

## Informational Note (Summary):

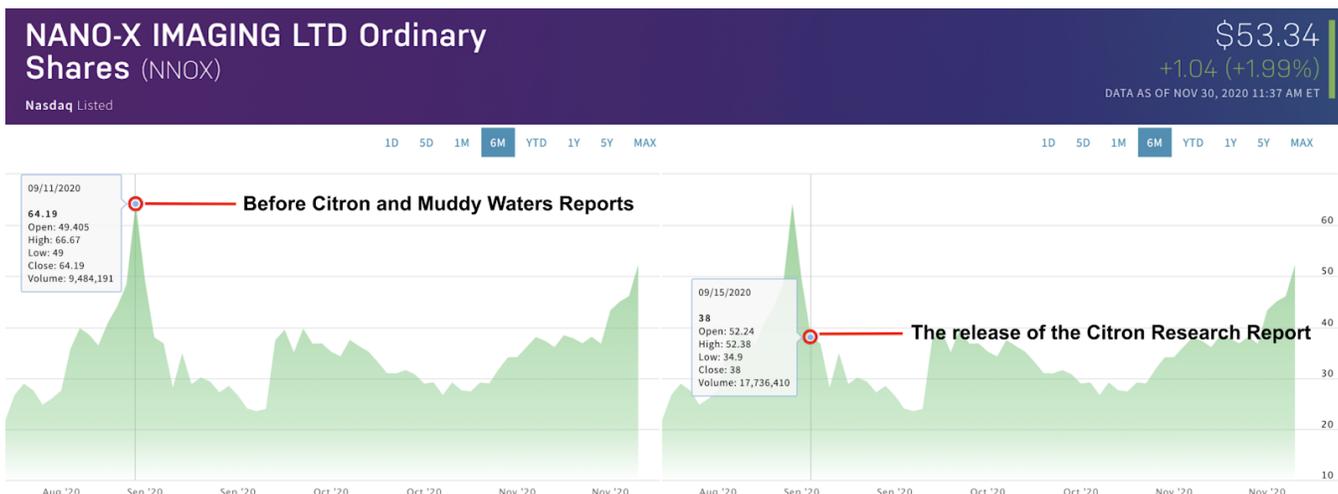
# Analysis of circumstances that led to the unusual activities on NASDAQ share price of Nanox in September-October 2020

## Citron Research and Muddy Waters misled Nanox investors to gain their short sell profit

Deconstructing a web of misdirection performed under the pretense of financial 'research'.

In August 2020, a company in possession of disruptive technology within the medical device sector, Nanox Imaging Ltd. (NNOX), held a successful IPO on the NASDAQ exchange. Subsequently, in September 2020, two investment research firms known for their investigative reports into allegedly overvalued or fraudulent companies (specializing in advising investors on opportunities for short selling, AKA shorting overvalued stocks), Citron Research and Muddy Waters Research, released two "Short Sellers Reports" that alleged various forms of misconduct surrounding the Nanox company.

Upon analysis, it is clear that the Short Sellers Reports produced by the investment research companies were part of an orchestrated media attack aiming to promote short-sale-related capital gains by artificially lowering the share price of Nanox. As can be seen in the NASDAQ images below, this planned attack was successful. The share price of NNOX was favourably high prior to the release of the reports in the beginning of September 2020, and dropped significantly upon their release by Citron and Muddy Waters, and then again increased and stabilized in the end of November 2020. Furthermore, the fact that the Citron report has recently been moved into their archive provides some ancillary indication that this was, in fact, a planned short selling action.



