

FINANCIAL SUMMARY TABLE

Symbol	MODD
Exchange	OTCQB
Current Price	\$5.96
52 week High	\$6.00
52 week Low	\$.375
O/S	~18.8mm*
Market Cap (est)	~\$112mm
Average Volume (3M)	~5.11k
Cash	~\$7.1mm*

*pro forma estimate; inclusive of recent raise of \$6.6mm and 12/31/20 10Q.

KEY CATALYST DATES

2H 2021	Submit Pivot 510(k) to FDA
2H 2021	Uplisting from OTCQB to Nasdaq
1H 2022	FDA 510(k) Clearance for Pivot

KEY DISCLOSURES

One or more of the Encode Ideas, L.P. partners owns stock in the covered company. Encode Ideas, L.P. has been engaged to provide research coverage and awareness. Encode Ideas, L.P. intends to continue transacting in the securities covered therein, and we may be long, short, or neutral thereafter.

HIGH CONVICTION INVESTMENT IDEA

We are initiating coverage on Modular Medical (OTCQB: MODD) as a high conviction idea. As the company "Pivots" from development to commercial stage, we believe shareholders could reap returns as high as 7-8x from the current price, \$5.96^(6/7/2021).

Modular is in the final stages of development of their insulin patch pump, Pivot, for a category of diabetic patients the company refers to as "almost-pumpers". Insulin pump adoption in the U.S. has stalled at 32-33% of patients with type-1 diabetes (T1D), despite evidence that glycemic control is improved by using a pump versus multiple daily injections (MDI). The \$1.5b pump market in the U.S. has historically been dominated by the world's largest medical device company, Medtronic (NYSE: MDT), but Medtronic has seen its market share erode over the past several years to pure-play pump companies, Tandem Diabetes (Nasdaq: TNDM) and Insulet Corp. (Nasdaq: PDD). Each of the incumbent pump companies makes an excellent feature-rich pump that has been widely adopted by the highly motivated, technically fluent, and well-insured segment of the T1D market. However, those feature-rich and time-consuming attributes, that have driven adoption at the top-end of the market, have also intimidated and alienated a large segment of the T1D market. Modular is targeting Pivot towards a segment of the T1D market they refer to as the "almost-pumpers" - those patients interested in pumping but intimidated by the learning curve and time required to use the incumbent products and /or alienated from using the incumbents due to their cost. Modular has designed Pivot as a user-friendly and affordable alternative to its feature-rich competitors to address the almost-pumper market. In many ways, Modular is attempting to copy the playbook created by Abbott Labs (NYSE: ABT) in the adjacent continuous glucose monitor (CGM) market. Abbott disrupted the CGM market with the launch of FreeStyle Libre, opting not to go head-to-head with the expensive and feature-rich incumbent, Dexcom (Nasdaq: DCXM), rather by expanding the market by targeting a different customer, one that coveted simplicity and affordability. In a similar fashion, Modular has no delusions of taking on the Big Three, Medtronic, Tandem, and Insulet, head-to-head, rather they are targeting a different patient - the MDI patient that wants a simple and affordable pump. We believe Modular can be successful with this approach and, as Abbott did with the FreeStyle Libre in the CGM market, grow the pump market by going where their competition isn't.

Modular plans to submit its 510(k) for Pivot to FDA in 2H21. FDA 510(k) clearance, likely 1H21, will be a monumental milestone for the company. Modular's CEO, Paul DiPerna, was the founder of Tandem, and responsible for the design, development, and clearance of their first FDA-cleared pump, t:slim. We are confident the team at Modular will meet its timelines and achieve FDA clearance for Pivot 1H21.

Valuation

We believe Modular, at its current ~\$100mm valuation, is dramatically undervalued. From a peer analysis perspective, its two pure-play pump peers, Tandem and Insulet, both went public at >\$350mm valuations, shortly after getting their first devices FDA cleared. At a minimum, we see no reason

why Modular can't be valued in that range upon achieving FDA clearance for Pivot, representing a 3-4x return over the next 12-months based on Modular's current valuation. When we run a DCF model (see pg. 12) we arrive at an even more impressive 7.5x return. Our model is based on Modular growing the insulin pump segment in the U.S., by converting new T1Ds, the almost-pumpers to Pivot, not stealing share from the Big Three. Furthermore, our model only accounts for adoption in the T1D market, but we recognize additional upside could derive from adoption from type-2 diabetes (T2D) patients. Our model also does not account for rest-of-world (ROW) markets or pipeline development, both representing additional upside. From either perspective, qualitative peer-analysis or quantitative DCF analysis, we believe Modular is undervalued and represents an attractive investment at these levels.



