AEGIS CAPITAL CORP

Medical Technology
Jason Wittes
(646) 502-2482
jwittes@aegiscap.com

Evan Wang
EWang@aegiscap.com

Initiating Coverage

November 7, 2016

Key Metrics

MDXG - NASDAQ	$8.46
Pricing Date	Nov 7 2016
Price Target	$12.00
52-Week Range	$9.90 - $6.64
Shares Outstanding (mm)	110.0
Market Capitalization (mm)	$930.6
3-Mo Average Daily Volume	740,600
Institutional Ownership	52%
ROE	17.8%
Book Value/Share	NM
LTM EBITDA Margin	NM

EPS FY: December

	2015A	Prior 2016E	Curr. 2016E	Prior 2017E	Curr. 2017E
1Q-Mar	0.04	--	0.04A	--	--
2Q-Jun	0.05	--	0.05A	--	--
3Q-Sep	0.06	--	0.06A	--	--
4Q-Dec	0.12	--	0.08E	--	--
FY	0.28	--	0.23E	--	0.33E
P/E	30.21x		36.78x		25.64x

REVENUE

	2015A	Prior 2016E	Curr. 2016E	Prior 2017E	Curr. 2017E
1Q-Mar	40.8	--	53.4A	--	--
2Q-Jun	45.7	--	57.3A	--	--
3Q-Sep	49.0	--	64.4A	--	--
4Q-Dec	51.8	--	70.3E	--	--
FY	187.4	--	245.5E	--	302.5E

Company Description:
MiMedx Group develops, manufactures, and markets regenerative biomaterial products and bioimplants processed from human amniotic membrane that have applications in the Wound Care, Surgical, Sports Medicine, Ophthalmic, and Dental sectors. The company's two main products, AmnioFix and EpiFix, are derived from donated placentas and prepared using MiMedx's proprietary PURION Process to produce allograft implants. The company was founded in 1985 and is headquartered in Marietta, Georgia.

MiMedx Group, Inc.

Rating: Buy

Initiating with a Buy and $12 Price Target

Investment Highlights:

We are initiating coverage on MDXG with a Buy rating and $12 price target. The company is the market leading regenerative medicine company focused on wound care and surgical healing:

EpiFix a Best in Class Product: The company's proprietary PURION process provides MDXG the only dual-layer amniotic tissue products on the market that can be stored at ambient temperature; it allows for a higher concentration of growth factors and cytokines versus alternative single-layer amniotic tissue products, and in a much more user-friendly and economic package. The company's lead product is EpiFix, a composite amniotic tissue membrane that is minimally manipulated to help regenerate soft tissue in chronic hard to heal wounds. MiMedx also sells AmnioFix, a version of its PURION-processed amniotic tissue sold to reduce scar tissue formation, modulate inflammation in the surgical site, enhance healing, and act as a surgical barrier. Unlike most of its competitors, EpiFix and AmnioFix can be stored at ambient temperature (not in a monitored freezer) and thus are ready for use immediately, and each have easy handling characteristics and can be sutured in place if need be.

Core wound care opportunity remains underpenetrated: Wound care represents roughly 75% of MDXG revenues, and we estimate 31% growth for FY2016 (including about $15 million or a 5-6% contribution from the acquisition of Stability Biologics). The company's core business is primarily in the sale of amniotic tissue to treat chronic wounds such as diabetic foot ulcers (DFUs) and venous leg ulcers (VLUs), which represent about 2.5 million wounds treated per year. Among the amniotic tissue market, we estimate the company has 60% market share in a market that is growing roughly 15%. We see the market as less than 10% penetrated, implying a long growth trajectory. MDXG has excelled in its execution in this market due to its clinical focus, which in turn has led to its reimbursement advantage. This is also a market that responds to direct sales force efforts, which has helped MDXG compete vs. larger less focused competitors and smaller undercapitalized players.

The company is now focused on expanding the Surgical, Sports Medicine, and Other (SSO) business, representing 25% of sales this year and growing 32%: Longer term, MDXG anticipates SSO will grow to comprise 50% of revenues.

