

## Medigus Ltd. – Strong Momentum in EV & Micro-Mobility Segment Targeting Growing Markets

Share Price: \$1.15

Current Valuation: \$3.79

Medigus Ltd. (NASDAQ: MDGS)



### Key Statistics

52 Week Range	\$0.85-\$2.47
Avg. Volume (3 months)	197.46K
Shares Outstanding	23.9M
Market Capitalization	\$27.43M
EV/Revenue	n/a
Cash Balance*	\$29.64
Analyst Coverage	1

\*Cash balance as of June 2021

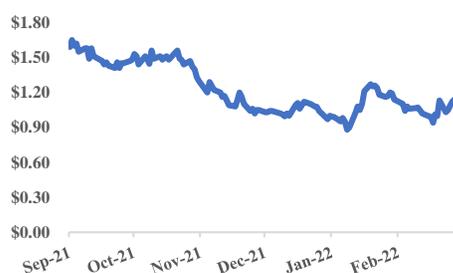
### Revenue (in \$mm)

Dec - FY	2020A	2021E	2022E
1H	0.07	2.39	2.90
2H	0.46	2.71	3.42
FY	0.53	5.10	6.32

### EPS (in \$)

Dec - FY	2020A	2021E	2022E
1H	(0.04)	0.02	(0.01)
2H	0.01	(0.01)	(0.01)
FY	(0.03)	0.01	(0.02)

### Stock Price Chart



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### Investment Highlights

- Reverse Merger on OTC Markets** - Medigus recently announced details of its planned spin-off and subsequent merger of its EV wireless charging business, Charging Robotics, Inc. The company signed a non-binding letter of intent for a planned securities exchange agreement with Fuel Doctor, Inc. (OTC: FDOC), a Delaware-based corporation. The transaction will result in Charging Robotics becoming a wholly-owned subsidiary of Fuel Doctor, and in exchange, Medigus will receive 80% of the issued and outstanding share capital of Fuel Doctor. Through more available access to capital via the public equity markets, Charging Robotics is likely to enjoy greater flexibility in terms of financing alternatives, and greater liquidity. We view the transaction as a positive development and in line with the articulated business strategy of Medigus.
- Diversified Bet on Emerging Industries** - Medigus remains a diversified portfolio focused on emerging industries including online technologies, EV & micro-mobility, and healthcare. Through its portfolio, Medigus is targeting a Total Addressable Market (TAM) of over \$500 billion. Medigus continues to invest in industries and technologies of the future that include AI marketing, blockchain technology, and disruptive EV and micro-mobility solutions. Given a diversified portfolio of companies across multiple industries, the overall investment risk is somewhat reduced via diversification.
- Meaningful Progress in EV & Micro-mobility Business** - Medigus has displayed strong momentum in its EV & micro-mobility segment. In less than a year, Revoltz, an EV and wireless charging joint venture designed, manufactured, presented, and received its first order for its first model "Porto," for the last mile delivery market. This order is a part of a pilot project that is to be carried out at a new fully autonomous supermarket in Israel. While additionally, the recently acquired ParaZero Ltd. ("ParaZero"), a privately held company engaged in drone technology with an innovative patented safety system for drones, received a purchase order for its ParaZero SafeAir™ system from a leading global drone manufacturer.
- Valuation** - We have updated our financial model adjusting for the recent reverse merger and a minority stake in ParaZero Ltd. Our valuation approach yields a per-share value of \$3.79 or \$90.38 million contingent on successful execution by the company. The EV and micro-mobility business accounts for a majority, 52% of the company's total value derived, while the online technologies and healthcare segment are at 28% and 20% respectively. Given the unique high-risk-reward opportunity, we view Medigus as a suitable investment for institutional and high-risk-tolerant retail investors.

### Company Description

Incorporated in the State of Israel in 1999, Medigus is a technology-oriented company involved in developing innovative solutions for large-scale market applications. The company operates under the broader market segments of online technologies, electric vehicles & micro-mobility, and healthcare.