180 Day Reusable



3 Day Consumable

Features & Benefits:

- Removable
- No External Controller Required
- Push Button to Bolus
- No Charging or Battery Replacement
- Easy to Use
- Learn to Use at Home

*Image of Pivot Pump, Source: Modular Medical Corporate Deck

The Bull Case

Modular Medical will be launching Pivot into a market where its competitors are either tone-deaf or willfully indifferent to the needs of the majority of the T1D market. The Big Three continue to rollout out new elaborate products with enhanced features that are beyond the technical know-how and/or financial means of most of their addressable market. It's easy to be fooled into believing pump adoption is increasing in the U.S., given the rapid growth the pure-play pump players, Insulet and Tandem, have experienced. However, a closer look into the numbers, shows that T1D pump adoption in the U.S. has been relatively range-bound for the better part of 3-years and that Insulet and Tandem's growth has predominantly come at the expense of Medtronic, the market leader, not through earning new pump users. We believe Pivot's combination of simplicity and price, will appeal to a broad T1D audience, attracting new users, and growing the segment.

Modular's market research suggests that up to a third of the T1D market are interested in pumping, but are not interested in a steep learning curve to adopt the current technology. So while the Big Three battle over the top third of the market, Modular can focus on the middle third, in essence, a greenfield opportunity. Modular also stands to benefit from the work done by its patch-pump peer, Insulet, on reimbursement. Modular intends to copy Insulet's Omnipod commercial playbook, by charging only for the 3-day consumables

with no upfront cost, qualifying as a Pharmacy Benefit Management (PBM) product, which is appealing to patients and payors.

The Bear Case

Modular Medical will be launching Pivot into a market that is increasingly embracing the integration of pumps and CGM, the so-called “artificial pancreas”. Furthermore, Modular will be competing against the Big Three, and will be commercially and financially outgunned in this hyper-competitive segment. Previous attempts by smaller pump players, like Valeritas, to penetrate the U.S. market ended badly, and foreshadow what could happen to Modular.

There are early signs that U.S. pump adoption may be breaking out of its 3-year funk due largely to enthusiasm around CGM integration. Although the front-end learning curve remains steep for patients adopting one of the incumbent pumps, the connectivity with CGM, unquestionably offers the potential for better glycemic control. Compared to its feature-rich competitors, Pivot looks overly simple and will likely struggle to grab any meaningful share in this hyper-competitive market.

Where do we stand?

In our opinion, there are elements of truth in both the bull and bear case. We believe pump adoption in the U.S. will rise, riding the wave of CGM enthusiasm, and this phenomenon will certainly benefit the Big Three. However, we also believe the barriers to pump adoption for many T1D patients; steep learning curve, time-consuming, expensive, will persist, leaving a relatively untapped market for Modular to target. Whether the size of the almost-pumper market is 30% of T1Ds as claimed by Modular, or something smaller (we use 25% in our model), can be debated, but we feel strongly this market exists and will continue to be resistant towards adopting the feature-rich offerings from the Big Three. The pedigree of the leadership at Modular, gives us confidence that Pivot was appropriately designed to address their target market, and that the design and commercialization missteps, that may have befallen earlier pump upstarts, will be avoided.

Company History and Financial Considerations

Modular Medical Inc. (originally called Quasuras) was founded in Paul DiPerna, the former founder, Chief Executive Officer (CEO), Chief Technology Officer and board member of Tandem. While at Tandem Mr. DiPerna was the person primarily responsible for the design, concept, and development of Tandem’s insulin pump, t:slim. In 2017 Quasuras did a reverse merger with an OTC-listed shell owned by Manchester Management, a successful venture fund, and changed its name to Modular Medical Inc. Manchester subsequently led a \$2.25 equity round that closed in 2019. Another small equity round was completed at \$2.87 in 2020. In 2021 Modular raised \$1.1mm and \$6.6mm via convertible promissory notes, that convert into equity, at a discount, upon a qualified financing which we anticipate being a Nasdaq uplisting round late-21. As of their latest SEC filings, 12/31/20, Modular has approximately 18.8mm shares outstanding (S/O). Looking

forward, we estimate the company will raise \$15mm concurrent with the Nasdaq uplisting, and an additional \$20mm sometime in 2022 to support a full product launch. For our model we arrive at a total of approximately 27mm S/O by YE22.

In terms of ownership, 6.3mm shares are controlled by Manchester, and 7.5mm are owned by CEO DiPerna. Morgan Frank of Manchester is on the Modular board, so insider ownership is >70%.

