

December 9, 2021

G MEDICAL INNOVATIONS HOLDINGS LTD. (NASDAQ: GMVD)

Founded in 2014, Israel-based G Medical Innovations Holdings Inc. develops and manufactures mobile health products and provides telemedicine services. The company's products include Prizma, a clinical-grade device that enables smartphones to be used for medical monitoring, and the Extended Holter Patch, a biosensor that captures electrocardiogram data. G Medical is also developing a wireless vital signs monitoring service. The company has three patents on its technology and 11 patent applications pending.

COMPANY HIGHLIGHTS

- * G Medical's current products include Prizma, a clinical-grade device that enables smartphones to be used for medical monitoring, and the Extended Holter Patch System, a biosensor that captures electrocardiogram data continuously for up to 14 days.
- * The company is also developing a wireless vital signs monitoring service that we view as well positioned to generate recurring revenue through monthly subscription fees.
- * In our view, G Medical has a differentiated group of products and services compared with products offered by peers, which capture only ECG data or are solely focused on fitness applications. In contrast, Prizma is designed to provide more-detailed data than such competing devices, and for that data to be easier for consumers to understand. We also expect the company to benefit from a leadership team with years of experience in the mobile health industry.
- * The company raised \$13.4 million in a June 2021 IPO. We expect the proceeds to be used for salesforce expansion, completion of the vital signs monitoring system, and the development of new products.
- * Based on our valuation analysis, we arrive at a fair value estimate for GMVD of \$5.50 per share, well above current levels.

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KEY STATISTICS

Key Stock Statistics

Recent price (12/3/21)	\$2.18
52 week high/low	\$4.63-\$1.71
Shares outstanding (M)	13.9
Market cap (M)	30
Dividend	Nil
Yield	Nil

Sector Overview

Sector	Healthcare
Sector % of S&P 500	12.7%

Financials (\$M, as of 6/30/21)

Cash & Mkt Securities	14.0
Debt	0.4
Working Capital (\$M)	5.3
Current Ratio	1.5
Total Debt/Equity (%)	6.0%
Payout ratio	NM
Revenue (M) TTM	4.9
Net Income (M) TTM	-12.7
Net Margin	NM

Risk

Beta	-0.71
Inst. ownership	6%

Valuation

P/E forward EPS	NA
Price/Sales (TTM)	NA
Price/Book (TTM)	NA

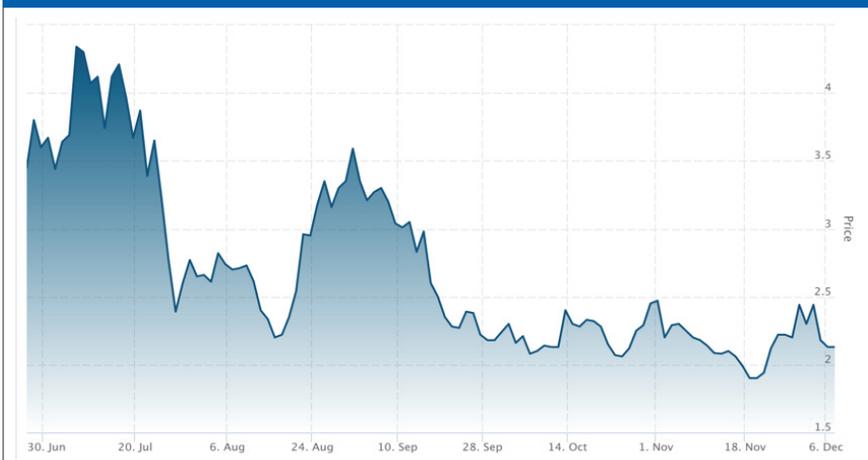
Top Holders

Regal Funds Management Pty Ltd.
Schonfeld Strategic Advisors
Geode Capital Management, LLC

Management

Chairman	Dr. Kenneth R. Melani
President & CEO	Dr. Yacov Geva
CFO	Mr. Kobi Ben-Efraim
Company website	www.gmedinnovations.com

PRICE CHART



COMPANY SPONSORED REPORT. SEE LAST PAGE FOR DISCLOSURES.

INVESTMENT THESIS

Founded in 2014, Israel-based G Medical Innovations Holdings Inc. develops and manufactures mobile health products. It also provides telemedicine services that help patients to manage medical conditions, particularly in areas such as cardiovascular disease, pulmonary disease, and diabetes. The company's current products include Prizma, a clinical-grade device that enables smartphones to be used for medical monitoring, and the Extended Holter Patch System, a biosensor that captures electrocardiogram (ECG) data continuously for up to 14 days. The company is also developing a wireless Vital Signs Monitoring System (VSMS), which will provide real time diagnostic and monitoring services.

