

MiMedx Group, Inc.

(MDXG: NASDAQ)

2Q: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 (8/3/2022) **\$3.69**
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 based on products subject to enforcement discretion.

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 **\$3.04**
One-Year Return (%) **-70.6**
Beta **1.88**
Average Daily Volume (sh) **520,527**

Shares Outstanding (mil) **142**
Market Capitalization (\$mil) **524**
Short Interest Ratio (days) **6.3**
Institutional Ownership (%) **60.9**
Insider Ownership (%) **2.0**

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 2022 Estimate **N/A**
P/E using 2023 Estimate **14.8**

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 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	\$60.0 A	\$68.2 A	\$63.1 A	\$67.4 A	\$258.6 A
2022	\$58.9 A	\$66.9 A	\$71.6 E	\$76.9 E	\$274.3 E
2023					\$323.6 E
2024					\$375.4 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	-\$0.08 A	-\$0.01 A	-\$0.02 A	\$0.02 A	-\$0.09 A
2022	-\$0.09 A	-\$0.10 A	\$0.00 E	\$0.03	-\$0.13 E
2023					\$0.25 E
2024					\$0.39 E

*EPS is as calculated by our model ignoring Series B Convertible effect.

WHAT'S NEW

2Q:22 Financial and Operational Results

After market close on August 2, 2022, MiMedx Group, Inc. (NASDAQ: MDXG) filed its [Form 10-Q](#) with the SEC and issued a [press release](#) summarizing its financial and operational results for the quarter ended June 30, 2022. A conference call and [webcast](#) was held the following day to communicate additional detail to analysts and investors.

MiMedx continued its string of core¹ double digit revenues growth in the second quarter of 11.6%; a trend that is expected to continue as new products and geographies contribute to the topline in coming months. Highlights include new management additions, first sales of AmnioEffect, scheduling of a Type B meeting with the FDA and engagement of a contract research organization (CRO) for the knee osteoarthritis (KOA) trial and the receipt of an award from the Department of Defense (DoD). Key upcoming items to watch for in 2022 include a reimbursement decision and first sales of EpiFix in Japan, first sales of AxioFill and enrollment of the first subject in the KOA trial.

Revenues and net loss for the second quarter were \$66.9 million and (\$10.9) million, respectively, and net loss available to common stockholders was (\$12.5) 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 (\$0.03) for 2Q:21.²

For the quarter ending June 30, 2022, compared to the one ending June 30, 2021:

- Reported revenues were \$66.9 million, down 1.9% from \$60.0 million. Revenue decreased due to the loss of Section 351 product and were partially offset by a rise in tissue sales in areas of surgical recovery;
- Gross margin rose by 100 basis points to 82.3% from 81.3% on favorable product mix and prior year negative impact from product write-downs related to the halt in US sales of Section 351 product;
- SG&A was \$55.8 million, up 4.1% from \$53.6 million on increases in travel and bad debt expenses related to inflation and deterioration in customer credit quality. Year over year increases were also attributable to higher commissions partially offset by lower expenses related to a proxy fight in the current year;
- Investigation, restatement and related expenses were \$3.2 million, a \$5.3 million spread from the (\$2.1) million reversal in charges reflecting insurance policy contributions in the comparable period;
- R&D expenses were \$5.5 million, increasing 36% from \$4.1 million, reflecting higher personnel costs, driven by increases in headcount to support clinical research efforts related to the company's development pipelines offset in part by lower professional services expenses and clinical trial expenses;
- Operating loss was (\$10.8) million vs (\$1.8) million;
- Interest expense was (\$1.2) million versus (\$1.4) million;
- Net loss was (\$10.9) million versus (\$1.8) million, or (\$0.10) per share versus (\$0.02) per share;
- Net loss available to common stockholders was (\$12.5) million vs (\$3.3) million or (\$0.11) and (\$0.03).

As of June 30, 2022, cash stood at \$72.5 million. Debt was carried on the balance sheet at \$48.4 million. Cash burn for the quarter was (\$3.4) million compared to a contribution of \$1.1 million in the prior year period on lower net loss and insurance benefit related to investigation and restatement items. Adjusted EBITDA, as calculated by the company which adds back costs incurred related to the investigation and restatement and share based compensation, was (\$959,000) which compares to prior year contribution of \$3.1 million. EBITDA calculated by the company and Zacks was (\$8.6) million compared with \$1.1 million for the two respective periods.

