Initiation of Coverage

PCS
PARTNERCAP SECURITIES, LLC
An affiliate of Partner Capital Group

Spectral AI, Inc. (MDAI)

AI-Driven Predictive Medical Diagnostics Play

VALUATION (*January 8, 2024*)	
Rating	Sentiment Buy
Current Price	$3.07
TARGET	$4.00
52 Week Range	$2.2 – $19.5
Market Cap ($-Mn)	49.9
Ent. Value ($-Mn)	39.2
Shares Out. (Mn)	15.7
Short Int (% Flt)	0.7%
Daily Vol	1.08 M

FUNDAMENTALS	
Sales (CY21)	$15.2Mn
Sales (CY22)	$25.3Mn
Sales (CY23E)	$17.9Mn
Sales (CY24E)	$33.8Mn
Insider Owner	56.1%
Institutional Owner	10.4%
Cash and Investments	$7.3Mn

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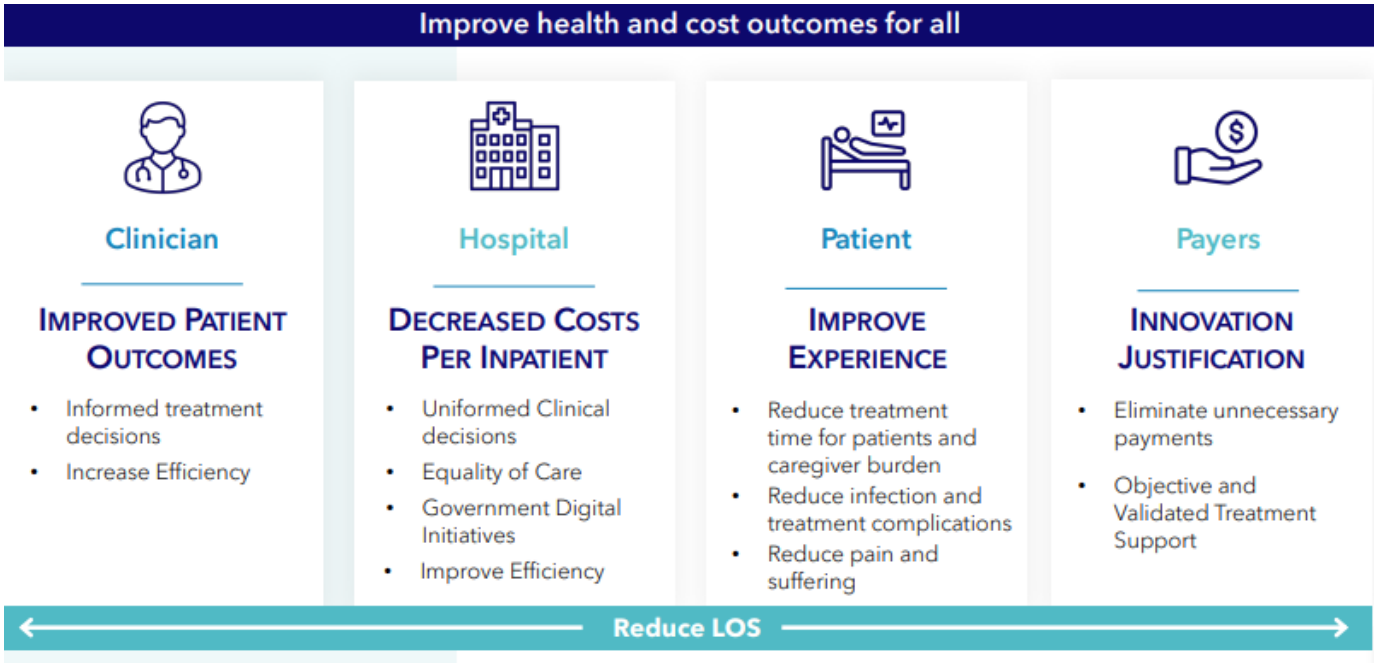
- **MDAI – A focused play on addressing unmet medical need for objective, reliable and faster wound assessments and treatments.** The company is leveraging proprietary predictive analytics algorithms and a huge database of multispectral wound images to develop a platform that would allow medical practitioners to assess and predict if a wound will heal, with significantly higher accuracy. This platform delivers rapid, objective and statistically reproducible wound healing assessments that can drive significant time and cost savings for medical practitioners and patients, by reducing time for wound assessment and length of stay and hospital visits. The platform can also potentially improve the medical outcomes where it is applied by allowing practitioners to make better informed treatment decisions that are more effective and improve patient experience.
- **Combining AI and Multispectral Imaging technology to establish a strong moat in markets with huge TAMs (~$15bn)**. MDAI is targeting its DeepView technology platform at a total addressable market of ~$15 billion by 2028, as it prepares to disrupt wound assessment in burn injuries and diabetic foot ulcers (DFU) markets. In both these markets, quick, objective and reliable assessment of the wound can be a game changer. DeepView periodically refines its AI model using extensive clinical data containing approximately 263 billion pixels of DFU and burn images as of December 31, 2022. This unique combination of predictive analytics algorithms and the database, the result of several partnerships the company has stitched together over the years, is difficult to replicate and differentiates MDAI.
- **Strong intellectual property portfolio and a track record of working with government agencies create a significant moat, while asset-light growth protects shareholder interest.** The company has been able to build this platform through in-depth R&D and working with a variety of stakeholders, including government agencies such as the Biomedical Advanced Research and Development Authority (BARDA) and U.S. Department of Defense. In the process, the company has built a strong patent portfolio and forged funding partnerships with government agencies. Government contracts and funding validate MDAI's technology and ensure capital-light growth that protects shareholder interest.
- **Milestones/Catalysts and likely regulatory approval timetables**. DeepView Imagining System received UKCA mark in 2023; Burn AI and DFU regulatory applications in U.S, U.K. and EU expected in 2024-2025.
- **Fundamentals and Valuation. We initiate coverage with an BUY rating and a price target of $4.00 per share.** We anticipate a revenue CAGR of ~40% through 2028 as MDAI's disruptive burn assessment technology and DFU application gain market traction and are recognized as state-of-the-art protocols. We expect NOPAT break-even by 1H27 and use highly conservative cost of capital hurdle rates in perpetuity to posit a DCF-based $4.00/share fair value. MDAI's nascent status results in it trading at 1.2X EV/24Sales vs. a healthcare technology universe at ~5x and our DCF fair value implies a still-discounted 1.7X. (***** *SENTIMENT BUY – see disclaimer for definition.)*

Company Overview and Differentiation

Spectral AI – Disrupting Medical Imaging With AI-Enabled Efficiency

- **Spectral AI (MDAI) is a predictive AI company focused on medical diagnostics for faster and more accurate treatment decisions in wound care for burn, diabetic foot ulcers (DFU) and future clinical applications.** MDAI has a dedicated team of forward-thinkers striving to revolutionize the management of wound care by "Seeing the Unknown"® with its DeepView® Wound Diagnostics System. Its DeepView® platform is the only predictive diagnostic device that offers clinicians an objective and immediate assessment of a wound's healing potential prior to treatment or other medical intervention. With algorithm-driven results that substantially exceed the current standard of care, Spectral AI's diagnostic platform is expected to provide faster and more accurate treatment insight, significantly improving patient care and clinical outcomes.
- **DeepView System**: The company's DeepView System is an internally developed AI-driven multiple source identifier (MSI) device which has FDA "Breakthrough Device Designation" status since 2017. It uses proprietary AI algorithms to distinguish between fully damaged, partially damaged and healthy human tissue characters invisible to the naked eye, providing a "Day One" healing potential assessments in seconds. Its output is specifically engineered to allow physicians to make a more accurate, timely and informed decision regarding the treatment of the patient's wounds.

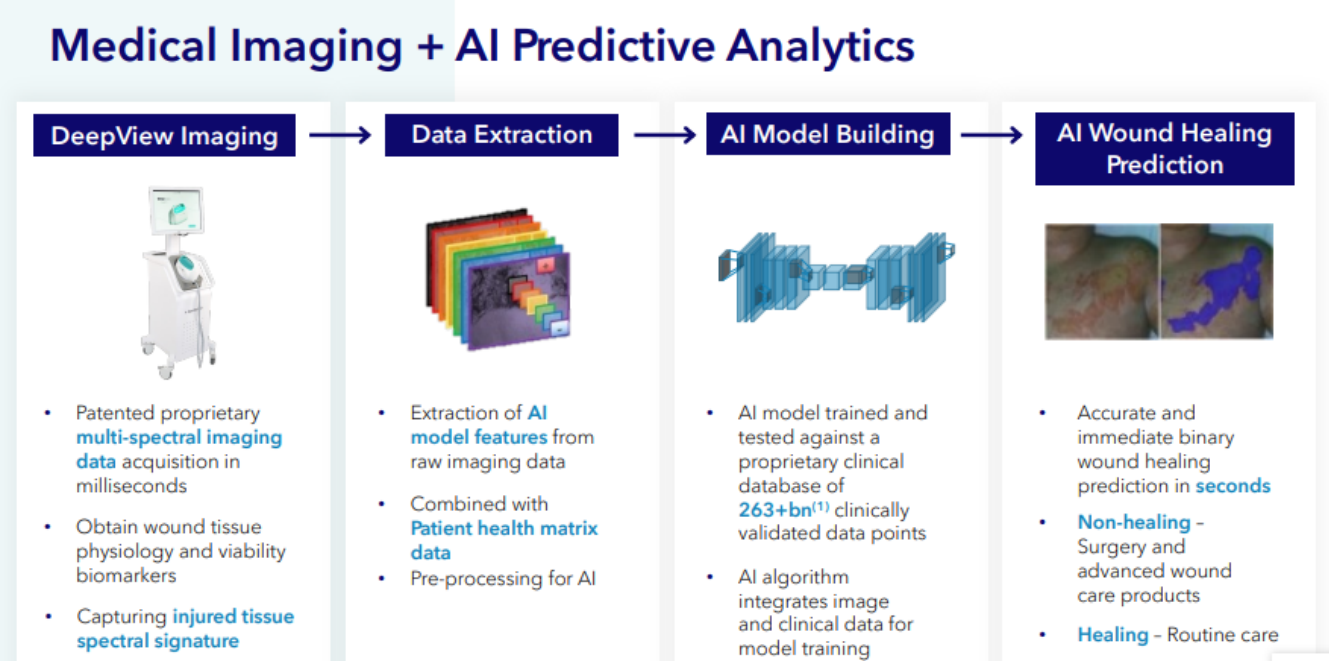
Chart 1: DeepView System Benefits for All Stakeholders



Source: PartnerCap Securities, Company Investor Presentation

- **MDAI's DeepView System employs patented multi-spectral optics and sensors to capture images of injured tissue across a wide spectrum, revealing details beyond human perception.** It analyzes these images, classifying tissue severity as non-healing, partially damaged, or healing, providing a visual representation of non-healing areas. The process is swift, with image acquisition taking 0.2 seconds and complete processing and AI classification in about 20 to 25 seconds. DeepView refines its AI model through regulatory submission using extensive clinical data containing approximately 263 billion pixels of DFU and burn image data points as of December 31, 2022.

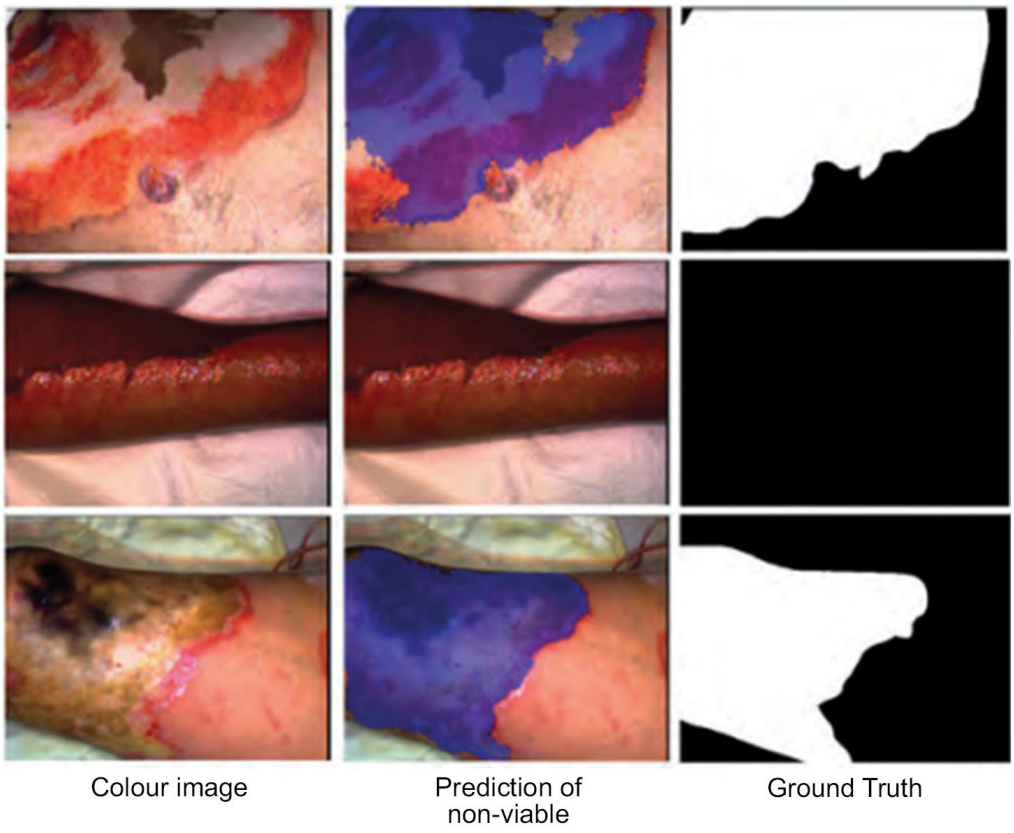
Chart 2: DeepView System Technological Process



Source: PartnerCap Securities, Company Investor Presentation

- **The company is currently focused on two medical areas that could potentially unlock a ~$15 billion market**:
  - **Burn Indication**: MDAI's focus on burn indication is a pivotal aspect of its ongoing research and development efforts, as evidenced by its significant progress and strategic funding support. In 1Q 2021, following the successful completion of an expanded proof-of-concept multi-center clinical study, MDAI received two substantial grants from Biomedical Advanced Research and Development Authority (BARDA). These grants, totaling $39.4 million, were allocated to enhance MDAI's clinical database for AI algorithm training and to improve the DeepView technology in early burn wound healing assessment. The grants facilitated the expansion of clinical training studies, adding more clinical sites and subjects, including a significant number of pediatric burn subjects.
    - **The company's focus on addressing the complexities of burn injuries** is further demonstrated by its focus on developing diagnostic tools that surpass the traditional "wait and see" approach often used in emergency departments. This approach, while common, leads to unnecessary hospital stays, overuse of resources and potential over-treatment. MDAI's DeepView GEN3 System has shown remarkable accuracy in identifying non-healing burn regions, outperforming the diagnostic accuracy of both burn care and non-burn specialist physicians.
    - **MDAI's extensive clinical studies across the U.S., involving both adult and pediatric patients, have been instrumental in refining the accuracy of burn assessment** for both surgical and non-surgical treatments. The AI performance of the DeepView System in pediatric patients has been particularly noteworthy, demonstrating high accuracy and reliability.
    - **As of December 31, 2022, MDAI's proprietary database, essential for burn care healing assessment, was comprised approximately 263 billion pixels of DFU and burn data**. This extensive database not only positions MDAI as a formidable player in the wound care market but also presents potential commercial opportunities.
    - **In alignment with BARDA's mission, MDAI received additional funding in August 2022 to expand its AI Burn dataset**, including emergency department patient enrollment. This expansion is anticipated to significantly impact burn care delivery in emergency settings. Furthermore, MDAI's alignment with the FDA's feedback and its response to BARDA's Sources Sought Notice for Burn Wound Imaging Technologies underscore MDAI's focus on advancing burn care technology.

