

Company Name: Zomedica Corp. (ZOM)
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<<Analyst, Dawson James>>

Let's go ahead and get started. Good morning, everybody. Thank you for coming to the conference. Those who traveled, I see a few people that traveled around Florida to get here. This morning, the first to kick us off is Zomedica. I've known Zomedica for many years. They're in the companion care wellness, stock symbol ZOM. They trade on the New York Stock Exchange. They have a very strong management team. They got a very strong balance sheet. How many quarters in a row increase in revenues, do you know?

<<Peter Donato, Chief Financial Officer>>

Yes. We had a record fourth quarter. And then from there I guess – each quarter has been a record.

<<Analyst, Dawson James>>

You know how many quarters it is?

<<Peter Donato, Chief Financial Officer>>

It's about five – four, five in a row.

<<Analyst, Dawson James>>

That's good. All right. Dawson James does have research on the company, and there's a one page handout here. We will pass out – or if you anybody wants to come pick up. Okay. So without further ado, I'm going to give it to Peter. He's the CFO of the company.

<<Peter Donato, Chief Financial Officer>>

Thank you. So, a presentation will move fast. There's a lot to cover in 20 or 25 minutes. I try to save a few minutes for questions at the end. As you said, my name is Peter Donato. Larry has the group split into operations and administration. I head up all administration for the company, including the office of the CFO. We're based in Ann Arbor, Michigan.

Yes. Safe harbor, just a quick read. Everybody can read that on their own. It's also posted on the website. So I just joined the company. It's been almost exactly seven months since I joined the company. I went through kind of my own investment thesis as I joined the company. And I'll point out some of the things that drew me to the company and I think that you'll like as well.

It's very big industry, attractive industry, non-controversial industry, right. It's dogs, cats, horses, companion animals, and it's big, measured in billions. And depending how you measure it, you can be in tens of billions in each of the individual markets are also pretty large. Our solutions are different. We're not a me-too player. We have very novel products, and we'll go through those, again it'll be kind of risk and we can go one-on-one or find some time to talk later. The team is really good.

All of us have been around for a fair amount of time. Almost all of us were exclusively in human healthcare, medical devices, tools, diagnostics but we do have layers of animal health experience. There's a lot of similarities. What I like in the team lines is there's no FDA, we don't have to do 510(k)s, the PMAs and do arm wrestling, but more importantly, we don't have to wrestle with CMS or insurers companies, right. There is animal insurance, but the primary driver almost exclusively is the cash pay model. So, very attractive and it's also an area that people do not cut. They'll get their animal taken care of. They're part of the family. We're bringing a lot of manufacturing in-house. As I said, Tony Blair is my co-captain here on the team. He heads up operations. We have a big footprint in suburban Atlanta.

We made some announcements on that. Our track record since Larry Heaton is my boss joined just over two years ago. Larry inherited a \$0.25 billion on the balance sheet, and has to putting it to work. We've done about a half dozen acquisitions, and we're starting to see the fruit of those acquisitions. And we just announced recently in fact, in the last three or four weeks, two more acquisitions that were put into work. As I mentioned, the balance sheet is still very strong. We reported \$142.4 million in cash in June, and we'll report over \$100 million when we report out here on November 13th, the portfolio was growing. The company had no revenue prior to Larry Heaton's arrival.

Larry Heaton arrived with no revenue. He took the company to about \$4 million in 2021, and the company exited at just under \$19 million a year ago. We haven't given formal guidance. I think most people are expecting a number in the mid-20s. And in fact, some folks even have it starting with a three. We had \$11.5 million through the first half of the year, record first quarter and a record second quarter. And the record for the company is just under \$6.2 million in a quarter. And hopefully we'll see some numbers north of that, not only for beating the third quarter, but hopefully some record numbers for the quarter – for the company as well. So we're projecting a pretty large second half of the year. So it's a pretty attractive, in my opinion company.