3 and 1 in 20: By 2020, the company looks to triple its revenues to $560 million and earn one dollar in EPS. This assumes gross margins in the low 80% range, SG&A spending in the 49-50% range, and a 30% operating margin on an adjusted basis with a tax rate of ~36% and 111 million shares outstanding (the company is almost through its last $60 million share buyback plan and we would assume they will follow up with an additional plan).

Valuation: MiMedx is in a unique position and has a significantly better growth profile than its small- to mid-cap peers, with its closest higher growth peers trading at 4-5x 2016 EV/Sales. We think MDXG can maintain its robust growth profile, with upside to our estimates, given how underpenetrated the regenerative medicine markets are. We are applying a 4-5x EV/sales ratio to our 2017 estimate to get a $12 target price.

The Disclosure section may be found on pages 8 - 9 of this report.

EpiFix: The company's lead product is EpiFix, a composite amniotic tissue membrane (procured from pre-screened placental donors) minimally manipulated to help regenerate soft tissue in chronic wounds. The company's proprietary PURION process provides MDXG the only dual-layer amniotic tissue product on the market that can be stored at ambient temperature, and its products have a higher concentration of growth factors and cytokines (through utilizing the chorion layer) versus alternative single-layer amniotic tissue products in a more user-friendly and economic package. Unlike most of its competitors, EpiFix can be stored at ambient temperature (not a monitored freezer) and thus is ready for immediate use. It is easy to handle and can be sutured in place if need be. It is also terminally sterilized, which is increasingly important with increased concerns over the Zika virus.

EpiFix has now been clinically evaluated in over 300 patients in six prospective randomized trials and has shown a higher closure rate, quicker recovery time, and leads to fewer grafts and less wastage per graft (due to availability in custom sizes) than that of competing biologics, resulting in a lower cost per treatment. MDXG was among the first companies to back its products with clinical data, and as a result has a significant lead in private payer insurance coverage. From a reimbursement perspective, MDXG has roughly 275 million covered lives, which includes all regional Medicare providers and major insurers such as Blue Cross/Blue Shield — on the private payer side, United, Aetna, Humana, and Kaiser remain holdouts and represent about 50 million lives, though we believe that will be addressed as more rigorous data is forthcoming which should help convert these payers in 2017.

Wound Care Growing Double Digits: The company's core business is in wound care treatment (roughly 75% of MDXG revenues), primarily with the sale of amniotic tissue to treat chronic wounds such as diabetic foot ulcers (DFUs) and venous leg ulcers (VLUs), which represent about 2.5 million wounds treated per year. Among the amniotic tissue market, we estimate the company has 60% market share in a market that is growing roughly 15%. We see the market as less than 10% penetrated, implying a long growth trajectory. MDXG has excelled in its execution in this market due to its clinical focus, and in turn led to its reimbursement advantage. This is also a market that responds to direct sales force efforts (as of 2Q the company has 240 direct wound care sales reps), which has helped MDXG compete vs. larger less focused competitors and smaller undercapitalized players.

The company is now focused on expanding the Surgical, Sports Medicine, and Other business, representing 25% of sales this year growing 32%: Most of these procedures fall under diagnosis-related group (DRG) reimbursement, which means that the overall procedure is reimbursed, and separate reimbursement is not required, but clinical data is still required. Smaller players have already seen significant traction with wound barriers in orthopedic procedures, particularly those involving tendon repair, where reduction in swelling and faster healing are essential to better outcomes. MDXG is also targeting specific procedures such as GI, robotic prostatectomy (estimated to be a $100 million market), and burn. MDXG does not have the same reimbursement advantage it enjoys with wound care, but still enjoys better handling characteristics than its peers, and is aggressively building a clinical case to support it (the company has 50 direct reps in SSO). Much like wound care this is a market that responds to a direct sales effort. In contrast with their wound care efforts, the company has forged partnerships with ZBH and MDT, though neither of which has gained as much traction as the company's direct efforts.