# NANO-X IMAGING LTD Ordinary Shares (NNOX)

Nasdaq Listed

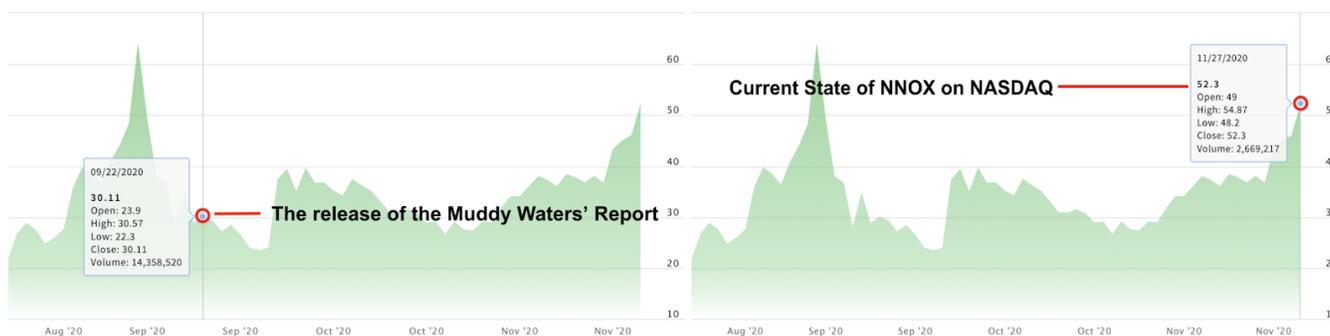
\$53.34

+1.04 (+1.99%)

DATA AS OF NOV 30, 2020 11:37 AM ET

1D 5D 1M 6M YTD 1Y 5Y MAX

1D 5D 1M 6M YTD 1Y 5Y MAX



Source: <https://www.nasdaq.com/market-activity/stocks/nnox>

This specific example is indicative of a larger issue within the realm of publicly traded companies. While superficially promoting real or potential performance of a publicly traded company (AKA hyping stocks) for speculative gains is an illegal act that have brought many to justice and incarceration, **the opposite action (of artificially driving stock prices down via a purposeful and misleading discreditation of a company for speculative short-sale gains) has unfortunately not yet not been outlawed by regulators.**

Despite the fact that from a formal point of view this phenomenon of negative hype for the purpose of short selling stocks is technically and formally legal, Deep Knowledge Analytics considers it to be a **straightforward example of unethical business tactics.** As a DeepTech-focused analytical agency, we have a vested interest in pragmatic and unbiased analysis of such cases in sectors with high levels of technological and scientific innovation, and in Healthcare in particular.

We are of course in complete support of practices that help to prevent legitimately fraudulent and dangerous industry players like Theranos from impacting the industry, but we are also very aware of the **damage that superficial and unvalidated cases of company defamation can have on the industry as a whole**, and on overall investor sentiment and perception. **Acts like these may cause damage to the entire DeepTech investment landscape in the USA**, and it needs to be heavily deterred for the betterment of the industry as a whole.

Thus, given Deep Knowledge Analytics' vested interest in keeping track of major trends in DeepTech, Frontier Technologies and innovations in healthcare and related fields, we decided to perform a **thorough independent investigation** into this occurrence, and an analysis of the **actual validity of the statements** made by the Short Sellers Reports produced by Citron Research and Muddy Waters Research, as well as a secondary analysis on the technological and commercial prospects of Nanox itself, independent of the specific circumstances surrounding the drop and eventual restoration of its public share price, and a third brief analysis on the history and current standing of the investment research firms who released the Short Sellers Reports - Citron Research and Muddy Waters Research.

**If we were to follow the logic of these Short Sellers Reports to their fullest extent, it could be concluded that all innovative, DeepTech-driven companies working on something fundamentally new and disruptive are vulnerable to accusations of fraud.** DeepTech sectors are fundamentally characterized by high rates of technological innovation and by attempts to develop and release technologies without precedent which do not yet actually exist.

Therefore, we feel compelled to perform a thorough analysis for the case of Nanox in particular, to better validate our presumption that **DeepTech-driven companies deserve additional support and protection against false accusations for the benefit of technological progress, and that specific forms of technological due diligence (in addition to standard financial and accounting due diligence) should become standard practices in DeepTech sectors prior to IPOs, in order to offer better systemic protection for investors against truly fraudulent companies mimicking associations with DeepTech**

***innovation, but at the same time to provide better protection for legitimate DeepTech companies that can provide actual evidence of technological innovation against aggressive financial players.***

The results of our investigation found the claims made by the Short Sellers Reports to be misleading and falsifiable, demonstrating a lack of consistent and reputable analytical research and reporting methodologies and best practices. The full results of our investigation can be found in the following three documents, and a brief summary of the results of our analysis can be found below.