And we like where we're going from a growth perspective. Lots of stuff on this slide. You can kind of look at it, and as I said, some of the stuff is captured in the executive summary up here. Some highlights, 23 million pets were added to households during the pandemic. That's a big number. Those dogs and cats are now three years old and will need care. It was already a big market. The international market is growing as well. And what I like too, the pet owners are getting younger. A lot of the younger folks, certainly younger than me, are taking on pets instead of babies. And you can see some of the numbers down there. So they're certainly part of the crew that's adding to the 23 million pets that were added during the pandemic.

So that's one side of the coin, right, is we're adding more pets. The other side of the coin is the vets are being compressed. They're getting hit from all angles. Specifically vets are being

consolidated or retiring. They're like any other small business are really being hit hard by the labor shortages. Specifically, folks that used to cost \$8, \$9, \$10 an hour to work the night shift to clean the cages, to help tend to the animals are now \$15 or \$20 an hour, or they're taking the job at McDonald's instead for \$20 or \$18 or \$15 an hour.

So big challenges in the vet practice, and then their economics have also been compressed, right? A lot of folks order off a Chewy. I do it myself. I remember a day 25, 30 years ago, if you wanted science diet or something, fancy food, you bought it from the vet. Now you go online and it gets delivered to your doorstep sometimes the same day, and it's cheaper. So vet's profit margins are being compressed.

And you'll hear a theme here. We have five pillars, but the three of them are for the veterinarian, which are to make their life easier and more efficient, improve their workflow, don't make them outlay a lot of cash and make them more profitable.

So our vision, of course, as I just hit it, I'm a little bit in front of my slides as usual. And you see some of the – if you look at the top two products, so the PulseVet Shock Wave System and the Assisi Loop, those are two products that are part of our Therapeutics segment. We report out in two segments, Therapeutics and Diagnostics. If you think about last year's 19 million, it was almost exclusively Therapeutics. So that's a good thing, and that continues to grow at a pretty large clip.

The Shock Wave System came as a result of the PulseVet acquisition, which is now about a year and a half old. And the Assisi Loop was also an acquired product. The Assisi Loop interestingly enough is a product that is sold, our only product that's sold through retail channels. So you can buy that on Amazon or on Chewy or other sites.

So that's the Therapeutics group. Think of that as Zomedica now, right? And at the bottom is the Diagnostics group. Think of that as the real growth driver into the future. So we have a product called TRUFORMA what differentiates that are some novel tests and it also what differentiates is point of care. So we do compete with the big boys, specifically IDEXX in this space. However, what's unique about that product is the vet can do it right there, point of care, and cut out the need for a reference lab.

So both improving efficiency, quality of care to the pet, as well as hopefully profit margins at the vet level. We're real excited about the middle product that's our VetGuardian product. Many of you that follow the company we signed a distribution agreement about a year ago with a company called Structured Monitoring Products. And then we announced on September 4 or 5 that we took full ownership. We had a minority interest in a distribution arrangement. We now own that company and distribute out of our Georgia facility. It is a great tool. It – think of it as a ring doorbell for dogs and cats. It's attached. And I talk like a finance guy, right? For the more technical people, we can talk all through it.

But essentially, it is a device that you can hang on the cage. Why is it important? It's important because if the pet dies at the vet most often, in fact, about 70% or 75% of the time, if an animal

dies in the vet's care, it dies postoperatively kind of behind the curtain, right? Overnight because of monitoring and shortcomings in the monitoring, it's very hard.

And if it's wired monitoring think of your dog or cat, they don't like having those wires. In many cases, pull them out, chew them off. This device uses wireless technology to give you an image of the animal and all of the vitals, including temperature, respiratory, and some things that are important, and it'll send an alert to the vet there.

And lastly, through our Revo acquisition, again about a year ago the Revo technology is a digital microscope. So every vet has a microscope, about a third of them love using, about a third don't, and there's probably a third in between that's not sure but essentially this will cut down their processing time from measured in dozen minutes or more down to a couple of minutes or more. And all of those products on the bottom have a recurring revenue stream.

