

## MiMedx Group, Inc.

(MDXG: NASDAQ)

### New Product Launches

Based on our multiple of earnings model and a 20% discount rate, MiMedx target price is approximately \$10.00 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 (9/22/2022) **\$2.84**  
**Valuation \$10.00**

### 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 **\$8.70**  
 52-Week Low **\$2.71**  
 One-Year Return (%) **-78.0**  
 Beta **1.75**  
 Average Daily Volume (sh) **523,360**

Shares Outstanding (mil) **142**  
 Market Capitalization (\$mil) **403**  
 Short Interest Ratio (days) **5.9**  
 Institutional Ownership (%) **61.3**  
 Insider Ownership (%) **2.2**

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 **14.9**

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	\$66.9 A	\$65.2 E	\$74.1 E	\$265.0 E
2023					\$312.7 E
2024					\$362.8 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	-\$0.10 A	-\$0.03 E	\$0.01 E	-\$0.18 E
2023					\$0.19 E
2024					\$0.33 E

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

## WHAT'S NEW

### New Products Adding to Revenues

Over the last several weeks MiMedx Group, Inc. (NASDAQ: MDXG) has announced the launch of two new products and the receipt of reimbursement approval in Japan. On September 20, **Axiofill**, an extracellular matrix (ECM) particulate product derived from human placental tissue was **launched**. The day prior, **Amnioeffect** was fully **launched**, following limited distribution a few months earlier. **Epifix** was granted reimbursement approval in Japan as shared in a September 12 **release**. Full product launch is expected in 4Q:22.

Each of the products was released later than expected due to low staffing levels at hospitals related to post-COVID recuperation and vacation related absences. Regulatory delays in Japan contributed to the later than expected reimbursement approval. Distributors in Japan have not entered into agreements for products until the reimbursement details are clear. Training must also take place before sales, another factor that has delayed the recognition of revenues for Epifix in Japan until 4Q:22. The net result of these delays is that no new product sales will be contributing to 3Q:22 revenues and year over year growth will predominantly be organic in the third quarter. We reduce our estimates to \$65 million in sales for 3Q:22, representing a 3% year over year increase. We also reduce fourth quarter revenue estimates to reflect a later ramp up in sales of Axiofill, Amnioeffect and Epifix.

**Axiofill** is an acellular human placental extracellular matrix (ECM) derived from the placental disc intended for use in surgical recovery procedures. It preserves several ECM components and other matrix-bound proteins and can be used in replacement or supplementation of damaged or inadequate integumental tissue. The product's features include versatility in application, support from clinical trials and the ability for use in negative pressure wound therapy (NPWT) and hyperbaric oxygen therapy (HBOT). MiMedx estimates market size for xenograft products at \$230 million. The product is distinguished from other solutions in that it is able to address an uneven surface defect or a deep, tunneling wound.

**Exhibit I – Use and Formulation of Axiofill<sup>1</sup>**



<sup>1</sup> Source: [MiMedx company website accessed September 2022](#).

**Amnioeffect** is a thick human amnion, intermediate layer and chorion allograft. It provides a semi-permeable protective barrier that supports the healing cascade and protects the wound bed to aid in the development of granulation tissue. The product protects the wound bed to aid in the development of granulation tissue by creating a semi-permeable protective barrier. Amnioeffect is biocompatible and contains over 300 regulatory proteins. It is in sheet form and is suitable for a number of clinical uses from amputations to minimally invasive surgery.

**Exhibit II – Use and Form of Amnioeffect<sup>2</sup>**



**Epifix** has been sold in the United States for some time and is now available in Japan following the reimbursement approval in that territory. This provides MiMedx access to an estimated \$500 million and 400,000 patient hard to heal wound market for the treatment of refractory diabetic and venous ulcers. It is the only amniotic tissue product approved in Japan and an important stepping off point for further product penetration. The product is eligible for reimbursement from the Japanese Social Healthcare System. Pricing for the product was set at 35,100 Yen/cm<sup>2</sup> or approximately \$245 per square centimeter using recent exchange rates. Further milestones required prior to sale include completing distributor agreements, training, gaining local patient experience and building market awareness. As of the date of the press release, over 250 physicians have been trained on the use of Epifix with further penetration expected.

**Summary**

MiMedx has made progress on its three new growth drivers for 2022. While the products and associated revenues will come later than we originally expected, we do expect them to provide a favorable year over year lift in the fourth quarter. We adjust our estimates to reflect the change in revenues and reduce our target price to \$10 to account for the lower base on which future revenues will be built. Based on the 2021 calendar, we expect to see third quarter results at the beginning of November.

<sup>2</sup> Source: [MiMedx company website accessed September 2022](#).

