

PAWSITIVE ALPHA FROM ANIMAL HEALTH SECTOR

Tails from the furry side of biotech

Larry Heaton
Chief Executive Officer

LATEC Conference | February 16, 2023



SPEAKER BIOGRAPHY



Larry Heaton, CEO
Zomedica

-
- 35+ years of executive leadership and operations experience in human health Biotech/Life Sciences
 - Assumed leadership of Zomedica on October 1, 2021
 - Executed five acquisitions/license agreements over last 16 months
 - Prior, President, Chief Executive Officer and Director of Flowonix, Inc
 - Earlier, President, CEO of United States Surgical Corporation (USSC) (later Covidien/Medtronic) - 18 years total service
 - B.A. degree from Eastern Illinois University (same as Jim Schnorf!)

Animal Health Segment Differentiators

=> Attractive Investment

Animal Health is propelled by technology, with less regulatory burden and committed customers

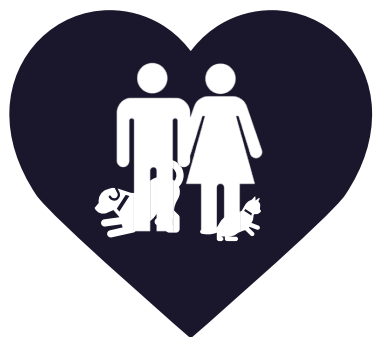


- Like human pharma and biotech sectors – Animal Health is driven to improve patient care
- Animal health enjoys lower regulatory burden which speeds time to market and lowers risk.
- While Pet Insurance is available, it is primarily a cash pay paradigm, so no CMS, no codes, no reimbursement challenges
- Humanization of pets have increased spend per pet and create a recession resistant market.

FOR PET OWNERS, THEIR PETS ARE NO LONGER JUST COMPANIONS...

THEY'RE PART OF THE FAMILY

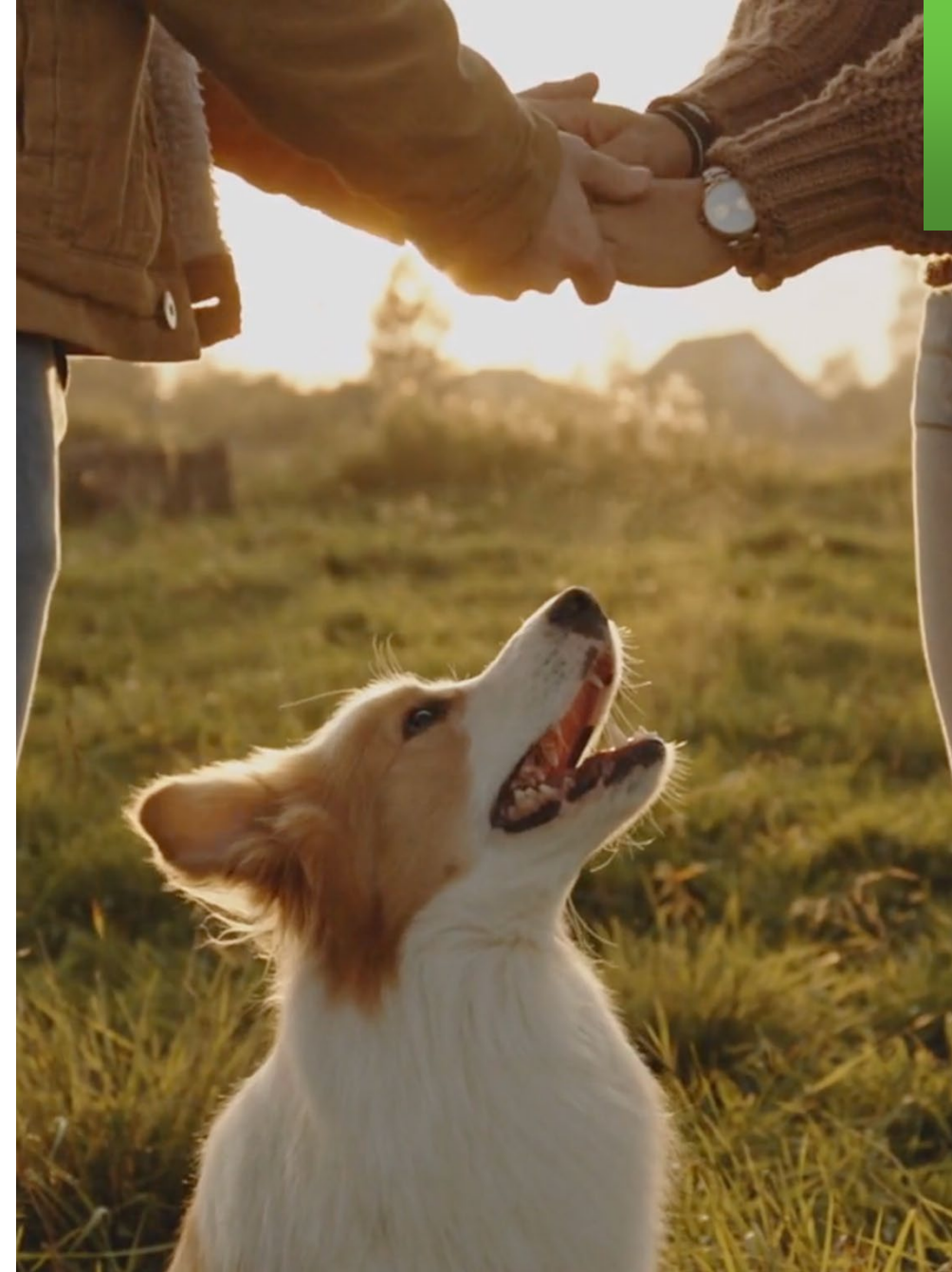
The percentage of pet owners that “agree” or “strongly agree” with the following statements:



