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PAVmed, Inc.

First Quarter Business Update Call

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PRESENTATION

Operator

Good day, and welcome to the PAVmed Inc. First Quarter Business Update Call.

Today's conference is being recorded.

And now at this time, I'd like to turn the conference over to Adrian Miller. Please go ahead, sir.

Adrian Miller

Thanks, Operator.

Good afternoon to everyone. This is Adrian Miller, Vice President of Investor Relations at PAVmed. Thank you for participating in today's business update call.

Joining me today on the call is Dr. Lishan Aklog, Chairman and Chief Executive Officer of PAVmed, along with Dennis McGrath, President and Chief Financial Officer of PAVmed.

The press release announcing our business update and financial results will be posted shortly on PAVmed's website. Please take a moment to read the disclaimer about forward-looking statements in the press release. The business update press release and this conference call both include forward-looking statements and these forward-looking statements are subject to known and unknown risks and uncertainties, that may cause actual results to differ materially from the statements made. Factors that could cause actual results to differ are described in the disclaimer and in our filings with the SEC.

For a list and descriptions of these and other important risks and uncertainties that may affect future operations, see Part 1, Item 1A entitled Risk Factors in PAVmed's most recent annual report on Form 10-K filed with the Securities and Exchange Commission and any subsequent updates filed in quarterly reports on Form 10-Q and subsequent Form 8-K filings.

Except as required by law, PAVmed disclaims any intention or obligation to publicly update or revise any forward-looking statements to reflect changes in expectations or in events, conditions or circumstances on which these expectations may be based, or that may affect the likelihood that actual results may differ from those contained in the forward-looking statements.

With that, I'd like to turn the call over to Lishan Aklog.

Dr. Aklog.

Lishan Aklog

Okay. Thank you, Adrian, and good afternoon, everyone, and thank you for joining our quarterly update call.

I am happy to report that PAVmed and its subsidiaries are making solid progress as we continue driving our long-term and mission to create a leading diversified medical technology company.

Before proceeding, I would like to thank our long-term shareholders for your ongoing support and commitment. Our combined team has grown to over 100 employees and is singularly focused on growing the PAVmed enterprise while enhancing long-term shareholder value.

Our balance sheet remains strong, providing us with the resources to execute this strategy. Given the current market volatility, we are particularly focused on deploying our capital as efficiently and effectively as possible to accomplish our strategic goals while reserving and extending our cash runway.

I'd like to start by providing an overview of our business and will then pass the baton over to Dennis who will provide our financial update before opening it up to questions.

First some background on PAVmed. PAVmed is a diversified commercial stage medical technology company operating in the medical device, diagnostics and digital health sectors. Our mission is to utilize state-of-the-art technologies in the service to patients by providing innovative and disruptive products and solutions which significantly improve or save lives while enhancing healthcare quality, efficiency and cost effectiveness. Our vision is to build a growing and profitable diversified medical technology leader across all the three major sectors. The PAVmed enterprise today consists of two majority owned subsidiaries Lucid Diagnostics and Veris Health, two business units, CarpX and NextFlo, and an R&D pipeline of products at various stages of development.

Lucid is a NASDAQ listed commercial stage cancer prevention medical diagnostics company, which markets EsoGuard and EsoCheck, the first and only commercial tools for widespread early detection of esophageal precancer to prevent esophageal precancer test. PAVmed owns approximately 76% of Lucid's outstanding shares.

Veris Health is a digital health company developing the first intelligent implantable vascular access port with biologic sensors and wireless communication to improve personalized cancer care through remote patient monitoring. PAVmed owns approximately 81% of Veris' outstanding shares.

PAVmed operates as the central engine which provides a broad range of shared services through its subsidiaries and business units as well as through its R&D team. These include general administration finance, product design and development, regulatory affairs, quality management, clinical research, manufacturing and medical affairs. This centralized shared services model allows each of the subsidiaries and business units to be laser-focused on the development, commercialization and clinical evidence for its product or products.

The model provides numerous benefits to facilitate value creation across the enterprise including economies of scale and risk mitigation through diversification and lower cost of capital and much greater growth potential.

During the past couple of years, especially in 2021, we have undergone a major transition focusing on expanding our internal human systems and physical infrastructure laying the foundation for commercial success, as well as optimizing and rationalizing our portfolio. We believe this transition is essentially complete. The expanded infrastructure is mostly in place and we are now entirely focused on commercial expansion and execution, reimbursement and revenue growth in the coming quarters and years.

