

MGC Diagnostics Corporation (NasdaqCM: MGCD)

Healthcare / Medical Appliances & Equipment

June 2016

Company Statistics (as of 06/01/16)

Stock Price:	\$6.11
52 Week Range:	\$5.00- \$7.60
Market Capitalization:	\$26.7M
Avg. Daily Vol. (3m):	4,861
Shares Outstanding:	4.37M

Financial Summary - Continuing Operations

EPS	2012A*	2013A	2014A	2015A	2016A
Q1	\$(0.07)	\$(0.10)	\$(0.06)	\$(0.13)	\$0.00
Q2	\$(0.14)	\$0.06	\$0.07	\$0.02	\$0.01**
Q3	\$(0.07)	\$0.16	\$(0.21)	\$0.80	
Q4	\$0.00	\$0.20	\$(0.08)	\$0.24	
FY Oct	\$(0.28)	\$0.34	\$(0.28)	\$0.94	

Revenues (\$M)	2012A*	2013A	2014A	2015A	2016A
Q1	\$6.428	\$7.008	\$6.304	\$8.943	\$9.251
Q2	\$5.603	\$7.563	\$7.427	\$8.730	\$9.431
Q3	\$6.895	\$7.928	\$6.597	\$9.239	
Q4	\$8.232	\$9.141	\$9.660	\$10.555	
FY Oct	\$27.158	\$31.640	\$29.988	\$37.467	

*Excluding discontinued operations

**Includes legal settlement expense of \$0.09 per diluted share

Company Overview

MGC Diagnostics Corporation is a global medical technology company dedicated to cardiorespiratory health solutions. The Company designs, markets and sells non-invasive cardiorespiratory diagnostic products through its Medical Graphics Corporation subsidiary under the MGC Diagnostics brand and trade name and through its Medisoft subsidiary under the Medisoft brand and trade name. Medisoft was acquired on August 1, 2014. The Company's product portfolio provides solutions for disease detection, integrated care, and wellness across the cardiorespiratory healthcare spectrum. The Company sells its products internationally through distributors and in the United States, France, and Belgium through a direct sales force targeting specialists located in hospitals, university-based medical centers, medical clinics, physician offices, pharmaceutical companies, medical device manufacturers, and clinical research organizations ("CROs"). The Company's cardiorespiratory diagnostic products measure the air flow and respiratory pressures and, in most cases analyze the inhaled and exhaled gases such as oxygen and carbon dioxide. The Company operates in a single industry segment: the research, development, manufacture and marketing of non-invasive cardiorespiratory diagnostic products.

MGCD Second Quarter Fiscal Year 2016 Financial Highlights

In the Company's Form 10-Q filed on June 14, 2016, MGCD reported the following second quarter fiscal year 2016 financial highlights:

- Second quarter 2016 revenue increased by 8% to \$9.4M, compared to \$8.7M in the prior year period.
- The Company reported net income of \$45,000 for the 2016 second quarter, or \$0.01 per diluted share, compared to net income of \$82,000 or \$0.02 per share in the prior year period. The 2016 second quarter net income includes a one-time legal settlement expense of \$670,000 or \$0.09 per diluted share.
- Medical Graphics' revenue increased 7% to \$7.8M, compared to \$7.3M in the second quarter of fiscal 2015. Medisoft's revenue increased 13% to \$1.62M from \$1.44M in the second quarter of fiscal 2015.
- Service revenue increased 3% to \$1.74M in the fiscal second quarter compared to \$1.69M in the prior year period.
- 2016 second quarter domestic equipment, supplies and accessories revenues increased 27% to \$5.4M, compared to \$4.2 million in the 2015 second quarter.
- For the quarter, competitive account conversions totaled 31 accounts, or \$1.3M in revenue, compared to 13 accounts, or \$470,000 in revenue for the same quarter last year.
- Sales backlog of \$1.86M (\$1.62M for Medical Graphics and \$237,000 for Medisoft) at the end of the quarter, compared to \$2.1M at the end of the second quarter of fiscal 2015.
- Operating expenses, including legal settlement costs of \$0.7 million, were \$5.3 million compared to \$4.2M in the prior year quarter.
- Operating income (loss) was \$(197,000) for the second quarter, compared to operating income of \$197,000 in the fiscal 2015 second quarter. For the quarter, Medical Graphics and Medisoft had operating income (loss) of \$(190,000) and \$(7,000) respectively. The 2016 second quarter operating income includes a one-time legal settlement expense of \$670,000.
- In June 2016, the Company reached a settlement with NeuroVirtual USA, Inc. under which the Company agreed to make a one-time cash payment of \$650,000 and each party agreed to dismiss the lawsuit and all claims.

Debt Repayment and Termination of Credit Facility

In a press release issued on June 14, 2016, MGCD announced that it had paid off the remaining \$2.5 million balance of its five-year, \$4.0 million term loan and has terminated its revolving credit facility with BMO Harris Bank. The Company initiated the term loan in connection with its August 1, 2014 acquisition of Belgium-based Medisoft SA. These actions remove all bank liens on Company assets and restrictions on uses of Company cash. As of June 14, 2016, MGCD had cash of \$4.6 million, working capital of approximately \$10.9 million and no long-term debt.