95% *“My pet is **part of my family**”*

92% *“Nothing would ever convince me **to give up my pet**”*

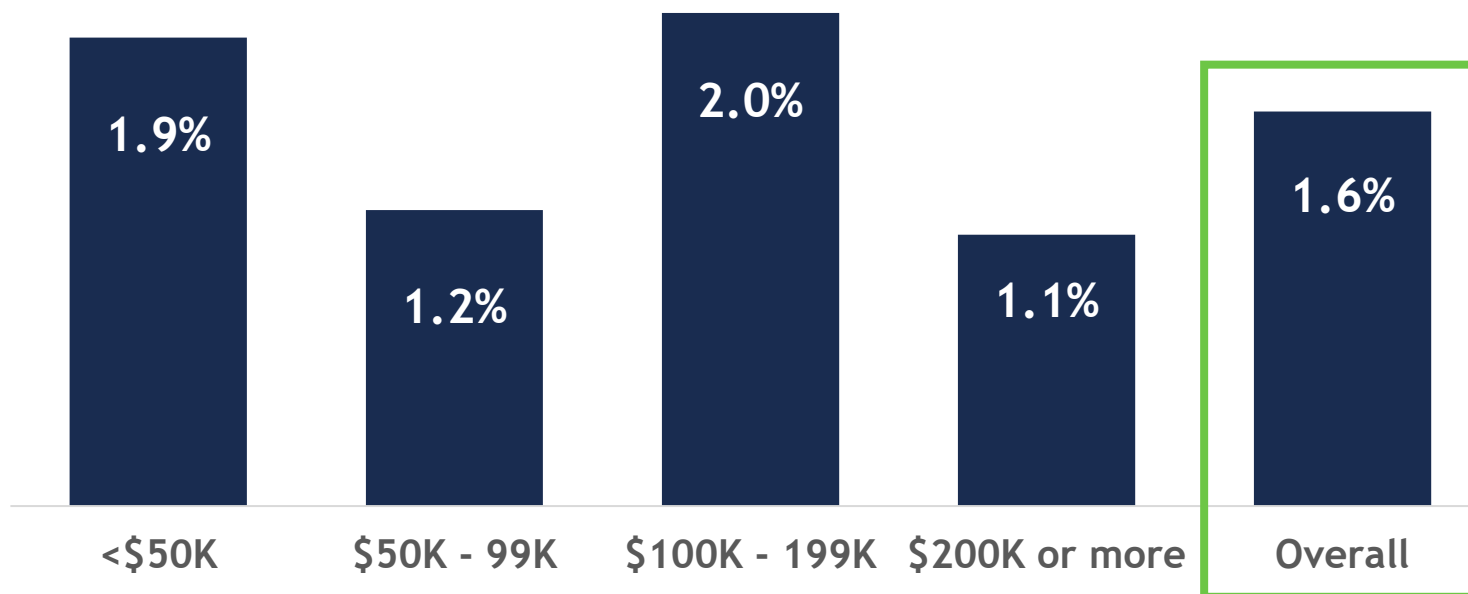
SOURCE: The Human Animal Bond Institute (HABRI) Foundation pet owner survey (June/July 2021)



PET CARE SPENDING ON THE RISE

PET SPENDING AS A PERCENTAGE OF TOTAL HOUSEHOLD SPENDING

(BY INCOME SEGMENT)



Pet care industry projected to grow at an **8% CAGR** through 2030, one of the strongest growth rates across retail.



Morgan Stanley forecasts household spending per pet to increase to **\$1,320 by 2025** and **\$1,897 by 2030**.

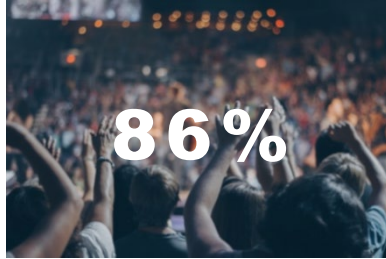
PET CARE INDUSTRY RESILIENCE

According to a 2021 IDEXX Pet Parent Survey, when household income declines, owners cover pet expenses by reducing spending on:



88%

Eating Out



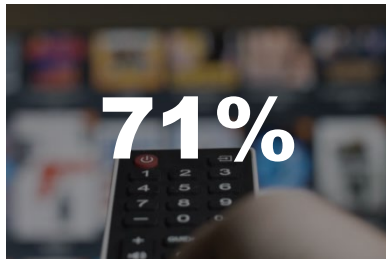
86%

Live
Entertainment



79%

Personal
Grooming
Services



71%

Video
Streaming
Services

"If you look at animal health historically, it has proven to be recession resistant"

Wetteny Joseph, CFO of Zoetis (NYSE: ZTS)

"On the whole, the pet category remains an attractive and defensive investment across both food and products, as well as vets, insurance, and other services, making investment in the pet sector relatively low risk."

Simeon Gutman, Equity Analyst at Morgan Stanley

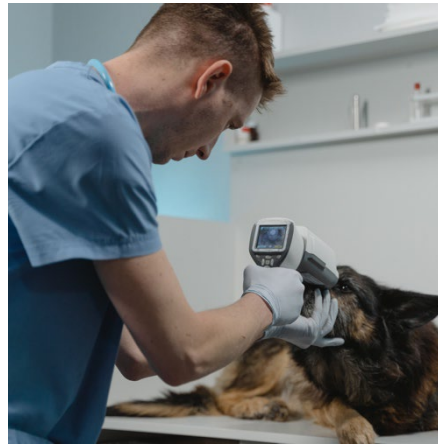
Even in difficult financial times, pet owners are determined to ensure their beloved four-legged friends receive the best care possible.

