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IMAC, Holdings, Inc. (NASDAQ/IMAC) – Neutral Rated

June 27, 2022

Bouncing Along on the Bottom \$4M in Cash, Burning \$3M / Quarter

IMAC continues to bounce along at its lows as the company struggles to reach critical mass. The company reported a first-quarter loss of \$3.1M and closed the period with \$4M in cash. The share count now stands at 26M and we expect additional dilution is ahead. We remain skeptical regarding the company's stem cell programs. We see few reasons to be more constructive on the stock.

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Investment Highlights:

Can Walmart Save IMAC? The company states the successful completion of its pilot program for The Back Space retail chiropractic concept at select Walmart stores, with a commitment to triple its store count with at least 20 additional locations in Walmart over the next 12 months. While interesting, we don't see this as the answer.

Bradykinesia due to Parkinson's disease: IMAC initiated the third and final cohort of its Phase 1 clinical trial for the treatment of bradykinesia due to Parkinson's disease. The Phase 1 clinical trial design consists of a 15-patient dose escalation safety and tolerability study, is being conducted at IMAC Regeneration Centers in Chesterfield, Missouri, Paducah, Kentucky, and Brentwood, Tennessee. The trial is divided into three groups: Low, Medium and High dose groups.

What Happened to the Forecast? IMAC's acquisition of clinics remains underwhelming as is reflected by the continuing operational loss. Recall that the strategy 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.

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.



Source: IMAC

Stock Data		
52-Week Range	\$0.75 -	\$2.13
Shares Outstanding (mil.)		26.5
Market Capitalization (mil.)		\$23
Enterprise Value (mil.)		\$20
Debt to Capital		0%
Book Value/Share		\$0.10
Price/Book		-
Average Three Months Trading Volume (K)		120
Insider Ownership		22.8%
Institutional Ownership		16.6%
Short interest (mil.)		1.7%
Dividend / Yield		\$0.00/0.0%



IMAC, Inc. Income Statement (\$000)															
IMAC : YE Dec. 31	2020A	2021A	1Q22A	2Q22E	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue (\$000)															
Clinic Gross Revenues	12,823	14,163	3,894	3,894	3,894	3,894	16,996	20,395	24,474	29,368	32,305	35,536	39,089	42,998	47,298
Total Revenues	12,823	14,386	3,894	3,894	3,894	3,894	16,996	20,395	24,474	29,368	32,305	35,536	39,089	42,998	47,298
Revenue Breakdown															
High Margin Stem Cells (estimated)	200	-	-	-	-	-	1,550	2,075	3,117	3,853	4,564	5,909	6,695	7,586	9,669
Percent of Revenues	2%	0%	0%	0%	0%	0%	9%	10%	13%	13%	14%	17%	17%	18%	20%
Clinic Revenues	12,636	-	3,894	3,894	3,894	3,894	15,576	18,320	21,357	25,516	27,742	29,627	32,394	35,413	37,629
Percent of total revenues	99%	0%	100%	100%	100%	100%	92%	90%	87%	87%	86%	83%	83%	82%	80%
Clinic Gross revenues	12,836	14,386	3,894	3,894	3,894	3,894	17,126	20,395	24,474	29,368	32,305	35,536	39,089	42,998	47,298
Expenses															
High Margin Stem Cells COGS	-	-	-	-	-	-	201	259	374	443	502	620	670	721	870
Stem Cell Margin	86%	87%	87%	87%	87%	87%	87%	88%	88%	89%	89%	90%	90%	91%	91%
Clinic COGS	13,028	16,261	4,729	3,894	3,894	3,894	16,411	20,135	24,100	28,925	31,803	34,915	38,420	42,278	46,428
Clinic Margin	46%	47%	47%	47%	47%	47%	47%	48%	48%	49%	49%	50%	50%	51%	51%
Sales (Advertising & Marketing) expense	933	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General and administrative	4,557	6,422	1,815	1,815	1,815	1,815	6,550	6,681	6,815	6,951	7,090	7,232	7,377	7,524	7,675
Depreciation and amortization	1,722	1,649	47	47	47	47	1,682	1,716	1,750	1,785	1,821	1,857	1,894	1,932	1,971
Total expenses	19,308	24,484	7,039	5,758	5,758	5,758	24,312	28,793	33,040	38,106	41,218	44,626	48,362	52,456	56,945
Operating Profit	(6,472)	(10,098)	(3,144)	(1,864)	(1,864)	(1,864)	(7,186)	(8,398)	(8,566)	(8,738)	(8,912)	(9,091)	(9,272)	(9,458)	(9,647)
Oper Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Interest Income	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	6	57	(13)	-	-	-	-	-	-	-	-	-	-	-	-
Beneficial conversion interest expense	-	(504)	(4)	-	-	-	-	-	-	-	-	-	-	-	-
Equity in earnings (loss) of non-consolidated affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (loss)	923	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-tax income	(5,543)	(10,542)	(3,161)	(1,864)	(1,864)	(1,864)	(7,186)	(8,398)	(8,566)	(8,738)	(8,912)	(9,091)	(9,272)	(9,458)	(9,647)
Pretax Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Income Tax (Benefit)	539	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
GAAP Net Income	(5,004)	(8,076)	(3,161)	(1,864)	(1,864)	(1,864)	(6,752)	(8,402)	(8,570)	(8,742)	(8,917)	(9,095)	(9,277)	(9,462)	(9,651)
GAAP-EPS	(0.51)	(0.47)	(0.12)	(0.08)	(0.07)	(0.07)	(0.34)	(0.32)	(0.32)	(0.33)	(0.33)	(0.34)	(0.35)	(0.35)	(0.36)
Non GAAP EPS (dil)	(0.51)	(0.47)	(0.12)	(0.08)	(0.07)	(0.07)	(0.34)	(0.32)	(0.32)	(0.33)	(0.33)	(0.34)	(0.35)	(0.35)	(0.36)
Wgtd Avg Shrs (Bas) - '000s	11,050	22,551	26,365	26,391	26,418	26,444	26,444	26,550	26,656	26,763	26,870	26,978	27,086	27,195	27,304
Wgtd Avg Shrs (Dil) - '000s	11,050	22,551	26,365	22,574	26,391	26,418	26,418	26,497	26,577	26,656	26,737	26,817	26,897	26,978	27,059

Source: Company reports and Dawson James

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
 Update: Neutral – March 25, 2022 – Price Target \$NA
 Update: Neutral – June 27, 2022 – Price Target \$NA

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Rating Definitions:

- 1) **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

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Current as of 16-Jun-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	72%	4	13%
Market Perform (Neutral)	12	28%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	43	100%	4	9%

Analyst Certification:

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