



January 31, 2024

Dear Zomedica Shareholders,

After reviewing feedback from you, our shareholders, and IR firms and reading the various message boards, I would like to make a simple request of our shareholders: **Please do your own due diligence.**

Of course, I strongly encourage shareholders to vote FOR the reverse split, and we've been very forthright about the many potential benefits to **your** Company, including:

1. Removing barriers to investing by new individual/retail investors who do not invest in "penny stocks". This includes family offices and high net worth individuals, many of whom have already expressed strong interest in your Company.
2. Removing barriers to investing by new institutional investors who do not invest in stocks priced less than \$1.00 per share. This includes larger funds, many of whom have already expressed strong interest in investing in your Company.
3. Removing barriers to investing by new mutual funds who do not invest in stocks priced less than \$5.00 per share.
4. Removal of economic disincentive to investing in a stock priced such that the transaction costs represent a significant percentage of the share price. (e.g., \$0.02 for \$0.20 stock = 10%) We believe that these costs will increase and become more of a barrier if we are forced to trade on the OTC.
5. Potential inclusion in stock indices, which can induce share purchases.
6. Potential increase in Analyst coverage, which may attract new investors.
7. Regaining compliance with NYSE American listing requirements.

Others have taken to the message boards to tell you to "just say No!" and the reasons they give various reasons:

1. **Management is enriching themselves because their stock options will NOT be adjusted, so they will still have the same number of options and/or the same pre-split option price.**

**This is not true.** As I explained during our January 17<sup>th</sup> web call (transcript and recording are available here: [Events & Presentations | Zomedica Inc.](#)) all issued options are reduced in number 80-fold, AND their respective "strike price" is increased by 80 times. I gave the example of my own initial option grant of 10 million shares which will be reduced to 125,000 shares post reverse-split and that I will need to buy the shares from the Company for \$46.40 per share, instead of the \$0.58 per share pre-reverse split.

2. **Management needs the reverse split so they can turn around and issue more shares, causing dilution to existing shareholders.**

**This is not true.** Not only do we have over \$100 million dollars in liquidity at Zomedica, but we are not up against a cap in the number of authorized shares per our charter, so we do not need to do a reverse split to authorize issuance of new shares. We already have the ability to do it, but we haven't because we believe we have sufficient capital to reach cash flow breakeven, and unlike a reverse split, it would cause dilution, which we would prefer not to do.

**3. Management should do a buyback with our money to make us whole.**

**This is not realistic.** With a billion shares outstanding, we would have to buy back an enormous number of shares to reduce the float to the levels we are seeking with the reverse split. Using all of Zomedica's shareholders' capital to do this may enrich some shareholders for a short period of time, but not all shareholders.

As our Chief Financial Officer explained during our January 17<sup>th</sup> web call (transcript and recording are available here: [Events & Presentations | Zomedica Inc.](#)), the data is clear that a company that attempts to increase its share price through a buyback will most likely only experience a very small and short term stock appreciation and will likely need to continue buying back in order to maintain that appreciation. This could become a very costly and permanent use of our cash, which we believe would be deployed more appropriately to fund organic growth as well as growth through acquisition.

In addition, spending our capital now for a buyback could create a situation in the future where we may have to raise cash under difficult macro-economic conditions, which would cause dilution for our shareholders. Declining to do a buyback now guards against this, and also provides cash for opportunistic accretive acquisitions to potentially hasten reaching profitability.

Our position has been consistent and will remain that a buyback is not in the best interest of the Company and its shareholders. Instead, we believe that using Zomedica's capital to continue to grow the company's revenues and margins and potentially to make accretive acquisitions is the best way to enrich ALL shareholders.

**4. We were over \$0.20 per share for 8 days and were 2 days from regaining compliance.**

**We were not a day or two away from compliance.** As I explained during our January 17<sup>th</sup> web call (transcript and recording are available here: [Events & Presentations | Zomedica Inc.](#)) the threshold for regaining compliance with the NYSE American is not 10 days above \$0.20 per share. Instead, **the NYSE American requires the average closing price for the most recent 30 trading days to be above \$0.20 to regain compliance.**

For example, on the 8<sup>th</sup> day referenced above, our closing price was \$0.2002; the average closing price for the trailing 30 trading days was \$0.1815, and we would have needed to close at the \$0.2002 price another 18 days in a row to bring the average closing price to \$0.20 per share, or alternatively, close significantly above \$0.20 per share for fewer days to get to the same average. In addition, continuing to live so close to the edge of delisting is a

distraction for shareholders, potential investors, and us, and one we can permanently avoid by effecting the reverse split.

**5. All Reverse-splits result in the share price falling, with most returning to pre-reverse split levels.**

**This is true in some cases, but not true in all cases.** Share prices of companies post-reverse split can vary significantly. In our analysis of ~70 reverse splits conducted by companies within the \$100 - \$200 million market cap range, (like us), the average decline in stock price was less than 10% in the six months following the split, with examples of companies with over \$75 million on the balance sheet (like us) actually performing very well post-reverse split.

**Importantly, we believe Zomedica does NOT fit the typical profile of a company undertaking a reverse split.** Many companies that resort to reverse splits do so from a position of financial weakness and distress, with many doing a reverse split followed by a capital raise, creating dilution. That is not us. In fact, we are in a phase of significant revenue growth and commercial expansion, well-capitalized with over \$100 million on the balance sheet, and with strong prospects.