MULTIPLE GROWTH DRIVERS PROVIDE STRONG INDUSTRY TAILWINDS

The pet care industry is projected to reach \$236 billion by 2030, driven by:



**Increasing
Humanization
of Pets**



**Technological
Innovations**



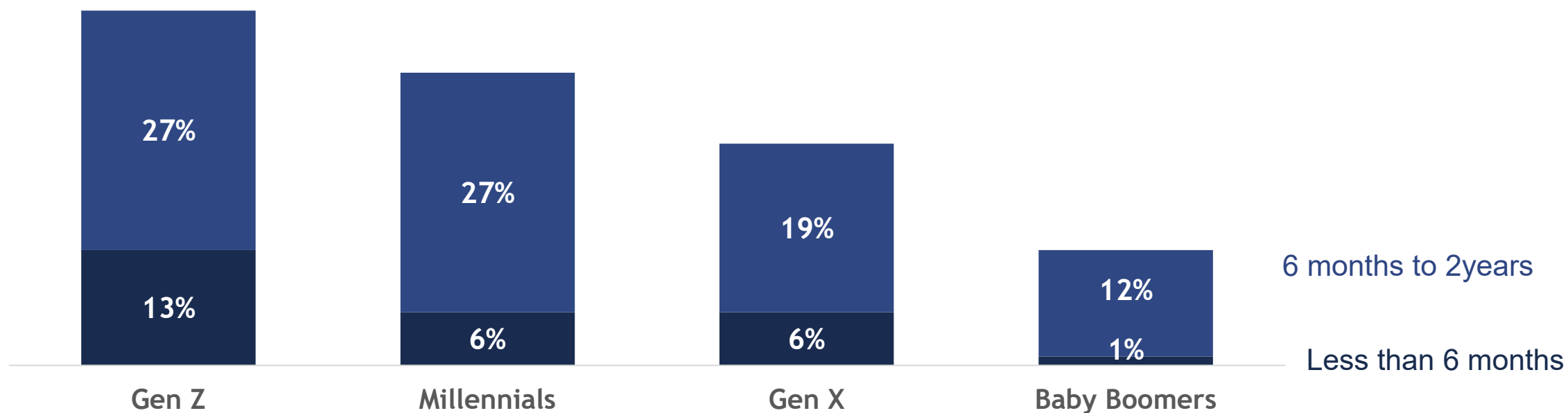
**Vet Practice
Modernizations**

SOURCE: Grandview Research, Pet Care Market Size, Share & Trends Analysis Report, 2022-2030

THE PANDEMIC SPARKED A WAVE OF PET ADOPTIONS IN THE US

MORE THAN 23 MILLION AMERICAN HOUSEHOLDS ADOPTED A PET DURING THE PANDEMIC.¹

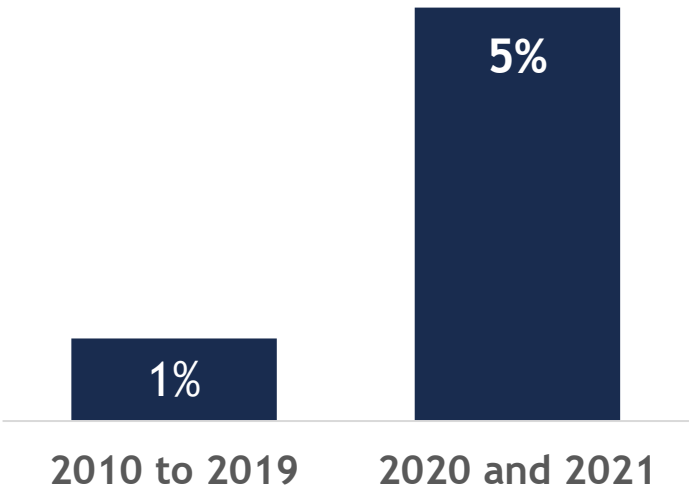
Percentage of US Dog-Ownning Households with 1 or more Dogs Under 2 Years Old²
(as of December 2021)



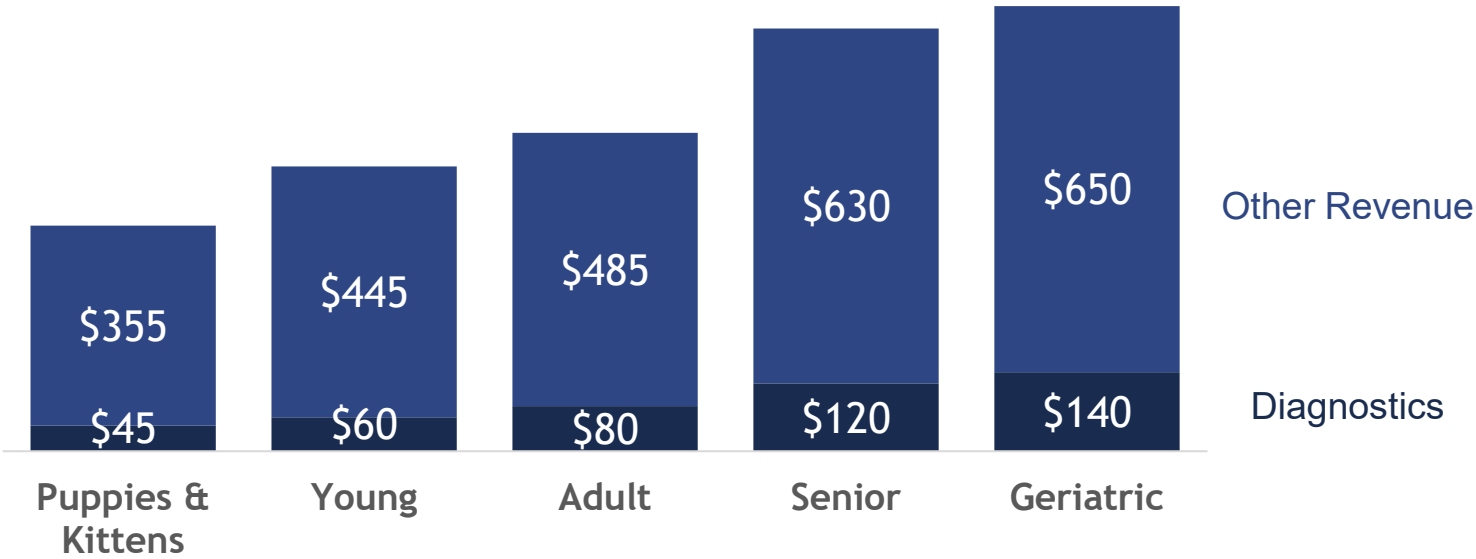
SOURCE: 1 - The American Society for the Prevention of Cruelty to Animals (ASPCA); 2 - IDEXX US Pet Parent Research Study (December 2021)

INCREASED PET OWNERSHIP CREATES SUSTAINABLE INDUSTRY GROWTH AS PETS AGE

AVERAGE ANNUAL INCREASE (NET)
IN PET POPULATION IN US



AVERAGE 2021 CLINICAL PRACTICE
REVENUE PER ACTIVE PATIENT
(by age segment)



SOURCE: Estimates based on research from IDEXX

GLOBAL VETERINARY SERVICES MARKET VALUED AT \$97.3 BILLION IN 2020*

Veterinary services in the US are projected to surpass **\$62.2 billion** in 2023.**

Therapeutic devices and point of care diagnostics are a key part of the Vet Services segment.