**Full Analysis:** [www.analytics.dkv.global/nanox/specific-circumstances.pdf](http://www.analytics.dkv.global/nanox/specific-circumstances.pdf)

**Nanox Imaging Company Analysis:** [www.analytics.dkv.global/nanox/company-analysis-and-perspectives.pdf](http://www.analytics.dkv.global/nanox/company-analysis-and-perspectives.pdf)

**Information Summary about Short Sellers - Citron Research and Muddy Waters:**

[www.analytics.dkv.global/nanox/short-sellers-information-summary.pdf](http://www.analytics.dkv.global/nanox/short-sellers-information-summary.pdf)

**Summary:** In response to the release of two analytical reports published by Citron Research and Muddy Waters Capital, (together referred to as the ‘Short Sellers Reports’) which present controversial claims about the NASDAQ-traded company Nanox Imaging Ltd (NNOX), Deep Knowledge Analytics has conducted a thorough independent review of the reports to determine whether their claims can be justified, and have found a number of factual inaccuracies, methodological inconsistencies and deviation from standard analytical best practices in the reports, leading to the conclusion that the publishers of the reports have significantly misled investors, arguably with the sole purpose of promoting short-sale-related capital gains by lowering the public share price of the company in question. The present document outlines key findings and major conclusions from Deep Knowledge Analytics’ independent analysis of the Short Sellers Reports, which was conducted to provide investors with an in-depth review of facts and their systematic misrepresentations by the Citron and Muddy Waters Short Sellers Reports.

**Misrepresentation of Company Product Data:** The Short Sellers Reports misinterpret the nature of the company’s product and its business model, claiming that a lack of comparisons between clinical data of the company’s product and other medical imaging devices is questionable. In reality, NANOX’s product is a single component for use in other medical imaging devices. As such, it cannot on its own produce medical imaging data in the first place, and there is no FDA requirement for it to do so. NANOX appears to have followed all standard protocols in validating the functionality of its product.

**Misrepresentation of Company Business Model:** The Short Sellers Reports claim that the company is unlikely to have made the innovations they claim to have been by virtue of being in direct competition with large medical imaging corporations with more resources than them. In fact, Nanox’s product is an individual component intended for use in medical imaging devices produced by other vendors. Additionally, the innovations that the company actually made are entirely consistent with the size of their R&D team and spendings (both of which the Short Sellers Reports call into question). The Short Sellers Reports also misrepresented actual R&D spendings by ignoring certain components of the company’s budget disclosed in their prospectus, which the Short Sellers Report authors had access to. The claim that it is impossible for companies with smaller R&D staff and budgets than major corporate players in the same sector to produce innovations in their target market is subjective, inherently unvalidatable, and can be easily falsified by numerous examples of startups disrupting existing well-established industries.

**Misrepresentation of Company Management Qualifications:** Another claim made by the Short Sellers Reports is a lack of professional expertise in the domains of medical imaging by the company’s executive management. Firstly, these claims are demonstrably false, with many public records showing the high volume of professional experience held by the accused individuals as CEOs, entrepreneurs, investors and company management both generally and in medical device companies.

**Misrepresentation of Company Partner and Distributor Validity:** The Short Sellers Reports called into question the reputability and validity of several partners and distributors of Nanox, going so far as to claim that some of them are “fake”, which is factually inaccurate. Our research revealed that the individuals and organizations called into question by the Short Sellers Reports are real customers with entirely valid business models, and in good standing in their professional domains.

**Misrepresentation of Company Customers and Company-Distributor Relationships:** The Short Sellers Reports also called into question several aspects of the company’s pre-sales agreements, all of which were based either misrepresentation (such as referring to certain facts being buried in “fine print” when in actuality

they were prominently highlighted in investor presentations and other documentation) or a fundamental misunderstanding of industry practices (such as the claim that including clauses allowing distributors to back out of contracts under certain circumstances is questionable; these clauses allow distributors to make contract execution conditional upon product acceptance testing and regional regulatory approval, which is entirely sensible and consistent with industry best practices).