Key Strategic Milestones for 2022

In January of this year, MiMedx reiterated its 2021 accomplishments and [announced](#) 2022 initiatives and guidance. Core product growth was expected to be from 11% to 14% aided by new products, new geographies, surgical recovery and greater penetration into existing customers. On the development side, the company plans to start a Phase III study in KOA in 2H:22, with the first patient enrolled before year end, a 2025 BLA submission and a late-2026 commercial launch.

¹ Excluding US Section 351 product for which FDA enforcement discretion ended May 31, 2022.

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.

2022 Anticipated Milestones include:

- 2H:22 launch of EpiFix in Japan;
- Commence 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 AxioFill.

Nordic Biosciences

In mid-June, MiMedx announced that it would engage [Nordic Bioscience Clinical Development](#) (NBCD) to assist in operationalizing clinical trials for knee osteoarthritis (KOA). As contract research organization (CRO) it will assist with patient recruitment, prepare for study initiation and organize trial enrollment. NBCD will guide the registrational trials that will investigate the mdHACM placental biologic injectable on behalf of MiMedx.

NBCD has a competency in [osteoarthritis](#) clinical trials and will offer the benefits of its imaging resources in the Image Analysis Group to assist in the development of the investigational biologic. The CRO has characterized a number of [biomarkers](#) that can be used to monitor the efficacy of a therapy and efficiently measure underlying disease activity and prognosis.

Department of Defense Award

MiMedx [announced](#) the receipt of \$4.6 million from the Department of Defense (DoD) on May 31. The funds will support work to advance the treatment of combat casualty wounds and burns using PURION processed placental tissue. The award will fund work to advance the clinical understanding of DHACM in treating acute injuries and preventing burns from deteriorating. The work will also examine how DHACM may reduce morbidity, limit the need for additional skin grafting and help military personnel return to duty.

The University of Arizona will lead the efforts to design studies that will evaluate the safety and efficacy of using DHACM in burn wound healing. The pilot study for the indication will be conducted by the University of Miami.

Shareholder Letters

In a June 30 emailed [letter](#) to shareholders, CEO Tim Wright reiterated several recent accomplishments, and identified a new general manager for the Japanese and Asian markets. This follows another [shareholder letter](#) prior to the proxy vote in early June. Both missives highlighted the strong topline growth despite a loss of revenues related to the end of enforcement discretion, and moving past the past litigation and accounting issues. Some of the primary initiatives achieved include: reorganization of commercial business, creation of new, better aligned business units at the company, advancement of the late-stage pipeline with several milestones accomplished for the upcoming KOA study. Other new products, such as AmnioEffect were also mentioned.

One of the most important initiatives for 2022 is the launch of EpiFix in Japan. The new general manager that will spearhead this effort, Mr. Takanori Kuramoto, was appointed recently, as announced in the recent shareholder letter. He will be responsible for global market expansion efforts in Japan and greater Asia Pacific markets. Since last year's regulatory approval to commercialize EpiFix in Japan, MiMedx has been working on obtaining reimbursement approval and we expect to see first sales in the near term.

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 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.

³ Current Good Manufacturing Practice

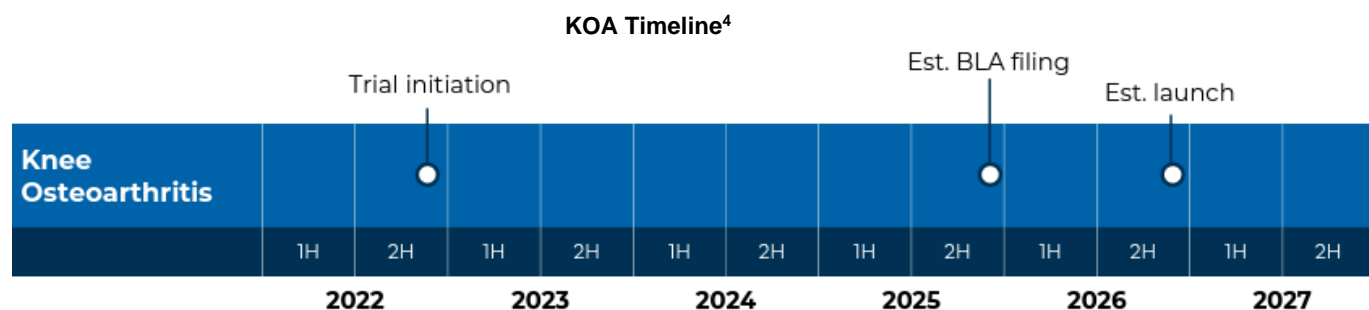
Proxy Vote

This year's proxy vote turned out to be more exciting than in years past. Shareholder Prescience Point Capital Management objected to several of the members of the Board of Directors and to CEO compensation. In response, management and board members urged shareholders to vote for the proposed directors highlighting the qualifications of management and the board.

