

MiMedx Group, Inc.

(MDXG: NASDAQ)

1Q:22 Results

Based on our multiple of earnings model and a 20% discount rate, MiMedx target price is approximately \$11.00 per share. Our methodology applies a 20x multiple of earnings to 2026 EPS, a 15x multiple to 2026 EBITDA and discounts a blend of the two approaches to generate a one-year target price.

Current Price (5/4/2022) **\$4.39**
Valuation **\$11.00**

OUTLOOK

MiMedx is a wound care and therapeutic biologics company, developing and distributing allografts. The company derives its products from human placental tissues processed using the Purion technology. MiMedx differentiates itself in the regenerative medicine market through the substantial library of supportive research for its products. The company's platform includes numerous solutions for wound & burn repair & expects to expand the portfolio yearly with new offerings. The products are derived from placental and umbilical cord tissue.

In addition to its marketed products, MiMedx is developing assets in knee osteoarthritis (KOA) and potentially other line extensions in regenerative medicine and wound care. Phase III clinical trials are anticipated in 2H:22 for AmnioFix injectable in KOA and other indications which was subject to enforcement discretion prior to June 2021.

Legal matters are near conclusion with a majority of issues resolved and major related costs largely behind the company.

We forecast continued growth in commercialized products and success in the development pipeline that will drive topline growth. International opportunities include Japan, the UK and Germany which have approved MiMedx products and are in process to determine reimbursement.

SUMMARY DATA

52-Week High **\$15.99**
52-Week Low **\$3.75**
One-Year Return (%) **-55.4**
Beta **1.96**
Average Daily Volume (sh) **514,080**

Shares Outstanding (mil) **141**
Market Capitalization (\$mil) **619**
Short Interest Ratio (days) **6.6**
Institutional Ownership (%) **59.1**
Insider Ownership (%) **1.95**

Annual Cash Dividend **\$0.00**
Dividend Yield (%) **0.00**

5-Yr. Historical Growth Rates

Sales (%) **N/A**
Earnings Per Share (%) **N/A**
Dividend (%) **N/A**

P/E using TTM EPS **N/A**
P/E using 2021 Estimate **N/A**
P/E using 2022 Estimate **N/A**

Zacks Rank **N/A**

Risk Level **Above Average**
Type of Stock **Small-Growth**
Industry **Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue

(In millions of USD)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2021	\$60.0 A	\$68.2 A	\$63.1 A	\$67.4 A	\$258.6 A
2022	\$58.9 A	\$66.5 E	\$71.6 E	\$76.9 E	\$273.9 E
2023					\$323.2 E
2024					\$374.9 E

Earnings per Share

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2021	-\$0.08 A	-\$0.01 A	-\$0.02 A	\$0.02 A	-\$0.09 A
2022	-\$0.09 A	-\$0.02 E	\$0.00 E	\$0.03	-\$0.08 E
2023					\$0.29 E
2024					\$0.41 E

*4Q:21 EPS is as calculated by our model ignoring Series B Convertible effect.

WHAT'S NEW

1Q:22 Financial and Operational Results

After market close on May 3, 2022, MiMedx Group, Inc. (NASDAQ: MDXG) filed [Form 10-Q](#) with the SEC and issued a [press release](#) summarizing its financial and operational results for the quarter ended March 31, 2022. A [conference call](#) and webcast was held the following day to communicate additional detail to analysts and investors.

MiMedx continued its string of core double digit revenues growth in the first quarter of 13%; a trend that is expected to continue as new products and geographies are launched in coming months. Despite the stronger than expected first quarter result, MiMedx maintains its guidance for the year which has improving growth up to a 20% year over year increase by 4Q:22. Some of the key items to watch for in 2022 include a reimbursement decision and first sales of EpiFix in Japan around mid-year, launch of new products AmnioEffect and Placental Collagen Matrix to address wounds that require thicker coverage or are difficult to reach and the start of the knee osteoarthritis (KOA) trial.