Now to proceed with an update of the subsidiaries business units and R&D pipeline starting with Lucid, which remains PAVmed's dominant business. My discussion of Lucid will be a distillation of my remarks during yesterday's Lucid call with a focus on the updated ACG guidelines, EsoGuard commercialization, laboratory operations and reimbursement. I would encourage you to read the transcript or listen to the recording of the Lucid call for additional details, and feel free to contact Adrian to help with this.

As we previously announced, the American College of Gastroenterology recently updated its clinical guideline on the diagnosis and management of esophageal precancer, the first such update since 2016. For the first time the guideline endorse non-endoscopic biomarker screening as an acceptable alternative to costly and invasive endoscopy.

EsoGuard and EsoCheck, which I described in the guideline, are currently the only such nonendoscopic biomarker screening test. This is an exciting development for Lucid and I can overemphasize it’s important in supporting our efforts to eradicate esophageal cancer.

Our EsoGuard commercialization efforts are going well. We continue to see excellent traction with robust growth in EsoGuard testing volume. We processed 533 commercial EsoGuard tests in the first quarter of 2022, that represents a 76% sequential increase from the fourth quarter of 2021 and a nearly 500% increase annually from the first quarter of 2021. Testing volume growth was strong in both sales channels primary care physician referrals to our Lucid test centers as well as test performed at gastroenterology, foregut surgeon specialty practices and institutions.

We are investing in sufficient sales infrastructure to demonstrate clinical utility and generate claims to support our reimbursement efforts. Once reimbursement is more fully established, we will transition to full throttle efforts to drive testing volume and revenue growth.

Our sales team continues to grow and now consists of a National VP of Sales, three Area Directors, six market development managers and 17 sales reps, as well as several sales operation staff. And we are hitting our hiring targets and seek to have new reps operating effectively within about four months of hiring.

Our expanding network of Lucid Test Centers support our primary care channel by providing a facility where patients referred for EsoGuard testing by primary care physicians can undergo the EsoCheck Cell Collection procedure. The test centers have very modest cost and attractive margins operating almost entirely as marginal variable cost businesses. The Lucid Test Center program completed its first stage

during the first quarter of 2022 and now covers seven Western U.S. cities. We recently launched stage two of our Lucid Test Center program. We plan to open test centers in nine additional states this year. Last month, we hired a Director of Clinical Services with extensive operating experience at dialysis facilities to oversee this expansion.

We also do continue the pilot of our EsoGuard telemedicine program which we launched in December. Although patients in any Lucid Test Center city can access the telemedicine program, we are only actively pursuing direct-to-consumer advertising on a limited pilot basis in Phoenix, consistent with the near-term strategy that I previously described.

The first quarter and recent months have been full of important developments in our laboratory operations, which are critical to the future success of the Company. At the end of February, Lucid DX Labs, a wholly-owned subsidiary of Lucid Diagnostics, acquired the assets necessary to operate our own CLIA-certified, and CAP-accredited clinical laboratory in Orange County, California.

Last month, we hired a new VP of Laboratory Operations with nearly two decades of clinical laboratory leadership experience, and we plan to accelerate the transition from the current management services agreement to the lab being fully staffed by Lucid employees.

In parallel with the acquisition, we upgraded to a new revenue cycle management provider, and for the first time a Lucid entity will be billing directly for EsoGuard testing. Claims, submissions have been on hold since we took over the laboratory awaiting license transfers and getting the new billing program on the line. So the transition from fixed monthly payments from our former laboratory partner to direct billing will result in a temporary pause in out of network receipts and recognize revenues, as Dennis will describe in more detail.

Now, a brief update on where we stand with reimbursement. On the private payer side, we executed our first commercial payer agreement. Lucid DX Labs entered into a participating provider agreement with MediNcrease Health Plans, a national directly contracted multi-specialty PPO provider network, with over 8 million lives covered through its clients and payers.

The effective payment for EsoGuard under this contract which is based on a list price of approximately $2,500 is consistent with our goal of protecting the effective Medicare payment of just over $1,900. In parallel, we continue to collect critical clinical utility data demonstrating that EsoGuard positively impact medical decision-making, which is necessary for us to secure direct in-network coverage from regional and national health plans.