Over the past 18-months Modular has built out its leadership team to also include, Steve Daly as Chief Commercial Officer, and Jason Ng as VP Operations. Both come with extensive experience in the diabetes space, Mr. Daly as Director of Marketing at Amlyn, and Mr. Ng as VP of Asian Operations at Insulet. We expect the leadership team at Modular to continue to expand throughout 2021.

Notable Risks

Like all development-stage companies, Modular has several notable risks, that we would categorize into four areas; regulatory, commercial, human resource, and finance. Notable regulatory risk would involve delays and/or setbacks in the company's 510(k) filing with FDA. Notable commercial risks would involve misinterpretation of the market's need for a simplified insulin pump leading to lethargic commercial adoption for Pivot. Notable human resource risk surrounds Modular's heavy reliance on CEO DiPerna's expertise and experience. Finally, notable finance risk would involve the inability to access capital efficiently in a timely manner.

Type 1 Diabetes

Diabetes is characterized by elevated glucose (sugar) levels in the blood which can lead to serious damage to the heart, kidneys, eyes, nerves, and blood vessels if left untreated. Insulin is a hormone produced by the pancreas that allows the transport of glucose from the blood into the cells; without insulin, glucose cannot get inside the cell and be utilized. Glucose that is unable to enter the cells circulates in the blood causing microvascular and macrovascular complications over time. In T1D, the body produces no insulin. It is thought to be a result of an autoimmune reaction where the body mistakenly attacks the insulin-producing cells of the pancreas, destroying them, leading to absolute insulin deficiency (insulin-dependent diabetes mellitus). People with T1D must take exogenous insulin for survival.

According to the Juvenile Diabetes Research Foundation, there are 1.6mm Americans living with T1D, including about 200k youth (less than 20 years old) and 1.4mm adults (20 years old and older). It is estimated 5mm people in the U.S. will have T1D by 2050. In the U.S., there are \$16b in T1D-associated healthcare expenditures and lost income annually. According to the T1D Exchange registry database (2016-2018) only 17% of youth and 21% of adults in the U.S. were meeting the American Diabetes Association target glucose levels of HbA1c <58 mmol/mol.

Insulin Pumps

Insulin pumps are wearable computerized devices that deliver insulin in small amounts throughout the day and night as a continuous infusion basal dose or as an incremental bolus dose before meals. The function of an insulin pump is intended to closely resemble the physiological function of how the pancreas secretes insulin. Insulin pumps are considered a more convenient and comfortable alternative than multiple daily injections (MDI) for glucose management. Key advantages for pumps vs MDI include;

- Reduces Injections; A typical MDI user can inject 8-10 times a day, adding up to upwards of 30 shots over a 3-day period. Pump therapy only requires one injection over the same 3-day period.
- Eliminates Long-Acting Insulin; MDI users require long-acting insulin (like Lantus or Tresiba) injections for maintaining non-meal related blood sugar (basal dosing) and then separate injections of rapid-acting insulin (like Humalog or Novolog) for mealtimes (bolus dosing). Pumps only use rapid-acting insulin, dripping it out at a slow pace for basal and quicker for mealtime boluses.
- More Discreet; Many MDI users are self-conscious about injecting themselves in public and often will excuse themselves to bolus at mealtime or even delay dosing until at home. Pumps, which generally are worn under clothing, allow for discreet bolus dosing, either via a controller or push button on the pump.
- Tighter Glucose Control; Clinical data suggest that pumps, when used properly, can offer tighter glucose control than MDI.

The first external wearable pumps were released in the U.S. during the 1990s. Since that time there have been numerous iterations and advancements of pump technology. The target market for insulin pumps is T1D patients, but there is a modest amount of adoption among insulin-dependent T2D patients as well. Annual insulin pump sales in the U.S. were approximately \$1.5b in 2020, and we estimate the total addressable market to be >\$4b. It is estimated that 32-33% of the T1Ds currently use pumps, a percentage that has been static for the past 3-years.

Current commercial pumps available in the U.S. fall into two general categories; durable (tubed) pumps and patch (tubeless) pumps. Durable pumps, like Medtronic's, MiniMed™ 770G, and Tandem's, t:slim X2, have an infusion set that connects to the pump via a long tube. Patch pumps, like Insulet's Omnipod DASH®, are tubeless, disposable, pumps without separate infusion sets. There is, however, an emerging third category, one we would label hybrid patch pumps, that have a short tube connected to an infusion set, sometimes referred to as a pigtail, and a combination of semi-durable and disposable components. This is where we would categorize Modular's Pivot, and in the future Tandem's t:sport which is in the final stages of development.

