

Biomerica, Inc.: A health diagnostics company preparing to move up the value chain

INTRO:



At Perritt Capital Management, we take focused positions in companies where we have a high conviction in their success; companies that are out of the mainstream of small cap investing. To highlight our process, we are pleased to present the newest installment in our ongoing series **“Marvelous Microcaps - Big Ideas on Small Companies.”** This series profiles companies that we believe have a niche in their existing markets or are launching a product that could disrupt their marketplace.

THE COMPANY:

Biomerica, Inc., (BMRA) is a biomedical technology company that designs, develops, and manufactures laboratory and at home testing applications for various medical conditions and diseases. They are a commercial stage company, with products in the marketplace that test for conditions such as colorectal, breast, and prostate cancers as well as diabetes, kidney diseases and gastrointestinal afflictions. They are also in the late developmental stages of an exciting new laboratory application called InFoods. InFoods is a patented blood test for patients with irritable bowel syndrome, or IBS, which detects elevated antibody levels found in the human blood system and can match them to foods that are specific or highly correlated to disease states reported by patients. Utilizing an extensive database of control subjects the parameters and statistical sensitivities of the test can be customized to fit the needs of the patient and deliver results that report which foods are aggravating their condition with a high degree of confidence. There are an estimated 25-40 million Americans with IBS and related issues, most of whom are undiagnosed. The most common reported factor that contributes to the severity of IBS in patients is pain. Since IBS is chronic in most patients, the standard of care currently is guess work on dietary changes and pain medication to alleviate symptoms. InFoods aims to address both deficiencies head on by identifying which foods pose the most harm to patients allowing doctors and nutritionists the opportunity to customize a diet plan and improve patient outcomes, the quality of their day-to-day lives and address the underlying disease rather than use pain medications to manage its symptoms.

WHY WE OWN: THE PERRITT ADVANTAGE:

We purchased Biomerica several years ago, shortly prior to the pandemic after speaking with the CEO, Zack Irani. At that time, the company had just received encouraging results on the first generation of the technology that would become InFoods. While investments in early-stage healthcare diagnostic and drug companies are normally avoided due to the risks in the development pipeline, Biomerica had already successfully gone to market with their cancer diagnostics products and at the time had just announced a distribution agreement with Medline, a large healthcare supply company. We found that this revenue stream, though small, was growing steadily and believed it removed some of the funding risks so decided to take a small position. Since that time Biomerica has conducted several rounds of Research & Development and investment in their product. They recently announced the final results for their end point trial for InFoods that showed statistically significant improvement for patients that used their laboratory test in areas including pain, bloating and overall quality of life. The next step for the company is to submit a proposal to the FDA for a

pivotal trial, which if successful would be followed by full FDA approval for their test to be licensed for use in patients in commercial labs. If everything goes according to schedule this trial would commence during the end of 2023.

However, in the interim the company has the capability to offer the test through specialized clinical laboratories, so they have announced that they are commercializing InFoods during the final months of 2022 within those labs that qualify. Highlighted institutions in the company's press release include the Mayo Clinic and Beth Israel Deaconess Medical Center. While it is too early stage to gauge the potential revenue impacts from the launch, we are excited to see the efforts of the company and our investment thesis validated in the marketplace and believe these efforts will provide the company with some additional cash flow as they prepare for the final push for full commercialization of InFoods.

We remain excited shareholders and are pleased to be able to share this emerging healthcare technology company with you. We consider Biomerica to be among our more speculative holdings given the regulatory risks associated with the FDA approval process. As they move further along in that process these risks will continue to diminish but at this time, they represent the biggest obstacle to the company's long-term prospects. While the successful end point trial and limited commercialization is an encouraging development, we also emphasize that Biomerica is an early-stage company that we chose to highlight here to illustrate the variety of investments we hold in our funds and that we would only hold it as part of a well-diversified portfolio. Currently, we only own it in our Ultra Microcap Fund due to the speculative nature of the investment.

Data here is obtained from what are considered reliable sources. We consider the data used to be relevant and reliable.

Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Please click [PRCGX](#) and [PREOX](#) for a list of the top ten holdings.

Before you invest in the Perritt MicroCap Opportunities Fund or Perritt Ultra MicroCap Fund, please refer to the prospectus for important information about the investment company, including investment objectives, risks, charges, and expenses. You may also obtain a hard copy of the [prospectus](#) by calling 800-331-8936. The [prospectus](#) should be read carefully before you invest.

Mutual fund investing involves risk. Principal loss is possible. The Funds invest in smaller companies, which involve additional risks, such as limited liquidity and greater volatility. The Funds invest in microcap companies which tend to perform poorly during times of economic stress. The Ultra MicroCap Fund may invest in early-stage companies which tend to be more volatile and more speculative than investments in more established companies. Past Performance does not guarantee future results.

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