Highlights for 2022:

- Key strategic milestones for 2022 - January 2022
- Dismissal of putative securities class action lawsuit - January 2022
- Study demonstrating cost effectiveness of dHACM vs SoC in LEDU¹ - February 2022
- Presentation at Canaccord Genuity Musculoskeletal Conference – March 2022
- Presentation of EPIFIX economics at the Symposium on Advanced Wound Care (SAWC) – April 2022

Revenues and net loss for the first quarter were \$58.9 million and (\$10.5) million, respectively, and net loss available to common stockholders was (\$12.1) million with the difference attributable to the dividend on the Series B convertible stock. Net loss per share for common stockholders was (\$0.11). These results compare to net loss of (\$0.09) for 1Q:21.²

For the quarter ending March 31, 2022, compared to the one ending March 31, 2021:

- Reported revenues were \$58.9 million, down 1.8% from \$60.0 million. Revenue decrease related to the loss of Section 351 product and lower revenues related to performance obligations were largely offset by increases in tissue and cord sales;
- Gross margin fell slightly to 83.1% from 83.9%;
- SG&A was \$49.6 million, up 9.3% from \$45.4 million on higher personnel costs, sales commissions and travel expenses resulting from sales force realignment and expansion and increased sales in surgical recovery results which are completed through sales agents;
- Investigation, restatement and related expenses were \$2.6 million, down 65% from \$7.2 million due to a decline in legal fees;
- R&D expenses were \$6.0 million, increasing 38% from \$4.3 million, reflecting increases in personnel costs, driven by increases in headcount to support clinical research efforts related to the company's development pipelines;
- Operating income was (\$9.3) million vs (\$6.9) million;
- Interest expense was (\$1.1) million versus (\$1.5) million;
- Net loss was (\$10.5) million versus (\$8.4) million, or (\$0.07) per share versus (\$0.08) per share;
- Net loss available to common stockholders was (\$12.1) million vs (\$8.4) million or (\$0.11) and (\$0.09).

As of March 31, 2022, cash stood at \$75.7 million. Debt was carried on the balance sheet at \$48.2 million. Cash burn for the quarter was (\$10.4) million compared to (\$8.8) million in the prior year period on lower net loss, absence of loss on extinguishment of debt, and support from income taxes and accrued compensation, offset by ac-

¹ Lower Extremity Diabetic Ulcer

² Note that shares outstanding is calculated using shares provided on income statement whereas shares outstanding on page 1 of this report include Series B convertible preferred stock as converted. Series B convertible preferred stock is mandatorily convertible into shares.

crued expenses. Adjusted EBITDA, as calculated by the company which adds back costs incurred related to the investigation and restatement and share based compensation, was (\$1.7) million which compares to prior year amount of \$5.0 million. EBITDA calculated by the company and Zacks was (\$8.3) million.

Key Strategic Milestones for 2022

On January 10, 2022, MiMedx reiterated its 2021 accomplishments and [announced](#) 2022 initiatives and guidance. With the revelation of the shelf-life issues that obscured endpoint results from MiMedx' recent Phase IIb KOA trial, the company plans to start a Phase III study in knee osteoarthritis (KOA) in 2H:22, targeting a late-2026 commercial launch. The company also aims for double-digit revenue growth in 2022 driven primarily by advancement into the surgical recovery market, launch of EpiFix in Japan in mid-2022, and launch of two new products in 1H:22, echoing initiatives presented in MiMedx' recent December 7th Investor Day. 2021 highlights included receiving regulatory approval for EpiFix in Japan, multiple peer-reviewed clinical; scientific; and economic publications, additional Investigational New Drug (IND) applications, double-digit topline sales growth, expansion of MiMedx' sales force, and Phase IIb KOA trial results.

2022 Anticipated Milestones include:

- Mid-2022 launch of EpiFix in Japan;
- Commence two Phase III clinical trials in KOA;
- Implement rigorous cGMP³ standards throughout supply chain;
- Publish peer-reviewed publications on research and clinical studies;
- Launch new US products: AmnioEffect and Placental Collagen Matrix.

MiMedx maintained its topline growth guidance for 2022:

- Annual revenue growth of 11%-14% in existing product portfolio;
 - 2Q:22: high-single digit percent growth;
 - 3Q:22: mid- to high-teens percent growth;
 - 4Q:22: high-teens to twenty percent growth;
- Gross margin is expected to be slightly lower due to competition and product mix.

On January 28, 2022, MiMedx announced the [dismissal](#) of the securities class action lawsuit brought on by the Carpenters Pension Fund of Illinois (CPFI) that claimed that MiMedx violated federal securities laws. US District Judge William Ray II, a federal judge in the Northern District of Georgia, granted MiMedx' Motion to Dismiss and ruled that he would not reconsider his decision.