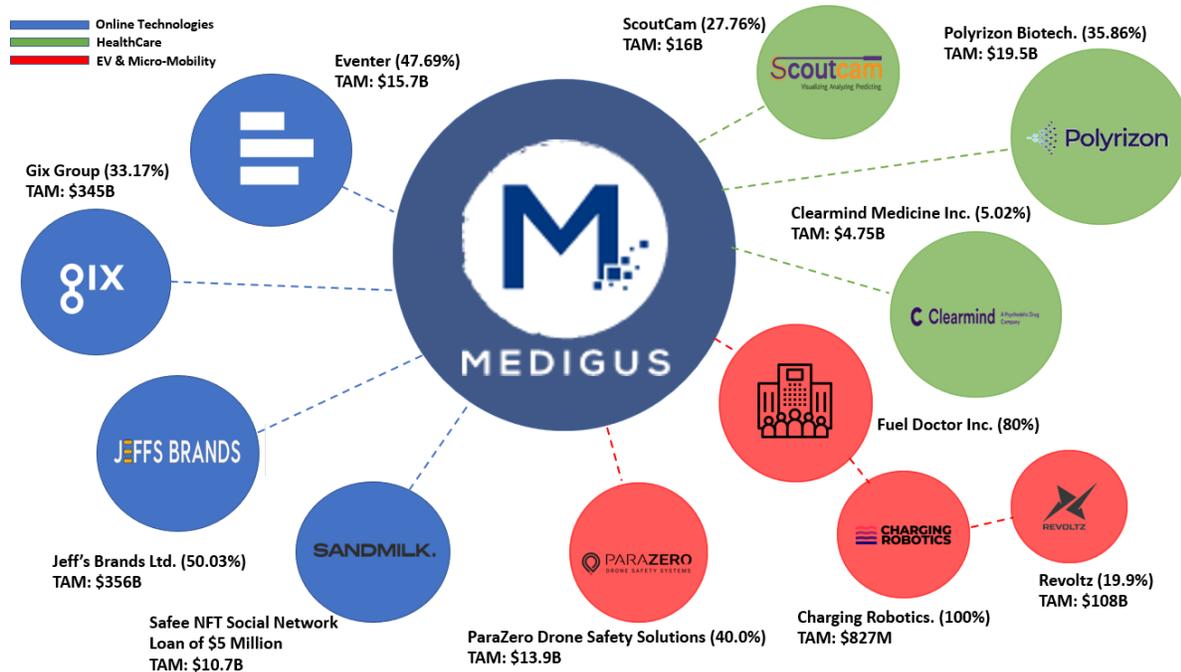


Exhibit 1: Medigus Shareholding Structure. Source: Diamond Equity Research and Company Filings

## Medigus Healthcare Division - A Unique Medical Technology Opportunity

Medigus broadly operates under the healthcare division through its subsidiaries ScoutCam and Polyrizon. Primarily, the company is engaged in developing and manufacturing medical-related devices and equipment. ScoutCam, formerly known as Intellisense Solutions Inc., is engaged in developing miniaturized imaging equipment which generated a material portion of the company's revenue. The sale of miniature cameras and related equipment reportedly saw a significant jump of 161% sales growth from \$188,000 in 2019 to almost \$491,000 in 2020<sup>1</sup>. The industries it caters to include medical, aerospace, industrial sector, defense, and research. With the smallest cameras produced in the world, which are down to 1mm diameter including illumination and 0.04g per camera, the high-resolution technology has unique properties that have been authenticated by customers such as NASA in the strictest environmental conditions, including extreme temperatures, vibrations, and radiation.

*Medigus largely invests in three market segments: online technologies, electric vehicles & micro-mobility, and healthcare*

Polyrizon is a private company engaged in developing highly differentiated protective biological gels which help to protect patients from biological threats and intrusion of foreign material. Medigus holds 35.86% of ownership in Polyrizon, and the total addressable market size is estimated to be roughly around \$19.5 billion.<sup>2</sup> Lastly, the company has also developed a potential alternative to Transoral Fundoplication (TF) to treat gastroesophageal disease (GERD), popularly known as the MUSE System.

Medigus is expanding its healthcare business portfolio by entering the psychedelics market through Clearmind Medicine Inc. The company has signed an investment agreement with the

<sup>1</sup> Company SEC Filing, [https://www.sec.gov/Archives/edgar/data/1618500/000121390021026459/f20f2020\\_medigusltd.htm#a\\_071](https://www.sec.gov/Archives/edgar/data/1618500/000121390021026459/f20f2020_medigusltd.htm#a_071)

<sup>2</sup> Investor Presentation, [https://www.sec.gov/Archives/edgar/data/1618500/000121390021065100/ea152292ex99-1\\_medigusltd.htm](https://www.sec.gov/Archives/edgar/data/1618500/000121390021065100/ea152292ex99-1_medigusltd.htm)

psychedelic pharmaceutical biotech company by investing \$1.25 million in exchange for approximately 2 million units, representing around 5.02% of Clearmind’s equity. According to Research and Markets, the psychedelic drugs market size stood at \$4.75 billion in 2020, which is projected to grow at a CAGR of 12.36% and is expected to reach \$10.75 billion by 2027<sup>3</sup>.