In TRUFORMA's case, the box is placed, and then there's a recurring cartridges. So folks put those cartridges in to do the test. The VetGuardian is a little unique. We do charge a nominal amount, about five grand for the box itself. And then there's annual monitoring fee on there. So there's a recurring revenue stream there.

And lastly, we do place the TRUVIEW box, and we have two streams of income there. We have a monthly fee, which includes a 100 slides. So the 100 slides are delivered, ready to go for the vet there, as well as we offer real time reading of the slides, which is real helpful for the vets that don't like to do it or would like a second opinion for about \$75, they can have a two hour turnaround time, again, point of care, real-time care.

So that's the Diagnostics division. Up on top, both of those, the majority of that revenue over 60% of it is recurring revenue. In fact, companywide, I reported out second quarter, two-thirds of the revenue was recurring revenue. And that's very interesting, especially as you think about recessionary and placement of capital, our stream is coming from monthly subscription fees. We touched upon the leadership there. That's the pictures, one gentleman, I didn't mention is Greg Blair. He's on here just because of how inquisitive we are. And Greg also has the unique distinction of the most animal health experience in the group. And as you can see, Larry and I have a fair amount of human healthcare on some companies that you may recognize.

This is a summary of those acquisitions. As you can see, they're starting to pay dividends. PulseVet is, of course, the shockwave therapy that I mentioned that one occurred back in 2021, right, when Larry first started. And then you can see the dates of all of those. PulseVet represented about \$17 million or \$18 million of the \$19 million in revenue back last year. And they'll exceed that number this year.

TRUVIEW, of course, was just launched. We're real excited about where that's going to take us. Assisi, we never said was going to be a multiple tens of millions franchise. But it's on pace to do \$5 million or more million dollars on an annual basis, and it continues to grow. More importantly, on Assisi, it gave us access to those retail distribution markets.

And lastly, I mentioned the VetGuardian product. So we're real excited about those. Just got those into the bag in earnest a month or two ago. So all of that will be layered on. So if you think about, let's just call it, a mid-\$20s million or \$30 million company, those VetGuardian product and the TRUVIEW product, and even TRUFORMA to a certain extent, weren't big contributors. So you can add a growth marker.

On the legacy products, and then probably layer in to see where we're heading next year. We will probably give some formal guidance first of the year, but it's pretty exciting to see where we can go. And with that number, as it approaches \$35 million to \$40 million annually, that's where cash flow profitability occurs.

Again, big market. This summarizes all of that. We touched upon this. I don't think this is very controversial. What's interesting is the recurring revenue as measured in the hundreds to thousands of dollars, depending on how many machines the vets have and what services they provide. The vision for the company is a Zomedica branded veterinarian clinic that differentiates itself from its competitors, right? They have the newest technologies and we're partnering with that vet to help them along in this big market.

The platforms, again, just – if I'm going to hit on them, just to drive it home a little bit, the therapeutics are on the left. The PulseVet technology came over with just under 1,200, when we acquired it placements almost exclusively in the equine market. Larry reported that number was 1,800 or more and it's on its way to 2,000.

And we're starting to really focus on small animals in that market. Again, what I didn't say there is that the core that you see on there is called a trode, and the secret sauce is palladium, which we replace after about 50 treatments the vet will send it back, we'll send them another trode, horse owners do it four or five times a year. They generally have two boxes. Small animals generally have one box and usually do it once or twice a year. They'll do the refill. But you can see that's a high margin consumable product. And as I said, about 60% of PulseVet's revenue currently is recurring revenue.

And then the Assisi Loop is sold through retail. It wears out in about nine months to a year, depending on how often the owner uses that technology. So about two thirds of that revenue is recurring. And over to the left, I won't hit all those points again. You can see the nice job we've done with the branding. What I did fail to say earlier is TRUFORMA, we had a real exciting announcement on or around, I think it was September 15 where we announced entry into the equine testing market for Cushing's disease. And that is a really large market. Standard of care is to test at least once, and in many cases, twice per year, if caught early, it's not a real big deal for horses. Much like any other ailment, if it's caught late, it could be pretty devastating, both painful to the horse and worse yet, death to the horse. What we offer is point of care testing, which is lacking today. So most horse owners aren't getting that done and a lot of horses are over 10 years of age, and they're prime candidates. So we're real excited about the opportunity.