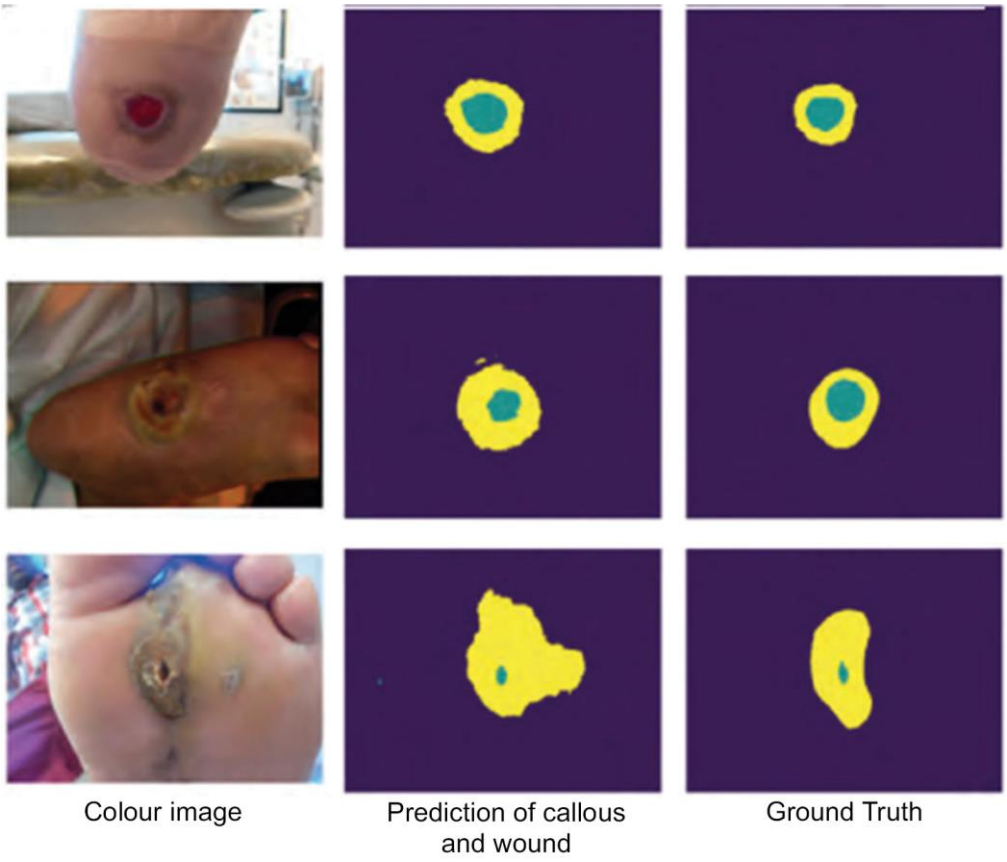
Chart 3: Illustration of DeepView's Highlighted Region that Predicts the Non-healing Portion Burn Wound



Source: PartnerCap Securities, Company Filings

- **Diabetic Foot Ulcers (DFU) Indication**: MDAI has been actively focusing on the DFU indication through its DeepView System, demonstrating significant progress in both research and development. In November 2021, the company completed enrollment for a multi-center training study, approved by the Institutional Review Board, to support the development of the DFU application for the DeepView System. This studywas executed successfully across five clinical sites in the U.S. The data collected from this study is being integrated into MDAI's database to develop and refine the DeepView DFU algorithm. This data will also contribute to the planning of a validation study and the incorporation of new features. The ultimate goal is to obtain FDA clearance and (EU-required) CE mark approval for the DFU application of the DeepView System, a critical step towards commercialization.
    - **In 2022, MDAI made substantial progress in its U.S. DFU Clinical Validation Study**. The study's endpoint is to predict whether a DFU wound at first presentation will reduce in size by 50% by week four. The DeepView System showed a notable improvement in AI diagnostic accuracy, reaching 86%. The data from this study will enhance MDAI's proprietary DFU database and support the validation of the DeepView DFU AI algorithm as the company prepares for U.S. regulatory submission in 2024.
    - **MDAI planned to increase investment in the DFU indication in 2023, aiming for commercialization**. A pre-submission meeting with the FDA is planned to align on the final regulatory submission. Additionally, MDAI intends to submit for UK Conformity Assessment in early 2024 and targets to receive FDA clearance and UKCA certificates within 2024 and 2025. Further, in February 2023, MDAI initiated a clinical study in the EU, conducted at Connolly Hospital in Dublin, Ireland, in collaboration with the Royal College of Surgeons. This longitudinal study followed DFU patients over 12 weeks capturing healing images to further develop the DeepView AI algorithm, supporting regulatory submissions for UKCA, FDA clearance and the EU's CE Mark.

Chart 4: Sample Images of 3 sets of Results from the DeepView GEN 3 System for Automated Segmentation of DFU Wound Tissue



Source: PartnerCap Securities, Company Filings

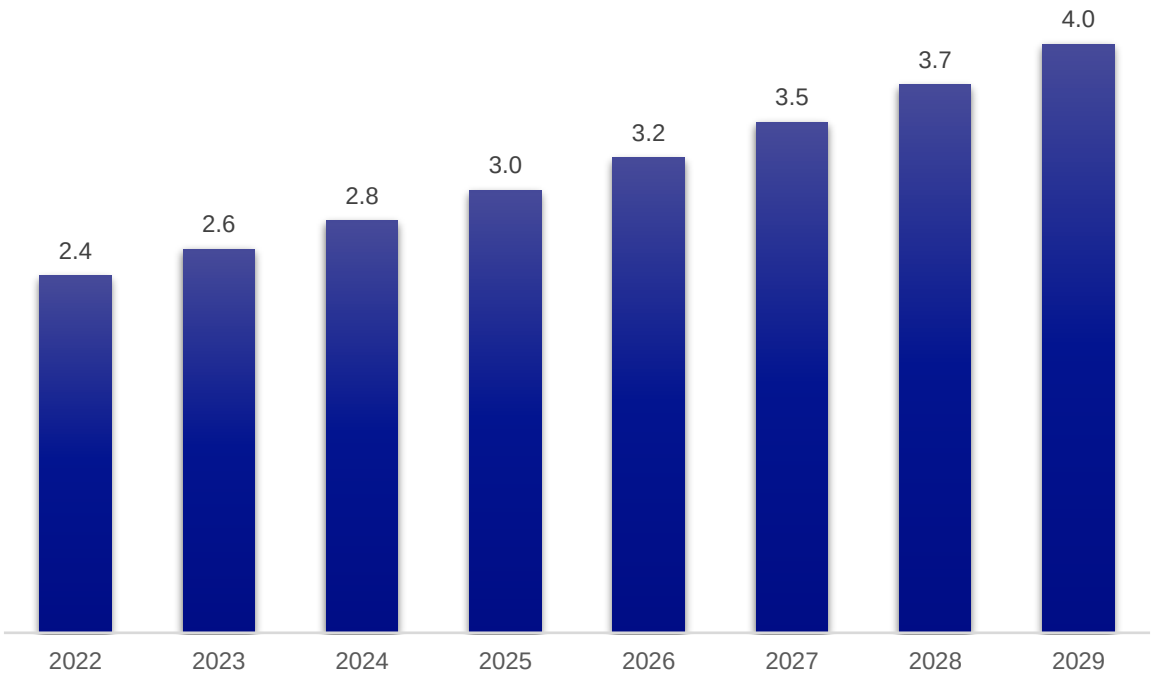
- **Long-term government contracts**. Since 2013, MDAI has used long-term government contracts for funding, with a notable emphasis on contracts from the Biomedical Advanced Research and Development Authority (BARDA). The authority has extended funds of ~$250 million MDAI, subject to meeting product development milestones. **The company has consistently met various milestones and as of 4Q 2023, it had ~$130 million of unused funding that can ensure smooth commercialization of its DeepView GEN 3 System.** This GEN 3 system represents the company's first combination of multi-spectral imagining platform —which has already obtained UKCA approval— and AI software**.** MDAI has also received funding from other entities such as the Medical Technology Enterprise Consortium (MTEC) which is working with the company to develop the DeepView SnapShot M, a fully handheld, portable, wireless diagnostic tool based on the DeepView System's AI platform.
- **MDAI's manufacturing strategy for the DeepView System is centered around outsourcing, with no immediate plans to establish its own manufacturing facility**. The Company currently relies on Cobalt Product Solutions, Inc., based in Plano, Texas, for the production of the current generation of the DeepView System and expects to continue this partnership. Additionally, MDAI incorporates several specialized contract manufacturers for specific components like optics, technology design and electronics. To ensure compliance with FDA and CE Mark regulations and standards, MDAI employs experienced regulatory and quality control personnel.

Industry Overview

MDAI's DeepView System, with 92% Assessment Accuracy, is Primed to Disrupt the $4 Bn Burn Care Market

- **The market for burn care products has witnessed substantial growth, driven by the rising incidence of burns and the growing public awareness of the importance of immediate and appropriate treatment.** The global burn care market is a dynamic and growing sector, responding to a critical and widespread medical need. The global burn care market is a critical segment within the healthcare industry, addressing the needs arising from burn injuries. These injuries, which are electrical, chemical, electromagnetic, or thermal in nature, vary in severity based on size and depth. They are categorized as first-degree, second-degree or third-degree burns, each requiring specific treatment protocols. Burn care products play a vital role in the treatment process. They are designed to alleviate pain, reduce the risk of scarring, remove necrotic tissue, prevent infection and aid in the restoration of function.
  - **According to a report by Data Bridge Market Research, the global burn care market, valued at $2.2 billion in 2021, is projected to expand to ~$4 billion by 2029, growing at a ~7% CAGR**. A significant segment within this market is care for thermal burns, the largest proportion of burn injuries. This segment's prominence is attributed to the high incidence of fire-related injuries. The market's expansion is underscored by comprehensive analyses provided by industry experts, including patient epidemiology, pipeline analysis, pricing strategies and an understanding of the regulatory framework.

Chart 5: Global Burn Care Market – 2022-2029 ($ billion, CAGR: 7.4%)

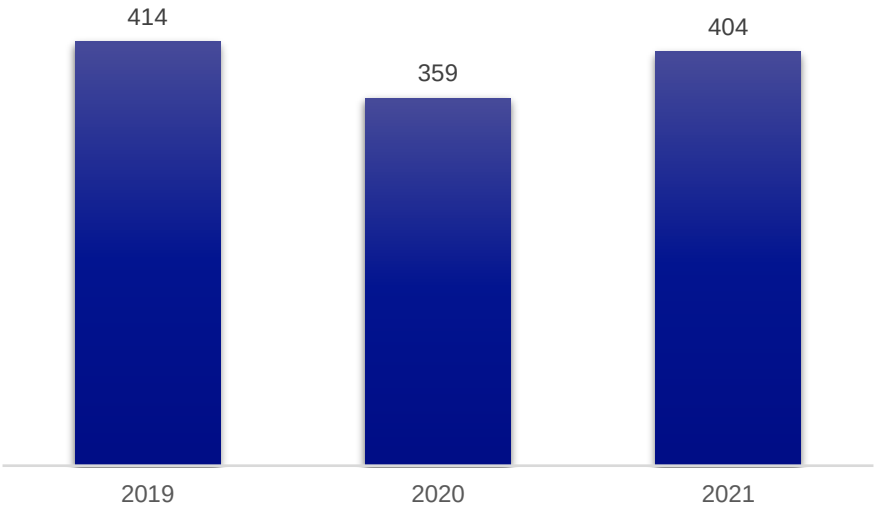


Source: PartnerCap Securities, Data Bridge Market Research

- **MDAI should benefit from multiple dynamics that are fueling secular growth of this market**. The global burn care market is growing due to a combination of factors, including the increasing incidence of burn injuries, rising demand for skin grafts and minimally invasive procedures, favorable government initiatives, heightened patient awareness, technological advancements and a growing willingness to invest in advanced burn care solutions. These drivers are expected to continue propelling the market forward, offering significant opportunities for players like MDAI.

- **Increased incidence of burn injuries**: The primary driver is the increasing incidence of burn injuries worldwide. This rise in burn injuries necessitates more effective and efficient burn care solutions, propelling market growth.
- **Demand for skin grafts and substitutes**: Another significant growth driver is the escalating demand for skin grafts and their substitutes. Skin grafts are essential in treating severe burns and as the prevalence of such injuries increases, so does the demand for these treatments. This demand is further augmented by advancements in skin grafting techniques and materials, making these treatments more accessible and effective.
- **Preference for minimally invasive procedures**: The market is also benefiting from the growing preference for minimally invasive procedures. These procedures, which are less traumatic for patients and offer quicker recovery times, are becoming increasingly popular in burn care. This shift is likely due to the advancements in medical technology that make minimally invasive treatments more feasible and effective.
- **Government initiatives and reimbursement policies**: Government initiatives, particularly in the form of reimbursement policies, are also playing a crucial role in market growth. These policies make burn care treatments more affordable and accessible, encouraging more people to seek timely and appropriate care for burn injuries.
- **Increased patient awareness**: Patient awareness regarding burn care treatment and management is another critical factor. As awareness grows, more individuals are likely to seek early and effective treatment for burn injuries, further driving the demand for burn care products and services.
- **Technological advancements in burn care products**: Technological advancements in burn care products are creating lucrative opportunities in the market. Innovations in treatment methods, materials and technologies are making burn care more effective, efficient and patient-friendly. These advancements are not only improving patient outcomes but are also driving market growth by creating new product categories and treatment options.
- **Willingness to invest in advanced burn care solutions**: Finally, the wide availability of traditional burn care products, coupled with an increasing willingness among people to spend more on advanced burn care solutions, is expanding the market's growth rate. As consumers become more health-conscious and financially capable, they are more likely to invest in high-quality, advanced burn care products, further fueling market growth.

Chart 6: Emergency Department Visits Related to Burns and Corrosions in US (Thousands)

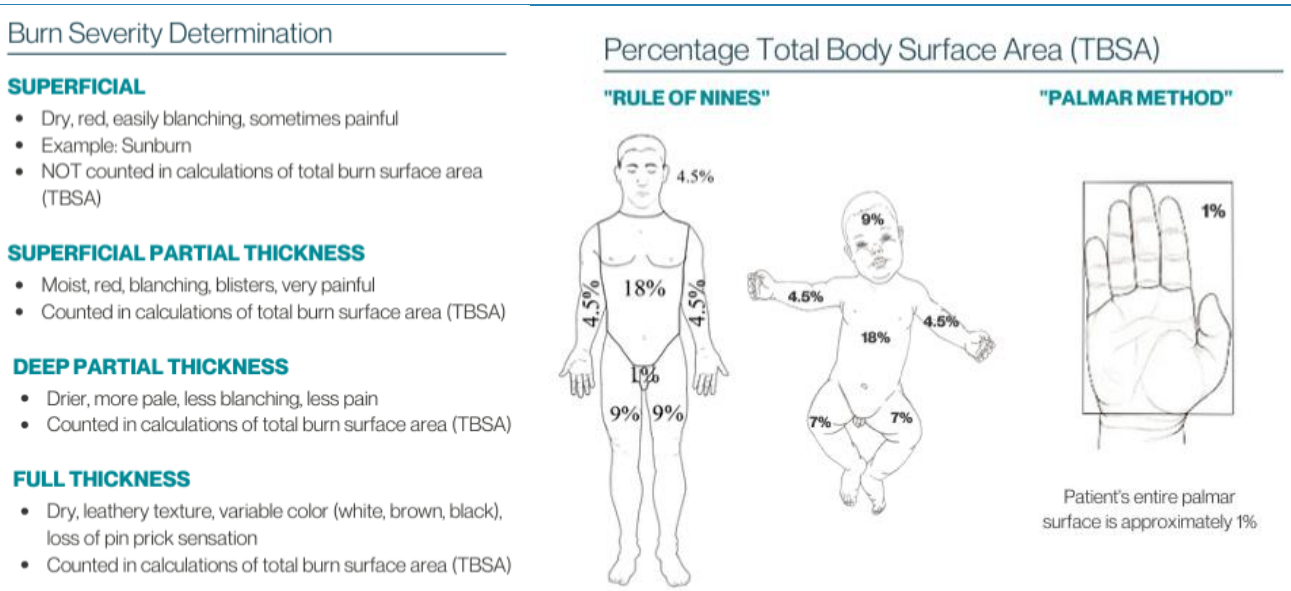


Source: PartnerCap Securities, CDC

- **Burn wound assessment and evaluation remains a big challenge in burn wound care**. According to data from the CDC on primary diagnosis of emergency department visits in the U.S., ~400,000 patients are diagnosed for burns and corrosions injuries every year. The early detection and treatment of burn injuries is pivotal in enhancing patient outcomes, reducing healthcare costs and improving the efficiency of burn care. Immediate care can significantly reduce the extent of scarring and improve the healing process. This is crucial for functional and aesthetic recovery, especially in severe cases. The complexity of this process varies significantly depending on the size and degree of the burns. After ensuring the patient's hemodynamic stability and gas exchange, healthcare professionals face the challenge of assessing the burn wound in detail. This assessment is pivotal for determining the course of treatment, hospitalization needs and potential transfer to specialized facilities.
- **Here are the challenges faced by practitioners in assessing burn wounds:**
  - **Assessing extent, depth and circumferential components**: Initial evaluation focuses on the extent, depth and whether the burn is circumferential. These factors are crucial in decision-making regarding monitoring, wound care and hospitalization.
  - **American burn association transfer criteria**: Specific criteria set by the American Burn Association guide the transfer of patients to burn centers. These include varying degrees and extents of burns, especially in vulnerable age groups and burns involving critical body areas like the face, hands and major joints.
  - **Estimating burn size**: Accurately estimating burn size is vital for treatment and transfer decisions. The Lund-Browder diagram, used for age-specific estimates and the "rule of nines" are common methods, though the latter is less accurate in children due to different body proportions.
  - **Underestimation of burn depth**: Burn depths are often underestimated during initial examinations. Devitalized tissue may appear viable initially and the wound appearance can change over days due to progressive microvascular thrombosis.
  - **Classification of burn depth**: Burns are classified into first, second, third, or fourth degree. Each category has distinct characteristics, like the red, dry and painful nature of first-degree burns, or the leathery, dry and insensate appearance of third-degree burns. Accurate classification is challenging but crucial for appropriate treatment.
  - **Difficulty in early accurate assessment**: Even experienced examiners find it challenging to determine burn depth accurately in early examinations, often leading to underestimation.