Publications

Study Demonstrating Cost-Effectiveness of mdHACM vs SoC in Lower Extremity Diabetic Ulcers

On February 16, 2022, MiMedx [announced](#) a publication in the *Journal of Wound Care* that evaluated the cost-effectiveness of dehydrated Human Amnion Chorion Membrane (dHACM) versus standard of care in treating lower extremity diabetic ulcers (LEDU), including diabetic foot ulcers (DFU). The study retrospectively analyzed 10.9 million Medicare diabetes patients, 1.2 million of whom had an LEDU, and tracked outcomes including amputations and healthcare utilization. Timely use of dHACM significantly reduced long-term healthcare costs compared to standard of care and no treatment.

The results of the study were presented at the Symposium on Advanced Wound Care (SAWC) Spring conference in April by Dr. William H. Tettelbach. The poster cites a resource estimating up to 85% of amputations are avoidable using a holistic multispecialty team approach that uses innovative treatments such as dHACM allografts. The study found that episodes treated with dHACM had fewer amputations and health care utilization, including emergency visits, inpatient admissions and readmissions. It was estimated that in year one, dHACM saved \$3,670 per patient and provided a QALY⁴ gain of 0.013 years. Assuming a willingness to pay of \$100,000 per QALY, the five-year net benefit per patient was ~\$5,000. DFUs represent an annual incidence of 6%-7% in the Medicare population and 4% in the commercially insured population. For a typical million-person plan, potential savings could amount to \$22 million annually.

³ Current Good Manufacturing Practice

⁴ Quality-adjusted life years

The Wound Healing Cascade

MiMedx provides a descriptive video explaining the wound healing process and how in some wounds healing can fail to progress due to impaired ECM synthesis, prolonged inflammation and impaired angiogenesis due to chronic inflammation. The use of EpiFix can help upregulate many of the growth factors and reduce inflammation so that the wound can properly heal while also providing an extracellular matrix around which new tissue can form. A video illustration is embedded in this [page](#).

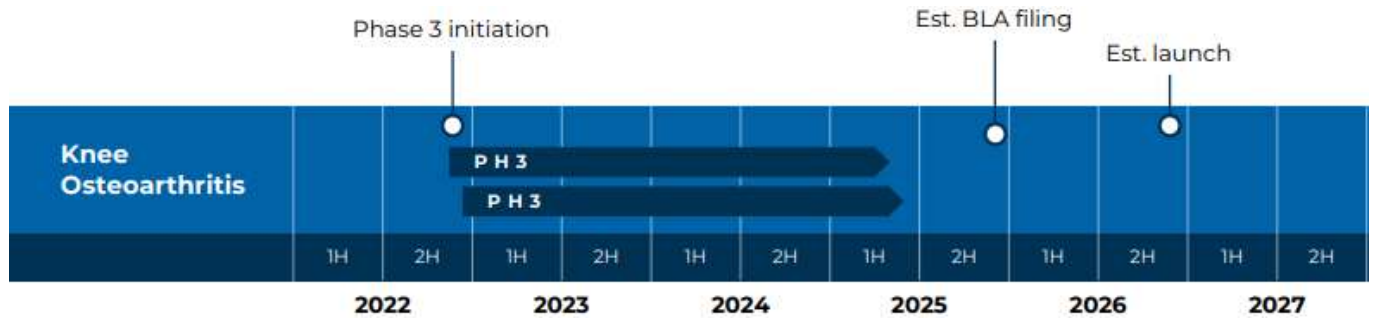
Prescience Point Capital Management and Annual Meeting

In an April 20, 2022 [Schedule 13D filing](#), Prescience Point stated its desire to see additional efforts made to communicate the value of the AmnioFix asset in knee osteoarthritis (KOA) and to prevent the election of certain board members. In response, MiMedx management issued a [press release](#) asserting the qualifications and experience of the board and highlighted its communications with Prescience Point. This comes along with the filing of MiMedx' 2022 [Proxy Statement](#) in preparation for the June 7th annual meeting of shareholders which will be held virtually.