And if you think about PulseVet, we have over 1,200 vets already using that. So this is a – I want to say an easy sale. There's no such thing. However, it's a – certainly an immediate addressable market is to target the vets that are already using PulseVet to sell the new TRUFORMA

Cushing's disease for horses. All of this we have a pretty extensive platform that has a portal, a lot of this links to phones. So we have a pretty advanced team and a gentleman who's done a lot of this. And his full-time job is to make sure all of this. There are privacy concerns, but again, not like human healthcare. We don't have HIPAA or big worries. We do have privacy protections, but the rules are a little different in animal health.

Revenue, we talked about it. And there's the quarters' of growth. You can see the \$19 million last year, which was highlighted by \$6.2 million or just under \$6.2 million in Q4. We thought we'd break that record in Q2. Hopefully, we'll break that \$6.2 million record the second half of the year. But you can see we had pretty robust growth, \$5.5 million in Q1, which was up from \$3.8 million and \$6 million, or north of \$6 million last quarter up from just over \$4 million. So some big numbers and as I said, \$11.5 million in the first half of the year, as you can see, there's seasonality in the business.

Q2 and Q3 look a lot alike. Q1 is always down. Q4 is up. Number one, there's a capital component. So anyone who's ever sold capital equipment knows that Q4 is always robust with budgets and tax considerations. But in our business, which was also unique, very different than in human health is vets bring their chequebooks. And there's a lot of shows, the back half of the year beginning after Labor Day. So some of our busiest times in the trade sale market occur second half of the year and will be occurring. And that's what drives a lot of those sales in the back half of the year.

There's just some numbers there, and again, happy to show. But you can see some big growth rate numbers and we measure it in a lot of different ways because we had a lot of different questions. Question we get most often, are we still going to be inquisitive? You saw all of those acquisitions, and we just did a couple more here on the last few weeks. I talked about those five pillars they're indicated on the left, and I talked about three, four and five for the veterinarian. But it all starts with when Greg or others or bankers bring us a deal, is it better for the animal? Is it a unique solution? Is it something that the animal needs to get better? And number two, as a pet parent do you want to spend money on it? Do you honestly believe it's a better solution for your animal for whatever reason? And are you willing to spend money for it?

So if it meets those two criteria, then we go in and say, okay, is it going to help the workflow make life easier for the vet? They're not going to want to write a big cheque. So how do we use our sales force to get in, in there without a big capital outlay? And then how do we ultimately improve their profitability or replace some of those lost profitability streams that I mentioned earlier in the presentation.

And again, I'll just run through, I'm going to leave about five minutes or at least a few minutes for questions. You can see it shows the mechanism of action. They're small machines, so they don't take up a lot of space. That's our TRUFORMA. There's the assays that that we touch upon the tests. And many of you who are pet owners should recognize those tests. There's a picture of the microscope, really exciting technology. I mentioned the thermal image. It looks a lot like if you were looking at a storm tracker for a hurricane or Midwesterners are familiar with thunderstorms and tornadoes. It gives you a thermal image of the animal and also alerts real time.

There's a picture of the PulseVet. It's really impressive in horses. So much so that the U.S. Equestrian team uses it as do many thoroughbred trainers. In fact, there's rules even in thoroughbred racing on how much time needs to elapse between treatment and race because it does help the animals. There's a picture of the lounge there for the dog. And the Assisi, as I said, what's most interesting there is the ability to get directly to the consumer.

The highlights, again, I want to stress that we have 70% margins or numbers that approach 70%. That moves a little bit as we integrate companies or if there's more capital in a particular quarter, i.e., the fourth quarter. But what more impressively, we have a lot of cash to work with. Our operating burn is less than \$3 million a quarter, and that's trending in the right direction.