Exhibit 1: US Market Opportunities

	Annual Cases	Market Value
Total Wounds (chronic & acute)	6 Mil	$2.5 Bil
DFU's, VLU's, arterial ulcers, pressure ulcers	2.5 Mil	
burns, plastic surgery, scar revision	3.5 Mil	
Pain Management	>17 Mil	$7.5+ Bil
back/spine injections	>10 Mil	
epicondylitis	>6 Mil	
plantar fasciitis	>1 Mil	
Surgical (scar reduction & wound healing)	>3 Mil	$3 Bil
prostatectomies	>140 k	$100 Mil
rotator cuff / labrum	>1 Mil	
spine & cranial surgery	>1 Mil	
knees / hips	>1 Mil	
Total Addressable US Market	>26 Mil	$13+ Bil

Source: MiMedx company presentation, Aegis Capital Corp estimates

Up-regulation: MDXG's amniotic tissue products are considered human tissue, and fall under human cell, tissue, and cellular and tissue-based products (HCT/Ps) section 361 exemption. This is likely to change as the FDA has issued draft guidance on up regulating human tissue products, particularly amniotic tissue, and in September held an industry meeting. Where it goes from here is harder to determine, as the FDA has set no specific timeline, though we expect a response in 9-12 months. Whether or not amniotic tissue will be uprelegated to a 510(k) or the more onerous BLA is also unclear, though given the strong safety profile it is very unlikely they will require any products to be pulled off the market—rather companies will likely be required to run trials concurrently within a specific timeline. Although management has been vocal in its opposition to upregulation, they appear prepared for it (as discussed below). Additionally, despite the potential for near term confusion, longer term we expect it to provide a major competitive boost, eliminating many of the smaller competitors, and ultimately lead to a more established clinically driven market.

BLA compliant trials: In August the company revealed that it expects to complete a PMA/BLA compliant trial for EpiFix in DFUs and VLUs by year end (which follows the FDA's 2006 guidance document for Industry-Chronic Cutaneous Ulcers and Burn Wounds). As the agency requires two such trials for BLA approval, this trial and an earlier head-to-head study against privately held Organogenesis' Apligraf (also PMA/BLA compliant), this announcement essentially inoculates the company against any upregulation decision, removing significant overhang. The trial should also position EpiFix for reimbursement with the remaining holdouts on the private payer side including United, Aetna, Humana and Kaiser (about 50 million covered lives). The trial cost approximately $2 million, most of which has already accrued on the income statement over the last two years. As important, the company has already made significant investment in upgrading its facilities, quality control systems and product characterization to be fully compliant with Good Manufacturing Practices (GMP) required for BLA/PMA products, as opposed to less onerous requirements for tissue processing.

3 and 1 in 20: By 2020, the company looks to triple its revenues to $560 million and earn one dollar in EPS. This assumes gross margins in the low 80% range, SG&A spending in the 49-50% range, and a 30% operating margin on an adjusted basis with a tax rate of ~36% and 111 million shares outstanding (note the company is almost through its last $60 million share buyback plan, and we would assume they will follow up with an additional plan).

Outlook: During the 3Q16 call, MDXG raised the lower end of the range of its full year 2016 revenue guidance and reaffirmed its full year 2016 Adjusted EPS guidance. The Company's current guidance includes:

- Fourth quarter of 2016 revenue expected to be in the range of $69.4 to $72.9 million—we are at $70.3 million in line consensus of $70.4 million
- Full Year 2016 revenue forecasted to be in the range of $244.5 to $248 million—we are at $245.5 million in line consensus of $245.5 million
- Full Year 2016 Adjusted Diluted Net Income Per Share* expected to be in the range of $0.21 to $0.23—we are at $0.22 per share in line with consensus of $0.22 per share.

Valuation: MiMedx is in a unique position and has a significantly better growth profile than its small- to mid-cap peers, with its closest higher growth peers trading at 4-5x 2016 EV/Sales. We think MDXG can maintain its robust growth profile, with upside to our estimates, given how underpenetrated the regenerative medicine markets are. We are applying a 4-5x EV/sales ratio to our 2017 estimate to get a $12 target price.