The durable pumps make up the majority of the U.S. pump market, with Medtronic's MiniMed lineup as the market leader, but it is ceding market share quickly to Tandem and Insulet. Durable pumps are very feature-rich and appeal to the motivated T1D patient - someone who is willing to allocate a substantial amount of time to their glucose management. The learning curve for durable pumps is steep and generally requires multiple in-person training sessions (take a look at the MiniMed™ 770G 450-page user guide). Durable pumps have colorful displays, that although visually appealing, require users to navigate multiple menus, steps, and confirmations, to accomplish even the most basic functions, making daily use time-consuming. Both Medtronic's and Tandem's latest pumps are integrated with CGM, offering the potential for tighter glycemic control, but also steepening an already daunting learning curve. Because the pump and infusion set are separate components, durable pumps have the advantage of being removable. Durable pumps are intended to be used for 3-4 years and have an upfront cost for the pump of >\$4,000. Durable pumps also have a monthly consumable cost, for the disposable infusion sets, of approximately \$140. The upfront costs for Medtronic's and Tandem's pumps qualify them as Durable Medical Equipment (DME) for reimbursement purposes. DME is considered a more cumbersome and time-consuming path for the prescriber and patient compared to PBM.



*Image MiniMed 670G, Medtronic 2019

Insulet's Omnipod is the fastest growing pump in the U.S. The Omnipod DASH® pump is entirely disposable, but it does require a dedicated wireless controller that looks like a smartphone, referred to as a Personal Diabetes Manager (PDM). Omnipod does not have a separate infusion set, eliminating the need for the long cumbersome tubes on its durable peers, but the downfall is that Omnipod cannot be removed and re-attached, a feature many pump users like. Omnipod has the smallest insulin reservoir among the Big Three at only 2ml (current Medtronic and Tandem pumps are 3ml), meaning it needs to be replaced more frequently. There is no upfront cost for an Omnipod system, there is only a monthly cost for the disposable units of approximately \$440, and the PDM is included in a patient's first shipment. Insulet's pricing approach allows for Omnipod to be reimbursed under PBM similar to how a drug is reimbursed. The PBM process is considered much simpler than the DME process and therefore a meaningful advantage for Insulet versus its durable pump competitors.



*OmniPod Dash, Source: Insulet Website

Pivot

Modular has designed Pivot as a feature-lite, convenient / easy-to-use, and affordable pump, intended to appeal to T1D patients currently using smartpens or syringes. Modular believes there is a large cohort of T1D that are interested in the potential convenience and efficiency of pumping versus MDI, but are not prepared to invest the substantial time and/or money to adopt current pump technology. With this in mind, Modular designed Pivot to offer the basic functionality of basal (and basal suspend) and push-button bolus dosing in a modest form factor with the added convenience of being removable and disposable. Pivot has two primary components; (1) the consumable, which includes a 3ml insulin reservoir (estimated to last 3-days), infusion set, and disposable battery, and (2) the semi-durable pump, which is intended to be replaced every 180-days.

The learning curve for Pivot is minimal, and the daily time required to use Pivot should be similar to MDI, making it remarkably more time-efficient than the incumbent pumps. Patients who adopt Pivot do not require an external controller but can still monitor their pump via an app on their smartphone. There are no batteries to charge with Pivot.

Product Features	 t:slim X2	 Medtronic 780G	 Omnipod DASH	 Pivot
Manufacturer	Tandem Diabetes Care	Medtronic (MiniMed)	Insulet	Modular Medical
Reservoir Size	300 units/3mL	300 units/3ml	200 units/2mL	300 units/3mL
Pump Cost	Pump: \$4,200 Disposables: \$134/mo	Pump: \$4,600 Disposables: \$148/mo	Pump: \$0 Disposables: \$437/mo (PBM Pricing)	Pump: \$0 3-day Disposables: \$349 (PBM Pricing)
Monitorable Via User's Cell Phone	No	Yes	No	Yes
User Interface	Color Touchscreen on Pump	Color Screen on Pump, Scroll wheel	Locked PDM Handset	Simple Analog Button/Optical Smartphone App
External Controller Required	No	No	Yes	No
Charger/Battery Requirement	Charger Required	Battery Required	Handset Charging Required	No Charger/Single-use disposable battery provided
User Learnable	No	No	No	Yes
Remove & Reattach	Yes	Yes	No	Yes