We have also seen progress on the Medicare reimbursement front. Last month, Medicare contractor Palmetto GBA's MolDx program published a proposed Foundational Local Coverage Determination, or LCD, for tests designed to detect upper gastrointestinal pre-cancer and cancer. We've been patiently awaiting this important next step and the process since we received our final Medicare payment determination back in January of 2021.

The proposed LCD outlines criteria that MolDx expects upper GI pre-cancer and cancer molecular diagnostic tests to meet. It's important to emphasize that the provisional LCD was published prior to the publication of the updated ACG guideline and, as such, does not take into consideration the recommendation supporting non-endoscopic biomarker testing, such as EsoGuard, as an acceptable alternative to endoscopy for esophageal pre-cancer screening.

The publication of the proposed LCD triggered a written comment period that extends until this Saturday. We along with multiple other stakeholders will be submitting comments suggesting important modifications to the proposed LCD. MolDx also held a substantive open meeting two days ago during

which we along with other stakeholders and interested parties had the opportunity to address the proposed LCD.

In addition, we recently learned that Meridian Healthcare Solutions, the Medicare contractor which covers LucidDX Labs and participates in the MolDx program, has scheduled its own open meeting on May 26 and a written comment period that extends through June 11. We look forward to the opportunity to address the proposed LCD directly with Meridian as well. A final LCD will not be issued until the Medicare contractors have had the opportunity to assess and consider these comments.

Let's now move on to PAVmed's other majority owned subsidiary, Veris Health. Veris was launched a year ago as our first foray into the dynamic and rapidly growing digital health sector. The medical technology sector is the midst of a digital health revolution, which includes smart and connected devices and an intense focus on data analytics including artificial intelligence and machine learning.

Veris is developing a remote cancer care platform that integrates an intelligent implantable vascular access device with physiologic sensing, software with symptom reporting and telehealth function and advanced data analytics. The Veris Technology is designed to allow oncologists to detect early signs of common cancer-related complications, provide longitudinal trends of physiologic and clinical data, offer data-driven risk management tools for precision oncology, and incorporate additional prospects for substantial value creation through data monetization and biotherapeutic clinical trial support.

The technology contains biologic sensors capable of generating continuous data on key physiologic parameters that are known to predict adverse outcomes of cancer patients undergoing treatment. Wireless communication to the patient's smartphone and its cloud-based digital healthcare platform will efficiently and effectively deliver actionable real-time data to patients and physicians. The Veris business model is based on Software-as-a-Subscription service that leverages existing reimbursement codes for remote patient monitoring. Veris is advancing its mission on three fronts, software, device, and data, with the help of a world-class technology advisory board.

We are also working very closely with Microsoft as a member of its global partner program. Our team is actually traveling to Microsoft headquarters next week, and we look forward to further strengthening what has been a very productive relationship.

The Veris team is growing in anticipation to our first commercial launch in anticipation of this major first commercial launch late this year. We've hired a Veris Chief Commercial Officer with extensive experience in the oncology sector. We are also building out our data and analytics team with four new hires as we seek to establish strong in-house expertise including in artificial intelligence and machine learning.

I should note that consistent with our shared services model, the data and analytics expertise will be available across the PAVmed enterprise, including exciting research using genomic data analysis in future generations of EsoGuard.

On the software development front, we're making excellent progress on the three interconnected software platforms, namely, a patient smartphone App designed to communicate with the intelligent implantable monitoring device, a cloud-based software platform to which the patient App uploads its data and provides the oncology team with the clinical data to facilitate patient care, and a smartphone App for the team to engage with the cloud-based platform remotely.

As I previously noted, we have split this work into three parallel projects designed to give us the best opportunity to effectively navigate the regulatory landscape. What we're referring to as Veris Solar combines the software platform with existing wearable and connected medical devices. This will allow us

to launch the first commercial product and get valuable initial real-world experience with the software platform and engage with early adopters. We are on schedule to launch Veris Solar later this year.

Veris mercury adds our own implantable monitoring smart device. The device will include all of the first generation biosensing features contemplated, but will be a separate device that will be implanted alongside a traditional port. By separating the device from the port, we expect to be able to leverage existing implantable monitors as the predicate and proceed down the FDA's 510K path. Very happy with the progress on the design and development to date on Veris Mercury.