Company Milestones

- IND / IDE submission for multiple wound care indications – As of August 2021:
 - Chronic cutaneous ulcers (AmnioFix) – IND Cleared
 - Surgical incisions (AmnioFix) – IND Cleared
 - Soft tissue defects (AmnioFill) – IND Filed
- Conclusion of enforcement discretion – May 2021
- Regulatory approval for EpiFix in Japan – June 2021
 - Launch of EpiFix in Japan – Mid-2022
- Virtual Investor Day – December 2021
- Launch AmnioEffect and Placental Collagen Matrix – 1H:22
- Phase III KOA trials launch – 2H:22
 - Phase IIa KOA trial completion – April 2021
 - Final analysis & database lock – 2H:21
 - Final safety follow-up – October 2021
 - Generation of full data set – 2H:21
 - End of Phase II meeting with FDA – 2H:21
 - BLA submission – Late-2025
 - Commercial launch – Late 2026

Exhibit I – KOA Timeline⁵



Summary

On May 3, 2022, MiMedx reported financial and operational results for the three month period ending March 31, 2022 followed by an investor call the next day. Revenues for the quarter were a better than expected \$58.9 million, representing a 13% increase over core revenues in the prior year. Net loss per share was (\$0.09) and net loss per share to common stockholders, which recognizes the dividend paid to Series B convertible holders, was (\$0.11).

Highlights for 2021 and to date include readouts from multiple studies, recovery from the loss of Section 351 product, and several new avenues for growth from geographical and product expansion in 2022. MiMedx also was granted its motion to dismiss a lawsuit brought upon the company by the Carpenters Pension Fund of Illinois. MiMedx is also expecting to start its KOA trial in the second half which, if successful, could be a major value driver if approved by the FDA. We maintain our valuation to \$11 per share.