SOURCE: * Grandview Research Veterinary Services Market Size 2021-2028; ** IBIS World

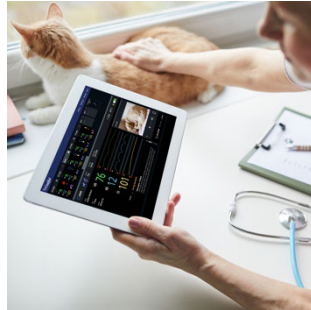
ANIMAL HEALTH GROWTH DRIVEN BY SAME TECHNOLOGICAL ADVANCES OF OTHER MEDTECH AND BIOTECH INDUSTRIES

- Faster pace of innovation
- Lower regulatory hurdles = lower cost to develop
- High shareholder returns

KEY OPPORTUNITIES:



**In-clinic
Diagnostic
Solutions**

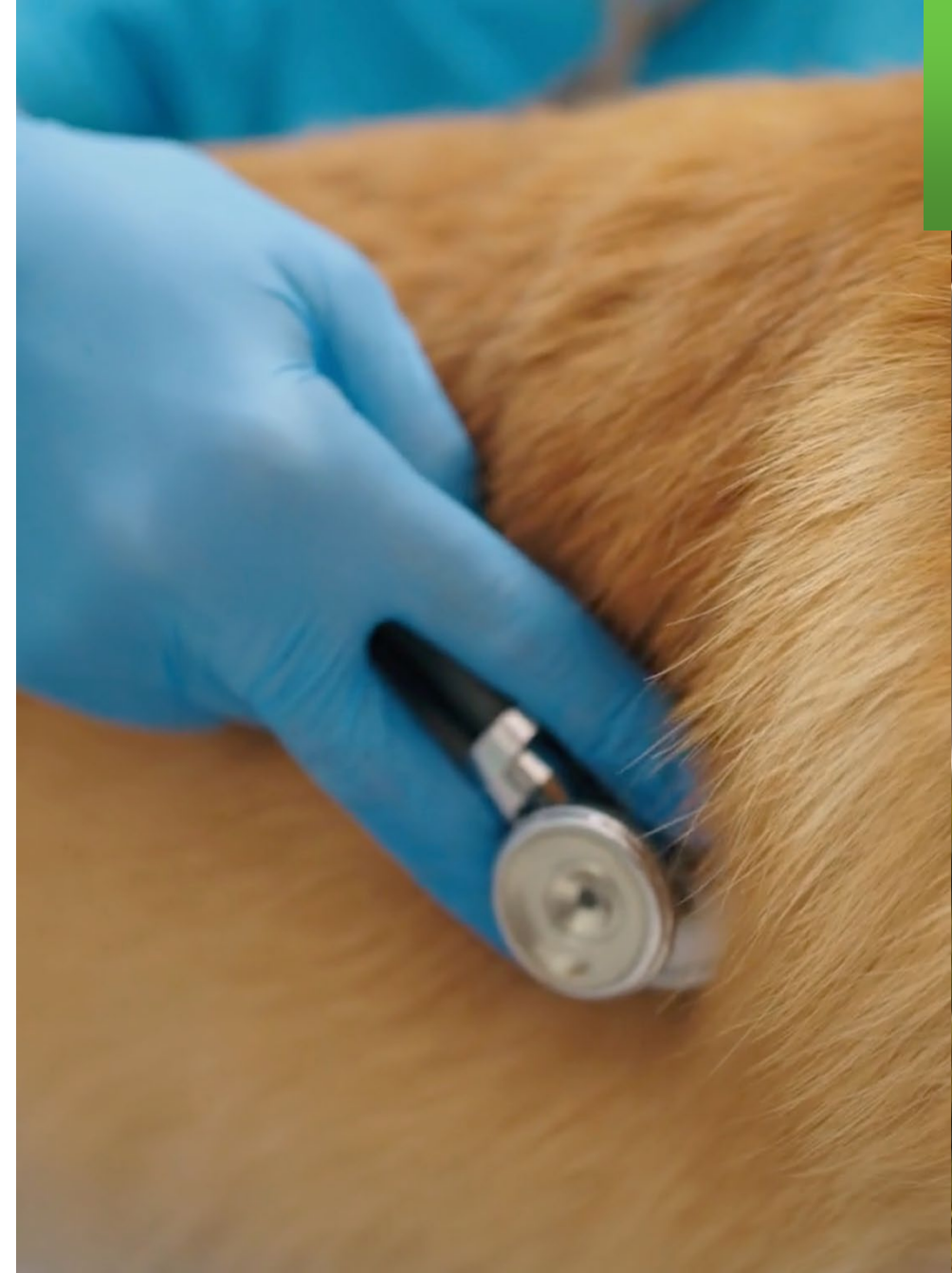


**Digital monitoring
and surveillance
technologies**



**Predictive
technologies**

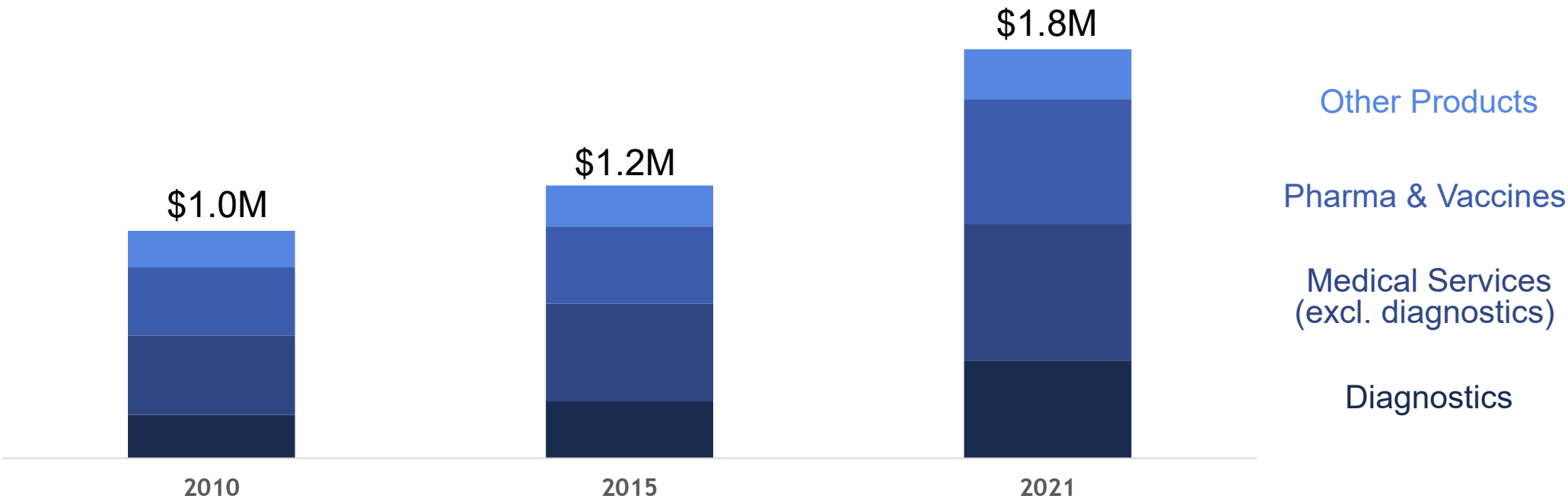
SOURCE: The Human Animal Bond Institute (HABRI) Foundation pet owner survey (June/July 2021)



HIGH-GROWTH DIAGNOSTICS DRIVING EXPANDING CLINIC REVENUES