**History of Lawsuits Among Company Management:** The additional claim by the Short Sellers Reports that one of the company's directors has had lawsuits filed against him in the past also omits the fact that lawsuits are standard occurrences for companies (and company management) with large volumes of funding and investment, and that there are many examples of individuals considered by the public as highly competent entrepreneurs and company managers (such as Steve Jobs and Elon Musk) having histories of either personal or company-related lawsuits.

**Omission of Counterbalance Provided by the Caliber of Company's Auditors & Strategic Partners:** The Short Sellers Reports also fail to mention the high caliber of the company's independent auditors, and the unlikelihood that such auditors failed to find evidence of misrepresented claims, if they were there to begin with. Nanox was audited, advised and supported by a number of highly reputable law and auditing firms as PWC, Skadden Arps and Latham Watkins (which are among the top 5 law firms in the US), with participation by several reputable investment banks including Cantor Fitzgerald, CIBC, Oppenheimer, Berenberg as underwriters

The report also fails to give credit to the caliber of the company's strategic partners and investors (multi-billion dollar companies like Fuji, SK Telecom and Foxconn, and the unlikelihood that the company could have acquired such a high caliber network on the basis of false claims alone.

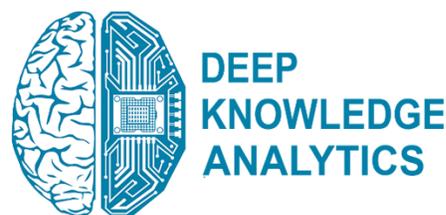
**In summary,** our independent analysis has led to the conclusion that the Short Sellers Reports' research and core arguments are based on unsubstantiated assumptions lacking concrete evidence, a disregard of minimum standard practices for objective and unbiased market research and analysis, and the use of provocative and dramatically-worded language, with the primary aim of damaging the reputation of Nanox in an aggressive manner with unprofessional, jargon language and comparison with fraud companies. All claims made by the Short Sellers Reports can be seen either to be based on false and demonstrably falsifiable claims and assumptions, or to be clear instances of unsubstantiated libel and personal attacks lacking proper contextualization and omitting supplementary information that would otherwise counterbalance the claims being made.

## Contact Us

[www.dka.global](http://www.dka.global)

[info@dka.global](mailto:info@dka.global)

DEEP KNOWLEDGE ANALYTICS LIMITED



---

### Disclaimer

OUR RESEARCH INSTITUTE DOES NOT HAVE ANY DIRECT OR INDIRECT RELATIONS WITH ANY OF THE PARTIES MENTIONED IN THIS DOCUMENT, INCLUDING BUT NOT LIMITED TO, NANO-X IMAGING LTD., ANY OF ITS EMPLOYEES, AFFILIATES, DIRECTORS, PARTNERS, FOUNDERS OR SUPPLIERS. WE DO NOT HOLD ANY NNOX SHARES, EITHER DIRECTLY OR INDIRECTLY AND HAVE NO OPTIONS, WARRANTS, LONG OR SHORT POSITIONS IN NNOX EQUITIES OR ITS DERIVATIVES. OUR RESEARCH IS AN INDEPENDENT REVIEW WITH NO FINANCIAL OR OTHER BENEFITS TO BE DERIVED FROM ITS PUBLICATION. THE INFORMATION AND OPINIONS IN THIS REPORT WERE PREPARED BY US AS AN INDEPENDENT ORGANIZATION. THOUGH THE INFORMATION HEREIN IS BELIEVED TO BE RELIABLE AND HAS BEEN OBTAINED FROM PUBLIC SOURCES BELIEVED TO BE RELIABLE, WE MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS. HYPERLINKS TO THIRD-PARTY WEBSITES IN THIS REPORT ARE PROVIDED FOR READER CONVENIENCE ONLY. WE NEITHER ENDORSE THE CONTENT NOR IS RESPONSIBLE FOR THE ACCURACY OR SECURITY CONTROLS OF THESE WEBSITES. THIS REPORT IS PROVIDED ON AN INDEPENDENT BASIS AND SHOULD NOT BE DEEMED AS A RECOMMENDATION TO BUY OR SELL NNOX STOCK.

---