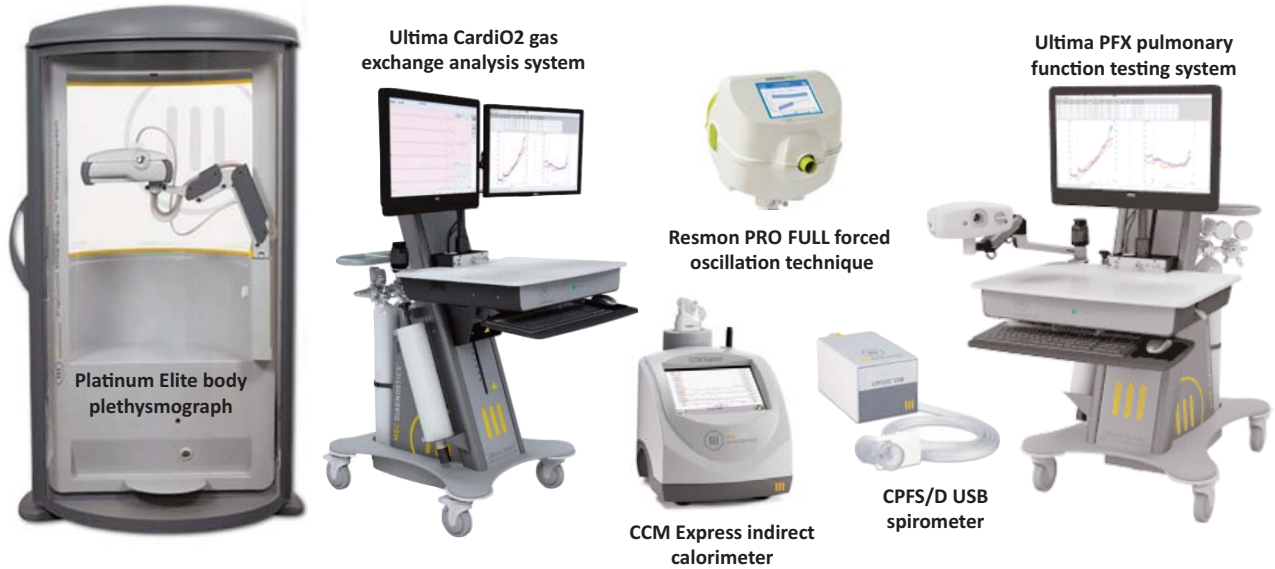
FDA 510(k) Clearance for Resmon™ PRO FULL, Forced Oscillation Technique ("FOT") Device

In a press release issued on June 28, 2016, The Company announced that the U.S. Food and Drug Administration ("FDA") has granted 510(k) clearance for the Resmon PRO FULL, Forced Oscillation Technique ("FOT") device. This instrument provides U.S. healthcare professionals the ability to non-invasively monitor a patient's lung mechanics and normal breathing pattern, without forced efforts needed with traditional measurements. The Resmon PRO FULL is suitable for patients, such as the elderly, children aged 4 and up and very severely ill patients with limited forced capacity. **MGC Diagnostics is the exclusive worldwide distributor of the Resmon PRO FULL**, designed and manufactured by Restech Respiratory Technology, a privately held company based in Milan, Italy.

THIS IS NOT A RESEARCH REPORT. ALL INFORMATION IS DERIVED FROM COMPANY PRESS RELEASES, SEC DOCUMENTS OR OTHER PUBLICLY AVAILABLE SOURCES.

Lytham Partners, LLC ("Lytham") provides a range of investor relations services to its clients. The particular services provided vary by client and may change from time to time. Lytham's services are designed to increase client companies' exposure to, and awareness by, broker/dealers and other members of the professional investment community. Lytham is compensated for providing investor relations services by its clients. Please see the important disclosures on the last page of this report.

Medical Graphics Primary Products



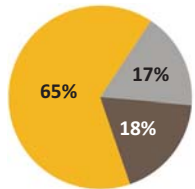
Cardiorespiratory Healthcare Market Snapshot

- According to the World Health Organization*
 - 65 million people have COPD, accounting for 5% of all deaths globally increasing by >30% in the next 10 years to become the 3rd leading cause of death worldwide
 - 300 million people have asthma, projected to increase to 400 million by 2025 - asthma is the most common disease in children
- 15-25% of patients with COPD and asthma will have overlapping disease**
- Patients with severe asthma are 32 times more likely to develop COPD than those with mild asthma*

*WHO Burden of Chronic Respiratory Diseases 2015 / ** American Journal of Respiratory Critical Care

Key Financials

Revenue Breakdown (Fiscal 2015)



- Equipment & Accessories
- Supplies
- Service

Revenue (\$ in thousands)



Net Income / (Loss) (\$ in thousands)



*Excludes legal settlement expense (net of tax) of \$383,000 on June 24, 2016

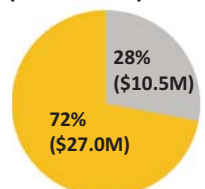
Sales Backlog (\$ in thousands)



Deferred Revenue (\$ in thousands)



Sales by Geography (Fiscal 2015)



- Domestic
- International

Pulmonary Function Testing

Pulmonary function testing (“PFT”) equipment and techniques have come into widespread use and standardization over the past 30 years. Advances in computer technology and miniaturization have aided in the development of devices that have become portable and user-friendly through sophisticated software.

Applications of MGC Diagnostics pulmonary function products include enabling the early detection of lung disease, evaluating the effect of medication, monitoring patients with chronic disease, diagnosing lung diseases (i.e. asthma, emphysema and bronchitis/COPD), managing treatment, assessing the surgical risk of lung transplant and lung reduction candidates and evaluating the impact of diseases such as neuromuscular disease on breathing.

However, there are non-pulmonary applications such as cardiology, chemotherapy and neuromuscular patients. Pulmonary function applications range from basic lung function screening, to pre-operative surgical evaluations and post-operative assessment of heart and lung transplant patients, to disability assessment from occupational exposures, and to documenting responses to a variety of therapies.