DIAGNOSTICS GREW AT A 10.5% CAGR FROM 2015-2021 VS. OVERALL PRACTICE CAGR OF 8%

Average Clinic Revenue by Practice Segment (US)



SOURCE: IDEXX Practice Intelligence

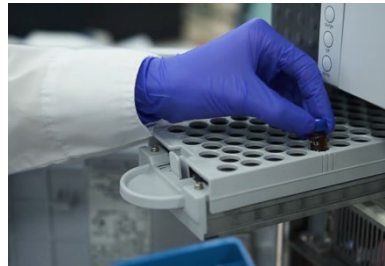
MULTIPLE FACTORS DRIVING DIAGNOSTICS REVENUE GROWTH

Companion animal diagnostics market projected to reach \$3.8 billion by 2027, up from \$2.4 billion in 2022, growing at a 9.6% CAGR during the five-year period.

GROWTH IN DIAGNOSTICS DRIVEN BY:



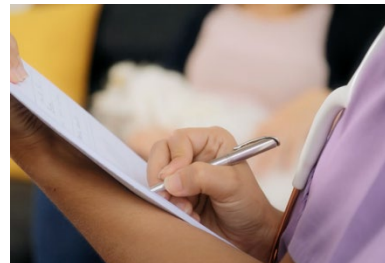
Increased Testing Frequency



Higher Utilization of Diagnostics

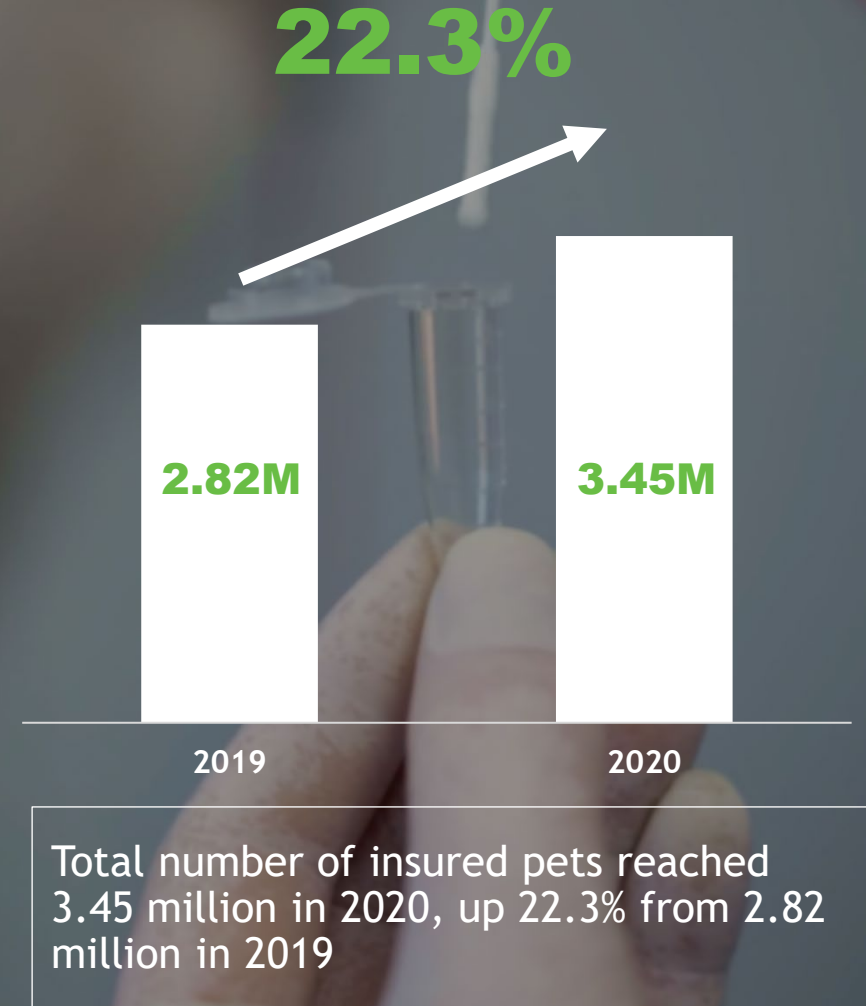


Increased Clinic Visits



Increased Pet Insurance Coverage

SOURCE: Marketsandmarkets Companion Animal Diagnostics Market Global Forecast to 2027