Exhibit 2: Peer Group Valuation Metrics:

					EV/SALES		
Company		Ticker	Market Cap	EV (MM)	TTM	2016	2017
MiMedx Group Inc	**MDXG-US**	**MDXG**	**$887**	**$868.7**	**3.8x**	**3.5x**	**2.9x**
Integra LifeSciences	IART-US	IART	$2,858	$3,437	3.5x	3.4x	3.2x
Anika Therapeutics	ANIK-US	ANIK	$610	$490	4.6x	4.8x	4.2x
Globus Medical	GMED-US	GMED	$2,093	$1,757	3.2x	3.1x	2.7x
NuVasive	NUVA-US	NUVA	$2,935	$3,418	3.8x	3.6x	3.2x
Average			$1,877	$1,994	3.8x	3.7x	3.2x

*Source: Aegis Capital Corp and FactSet *Priced as of 11/07/2016*

New Product Launches: In 2016, the company has made three major product launches:

1) **AmniCord (launched 2Q16):** A thicker amniotic tissue graft derived from umbilical cord (which includes Wharton's jelly and high chain hyaluronic acid), designed as a more rugged option for complex surgical procedures.

2) AmnioFill: collagenous matrix derived from the placenta and comprised of placental extracellular matrix (ECM) tissue. AmnioFill is a tissue allograft containing ECM proteins, growth factors, cytokines and other specialty proteins present in placental tissue. AmnioFill is designed to treat deep complex wounds that require a connective tissue matrix to replace or supplement inadequate integumental tissue—for both chronic and surgical wounds (notably those that open up or dehisce).

3) OrthoFlo Lyophilized: This is a lyophilized version of OrthoFlo that can be stored at ambient temperature, and thus much more user friendly. OrthoFlo is amniotic derived allograft injection, which contain a variety of growth factors and nutrients including hyaluronic acid (HA) and helps cushion, lubricate, and protect the joint.

The joint pain injection market has over 8 million procedures performed annually and the injections are typically steroid, hyaluronic acid or platelet rich plasma. In 2016, the U.S. hyaluronic acid viscosupplementation market will approach $900 million in spend, and the number of steroid injections into the knee will exceed 4 million procedures. The company has expanded its OEM relationship with Zimmer Biomet, which has a dedicated group of 90 sales reps that sell in the physician office in addition to direct with their surgical sales force.

Clinical Updates:

Diabetic Foot Ulcers (DFU) Study*:* The study currently has 12 sites enrolling with 105 patients enrolled to date out of a target of 130 patients. The company expects to complete enrollment by the end of this year. The study has been ongoing since 2014. The trial is open label with patients randomized between standard of care (moist wound therapy and bandages) and standard of care with EpiFix. The primary endpoint is complete closure at 12 weeks, with secondary measures including time to closure, quality of life and cost effectiveness. The total cost of the study is expected to be $2 million with most of the cost already expensed. See https://clinicaltrials.gov/ct2/show/NCT01693133?term=mimedx&rank=18 for more details. The company believes that both this trial and a previously published 100 patient head-to-head trial versus Organogenesis' Apligraf were designed within FDA guidelines for PMA and BLA submission and could be used to address increased regulatory requirements.

Venous Leg Ulcer (VLU) Trial: The multi-center VLU study targeted in excess of 10 sites and 120 patients. At present, 11 sites have enrolled 123 patients. MiMedx expects that this study will conclude enrollment shortly and will be completed by the end of this year. The study is an open label trial, and patients are randomized for multicompression therapy (ie standard care), with and without EpiFix. The primary endpoint is Time to 100% epithelialization of study ulcer, with a secondary endpoint of wound healing at 12 weeks. Patients will be able to cross over to the treatment arm at 12 weeks and quality of life will also be measured. See https:// clinicaltrials.gov/ct2/show/study/NCT02011503 for more details. This study is also expected to cost under $2 million. As with the other two studies mentioned above, a large portion of the cost of this study has already been expensed, and management believes it could be used to satisfy clinical requirements for a PMA/BLA submission.