## Electric Vehicles & Micro Mobility Division - Entering an Untapped and Emerging Market

The lack of charging solutions and infrastructure are major obstacles to EV adoption. Currently, only cumbersome cable-based solutions are offered where there are huge unmet commercial needs in terms of last-mile challenges. Hence, Medigus, through its subsidiaries Charging Robotics and Revoltz has entered this emerging and growing electrical vehicle market. According to IEA’s Global EV Outlook 2021, despite the global pandemic, at the end of 2020, there were around 10 million electric cars on the world’s road, following a decade of rapid growth.<sup>4</sup> During Covid-related global slowdown, car sales worldwide declined by almost 16%; however, electric car registrations saw an extraordinary growth of 41% in 2020. As per the same report, around 3 million electric cars were sold globally, representing a 4.6% sales share, and even the demand for commercial EV fleet registrations also expanded in key global markets.

*Charging Robotics is developing a proprietary robotic platform for charging vehicles wirelessly and automatically with high efficiency*

Medigus’s investment ideology revolves around capturing early-stage companies and technology opportunities by turning them into potential million-dollar asset value businesses and creating immense shareholder value for the investors. Based on the same ideology and investment pattern, the company has recently acquired a 40% stake in an Israeli drone technology company that works on drone safety and has an innovative patented system.

ParaZero addresses a major pain point in the growing drone industry by providing a unique solution to prevent drone crashes and financial losses, occurring due to accidents. ParaZero has developed a patented drone safety system, SafeAir™ system, designed to protect people and payloads, providing a solution to reduce the risk of a drone's malfunction in an urban environment.

## Online Technologies Division - Opening New Avenues

Aside from EV and healthcare industries, Medigus has also gained exposure in new-age emerging technology companies. The portfolio companies range from marketing technology to virtual event management and acquiring fast-growing D2C brands operating in niche categories. The application of these technologies and business models creates sustainable long-term growth and cash flow cycle for Medigus. It is also expected to be the highest value-generating segment across the three under which it currently operates. Medigus has also recently acquired a minority stake in an NFT platform business.

*Medigus pursues attractive investments in innovative and fast-growing internet businesses, ranging from eCommerce to blockchain technologies*

Gix Group is an emerging MarTech (Marketing Technology) solutions provider that maximizes exposure and increases the impact in online performance-based marketing. Gix utilizes its proprietary AI technology while providing tailor-made solutions to different problems that limit the business’ reach to its target audience.

<sup>3</sup> Psychedelic Drugs Market - Global Forecast to 2026, <https://www.researchandmarkets.com/>

<sup>4</sup> IEA’s Global EV Outlook 2021, <https://www.iea.org/reports/global-ev-outlook-2021>

Jeff's Brands is adopting an emerging and profitable business model by leveraging the expanding e-commerce market. The company identifies and acquires promising business models that have the capabilities to turn into top-sellers or market leaders. The company identifies brands using its proprietary artificial intelligence (AI) and machine learning tools, analyzing sales data and patterns within the multi-billion-dollar Amazon marketplace. This helps in identifying stores with niche product/market that demonstrates growth potential to maximize sales within their Fulfillment by Amazon (FBA) shops. Technological prowess and the ability to market the product through different platforms are at the core of the success of the company's business.

Established in Israel, Eventer leverages technology in creating, developing, and promoting various events and generates revenue in commissions tied to the dollar amount of tickets sold on its platform. The company's system offers a user-friendly and wide set of unique features for online events such as online concerts, online conferences, and enterprise events and carrying out events at offline venues. The company recently announced its entry into the multi-billion-dollar virtual conference market by obtaining the exclusive rights to the technology developed by Screenz Cross Media Ltd. for virtual conferences. Screenz is a virtual entertainment and events technology company whose customer base includes Reliance Industries (a Fortune 500 company and the largest private-sector corporation in India), Fox, ABC, Disney, Univision, and Viacom<sup>5</sup>. The Company will leverage Screenz's technology to develop innovative solutions for the virtual conference market. Eventer works with over 1.7 million producers and artists worldwide and sold \$2.4 million tickets in 2018~2021 with approximately \$600,000 in commissions.

