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Zacks Small-Cap Research

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MYOS RENS Technology (MYOS-NASDAQ)

UC Berkeley Study Results Support Utility of Fortetropin for Age-Related Muscle Loss

Based on our 10-year DCF model that uses a 14% discount rate and a 2% terminal growth rate, the target price comes out to roughly $3.75/share. Our assumptions and financial model will be updated based on relevant news.

Current Price (06/20/19)	$1.60
Valuation	**$3.75**

OUTLOOK

Yesterday MYOS announced topline results from a study conducted at the University of California, Berkeley which further supports the role of (their proprietary) Fortetropin in the promotion of muscle growth. The results relate to the difference between the Fortetropin and placebo groups in the proportion of three specific proteins; myofibril proteins, cytoplasmic proteins and mitochondrial proteins. These are key building blocks of skeletal muscle fiber. The biopsy results showed that the proportion of each of these three proteins increased (33/38 myofibril proteins, 36/44 cytoplasmic proteins and 15/19 mitochondrial proteins) more among the Fortetropin subjects as compared to those given the macronutrient-matched placebo. The difference was statistically significant. This study is clearly aimed at potentially opening up a new market for MYOS' Fortetropin products – namely for sarcopenia, or age-related muscle loss. The lack of currently available therapies to treat the condition means this could represent a highly receptive market for Fortetropin-based products. We expect we will hear more about MYOS' plans to build further evidence around Fortetropin for older populations as well as their near-term plans for capitalizing on the related commercial opportunity.

SUMMARY DATA

52-Week High	**$1.99**
52-Week Low	**$1.09**
One-Year Return (%)	**19.86**
Beta	**0.61**
Average Daily Volume (sh)	**41,274**
Shares Outstanding (mil)	**9**
Market Capitalization ($mil)	**$15**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**5**
Insider Ownership (%)	**44**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**-30.0**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2019 Estimate	**N/A**
P/E using 2020 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**Small-Blend**
Industry	**Consumer-Med**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	$0.06 A	$0.09 A	$0.07 A	$0.15 A	$0.36 A
2019	$0.15 A	$0.14 E	$0.23 E	$0.32 E	$0.83 E
2020					$2.37 E
2021					$4.53 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	-$0.17 A	-$0.14 A	-$0.12 A	-$0.01 A	-$0.45 A
2019	-$0.13 A	-$0.12 E	-$0.13 E	-$0.13 E	-$0.50 E
2020					-$0.51 E
2021					-$0.39 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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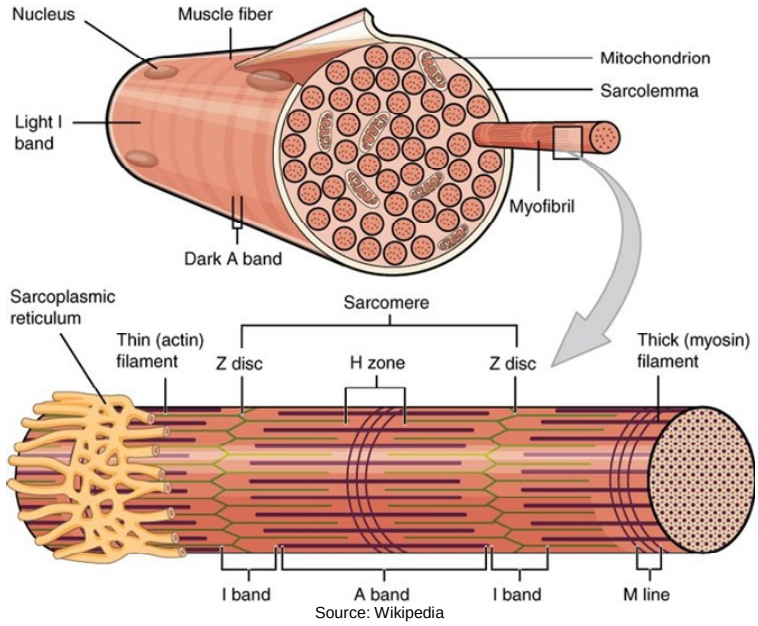
UC Berkeley Study Results Support Utility of Fortetropin for Age-Related Muscle Loss…

Yesterday MYOS announced topline results from a study conducted at the University of California, Berkeley which further supports the role of (their proprietary) Fortetropin in the promotion of muscle growth. This study focused specifically on older adults – namely those between the ages of 60 and 75 years – and measured the change in the 'fractional synthetic rate' (FSR) of muscle proteins. FSR, in this context, essentially describes the speed at which the body builds new muscle proteins (i.e. the 'building blocks' of muscles).