Public Animal Health Diagnostic Leaders

Pawsitively Improving Patient Care & Investor Returns

Company	Description	TTM Revenue (\$M) ⁽¹⁾	TTM Revenue Change ⁽¹⁾	TTM Gross Margin ⁽¹⁾	3-Year Stock Return ⁽²⁾	Market Cap. (\$M) ⁽¹⁾	Cash ⁽⁴⁾ to Market Cap.
Zoetis	<ul style="list-style-type: none"> ▪ Large, global animal health company ▪ Focus on medicines, vaccines, & diagnostics ▪ Main markets: livestock & companion animal 	8,007.0	+5%	70%	+10%	73,790	0.03
IDEXX	<ul style="list-style-type: none"> ▪ First mover in point of care diagnostics ▪ Focus on diagnostics ▪ Offers full suite of diagnostic solutions 	3,367.3	+5%	60%	+68%	40,230	< 0.01
Heska	<ul style="list-style-type: none"> ▪ U.S. and European veterinary diagnostics ▪ Focus on diagnostic & specialty products ▪ Reference lab & point of care solutions 	259.0	+4%	43%	(21%)	877	0.18
Zomedica	<ul style="list-style-type: none"> ▪ High-growth, long runway, strong balance sheet ▪ Focus on diagnostic & therapeutic offerings ▪ Expanding in U.S. companion animal space 	18.6-18.9 ⁽³⁾	+354-361% ⁽³⁾	72% ⁽³⁾	+118%	265	0.59

⁽¹⁾ Latest figures as reported by PitchBook.com, as of 2/10/2023

⁽²⁾ Share price return from 2/10/2020 to 2/10/2023 as reported by Yahoo Finance

⁽³⁾ Year ending 2022 expected revenue range and gross margin reported on by Zomedica on 2/9/2023

⁽⁴⁾ Includes cash, cash equivalents, and short-term investments as reported by PitchBook.com, as of 2/10/2023



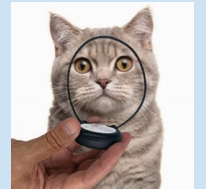
Zomedica Mission & Vision

Zomedica is bringing innovative diagnostic and therapeutic technology to Veterinarians to improve the quality of care for the pet, the satisfaction of the pet parent, and the workflow, cash flow and profitability of the practice.