Medigus has also invested \$400,000 in a Non-Fungible Technology (NFT) company named 'Safee' in exchange for a roughly 2.5% stake in the entity. Safee runs a platform called Sandmilk, an NFT marketplace for creators and collectors. The company has signed a non-binding memorandum of understanding with Safee and formed a joint venture to trade and monetize NFTs and other digital assets. Safee's social network allows creators and artists to easily create and trade digital goods. This will allow the company to potentially expand the reach of NFTs to mass-market buyers and make it mainstream. Furthermore, this is a strategic joint venture between the companies as under this venture, the core competencies of both the companies can be used to capitalize on big market opportunities in the evolving NFT space.

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<sup>5</sup> Medigus Company Website, <https://medigus.com/online/eventer-2/>

## Valuation Outlook

We have valued Medigus by using the net value added method — deriving the total equity values of its portfolio companies and summing them. The valuation methodology incorporates the major seven businesses that drive the maximum value of the holding company and the recently acquired drone safety technology company ParaZero Ltd. Charging Robotics is in the initial stages of commercialization of its technology, with its partnership in Greece and Israel, while Revoltz has recently commenced the prototype manufacturing micro-mobility vehicle. Gix Group, a MarTech company is the highest revenue-generating company in the company’s portfolio expected to grow at a healthy run-rate going forward and contribute significantly to the total value. The company’s healthcare investment Polyrizon Biotech targets a large market and is in the early stages of FDA submission.

The recent spinoff and reverse merger is likely to benefit Charging Robotics by providing flexibility in financing alternatives and higher liquidity. In line with recent corporate action, we have decreased our liquidity premium for Fuel Doctor Inc. (a wholly-owned subsidiary of Charging Robotics) boosting the overall value of the company.

We reiterate our optimistic stance on Medigus Ltd. with our model yielding a valuation per share of \$3.79 or \$90.38 million assuming successful execution by the company. We view Medigus Ltd. as a unique high-risk, high-reward investment opportunity.

Company	Segment	Valuation Method	Equity Value	Ownership	Net Value Added
ScoutCam Inc.	Healthcare	Comparable Company Analysis	\$38.48	28%	\$10.68
Polyrizon Biotech.	Healthcare	Discounted Cash Flow	\$50.92	36%	\$18.26
Clearmind	Healthcare	-	\$24.90	5%	\$1.25
Fuel Doctor, Inc.	EV	Discounted Cash Flow	\$94.26	80%	\$75.41
ParaZero	EV	Comparable Company Analysis	\$7.52	40%	\$3.01
Gix Group.	Online Tech.	Comparable Company Analysis	\$95.92	33%	\$31.82
Eventer.	Online Tech.	Comparable Company Analysis	\$5.55	48%	\$2.65
Jeff’s Brands	Online Tech.	Comparable Company Analysis	\$15.10	50%	\$7.56
					<b>\$150.63</b>
<b>Holding Company Discount</b>					<b>40%</b>
<b>Medigus Implied Market Value</b>					<b>\$90.38</b>
<b>No of Shares</b>					<b>23.85</b>
<b>Intrinsic Value Per Share</b>					<b>\$3.79</b>

Exhibit 2: Valuation Snapshot (in millions except per share value) Source: Diamond Equity Research

## Risk Profile

- **Limited Operating History** - Most of the portfolio business held by Medigus have limited operating history leading to numerous risks, uncertainties, expenses, and difficulties associated with early-stage enterprises.
- **Diversification** - Management might add/invest in such business to the portfolio which can possibly worsen the risk/reward tradeoff of the overall company eventually impacting the valuations.
- **Continuous Capital Requirements** - The company's subsidiaries are not expected to generate positive cash flows for short to medium terms and might require further cash inflows. The company's EV and Healthcare division are currently in the pre-revenue posing a high risk of continuous cash burn.
- **Capital & Dilution Risk** - The company is still in the developmental stage and is currently not able to generate positive cash flows. Further cash raises might lead to dilution of the stake of the current shareholders.
- **Lack of Proof of Concept** – The company's wholly-owned subsidiary Charging Robotics is currently in the pre-revenue stage and it is still not clear that the company's technology will find its place in the global EV market.
- **Technology Obsolescence** – The portfolio businesses are operating in a disruptive industry, with improving technologies that might render the company's offering obsolete.

*These risk factors are not comprehensive. For a full list of risk factors, please read Medigus' latest prospectus and/or annual SEC filings*

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