In our view, G Medical is well positioned to participate in the fast-growing "mHealth" or mobile health industry. Grand View Research expects mHealth to become a \$53.6 billion market by the end of 2021, and to reach \$166 billion by 2028 (a compound annual growth rate of 17.6%). We look for growth in mHealth to be driven by both the greater use of wearable devices and the increase in chronic medical conditions.

We note that telemedicine provides a cost-effective alternative to traditional care for many medical conditions. It also provides patients with basic healthcare services when they cannot visit physicians' offices or hospitals – as was often the case during last year's pandemic lockdowns. According to McKinsey, telemedicine accounted for 46% of healthcare consultations in April 2020, up from 11% in 2019. While we view this percentage as likely to decline as the pandemic recedes, we believe that the pandemic has made telemedicine acceptable to large numbers of consumers and that many will continue to use telemedicine services in the future.

G Medical faces competition in the market for wearable medical devices, namely from AliveCor (whose product captures only EKG data), Qardio (which is focused on blood pressure tracking), and TytoCare (focused on home health medical exams) as well as the Apple Watch. However, G Medical believes Prizma provides more-detailed data than most competing devices, particularly with respect to cardiovascular and pulmonary health, and that it makes this data easier for consumers to understand.

Prizma connects to any smartphone using a wireless Bluetooth connection. It enables users to take an ECG and measures a wide range of vital signs including oxygen saturation, temperature, heart rate, and stress levels. Users can also manually enter blood pressure, body weight, and blood glucose measurements, and track them on Prizma's app and cloud portal. In addition, users can generate reports based on the data and share them with medical professionals or family members, which we think can have a favorable impact on patient compliance and outcomes. Prizma will also be integrated with the company's wireless Vital Signs Monitoring System, to provide enhanced real-time monitoring.

The company's product portfolio also includes the Extended Holter Patch System, a multichannel biosensor that captures ECG data continuously for up to 14 days. G Medical believes that multichannel ECGs can deliver higher predictive values with more actionable data, thus helping physicians to make more-accurate diagnoses. In addition, the system allows patients to capture symptomatic events by tapping a button on the recorder and documenting their symptoms in the patient diary. This correlates the ECG with specific patient activities and provides physicians with important contextual data. Following a monitoring session, the patient returns the device to G Medical, and the data is then uploaded to a secure cloud for analysis. Certified cardiac technicians then generate a concise clinical report based on the ECG. The report is validated through a quality assurance process and made available to the patient's physician on the company's secure portal. We believe the Extended Holter Patch System has the potential to be a major revenue generator for the company, given the rise in telemedicine and eHealth and the benefits of this system in helping doctors with diagnoses.

Prizma has received European CE Mark approval, FDA 510 K approval and emergency use authorization over the counter (OTC) in the United States. G Medical expects OTC approval to remain in force during the entirety of the COVID-19 pandemic. The Holter Patch has also received FDA emergency use authorization, and is ready for commercialization. In addition, Prizma has been approved by regulators in Australia, Taiwan, and Italy, and the Holter Patch has received approval in Australia. G Medical is also preparing to file an application for Prizma with the Chinese National Medical Products Administration (NMPA).

In addition to commercializing Prizma and the Extended Holter Patch System in the U.S., China, and other markets, G Medical is completing the development of its wireless Vital Signs Monitoring System, which is designed to provide continuous real-time monitoring of a wide range of vital signs. Management expects the system to generate a recurring revenue stream in the form of monthly remote monitoring fees paid by hospitals, insurance companies, chronic care management companies, as well as by individual patients through a direct-to-consumer channel. It also expects to generate recurring revenue from monthly fees for Prizma usage.

The mHealth industry is characterized by strong R&D, rapid innovation, and the development of proprietary software, and is likely to see intense competition over the next decade. However, we think that G Medical has the potential to carve out a niche in health telemetry and monitoring. The company has three patents on its technology and 11 patent applications pending. It currently

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PEER COMPARISON

Company	Ticker	Recent Price (\$)	52-Week High (\$)	52-Week Low (\$)	Mkt. Cap (\$MIL)	1-yr Price Change (%)	1-yr Rev Growth (%)	1 YR EPS Growth (%)	P/E Ratio	Beta	Yield (%)
G MEDICAL INNOVATIONS HOLDINGS, INC.	NasdaqCM:GMVD	2.18	4.63	1.71	30	NM	-11	NM	NM	-0.71	NA
BIOTRICITY, INC.	NasdaqCM:BTCY	3.99	4.99	0.70	197	439	138	NM	NM	2.21	NA
DARIOHEALTH CORP.	NasdaqCM:DRIO	15.01	31.85	10.02	239	22	0	NM	NM	1.34	NA
ZENICOR MEDICAL SYSTEMS AB	NGM:ZENI	27.4*	33*	10.3*	155*	109	-13	NM	NM	NA	NA

*Data in Swedish Krona

manufactures its products in Israel, but expects to find a lower-cost manufacturing option in China or another location, which we think should help to boost gross margins over time.