So we have a long runway both for acquisitions and to do what we need to operationally. The company had virtually no sales force or measured in less than 10. We now have 33 territories with all the management supporting that. We have about 105 employees to 110 employees that are based out of Ann Arbor, but around the country, of that about half of those are touch the customer daily, including the 33 sales territories. So that is a noteworthy number and we have a dozen or so people in that product development phase on the IT side as I mentioned as well.

So I leave with that. I think the investment thesis, I'll let you make those thesis on your own. But those are why I joined. The company traded on the New York Stock Exchange American under ZOM. So that's what I have for today.

<<Analyst, Dawson James>>

I want to add one thing is they – because they traded on the New York American Stock Exchange, there is not the \$1 criteria, which everybody has fallen under, so they don't have to worry about that.

<<Peter Donato, Chief Financial Officer>>

Yeah. So we'll touch upon, because it's \$0.20. And as of September 11 and September 12 was the official date, we received notification that we fell under the \$0.20. So we are working with the exchange. We're still trading freely on the exchange. And we have a remediation period that goes into the second quarter of next year. So we're working to make sure that stock goes above \$0.20 for 30 consecutive days. But I wanted to go to 30 consecutive days. So we thought below it for 30 consecutive days, and received informal notification at an investor event actually back in September. And we've had a great dialogue with them. We've met all their compliance criteria at the moment.

<<Analyst, Dawson James>>

Do you have approval for [indiscernible] (0:23:14)?

<<Peter Donato, Chief Financial Officer>>

We do not. And that's been a sore subject with our investors, because we have about 1 billion – we have 1 billion shares outstanding. The reason being is we are domiciled in British Columbia in Canada. That's how the company started and still has roots. It requires a two-thirds shareholder majority to do that. And before Larry's arrival, the previous regime got about 50% when they tried to do that reverse split. We'll probably and I don't want to commit to it. But Larry and I are probably going to recommend that at some point here, especially if we can't get re-listed via the organic mechanisms. We'll probably approach shareholders as part of the annual meeting next year and ask for that again. But we have a little bit of time operationally with some new product launches that maybe we get there on our own. But we've stated publicly that certainly we'd love to do it if the shareholders behind it.

<<Analyst, Dawson James>>

Should I ask, how long do you think you'll be profitable, are you include about 12 a year?

<<Peter Donato, Chief Financial Officer>>

Yeah. So on a cash flow basis, I think it could be late next year, right? It is certainly on the runway, call it four to six quarters from now. I said that back in the second quarter, I still believe it about \$12 million of our \$44 million or so in OpEx is non-cash. So doing the math on that, it's \$30 million, \$32 million in operating expenses and 70% margin. As soon as you get a number approaching \$40 million run rate annually, you're profitable. All things get equal. And next time, here the company's growing fast enough on the top line, we are starting to see leverage. Our sales force is financially strengthen. Yes.

<<Analyst, Dawson James>>

I've known Larry for a few years. He actually turned me on to the PulseVet for my senior dog. And I was wondering if there was any thoughts around turning that into a direct-to-consumer product down the road?

<<Peter Donato, Chief Financial Officer>>

So we think about that all the time. We think about that. That's a pretty advanced technology there. We love take having a pet owner take the care at home. The short answer is no. There's no immediate plans. But we always talk about that and we have to balance that with who's most, where to get the best result. And also we're trying to help the best with their workflow and profitability as well. So it's a balancing act. It's almost out of time, I'll be around all day today...

<<Analyst, Dawson James>>

Certainly, one more question.

<<Peter Donato, Chief Financial Officer>>

Yeah.

<<Analyst, Dawson James>>

Any thoughts of doing a reverse list? Did you miss that with...

<<Peter Donato, Chief Financial Officer>>

Short answer and you can read the transcripts. We've talked about it. We need a two-third shareholder.

<<Analyst, Dawson James>>

I thought a yes or a no answer?

<<Peter Donato, Chief Financial Officer>>

So they – we'd like to do that. We will need a two-third shareholder majority to do that. Current thinking is that will likely occur as part of our annual meeting cycle, but we're exploring all options [Call Ends abruptly]