Nano-X Imaging (NNOX)

A Complete Farce on the Market – Theranos 2.0

$0 Target

Since its recent IPO, Nano-X Imaging (NNOX) has become a market darling based on the claim that they have created a better medical imaging device that is low cost, portable, and will forever change the way diagnostics are done globally as this new innovative technology will soon replace the legacy x-ray market.

Citron puts NNOX under a corporate x-ray and we see right through it as a stock promotion that is actually insulting to anyone who spends 10 minutes to read the prospectus. This stock is heading to $0 as the company's recent fair value opinion on their technology is $0.14 a share.

NNOX – The Claims

Just the headline of their corporate homepage is fraudulent as they claim:

https://www.nanox.vision/

NNOX – The Truth

NNOX has never published any data showing their machine's images compared to images from a standard CT scanner. There is not one scientific paper or

submission that would back up any of these claims. As a matter of fact, we have not even seen proof of the product and have only seen a mockup drawing of what this machine is supposed to look like.

To put the scale of this lie into perspective, just look at the medical imaging industry. Medical imaging is a highly competitive market with definitive leaders pushing the envelope namely: GE, Siemens, Philips, and Fuji. The only way to create a better mousetrap would be through years of R&D.

What you are about to read is accurate, and no we did not miss a 0. Since its founding in 2018, **NNOX claims that it has disrupted the medical imaging market with a total R&D spend of $7.5 million**.

	Six months ended June 30,		Year ended December 31,	
	2020	2019	2019	2018
		($ in thousands, except per share data)		
Consolidated Statement of Operations Data:				
Research and development expenses	$ 4,152	$ 340	$ 2,717	$ 672

Compare this to GE Healthcare, a leading player in the medical imaging sector, who invested over $1 billion in R&D just last year.

	GE funded			Customer and Partner funded(b)			Total R&D		
(In millions)	2019	2018	2017	2019	2018	2017	2019	2018	2017
Power	$ 310	$ 407	$ 641	$ 16	$ 7	$ 35	$ 327	$ 414	$ 676
Renewable Energy	522	413	448	9	11	3	531	424	451
Aviation	906	950	907	911	564	586	1,817	1,514	1,492
Healthcare	994	968	908	25	23	26	1,019	991	934
Corporate(a)	382	675	1,271	89	48	65	471	722	1,336
Total	$ 3,115	$ 3,414	$ 4,175	$ 1,049	$ 652	$ 715	$ 4,164	$ 4,065	$ 4,890

https://www.ge.com/sites/default/files/GE_AR19_AnnualReport.pdf

Compare the below:

NNOX's entire company has just 21 employees with 15 in R&D. Below is a photo of NNOX's R&D lab, which pales in comparison to that of GE.

GE's biomedical x-ray and CT imaging lab is supported by over 300K square feet of laboratory space with 1,000+ staff scientists, engineers, and technicians

https://www.ge.com/research/research-engine/rd-facilities-niskayuna-research-labs/biomedical-x-ray-and-ct-imaging-lab

FDA

While investors have been gullible enough to buy the stock, the FDA had a different opinion. First it should be noted that NNOX did not even submit a novel product for approval but rather they submitted a 510(K) submission.

For those not familiar, a 510(K) is a premarket submission made to the FDA to demonstrate that the device to be marketed is as safe and effective, **that is, substantially equivalent, to a legally marketed device**. Submitters compare their device to one or more similar legally marketed devices and make and support their substantial equivalence claims.

By submitting a 510(K), you are saying you have nothing new and are seeking easy approval as you are just another product that has already been tested.

Approval of 510(K) is so easy that the FDA approved 85% of 510(K) device applications in a year.

https://www.lexology.com/library/detail.aspx?g=be0da6d0-1bb1-4d16-a533-56f088a01446#:~:text=The%20FDA%20approved%2085%20percent,the%20highest%20rate%20since%202010.

After submitting its 510(K) application in January 2020, NNOX notes that only "in March 2020, we received an additional information request, referred to as a major deficiency letter, from the Review Organization which, among other things, required us to provide additional data and other information to complete the application and to address certain deficiencies highlighted by the reviewer."

They could not get the most simple of FDA clearance. And worse, what about their claims of a novel approach and their innovative, revolutionary technology when we read in the F1 filing:

"The submission will be based on a predicate filing for an equivalence claim to an existing FDA-cleared X-ray imaging system by another market participant and we expect to make no new claims as to the operation, image quality or functionality of the Nanox.Arc versus the predicate device."

Nanox Tells Us the Value of Its Technology is .14 cents a share!!!

