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#### IMAC, Holdings, Inc. (NASDAQ/IMAC)

December 13, 2021

#### Burning Cash – We Remain Neutral

*The business model behind IMAC (when the company first came public) was to use stock to make acquisitions of clinics and grow the footprint of these clinics around a theme of regenerative medicine. What we have seen is few acquisitions and cash-based. The company thus far, has not achieved “critical mass” and is losing \$3M a quarter. We remain Neutral-rated.*

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#### Investment Highlights

**We remain Neutral-rated.** IMAC generated \$3.58M in revenues in 3Q21 versus \$6.2M in expenses for a \$2.8M-plus loss. The company closed the period with \$11M in cash and 25M shares outstanding versus 11M in the same period a year ago. We continue to be concerned in the company’s decision to acquire clinics with cash versus stock. On the regenerative medicine side, we do not see IMAC as a developer of therapeutics.

**Way Below Plan.** The company remains below our forecasts and its initial plan (from the IPO). The goal at IPO was to achieve \$15-20 million in top-line revenues (last year). This year the company looks to be about 50% below plan.

**What Happened to the Forecast?** IMAC's acquisition of clinics remains underwhelming. The strategy for the IPO was to use stock to acquire clinics and build revenues. The last few acquisitions were for cash, and the company continues to show anemic revenues with mounting losses. The business model of these clinics was to offer alternatives to conventional surgery and joint replacement procedures by delivering non-surgical (high margin) medical treatments (stem cells and such) to help patients with sports injuries, back pain, knee pain, joint pain, ligament, and tendon damage, and other related soft tissue conditions. The idea is that we would see higher margins for these services translating to greater profitability. That has not been seen in the numbers. We have adjusted our model to reflect this reality.

**Valuation.** We remain Neutral-rated. Our model initially assumed a combination of acquisition and organic growth (product mix) and efficiency – expense control with scale, which hasn't been realized. A weak balance sheet leaves little flexibility for the company to execute the business plan. As such, we believe it's prudent to wait for the company to either raise capital to strengthen its balance sheet or achieve cash flow positive operations and build its capital gradually over time.

**Risk to our thesis includes the following:** (1) commercial; (2) regulatory; (3) clinical; (4) manufacturing; (5) financial; (6) liability; (7) acquisition and (8) intellectual property.

Current Price	\$1.28	
Price Target	NA	
<b>Estimates</b>	<b>F2020A</b>	<b>F2021E</b>
<b>Expenses (\$000s)</b>	\$ 19,308	\$ 21,467
1Q March	\$ 5,317	\$ 5,367
2Q June	\$ 4,282	\$ 5,367
3Q September	\$ 4,784	\$ 5,367
4Q December	\$ 4,925	\$ 5,367
	<b>F2020A</b>	<b>F2021E</b>
<b>EPS (diluted)</b>	\$ (0.51)	\$ (0.63)
1Q March	\$ (0.18)	\$ (0.15)
2Q June	\$ (0.17)	\$ (0.17)
3Q September	\$ (0.12)	\$ (0.15)
4Q December	\$ (0.04)	\$ (0.15)
<b>EBITDA/Share</b>	(\$0.50)	(\$0.61)
<b>EV/EBITDA (x)</b>	0.0	0.0
<b>Stock Data</b>		
<b>52-Week Range</b>	\$0.96 -	\$2.75
<b>Shares Outstanding (mil.)</b>	26.2	
<b>Market Capitalization (mil.)</b>	\$34	
<b>Enterprise Value (mil.)</b>	\$30	
<b>Debt to Capital</b>	0%	
<b>Book Value/Share</b>	\$0.10	
<b>Price/Book</b>	-	
<b>Average Three Months Trading Volume (K)</b>	36	
<b>Insider Ownership</b>	17.9%	
<b>Institutional Ownership</b>	17.3%	
<b>Short interest (mil.)</b>	0.2%	
<b>Dividend / Yield</b>	\$0.00/0.0%	



## Risk Analysis

**Acquisition Risk.** IMAC intends to grow through the acquisition of clinics. There can be no assurances that the company will be able to find clinics that meet the required criteria and can successfully negotiate the purchase terms.

**Commercial Risk:** The company is attempting to treat patients with the use of cell therapy and other leading-edge technologies that are not conventional. The adoption of this new treatment approach may take longer than expected. Additionally, physician practice management has been utilized as a business strategy before and failed, so there is no guarantee that IMAC will be successful in implementing this approach.

**Employee Risk.** IMAC Holdings has an experienced management team in its director and CEO, CFO, COO, and CSO. The company plans to rapidly expand the number of clinics owned to become a profitable organization. The success of the company may depend on the experience, abilities, and continued services of its senior officers and key medical personnel.

**Financial Risk:** The company may need to raise additional capital. There is no guarantee that market conditions will be favorable and or that the company will be able to raise the required capital to support its acquisition-driven growth strategy.

**Intellectual Property Risk.** The company may have to defend its patents and technical know-how, and there can be no assurances that the patents will not be infringed or will be held as valid if challenged, and the company may infringe on third-party patents.

**Market Share Risk.** The physical therapy industry is highly competitive, and we can make no assurances that the company will be able to capture a significant percentage of market share to become profitable.

**Regulatory Risk.** IMAC is working to develop NeoCyte and must obtain FDA approval before commercial sales of the product can commence in the United States. The timing of these approvals is uncertain.

**Important Disclosures:**

**Price Chart:**



**Price target and rating changes over the past three years:**

Initiated – Buy – August 5, 2019 – Price Target \$7.00  
 Lower to Neutral – January 13, 2020 – Price Target \$NA  
 Update: Neutral – January 14, 2021 – Price Target \$NA  
 Update: Neutral – March 19, 2021 – Price Target \$NA  
 Update: Neutral – December 13, 2021 – Price Target \$NA

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Current as of... 1-Dec-21

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	24	67%	5	21%
Market Perform (Neutral)	12	33%	0	0%
Market Underperform (Sell)	0	0%	0	0%
<b>Total</b>	<b>36</b>	<b>100%</b>	<b>5</b>	<b>14%</b>

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