MGC Diagnostics’ pulmonary function products’ ease of use, infection control features, compact, lightweight design, connectivity and mobility options attract a wide variety of customers, including pulmonary laboratories in hospitals, clinics, physician offices, occupational medicine clinics, asthma/allergy practices, and clinical research centers worldwide.

Cardiorespiratory Diagnostic Market Summary

- Current diagnostic technologies are adequate to diagnose major diseases, however, existing products are underutilized*
- MGCD operates in a mature market with long product replacement lifecycle of 7-10 years
- Developments expected to stimulate future growth*
 - Large and growing patient population with undiagnosed chronic disease
 - Technology developments in diagnostic procedures that will optimize usage (simplified technology, centralized data, patient-friendly)
 - Emerging device-based therapeutic options which will require discrete patient selection, hence, more discrete diagnosis

*Health Research International #042-1-US-0810

Medisoft Acquisition



BodyBox



SpiroAir

Medisoft Acquisition

In August 2014, MGC Diagnostics completed its acquisition of Medisoft, SA, a privately held manufacturer of cardiorespiratory diagnostic products based in Sorinnes, Belgium. Medisoft served the European cardiorespiratory diagnostics market since 1977. The addition of Medisoft's Eurocentric product line, its strong brand equity, complementary distribution channels and leading-edge manufacturing capabilities strengthens MGCD's position as a global leader in the cardiorespiratory diagnostic market. The Medisoft acquisition will:

Increase MGCD's Global Footprint and Market Share: Medisoft and its subsidiary in Italy give the combined company direct European operations, scale and customer support. The combined company will have an increased ability to grow revenue by increasing market share outside of the US, further develop existing and new distribution channels, expand its presence in emerging markets and enhance customer support initiatives;

Enhance Product and Intellectual Property Portfolio: Medisoft's diverse product line and R&D capabilities will result in a scalable portfolio of products for the combined company, enhancing future revenue opportunities; and

Improve Manufacturing Capabilities and Reduce Cost Structure: The combined company, with first class manufacturing facilities in the United States and Europe, will be able to more cost effectively manufacture products to meet customer needs in global markets.

Pulmonary Function Products



Pulmonary Function Products

MGC Diagnostics pulmonary function products fall into four major product categories: Spirometry; Complete Pulmonary Function; Body Plethysmography; and Specialty Products.

Spirometry: Spirometry is a relatively simple, painless, and inexpensive method of assessing pulmonary function. In this procedure, the patient breathes into a spirometer, an instrument that measures and records the volume of air expired and the airflow rate for a specific time period. Spirometry provides measurement, lung capacity and mechanical properties of airflow. Due to the simplicity of testing and the availability of portable equipment, spirometry is widely used in both inpatient and outpatient settings. MGC Diagnostics markets the Medical Graphics CPF S/D USBTM and the Medisoft Micro 5000 and Micro 6000 spirometers. The spirometer is a platform that can be upgraded to complete a pulmonary function or cardiopulmonary exercise system.

Complete Pulmonary Function: Pulmonary function testing equipment measures and analyzes breathing to evaluate the condition of the heart, lungs, and metabolism. The technique is used for the diagnosis and management of numerous pulmonary conditions. Although diagnostic spirometry is adequate for basic pulmonary function screening, complete pulmonary function analysis is required for diagnosis of the specific cause of lung disease. MGC Diagnostics markets the Medical Graphics Ultima PF Series™, the Medisoft SpiroAir and the Medisoft HypAir as complete pulmonary function systems. These complete pulmonary function system perform spirometry, non-invasive measurement of an individual's total lung capacity, respiratory mechanics and diffusing capacity, and the oxygen transfer across the lungs into and out of the bloodstream.

Body Plethysmography: Body plethysmographs consist of an airtight, transparent patient cabin, an adjustable support arm, and pressure transducers for measuring mouth and cabin pressure and a computer. Many devices also incorporate diffusing capacity and lung volume by nitrogen washout, which enhances the scope of use. The patient sits inside the enclosure and undergoes diagnostic pulmonary function tests. MGC Diagnostics markets the Medical Graphics Platinum Elite and the Medisoft BodyBox Series, each of which are designed to minimize patient anxiety and discomfort while maximizing accuracy. These systems' designs optimize patient comfort with a clear-view acrylic enclosure and allow testing of a broad population, including pediatric patients and individuals in wheelchairs.

Specialty Product: Specialty diagnostic pulmonary function testing products include the measurement of exhaled biomarkers and complex cardiorespiratory neuro-mechanics. MGC Diagnostics markets the Medisoft FeNO, FeNO + and HypAir Muscle Study Systems using licensed technologies.

Advancing PFT technology with The Ultima Series

Product Highlight: The Ultima Series

THE ULTIMATE ALL-IN-ONE SYSTEM

The Ultima Series cardiorespiratory diagnostics systems can perform both pulmonary function tests ("PFT") and metabolic tests conveniently and accurately in a single device, with absolutely none of the compromise that are sometimes found in combined systems.

UNIQUE SYSTEM DESIGN

The Ultima Series cardiorespiratory diagnostic system's all-in-one design allows for maximum testing comfort for the technician and patient while utilizing the latest technology for unparalleled performance and reliability.



Forced Oscillation Technique



Forced Oscillation Technique (“FOT”)

Resmon PRO FULL, as offered by MGCD, is a professional, stand-alone device for non-invasively measuring the mechanical properties of the lung and airways, using the forced oscillation technique (FOT). FOT provides healthcare professionals with the ability to perform its measurements during normal tidal breathing, providing a simple, effort-independent assessment for both clinicians and patients, without the forced breathing efforts needed with traditional measurements. Resmon PRO FULL is suitable for patients with limited forced capacity, such as the elderly, children aged 4 and up and very severely ill patients.