Micronized Injectable for Plantar Fasciitis Update: Pursuant to the Company's agreement with the FDA to pursue a Biologics License Application ("BLA") with the Company's AmnioFix® Injectable product, MiMedx entered a Phase IIB Randomized Control Trial ("RCT") for the treatment of plantar fasciitis in August, 2014. It's worth noting here that the micronized injectable did not meet the requirements for a '361 exemption as, unlike EpiFix (discussed above), it does not meet the definition of 'minimally manipulated human tissue." The FDA approved the clinical study protocol which targets 146 subjects at up to 20 clinical sites. In the initial protocol, a 24-month follow-up blood draw was requested by the Agency in order to determine if the micronized dHACM injection elicited an immune response in patients. An amendment was submitted to the FDA based on generated data requesting a protocol amendment to remove the 24-month follow-up requirement for this clinical trial. Because of the excellent safety profile and the lack of immunogenic response seen in the study patients thus far, the FDA has agreed that two year data is NOT needed and reduced the requirement to one year. At present, 109 of the 146 patients have been consented and 103 randomized in the plantar fasciitis study, in a total of 13 sites, and the study should be fully enrolled by the end of the year and with 12 month follow-up sets up for a 2018 BLA approval. In terms of cost, MDXG estimates the total expenditure for this study is projected to be slightly over $2 million, a large portion of which has already been expensed since the inception of the study in late 2014.

MiMedx Group Inc. Revenue Breakout

	2011A Year	2012A Year	2013A Year	2014A Year	2015A Q1A	2015A Q2A	2015A Q3A	2015A Q4A	2015A Year	2016E Q1A	2016E Q2A	2016E Q3A	2016E Q4E	2016E Year	2017E Year
Revenues (Category)															
Wound Care		**11.5**	**33.2**	**93.6**	**29.8**	**35.6**	**35.8**	**39.9**	**141.1**	**39.3**	**42.0**	**49.8**	**53.1**	**184.2**	**222.8**
% growth		n/a	189%	182%	103%	73%	37%	24%	51%	32%	18%	39%	33%	31%	21%
Surgical, Sports Medicine & OEM		**13.0**	**23.2**	**24.6**	**11.0**	**10.1**	**13.3**	**11.9**	**46.3**	**14.1**	**15.3**	**14.6**	**17.3**	**61.3**	**79.6**
% growth		n/a	79%	6%	124%	102%	80%	63%	88%	28%	51%	10%	45%	32%	*30%*
Total		**27.1**	**59.1**	**118.2**	**40.8**	**45.7**	**49.1**	**51.8**	**187.4**	**53.4**	**57.3**	**64.4**	**70.3**	**245.4**	**302.5**
%	884%	249%	119%	100%	108%	79%	47%	31%	59%	31%	25%	31%	36%	31%	23%

Source: Company and Aegis Capital Corp. Estimates.

MiMedx Group Inc Consolidated Income Statement

(Fiscal Years Ending June 31; $ millions)