RECENT DEVELOPMENTS

In June 2021, G Medical completed a public offering of 3.0 million units, each consisting of one ordinary share at \$5 per share and one warrant to purchase an additional share for \$6.25. The underwriters' overallotment option was 450,000 units. The IPO raised approximately \$13.4 million in net proceeds. Following the offering, G Medical had roughly 13.9 million shares outstanding, along with outstanding warrants to buy an additional 3.45 million shares at an exercise price of \$6.25 per share.

The shares trade on the NASDAQ under the ticker GMVD. Since closing on the day of the public offering at \$3.45, the shares have since fallen about 36%, compared to an advance of 8% for the S&P 500.

The company is using the IPO proceeds for sales force expansion (\$5.0 million), completion of the vital signs monitoring system (\$1.0 million), and other product development (\$2.0 million). It will use the remaining proceeds for working capital and general corporate purposes and possible future acquisitions.

In April 2021, the UnityPoint Health Methodist Hospital in Peoria, Illinois agreed to begin a Prizma pilot program for cardiac outpatients. The program will initially include 500 patients, who will be monitored remotely to detect abnormal heart rate and other conditions. G Medical monitoring centers will use Prizma to alert patients and physicians to abnormalities before they require critical care. Patients identified by Prizma may then see a cardiologist at UnityPoint's Peoria clinic, potentially preventing unnecessary emergency room visits and hospitalization. G Medical believes that the program could be expanded to other hospitals in the UnityPoint system if it proves successful.

EARNINGS AND GROWTH ANALYSIS

We project 2021 revenue of \$6.0 million, up 22% from 2020. We expect revenue to double, to \$12.0 million, in 2022. We expect revenue growth to be driven by the broader rollout of the VSMS patch system and the launch of Prizma. Thus far, the company has generated most of its revenue from services, but we expect this to change as Prizma sales contribute to the top line beginning in 2022. Over the long term, we expect services to account for approximately 75% of total revenue, driven by growth in the Holter Patch and VSMS businesses.

We forecast a gross margin of 38% in 2021, up from 13.6% in 2021, reflecting an increase in higher-margin service revenues. We expect gross margins to increase further in 2022, to the 45%-50% range, driven by cost leverage on higher sales. We anticipate operating expenses rising in 2021 and 2022, as G Medical builds out its sales team, expands marketing efforts, commercializes its wireless monitoring system, and continues to spend on R&D. We project EBITDA losses will narrow to \$9.1 million in 2021 and \$4.0 million in 2022, as compared with a \$12.3 million loss in 2020.

We forecast net losses of \$0.90 per share in 2021 and \$0.26 per share in 2022. We think G Medical could reach profitability in 2023, driven by the expanded commercial rollout.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on G Medical is Medium. As of June 30, 2021, the company had \$14.0 million in cash and only \$406,000 in long-term debt. Cash was bolstered by \$13.4 million in proceeds from its June 2021 IPO.

Cash used in operating activities in the six months ended June 30, 2021, declined to \$1.2 million from \$2.5 million a year earlier. We think cash use is likely to increase over the next year as the company steps up sales and marketing efforts. The company also continues to spend on R&D and on the development of its wireless monitoring system. However, we think that G Medical has ample cash to fund these activities.

We expect a slow path to profitability for G Medical, as sales rise and the company is able to leverage its costs over a larger base, driving up gross and operating margins. We also expect rising cash from operations in 2023, as revenue growth is likely to outpace growth in costs. We think that cash should track net income relatively closely given low depreciation and amortization expense (due to low fixed assets) and the absence of goodwill and debt on the balance sheet.

As of June 30, 2021, G Medical had working capital of \$5.3 million, and a current ratio of 1.5, which we believe is adequate to execute its growth strategy. The company does not pay a dividend, and we do not expect it to pay one for the foreseeable future.

In 2020, the company posted revenue of \$4.9 million, down from \$5.5 million a year earlier, largely due to the effect of COVID-19 on G Medical's business. Also in 2020, gross profit was \$667,000 versus a loss of \$223,000 in 2019, driven by lower cost of services and products. After operating expenses of \$13.0 million (up from \$12.6 million in 2019) and financing expenses, the 2020 net loss was \$12.7 million, narrower than 2019's net loss of \$15.5 million. We note that these losses are typical of early-stage tech companies and reflect the company's substantial spending on new product development.