Chart 7: American Burn Association's Guidelines for Patient Transfer

	Immediate Consultation with Consideration for Transfer	Consultation Recommendation
Thermal Burns	• Full thickness burns • Partial thickness ≥10% TBSA* • Any deep partial or full thickness burns involving the face, hands, genitalia, feet, perineum, or over any joints • Patients with burns and other comorbidities • Patients with concomitant traumatic injuries • Poorly controlled pain	• Partial thickness burns <10% TBSA* • All potentially deep burns of any size
Inhalation Injury	• All patients with suspected inhalation injury	• Patients with signs of potential inhalation such as facial flash burns, singed facial hairs, or smoke exposure
Pediatrics (≤14 years, or <30 kg)	• All pediatric burns may benefit from burn center referral due to pain, dressing change needs, rehabilitation, patient/caregiver needs, or non-accidental trauma	
Chemical Injuries	• All chemical injuries	
Electrical Injuries	• All high voltage (≥1,000V) electrical injuries • Lightning injury	• Low voltage (<1,000V) electrical injuries should receive consultation and consideration for follow-up in a burn center to screen for delayed symptom onset and vision problems



Source: PartnerCap Securities, American Burn Association

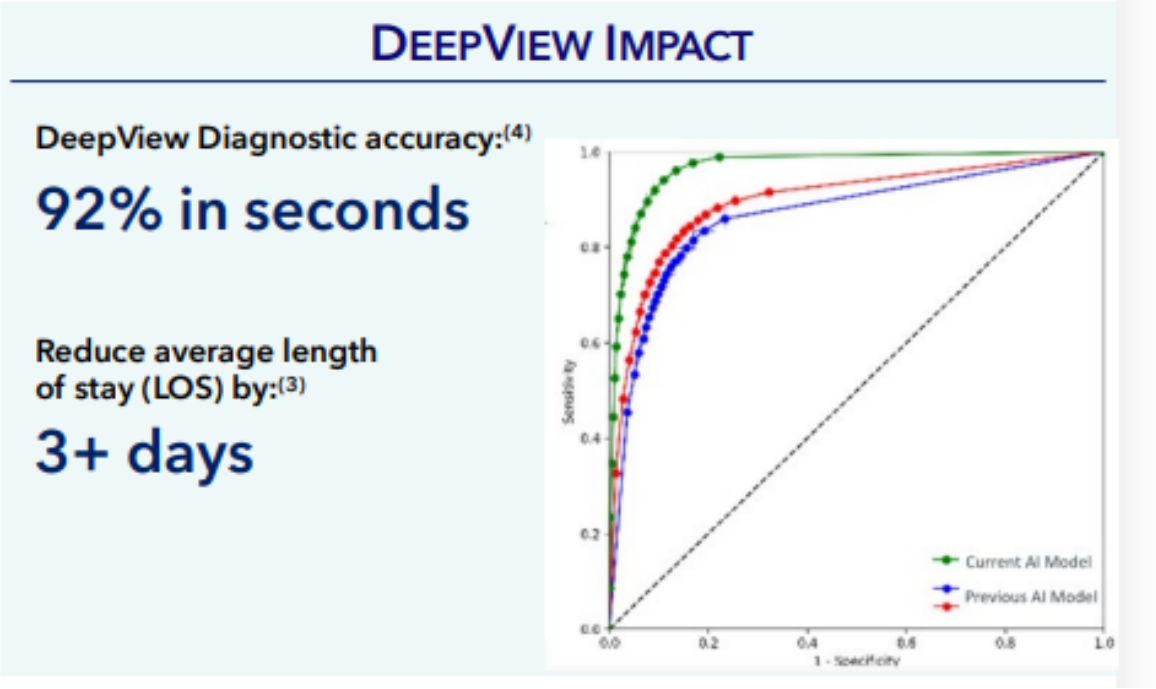
- **The U.S. faces shortage of burn centers and disparity in distribution of these centers, creating an unmet medical need**. According to the American Burn Association, 1.1 million Americans suffer from burn injuries each year, with 500,000 presenting to emergency departments and 40,000 requiring hospitalizations. In contrast to this demand, only 2% of U.S. hospitals have burn centers and there are only about 250 burn surgeons in the United States. In 2019, a study led by Dr. Heather E. Carmichael of the University of Colorado School of Medicine found that nearly 25% of Americans live in areas with low access to burn care, with the southern region being the most affected. The U.S. had only 59 ABA-verified adult burn centers and the study's findings indicate a stark regional variation in access. The southern and western regions exhibit the lowest access levels, with the southern region having several self-designated burn centers that are yet to undergo the ABA verification process. The study also highlights a scarcity of burn surgeons and the challenges in training new specialists. The changes in general surgery residency requirements could exacerbate this shortage, potentially affecting burn center verifications and widening regional disparities. **This creates a demand for technology-enabled solutions that can allow medical practitioners to quickly evaluate burn wounds and objectively determine if those patients need to be transferred to a burn center or not**.
- **MDAI provides an effective solution to meet this demand as its DeepView System is a game-changer in burn injury assessment, with an impressive 92% accuracy rate among adults**. For burn wounds, a non-healing assessment serves as a valuable tool for clinicians. It helps them quickly and objectively decide which patients should undergo surgery and pinpoint the precise areas within the burn wound that require excision and skin grafting. This marks a huge improvement over the 50% to 75% accuracy seen with traditional methods. Furthermore, it eliminates the requirement for extended observation periods and the unpredictable "wait and see" approach. Instead, it provides quick and precise assessments, helping doctors make timely decisions, reducing hospital stays and saving costs for both patients and healthcare facilities**.** The DeepView System streamlines burn injury care with reduced patient transfers, ensuring optimal resource use. It also excels in pediatric burn assessment, claiming an impressive 88% accuracy rate in a traditionally challenging area. **Its vast clinical database and continuous AI algorithm refinement position MDAI's DeepView System as a leader in burn wound assessment technology, with unmatched potential for growth**.

Chart 8: Benefits of the DeepView AI System — Burn Application

Parameter	Current	DeepView	Benefits
Time to Decision	21 Days	Day 1	Faster Decisions for practitioners can allow them to focus on the right patients and utilize burn center capacity judiciously
Clinical Accuracy	50-75%	92%	Better accuracy will allow practitioners to choose the right treatment options
Length of Stay	8.1 days	4-5 days	Reduced length of stay will reduce patient suffering
Estimated Cost of Stay	~$24,000	~$13,000	Lower cost of stay will reduce cost burden on patients and facilities

Source: PartnerCap Securities, Company Investor Presentation

Chart 9: DeepView System Impact on Burning Indications

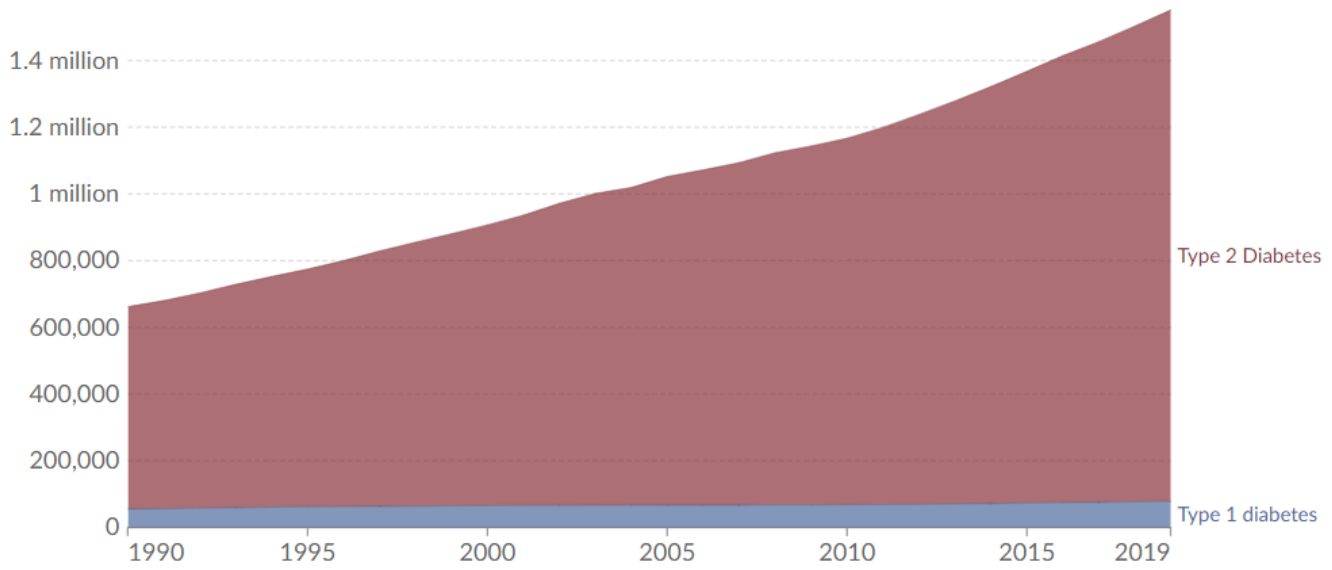


Source: PartnerCap Securities, Company Investor Presentation. (3) Huson HB, Phelan HA, G'Sell DJ, Smith S, Carter JE. If Seeing Was Believing A Retrospective Analysis of Potential Reduced Treatment Delays with a Novel Burn Wound Assessment Device. JBCR 2021;(42)S117-18 (4) Data from Spectral MD's IRB approved Proof of Concept Clinical Study

DeepView's Ability to Bring Down Time and Cost of DFU Treatment Will Drive Market Share Gains

- **Diabetes is among the four primary noncommunicable diseases (NCDs) and leads to 1.5 million annual fatalities worldwide**. Diabetes, a chronic medical condition, manifests when the pancreas fails to produce sufficient insulin or when the body is unable to effectively utilize the insulin it produces. Insulin, a crucial hormone, plays a vital role in regulating blood glucose levels. A frequent consequence of unmanaged diabetes is hyperglycemia, known as elevated blood glucose or sugar levels, which can cause significant harm to various bodily systems over time, particularly affecting the nerves and blood vessels. According to the International Diabetes Federation, as of 2021, data indicated that 10.5% of the global adult population, aged 18 and above, were living with diabetes. By 2019, diabetes had become the direct cause of 1.5 million fatalities worldwide. Notably, 48% of these deaths occurred in individuals under the age of 70. Additionally, diabetes was responsible for 460,000 deaths from kidney disease and elevated blood glucose levels were linked to approximately 20% of deaths from cardiovascular diseases. The period between 2000 and 2019 saw a 3% rise in the age-standardized mortality rates attributable to diabetes. In lower-middle-income nations, the mortality rate due to diabetes saw a significant increase of 13%. In a contrasting trend, the likelihood of dying from one of the four primary noncommunicable diseases (NCDs) – cardiovascular diseases, cancer, chronic respiratory diseases, or diabetes – between the ages of 30 and 70, decreased globally by 22% from 2000 to 2019. This reflects an urgent need to find better solutions for diabetes and reduce the mortality risk associated with it.

Chart 10: Global Deaths from Type 1 and Type 2 Diabetes (1990-2019)

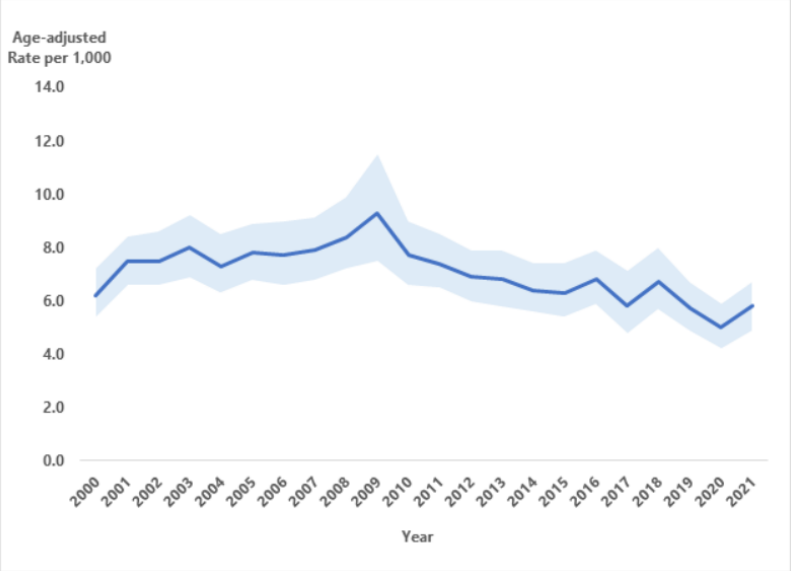


Source: PartnerCap Securities, Our World in Data, IHME, Global Burden of Disease (2019)

- **The U.S. has managed to reduce the incidence of diagnosed cases of diabetes among adults over the past decade, but prevalence of the disease continues to increase**. According to data from the Centers for Disease Control and Prevention (CDC), in 2021, diabetes ranked as the eighth leading cause of death in the United States. It was observed that adults aged 50 or older who have diabetes tend to have a reduced lifespan by approximately 4.6 years, experience disability 6 to 7 years earlier and spend an additional 1 to 2 years in a disabled state compared to their counterparts without diabetes. As of 2021, around 38.4 million individuals, accounting for 11.6% of the U.S. population, were living with diabetes, either diagnosed or undiagnosed. This figure includes 38.1 million adults aged 18 or older, representing 14.7% of the entire adult population in the U.S. Notably, about 8.7 million of these adults were either unaware of their diabetic condition or did not report it. After nearly two decades of consistent increases, the incidence of diagnosed diabetes cases (encompassing both type 1 and type 2) among U.S. adults showed a decline during the period from 2008 to 2021. The incidence rate, which refers to the rate of new diagnosed cases, saw about 1.2 million new cases of diabetes (equivalent to 5.9 per 1,000 people) among adults aged 18 or older in

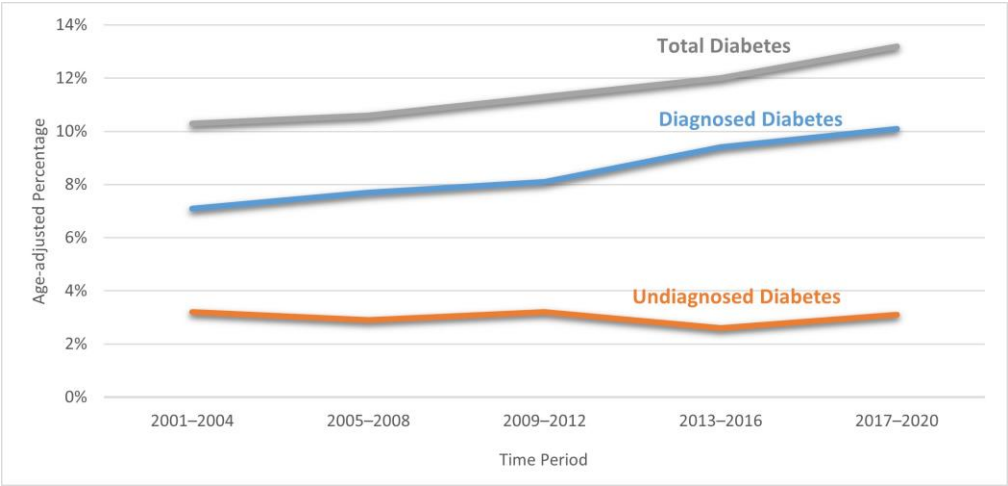
2021. An analysis of diabetes incidence trends from 2001 to 2021 reveals a generally decreasing pattern post-2008. The factors contributing to this decline are multifaceted and cannot be conclusively determined from the current data. It was also found that the incidence rates of diagnosed diabetes are higher among adults aged 45 to 64 and those 65 or older compared to the 18 to 44 age group. **The prevalence of diabetes, which includes both new and existing cases, showed a steady increase among U.S. adults aged 18 or older from 2001–2004 to 2017–2020**. This upward trend is consistent across various demographics, including age, sex, racial and ethnic groups and education levels. The rise in diabetes prevalence may be partially attributed to individuals living longer with the condition, thanks to advancements in self-management practices, lifestyle interventions and healthcare services.

