

Nemaura Medical Inc. (NMRD)
Rating: Buy

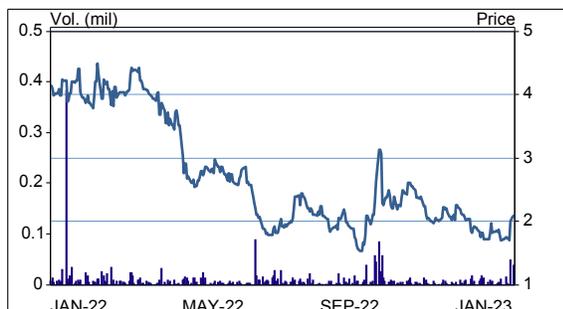
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UK Study Shows Weight Loss in Personalized Wellbeing Program; Reiterate Buy

Stock Data	01/24/2023
Price	\$2.45
Exchange	NASDAQ
Price Target	\$8.00
52-Week High	\$4.58
52-Week Low	\$1.50
Enterprise Value (M)	\$70
Market Cap (M)	\$59
Public Market Float (M)	9.9
Shares Outstanding (M)	24.1
3 Month Avg Volume	9,768
Short Interest (M)	0.06

Balance Sheet Metrics	
Cash (M)	\$10.1
Total Debt (M)	\$20.9
Total Cash/Share	\$0.42
Book Value/Share	\$0.04

EPS (\$) Diluted			
Full Year - Mar	2022A	2023E	2024E
1Q	(0.14)	(0.17)A	(0.15)
2Q	(0.15)	(0.17)A	(0.14)
3Q	(0.15)	(0.18)	(0.13)
4Q	(0.15)	(0.17)	(0.12)
FY	(0.59)	(0.69)	(0.55)

Revenue (\$M)			
Full Year - Mar	2022A	2023E	2024E
1Q	0.0	0.0A	0.8
2Q	0.0	0.1A	1.1
3Q	0.2	0.2	1.5
4Q	0.3	0.5	1.9
FY	0.5	0.7	5.3



Average weight loss of 3.7 pounds and an average BMI reduction of 0.6 after 10 weeks. Yesterday, Nemaura Medical announced the initial results from a study of its metabolic health program Miboko with the National Health Service (NHS) in the UK. The program is the first to integrate a daily-wear non-invasive glucose sensor with a lifestyle app, which includes recording of food and drink, educational content and an analytics platform. It provides each user a metabolic score based on diet, exercise and glucose response to food intake. Users are given personalized recommendations to help them lose weight. The pilot study recruited 30 individuals that were classified as obese according to BMI. The first cohort of 10 patients has been enrolled in the program for over 12 weeks. Results from this cohort showed that patients achieved an average weight loss of 3.7 pounds and an average BMI reduction of 0.6 after 10 weeks, with 100% of participants achieving some weight improvement. Feedback from patients shows that the body-worn sensor led to greater engagement and participants do not see Miboko as a traditional diet plan, which could avoid diet fatigue and drop-off rates associated with other weight loss programs. In our view, the company's non-invasive glucose sensor combined with personalized coaching and analytics may be the key to the success of the Miboko program. Of note, the study is designed to continue for at least one year with new patients being enrolled each month. Management expects average weight loss to increase as the Miboko program is optimized. We believe these initial results bode well for future market prospects of the daily-wear non-invasive glucose sensor in the UK, the U.S. and Middle East. Investors may recall that the company has entered into an agreement with Eversana to begin strategy development and subsequent commercial launch of the BEATdiabetes program with the daily wear proBEAT sensors in the U.S. in calendar 1Q23. In the wake of this update, we reiterate our Buy rating and \$8 price target.

Potential U.S. PMA may accelerate sales growth. Nemaura submitted a Premarket Approval (PMA) application for sugarBEAT to the U.S. FDA in June 2020. The U.S. has over 34M diabetes patients. Notably, sugarBEAT can be used in a non-consecutive manner (3-4 days per month) compared to 10-14 consecutive days with an invasive CGM, and achieve the same clinical outcome in terms of reduction in HbA1C and improvement in quality of life. Therefore, sugarBEAT can be priced competitively. The company should be able to secure reimbursement within a reasonable timeframe through the established CGM payment pathways, in our view. We believe the needle-free feature of the sensor, the flexibility of non-consecutive use, and competitive pricing could allow sugarBEAT to be adopted by T2D patients who have historically rejected CGM due to its invasiveness and cost. We believe sugarBEAT could obtain U.S. marketing clearance in 2023.