PulseVet® Shock Wave System



Assisi LOOP®



**TRUFORMA®
Point of Care Diagnostics**



**VetGuardian™
Remote Pet Monitoring system**



**TRUVIEW
Digital Microscopy Platform**



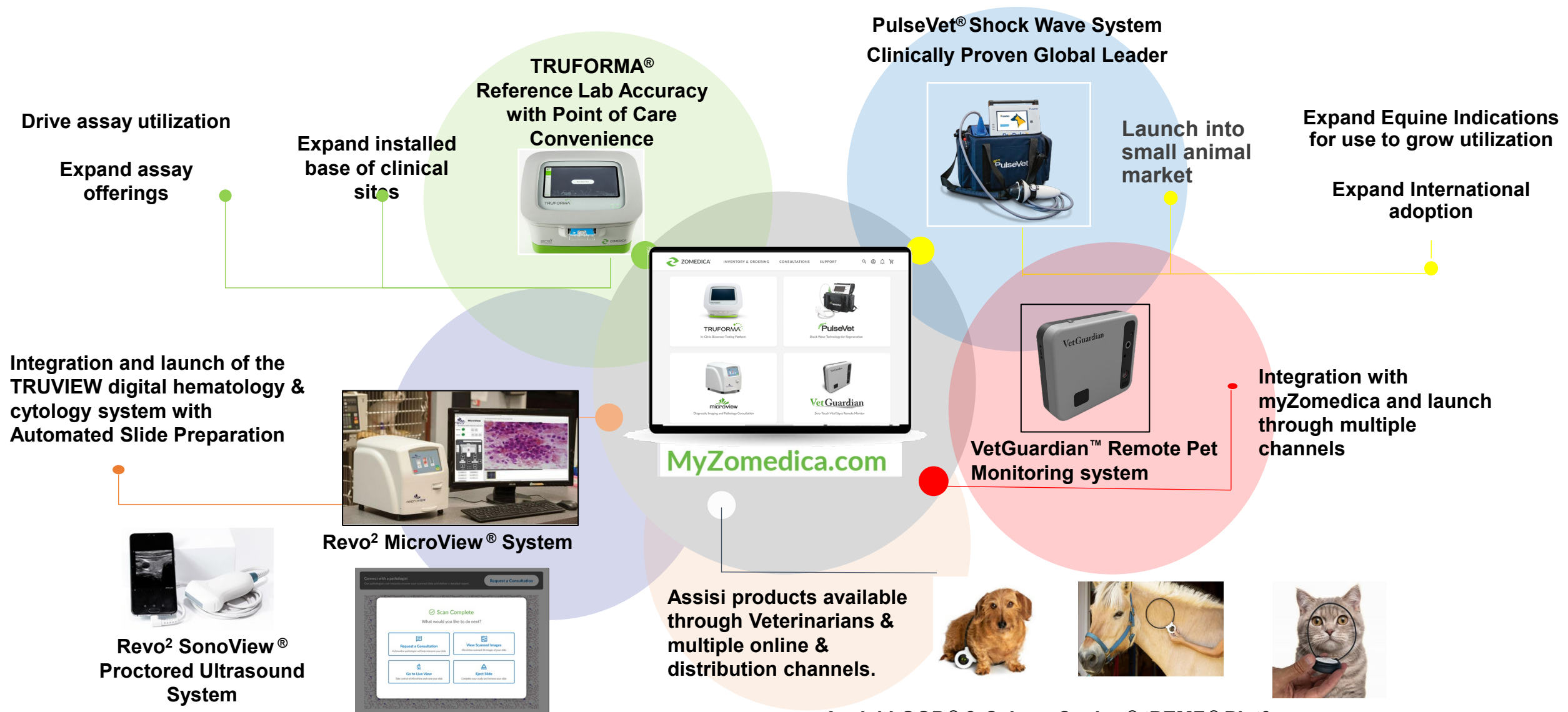


Zomedica Growth by Acquisition

Deal	Date	Type	Cost	Total Annual Addressable Market (TAM)	Cumulative Annual TAM	Y/Y Growth (thru 9/30/22)
TRUFORMA®	March 2021	Launch		\$775M	\$0.78B	+365%
PulseVet®	October 2021	Stock acquisition	\$71M	\$150M	\$0.93B	+35%
VetGuardian™	May 2022	Convertible Note	\$1M	\$40M	\$.97B	Launched January 2023
Revo² / TRUVIEW™	July 1, 2022	Asset acquisition	\$6M ⁽¹⁾	\$1.3B	\$2.3B	Launching 1H23
Assisi	July 15, 2022	Asset acquisition	\$18M ⁽²⁾	\$210M	\$2.5B	Launched July 2022

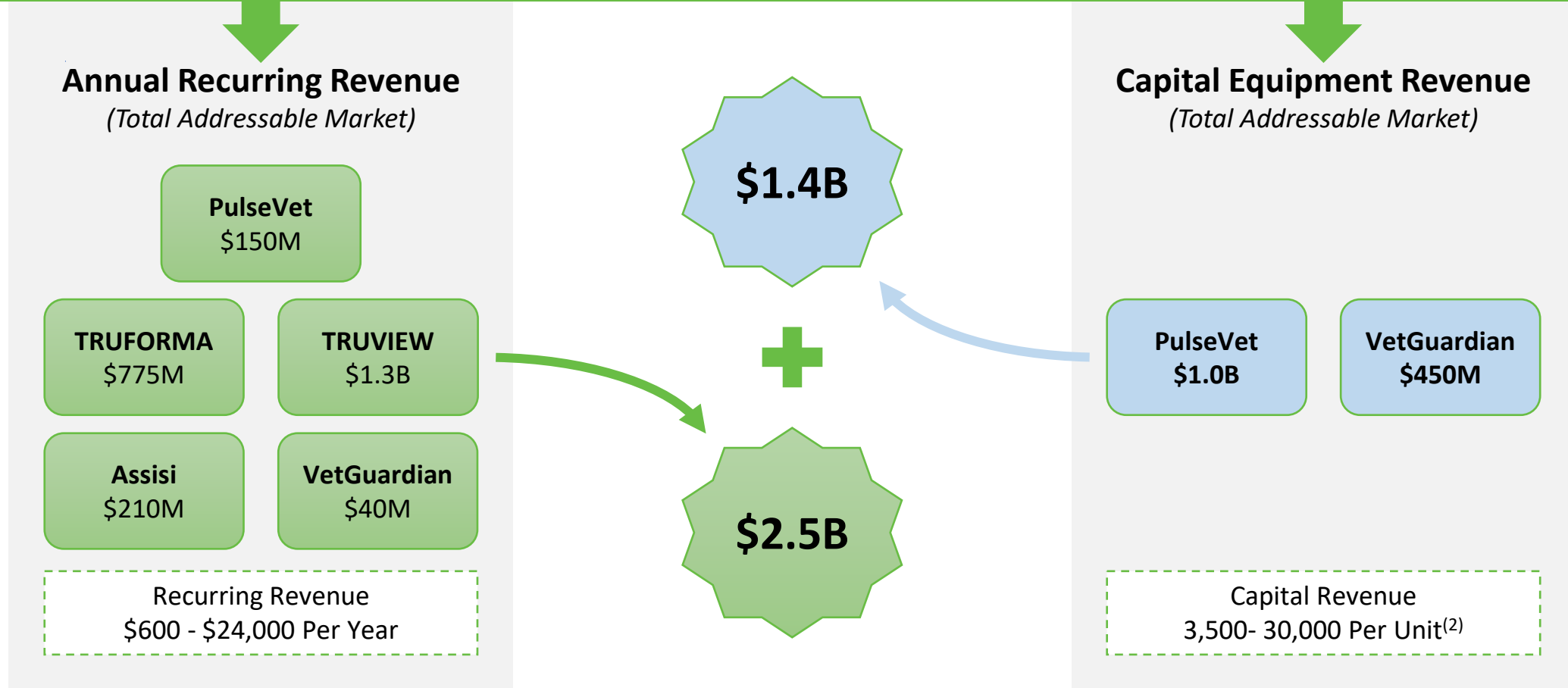


Expanding Product Portfolio



Total Addressable Market – United States

30,000 Small Animal Practices
4,450 Equine and Mixed Practices⁽¹⁾



⁽¹⁾ Includes both equine only and mixed equine and small animal practices

⁽²⁾ TRUFORMA/TRUVIEW through the CAP program is currently available for no up-front investment. Assisi Loop does not have a capital component; VetGuardian assumes 50% of Clinics will purchase 2 units



PulseVet® – What the Vet sees – Seeing is Believing!