## PROJECTED FINANCIALS

### MiMedx Group, Inc. - Income Statement<sup>3</sup>

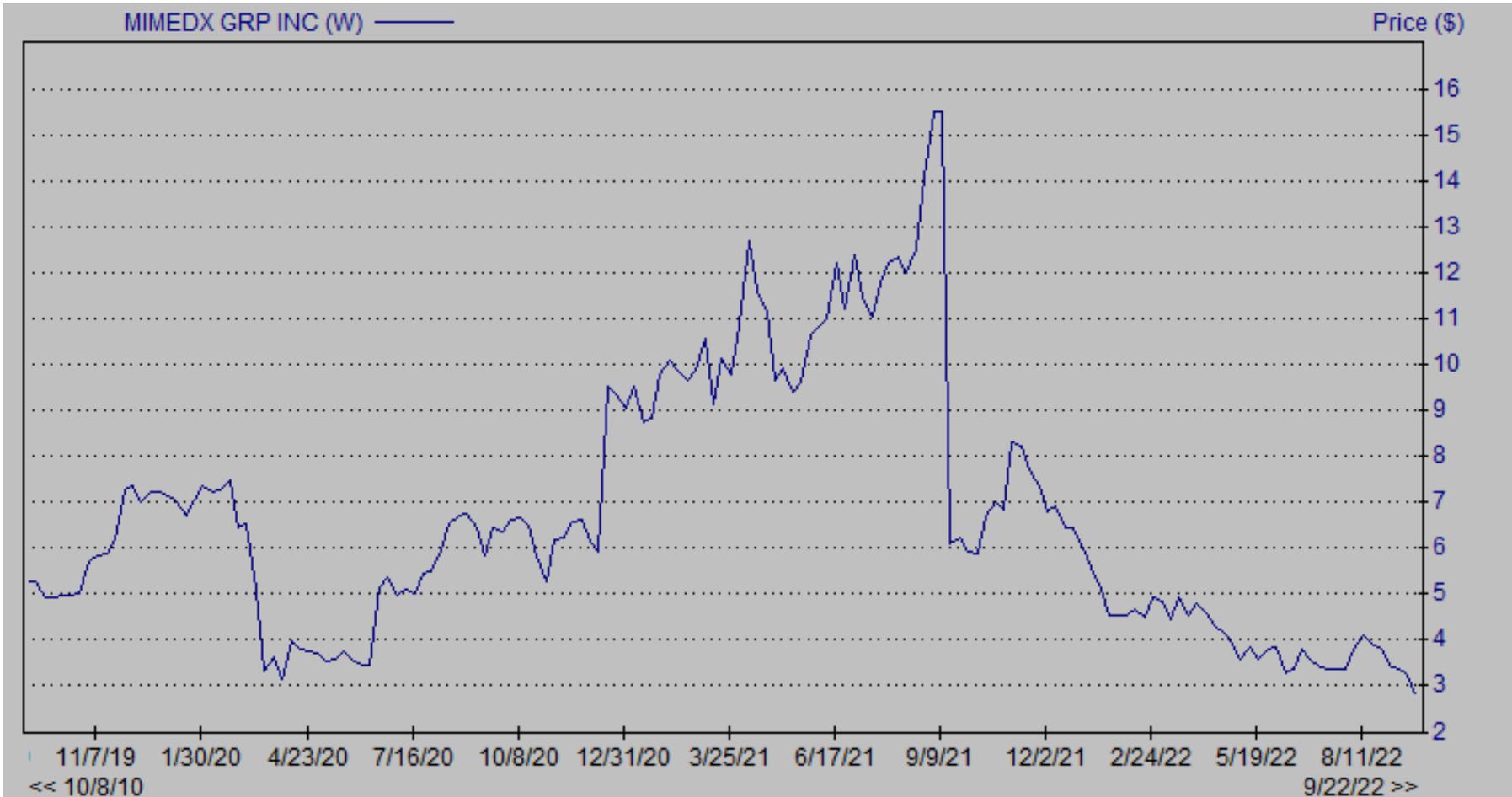
MiMedx Group, Inc.	2021 A	Q1 A	Q2 A	Q3 E	Q4 E	2022 E	2023 E	2024 E
<b>Total Revenues (\$US '000)</b>	<b>\$258,615</b>	<b>\$58,894</b>	<b>\$66,883</b>	<b>\$65,200</b>	<b>\$74,050</b>	<b>\$265,027</b>	<b>\$312,732</b>	<b>\$362,769</b>
YOY Growth	4%	-2%	-1.9%	3%	10%	2%	18%	16%
Cost of Goods Sold	\$43,283	\$9,936	\$11,823	\$12,584	\$14,240	\$48,582	\$50,037	\$58,043
Product Gross Margin	83.3%	83.1%	82.3%	80.7%	80.8%	81.7%	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
<b>Income from operations</b>	<b>(\$5,037)</b>	<b>(\$9,300)</b>	<b>(\$9,636)</b>	<b>(\$4,879)</b>	<b>\$1,934</b>	<b>(\$21,881)</b>	<b>\$31,863</b>	<b>\$69,267</b>
Operating Margin	-2%	-16%	-14%	-7%	3%	-8%	10%	19%
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
<b>Pre-Tax Income</b>	<b>(\$10,040)</b>	<b>(\$10,426)</b>	<b>(\$10,806)</b>	<b>(\$4,879)</b>	<b>\$1,934</b>	<b>(\$25,381)</b>	<b>\$28,363</b>	<b>\$65,767</b>
Provision for Income Tax	(\$246)	\$63	(\$62)	\$0	\$0	\$1	\$0	(\$15,127)
Tax Rate	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	23.0%
<b>Net Income</b>	<b>(\$10,286)</b>	<b>(\$10,489)</b>	<b>(\$10,868)</b>	<b>(\$4,879)</b>	<b>\$1,934</b>	<b>(\$25,380)</b>	<b>\$28,363</b>	<b>\$50,641</b>
Net Margin	-4%	-18%	-16%	-7%	3%	-10%	9%	14%
<b>Reported EPS</b>	<b>(\$0.09)</b>	<b>(\$0.09)</b>	<b>(\$0.10)</b>	<b>(\$0.03)</b>	<b>\$0.01</b>	<b>(\$0.18)</b>	<b>\$0.19</b>	<b>\$0.33</b>
YOY Growth	-80%	22.7%	496.9%	60.3%	-31.3%	91%	-208%	73%
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

<sup>3</sup> Financial statement information presents data as originally reported.

# HISTORICAL STOCK PRICE

MiMedx Group, Inc. – Share Price Chart<sup>4</sup>



<sup>4</sup> Source: Zacks Research System

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