*Image Source: Modular Medical Corporate Deck

The simplicity of design keeps costs low for Pivot, affording Modular potential pricing advantages versus the incumbent pumps. Modular estimates that their cost of goods (COGs) could be as much as 70% lower than their patch pump peer, Insulet's Omnipod. Currently Modular has suggested pricing for Pivot will be at least 20% below the Omnipod, representing >\$1,000 in annual savings for the patient or payor. Like the Omnipod, Modular plans to have no upfront cost for Pivot, charging only for the 3-day disposable

unit. This commercial strategy should allow Pivot to fall under the same CPT code as Omnipod, allowing it to qualify under PBM, making it reimbursable at launch. Modular supported a national payor survey, representing 50mm lives, and the feedback suggested that a product with only consumable costs (i.e. no upfront costs) priced at a 20% discount to Omnipod should attain preferential reimbursement status. Modular also believe Pivot’s low cost and ease of use make product sampling a viable strategy. Sampling is a proven strategy to drive patient adoption and adherence, but only viable for low-cost patch pumps, such as Pivot.



180 Day Re-Usable
Price: FREE
Cost: \$34



3 Day Disposable
Price: \$34.92*
Cost: \$7.68

Unit Economics.

Profitable From the First Sale

First month: 1 Re-Usable + 10 Disposables

Price: \$349.20 Cost: \$34 + \$76.80 = \$111.80 Gross Profit: \$238.40	<div style="font-size: 2em; font-weight: bold; color: #004a60;">68%</div> Profit Margin
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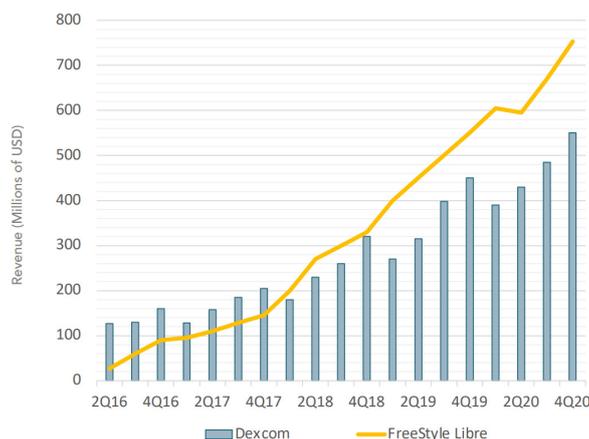
Subsequent Months: 10 Disposables

Price: \$349.20 Cost: \$76.80 = \$76.80 Gross Profit: \$272.40	<div style="font-size: 2em; font-weight: bold; color: #004a60;">78%</div> Profit Margin
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*Image Source: Modular Medical Corporate Deck

We believe Pivot’s simplicity and affordability, position it to potentially disrupt the insulin pump market in a similar fashion to how Abbott’s FreeStyle Libre, disrupted the CGM market. Abbott designed Libre as a simple and affordable alternative to Dexcom and Medtronic’s more elaborate and expensive CGM products. When approved by FDA in 2017 Abbott claimed Libre was designed to be “...approachable, accessible and affordable”. Abbott’s strategy was to go where the competition wasn’t, broaden the segment by targeting a new audience, and it was stunningly successful.

FreeStyle Libre vs. Dexcom Revenue



*Image Source: Modular Medical Corporate Deck

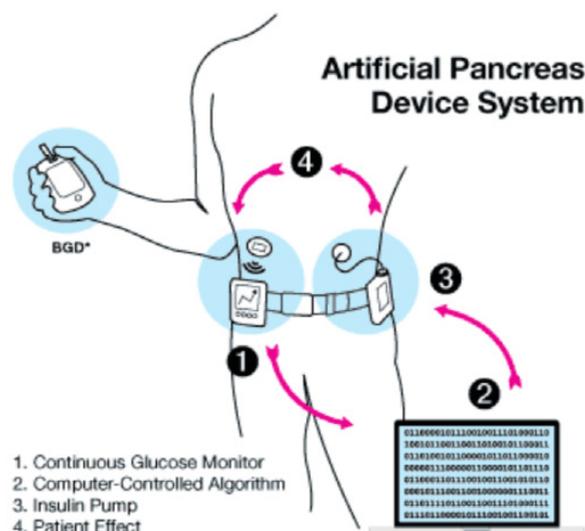
We acknowledge that Modular doesn't have the same financial ability to aggressively market Pivot as Abbott did with Libre, nonetheless the product messaging and audience targeting will be remarkably similar. Pivot is designed to be a more "approachable, accessible, and affordable" alternative to the incumbent feature-rich pumps. Modular doesn't intend to take on the Big Three head-to-head, instead, it will go where their competition isn't. We think Modular, copying the Libre playbook, can be highly successful.