Resmon PRO FULL Receives FDA 510(k) Clearance

In a press release issued on June 28, 2016, The Company announced that the U.S. Food and Drug Administration has granted 510(k) clearance for the Resmon PRO FULL, Forced Oscillation Technique device.

MGCD is the exclusive worldwide distributor of the Resmon PRO FULL, designed and manufactured by Restech Respiratory Technology, a privately held company based in Milan, Italy.

Exercise and Metabolic Testing Products

Exercise and Metabolic Testing Products

MGCD’s cardiopulmonary exercise testing products measure functional capacity, fitness or conditioning levels, evaluate prognostic criteria for surgical procedures as well as help physicians diagnose heart and lung diseases. Cardiopulmonary exercise testing provides objective, reliable, and quantitative assessment of the cardiovascular and respiratory responses to varying external workloads. These products operate by measuring the volume of air and concentrations of oxygen and carbon dioxide as they enter and leave the lungs while an individual exercises on an ergometer such as a bike or treadmill. These tests may be augmented by various types of monitoring, including electrocardiogram (“ECG”), blood pressure, and pulse oximetry.

Real-Time Diffusion

Real-Time Diffusion (“RTD”)

In March of 2012, MGCD introduced its RTD (“Real-Time Diffusion”) MultiGas Technology. This proprietary technology platform and real-time sensor provides accurate and immediate results, and eliminates the need for repeat tests. Real-time gas analysis improves the measurement of single-breath diffusing capacity in the lungs and provides visualization of the alveolar gas sample.

Recurring Revenue

Recurring Revenue

An increasingly important component of MGCD’s overall business is the generation of recurring revenue from product service, support, extended service warranty contracts and supplies allowing for greater predictability of revenue streams. Recurring revenue for fiscal 2015 accounted for \$13.2 million or 35.2% of total revenue.

Service contract revenue is based on a stated contractual rate and is deferred and recognized ratably over the service period, ranging from 1-5 years beginning after the expiration of the standard warranty. Deferred income associated with service contracts, installation and training revenues was \$7.1 million as of April 30, 2016.

UltraCare™ continuous support is designed to help customers protect their investments, which includes software updates, full parts coverage, full onsite labor and travel coverage, 24-48 hour service response guarantee, next day parts delivery, annual preventive maintenance, priority live toll-free phone support, priority remote technical assistance and after-hours emergency support access.

Recurring Revenue Components



Recurring Revenue Components

preVent® flow sensor

- A disposable/cleanable flow sensor that eliminates concern over the transmission of infectious diseases used in all MGCD systems.
- Extremely accurate through entire flow range
- preVent® pulmonary function filter is designed to fit directly on the preVent flow sensor, the filter eliminates the need for an additional coupler.

DirectConnect™ metabolic flow sensor

- Offers an accurate, reliable solution for metabolic testing in critical care.
- By connecting at the endotracheal tube, the DirectConnect metabolic flow sensor eliminates the effects of pressure support or bias flow.

Non-proprietary consumables

- Gases, mouthpieces, umbilicals, etc.

Scientific Advisory Committee

Scientific Advisory Committee

In July 2016, MGCD formed a scientific advisory committee comprised of physicians and scientists to assist in providing advice and guidance on medical and scientific matters related to the Company's business.

Distinguished members of the MGC Diagnostic Scientific Advisory Committee include:

- **Jean-Benoit Martinot, MD**, Head of the Pulmonology and Allergy Department CHU UCL Namur, St-Elisabeth Site, Belgium;
- **Amy Olson, MD, MSPH**, Assistant Professor, Department of Medicine, Division of Pulmonary, Critical Care and Sleep Medicine, National Jewish Health, Denver, Colorado;
- **Felip Burgos, Ph.D., MsC, RPFT, RN**, Associate Professor at University of Barcelona, Respiratory Diagnostic Center of Respiratory Department in Hospital Clinic, and Senior Researcher at IDIBAPS, Barcelona, Spain;
- **Charles G. Irvin, Ph.D.**, Associate Dean for Faculty College of Medicine, Vice Chairman for Research, Department of Medicine, Professor of Medicine Molecular Physiology and Biophysics, College of Medicine University of Vermont, Burlington, Vermont; and
- **Bruce Johnson, Ph.D.**, Professor of Medicine, Physiology and Biomedical Engineering, Department of Medicine, Division of Cardiovascular Diseases, Preventative, Occupational and Aerospace Medicine, Mayo Clinic, Rochester Minnesota.

Long-Range Plan: Six Key Initiatives

Long-Range Plan: Six Key Initiatives

- 1 Understanding the Customer**
 - Target high volume hospitals /medical facilities
 - Competitive account conversions and upgrade of existing installed base
- 2 Driving Revenue Growth**
 - Deliver consistent year-over-year growth
 - Accelerate replacements of aging systems MGCD & competitors
 - Focused selling OUS markets – distribution partners - (Pacific Medico)
- 3 Improving Profitability**
 - Controlling ASPs – lowering manufacturing costs
- 4 Innovation Driven R&D**
 - Identify & utilize partnerships – assess, design & develop new products
- 5 Organizational Excellence**
 - Align employees goals & objectives
- 6 Enhancing Shareholder Value**

MGC Diagnostics Corporation (NasdaqCM: MGCD)

