDXH.BR</b>
<b>Market Cap (EUR m):</b>	<b>197.8</b>
<b>EV (EUR m):</b>	<b>201.2</b>
<b>Cash &amp; cash eq. (EUR m):</b>	<b>23.0</b>
<b>Shares outstanding (m):</b>	<b>50.0</b>
<b>Volume:</b>	<b>107,786</b>
<b>Free float:</b>	<b>73%</b>
<b>52-week Range:</b>	<b>3.20-5.78</b>

	<b>2015A</b>	<b>2016A</b>	<b>2017E</b>
<b>Total Revenues</b>	17.640	29.970	48.8
<b>Net (Loss)/Profit</b>	(14.473)	(13.147)	(11.100)
<b>Net loss per share (cents)</b>	(0.32)	(0.26)	(0.22)
<b>R&amp;D costs</b>	3.257	1.977	2.000
<b>Cash increase/(decrease)</b>	12.783	(0.880)	(15.000)
<b>Cash and marketable sec.</b>	31.680	30.800	15.800



*Strong sales from both ConfirmMDx and SelectMDx in 2017H1*

MDxHealth published its 2016-9M figures, which were somewhat below our expectations. Total revenues increased with 38% to USD 30.5 million compared to USD 22.0 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 revenue from Exact Sciences, total revenue increased by 3% to USD 18.4 million during 2017-9M. Sales growth was slowed down due to the severe weather conditions (hurricanes Harvey and Irma). This resulted to falling order volumes in the month of September in the important states Texas and Florida. Excluding these impact, revenue growth would have been 11% y-o-y. Initial sales of SelectMDx IVD kits in Europe and continuously growing order volumes have increased the contribution of SelectMDx to 7% of global product revenue, with ConfirmMDx accounting for 90%, compared to 97% in the same period in 2016. The Company ended the quarter with a cash balance of USD 23 million. According to the company, more than 23,000 patients were tested, which is a 43% increase compared to the same period last year. In the EU, more than 2,000 patients were tested, compared to 400 in the same period last year.



Source: Van Leeuwenhoek Inc



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

In 2017Q3, MDxHealth signed a number of agreements with healthcare providers:

- Blue Cross Blue Shield in Arizona and Idaho added payors for ConfirmMDx
- Agreement signed with Southern California Permanente Medical Group to assess the performance of ConfirmMDx
- Payor contract with Lakehead Airforce Base for SelectMDx
- Distribution agreements signed with IDI Hospital in Rome, MicroDiagnostics in Thessaloniki and IPS Genomix in the Middle East. In the recent weeks, distribution agreements were signed for SelectMDx with Unilabs (Geneva), Omgen (Istanbul) and Service (Sofia)
- Two new positive coverage policies for ConfirmMDx issued by Blue Cross Blue Shield in Idaho and by Geisinger Health Plan.

### *Outlook for 2017FY under pressure*

Despite the good news of the ongoing signing of new agreements for both ConfirmMDx and SelectMDx, we are a bit disappointed that the company targets the lower end of its 55-75% product revenue growth guidance for 2017. Management even anticipates growth to be 45-55%. Total revenue is expected to grow by 60-70% to USD 48-51 million, which includes the one-time buy out of the patents in colorectal cancer to former partner Exact Sciences. We therefore also have reduced our sales estimates for 2017 to USD 48.8 million and to USD 71 million in 2018.

### *MDxHealth remains undervalued: Estimated value EUR 500 million*

Based on NPV based valuation, we still believe that MDxHealth is substantially undervalued at the current share price of EUR 3.96. Using our valuation model and taking into account the adjusted outlook for the future revenues of ConfirmMDx<sup>®</sup>, SelectMDx<sup>™</sup> and AssureMDx<sup>™</sup>, we estimate MDX Health's current value at EUR 410 million or EUR 8.20 per share from EUR 500 million or EUR 10.00 per share.



*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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