To understand the value of this "technology" just look at the company's F-1 where they disclose that **"an independent valuation report" valued the company's assets and IP at just $6.1 million** in 2018… before the whopping $7 mil in R&D spend:

"The Company (NANO-X IMAGING LTD), an Israeli limited liability company, was formed on December 20, 2018. Pursuant to the Asset Purchase Agreement, as amended on December 3, 2019 and December 31, 2019, substantially all of the assets of Nanox Gibraltar, including all patents, patent applications and all other intellectual property rights, but not including the shares of Nanox Japan (predecessor), were sold to the Company for an aggregate consideration of $13.3 million, reflecting ***the fair market value of the transferred assets, which was estimated to be $6.1 million (excluding cash) based on an independent valuation report"***

https://www.sec.gov/Archives/edgar/data/1795251/000114036120017084/nt10006151x8_f1.htm

But What About The Customers Who Have Submitted Orders?

Despite not having any unique technology, FDA approval, or even a working model, NNOX appears to have put out distribution agreements. As we all know, these agreements are worthless unless NNOX can deliver on its ridiculous claims.

NNOX's commercial agreements may sound nice on the surface, but these appear to be no more than fake customers.

Entity	Date of MSaaS Agreement	Region	Number of Nanox Systems to be Provided	Minimum Annual Fee and Amount of Letter of Credit (approximate)	Initial Term	Renewal Term
The Gateway Group, Ltd.	February 11, 2020	Australia, New Zealand and Norway	1,000	$58 million	3 years	3 years
Golden Vine International Company, Ltd.	May 28, 2020	Taiwan and Singapore	500	Up to $29 million	5 years	5 years*
Promedica Bioelectronics s.r.l.	May 29, 2020	Italy	500	$29 million	4 years	3 years
JSC Roel Group	May 29, 2020	Russian Federation	500	$12.6 million	5 years	5 years
Clarity Medical Solution, a division of "Grodnobioproduct" LLC	June 4, 2020	Belarus	100	$3.7 million	3 years	4 years
Gold Rush	June 16, 2020	South Africa	500	$15.5 million	3 years	3 years
LATAM Business Development Group Ltd.	July 6, 2020	Brazil	1,000	$4.8 million (9 million Letter of Credit) in Year 1 $14.5 million in Year 2 $24.2 million in Year 3***	6 years	3 years
APR 1998 S.L.	July 25, 2020	Spain	420	$11.4 million	5 years	5 years**
TOTAL			4,520	$163.8 million		

Below are several examples of how ludicrous NNOX's claims are that these are real customers.

The Gateway Group is listed as NNOX's largest customer, yet nowhere on the company's website do they mention operating in the medical device sector. The Gateway Group notes being a wholesaler/distributor in the below sectors:

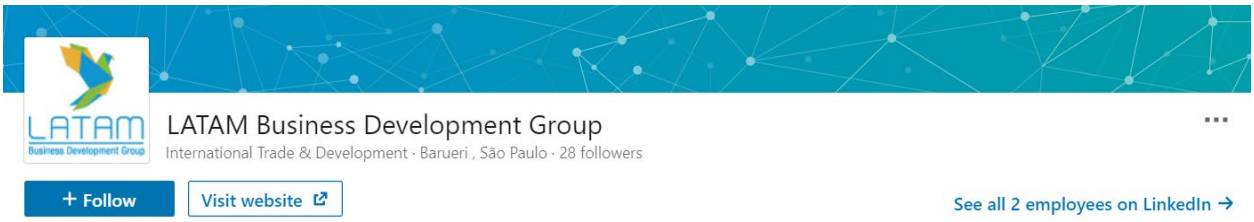
- FMCG
- Drinks
- Beauty and cosmetics
- Health food, supplement and sports nutrition
- Luxury hair care
- Consumer electronics, audio products and commercial electronics

https://www.thegatewaygroup.com.au/ourcompanies

Below is a photo of the office of Golden Vine international Company.

https://www.findcompany.com.tw/en/Golden%20Vine%20International%20Co.,%20Ltd

Another major customer, LATAM Business Development Group, claims to be located in Brazil, yet only has three employees who are all located in Israel where NNOX is also coincidentally located.



https://www.linkedin.com/company/latam-business-development-group/
https://www.latam-bd.com/team

To put things into perspective, this $3 billion company is nothing more than a science project with a simple rendering, minimal R&D, fake customers, no FDA approval, and fraudulent claims that are beyond the realm of possibility

Conclusion

This $3 billion science project appears to be nothing more than a complete stock promotion.

In Part Two, we will discuss the background of management along with their related self-dealings with NNOX, history of shady fundraising, and false claims about market size.

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