Chart 11: Trends in Incidence of Diagnosed Diabetes Among Adults Aged 18 Years or Older, United States, 2001–2021



Source: PartnerCap Securities, CDC, 2000–2021 National Health Interview Survey.

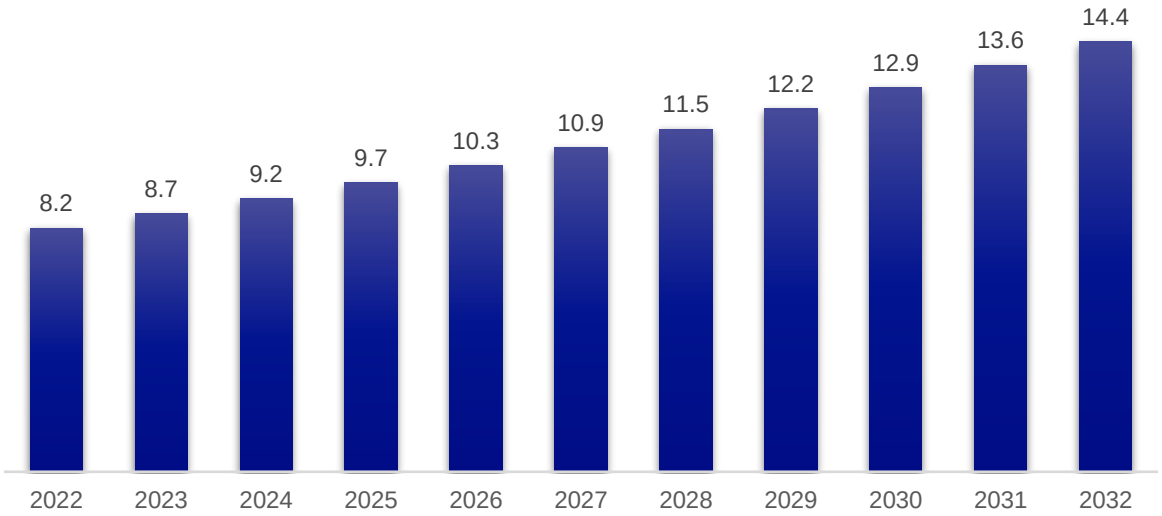
Chart 12: Trends in Prevalence of Diagnosed Diabetes, Undiagnosed Diabetes and Total Diabetes Among Adults Aged 18 Years or Older, United States, 2001–2004 to 2017–2020



Source: PartnerCap Securities, National Health and Nutrition Examination Surveys, Centers for Disease Control and Prevention. ***Note****: Percentages are age-adjusted to the 2000 US Census standard population. Diagnosed diabetes was based on self-report. Undiagnosed diabetes was based on fasting plasma glucose and A1C levels among people self-reporting no diabetes. Figure adapted from CDC's National Diabetes Statistics Report.*

- **Increasing instances of diabetes and increasing awareness among patients contributing to the growth of the multi-billion-dollar diabetic foot ulcers (DFU) treatment market**. Diabetes leads to various complications, including the reduced healing ability of the body. This diminished capacity for wound healing is particularly evident in the formation of diabetic foot ulcers. As the number of diabetic patients rises, so does the incidence of foot ulcers, necessitating more robust treatment solutions. These ulcers, which typically develop in the feet, are prone to rapid deterioration and infection, posing significant health risks to diabetic patients. The routine management of diabetes often involves regular insulin injections, which, ironically, can increase the risk of foot ulcers due to minor injuries incurred during the injection process. The rise in sedentary lifestyles and obesity rates has further exacerbated the prevalence of diabetes and its complications. Obesity, a significant risk factor for diabetes, also contributes to the development of diabetic foot ulcers. The additional weight exerted on the feet can lead to injuries, creating an environment conducive to ulcer formation. Another growth driver is the increasing awareness and education about diabetes and its complications. Public health initiatives and educational campaigns are emphasizing the importance of early detection and proper management of diabetic foot ulcers. This heightened awareness is expected to lead to earlier intervention and more effective management of the condition. The diabetic foot ulcer treatment market is a critical segment of the healthcare industry, addressing the complications arising from one of the most prevalent chronic diseases worldwide: diabetes. According to Precedence Research, in 2022, the market was valued at $8.2 billion and is anticipated to expand to ~$14.4 billion by 2032. This growth trajectory underscores the increasing urgency and demand for effective diabetic foot ulcer treatments.

Chart 13: Global Diabetic Foot Ulcer Treatment Market – 2022-2032 ($ billion, CAGR: 5.8%)

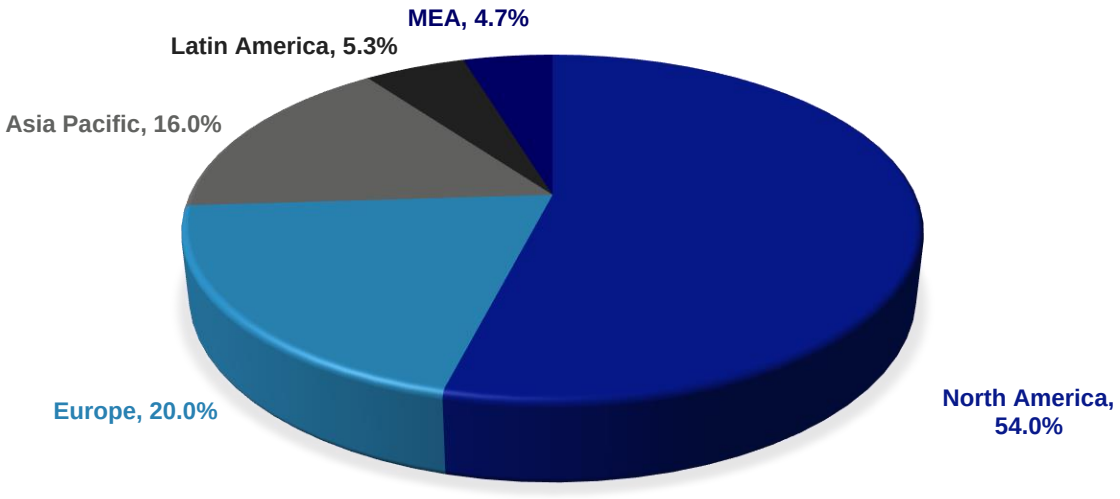


Source: PartnerCap Securities, Precedence Research

- **Supply-side factors such as increased R&D spend toward early detection and treatment of DFU are also contributing to the growth of the market, by making the treatment faster and cheaper**. Advancements in treatment technologies and methodologies are also contributing to market growth. Innovative wound care products, improved diagnostic tools and advanced therapeutic approaches are being developed to enhance the effectiveness and efficiency of diabetic foot ulcer treatments. These advancements not only improve patient outcomes but also reduce the long-term costs associated with chronic wound management. The market is witnessing an increase in research and development activities, with pharmaceutical and medical device companies investing in the development of new treatments and technologies. These investments are crucial for introducing innovative solutions that can address the unmet needs in diabetic foot ulcer care at competitive prices.
- **Given a high proportion of the geriatric population, North America is the biggest geographic segment of the DFU treatment market**. The DFU treatment market is geographically diverse, with North America leading due to its substantial elderly population. This demographic is particularly prone to diabetes, a prevalent condition that frequently results in diabetic foot ulcers. The region's increase in sedentary lifestyles has further escalated the

incidence of DFUs. With a high prevalence of diabetes, North America continues to be a pivotal market for DFU treatments. The Asia Pacific region is also a major segment in the DFU treatment market. This growth is attributed to the region's rapid urbanization, which has led to more sedentary lifestyles and poor dietary habits, contributing to a rise in diabetes and related complications. The European market also significantly contributes to the global DFU treatment market, bolstered by similar trends in lifestyle and an increasing incidence of diabetes.

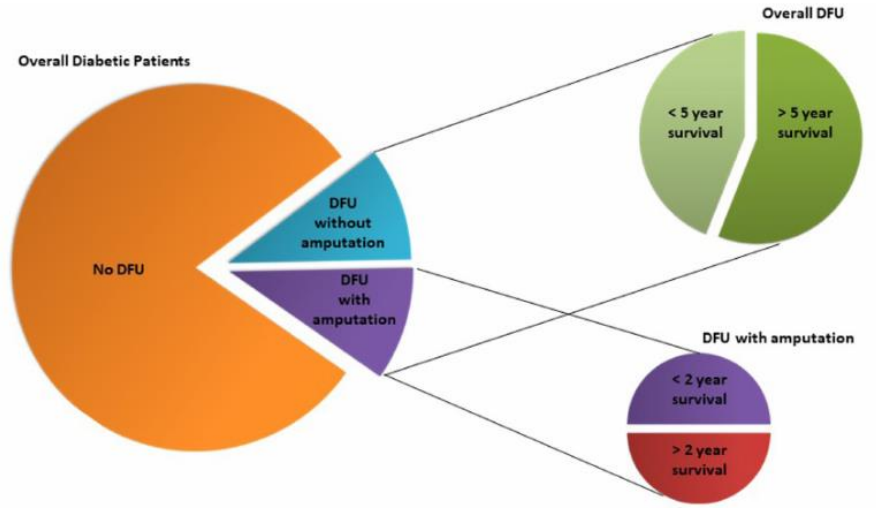
Chart 14: Geographic Distribution of DFU Treatment Market (2022)



Source: PartnerCap Securities, Precedence Research

- **DFU is a chronic disease that can have a significant negative impact on the patient**. Approximately 15-20% of diabetic patients are likely to develop skin wounds over their lifetime, with a significant number progressing to chronic conditions, especially in the lower limbs, according to the WHO. DFUs are not only difficult to treat, often necessitating hospitalization for direct therapeutic interventions and patient care, but they also emerge as the leading cause of hospitalization among diabetic patients. According to an article published in Frontiers of Microbiology in 2017, despite various therapeutic approaches, many diabetic chronic wounds deteriorate into more severe stages, leading to limb amputation in over half of the DFU cases. This drastic measure, however, frequently proves insufficient, resulting in further amputations and, ultimately, death. On average, amputation extends life expectancy by only up to two years in half of the diabetic patients undergoing the procedure. Post-amputation, only about 56% of diabetics with ulcerative wounds survive beyond five years.
  - **The impact of DFU and subsequent amputation on the quality of life for diabetic patients is profound, often rated as more detrimental than renal failure or sight loss**. The associated psychological effects, such as depression and anxiety, especially following limb loss, are significant. The loss in life quality for diabetic patients and their families is considered to be greater than that experienced by cancer patients. This not only affects the patient's well-being but also has substantial implications for their family's financial stability and health costs.
  - **The economic burden of DFUs on healthcare systems is also substantial. In the U.S. alone, approximately $17 billion are spent annually on diabetic foot care, surpassing the funds allocated for breast cancer and other types of cancer treatments.** In the United Kingdom, around GBP 650 million, constituting 0.7% of total health costs, are dedicated to DFU management. Even in developing countries, significant resources are allocated for this purpose, despite the constraints of their healthcare systems. Given the severe impact of DFUs on patient mortality, quality of life, family well-being and healthcare economies, there is a pressing need for improved therapeutic outcomes and, crucially, strategies to prevent wound emergence. This is vital not only for the patients and their families but also for the sustainability of healthcare systems globally.

Chart 15: DFU incidence in Diabetic Population and Respective Life Expectancies



Source: PartnerCap Securities, Precedence Research

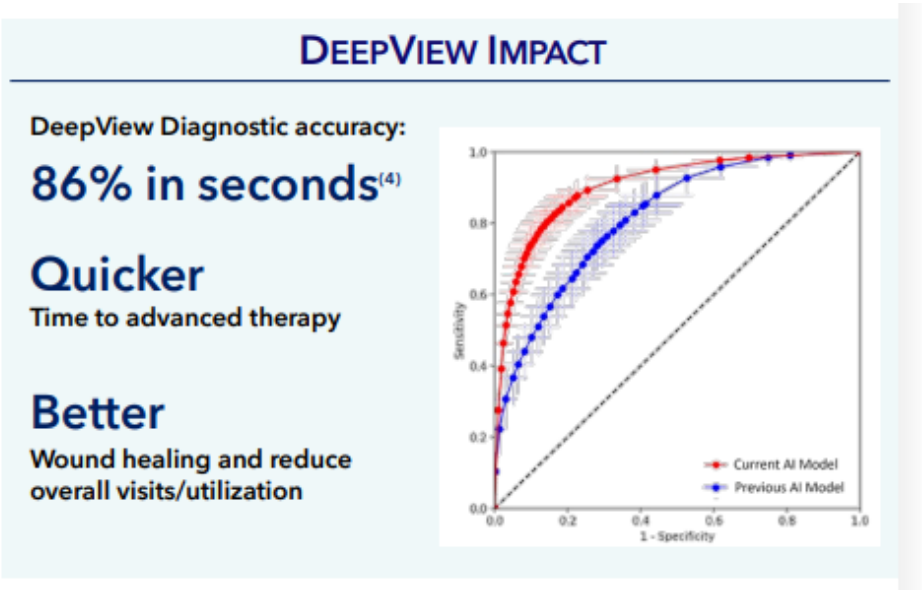
- **MDAI's DeepView System brings significant advancements to Diabetic Foot Ulcer (DFU) management with its impressive 86% accuracy in predicting wound reduction, enabling more informed treatment decisions.** Given the chronic nature of DFUs, better visibility into different DFU wounds is required and the existing methods usually are inaccurate and time consuming. To address this, MDAI's DeepView System provides an objective, rapid and highly reliable wound assessment to doctors, allowing them to quickly decide to use advanced wound treatments right from the start, instead of waiting for up to 30 days to see how the wound is doing.
  - **Its data-driven approach, incorporating DFU images and clinical data, strengthens diagnostic capabilities and supports the development of a robust DFU algorithm**. This significant efficiency gain can not only translate into better patient experience but can drastically reduce the treatment cost.