We have a second animal lab scheduled in the coming weeks to test the latest prototypes, and we are targeting submission and launch in 2023.

Finally, Venus will offer the fully integrated intelligent vascular access port utilizing many of the same components as Veris Mercury.

We will seek to advance this product through the FDA's de novo pathway, but EU regulations for the integrated device will be less onerous and could allow a classic Europe first strategy for the fully integrated intelligent vascular access point.

The design and development work on Veris Venus is also progressing well. Because the device doesn't need to mimic the full ECG recording features of the Veris Mercury, predicted device will be able to achieve multi-year battery on life (phon) with a much smaller form factor, and we are really very excited about how this project is stemming up.

Let's now move on to CarpX. CarpX is our FDA 510K cleared minimal invasive device to treat carpal tunnel syndrome. CarpX continues with its limited commercial release, utilizing early adopter key opinion leaders. There really are no major updates from our call six weeks ago. As I explained then, we had clinical cases on hold while we implemented product improvements that were derived from the experience of U.S. surgeons to date. The first set of product improvements including addressing an electrode coating manufacturing issue have been completed and we now have commercial product just recently back on the shelf. We have restarted cadaver training labs and are scheduling cases with this cohort of trained surgeons.

As previously noted, subsequent product improvements are also slated that can be completed later this year, at which point we should be in a position to expand commercialization more broadly. And as I introduced during the last call, the development of a next-generation CarpX device that incorporates integrated ultrasound imaging is progressing well, with the target FDA submission in 2023.

On to NextFlo. NextFlo is a platform infusion technology. The first product incorporating it is our NextFlo intravenous set, which seeks to revolutionize care by eliminating the need for complex, expensive and error prone electronic infusion pumps for most of the one million infusions performed in this country each day.

As I noted in our last call, we had reinitiated pre-DDV testing prior to FDA submission after addressing a manufacturing issue through a small redesign. Pre-DDV testing since that call demonstrated good flow regulation, but the repeatability data fell short of our targets. The team is in the midst of a comprehensive root-cause (phon) analysis on repeatability and exploring small redesign options to improve repeatability. Once this work is complete, we will have a better understanding of how it will impact the timelines for FDA submission and commercialization.

And just a few comments on other key products in our R&D pipeline. Not a lot new reports since the last update six weeks ago. PortIO is our implantable intraosseous vascular access device. We believe that

PortIO, which does not require flushing is the first maintenance-free long-term vascular access device. PortIO is in the midst of its first in-human clinical study in Columbia, South America, with four successful implants at one site. Three additional sites have been approved and will be trained and begin enrolling patients next month.

We are also working with our partners in Europe to pursue a European study to support EU CE Mark clearance and provide additional human data for US approval.

Our EsoCure device is designed to endoscopically treat esophageal precancer is also progressing well. Based on head-to-head chronic animal studies completed to date, and the histology thereof, we believe EsoCure compares favorably to Medtronic's market-leading Barrick device. Current work is focused on optimizing the dose response and the design and development for commercial.

Finally, we continue to have active discussions on business development opportunities, especially on the smart device space, and we'll provide updates as the opportunities flush out.

With that, I will hand the reins on to Dennis to provide an update on our financial before proceeding to questions.

Dennis.

Dennis McGrath

Thanks, Lishan, and good afternoon, everyone.

Our preliminary and summary financial results for the three months ended March 31, 2022, were reported in our press release that was recently published. And we plan to file our quarterly report for PAVmed on Form 10-Q with the SEC on Monday, May 16, and at that time it will be available at sec.gov and on the PAVmed website.

Test performed and revenue recognition as we outlined during Lucid's earnings call as a rule, EsoGuard test performed are recognized as GAAP revenue when cash is actually collected by the Company. Also as previously mentioned, this will more than likely be true during the transition period of negotiating third-party private payer reimbursement contracts and related coverage policies.

As I reported to you in previous quarters, for compliance purposes during this reimbursement transition period we negotiated a short-term month-to-month fixed payment arrangement with the contract laboratory that was processing the EsoGuard assay and was performing the insurance company billing and collection's function.

This commercial agreement became effective on August 1, 2021, and terminated concurrently with the opening of our own lab on February 25. We recognized $189,000 of revenue as part of the EsoGuard commercial agreement with ResearchDX for the partial period from January 1 through the end of the agreement on February 25.