**BEFORE
PULSEVET
TREATMENT**



**QUICK
CLINIC VISIT**



**AFTER
PULSEVET
TREATMENT**

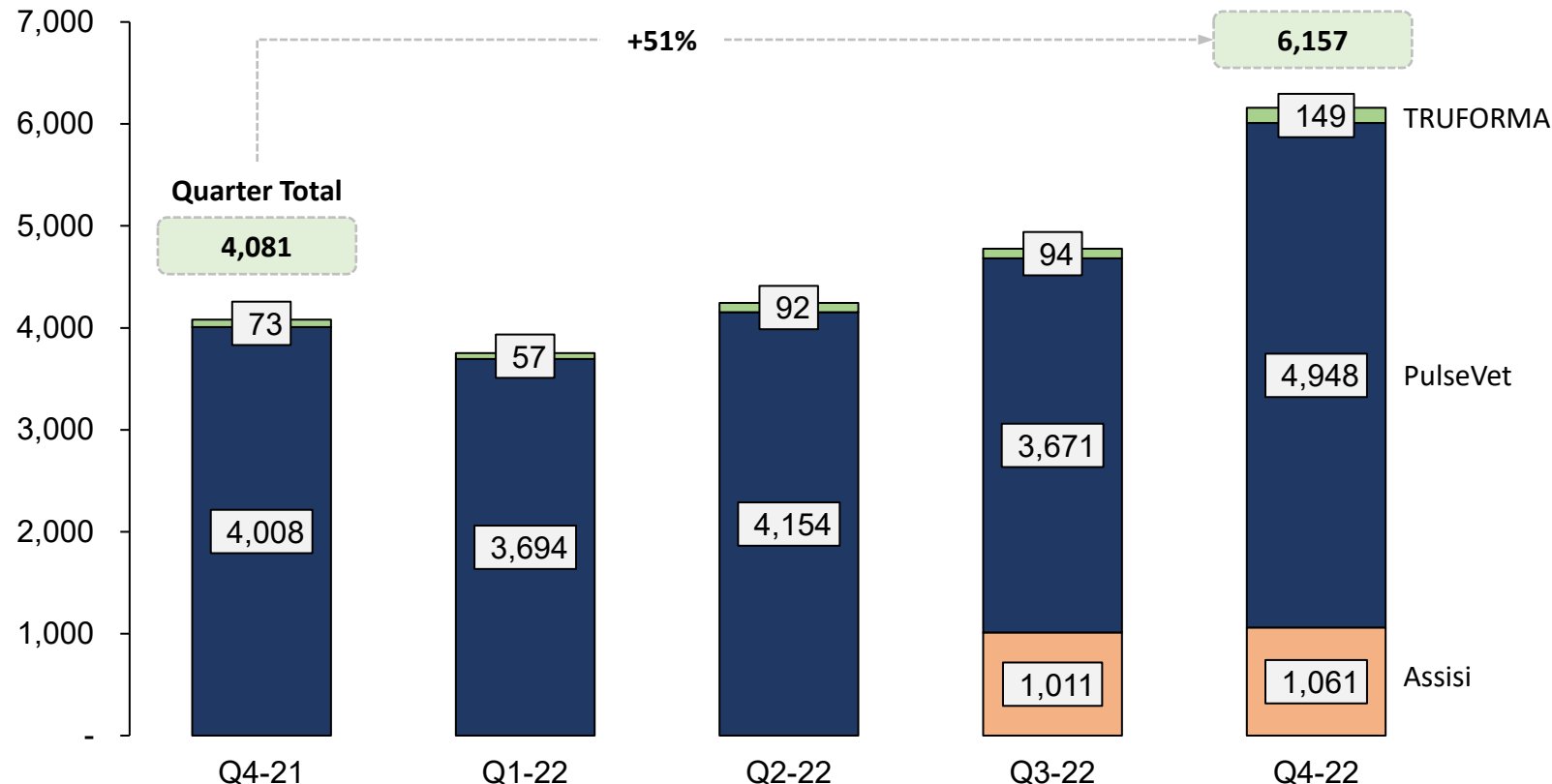


Total Available Market - Capital (US): \$1B
Total Available Market – Annual Consumables (US): \$150M

Zomedica net revenue up 51%, Q4-21 to Q4-22, driven by organic PulseVet and TRUFORMA growth and the Assisi asset purchase; FY2022 net revenue totaled ~\$18.6M

Quarterly Net Revenue by Product Line, Q4-2021 through Q4-2022⁽¹⁾

(Dollars in thousands)



Look Ahead – Select Growth Levers

Enterprise:

- Continued investments in sales and marketing capabilities
- Selective use of \$156M in cash and equivalents⁽³⁾ to make acquisitions

Diagnostics:

- Restructuring of Qorvo agreements to bring more TRUFORMA assays to market faster
- Commercialization of TRUVIEW in H1-2023, following Revo Squared acquisition in FY2022

Therapeutics:

- Continued expansion of PulseVet within the small animal market
- Exploitation of synergies between PulseVet and Assisi to grow both product lines

Monitoring:

- Commercialization of VetGuardian following signing of a commercialization agreement with SMP⁽²⁾ in Q1-2023

(1) In FY2020-FY2022 SEC filings, net revenue for (a) TRUFORMA reported under 'Diagnostics', (b) PulseVet reported under 'Therapeutics' ('Instruments', 'Trodes', and 'Other'), and (c) Assisi reported under 'Therapeutics' ('Consumables')

(2) Structured Monitoring Products

(3) As of December 31, 2022, announced on February 9, 2023

Investment Highlights

- **Attractive Industry:** Humanization of pets drives recession resistant market growth.
- **Differentiated Solutions:** Innovative technology to improve care, practice workflow & customer economics
- **Experienced Management Team:** Start-up mentality focused on flawless execution
- **Manufacturing Efficiency:** Producing substantial gross margins (~72% in 2022) and supply chain reliability
- **Integration Track Record:** Post-acquisition PulseVet® net revenue up 51% ⁽¹⁾ year-over-year, with 670% increase in small animal market adoption.
- **Exceptional Balance Sheet:** \$156M in cash ⁽¹⁾ with modest cash burn and nominal debt positions Zomedica for additional organic and acquisitive growth.
- **Growing Portfolio:** Four product lines in active commercialization with additional product line anticipated to launch in the next 6 months with a U.S. Total Available Market of \$3.9 billion.
- **Analyst Support:** Dawson James recently initiated coverage with a price target of \$6.00.

Total Addressable
Annual Market

\$2.5B

Year over Year
Revenue Growth

354% / 51%

Gross Margins⁽³⁾

72%

Cash on Hand ⁽³⁾

\$156M



Zomedica is bringing innovative diagnostic and therapeutic technology to Veterinarians to improve the quality of care for the pet, the satisfaction of the pet parent, and the workflow, cash flow and profitability of the practice.

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