Chart 16: Benefits of MDAI's DeepView System — DFU Application

Parameter	Current	DeepView	Benefits
Time to Decision	30 days	First presentation	Faster Decisions for practitioners can allow them to focus on the appropriate advanced treatment methodology
Clinical Accuracy	No-tool Available	86%	Better accuracy in assessment of DFU wound can possibly reduce chances of amputation and mortality in DFU patients
Number of visits per patient per year	15.5	Lower than 15.5	Faster advanced treatment shall lead to better wound healing and lower visits for each patient
Cost of treatment	~$63,100 annually/patient	Lower	Faster advanced treatment and lower visits to reduce cost of treatment for patient

Source: PartnerCap Securities, Company Investor Presentation

Chart 17: DeepView System Impact on Diabetic Foot Ulcers (DFUs)



Source: PartnerCap Securities, Company Investor Presentation

Government Contracts and Funding Validate MDAI's Technology and Ensure Capital-Light Growth

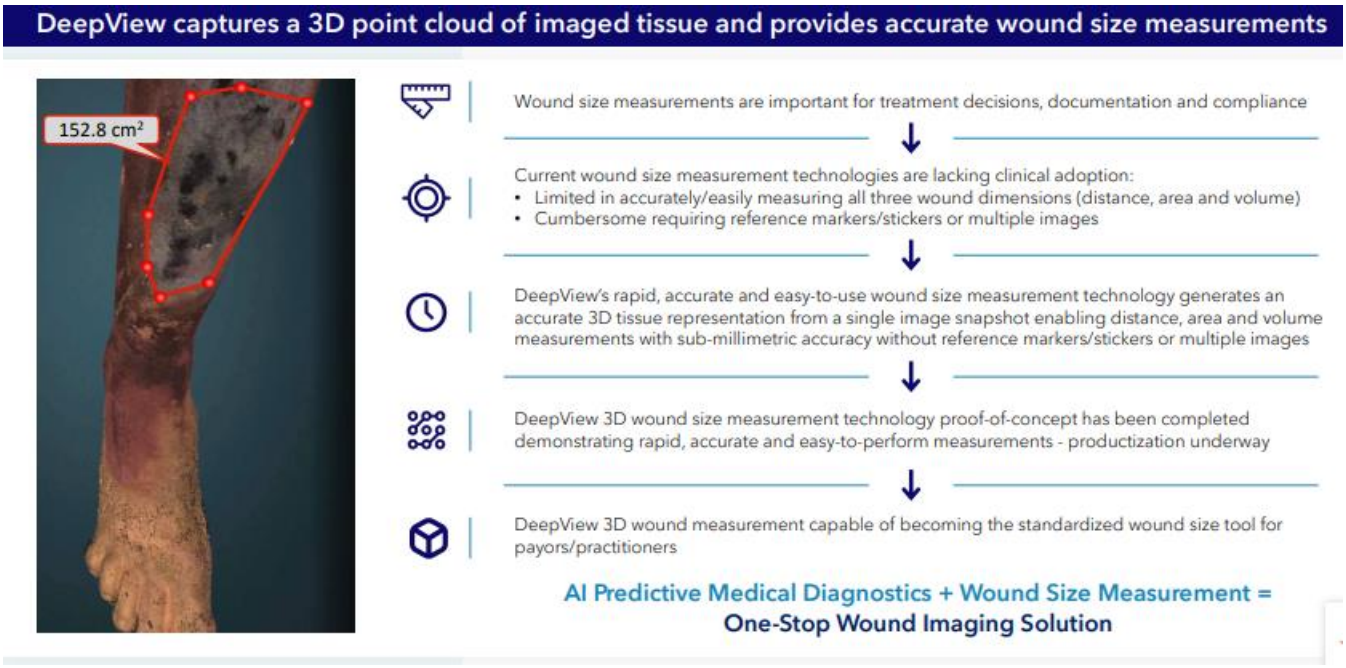
- **MDAI is working on technology-enabled solutions that are critical for enhancing the current medical infrastructure and its efforts have consistently received government support in the U.S.** Since 2013, MDAI has won several long-term government contracts for funding, with a notable emphasis on contracts from the Biomedical Advanced Research and Development Authority (BARDA). These contracts have been instrumental in the development of MDAI's technology and the advancement of its clinical trials. As of the beginning of 4Q 2023, MDAI had received approximately $179.0 million in government funding, of which $173.0 million was attributed to BARDA. This substantial financial support underscores the government's confidence in MDAI's mission and technology. The funding from BARDA has been allocated in various phases. The initial "Burn I" contract, spanning from 2013 to 2019, provided $26.0 million, while the "Burn II" contract has contributed an additional $96.9 million, awarded in multiple tranches. In September, 2023, the Company received the BARDA PBS contract worth up to $149.0 million for the development, FDA approval and commercial deployment of the DeepView System. This contract focuses on the further development of MDAI's AI-based burn wound imaging technology, DeepView System, intended for use in emergency departments, trauma centers and burn centers. It aims to enhance routine burn care and provide a crucial tool in burn mass casualty incidents. The contract begins with an initial allocation of around $55 million, facilitating the clinical validation and FDA clearance of DeepView for commercial use, a critical step in integrating the technology into the U.S. government's emergency preparedness plans. Additionally, the contract offers options worth about $95 million for further development, procurement and phased deployment of DeepView across U.S. medical centers..The grant funding from BARDA is non-dilutive to MDAI's stockholders, which not only supports the company's financial stability but also affirms the significance of its technology.
- **We believe that the latest contract from BARDA is a positive reflection of MDAI's ability to ensure time-bound delivery of various milestones that were set-out in the two earlier contracts**. It also underlines the criticality of the DeepView Solution in strengthening the burn care infrastructure in the U.S.
- **Funding from the U.S. government has also enabled the company to explore additional use cases for its DeepView System, which led to the development of "Horizon" indication uses such as DeepView Snapshot M and DeepView AI 3-D wound measurement technology, among others**. MDAI believes that expanding the utilization of the DeepView System in emergency rooms, trauma centers, burn centers and other wound care facilities will enhance its overall utility in these healthcare settings.
  - **DeepView SnapShot M, is a fully handheld, portable, wireless diagnostic tool based on the DeepView System's AI platform**. The DeepView SnapShot M provides a potential new indication use for the U.S. government and emergency care, first responders and potentially home health care professionals. The company received a $4.0 million grant from the Medical Technology Enterprise Consortium (MTEC) to develop DeepView Snapshot M for military and combat scenarios, particularly in battlefield burn evaluation. Its compact and versatile design makes it a valuable asset in challenging healthcare settings.

Chart 18: DeepView Snapshot M

Source: PartnerCap Securities, Company Investor Presentation

– **3-D Wound Measurement Technology**: MDAI is actively developing 3-D wound measurement technology for integration into the DeepView System. This offers rapid, precise and user-friendly wound size measurements, enabling 3-D tissue representation from a single image snapshot. Unlike existing methods that may require reference markers or multiple images, this technology calculates total body surface area (TBSA) and identifies healthy and unhealthy tissue. It has completed the proof-of-concept phase and is being developed in collaboration with BARDA, promising advanced applications in patient care.

Chart 19: DeepView for 3-D Wound Measurement



Source: PartnerCap Securities, Company Investor Presentation

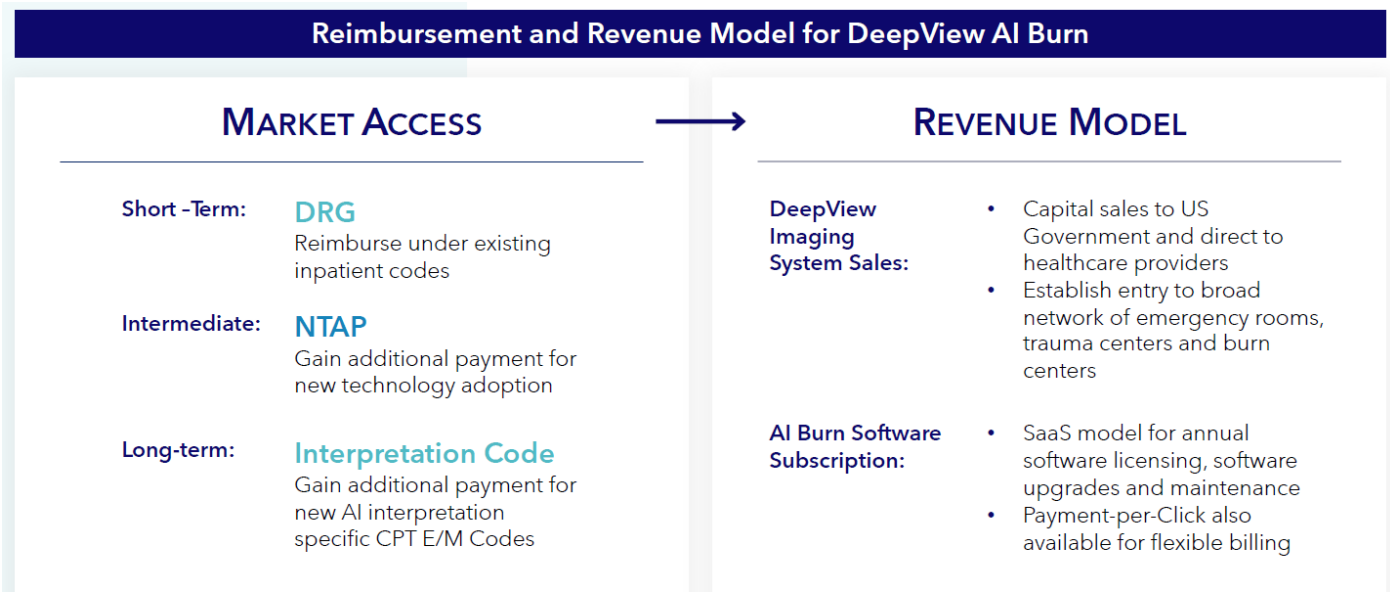
  - **Other Horizon Indication Opportunities.** MDAI aims to expand the application of the DeepView System to various wound care markets, including venous leg ulcers, critical limb ischemia, amputation, cosmetics and other digitally guided diagnostic opportunities referred to as "Horizon indications." These extensions would likely follow a 510(k)-clearance process, with the possibility of De Novo classification or premarket approval in specific cases.

- **Overall, we believe that MDAI has developed a strong reputation for utilizing government funded programs to develop critical healthcare infrastructure in an asset light manner for its shareholders**.

Commercialization Roadmap and Strategy

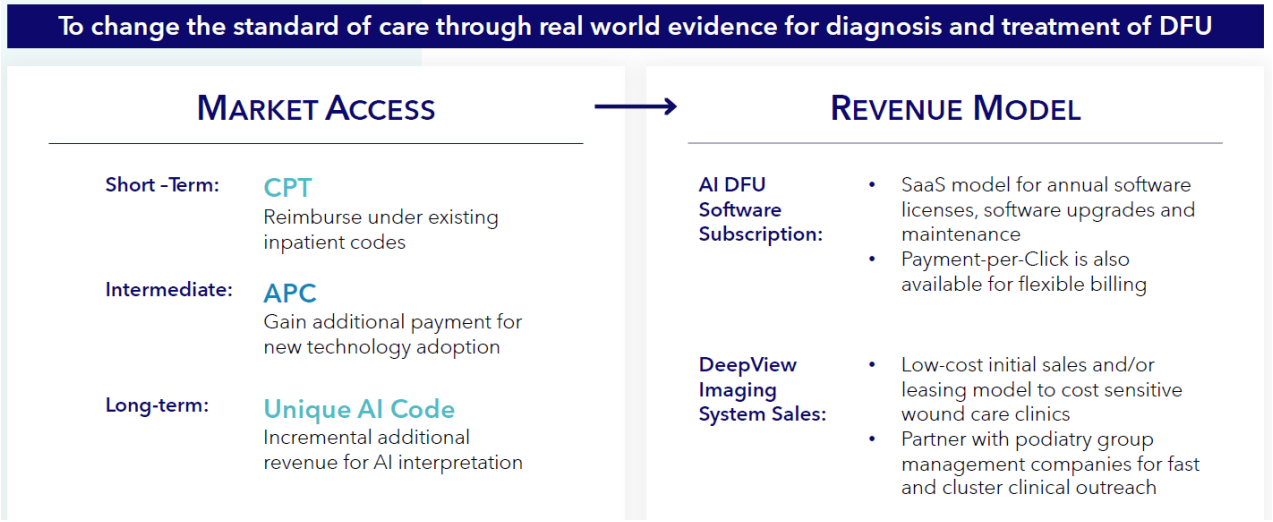
- **MDAI's commercialization and revenue strategy for the DeepView System is multifaceted, focusing on the U.S. market with potential expansion to other regions**. This strategy is contingent upon the successful development and regulatory approval of the DeepView System. The roadmap for the DeepView System involves a targeted approach to the U.S. market, leveraging a combination of software and device sales, with a phased rollout based on regulatory approvals. The strategy is underpinned by a focus on key healthcare sectors and a commitment to overcoming the inherent challenges of introducing disruptive technology into the healthcare market. Key aspects of this strategy include:
- **Market entry and sales strategy in the U.S.**
  - **Target market**: The initial focus will be on wound care centers, especially in regions with high diabetes prevalence, such as the South and Southeast U.S.
  - **Sales force**: A dedicated sales team, including sales executives, clinical educators and technical field engineers, will be responsible for marketing the DeepView System internally within the U.S.
  - **Customer base for burn indication**: The primary customers will be burn centers and emergency departments in approximately 5,400 federal and community hospitals across the U.S.
- **Revenue streams**:
  - **Software as a Medical Device (SaMD)**: The SaaS model will feature a software licensing fee covering maintenance, image hosting and algorithm updates.
  - **Imaging device component**: This will be competitively priced to ensure acceptance in independent practices and clinics.
- **Commercial sales timeline**:
  - **DFU Indication**: Expected to commence in 2025 in the UK.
  - **Burns Indication**: Anticipated to start in 2026 in the U.S., with continued government funding through BARDA.

Chart 20: Go To Market Strategy for Burn Indication



Source: PartnerCap Securities, Company

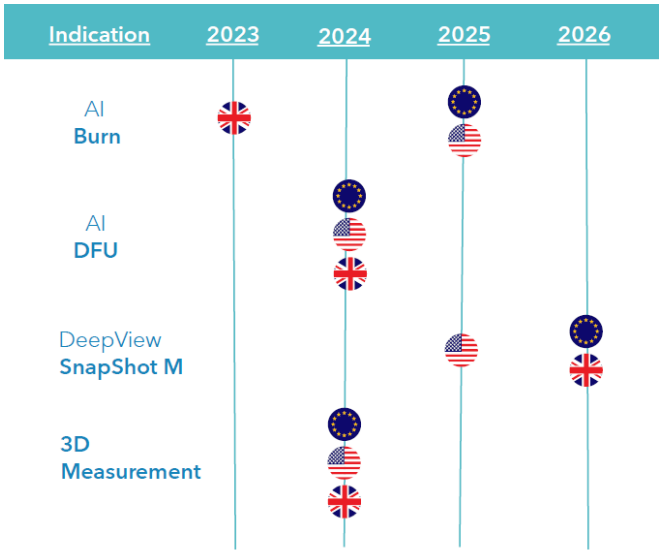
Chart 21: Go To Market Strategy for DFU Indication



Source: PartnerCap Securities, Company

- **Critical milestones for successful launch**:
  - **Regulatory submission**: UKCA mark in 2023 for the DeepView Imaging System and 2024 for its Burn AI software application. In the U.S., a DeNovo application is expected for its Burn AI software.
  - **Clinical evidence**: Post-approval clinical evidence is required in each country with a national reimbursement payer system to demonstrate patient outcomes and health economic impact.
  - **Reimbursement**: Strategies include applying for NHS reimbursement in the UK and utilizing existing DRG codes and CMS NTAP in the U.S.
  - **Adoption**: Emphasis on strategic partnerships, key opinion leaders and digital marketing campaigns to promote adoption of the DeepView technology.

Chart 22: DeepView Gen 3 Anticipated Regulatory Submissions



Source: PartnerCap Securities, Company

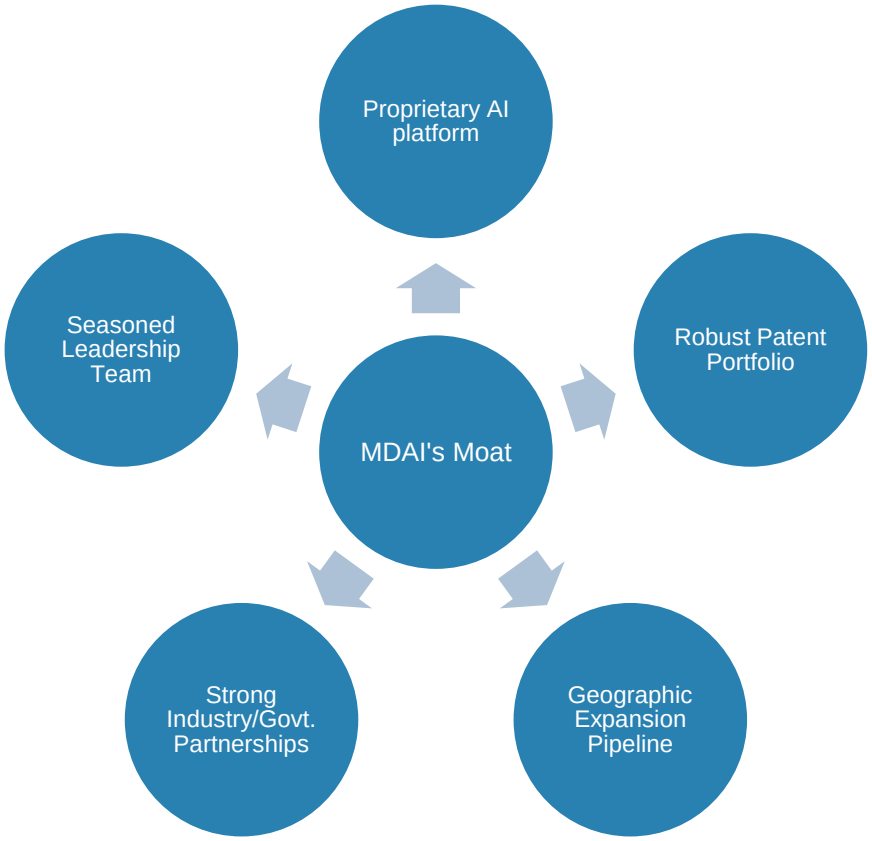
MDAI's Moat

Multiple Differentiators Bring Unique Value to Large Markets by Addressing Long-Unmet Needs, Creating a Defensible Business Model

- **MDAI has a multi-dimensional moat that protects its business and leads it to a sustainable growth path.** MDAI's growth strategy aims to leverage its differentiated platform that addresses a long-standing unmet medical need and use it to drive efficiency in large markets such as the burn care and diabetic foot ulcer markets. We believe that the company's business model has several elements that act as a moat and can drive sustained growth for MDAI. These include, a) ability to establish strong industry partnerships with government agencies, hospitals and medical experts that have played a crucial part in its product development journey; b) access to significant wound data repository from an artificial neural network, which MDAI has converted into a proprietary AI platform using deep learning; c) robust patent portfolio of U.S. and international patents to protect its technology assets; d) strong geographic expansion pipelines that can allow it to scale in the U.S., U.K., E.U. and the Middle East over the next couple of years and e) a strong and experienced leadership team led by Wensheng Fan, that brings experience in medical, technological and regulatory fields to lend a strong strategic support. We discuss these moat elements in detail below.