Modular's Pipeline

Modular has already begun working on its next-gen dual-chamber pump. Although design details are sparse at this stage, the basic premise would be to have one chamber filled with rapid-acting insulin and the other with the commonly used synthetic hormone pramlintide. Integrating a dual-chamber, insulin and pramlintide, pump with a CGM, would offer the potential for exquisite glucose control and unquestionably the most "closed-loop" system available. This design would appeal to the super-user, those T1D patients currently coveted by the Big Three, and has the potential to be highly disruptive. However, we would assume this pump design would fall under FDA's pre-market authorization (PMA) pathway, extending the development timelines several years. For the time being, we do not account for the dual chamber pump in our model, but note its upside potential if / when timelines and development milestones become more granular.

Pump Integration with CGM

The integration of pumps with CGM, through a computer algorithm, has been a major theme for large pump manufacturers over the past 5-10 years. CGM-algorithm-pump integration, often referring to as looping, is defined by how "open" or "closed" the loop is. In theory, the more open the loop, the more the patient is in control of their pump (patient control > algorithm control), whereas the more closed the loop, the more the algorithm is in control of the pump (algorithm control > patient control). The ultimate goal for CGM / pump integration is a true closed-loop system, sometimes referred to as the artificial pancreas (AP).



*Image from FDA Artificial Pancreas Device System Guidance Document

In an open-loop system, the algorithm can make suggestions for basal adjustments based on CGM readings, but the patient is responsible for implementing the adjustment on their pump. There is more nuance when referring to a closed-loop system. The terminology “hybrid closed-loop” is commonly used by pump manufacturers, but its meaning can vary. Originally the term hybrid closed-loop referred to the algorithm controlling the pump only when glucose levels were low (threat of hypoglycemia), temporarily shutting down insulin delivery, often referred to as basal suspend. As new algorithms were approved, the loop closed further, such that algorithms could now control the pump when glucose levels were high (threat of hyperglycemia), temporarily increasing insulin delivery. Today, a hybrid closed-loop generally refers to a system, whereby the algorithm is consistently adjusting basal dosing throughout the day, not just intervening when the lower and upper glucose bounds are tested. At this stage, patients still must announce meals and bolus accordingly.

Summary

Modular is in the final stages of development of their insulin patch pump, Pivot, for a category of diabetic patients the company refers to as “almost-pumpers”. Modular defines almost-pumpers as those interested in pumping but intimidated by the learning curve and time required to use the incumbent pumps and /or alienated from using the incumbents due to their cost. The company has completed market surveys suggesting the almost-pumper segment represents 30% of the T1D patient population in the U.S. We estimate the total addressable pump market in the U.S. at >\$4b, making the almost-pumper segment an enormous greenfield opportunity for Modular with Pivot. Modular plans to submit its 510(k) for Pivot to FDA in 2H21. We are confident the team at Modular will meet its timelines and achieve FDA clearance for Pivot 1H22.

We believe Modular, at its current ~\$100mm valuation, is dramatically undervalued. From a peer analysis perspective, its two pure-play pump peers, Tandem and Insulet, both went public at >\$350mm valuations, shortly after getting their first devices FDA cleared. At a minimum, we see no reason why Modular can’t be valued in that range upon achieving FDA clearance for Pivot, representing a 3-4x return over the next 12-months based on Modular’s current valuation. When we run a DCF model (see pg.12) we arrive at an even more impressive 7.5x return. From either perspective, qualitative peer-analysis or quantitative DCF analysis, we believe Pivot is undervalued and represents an attractive investment at these levels

Summary P&L (\$000s)