March represented a transition period that included hiring a new revenue cycle management provider. Hence, though we had a record number of EsoGuard test performed in the month of March, we did not bill for any of these tests during the month. Therefore, the recognized quarterly revenue of approximately $200,000 reflecting the pro rata amount of the previous commercial revenue agreement with ResearchDX, or otherwise $100,000 for the month of January, $89,000 representing 25 of 28 days in February.

As a reminder, now that we are operating our own laboratory following the February 2022 asset purchase agreement, we will be able to directly bill payers. As Lishan described, direct billing will occur in the second quarter once our new revenue cycle provider comes online in the coming days.

Future revenues will be recognized based upon actual collections until such time as the coverage policies are in place with CMS and payment contracts with the private payers. This obviously can result in the timing of revenues recognized versus timing they are submitted for third-party reimbursement until these future conditions are all met. The gap in claim submission from this transition will impact near-term GAAP revenue recognized until the system catches up with claims for the tests performed during the transition. These will all be filed for payments, but the timing of collections could be elongated because of those issues.

It is our expectation that we will begin to recognize GAAP revenue related to our Lucid labs in the second quarter as mentioned and will be adjusted based upon actual collections received. The number of EsoGuard tests performed and submitted for payment are provided in the press release and was discussed earlier by Lishan.

Obviously, we're in the early stages of our commercial launch, particularly with our test centers. We'll continue to evolve our reporting metrics as various sales and marketing efforts further influence adoption, particularly with the ramp up of our Lucid Test Centers and our EsoGuard Telemedicine Program in cooperation with UpScript.

Presently, there are now four banking analysts who have issued coverage on PAVmed and others doing their diligence. The quantity of EsoGuard tests payable at the CMS rate required to meet the 2022 revenue estimates provided by the analysts are achievable. The quantity and collections are highly dependent upon the evolving reimbursement landscape.

The consolidated three months results just provides some summary comments on PAVmed and follow similar comments on Lucid Diagnostics as standalone. PAVmed remains Lucid's controlling shareholder, holding approximately 73% of the voting interest of Lucid. Lucid's operating results will continue to be consolidated into PAVmed's financial results. The statement of operations will reflect a line item to show the non-controlling interest of profits or losses to non-PAVmed shareholders of its majority owned subsidiaries. As well, there will be a corresponding offset in the equity section in the balance sheet for amounts attributable to minority interest equity. This methodology is unchanged as a result of the IPO will continue to be applicable as long as PAVmed remains the controlling shareholder.

With regard to revenue. PAVmed recognized approximately $200,000 revenues related to the EsoGuard for the first quarter ended March 31, despite the negative gross profit for the last quarter, which reflects the initial test center start-up related cost at modest volumes incremental gross margins can be around 90% and contribution margins north of 60%.

Few comments on operating expenses. During yesterday's Lucid earnings call, we discussed the three components that make up Lucid's operating expenses, namely, sales and marketing, general and administrative, and research and development. Since Lucid's operating expenses represent more than 60% of PAVmed's consolidated operating expense for the first quarter, we'll summarize the consolidated operating expense.

For the three months ended March 31, PAVmed's consolidated operating expenses were $19.3 million compared to $8.1 million during the same period in 2021, with 83% of the net increase attributable to compensation related to headcount increases, stock-based compensation, consulting services and development costs, particularly in the clinical activities and outside professional services.

There is a table in the PAVmed press release published earlier and the Lucid press release published yesterday that adjusts each of these three components of operating expenses for the embedded non-cash stock-based compensation expense. Without including the stock-based compensation, operating expenses for PAVmed were $11.7 million inclusive of $8.2 million of Lucid's Opex.

PAVmed's loss per share. PAVmed reported the first quarter net loss attributable to common stockholders of $16.9 million or a loss of $0.20 per common share versus a loss of $9.4 million or $0.13 in the first quarter of the previous year, in 2021. The press release provides a table entitled non-GAAP, which highlights these amounts along with non-cash charges, namely, depreciation, stock-based compensation and acquisition-related cost to enable better understanding of the Company's financial performance.