We also think it critical to bear in mind the vast opportunity set MDAI has before it as it focuses on identifying new indications where the DeepView system can be utilized to create a pipeline of promising new products.

Chart 23: MDAI's Multi-dimensionnel Moat



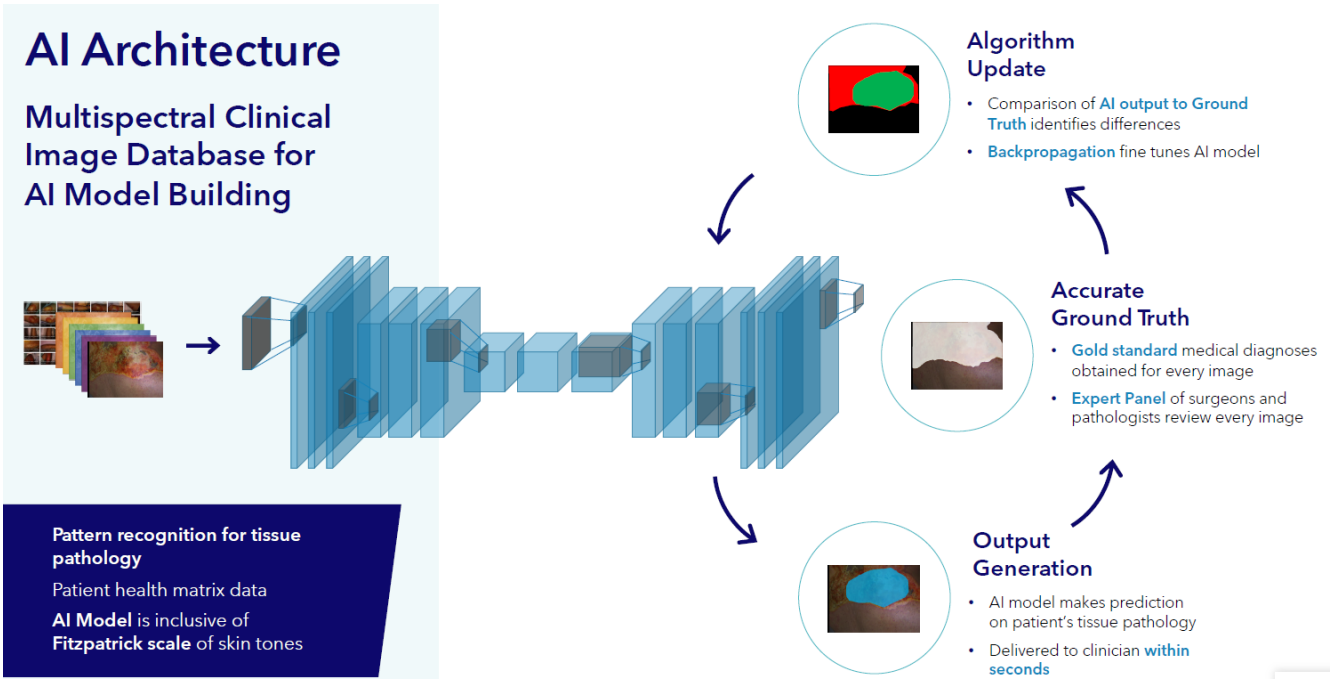
Source: PartnerCap Securities, Company

- **MDAI has access to significant wound data repository from artificial neural networks, which it has converted into a proprietary AI platform using deep learning**. As of December 31, 2022, MDAI amassed an impressive 263

billion pixels of proprietary DFU and burn data, that establishes a formidable barrier to entry for potential competitors in the wound care healing assessment market. This extensive data repository is pivotal in training MDAI's deep learning algorithms, ensuring a robust and sophisticated analytical framework. The entire process, from data collection to clinical output, is meticulously managed by MDAI, emphasizing the flow, quality and control of the data pipeline. The company's DeepView System leverages deep learning techniques applied to this vast wound data repository. This system is adept at recognizing patterns and correlations within the spectral signatures of injured tissue, thereby enabling the production of reliable and reasoned assessments. Such assessments are invaluable for clinicians, aiding them in making accurate and expedited treatment decisions.

- **MDAI's wound data repository, powered by artificial neural networks, acts as a substantial moat, safeguarding the company's position in the market**. By harnessing the power of AI and deep learning, MDAI is at the forefront of revolutionizing wound care, offering clinicians tools that are not only cutting-edge but also deeply rooted in clinical accuracy and reliability. This strategic approach positions MDAI as a leader in the field, ready to set new standards in wound care assessment and treatment.

Chart 24: The MultiSpectral Clinical Image Database is at the Core of DeepView AI System



Source: PartnerCap Securities, Company Investor Presentation

- **MDAI has established itself as a market leader through the development of its proprietary AI algorithms and optical technology, designed to aid clinicians in making quicker and more precise treatment decisions for wound management**. This advanced technology is the culmination of 13 years of research and development, enriched by thousands of hours of user feedback. Central to its success is MDAI's focus on ensuring that the outputs from its DeepView system are clinically meaningful and directly address physicians' needs. **A key aspect of MDAI's technological edge is its complete ownership and control over its data pipeline**. Unlike many competitors that may rely on stock images or external databases, MDAI's algorithms are exclusively trained on images and data collected in controlled clinical environments. The company uses experts in the field to do all marking on collected images; the current footprint spans across a large variety of images and expert input, providing diagnostic confidence. This approach guarantees the relevance and accuracy of the data used in their system. Furthermore, all optical technology utilized by MDAI has been developed in-house. This bespoke engineering is specifically tailored to capture the precise imaging data required for their system.

Chart 25: The DeepView AI System

Source: PartnerCap Securities, Company Website

- **MDAI's DeepView System stands out as a pivotal innovation in wound care, particularly in the treatment of Diabetic Foot Ulcers (DFUs) and burn wounds**. This system empowers clinicians to make precise and timely decisions, significantly enhancing treatment outcomes.
  - **In DFU cases**, DeepView's capabilities allow for an immediate assessment of non-healing wounds, enabling physicians to initiate advanced wound care therapies from the onset, rather than enduring a 30-day waiting period under the current approach. This approach mitigates risks such as patient loss to follow-up or non-compliance with standard therapies. Impressively, DeepView has demonstrated a clinical accuracy of 86% in ongoing trials for DFUs, surpassing the current physician accuracy rate of 50%.
  - **For burn wounds**, pending FDA clearance, DeepView offers clinicians the ability to make immediate, objective decisions regarding surgical needs and specific areas requiring skin grafting. In clinical trials, DeepView has shown a remarkable 92% accuracy rate in burn wound assessments, outperforming the 50 to 75% accuracy rate of current physician assessments, as cited in industry literature.

  Further, in comparative clinical trial evaluations, DeepView has consistently provided higher accuracy in burn wound analysis than both burn specialists and non-specialist physicians. MDAI's focus on advancing wound care is further evidenced by its execution of three extensive clinical studies across the United States, enrolling a total of 413 patients, including 329 adults and 84 pediatric patients with burn injuries. These studies have been instrumental in determining the accuracy of burn assessments for both surgical and non-surgical treatments, underscoring the effectiveness and reliability of the DeepView System in modern wound care management.

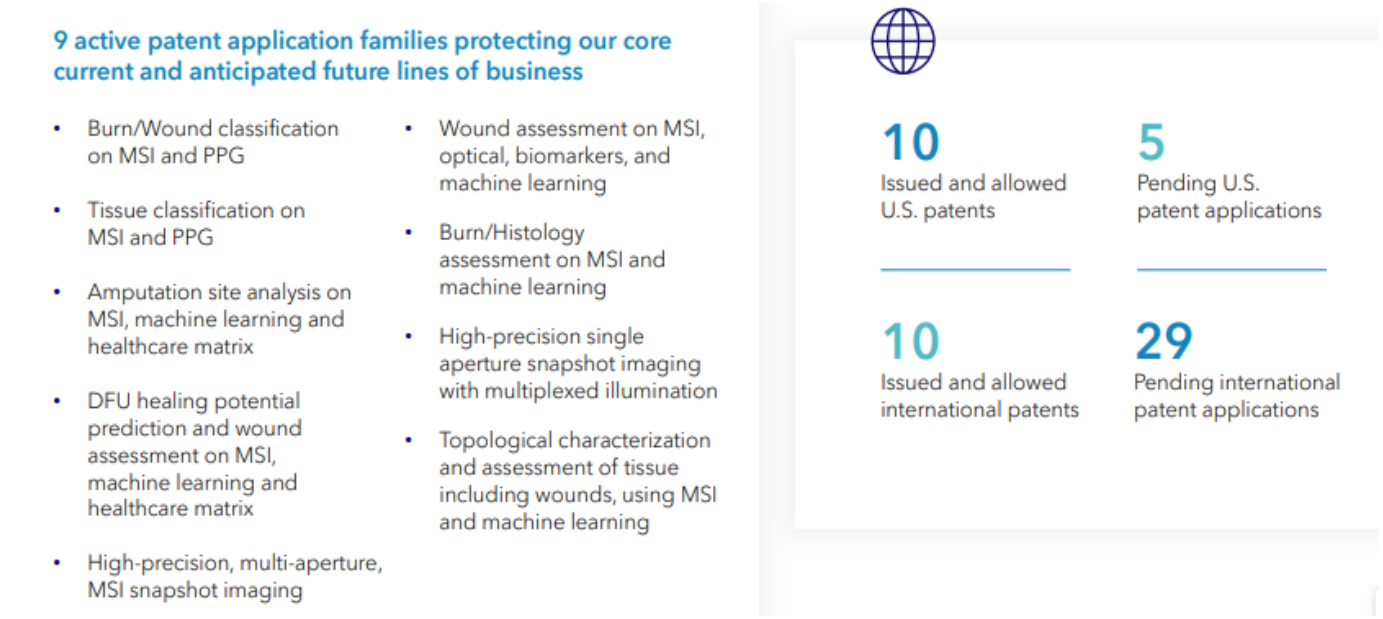
Chart 26: Benefits of the DeepView System

Parameter	Burn	DFU
Current Time to Decision	21 Days	30 Days
DeepView® Time to Decision	Day 1	First Presentation
Current Clinical Accuracy	50-75%	50%
DeepView® Accuracy in Ongoing Clinical Trials	92%	86%
DeepView® Estimated Cost savings	~$11,000 per stay	NA

Source: PartnerCap Securities, Company Filings

- **A robust patent portfolio is another tenet of MDAI's essential moat**. Having developed breakthrough medical imaging technology, MDAI has patents covering various parts of its intellectual property. It also has trademarks to protect product names. Currently, MDAI has 10 patents in the U.S. and many more in other countries, with 29 patent applications pending. It has 57 trademarks and seven pending trademark applications in different places. Besides patents and trademarks, MDAI also uses secrecy, innovation and agreements to make sure its ideas and technology are safe.

Chart 27: MDAI's Intellectual Property – Formidable Barrier to Entry (U.S. and Global IP)



Source: PartnerCap Securities, Company Investor Presentation

- **By providing an objective wound healing determination from the onset of DFU and Burn wound treatments, MDAI's AI platform addresses a critical unmet need in the medical field**. This capability significantly enhances MDAI's market position, acting as a competitive advantage against competitors. Traditionally, both DFUs and burns, despite their apparent differences, share similarities in terms of assessment and diagnosis. The treatment pathways for these wounds typically begin with a subjective initial assessment by a physician, followed by several days of clinical observation to determine the wound's response to treatment. Both types of wounds are primarily staged based on their penetration depth into the skin and the involvement of underlying tissues in more severe cases. Historically, the diagnosis of both DFUs and burns has relied heavily on expert clinical opinion, lacking objective diagnostic tools that can predict wound healing. This gap in the diagnostic process often leads to a "wait and see" approach, resulting in prolonged hospital stays and costly delays in delivering definitive treatment. MDAI aims to bridge this gap by leveraging AI algorithms applied to proprietary multispectral wound images. This innovative approach is designed to eliminate the costly delays between initial screening and the delivery of definitive treatment.

- **MDAI has aims to push its first-mover advantage through planned geographic expansion in the U.S., UK and EU4 countries contingent on anticipatory regulatory submissions.** The Company has a sharp focus on fulfilling contractual obligations and achieving milestones under the BARDA PBS contract. It also plans to pursue the commercialization of the DFU application in the UK, United States and EU. Key objectives include submitting the burn application for FDA clearance in 2026, obtaining ISO 13485:2016 certification, which was obtained in August 2023, and securing CE Mark and UKCA certificates for market access in the EU and UK, respectively. While the chart below is contingent on the company's readiness to file for regulatory approval in different markets, if met, this pathway would go a long way in extending the company's first-mover advantage in addressing Burn, DFU, military and 3D wound measurement markets.

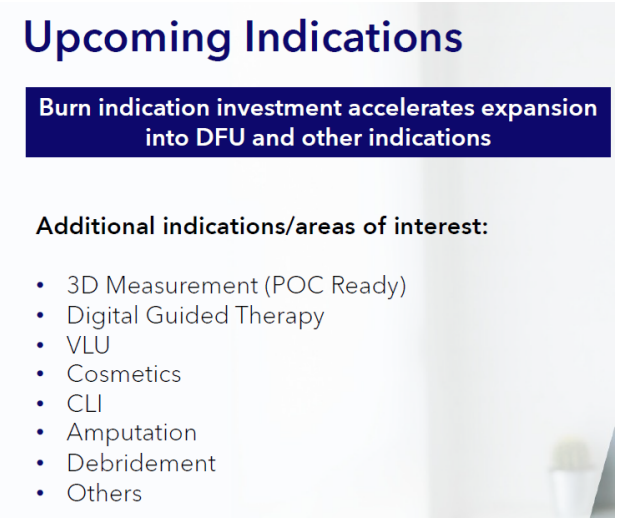
Chart 28: Regulatory History and Submission Timeline (1)

Generational Advancements	Technology	FDA Clearance Date
DeepView Gen 1	Photoplethysmography (PPG)	2013
DeepView Gen 2	PPG and Multi-Spectral Imaging (MSI)	2017
DeepView Gen 3	MSI and AI Algorithms	Targeting 2025 (subject to FDA clearance)

Source: PartnerCap Securities, Company Investor Presentation. (1) While Spectral MD believes it will obtain regulatory clearance on its MSI and AI Software for its DeepView Gen 3 device, there can be no assurance that it will receive such regulatory clearance or that it will receive such clearance in its anticipated timelines. Spectral MD received its UKCA Mark clearance for the DeepView Snapshot Imaging System for its Burn indication on July 13, 2023.

- **MDAI's robust product pipeline underscores its vast opportunity set in the medical diagnostic field**. Currently, the company's focus is on the DFU and burn applications of its DeepView technology. However, MDAI's vision extends beyond these applications, with several other potential uses in the pipeline for future commercialization. A notable advancement in MDAI's product development is the DeepView SnapShot M, a fully handheld device designed for use in combat, military and home healthcare settings. This development has already garnered support through U.S. government funding, highlighting the device's potential and the trust placed in MDAI's technological capabilities.
- **Further, MDAI is broadening the indication usage of the DeepView System to include a diagnostic tool for wound and burn measurement, in collaboration with the Biomedical Advanced Research and Development Authority (BARDA)**. MDAI's exploration into the technology's potential extends to various medical conditions, including venous leg ulcers, critical limb ischemia and the selection of lower limb amputation levels. The company is also investigating the use of its technology in post-operative perfusion assessment for peripheral interventions and military applications. The technology's core remains consistent across all future pipeline applications, with MDAI planning to utilize its data analytics algorithms to refine diagnostic analyses. However, each new application will require a clinical study to collect sufficient patient data to support the development of specific algorithms. These new algorithms could be seamlessly integrated into existing machines, enhancing their functionality and value. From a regulatory standpoint, MDAI anticipates that these follow-on applications would generally follow a 510(k)-clearance process. However, in cases where a predicate is not identifiable, or if the device is classified as a Class III device, the company may need to pursue the de novo classification or premarket approval pathway.