Healthcare / Medical Appliances & Equipment

June 2016

MGC DIAGNOSTICS CORPORATION

Income Statement

(\$ in Millions Except Per Share Data)

	FY 2012				FY 2013				FY 2014				FY 2015				FY 2016		FY11 Oct	FY12 Oct	FY13 Oct	FY14 Oct	FY15 Oct		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2							
	Jan	Apr	Jul	Oct	Jan	Apr	Jul	Oct	Jan	Apr	Jul	Oct	Jan	Apr	Jul	Oct	Jan	Apr							
Revenues																					(Revised)				
Equipment, supplies and accessories revenues	5.372	4.490	5.876	7.101	5.806	6.360	6.611	7.739	4.959	5.798	4.980	7.882	7.293	7.042	7.567	8.734	7.542	7.694	22.912	22.839	26.516	23.619	30.636		
Service revenues	1.056	1.113	1.019	1.131	1.202	1.203	1.317	1.402	1.345	1.629	1.617	1.778	1.650	1.688	1.672	1.821	1.709	1.737	4.090	4.319	5.124	6.369	6.831		
	6.428	5.603	6.895	8.232	7.008	7.563	7.928	9.141	6.304	7.427	6.597	9.660	8.943	8.730	9.239	10.555	9.251	9.431	27.002	27.158	31.640	29.988	37.467		
Cost of revenues																									
Cost of equipment, supplies and accessories revenues	2.525	2.204	2.835	3.338	2.835	2.996	3.154	3.438	2.300	2.736	2.399	4.008	3.628	3.814	4.171	4.469	3.871	3.746	10.316	10.902	12.423	11.443	16.082		
Cost of service revenues	0.334	0.398	0.354	0.359	0.351	0.357	0.384	0.419	0.440	0.547	0.526	0.545	0.444	0.493	0.569	0.560	0.503	0.571	1.391	1.445	1.511	2.058	2.066		
Total cost of revenues	2.859	2.602	3.189	3.697	3.186	3.353	3.538	3.857	2.740	3.283	2.925	4.553	4.072	4.307	4.740	5.029	4.374	4.317	11.707	12.347	13.934	13.501	18.148		
Gross profit of equipment, supplies and accessories revenues	2.847	2.286	3.041	3.763	2.971	3.364	3.457	4.301	2.659	3.062	2.581	3.874	3.665	3.228	3.396	4.265	3.671	3.948	12.596	11.937	14.093	12.176	14.554		
Gross profit margin of equipment, supplies and accessories revenues	53.0%	50.9%	51.8%	53.0%	51.2%	52.9%	52.3%	55.6%	53.6%	52.8%	51.8%	49.1%	50.3%	45.8%	44.9%	48.8%	48.7%	51.3%	55.0%	52.3%	53.1%	51.6%	47.5%		
Gross profit of service revenues	0.722	0.715	0.665	0.772	0.851	0.846	0.933	0.983	0.905	1.082	1.091	1.233	1.206	1.195	1.103	1.261	1.206	1.166	2.699	2.874	3.613	4.311	4.765		
Gross profit margin percentage of service revenues	68.4%	64.2%	65.3%	68.3%	70.8%	70.3%	70.8%	70.1%	67.3%	66.4%	67.5%	69.3%	73.1%	70.8%	66.0%	69.2%	70.6%	67.1%	66.0%	66.5%	70.5%	67.7%	69.8%		
Total gross profit	3.569	3.001	3.706	4.535	3.822	4.210	4.390	5.284	3.564	4.144	3.672	5.107	4.871	4.423	4.499	5.526	4.877	5.114	15.295	14.811	17.706	16.487	19.319		
Gross profit margin	55.5%	53.6%	53.7%	55.1%	54.5%	55.7%	55.4%	57.8%	56.5%	55.8%	55.7%	52.9%	54.5%	50.7%	48.7%	52.4%	52.7%	54.2%	56.6%	54.5%	56.0%	55.0%	51.6%		
Operating expenses																									
Sales and marketing	1.775	1.651	2.132	2.471	2.126	2.094	2.152	2.884	2.016	1.884	2.002	2.617	2.241	2.011	2.105	2.474	2.501	2.534	6.758	8.029	9.256	8.519	8.831		
General and administrative	1.145	0.930	0.913	1.158	1.418	1.214	0.973	1.157	1.143	1.287	1.730	1.718	1.671	1.417	1.222	1.412	1.412	2.039	4.299	4.146	4.762	5.878	5.722		
Research and development	0.810	0.820	0.825	0.791	0.647	0.640	0.591	0.363	0.624	0.640	0.750	0.791	0.810	0.734	0.694	0.693	0.673	0.678	3.239	3.246	2.241	2.805	2.931		
Amortization of intangibles	0.108	0.109	0.112	0.108	0.007	0.004	0.005	0.005	0.007	0.006	0.007	0.076	0.049	0.064	0.055	0.064	0.058	0.060	0.420	0.437	0.021	0.096	0.232		
Total operating expenses	3.838	3.510	3.982	4.528	4.198	3.952	3.721	4.409	3.790	3.817	4.489	5.202	4.771	4.226	4.076	4.643	4.644	5.311	14.716	15.858	16.280	17.298	17.716		
Income (loss) from operations	(0.269)	(0.509)	(0.276)	0.007	(0.376)	0.258	0.669	0.875	(0.226)	0.327	(0.817)	(0.095)	0.100	0.197	0.423	0.883	0.233	(0.197)	0.579	(1.047)	1.426	(0.811)	1.603		
Other expense																									
Interest (income) expense, net	(0.004)	0.000	(0.003)	(0.002)	(0.000)	(0.001)	0.000	0.000	(0.000)	(0.000)	0.004	0.065	0.058	0.074	0.065	0.050	0.066	0.049	(0.021)	(0.009)	(0.001)	0.069	0.247		
Foreign currency loss	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.058	0.398	0.724	0.184	0.050	(0.029)	(0.109)	(0.416)	0.000	0.000	0.000	0.456	0.929		
Income (loss) before taxes	(0.265)	(0.509)	(0.273)	0.009	(0.376)	0.259	0.669	0.875	(0.226)	0.327	(0.879)	(0.558)	(0.682)	(0.061)	0.308	0.862	0.276	0.170	0.600	(1.038)	1.427	(1.336)	0.427		
Tax provision (benefit)	0.007	0.007	0.007	0.004	0.007	0.007	0.017	0.039	0.017	0.019	0.010	(0.222)	(0.141)	(0.143)	(3.115)	(0.150)	0.062	0.125	0.040	0.025	0.070	(0.176)	(3.549)		
Income (loss) from continuing operations*	(0.272)	(0.516)	(0.280)	0.005	(0.383)	0.252	0.652	0.836	(0.243)	0.308	(0.889)	(0.336)	(0.541)	0.082	3.423	1.012	0.214	0.045	0.560	(1.063)	1.357	(1.160)	3.976		
Shares Outstanding (Basic)	3.780	3.797	3.847	3.885	3.891	3.930	4.015	4.091	4.135	4.163	4.187	4.198	4.204	4.227	4.251	4.269	4.280	4.306	3.767	3.828	3.982	4.171	4.238		
Shares Outstanding (Diluted)	3.780	3.797	3.847	3.929	3.891	3.994	4.083	4.192	4.135	4.237	4.187	4.198	4.204	4.248	4.260	4.285	4.280	4.319	3.842	3.828	4.045	4.171	4.247		
EPS (Basic) from continuing operations*	(0.07)	(0.14)	(0.07)	0.00	(0.10)	0.06	0.16	0.20	(0.06)	0.07	(0.21)	(0.08)	(0.13)	0.02	0.81	0.24	0.05	0.01	0.15	(0.28)	0.34	(0.28)	0.94		
EPS (Diluted) from continuing operations*	(0.07)	(0.14)	(0.07)	0.00	(0.10)	0.06	0.16	0.20	(0.06)	0.07	(0.21)	(0.08)	(0.13)	0.02	0.80	0.24	0.05	0.01	0.15	(0.28)	0.34	(0.28)	0.94		