You'll notice from the table that after adjusting the Q1 loss by approximately $5.2 million for non-cash charges, the Company reported the non-GAAP adjusted loss for the first quarter of '22 of $11.7 million or $0.14 per common share.

PAVmed had consolidated cash of $64.7 million as of March 31, which compares to $77.3 million as of December 31. The cash balance does not include approximately $24.5 million of net proceeds from the convertible debt financing announced in early April. And so on a pro forma basis, had the financing occurred prior to March 31, cash would have been nearly $90 million. Thank you for your attention.

Thank you for your attention.

And with that, operator, we can now open the call up to any questions.

Operator

Thank you. We will take our first question from Ross Osborn with Cantor Fitzgerald. Please go ahead.

Ross Osborn

Hi, everyone. Thanks for taking my question.

Lishan Aklog

Hello.

Ross Osborn

Maybe starting off with off with the next-gen CarpX offering with integrated ultrasound. What do you think ultrasound will do to the adoption rate of CarpX? Is that hand expanding anymore patients to be able to benefit from it? Or does it simply enhances the traction of the device?

Lishan Aklog

Yes, I think, I would say, more of the latter. I think from what we have seen in the working prototypes to-date, that's really sort of pretty spectacular and that while you are—if you recall the way CarpX works, it has a balloon that creates a space and pushes the critical structures away, such as the ligaments and nerves, and tension to ligament and positions the electrode on the ligament to cut it from the inside out, and with the integrated intra minimal ultrasound you can see all that beautifully. It's really to facilitate the procedural simplicity, to give the physicians confidence about where the anatomic structures and we think it will be a big step forward into enhancing the procedure.

Ross Osborn

Okay. Great. And then on PortIO, I think last time we saw maybe three patients had been implanted and it sounds like maybe a four at this point and to be… any feedback from the fourth patient?

Lishan Aklog

Yes, so far, so good. Gone well, we are looking forward, as I said to increasing enrollment with a plan at all with—to have multiple sites and the IRB approval for the other three sites are now been completed, and next month we will train those three sites and get them starting to enrollment.

Ross Osborn

Okay. Got it. And then, maybe a last one, just on operating expenses, can you just talk about specific to PAVmed what you saw during the quarter and kind of how we should think about that for the rest of the year? That'd be great. Thank you.

Dennis McGrath

Yes. Sure. Thanks. First quarter, when you look at the stock-based compensation expense, that probably is consistency through the balance of the year. And the level of expenses that you see is probably a pretty good baseline for the year. We'll be increasing some headcount, particularly at the Lucid level, that will increase that. As Lishan pointed out on the direct-to-patient advertising for Lucid, that would probably be a very limited expansion and really will be parallel what happens on the reimbursement front.

The G&A is probably fairly stable between now and then at the end of the year, and the R&D expense which is influenced by our clinical trials, probably as a good baseline as the year unfolds. We are making some changes to our clinical trials, focusing on clinical utility because of the short-term wins with reimbursements and stretching out our PMA expenses over a longer horizon. You won't see quite a spike that was initially anticipated maybe six, seven months ago when we were thinking about the year related to it.

Ross Osborn

Got it. Thanks taking my questions, and congrats on the progress.

Dennis McGrath

Thanks, Ross.

Lishan Aklog

Thanks, Ross.

Operator

Thank you. We'll take our next question from Anthony Vendetti with Maxim Group.

Lishan Aklog

Good afternoon, Anthony.

Jeremy Pearlman

Hi. This is actually Jeremy online for Anthony.

Lishan Aklog

Hi, Jeremy.

Jeremy Pearlman

Just two quick questions on the Lucid Test Centers. Just, I know, you have nine—the second stage of nine centers planned to open up at the end of this year. It's already you know they have seven months left that or any of those centers opened or? And could you give us like what's the time frame when you choose a center, how long does it take to get that up and running?

Lishan Aklog

Great. Yes, so, this is maybe a good opportunity to kind of put a reminder in that test center. When we talk about test center expansion, we are really talking about sales reps expansion primarily. The test centers are there really to support the sales reps, and as I've mentioned on previous calls, the rate limiting is usually hiring reps and not actually finding a location and hiring a practitioner.

That being said, what's different about this stage is that we are doing all at once. In the first stage, we did it in three tranches, Phoenix and then three centers, the two different at two different moments. We had now—we are branching out simultaneously across all nine states we have identified the actual price within the actual metropolitan area and we have started the process of hiring reps and identifying (inaudible).