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Valuation and risks. Our 12-month \$8 price target is derived from an estimated market value of the firm at \$247M. This includes a discounted cash flow (DCF) analysis-based asset value of \$268M for sugarBEAT, using a 15% discount rate and 2% terminal growth rate, and excludes \$20.9M debt. Assigned probability of approval is 85% in the U.S. Assuming 30.7M shares outstanding at the end of calendar 2023, this yields a value of approximately \$8 per share. Risks include, but are not limited to: (1) failure of sugarBEAT to secure regulatory approval in the U.S.; (2) failure of sugarBEAT to achieve commercial success due to market size, penetration rate, or competition; and (3) dilution risk.

Table 1: Nemauro Medical Inc. (NMRD)—Historical Income Statements, Financial Projections

FY end March 31

\$ in thousands, except per share data

	F2021A	F2022A				F2022A	F2023E				F2023E	F2024E
		1QA	2QA	3QA	4QA		1QA	2QA	3QE	4QE		
Revenues												
Product sales	-			184	320	504		74	200	450	724	5,250
Other revenue	-					-					-	-
Total revenue	-	-	-	184	320	504	-	74	200	450	724	5,250
Expenses												
Cost of sales	-			172	172	344		72	120	270	462	3,150
Research and development	1,555	288	287	412	569	1,557	330	257	350	350	1,287	1,600
General and administrative	3,032	1,332	1,428	1,391	2,022	6,173	1,881	2,320	2,325	2,525	9,051	9,400
Other expenses	-					-					-	-
Total expenses	4,587	1,621	1,715	1,976	2,763	8,074	2,211	2,649	2,795	3,145	10,800	14,150
Gain (loss) from operations	(4,587)	(1,621)	(1,715)	(1,792)	(2,443)	(7,570)	(2,211)	(2,575)	(2,595)	(2,695)	(10,076)	(8,900)
Other income												
Interest expense	(2,008)	(1,723)	(1,779)	(1,639)	(1,525)	(6,667)	(1,768)	(1,503)	(1,800)	(1,800)	(6,871)	(7,200)
Other	-					-					-	-
Total investment income and other	(2,008)	(1,723)	(1,779)	(1,639)	(1,525)	(6,667)	(1,768)	(1,503)	(1,800)	(1,800)	(6,871)	(7,200)
Net income (loss) before provision for income taxes	(6,594)	(3,344)	(3,494)	(3,432)	(3,968)	(14,237)	(3,979)	(4,078)	(4,395)	(4,495)	(16,948)	(16,100)
Provision for income taxes	336				350	350	-	-	-	-	-	-
Net income (loss)	(6,259)	(3,344)	(3,494)	(3,432)	(3,617)	(13,887)	(3,979)	(4,078)	(4,395)	(4,495)	(16,948)	(16,100)
Net income (loss) per share (basic)	(0.28)	(0.14)	(0.15)	(0.15)	(0.15)	(0.59)	(0.17)	(0.17)	(0.18)	(0.17)	(0.69)	(0.55)
Net income (loss) per share (diluted)	(0.28)	(0.14)	(0.15)	(0.15)	(0.15)	(0.59)	(0.17)	(0.17)	(0.18)	(0.17)	(0.69)	(0.55)
Weighted average number of shares outstanding (basic)	22,283	23,110	23,308	23,314	23,717	23,384	24,103	24,103	24,153	26,253	24,653	29,253
Weighted average number of shares outstanding (diluted)	22,283	23,110	23,308	23,314	23,717	23,384	24,103	24,103	24,153	26,253	24,653	29,253

Source: Company reports and H.C. Wainwright & Co. estimates.