* Excludes discontinued operations.

PLEASE SEE THE IMPORTANT DISCLOSURES ON THE LAST PAGE OF THIS REPORT.

MGC Diagnostics Corporation (NasdaqCM: MGCD)

Healthcare / Medical Appliances & Equipment

June 2016

MGC DIAGNOSTICS CORPORATION

Balance Sheet

(\$ in millions)

	FY 2012				FY 2013				FY 2014				FY 2015				FY 2016		FY10 Oct*	FY11 Oct*	FY12 Oct*	FY13 Oct	FY14 Oct	FY15 Oct
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2						
	Jan*	Apr*	Jul*	Oct*	Jan	Apr	Jul	Oct	Jan	Apr	Jul	Oct**	Jan**	Apr**	Jul	Oct	Jan	Apr						
ASSETS																								
Current assets:																								
Cash and cash equivalents	8.674	8.822	8.709	9.665	8.922	8.168	8.831	10.574	11.104	11.352	15.353	5.675	5.300	5.144	5.407	6.553	6.587	7.607	6.943	8.461	9.665	10.574	5.675	6.553
Short-term investment	0.481	0.480	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2.721	0.723	0.000	0.000	0.000	0.000
Accounts receivable, net	4.898	4.077	4.720	5.860	6.029	6.348	6.723	8.048	5.554	6.204	4.736	7.068	7.351	6.763	7.093	7.416	7.584	6.578	5.221	5.958	5.860	8.048	7.068	7.416
Inventories, net	4.122	4.396	4.057	3.850	4.036	4.056	3.896	3.499	4.019	4.134	5.024	5.548	5.660	6.167	6.243	6.759	6.989	7.220	3.697	3.750	3.850	3.499	5.548	6.759
Current deferred tax assets	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Prepaid expenses and other current assets	0.198	0.324	0.605	0.418	0.298	0.577	0.626	1.102	1.020	1.282	1.352	1.912	1.720	1.912	2.080	0.988	0.472	0.467	0.270	0.235	0.418	1.102	1.912	0.988
Total current assets	18.373	18.099	18.091	19.793	19.285	19.149	20.076	23.223	21.697	22.972	26.465	20.203	20.031	19.986	20.823	21.716	21.632	21.872	18.852	19.127	19.793	23.223	20.203	21.716
Property and equipment, net	0.423	0.451	0.400	0.578	0.753	0.785	0.832	0.779	0.898	0.911	1.034	3.469	3.112	2.971	2.863	2.894	2.782	2.878	0.528	0.440	0.578	0.779	3.469	2.894
Intangible assets, net	1.290	1.356	1.438	1.492	1.771	1.933	2.071	2.189	2.326	2.477	2.605	4.375	4.282	4.361	4.176	4.305	4.401	4.586	1.279	1.174	1.492	2.189	4.375	4.305
Goodwill	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4.196	3.768	3.670	3.310	3.324	3.273	3.461	0.000	0.000	0.000	0.000	4.196	3.324
Non-current deferred tax assets	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.020	0.018	0.018	3.220	3.342	3.277	0.000	0.000	0.000	0.000	0.020	3.342	
Other non-current assets	0.000	0.000	0.025	0.085	0.085	0.000	0.000	0.000	0.000	0.000	0.000	0.014	0.014	0.014	0.009	0.007	0.008	0.722	0.031	0.085	0.000	0.014	0.007	
TOTAL ASSETS	20.086	19.906	19.954	21.948	21.894	21.867	22.979	26.191	24.921	26.360	30.104	32.277	31.225	31.020	34.401	35.588	35.373	35.975	21.381	20.772	21.948	26.191	32.277	35.588
LIABILITIES AND SHAREHOLDERS' EQUITY																								
Current liabilities:																								
Accounts payable	1.833	1.627	1.587	2.094	2.006	1.868	1.510	1.871	1.665	2.307	2.922	3.161	2.996	3.132	2.879	2.617	2.951	2.541	1.951	2.022	2.094	1.871	3.161	2.617
Employee compensation	1.279	1.402	1.367	1.749	1.493	1.791	1.517	1.945	1.189	1.203	1.134	1.664	1.592	1.366	1.348	1.854	1.235	1.469	2.115	1.481	1.749	1.945	1.664	1.854
Deferred income	1.591	1.744	1.867	1.927	1.994	2.299	2.696	3.091	3.092	3.332	3.450	3.804	3.733	3.684	3.613	3.608	3.586	3.589	1.522	1.771	1.927	3.091	3.804	3.608
Current portion of long-term debt	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.785	0.786	0.786	0.786	0.785	0.785	0.851	0.851	0.000	0.000	0.000	0.000	0.786	0.785
Other current liabilities and accrued expenses	0.352	0.504	0.550	0.533	0.593	0.786	0.721	0.905	0.614	0.687	0.646	1.042	1.084	1.250	1.573	1.493	1.548	1.842	0.583	0.362	0.533	0.905	1.042	1.493