The randomized, double-blinded, placebo-controlled study included 20 subjects ages 60 to 75 years old. Subjects were randomized to consume either Fortetropin or (a macronutrient-matched) placebo for 21 days. Participants also ingested a (heavy water) tracer each day (which was used to measure the levels of Fortetropin and placebo in the muscles). Following the 21-day ingestion period, a biopsy was taken from each participant and FSR was measured.

The results announced yesterday relate to the difference between the Fortetropin and placebo groups in the proportion of three specific proteins; myofibril proteins, cytoplasmic proteins and mitochondrial proteins. These are key building blocks of skeletal muscle fiber. The biopsy results showed that the proportion of each of these three proteins increased (33/38 myofibril proteins, 36/44 cytoplasmic proteins and 15/19 mitochondrial proteins) more among the Fortetropin subjects as compared to those given the macronutrient-matched placebo. The difference was statistically significant.

Rendering of Skeletal Muscle Fiber



Source: Wikipedia

While we look forward to the complete study results, which are anticipated to be submitted for publication and presented at an industry conference later this year, we think the topline data does provide substantive additional support to previous data (that dates back to 1997) that has similarly shown that Fortetropin can significantly increase muscle growth. But while most of the earlier clinical data comes from studies of relatively young subjects and had focused largely on reduction in serum myostatin levels (which has been shown to down-regulate muscle growth) and on increase in weight-lifting strength, this study is clearly aimed at potentially opening up a new market for MYOS' Fortetropin products – namely for sarcopenia, or age-related muscle loss. The lack of currently available therapies to treat the condition means this could represent a highly receptive market for Fortetropin-based products.

Given the positive results of this UC Berkeley study, we expect we will hear more about MYOS' plans to build further evidence around Fortetropin for older populations as well as their near-term plans for capitalizing on the related commercial opportunity. In fact, MYOS mentioned in yesterday's press release that this study will "form the cornerstone of MYOS' 'Healthy Aging' business unit.

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Valuation

We have adjusted our DCF discount rate, from 15% to 14%, to reflect reduced failure-risk as a result of the positive topline data from this UC Berkeley study. The update moves our DCF-generated price target from $3.50/share to $3.75/share.

PROJECTED INCOME STATEMENT

MYOS RENS TECHNOLOGY

MYOS RENS TECHNOLOGY	2017A	2018A	Q1E	Q2E	Q3E	Q4E	2019E	2020E	2021E
Total Revenue	$0.53	$0.36	$0.15	$0.14	$0.23	$0.32	$0.83	$2.37	$4.53
Y-o-Y Growth	61%	-32%	161%	55%	241%	115%	131%	185%	91%
Total cost of revenue	$0.31	$0.25	$0.06	$0.08	$0.14	$0.18	$0.46	$1.18	$1.58
Gross Income	$0.22	$0.11	$0.09	$0.05	$0.09	$0.14	$0.37	$1.18	$2.94
Gross Margin	41%	31%	59%	38%	40%	45%	45%	50%	65%
Selling, Mrktg, Research	$0.82	$0.89	$0.28	$0.29	$0.32	$0.37	$1.26	$1.51	$2.08
% S.M&R	156%	248%	185%	213%	142%	115%	151%	64%	46%
Total G&A	$2.01	$3.55	$0.78	$0.85	$0.95	$0.98	$3.56	$4.90	$5.44
%G&A	383%	985%	521%	625%	422%	305%	428%	207%	120%
Other Expenses	$1.45	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total operating expenses	$4.29	$4.44	$1.05	$1.14	$1.27	$1.35	$4.81	$6.41	$7.52
Operating Income	($4.07)	($4.33)	($0.96)	($1.09)	($1.18)	($1.21)	($4.44)	($5.23)	($4.58)
Operating Margin	-	-	-	-	-	-	-	-	-
Interest income	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.02	$0.04
Interest expense	$0.00	($0.01)	($0.01)	($0.02)	($0.01)	($0.01)	($0.05)	$0.00	$0.00
Other income (expense), net	$0.00	($0.00)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Pre-tax income	($4.07)	($4.34)	($0.98)	($1.11)	($1.19)	($1.21)	($4.48)	($5.21)	($4.54)
Income tax	$0.00	($1.12)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
warrant modification	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Net Income	($4.07)	($3.22)	($0.98)	($1.11)	($1.19)	($1.21)	($4.48)	($5.21)	($4.54)
Net Margin	-	-	-	-	-	-	-	-	-
EPS	($0.69)	($0.45)	($0.13)	($0.12)	($0.13)	($0.13)	($0.50)	($0.51)	($0.39)
Y-o-Y Growth	-	-35%	-25%	-15%	5%	1185%	12%	1%	-

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Shares O/S	5.9	7.1	7.7	9.2	9.2	9.2	8.8	9.7	11.0

HISTORICAL STOCK PRICE



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