Table 2: Nemaura Medical Inc. (NMRD)—Historical Balance Sheets, Financial Projections

FY end March 31

\$ in thousands, except per share data

	F2022A						F2023E				3/31/23E	3/31/24E
	3/31/21A	6/30A	9/30A	12/31A	3/31A	3/31/22A	6/30A	9/30A	12/31E	3/31E		
Assets												
Current assets:												
Cash and cash equivalents	31,865	31,260	26,768	23,046	17,749	17,749	14,752	10,110	5,695	12,340	12,340	7,320
Accounts receivable	-	108	504	153	101	101	218	-	-	-	-	-
Inventories	851	882	1,115	1,384	1,488	1,488	1,625	1,910	1,910	1,910	1,910	1,910
Prepaid expenses and other current assets	1,270	1,820	1,364	472	750	750	1,105	1,934	1,934	1,934	1,934	1,934
Total current assets	33,986	34,069	29,751	25,056	20,088	20,088	17,700	13,954	9,539	16,184	16,184	11,164
Property and equipment, net	202	256	352	454	533	533	603	522	592	662	662	942
Intangible assets, net	1,055	1,357	1,491	1,564	1,481	1,481	1,412	1,427	1,427	1,427	1,427	1,427
Total Assets	35,243	35,683	31,594	27,074	22,102	22,102	19,715	15,903	11,558	18,273	18,273	13,533
Liabilities and shareholder equity												
Current liabilities												
Accounts payable	254	108	151	177	136	136	93	301	301	301	301	301
Liability due to related parties	149	-	-	-	-	-	-	122	122	122	122	122
Other liabilities and accrued expenses	181	544	603	645	999	999	1,491	398	398	398	398	398
Deferred revenue	103	629	625	463	259	259	178	71	71	71	71	71
Foreign currency contract	-	-	-	-	-	-	-	2,177	2,177	2,177	2,177	2,177
Notes payable, current portion	5,733	11,143	15,830	14,851	19,189	19,189	16,186	17,399	17,399	17,399	17,399	17,399
Total current liabilities	6,420	12,423	17,208	16,135	20,583	20,583	17,948	20,468	20,468	20,468	20,468	20,468
Note payable	19,189	14,026	8,795	8,713	-	-	4,700	3,491	3,491	3,491	3,491	3,491
Deferred revenue	1,276	1,267	1,225	1,202	1,053	1,053	1,025	956	956	956	956	956
Total Liabilities	26,885	27,715	27,228	26,050	21,636	21,636	23,673	24,915	24,915	24,915	24,915	24,915
Shareholder's equity												
Common stock	23	23	23	23	24	24	24	24	25	66	66	90
Additional paid-in capital	32,044	35,008	35,008	35,122	38,296	38,296	38,296	38,296	38,295	49,414	49,414	60,550
Accumulated deficit	(23,845)	(27,188)	(30,683)	(34,114)	(37,731)	(37,731)	(41,711)	(45,789)	(50,134)	(54,579)	(54,579)	(70,479)
Accumulated other comprehensive income	136	125	18	(7)	(122)	(122)	(567)	(1,543)	(1,543)	(1,543)	(1,543)	(1,543)
Total shareholder's equity	8,358	7,967	4,366	1,024	466	466	(3,958)	(9,012)	(13,357)	(6,642)	(6,642)	(11,382)
Total liability and shareholder's equity	35,243	35,683	31,594	27,074	22,102	22,102	19,715	15,903	11,558	18,273	18,273	13,533

Source: Company reports and H.C. Wainwright & Co. estimates.

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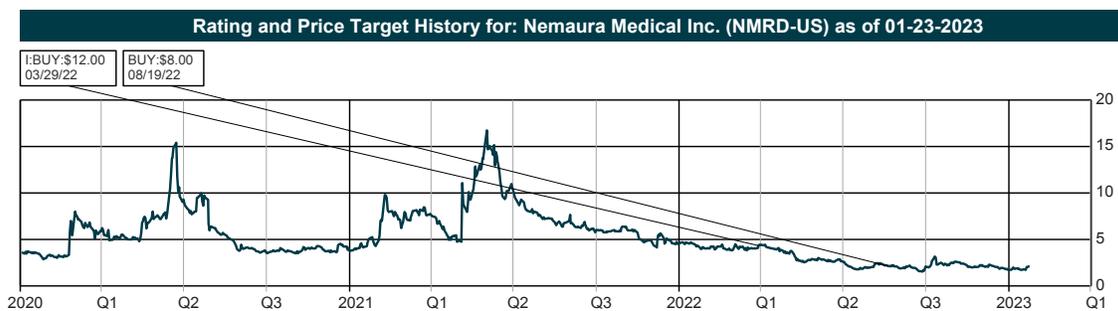
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RETURN ASSESSMENT

Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

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Distribution of Ratings Table as of January 23, 2023

Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	579	86.68%	129	22.28%
Neutral	71	10.63%	12	16.90%
Sell	0	0.00%	0	0.00%
Under Review	18	2.69%	4	22.22%

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