Even if we do see a short-term reduction in share price, we've seen more than 10% swings in our stock price over the last two years, including the last several weeks! Realistically, for those who have said our shares will fall to current levels, please review the math. To fall to \$0.20 per share would mean that the Company would be valued at only ~\$2.5 million.

At this point our market capitalization is close to our cash and equivalents on our balance sheet. If the share price falls further post-reverse split, this may be viewed as a significant buying opportunity by investors who are then NOT constrained from buying a low priced stock!

**6. Voting down the reverse split will cause the stock to rise to compliance at \$0.20 per share and then it will rise organically to the \$1.00 or \$5.00 per share to lower the barrier for new investors.**

**This is not realistic, especially in the short to mid-term.** We certainly may get back to \$0.20 per share organically, although perhaps for only a short period of time, and we can request an extension from the NYSE American. Getting back to \$0.20 is a good short-term objective.

However, to rise in a short time to \$1.00 or \$5.00 per share with our current nearly billion shares outstanding is not realistic. Remember, informed investors look beyond the share price to the market capitalization of the Company. At \$0.20 per share, our market cap is ~\$200 million. To rise to \$1.00 per share would mean that potential investors would be valuing the company at nearly \$1 billion dollars; at \$5.00 per share, their valuation of the company would be \$5 billion and so on.

Our products represent new technology for veterinarians, and it takes time to build adoption and grow the installed base, leading to consistent revenue growth. We're guiding to \$31 to \$35 million in revenue, or up to 40% revenue growth for this year, but it would take a

valuation of ~29 times the high end of our 2024 revenue guidance to produce a \$1 billion dollar valuation and ~143 times that revenue to produce a \$5 billion dollar valuation.

So, how do we get to these valuation levels? We get there by building the value of the company organically over time, by growing revenues, maintaining high margins, making accretive acquisitions, reaching profitability, and growing from there.

**Performance alone has not been enough to drive valuations up. To get credit for our performance we also need to reduce the float and increase the share price through a reverse split.** We've seen over the last several years that while we have performed well as a company, we have not seen that reflected in our share price. We've acquired revenue producing products and have several others in development. We've grown the products already on the market and completed development and launched new products. We built the infrastructure of the company, providing us with the people to do the work, the licenses or ownership of the technology, and the facilities to develop, produce and distribute these products efficiently and globally.

**By executing the reverse split, we believe we will remove barriers inhibiting potential new investors so when we report good news, new investors have a chance to enter, providing a better chance for share price growth.**

#### **With two perspectives so far apart, who should you believe?**

I sincerely hope that the people expressing the views above are sincere and they really believe what they are saying, in which case, the facts above should satisfy them. But I allow for the possibility that they may already know the truth but have other reasons to motivate you to vote against the reverse split.

Traders have a far easier time trying to get a stock price to move when there are nearly a billion shares outstanding, and no foundation of large holders (individuals, institutions, mutual funds) that are long in the stock and not likely to sell quickly. Currently our institutional holders are a very small percentage of the float, and it is in the best interest of certain traders to keep it that way versus removing their barriers to entry into owning the stock since this could provide additional buyers when someone tries to move the price through shorting.

On the other hand, we've been clear that we believe a reverse split is the best way to build value for all shareholders. We've been forthright about why we are seeking the reverse split and the benefits we expect to see.

Also remember that unlike anonymous posters on the message boards, all our comments are reviewed by our internal compliance team mindful of following SEC rules regarding solicitations and truthful and fair disclosure.

Beyond the legal and regulatory guidelines we have to follow, our motivation should be clear. We are not opponents of our shareholders; we are certainly not a large hedge fund shorting a stock as shown in a movie. I am a shareholder. Thorough our stock option program, so are all Zomedica employees. Just like you, we want the price of our shares to rise, so our interests are in alignment.

As an example, when you look at a chart that shows my compensation, note that a significant portion of what is reported as total compensation to me and other employees and Directors of the Company is in the form of Option awards, which means that this is what we might make from the options in the future based on a set of hypothetical assumptions about future share price and is “noncash compensation”. The simple fact is that I will not benefit from these stock options unless the share price rises above the exercise price; for my initial grant, it will be when the stock rises (post reverse split) above \$46.40 per share, and for the remainder of my options when it rises above \$17.60 per share. There is no way I realize this “income” from option awards without existing Zomedica shareholders benefiting from that same share price appreciation. We are allies in the truest sense of the word.

**While we may not agree on whether to do a buy back or a reverse stock split, we should all agree that we want the best for Zomedica and its mission of helping vets take care of pets, pet parents and their practices, because the foundation of the value in the shares is the Company!**

Many of our shareholders saw the potential value of the Company in its early days and we appreciate your patience as we’ve built your company substantially over the past several years. Now it’s time for you to benefit from staying long. Attracting new investors that recognize the value in Zomedica, regardless of who they are, means more people investing in Zomedica, creating higher demand for Zomedica shares, leading to higher valuations.

Accordingly, I ask you to do your own due diligence. Review the Proxy and all related materials and decide for yourself what is best for your Company, our customers and the pets that they treat. Reach out if you have questions or would like to discuss, and then vote the way you decide. And if you already voted one way or another, exercise your right to change your vote as you see fit. I’ll respect your vote whichever way you go.

**Sincerely,**

Larry Heaton

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