Using StageZero Life Sciences as a Case Study for the Publication of All Research Reports Online

written by Tracy Weslosky | June 28, 2021

Analyst Chris Thompson published a piece on eResearch on StageZero Life Sciences Ltd. (TSX: SZLS) this weekend titled, "StageZero Valuation Report Pegs Stock Price Between $0.67 and $14.14", the sub-header reads *Report Assumes Aristotle Revenue Impact Starting in Q3/2021.*

As the Publisher of InvestorIntel Corp., we are partial to Chris Thompson content as he is an outstanding guest columnist and knowledgeable host that occasionally shares his talents with InvestorIntel.com. Extensively educated (CFA, MBA, P.Eng) and experienced, if it was up to me I would like to publish all of Chris Thompson's eResearch reports in their entirety as they are released.

Does this mean I agree with him in his entirety? Hell, no. However, this is where I believe we need to remind the securities regulators that more and more of us are managing our own funds, and having access to more analysis is an example of the real tools we need to arm ourselves and evolve into the well equipped investors we want to be.

It simply makes sense. Why should we rely on savvy Reddit users when a well written report by a knowledgeable analyst can provide more comparative analysis than any chatboard debate can provide?

Presently, compliance regulations keeps both the companies and media from publishing analyst reports direct, and the companies these analysts cover cannot publish these reports on their sites, only the sources who have covered them. This process forces the investor to hunt down these analysts and seek reports direct from the writing source, which they are allowed to distribute as they see fit.

Ideally, I wish that we as investors could source these reports on the exchanges where the company is trading so we can review all of them. And we, as media could compare them and provide what would undoubtedly make some great content for debate and discussion and shut down these boards where anonymity prospers. After all, the companies and the media cannot act so irresponsibly, why should these chatboards be able to do this?

This is one of the reasons why our discussions are monitored on InvestorIntel.com.

While I appreciate that judging the talents of an analyst goes well beyond their writing competency and their experience, and includes tracking their record for performance, it is my opinion that the best analysts should be allowed to receive a fan base once they prove a track record for doing this incredibly important job in the investment food chain.

More and more people are investing their own funds and managing their own money, when are we going to allow the retail audience to be equipped with the same tools as the professionals?

Please keep in mind that it is important to note that we as financial media, while allowed to report on these valuations, must be extraordinarily cautious to remind our readers that we are not licensed investment advisors and many of our comments must be limited to creative disclaimers to ensure that if the share price does not achieve the goals outlined in any valuation

report that we have clearly stated that these numbers are not ours, but of the source cited and that we are neither liable or responsible.

But I believe (again, this is an opinion) that we do our investors a disservice by not being able to have a place where all of the research is published so that we may follow how the analyst formed their conclusion.

This weekend I asked Chris Thompson to explain how he did this Valuation Report on StageZero. He responded with a very thorough summary, which I enjoyed and thought I would share with you.

Chris Thompson response to the StageZero Valuation Report process was to provide the following summary:

> *The Valuation Report use three valuation methodologies to calculate the price per share for StageZero: (1) Comparative Company Analysis using Revenue, (2) Prior Mergers and Acquisitions Analysis, and (3) Discounted Cash Flow.*
>
> ***Revenue from Aristotle® Fuels Valuation***
>
> *StageZero is a life science and telehealth company that recently launched Aristotle®, which is its next generation, proprietary clinical test for the early detection of cancer.*
>
> *Aristotle® is the first-ever multi-cancer panel that simultaneously screens for 10 cancers from a single sample of blood with high sensitivity and specificity for each cancer.*
>
> *StageZero commercially launched Aristotle® in April and, on the same day, announced the acquisition of Health Clinics and Care Oncology (HC Companies) to launch an early cancer diagnostic program under the trade name AVRT that is based on Aristotle®.*
>
> ***Revenue Assumptions***

In the valuation report, eResearch analyst Chris Thompson (me) assumed that StageZero's Aristotle® testing revenue will commence in the third quarter this year and StageZero will close the acquisition of the HC Companies in 2021.

In addition, StageZero's COVID-19 testing solutions generated revenue of over US$6.5 million in the past three quarters, and I expect this revenue to continue for the rest of 2021.

From these assumptions, we estimated StageZero will generate US$16.7 million of revenue in 2021 and will also book a one-year forward revenue of US$23.0 million.

Stock Price Valuation Summary

eResearch used the one-year forward revenue estimate of US$23.0 million as a baseline and estimated revenue growth and EBITDA margins for the next five years, as well as calculating revenue multiples from various sources, with all assumptions outlined in the valuation report.

The three valuations methods are summarized here and presented in the table below:

1. ***Revenue Multiples (3x to 12x revenue):*** *eResearch estimated that StageZero's stock price should be in the range of C$1.24 to C$3.99.*
2. ***Prior Mergers & Acquisitions (1.2x to 45.x revenue)****: eResearch estimated that StageZero's stock price should be in the range of C$0.67 to C$14.14.*
3. ***Discounted Cash Flow (DCF) Method****: eResearch estimated that StageZero's stock price should be C$3.18 in one year.*

Overall, the calculations estimated StageZero's stock price valuation between C$0.67 and C$14.14.

Final Thoughts

With StageZero's recent C$7.2 million financing strengthening its Balance Sheet and revenue from the COVID-19 testing bringing in additional cash flow, the company should have funds to complete the HC Companies acquisition and start commercializing Aristotle®.

StageZero closed Friday at C$0.48 and currently has a Market Cap of less than C$32 million.

The valuation estimates are well above StageZero's current stock price and illustrate the stock price's upside potential.

FIGURE 1: Summary of Stock Price Valuations

So I must leave today's piece with a Disclaimer that we are not endorsing this Valuation Report and that StageZero is indeed an advertorial client for InvestorIntel Corp. To review the Disclaimers on this eResearch Valuation Report, please go the Source.

Note from the Publisher: We will continue to review ways in which we can provide regular updates on reports to cultivate discussion and debate on the reports, their writers and of course – the companies they are covering. **Thank you for visiting InvestorIntel.com!**