MANAGEMENT & RISKS

Dr. Yacov Geva is G Medical's president and CEO. He previously founded LifeWatch AG in 1989 and served as its CEO for 25 years, leading the company through its initial public offering. From 1979-1989, Dr. Geva was chief medical engineer at Vishay Israel. He holds a B.Sc. in mechanical and nuclear engineering from the Technion-Israeli Institute of Technology; a Ph.D. in business administration from the International School of Management, Paris; and an honorary doctorate from Oxford Brookes University. Dr. Geva is also a senior member of the Royal Society of Medicine in the UK.

Dr. Geva is the largest shareholder of the company, with ownership of approximately 33% of G Medical's ordinary shares. He is the company's only 5%+ stockholder. G Medical's board has seven directors, five of which are independent. Importantly, its chairman, Dr. Kenneth R. Melani, is not a company officer, which we view favorably as it relates to corporate governance.

G Medical operates in a competitive business environment with many larger and financially stronger rivals. In arrhythmia monitoring, the company faces competition from Bio Telemetry, iRhythm Technologies, Preventice Solutions, and Bardy Diagnos-

tics. The Holter Patch System faces competition from GE Healthcare, Phillips Healthcare, Mortara Instrument, and Welch Allyn Holdings. However, we believe that G Medical's data-gathering capabilities and user-friendly data presentation represent differentiation from rival products, and expect the company to benefit from a leadership team with years of experience in the mobile health industry.

COMPANY DESCRIPTION

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that captures electrocardiogram data. G Medical is also developing a wireless vital signs monitoring service. The company has three patents on its technology and eleven patent applications pending.

VALUATION

We believe that the recent GMVD share price of \$2.20 does not reflect the company's promising technology, strong near-term revenue growth outlook, and potential profitability by 2023. To value the shares, we apply an enterprise value/revenue multiple of 3.5X, in line with the average for healthcare technology companies, to our 2024 sales estimate of \$36 million. Discounting the projected enterprise value back at 20% annually and adjusting for the share count, we arrive at a fair value estimate for GMVD of \$5.50 per share, well above current levels.

Steve Silver,
Argus Analyst

INCOME STATEMENT

Growth Analysis (\$MIL)	2019	2020	1H 2021	2H 2021E	2021E	1H 2022E	2H 2022E	2022E
Revenue	5.5	4.9	2.9	3.1	6.0	6.0	7.0	13.0
Gross Profit	-0.2	0.7	1.1	1.2	2.3	3.0	4.0	7.0
G&A	10.0	11.7	4.8	5.3	10.1	4.5	5.5	10.0
R&D	2.6	1.3	0.6	0.8	1.4	0.5	0.5	1.0
Operating Income	-12.8	-12.3	-4.3	-4.9	-9.1	-2.0	-2.0	-4.0
Interest Expense	3.6	0.4	0.5	0.5	1.0	0.0	0.0	0.0
Pretax Income	-16.4	-12.7	-4.8	-5.4	-10.1	-2.0	-2.0	-4.0
Tax Rate (%)	NA	NA	NA	NA	NA	NA	NA	NA
Net income	-15.5	-12.7	-4.8	-5.4	-10.1	-2.0	-2.0	-4.0
Diluted Shares	44.4	7.4	9.4	14.0	11.2	16.0	16.0	16.0
EPS	-3.49	-1.70	-0.51	-0.39	-0.90	-0.13	-0.13	-0.26
Dividend	NA	NA			NA			NA
Growth Rates (%)								
Revenue	NA	-11%			22%			117%
Operating Income	NA	NA			NA			NA
Net Income	NA	NA			NA			NA
EPS	NA	NA			NA			NA
Valuation Analysis								
Price (\$): High	0.70	0.27			NA			NA
Price (\$):Low	0.07	0.03			NA			NA
PE: High	NA	NA			NA			NA
PE: Low	NA	NA			NA			NA
PS: High	NA	NA			NA			NA
PS: Low	NA	NA			NA			NA
Yield: High	NA	NA			NA			NA
Yield: Low	NA	NA			NA			NA
Financial & Risk Analysis (\$MIL)								
Cash	0.0	0.1			NA			NA
Working Capital	-0.6	-1.1			NA			NA
Current Ratio	0.1	0.1			NA			NA
LTDebt/Equity (%)	NM	NM			NA			NA
Total Debt/Equity (%)	NM	NM			NA			NA
Ratio Analysis								
Gross Profit Margin	NM	NM			NM			NM
Operating Margin	NM	NM			NM			NM
Net Margin	NM	NM			NM			NM
Return on Assets (%)	NA	NA			NA			NA
Return on Equity (%)	NA	NA			NA			NA
Op Inc/Int Exp	NA	NA			NA			NA
Div Payout	NA	NA			NA			NA

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