Following the June 7th proxy vote, shareholders [approved](#) the directors and proposals presented. This included election of James Bierman and Phyllis Gardner as well as the advisory approval of executive compensation and ratification of Deloitte & Touche as MiMedx' accounting firm. The final item was the approval of the employee stock purchase plan.

Company Milestones

- Limited launch of AmnioEffect – June 2022
- Launch of EpiFix in Japan – Mid-2022
- Annual meeting of shareholders – June 2022
- Nordic Biosciences selected as CRO – June 2022
- [Formation](#) of Regenerative Medicine Scientific Advisory Board – July 2022
- New team members added: Mr. Kuramoto Japan GM & [Ms. Surdez Chief HR Officer](#) – mid-2022
- Full launch of AmnioEffect and Placental Collagen Matrix (AxioFill) – 2022
- Phase III KOA trials launch – 2H:22
 - First patient enrolled – 2H:22
 - BLA submission – Late 2025
 - Commercial launch – Late 2026



Summary

MiMedx reported its second quarter results showing continued strong growth in its core wound care business. Revenues for the quarter were a better than expected \$66.9 million, and minimal cash burn of about \$3 million was achieved. Management is guiding towards positive free cash flow in the second half along with maintaining its guidance for full year topline growth of 11 – 14%. New products, new geographies and expansion of sales in surgical recovery are expected to drive the continued sales expansion.

MiMedx is on track with its plans for 2022 and we expect to hear more on success in Japan and several interim milestones on the KOA trial as we move towards the end of the year. We maintain our valuation of \$11 per share.