Total current liabilities	5.055	5.277	5.371	6.303	6.086	6.744	6.444	7.812	6.560	7.529	8.937	10.457	10.191	10.218	10.198	10.357	10.171	10.292	6.171	5.636	6.303	7.812	10.457	10.357
Long-term liabilities																								
Long-term debt, less current portion	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.142	2.947	2.745	2.549	2.354	2.158	1.961	1.765	0.873	0.817	0.895	2.535	2.947	2.158
Non-current deferred income taxes	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.484	0.271	0.116	0.069	0.000	0.000	0.000	0.000	0.000	0.000	0.484	0.000	
Long-term deferred income and other	0.814	0.762	0.725	0.895	1.300	1.751	2.266	2.535	2.630	2.753	2.685	2.884	2.984	2.923	3.038	3.146	3.129	3.570	0.000	0.000	0.000	0.000	2.884	3.146
Total liabilities	5.869	6.039	6.096	7.198	7.386	8.495	8.710	10.347	9.190	10.282	14.764	16.772	16.191	15.806	15.659	15.661	15.261	15.627	7.044	6.453	7.198	10.347	16.772	15.661
Stockholders' equity (deficit):																								
Common stock	0.380	0.380	0.388	0.388	0.390	0.400	0.403	0.413	0.415	0.418	0.420	0.420	0.421	0.424	0.426	0.427	0.429	0.432	0.375	0.378	0.388	0.413	0.420	0.427
Additional paid-in capital	20.768	20.828	20.944	21.046	21.185	21.643	21.885	22.606	22.729	22.766	22.935	23.470	23.645	23.761	23.919	24.118	24.308	24.502	20.486	20.622	21.046	22.606	23.470	24.118
Accumulated deficit	(6.932)	(7.341)	(7.474)	(6.684)	(7.067)	(8.671)	(8.019)	(7.175)	(7.413)	(7.106)	(7.995)	(8.271)	(8.812)	(8.730)	(5.367)	(4.355)	(4.359)	(4.314)	(6.531)	(6.683)	(6.684)	(7.175)	(8.271)	(4.355)
Accumulated other comprehensive income	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(0.020)	(0.114)	(0.220)	(0.241)	(0.236)	(0.263)	(0.266)	(0.272)	0.007	0.002	0.000	0.000	(0.114)	(0.263)
Total stockholders equity (deficit)	14.217	13.867	13.858	14.750	14.508	13.372	14.269	15.844	15.731	16.078	15.340	15.505	15.034	15.214	18.742	19.927	20.112	20.348	14.337	14.319	14.750	15.844	15.505	19.927
TOTAL LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)	20.086	19.906	19.954	21.948	21.894	21.867	22.979	26.191	24.921	26.360	30.104	32.277	31.225	31.020	34.401	35.588	35.373	35.975	21.381	20.772	21.948	26.191	32.277	35.588

* Does not reflect reclassification of discontinued operations.

** Does not reflect adjustments to Medisoft purchase price allocation as of July 31, 2015.

PLEASE SEE THE IMPORTANT DISCLOSURES ON THE LAST PAGE OF THIS REPORT.

MGC Diagnostics Corporation Management

Todd M. Austin

Chief Executive Officer

Todd Austin has a career spanning 20 years and is a globally recognized clinical and medical device industry expert and leader with extensive experience in product development and marketing, strategic planning, business development, P&L responsibility, and clinical consulting. In recent years Mr. Austin has provided clinical, strategic and tactical consulting services to senior management for a number of domestic and international healthcare companies, including MGC Diagnostics. From 2006 to 2010 Mr. Austin was Director of Marketing for CareFusion, a leading, global corporation serving the health care industry with products and services that help hospitals measurably improve safety and quality of care. Prior to CareFusion Mr. Austin served as Vice President – U.S. Sales and Marketing for ndd Medical Technologies, a Zurich, Switzerland-based company. Mr. Austin also served as Group Product Manager for Yorba Linda, California-based VIASYS Healthcare and Customer/Product Support and Applications Manager for SensorMedics Corporation. Mr. Austin holds a Bachelor of Science degree from Mount Marty College.