	2011A	2012A	2013A	2014A	2015A				2015A	2016E				2016E	2017E
	Year	Year	Year	Year	Q1A	Q2A	Q3A	Q4A	Year	Q1A	Q2A	Q3A	Q4E	Year	Year
Net sales	$7.8	$27.1	$59.2	$118.2	$40.8	$45.7	$49.0	$51.8	$187.4	$53.4	$57.3	$64.4	$70.3	$245.5	$302.5
Cost of goods sold	$3.4	$5.2	$9.3	$12.7	$5.1	$5.1	$5.0	$5.0	$20.2	$7.9	$7.4	$8.0	$9.1	$32.5	$43.9
Gross profit	$4.4	$21.9	$49.9	$105.6	$35.6	$40.6	$44.0	$46.8	$167.1	$45.4	$49.9	$56.4	$61.2	$213.0	$258.6
Operating expenses:															
SG&A	$11.2	$21.0	$46.2	$90.5	$29.3	$32.65	$34.90	$36.5	$133.4	$40.6	$42.8	$48.2	$49.9	$181.5	$205.7
R&D	$3.0	$2.9	$4.8	$7.1	$1.8	$2.05	$2.2	$2.3	$8.4	$2.5	$3.2	$2.9	$3.5	$12.1	$13.9
Total operating costs	$14.2	$23.9	$51.1	$97.5	$31.1	$34.7	$37.1	$38.9	$141.8	$43.1	$45.9	$51.1	$53.4	$193.6	$219.6
Operating income (loss)	($9.8)	($2.0)	($1.2)	$8.0	$4.5	$5.9	$6.9	$8.0	$25.3	$2.3	$4.0	$5.3	$7.7	$19.4	$39.0
Amortization	$1.3	$0.7	$1.1	$0.9	$0.2	$0.2	$0.2	$0.2	$0.9	$0.8	$0.4	$0.6	$0.2	$2.1	$2.1
Depreciation	$0.4	$0.5	$0.6	$1.2	$0.4	$0.4	$0.5	$0.6	$1.8	$0.0	$0.4	$0.4	$0.4	$1.1	$2.0
Interest income/(expense)	$0.1	$0.6	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.1	$0.1	$0.1	$0.1	$0.0	$0.3	$0.3
Other, net	$0.3	$5.1	$2.8	$0.9	$0.2	$0.2	$0.2	$0.2	$0.9	$0.8	$0.8	$0.6	$0.2	$2.5	$2.1
Total other	$0.4	$5.7	$2.8	$1.0	$0.2	$0.2	$0.2	$0.3	$1.0	$0.9	$0.9	$0.7	$0.2	$2.7	$2.4
Pretax income	($10.2)	($7.7)	($4.0)	$7.1	$4.2	$5.7	$6.7	$7.7	$24.3	$1.4	$3.1	$4.6	$7.5	$16.6	$36.7
Income tax provision	$0.0	$0.0	$0.1	$0.8	$0.1	$0.2	$0.2	($5.7)	($5.2)	$0.2	$1.5	$1.3	$3.0	$6.0	$14.66
Net income	($10.2)	($7.7)	($4.1)	$6.2	$4.1	$5.4	$6.6	$13.4	$29.4	$1.2	$1.6	$3.3	$4.5	$10.6	$22.0
Non-Controlling Interest +Disc	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net income to Common	($10.2)	($7.7)	($4.1)	$6.2	$4.1	$5.4	$6.6	$13.4	$29.4	$1.2	$1.6	$3.3	$4.5	$10.6	$22.0
EPS	**($0.14)**	**($0.09)**	**($0.04)**	**$0.06**	**$0.04**	**$0.05**	**$0.06**	**$0.13**	**$0.28**	**$0.01**	**$0.02**	**$0.03**	**$0.04**	**$0.10**	**$0.21**
Adjustment										$0.03	$0.04	$0.03	$0.04	$0.13	$0.12
EPS-adjusted								**$0.12**		**$0.04**	**$0.05**	**$0.06**	**$0.08**	**$0.23**	**$0.33**
Shares Basic	72.5	81.6	96.3	105.8	105.8	106.2	106.5	105.2	105.9	105.5	106.2	106.0	106.1	106.0	106.3
Average FD shares outstanding	72.5	81.6	96.3	113.3	113.6	114.2	114.6	112.2	113.6	112.0	112.1	112.4	114.1	112.7	113.0
Year-over-Year Change															
Product revenue		248.6%	118.8%	99.8%	108.4%	78.6%	46.2%	31.0%	58.5%	30.9%	25.5%	31.4%	35.7%	31.0%	23.2%
Cost of goods sold		54.5%	79.8%	35.8%	72.9%	85.7%	48.7%	38.5%	59.5%	54.4%	45.3%	60.6%	83.3%	60.8%	35.0%
SG&A		87.5%	120.4%	95.7%	84.9%	54.1%	44.3%	24.9%	47.4%	38.7%	31.0%	38.0%	36.7%	36.1%	13.3%
R&D		-3.1%	67.9%	45.6%	31.7%	14.1%	8.6%	26.8%	19.3%	36.3%	54.2%	33.5%	50.2%	43.8%	15.0%
Operating expense		68.5%	114.1%	91.0%	80.6%	50.9%	41.5%	25.0%	45.4%	38.6%	32.4%	37.8%	37.5%	36.6%	13.4%
Operating income		-79.6%	-38.9%	-759.9%	-779.1%	-3782.6%	75.3%	63.5%	215.1%	-49.2%	-31.9%	-23.2%	-3.1%	-23.5%	101.6%
Pretax income		-24.8%	-47.6%	-275.8%	-564.3%	-1512.6%	80.3%	65.5%	244.3%	-66.7%	-45.6%	-31.2%	-2.2%	-31.6%	120.6%
Net income		-24.8%	-46.3%	-251.3%	-543.4%	-1492.8%	77.1%	249.1%	373.4%	-70.7%	-70.5%	-49.3%	-66.3%	-63.9%	107.0%
EPS Fully Diluted		**-33.3%**	**-54.5%**	**-237.7%**	**-541.5%**	**-1486.8%**	**75.8%**	**251.1%**	**372.8%**	**-70.6%**	**-70.5%**	**-49.1%**	**-66.6%**	**-63.9%**	**106.4%**
Margin Analysis (excludes stock based comp)															
Gross Margin	56.7%	80.8%	84.2%	89.3%	87.4%	88.9%	89.8%	90.4%	89.2%	85.1%	87.1%	87.6%	87.0%	86.8%	85.5%
Gross Margin (non-GAAP)											86.7%	88.0%			
SG&A	144.1%	77.5%	78.1%	76.5%	71.9%	71.5%	71.2%	70.5%	71.2%	76.2%	74.6%	74.8%	71.0%	74.0%	68.0%
R&D	38.4%	10.7%	8.2%	6.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.7%	5.5%	4.5%	5.0%	4.9%	4.6%
Operating margin	-125.7%	-7.4%	-2.1%	6.8%	11.0%	12.9%	14.2%	15.4%	13.5%	4.3%	7.0%	8.3%	15.5%	7.9%	12.9%
Pretax margin	-131.4%	-28.3%	-6.8%	6.0%	10.4%	12.4%	13.7%	14.8%	13.0%	2.6%	5.4%	7.2%	10.7%	6.8%	12.1%
Tax Rate	0.0%	0.0%	-2.5%	11.8%	3.4%	3.9%	2.4%	-74.1%	-21.3%	15.2%	48.0%	28.1%	40.0%	36.0%	40.0%
Net Margin	-131.4%	-28.3%	-6.9%	5.3%	10.0%	11.9%	13.4%	25.8%	15.7%	2.2%	2.8%	5.2%	6.4%	4.3%	7.3%