⁴ Source: MiMedx May 2022 HC Wainwright Conference Presentation

PROJECTED FINANCIALS

MiMedx Group, Inc. - Income Statement⁵

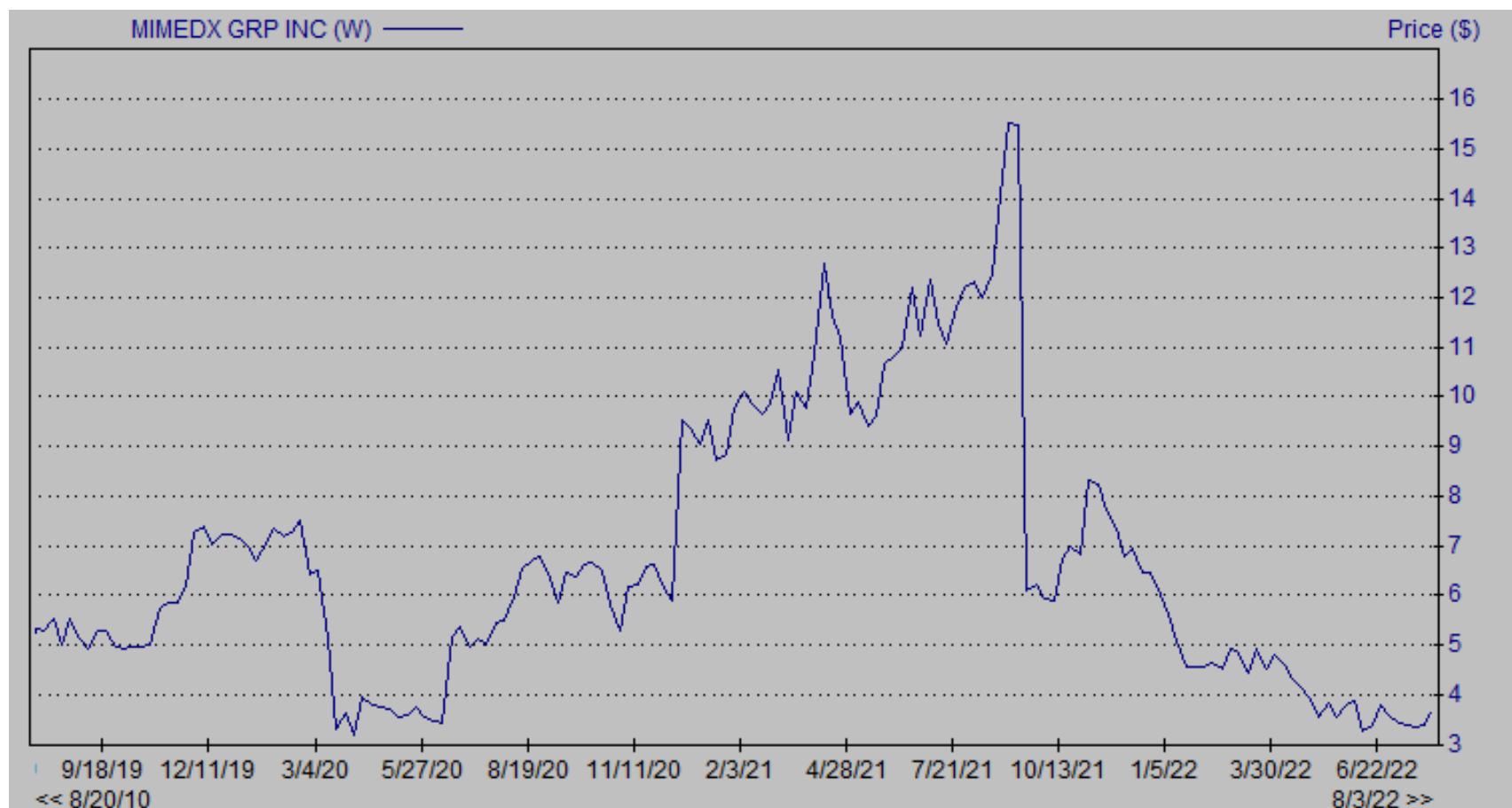
MiMedx Group, Inc.	2021 A	Q1 A	Q2 A	Q3 E	Q4 E	2022 E	2023 E	2024 E
Total Revenues (\$US '000)	\$258,615	\$58,894	\$66,883	\$71,248	\$76,550	\$273,575	\$322,819	\$374,469
YOY Growth	4%	-2%	-1.9%	13%	14%	6%	18%	16%
Cost of Goods Sold	\$43,283	\$9,936	\$11,823	\$13,751	\$14,721	\$50,230	\$51,651	\$59,915
Product Gross Margin	83.3%	83.1%	82.3%	80.7%	80.8%	81.6%	84.0%	84.0%
Selling, general & administrative	\$198,360	\$49,570	\$55,793	\$51,200	\$51,500	\$208,063	\$210,144	\$212,770
Investigation, restatement etc.	\$3,791	\$2,552	\$3,218	\$0	\$0	\$5,770	\$0	\$0
Research & development	\$17,345	\$5,964	\$5,512	\$6,123	\$6,150	\$23,749	\$20,000	\$22,000
Amortization of intangible assets	\$820	\$172	\$173	\$172	\$172	\$689	\$688	\$688
Impairment of intangible assets	\$53	\$0	\$0	\$0	\$55	\$55	\$0	\$0
Income from operations	(\$5,037)	(\$9,300)	(\$9,636)	\$2	\$3,953	(\$14,981)	\$40,336	\$79,096
Operating Margin	-2%	-16%	-14%	0%	5%	-5%	12%	21%
Interest income, net	(\$4,980)	(\$1,126)	(\$1,170)	\$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)	(\$10,806)	\$2	\$3,953	(\$18,481)	\$36,836	\$75,596
Provision for Income Tax	(\$246)	\$63	(\$62)	\$0	\$0	\$1	\$0	(\$17,387)
Tax Rate	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	23.0%
Net Income	(\$10,286)	(\$10,489)	(\$10,868)	\$2	\$3,953	(\$18,480)	\$36,836	\$58,209
Net Margin	-4%	-18%	-16%	0%	5%	-7%	11%	16%
Reported EPS	(\$0.09)	(\$0.09)	(\$0.10)	\$0.00	\$0.03	(\$0.13)	\$0.25	\$0.38
YOY Growth	-80%	22.7%	496.9%	-100.1%	40.4%	39%	-293%	53%
Basic Shares Outstanding	110,353	111,616	112,868	114,500	114,500	113,371	132,563	152,000
Fully Diluted Shares	140,334	141,076	142,490	144,100	143,960	142,906	147,363	152,000

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

⁵ Financial statement information presents data as originally reported.

HISTORICAL STOCK PRICE

MiMedx Group, Inc. – Share Price Chart⁶



⁶ Source: Zacks Research System

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