Matthew Margolies

President

Matthew Margolies has a career in the healthcare industry spanning 20 years. Mr. Margolies comes to MGC Diagnostics from Cardinal Health, where he served as Senior Vice President of Sales and Marketing of the company's Nuclear Pharmacy team. Prior to his most recent role, Mr. Margolies worked with CardioNet as Senior Vice President of Sales and Marketing generating substantial growth in CardioNet's Cardiac Telemetry business. Prior to CardioNet, Mr. Margolies served for four years in a number of positions of increasing responsibility with VIASYS Healthcare, where he ultimately became Division President for the Respiratory Diagnostics group leading the company's Worldwide Respiratory Diagnostics team. In his role with VIASYS he was responsible for the growth in the Respiratory Diagnostics space that was a component of the \$1.6 billion acquisition of VIASYS by Cardinal Health (now CareFusion). From 1993-2004, Mr. Margolies held Sales and Marketing leadership roles with Covidien Health / Mallinckrodt Imaging. Mr. Margolies holds a bachelor's degree in Business Administration/Marketing from Ramapo College of New Jersey.

Wesley W. Winnekins

Chief Financial Officer and Chief Risk Officer

Prior to joining MGC Diagnostics, Mr. Winnekins served as Chief Financial Officer of Snap Fitness, Inc. a multi-national franchisor of 24/7 express fitness clubs from February 2011 to October 2012. Prior to that, he was employed by Health Fitness Corporation, a publicly traded company, from February 2001 to December 2010, serving as Executive Vice President, Finance and Operations and Chief Financial Officer and Treasurer. At Health Fitness, Mr. Winnekins saw annual revenue grow from \$26 million to \$83 million, and managed the company's sale to a strategic buyer for \$97 million. Prior to Health Fitness, Mr. Winnekins served in finance and management capacities for several public and private companies, including health and fitness companies, from October 1987 to February 2001. From May 1985 to October 1987, Mr. Winnekins served in the audit practice at Arthur Andersen. Mr. Winnekins received a Bachelor's in Business Administration with a major in Accounting from Iowa State University and has passed the CPA exam.

MGC Diagnostics Corporation Safe Harbor Statement

This document may contain forward-looking statements concerning possible or anticipated future financial performance, business activities or plans that include the words “believes,” “expects,” “anticipates,” “intends” or similar expressions. For these forward-looking statements, the Company claims the protection of the safe harbor for forward-looking statements contained in federal securities laws. These forward-looking statements are subject to a number of factors, risks and uncertainties, including those disclosed in our periodic filings with the SEC, that could cause actual performance, activities or plans after the date the statements are made to differ significantly from those indicated in the forward-looking statements. For a list of these factors see the sections entitled “Risk Factors” and “Cautionary Note Regarding Forward Looking Statements,” in the Company’s Form 10-K for the year ended October 31, 2015, and any updates in subsequent filings on Form 10-Q or Form 8-K under the Securities Exchange Act of 1934.

Lytham Partners Disclaimer

Lytham’s compensation for providing investor relations services to the company consists of a monthly cash fee ranging from approximately \$5,000 to \$10,000 per month, as well a monthly restricted stock grant. ●●● As of the date of this report, Lytham does not own any of the company’s securities. However, this is subject to change from time to time in the future without notice. ●●● Lytham or any of its affiliates, members, employees, clients, officers, directors, and/or their respective families may from time to time purchase or sell, or otherwise hold positions in, securities of the company, and are free to buy or sell those positions at will. Any such positions may be increased or decreased from time to time in the future without notice. ●●● Lytham is not, and does not hold itself out to be, a registered broker-dealer, registered investment adviser or financial adviser. ●●● The information in this report is not to be regarded as investment advice and is only for informative purposes. This report does not constitute an endorsement of the company. None of the information in this report is intended to be used as a basis for any investment decision, and the information is subject to change without notice. ●●● Before making a purchase or sale of any securities mentioned in this report, Lytham strongly encourages and recommends consultation with a registered securities representative. ●●● This report does not constitute an offer to purchase or sell securities, and is not to be construed as a representation of an offer or a solicitation of any offer by Lytham or by the company to purchase or sell any security. ●●● Certain information in this report may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as well as Regulation FD, and is taken from materials available to the general public, including the subject company’s filings with the SEC, documents included on the subject company’s website, information provided by the subject company or from other publicly available sources deemed reliable by Lytham. Lytham does not represent or guarantee the accuracy or completeness of the information. These statements may involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors which could cause or contribute to such differences are detailed in the company’s public filings with the United States Securities and Exchange Commission, if available. ●●● Forward-looking statements speak only as of the date the statement was made. The company does not undertake and specifically disclaims any obligation to update any forward-looking statements. The company claims the protection of the safe-harbor for forward-looking statements contained in the Reform Act. ●●● Any performance data quoted represents past performance of the company. There is no guarantee of comparable future results; current performance may be higher or lower. The information in this report is subject to change without notice and Lytham assumes no responsibility to update the information.



PHOENIX
City Square
3800 North Central Ave., Suite 750
Phoenix, AZ 85012
Office 602.889.9700
Fax 602.889.9696

www.lythampartners.com

NEW YORK
750 Third Avenue
9th Floor
New York, NY 10017
Office 646.829.9700
Fax 646.829.9701

info@lythampartners.com