Summary P&L	Embedded Assumptions	2022P	2023P	2024P	2025P	2026P	2027P	2028P	2029P	2030P	2031P	2032P	2033P
		Total Revenue		\$16,752,000	\$52,286,342	\$108,797,421	\$188,654,728	\$294,414,569	\$367,570,701	\$446,157,317	\$508,389,889	\$574,922,653	\$598,149,528
% Growth			212%	108%	73%	56%	25%	21%	14%	13%	4%	4%	
	% of Revenue												
COGS and Distribution	30%	\$5,025,600	\$15,685,903	\$32,639,226	\$56,596,419	\$88,324,371	\$110,271,210	\$133,847,195	\$152,516,967	\$172,476,796	\$179,444,859	\$186,694,431	
Gross Profit		\$11,726,400	\$36,600,440	\$76,158,195	\$132,058,310	\$206,090,198	\$257,299,491	\$312,310,122	\$355,872,923	\$402,445,857	\$418,704,670	\$435,620,339	
Gross Profit Margin (%)		70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	
	Growth Rates												
Commercial Infrastructure	10%	\$3,000,000	\$3,300,000	\$3,630,000	\$3,993,000	\$4,392,300	\$4,831,530	\$5,314,683	\$5,846,151	\$6,430,766	\$7,073,843	\$7,781,227	
Sales & Marketing	10%	\$2,000,000	\$2,200,000	\$2,420,000	\$2,662,000	\$2,928,200	\$3,221,020	\$3,543,122	\$3,897,434	\$4,287,178	\$4,715,895	\$5,187,485	
Supply Chain / Payor Relations	10%	\$2,000,000	\$2,200,000	\$2,420,000	\$2,662,000	\$2,928,200	\$3,221,020	\$3,543,122	\$3,897,434	\$4,287,178	\$4,715,895	\$5,187,485	
Clinical Support Staff	10%	\$1,500,000	\$1,650,000	\$1,815,000	\$1,996,500	\$2,196,150	\$2,415,765	\$2,657,342	\$2,923,076	\$3,215,383	\$3,536,922	\$3,890,614	
Finance Support Specialists	10%	\$8,500,000	\$9,350,000	\$10,285,000	\$11,313,500	\$12,444,850	\$13,689,335	\$15,058,269	\$16,564,095	\$18,220,505	\$20,042,555	\$22,046,811	
Total Commerical Costs													
Operating Profit		(\$3,500,000)	(\$1,121,440)	\$19,476,079	\$53,493,453	\$102,265,884	\$168,592,183	\$216,380,207	\$264,520,841	\$302,221,535	\$342,480,767	\$355,291,648	\$368,511,494
Operating Profit Margin (%)		-7%	37%	49%	54%	57%	59%	59%	59%	59%	60%	59%	59%
Depreciation & Amortization		\$335,040	\$1,045,727	\$2,175,948	\$3,773,095	\$5,888,291	\$7,351,414	\$8,923,146	\$10,167,798	\$11,498,453	\$11,962,991	\$12,446,295	
EBITDA		(\$3,500,000)	(\$786,400)	\$20,521,805	\$55,669,401	\$106,038,979	\$174,480,474	\$223,731,621	\$273,443,988	\$312,389,333	\$353,979,220	\$367,254,638	\$380,957,789
EBITDA Margin (%)		-5%	39%	51%	56%	59%	61%	61%	61%	61%	62%	61%	61%

Discounted Cash Flow Analysis (\$ actuals)

Inputs & Valuation Metrics			
Deal / Valuation Date	12/31/2021	WACC / Discount Rate	20%
LFY Reporting Period	12/31/2021	Marginal Tax Rate	25%
Stub-Year Fraction	100%	DCF Cash Flow Convention	End-of-Year
Exit Year	2033		
Exit EV / EBITDA Multiple	15.0x		

Free Cash Flow Summary	Assumptions	2022P	2023P	2024P	2025P	2026P	2027P	2028P	2029P	2030P	2031P	2032P	2033P
Revenue		\$16,752,000	\$52,286,342	\$108,797,421	\$188,654,728	\$294,414,569	\$367,570,701	\$446,157,317	\$508,389,889	\$574,922,653	\$598,149,528	\$622,314,769	
EBITDA		(\$3,500,000)	(\$786,400)	\$20,521,805	\$55,669,401	\$106,038,979	\$174,480,474	\$223,731,621	\$273,443,988	\$312,389,333	\$353,979,220	\$367,254,638	\$380,957,789
Less: Depreciation & Amortization		\$0	(\$335,040)	(\$1,045,727)	(\$2,175,948)	(\$3,773,095)	(\$5,888,291)	(\$7,351,414)	(\$8,923,146)	(\$10,167,798)	(\$11,498,453)	(\$11,962,991)	(\$12,446,295)
Operating Profit		(\$3,500,000)	(\$1,121,440)	\$19,476,079	\$53,493,453	\$102,265,884	\$168,592,183	\$216,380,207	\$264,520,841	\$302,221,535	\$342,480,767	\$355,291,648	\$368,511,494
Less: Taxes		\$0	\$0	(\$4,869,020)	(\$13,373,363)	(\$25,566,471)	(\$42,148,046)	(\$54,095,052)	(\$66,130,210)	(\$75,555,384)	(\$85,620,192)	(\$88,822,912)	(\$92,127,873)
NOPAT		(\$3,500,000)	(\$1,121,440)	\$14,607,059	\$40,120,090	\$76,699,413	\$126,444,137	\$162,285,155	\$198,390,631	\$226,666,151	\$256,860,575	\$266,468,736	\$276,383,620
Add: Depreciation & Amortization			\$335,040	\$1,045,727	\$2,175,948	\$3,773,095	\$5,888,291	\$7,351,414	\$8,923,146	\$10,167,798	\$11,498,453	\$11,962,991	\$12,446,295
Less: Capital Expenditures	10%		(\$1,675,200)	(\$3,553,434)	(\$5,651,108)	(\$7,985,731)	(\$10,575,984)	(\$7,315,613)	(\$7,858,662)	(\$6,223,257)	(\$6,653,276)	(\$2,322,688)	(\$2,416,524)
+ / - Changes in NWC	5%		\$837,600	\$1,776,717	\$2,825,554	\$3,992,865	\$5,287,992	\$3,657,807	\$3,929,331	\$3,111,629	\$3,326,638	\$1,161,344	\$1,208,262
Unlevered Free Cash Flow		(\$1,624,000)	\$13,876,069	\$39,470,484	\$76,479,642	\$127,044,437	\$165,978,763	\$203,384,447	\$233,722,320	\$265,032,390	\$277,270,382	\$287,621,654	