The ramp, in terms of sales reps that we have, we had said last call that we anticipate tripling by the end of the year at a fairly linear pace, and we have the more reps this year, and this year would be more like between now and the end of the year.

That should give you a reasonable trajectory. It's not again, it's going to be looking at all of them at the same time, one other difference which I did mentioned on the Lucid call yesterday, which is that in some of the cities that we are targeting in this stage, we actually already have a presence with a market development manager and reps go already calling on gastroenterologists.

Those will move more quickly. For example, we have the various sites that we are up in Orange County in Southern California, and then one of the locations we intend to open a test center. It's actually within the physical domain of the Lucid DX Labs. And that also applies in other locales in Ohio and elsewhere where we have a fairly strong presence. So that looks already some of those pretty much.

Jeremy Pearlman

Okay. Great. Thanks for that. And then, just, one last question regarding the test centers. I know you have rendered testing done in this quarter. Is there any internal goals do you have at per test centers? Was that spread evenly over the test centers that are currently operational and what something if there is a test center—level where if a test center is not hitting that you sort of pull it upon?

Lishan Aklog

Yes, so let me again, there is some opportunity. I think trying to make it clear that the perception that the test centers are sort of like stores, retail outlets, or facilities that are driving the business, I think is something that we need to sort of work on getting people on the standalone a bit better. The test center is just a collection center that allows the sales reps to able to call primary care physicians and drive patients there.

There really isn't when we actually start getting more traction and the team expands and we are able to provide more additional metrics, the metrics are going to be traditional metrics along performance of the sales team, not really test center focused. I don't know if that makes sense.

The answer to your question is that we do track and we do assess how our entire sales team is doing and how good; it's quite rigorous and data-driven and we look for improvements and we look to make sure that people are being productive in the regions that we are targeting.

We don't expect to sort of move away from particular geographies for not moving our numbers in that geographies and we'll look to how to build or ways to improve sales engagement in that territory. So, again, hopefully that makes sense better the launch between understanding that the center and really pass the vehicle where the procedure is performed then the real action is really happening in the physician office as sales reps calling on physicians and trying to drive for us.

Jeremy Pearlman

Understand. Okay. Thank you. I'll hop back in the queue.

Lishan Aklog

Yes, thanks a lot.

Operator

We'll hear next from Ed Woo with Ascendiant Capital.

Ed Woo

Yes. Congratulations on the quarter. With a very strong balance sheet and obviously, a lot of volatility in the capital markets out there, are you seeing more opportunities of companies where products that might be interested in your technology there are interesting for you guys and evaluations come down significantly in the past couple months?

Lishan Aklog

We do have an active business development process. One of the things I didn't get a chance to mention is that we hired a very accomplished Vice President on Business Strategy and Development who will be able to help sort of focus our activities on the BD side of things as well as product strategy. And I wouldn't say that necessarily we are at the point on any of these where we can—we certainly would expect given the volatility of the evaluations would be attractive. But we are not really—none of them are at this stage where we are really at able to say it. Yes, but that's a fair expectation.

We are very excited about opportunities that we are starting to see in areas that are synergistic with our current work, particularly in sort of smart device technologies that are potentially synergistic with our efforts on the digital health side.

Stay tuned. We really are excited about the opportunity that are in front of us.

Ed Woo

Great. Thanks for answering my question. Wish you guys good luck. Thank you.

Lishan Aklog

Okay. Thanks, Ed.

Dennis McGrath

Thanks, Ed.

Operator

Thank you. And that does conclude today's question-and-answer session. I would like to turn the conference back over to Dr. Aklog for any additional or closing remarks.

Lishan Aklog

All right. Thanks, Operator.

And thank you all for joining us today and for, as always great questions. We look forward to keeping you updated of our progress through news release and periodic calls such as this one.

As always, the reminder, the best way to keep up with PAVmed news, updates and events is to sign up for our email alert on our website, the Investor Relations website and to follow us on social media on Twitter link and YouTube and the rest of our websites. Also feel free to contact our VP of Investor Relations, Adrian Miller, at adrianmiller@pavmed.com questions.

Again, thank you all again and have a great rest of the evening.

Operator

Thank you. And that concludes today's conference. We thank you all for your participation.