Chart 29: Upcoming Indications Pipeline That Can Benefit From DeepView System



Source: PartnerCap Securities, Company Investor Presentation

- **MDAI has established strategically important industry and academic partnerships, representing a principle moat element.** It has partnered with prominent clinical and academic institutions in the U.S., involving agreements across 13 research hospitals for subjects enrolled in their Burn AI Training Study. These agreements encompass various trial services and stipulate indemnification in case of third-party claims, with a provision for termination upon 30 days' written notice. Further, in the EU and UK, clinical collaboration with the Royal College of Surgeons Ireland and key opinion leaders enhances wound care knowledge and supports ongoing clinical validation studies. These partnerships aim to diversify subject populations for comprehensive clinical studies, alongside crucial development and manufacturing relationships for DeepView System production and delivery.
  - **MDAI's strategic alliances with leading medical institutions and healthcare providers across the U.S. and Europe have been instrumental in ensuring access to vast repository of DFU and burn data that runs its platform**. These partnerships facilitate access to high-quality image data, propelling MDAI towards its goal of constructing the world's premier wound biopsy tissue database.

Chart 30: Summary of Key Relationships

Source: PartnerCap Securities, Company Investor Presentation

- **Track record as a publicly listed company managing shareholder expectations.** Even before listing on the Nasdaq Capital Market (NASDAQ), Spectral AI, (formerly known as Spectral MD), was listed on the AIM market of the London Stock Exchange (LON: SMD). The Company had successfully raised approximately $17million from the oversubscribed offering on the AIM market to fund the development of the DFU indication for its DeepView System on June 22, 2021. Despite being a newly listed company on NASDAQ, we believe that MDAI management already has experience of working on meeting shareholder expectations and dealing with public shareholders, which sets it apart from other small, newly listed companies.

Management Team

Seasoned Leadership with Deep Experience in Technology and Capital Markets

- **MDAI's management team has the right experience across healthcare, technology and regulatory areas to effectively execute its growth strategy and strengthen its competitive position**. Chief Executive Officer Wensheng Fan is driving the strategy and growth at the Company. He is supported by other executives who are part of the executive team and bring a wealth of experience in capital markets, technology and regulatory domains, with a proven track record in developing and executing strategies to create long-term stockholder value.

Chart 31: MDAI Management Team

Executive Officers	Age	Position(s)
Wensheng Fan	54	Chief Executive Officer and Director
Niko Pagoulatos, Ph.D	50	Chief Operating Officer
Peter M. Carlson	59	Chief Financial Officer
Jeffrey Thatcher, Ph.D.	40	Chief Scientist

Source: PartnerCap Securities, Company Filings

Chart 32: Members of Leadership Team in Addition to the Management Team

Executive Officers	Position(s)
Mary Regan, Ph.D.	Vice President, Clinical Affairs
Christine Marks	Vice President, Marketing and Commercialization
Vince Capone	General Counsel
Kevin Plant	Vice President, Software
Louis Percoco	General Manager – Manufacturing
Jeffrey Carter, MD	Chief Medical Consultant
Prof. Paul Chadwick	Executive Vice President

Source: PartnerCap Securities, Company Filings

- **Wensheng Fan, Chief Executive Officer and Director**: Wensheng Fan is a Co-Founder and the first employee of Spectral AI. For 11 years he served as CTO and COO, before becoming the CEO of Spectral AI. He is an executive, entrepreneur and innovator with over 20 years of experience in natural speech recognition and imaging systems. Mr. Fan held various leadership roles in strategy, engineering and operations with Sensata Technologies and Philips. He also has a long history of experience in business development and cross-functional team leadership, being a founder and/or early core member of multiple successful start-up companies. Under his leadership, Spectral AI's DeepView® System was granted FDA Breakthrough Device designation and is well on its way to disrupting the field of healthcare and medical technology. Mr. Fan received his B.S.E.E. degree from Tsinghua University in Beijing, China and M.S.E.E. degree from Northeastern University in Boston.

- **Niko Pagoulatos, Ph.D, Chief Operating Officer**: Niko Pagoulatos, Ph.D. is a technology executive and innovator with 25+ years of experience in engineering, clinical and business aspects of specialized medical ultrasound imaging. Dr. Pagoulatos is a team-oriented and results-driven leader with extensive experience and a strong track record in building and leading cross-functional teams to successfully commercialize innovative medical technologies with global clinical impact. Prior to joining Spectral, Dr. Pagoulatos held multiple executive roles at EchoNous, a global healthcare AI-focused medical ultrasound innovation company. Prior to EchoNous, Dr. Pagoulatos held director and advanced research and development engineering roles at FUJIFILM SonoSite, the world leader in point-of-care ultrasound, DYSIS Medical, a company focused on early detection and diagnosis of cervical disease using biophotonics and Siemens Healthcare. Dr. Pagoulatos earned his B.S. in Physics from the University of Athens in Greece and completed his graduate studies at the University of Washington in Seattle, where he earned an M.S. in Bioengineering in addition to an M.S. and a Ph.D. in Electrical Engineering.
- **Peter M. Carlson, Chief Financial Officer**: Mr. Carlson previously served as CFO at MiMedx Group, Inc., a pioneer and leader in the advanced wound care space. Prior to his work at MiMedx, Mr. Carlson served as Chief Operating Officer at Brighthouse Financial, Inc., and played an essential role in establishing Brighthouse as a separate public company after its spin-off from MetLife, Inc., where he worked for eight years. At MetLife, as Chief Accounting Officer, he led accounting, tax and financial reporting activities, along with budgeting and financial planning. Prior to MetLife, Pete was the Controller at Wachovia Corporation and an audit partner for a Big Four accounting firm. Mr. Carlson serves as a Board Member at White Mountains Insurance Group and as a trustee for Wake Forest University. He is a certified public accountant in New York and North Carolina, and he received a Bachelor of Science from Wake Forest University.
- **Jeffrey Thatcher, Ph.D., Chief Scientist**: Jeffrey Thatcher, Ph.D. serves as the Chief Scientist at Spectral AI. He currently oversees technology and applications research for medical imaging systems. He is a former Howard Hughes Medical Institute (HHMI) undergraduate research fellow, has served as PI on three National Science Foundation (NSF) grants and is currently the PI of a Health and Human Services Biomedical Advanced Research and Development Authority (HHS/BARDA) government contract to develop an imaging device to assist with burn care. Dr. Thatcher received a B.S. in molecular biology from Texas Tech University and a Ph.D. in biomedical engineering from University of Texas Southwestern Medical Center.
- **Mary Regan, Ph.D., Vice President, Clinical Affairs:** Mary Regan, Ph.D. serves as VP Clinical Affairs at Spectral AI where she oversees all clinical trials and supports the commercial business operations. Dr. Regan brings over 30 years of clinical experience in wound technology assessment, development, research and innovation with major industry leaders. Widely renowned in national and international forums as an industry thought leader in wound care, Dr. Regan's career has been dedicated to improving prevention and management of chronic wounds and clinical research to improve outcomes for all patients with wounds. Dr. Regan has held board positions in the American Association of Wound Care Specialists and the National Wound Healing Society. Dr. Regan received her Masters/B.S Degree in Registered Nursing, Nursing Administration, Nursing Research and Clinical Nursing from SUNY Upstate Medical University and a Ph.D. in Nursing Science from the University of Miami.
- **Christine Marks, Vice President, Marketing and Commercialization:** Christine Marks serves as Vice President of Marketing and Commercialization at Spectral AI and brings successful go-to-market experience to the organization. She has over 20 years of marketing and commercialization experience launching innovations globally at medical device and technology companies such as BSN Medical, Lohmann & Raucher and Monarch Medical Technologies. Mrs. Marks earned her MBA from Wake Forest University and her B.S. in Marketing from Appalachian State University.
- **Vince Capone, General Counsel:** Vince Capone serves as General Counsel and Corporate Secretary at Spectral AI and brings a wealth of experience to the Company. He began his career as a CPA at KPMG, LLP before practicing corporate and securities law. He has over 20 years of broad legal experience, first at Morgan Lewis, LLP, then as a Partner at Reed Smith, LLP and, most recently, as President and General Counsel for a New York-based private equity fund investing in global life sciences and technology companies. Mr. Capone has an extensive background in representing life science and technology companies and has a proven track record as a business-focused and results-oriented leader in driving corporate growth and development. Mr. Capone earned both his J.D. and MBA from Temple University and his B.S. in Accounting from Pennsylvania State University.
- **Kevin Plant, Vice President, Software:** Kevin Plant leads Software Engineering at Spectral AI. He currently directs the Application Software and Deep Learning Data Science teams and drives the medical device product development process. He has spent his career transforming medical research into released medical devices and

specializes in medical device Systems and Software development. Before Spectral AI, he worked in neuro and cardiac implantable research and development with St. Jude Medical and Abbott Laboratories. Kevin received a B.S. in Biomedical Engineering from the University of Texas at Austin.

- **Louis Percoco, General Manager – Manufacturing:** Louis Percoco is a seasoned engineering leader who brings more than 30 years of experience to the field of Research, Development and Production. Louis has spent his career developing and manufacturing Electronics, Software and Hardware benefiting the Medical Device Industry. Recognized as a thought leader in the field of software and electronic controlled medical devices, Louis has led R&D and Production teams in Cardiology, Orthopedic and Spine disciplines.
- **Jeffrey Carter, MD, Chief Medical Consultant:** In the Chief Medical Consultant role, Dr. Carter guides Spectral AI's clinical direction and ensuring that the company's technology has a meaningful clinical impact for patients and physicians. Dr. Carter has been practicing burn/trauma medicine for over 12 years and currently serves as the Medical Director for the University Medical Center Burn Center in New Orleans, LA and on the faculty at Louisiana State University Health Sciences Center. Dr. Carter earned his medical degree from East Tennessee State University in 2005 with honors and practiced general surgery and surgery critical care before specializing in burn treatment. He completed his burn/trauma fellowship at University of North Carolina, Chapel Hill and is board-certified by the American Board of Surgery in Surgery and Surgical Critical Care.
- **Prof. Paul Chadwick, Executive Vice President:** Prof. Chadwick is a world-renowned clinical research scientist and wound care key opinion leader (KOL) and has an extensive publication record on diabetic wound management. As Executive Vice President for Spectral AI's UK subsidiary, Prof. Chadwick will lead the market expansion and clinical adoption of the DeepView® technology across the UK, EU and EMEA. Prof. Chadwick most recently was CEO at the Royal College of Podiatry UK. He has also held leadership roles at the National Health Service (NHS) and Curativo Wound Care Consultancy. He is currently an adjunct faculty professor at Birmingham City University. Prof. Chadwick earned his Ph.D. with a thesis on aspects of painful diabetic neuropathy at the University of Salford. He earned his M.Sc. with a focus on foot ulceration from Manchester Metropolitan University. He holds an undergraduate degree in Science Honors from the University of Brighton.

The leadership team is also helped by a vastly experienced board of six non-employee directors that lend their strategic input and insights to guide the team.

Chart 33: MDAI Non-Employee Directors

Directors	Age	Position(s)
Cynthia Cai	59	Director
Richard Cotton	62	Director
Martin Mellish	65	Director
Michael Murphy	51	Director
Deepak Sadagopan	49	Director
Erich Spangenberg	63	Director

Source: PartnerCap Securities, Company Filings

- **Cynthia Cai**: Dr. Cynthia Cai is an executive and investor with over twenty-five years of experience in the healthcare and life science industry. Extensive experience in equity investment, board membership, marketing and business development. In-depth understanding of global biotech and life science business, widely recognized as having a unique ability to bridge collaboration between scientists and businesses, between the eastern and western worlds. Dr. Cai is the founder and president of Tharton Consulting, which provides investment and management consulting services. She is also a venture partner of Viva BioInnovator, an equity investor in biotech innovation with novel solutions to cross multiple therapeutic areas. Before that, she served as senior advisor to Northern Light Venture Capital, led its healthcare investment effort in the United States. Previously Dr. Cai had progressive leadership roles

with Agilent Technologies, as global associate vice president of marketing, she was responsible for its billion-dollar Chromatography, Automation and Mass Spec. business. Dr. Cai serves on the board of directors for Spectral (London: SMD), Arthrosi Therapeutics, F5 Therapeutics, AceLink Therapeutics, Exarta Therapeutics and Amberstone Biosciences. She is also a member of the board for the Science History Institute in Philadelphia. Dr. Cai earned a B.A. and M. Eng. from Tsinghua University in Beijing, received her Ph.D. in Chemistry from the University of Massachusetts and an MBA from The Wharton Business School of the University of Pennsylvania.

- **Richard Cotton:** Richard Cotton has a wealth of experience in senior financial roles in life sciences and other sectors, including broadcast and photographic, automotive, filtration and metals. His experience covers all financial management and value creation activities from R&D, to manufacturing and commercial in international organizations. He has significant experience in the development and successful execution of strategy, corporate finance and M&A, capital markets and governance. Mr. Cotton was Chief Financial Officer of FTSE250 animal health company Dechra Pharmaceuticals plc and prior to that Chief Financial Officer of medical device and drug formulation business Consort Medical plc. He was also Finance Director of Vitec Group plc, Group Finance Director at Wagon plc and Group Finance Director of McLeod Russel plc. Prior to this he held senior finance roles in Alcoa Inc. Fellow of the Chartered Institute of Management Accountants, Mr. Cotton holds a BA (Hons) in Business Studies from Kingston University.
- **Martin Mellish**: Martin Mellish has served as founding director of Aspen Advisory Services Ltd., since 1994. Aspen is a London-based private office overseeing investments in North America, Europe and Asia. Mr. Mellish serves as non-executive director of Nucana Ltd (NASD: NCNA; member, Audit Committee) a clinical-stage biopharmaceutical company focused on improved chemotherapy agents and Levitronix Technologies Inc. (Chair, Audit Committee) a technology company handling high-purity fluids for the semiconductor and life science industries, among other non-executive directorships. He is a member of the International Advisory Council of the Massachusetts General Hospital (MGH), Boston. He holds an M.Sc. from the Master of Health Care Delivery Science program at Dartmouth; an SM (Management) from the Massachusetts Institute of Technology and an M.Sc. (Accounting) from Northeastern University.
- **Michael P. Murphy**: Michael P. Murphy has served as Chief Executive Officer of RCLF and a member of its Board of Directors since the company's inception. Mr. Murphy began his investing career over 25 years ago. His career has been focused on being an entrepreneur in the investing and financial service industry. In the past, he was the Founder of a wealth management firm, hedge fund and multiple commercial real estate portfolios. In 2016, Mr. Murphy founded Rosecliff Ventures and has served as its Managing Partner since its inception. Over the past four years, Rosecliff Ventures has made over 80 investments, raised over $1 billion in assets under management, launched seven investment funds and experienced multiple portfolio company exits. A few select transactions from the Rosecliff Ventures portfolio include; Allbirds, Casper, Postmates, Ro, Thirty Madison, Petal and Wheels Up. Mr. Murphy is currently a board member of multiple private, venture capital backed companies. Mr. Murphy previously was a contributor on CNBC and regularly appeared on the network's FASTMONEY segment. Currently, Mr. Murphy is a regular weekly contributor on Fox Network. Mr. Murphy earned a Bachelor of Arts in Business Administration from Hofstra University.
- **Deepak Sadagopan**: Deepak Sadagopan currently serves as Chief Operating Officer of Population Health at Providence St. Joseph Health, where he leads population health initiatives across the system to transform care. Mr. Sadagopan has more than 22 years of experience in health care, serving in leadership roles at Siemens PLM Solutions, Quest Diagnostics, McKesson and Edifecs. Over the past eight years, he has focused on working closely with payers and providers on the use of technology to drive business decisions making the transition from volume to value-based delivery models. Mr. Sadagopan is a leading voice in ensuring value-based care and Health IT policy initiatives enable equitable access to health care. He serves on the steering committee for HL7's DaVinci Accelerator to guide value-based care collaboration between payers and providers and on the Department of Health and Human Services' ONC FAST National Steering Committee to accelerate interoperability data standards. He serves on the faculty of the School of Public Health at the University of Washington as Clinical Assistant Professor, teaching MHA courses in Value-Based Care and economics. Mr. Sadagopan earned his master's degree in healthcare delivery and economics from Dartmouth College. He also has a master's degree in engineering, specializing in data science, from the University of Connecticut and has completed an executive management program with the MIT Sloan School of Management.
- **Erich Spangenberg:** Erich Spangenberg is a serial entrepreneur and industry luminary in the patent business. Mr. Spangenberg is currently the Managing Partner at Sauvegarder Investment Management, a multi-strategy

investment firm dedicated to IP-related financing and investment opportunities. Mr. Spangenberg started his career as a corporate lawyer (working for Jones Day), then as an investment banker (having held positions at Donaldson, Lufkin, and Jenrette) and, before launching his entrepreneurial endeavours, worked in telecommunications and distressed debt industries. Mr. Spangenberg was a Periclean Scholar at Skidmore College, a Distinguished Graduate with an M.Sc. from The London School of Economics and was on Law Review at Case Western Reserve University, where he earned his Juris Doctorate. Mr. Spangenberg was the first outside investor in the company in 2011, previously served on the Company's Board of Directors from 2011-2022 and is the company's largest outside stockholder.