Source: Company Reports & Aegis Capital Corp. Estimates

Required Disclosures

Price Target

$12

Valuation Methodology

MiMedx is in a unique position and has a significantly better growth profile than its small- to mid-cap peers, with its closest higher growth peers trading at 4-5x 2016 EV/Sales. We think MDXG can maintain its robust growth profile, with upside to our estimates, given how underpenetrated the regenerative medicine markets are. We are applying a 4-5x EV/sales ratio to our 2017 estimate to get a $12 target price.

Risk Factors

Risks: MiMedx competes in the chronic/acute wound care and surgical application markets. Competition in the field is intense and subject to rapid technological change. Some of the competitors may have greater financial resources and larger sales organizations. In addition, MDXG's amniotic tissue products are considered human tissue, and fall under human cells, tissue, and cellular and tissue-based products (HCT/Ps) under the FDA. While it appears MDXG is well prepared for upregulation, we cannot be certain of the timeline and actions of new FDA guidelines and there may be some disruption in the market. Other risks to achievement of our target price include clinical, regulatory, financing, competitive risks, as well as stock price volatility.

For important disclosures go to www.aegiscap.com.

We, Jason Wittes and Evan Wang, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject companies and their securities. We also certify that We have not been, do not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report.

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Rating	Percent	Investment Banking Services/Past 12 Mos. Percent
BUY [BUY]	86.90	45.21
HOLD [HOLD]	13.10	36.36
SELL [SELL]	0.00	0.00

Meaning of Ratings

A) A Buy rating is assigned when we do not believe the stock price adequately reflects a company's prospects over 12-18 months.

B) A Hold rating is assigned when we believe the stock price adequately reflects a company's prospects over 12-18 months.

C) A Sell rating is assigned when we believe the stock price more than adequately reflects a company's prospects over 12-18 months.

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Aegis Capital Corp.
(212) 813-1010
810 Seventh Avenue, 18th Floor
New York, New York 10019