⁵ Source: MiMedx January 2022 JP Morgan Healthcare Conference Presentation

PROJECTED FINANCIALS

MiMedx Group, Inc. - Income Statement⁶

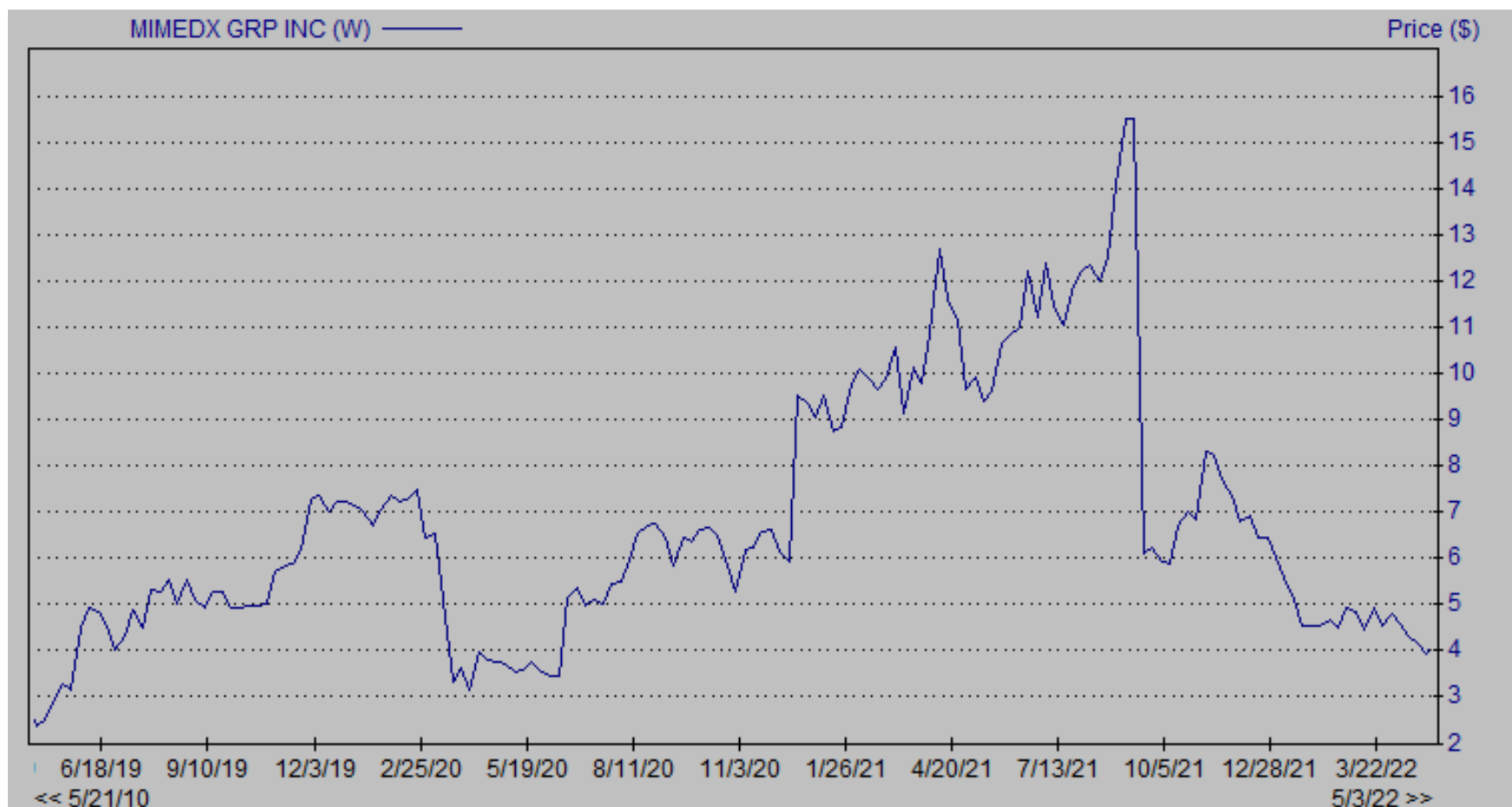
MiMedx Group, Inc.	2021 A	Q1 A	Q2 E	Q3 E	Q4 E	2022 E	2023 E	2024 E
Total Revenues (\$US '000)	\$258,615	\$58,894	\$66,480	\$71,648	\$76,850	\$273,872	\$323,169	\$374,876
YOY Growth	4%	-2%	-2%	14%	14%	6%	18%	16%
Cost of Goods Sold	\$43,283	\$9,936	\$12,631	\$13,971	\$14,778	\$51,317	\$51,707	\$59,980
Product Gross Margin	83.3%	83.1%	81.0%	80.5%	80.8%	81.3%	84.0%	84.0%
Selling, general & administrative	\$198,360	\$49,570	\$50,500	\$51,200	\$51,500	\$202,770	\$204,798	\$207,358
Investigation, restatement etc.	\$3,791	\$2,552	\$0	\$0	\$0	\$2,552	\$0	\$0
Research & development	\$17,345	\$5,964	\$6,000	\$6,123	\$6,150	\$24,237	\$20,000	\$22,000
Amortization of intangible assets	\$820	\$172	\$172	\$172	\$172	\$688	\$688	\$688
Impairment of intangible assets	\$53	\$0	\$0	\$0	\$55	\$55	\$0	\$0
Income from operations	(\$5,037)	(\$9,300)	(\$2,823)	\$182	\$4,195	(\$7,746)	\$45,976	\$84,850
Operating Margin	-2%	-16%	-4%	0%	5%	-3%	14%	23%
Interest income, net	(\$4,980)	(\$1,126)	\$0	\$0	\$0	(\$3,500)	(\$3,500)	(\$3,500)
Other income, net	(\$23)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pre-Tax Income	(\$10,040)	(\$10,426)	(\$2,823)	\$182	\$4,195	(\$11,246)	\$42,476	\$81,350
Provision for Income Tax	(\$246)	\$63	\$0	\$0	\$0	\$63	\$0	(\$18,711)
Tax Rate	2.5%	0.0%	0.0%	0.0%	0.0%	-0.6%	0.0%	23.0%
Net Income	(\$10,286)	(\$10,489)	(\$2,823)	\$182	\$4,195	(\$11,183)	\$42,476	\$62,640
Net Margin	-4%	-18%	-4%	0%	5%	-4%	13%	17%
Reported EPS	(\$0.09)	(\$0.09)	(\$0.02)	\$0.00	\$0.03	(\$0.08)	\$0.29	\$0.41
YOY Growth	-80%	22.7%	52.8%	-106.0%	49.0%	-16%	-467%	44%
Basic Shares Outstanding	110,353	111,616	114,500	114,500	114,500	120,243	135,258	152,000
Fully Diluted Shares	140,334	141,076	143,960	143,960	143,960	143,239	148,193	152,000

Source: Company Filing // Zacks Investment Research, Inc. Estimates

⁶ Financial statement information presents data as originally reported.

HISTORICAL STOCK PRICE

MiMedx Group, Inc. – Share Price Chart⁷



⁷ Source: Zacks Research System

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