Fundamentals & Valuation Analysis

Strong Fundamentals and Platform Monetization to Drive Revenue and Profit Growth

- **Revenue growth of 40% through 2028 as MDAI's AI burn assessment technology and DPU applications gain traction as recognized state-of-the-art protocols.**
- **BARDA-driven revenue bookings should approach $55mn in FY24-FY25.**
- **We expect MDAI to reach operating income break-even and positive free cash flow (excluding financings) by 1H27.**

We initiate coverage with a BUY rating and a price target of $4.00 per share.

We anticipate a revenue CAGR of ~40% through 2028 as MDAI's disruptive burn assessment technology and DFU application gain market traction and are recognized as state-of-the-art protocols. We expect NOPAT break-even by 1H27 and use highly conservative cost of capital hurdle rates in perpetuity to posit a DCF-based $4.00/share fair value. MDAI's nascent status results in it trading at 1.2X EV/24Sales vs. a healthcare technology universe at ~5x and our DCF fair value implies a still-discounted 1.7X.

We're expecting revenues from a combination of software and device sales to approach $100mn in the FY27-FY28 timeframe predicated on regulatory approvals in the US (2024-2025), UK and EU (2024-2026). We're conservatively modeling a mid-20% steady-state operating income margin, "fully-loaded" with expensed growth costs (i.e. MDAI has little "capex" to be capitalized as most growth expenditures will be run through the income statement as R&D); we're also applying a PE-like 25% cost of capital on forecast cash flows *in perpetuity*. We posit this last assumption is notably conservative as we are not adjusting downward our cost of capital assumption as MDAI gains scale.

Chart 34: MDAI – Financial Model ($ 000s)

	FY21	FY22	FY23	FY24
Revenue				
R&D	15,239.0	25,438.3	17,944.1	33,484.6
Product	-	-	-	225.7
Recurring SaaS-Service	-	-	-	55.0
Total Revenue	**15,239.0**	**25,438.3**	**17,944.1**	**33,765.3**
Cost of Revenue				
R&D	8,187.0	14,531.0	9,293.1	18,321.7
Product	-	-	-	267.4
Recurring SaaS-Service	-	3.1	-	15.7
Total Cost of Revenue	**8,187.0**	**14,534.1**	**9,293.1**	**18,604.8**
Gross Margin				
R&D	46.3%	42.9%	48.2%	45.3%
Product				-18.5%
Recurring SaaS-Service				71.5%
Total GM	**7,052.0**	**10,904.1**	**8,651.0**	**15,160.5**
Total GM %	**46.3%**	**42.9%**	**48.2%**	**44.9%**
Operating Expense				
R&D	-	2,014.9	5,369.2	3,752.2
Sales Expense	-	-	-	312.0
Administrative	-	11,579.1	15,839.8	16,293.4
Depreciation & Amort.	1.0	10.6	9.3	4.0
Total Operating Expense	**11,231.0**	**13,604.6**	**21,218.4**	**20,361.5**
Operating Expense Margin	73.7%	53.5%	118.2%	60.3%
Operating Income (Loss)	**(4,179.0)**	**(2,700.5)**	**(12,567.4)**	**(5,201.1)**
Other Income (expense)	(1,068.0)	(194.9)	(7,325.7)	(51.1)
Net Income (Loss)	**(5,247.0)**	**(2,895.3)**	**(19,893.1)**	**(5,252.2)**

Source: PartnerCap Securities

Chart 35: MDAI NOPAT Valuation

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Sales	15,239	25,438	17,944	33,765	23,636	47,271	85,088	102,106	117,422	129,164	139,497
Growth		66.9%	-29.5%	88.2%	-30%	100%	80%	20%	15%	10%	8%
Op. Mrg.	-27.4%	-10.6%	-70.0%	-15.4%	-67.4%	-28.5%	21.3%	26.5%	31.5%	36.5%	41.5%
Tax	0.0%	0.0%	0.0%	0.0%	0.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
NOPAT	(4,179)	(2,700)	(12,567)	(5,201)	(15,933)	(10,656)	14,331	21,337	29,176	37,196	45,681
NPV NOPAT				(4,161)	(10,197)	(5,456)	5,870	6,992	7,648	7,800	7,664
Terminal Value											239,827
Kc											25.0%
G											5.0%
Sum NPV NOPAT											16,161
NPV Terminal Value											40,236
Current Cash											7,348
Current Gross Debt											1,673
Shares											15,688.3
Price											$3.96
Implied EV/Sales											1.7x
Explicit Modelled Value %											28.7%
Terminal Value %											71.3%

Source: PartnerCap Securities

Chart 36: MDAI – Comparable Valuation

	spectral ai	resmed	exact sciences	lantheus	integra	irhythm technologies	vericel	iradimed	organo-genesis	avita	butterfly	clearpoint neuro
ticker	mdai	rmd	exas	lnth	iart	irtc	vcel	irmd	orgo	rcel	bfly	clpt
Price	**$2.86**	**$165.89**	**$69.94**	**$62.76**	**$40.80**	**$101.03**	**$33.87**	**$45.79**	**$3.71**	**$12.64**	**$1.01**	**$6.18**
Shares Outstanding (mn)	15.7	147.0	180.4	68.5	78.2	30.6	47.7	12.6	131.3	25.6	207.1	24.6
Market Value of Equity	$44.9	$24,387.3	$12,615.6	$4,301.0	$3,189.9	$3,096.5	$1,616.5	$577.3	$487.2	$323.0	$209.2	$152.2
Plus: Gross Debt	$1.7	$1,495.7	$2,481.3	$615.7	$1,687.5	$131.7	$47.6	$0.0	$125.0	$2.7	$23.4	$14.0
Minus: Cash	($7.3)	($209.1)	($734.4)	($614.1)	($273.7)	($158.5)	($119.5)	($46.7)	($98.2)	($60.1)	($150.0)	($24.3)
Plus/Minus: Asset Adjustments	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Adjusted Enterprise Value	$39.2	$25,673.9	$14,362.5	$4,302.5	$4,603.7	$3,069.7	$1,544.5	$530.5	$514.0	$265.6	$82.6	$141.8
EV/2023 Sales	**2.2x**	**5.6x**	**5.8x**	**3.4x**	**3.0x**	**6.3x**	**7.9x**	**8.2x**	**1.2x**	**5.2x**	**1.3x**	**6.1x**
EV/2024 Sales	**1.2x**	**5.2x**	**5.1x**	**3.1x**	**2.8x**	**5.3x**	**6.5x**	**7.3x**	**1.1x**	**3.5x**	**1.1x**	**4.7x**

Source: PartnerCap Securities

Investment Risks

- **Dependence on government funding.** MDAI's financial stability is significantly contingent on government funding, primarily from the Biomedical Advanced Research and Development Authority (BARDA) and, to a lesser extent, the Defense Health Agency (DHA). This reliance poses a substantial risk to the company's operations and future prospects. As of now, MDAI has not achieved commercial sales of its DeepView System, making the fixed fees and costs from these government contracts its primary revenue source. The BARDA contract is pivotal, being the largest single revenue contributor to MDAI. The potential non-extension or termination of the BARDA contract could have a material adverse impact on MDAI's business, prospects, results of operations and financial condition. Similarly, the DHA Department of Defense Small Business Technology Transfer (STTR) Phase II contract, another key contract for MDAI, is set to expire in April 2024. The uncertainty surrounding the extension of this contract, or the award of a new Phase III contract adds to the risk profile. Furthermore, MDAI's status as a small business concern under NAICS Code 541714 is crucial for maintaining the BARDA contract. Any growth beyond the small business size standards could jeopardize this status and, consequently, the contract. In summary, MDAI's heavy dependence on government funding, particularly from BARDA and DHA, coupled with the uncertainty of contract renewals and extensions, presents a significant risk to its financial health and operational stability.
- **Regulatory.** MDAI's future success hinges critically on navigating the complex regulatory landscape for its DeepView GEN 3 System. The medical device industry is governed by stringent regulations, varying significantly across countries. While MDAI has historically obtained FDA 510(k) clearance for earlier DeepView technology iterations, there's no assurance of similar outcomes for the DeepView GEN 3 System. In the U.S., marketing new or significantly modified medical devices necessitates either 510(k) clearance, pre-market approval (PMA), or De Novo classification, each demanding extensive safety and effectiveness data. This process can be lengthy and expensive, especially if a De Novo request is denied, compelling a shift to the more rigorous PMA pathway. In the European Union, devices must comply with the EU Medical Devices Regulation to receive the CE mark, essential for EU market access. This involves a conformity assessment, often requiring external validation for most device classes. Failure or delays in securing these approvals can significantly impact MDAI's market access and overall business trajectory, as regulatory success in one region doesn't guarantee similar results elsewhere.
- **Dependence on third-party manufacturer:** MDAI's reliance on a third-party original equipment manufacturer (OEM) for its product manufacturing introduces significant risks to its business operations. As MDAI does not directly control the manufacturing process, it faces potential challenges related to product quality, adherence to standards and supply chain disruptions. The third-party manufacturers and suppliers are required to comply with the quality system regulations of each jurisdiction where MDAI's products are marketed. However, if these manufacturers or suppliers significantly deviate from compliance or fail to rectify issues following adverse regulatory findings, regulatory agencies could enforce actions against them. Such actions could hinder MDAI's ability to produce its products cost-effectively and within required timeframes, thereby impacting its ability to meet customer demands and adversely affecting its operating results.
- **Uncertain AI regulatory framework:** MDAI's use of artificial intelligence (AI), including machine learning in its analytics platforms, is subject to evolving and uncertain regulatory frameworks. This changing landscape of AI regulation, particularly in the United States and other jurisdictions where MDAI intends to operate, poses significant risks to the company. New laws and regulations, or new interpretations of existing ones, could limit MDAI's use of AI models or necessitate changes to its technology. Such adaptations could reduce operational efficiency, increase operating costs, or impede service provision. The financial burden of complying with these evolving regulations could significantly escalate MDAI's operating expenses, adversely impacting its business, financial condition and operational results. Moreover, any failure or perceived failure to comply with AI technology-related laws and regulations could lead to legal proceedings or actions against MDAI by individuals, consumer rights groups, or government agencies. Defending against such claims could incur substantial costs and if found liable, MDAI might face significant damages, fines, or be compelled to modify its technology and business practices. Additionally, negative publicity from such proceedings could materially harm MDAI's business reputation. Consequently, these regulatory challenges surrounding AI could materially and adversely affect MDAI's business, operational results and financial condition.

Analyst Certification

I, C.A. Recouso, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that although I did receive compensation for this report, no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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a) **Fundamental Buy:** The Fundamental Buy is the rating assigned to an issuer when the analyst feels that the most compelling information for investors to consider is the issuer's improving, or better than peer fundamental metrics. Primary fundamental metrics that are considered include, but are not limited to: sales growth, margins and capital efficiency metrics.

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c) **Valuation Buy:** The Valuation Buy is the rating assigned to an issuer when the analyst feels that the most compelling information for investors to consider is a discounted valuation that is expected to re-rate higher. Examples that support a valuation buy rating include, but are not limited to: discounted trading multiples (including PE, EV/Sales, EV/EBITDA and P/Book) relative to an issuers traditional multiples, or peer group; a change to the corporate structure, for example deleveraging, which would warrant a re-rating; or increased cash generation that would drive a higher intrinsic value than the current market valuation supports.

d) **Restricted:** This is the rating that will be assigned to any issuer that PCS is restricted from writing about. This is most often a self-imposed rating that is designed to be temporary in nature and designates no recommendation given a conflict of interest (i.e. pending placement activity or advisory work).

Chart 37: Rating Distribution

	Fundamental Buy	Sentiment Buy	Valuation Buy	Restricted
Research Clients	1	1	1	0
Research Clients with Investment Banking Services	0	0	0	0

Source: PartnerCap Securities, LLC.

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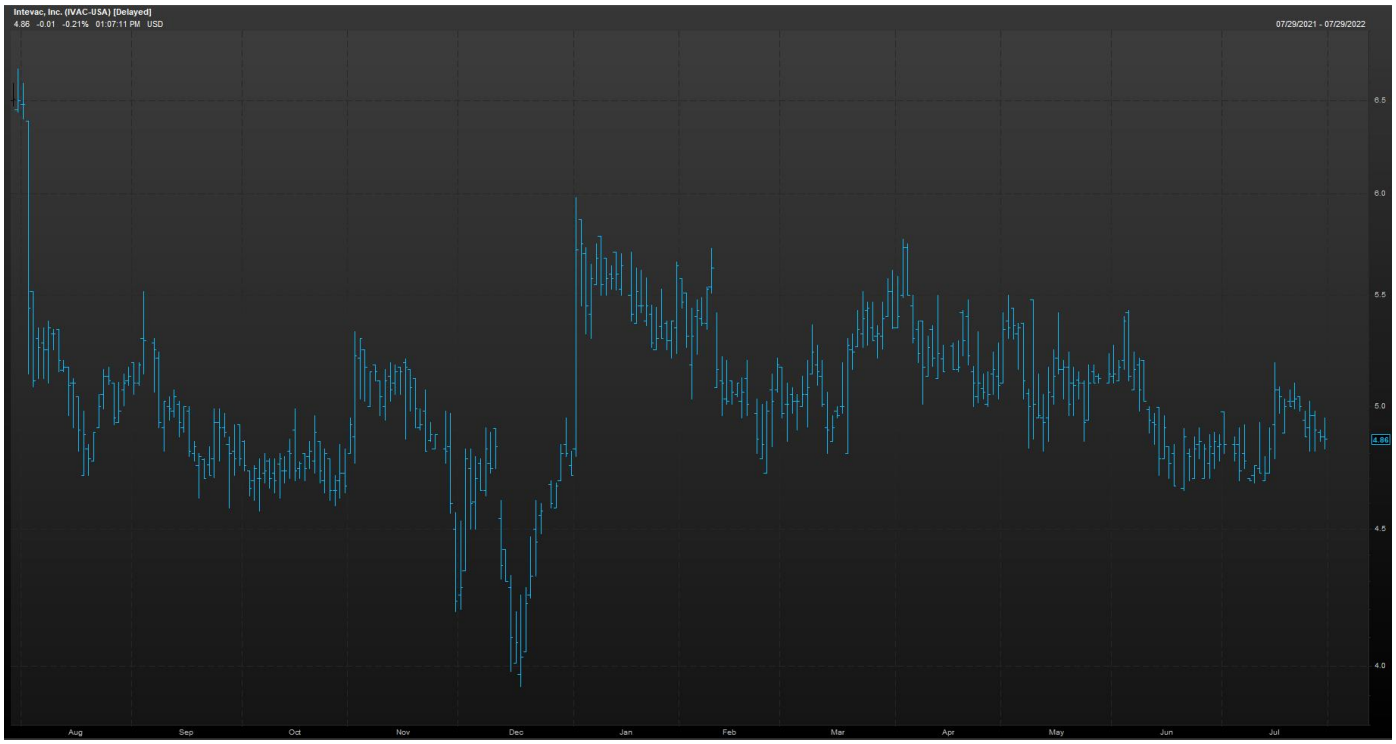
Stock Price Chart with Target Prices

Target price was initiated on January 3, 2023 at $4.00

Chart 38: MDAI Stock Price Evolution



Source: PartnerCap Securities, LLC.

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