Summary DCF

WACC / Discount Rate 20%
 PV of Cumulative FCF \$350,183,199

EBITDA Exit Multiple

Terminal EBITDA Multiple 15.0x
 Exit Year EBITDA \$380,957,789
 Terminal Value \$5,714,366,838
 PV of Terminal Value \$639,944,572
Enterprise Value \$990,127,771

Enterprise Value Sensitivity Table

		Terminal EBITDA Multiple				
		13.0x	14.0x	15.0x	16.0x	17.0x
Discount Rate	15.0%	\$1,429,330,430	\$1,497,431,698	\$1,565,532,966	\$1,633,634,234	\$1,701,735,502
	17.5%	\$1,141,483,791	\$1,194,085,289	\$1,246,686,788	\$1,299,288,286	\$1,351,889,784
	20.0%	\$918,507,896	\$959,358,870	\$1,000,209,843	\$1,041,060,817	\$1,081,911,790
	22.5%	\$744,549,039	\$776,440,227	\$808,331,415	\$840,222,603	\$872,113,791
	25.0%	\$607,887,677	\$632,909,070	\$657,930,464	\$682,951,857	\$707,973,250

Less: Debt -
 Less: NCI / Minority Int. -
 Less: Preferreds -
 Plus: Cash & Equivalent -
Implied Equity Value \$990,127,771

Implied Share Price Sensitivity Table

		Terminal EBITDA Multiple				
		13.0x	14.0x	15.0x	16.0x	17.0x
Discount Rate	15.0%	\$52.94	\$55.46	\$57.98	\$60.50	\$63.03
	17.5%	\$42.28	\$44.23	\$46.17	\$48.12	\$50.07
	20.0%	\$34.02	\$35.53	\$37.04	\$38.56	\$40.07
	22.5%	\$27.58	\$28.76	\$29.94	\$31.12	\$32.30
	25.0%	\$22.51	\$23.44	\$24.37	\$25.29	\$26.22

Diluted Shares O/S (mm) 27.00
Implied Share Price \$36.67

Other Drivers / Assumptions

Addressable Market / Revenue Build	2022P	2023P	2024P	2025P	2026P	2027P	2028P	2029P	2030P	2031P	2032P	2033P
Addressable Market												
T1D Patients		1,600,000	1,632,000	1,664,640	1,697,933	1,731,891	1,766,529	1,801,860	1,837,897	1,874,655	1,912,148	1,950,391
Growth of T1D		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Almost Pumpers		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Addressable Market		400,000	408,000	416,160	424,483	432,973	441,632	450,465	459,474	468,664	478,037	487,598
Penetration & Revenue Build												
Patients		4,000	12,240	24,970	42,448	64,946	79,494	94,598	105,679	117,166	119,509	121,899
% Penetration		1%	3%	6%	10%	15%	18%	21%	23%	25%	25%	25%
Rev / Patient		\$4,188	\$4,272	\$4,357	\$4,444	\$4,533	\$4,624	\$4,716	\$4,811	\$4,907	\$5,005	\$5,105
% Growth in Price		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
P&L Assumptions												
Expense Assumptions												
SG&A (% of Revenue)		15%	10%	8%	7%	6%	5%	5%	5%	5%	5%	5%

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