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## HeartBeam (NASDAQ: BEAT) - Buy

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### HeartBeam Acquires LIVMOR (Afib) Assets

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HeartBeam announced the strategic acquisition of substantially all assets from LIVMOR, a digital health solutions company providing a patient-engaging remote monitoring system of critical physiological biomarkers. Our understanding is these assets support an FDA approved Afib wearable device. It is also our understanding that the company hired several key technology personnel. So, this acquisition solidifies the company's strategy focused on AIMGo.

#### Investment Highlights

**What is LIVMOR?** LIVMOR developed the Halo Atrial Fibrillation (AF) Detection System, the world's first FDA-cleared prescription wearable for continuous cardiac rhythm monitoring. The Halo system provides continuous monitoring of pulse rhythms for the detection of AF on-demand during the day and automatically overnight.

The AIMGo 3D vector ECG is a first-generation product expected to be ready for FDA submission in the fourth quarter of this year, along with FDA clearance for HeartBeam AIMI. The commercial team is engaged in discussions with strategic institutions: Academic centers, Regional healthcare systems, and Regional community hospital systems for the initial phase of the launch. In February 2022, HeartBeam partnered with LIVMOR to build a HeartBeam-branded version of LIVMOR's FDA-cleared Halo cloud-based software platform to connect physicians and patients. Utilizing the Halo cloud-based platform allowed HeartBeam to meet its schedule for FDA submission of the HeartBeam AIMI software for acute care settings that provides a 3D vector electrogram (VECG) comparison of baseline and symptomatic 12-lead ECG to more accurately identify a heart attack.

**What did HeartBeam get?** Under the terms of the acquisition agreement, HeartBeam purchased LIVMOR's intellectual property for an undisclosed amount, including 3 issued United States patents, LIVMOR technology, including the Halo AF Detection System, LIVMOR's business contracts and relationships as well as all Samsung watch and tablet inventory. Additionally, HeartBeam hired LIVMOR's key technical employees.

**Remote Monitoring and AI with an Emergency Room Assist:** HeartBeam's plans to launch two products (initially). A telehealth product for high-risk cardiovascular patients (remote monitoring) and an AI-diagnostic expert & detection system in the Emergency Rooms (ER). Both hold the promise to improve patient outcomes. The initial telemedicine product addresses coronary artery disease (CAD) and other high risk (MI) patients. The market today lacks a user-friendly, easy to carry and always ready product that can provide physicians and patients with timely and accurate information about potential Acute Coronary Syndrome (ACS) and Myocardial Infarction (MI) events. Intelligent software in the ER can offer a welcome assist and save time during the golden window for patients in need of cardiac care.

**Valuation:** We project our model out to 2030. We apply a 30% risk cut to our projected revenues in our product model in addition to our 30% risk rate applied in our Free Cash Flow to the Firm (FCFF), discounted EPS (dEPS), and Sum-of-the-Parts (SOP) models. We use a fully diluted outyear share count assuming multiple raises. The result is equal-weighted and averaged and rounded to the nearest whole number to derive our 12-month projected price target of \$12.0.

**Risks to our thesis include:** 1. Regulatory Approvals; 2. Clinical Science 3. Adoption Rates 4. The competitive landscape. 5. Intellectual Capital 6. Dilution.

**Current Price** \$3.09  
**Price Target** \$12.00

**MARKET LANDSCAPE**  
 SUBSTANTIAL CAPABILITIES BEYOND EXISTING OFFERINGS

	HeartBeam	Apple Watch	AliveCor	Rhythm	Search
Heart Attack Detection	✓	✗	✗	✗	✗
12L ECG Capable	✓	✗	✗	✗	✗
Integrates history & symptoms	✓	✗	✗	✗	✗
Uses Baseline	✓	✗	✗	✗	✗
Long Term Use Potential	✓	✓	✓	✗	✗
Afib Detection	✓	✓	✓	✓	✓
Aflutter Detection	✓	✗	✗	✓	✓

Source: HeartBeam

**Stock Data**

52-Week Range	\$1.12 - \$6.74
Shares Outstanding (mil.)	8.0
Market Capitalization (mil.)	\$25
Enterprise Value (mil.)	\$18
Debt to Capital	0%
Book Value/Share	-
Price/Book	1.8
Average Three Months Trading Volume (K)	227
Insider Ownership	41.1%
Institutional Ownership	7.0%
Short Interest (mil.)	2.7%
Dividend / Yield	\$0.00/0.0%



- **Regulatory Approvals.** The company's products require regulatory approvals, and there can be no assurances that the requirements to achieve these approvals can be met.
- **Clinical Science:** The company will need to demonstrate to its "sophisticated" clients (cardiologists) that the product works and is comparable to the existing standard of care.
- **Adoption Rates:** There are no assurances that our projected market share can be met. A combination of factors from pricing and reimbursement to competitive performance are expected to be key factors in driving users to select the product for their practices, patients, and the emergency room setting.
- **The Competitive Landscape & IP.** The company does have intellectual property and knows how to protect the utility of its devices and software; however, we expect that the technology cycle is competitive, and the company may face competition from well-financed competitors who are already in position in the target markets.
- **Dilution:** The company is likely to incur losses for the foreseeable future until it is able to generate sufficient revenue from product sales. Our model assumes a rising share count. There can be no assurances that the company can successfully raise the capital required to execute its business strategy.

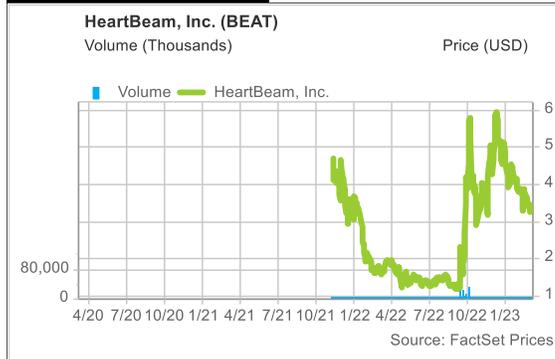
**Exhibit 1. Income Statement**

Heart Beam: Income Statement (\$'000)													
∴ YE December 31	1Q22A	2Q22A	3Q22A	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Product sales</b>													
ED Software						-	1,780	18,103	36,823	56,178	76,182	96,853	130,028
ECG Monitor						-	14,921	78,164	173,558	278,125	504,877	663,846	804,172
<b>Total Product Sales</b>	-	-	-	-	-	-	16,701	96,267	210,381	334,303	581,059	760,699	934,200
<b>Expenses</b>													
COGS							3,340	19,253	33,661	46,802	69,727	76,070	93,420
COGS %							20%	20%	16%	14%	12%	10%	10%
General & Administrative	1,414	1,793	2,048	1,500	6,755	7,093	12,000	18,000	30,000	30,600	31,212	31,836	32,473
Research and Development	734	1,742	1,562	1,200	5,238	3,600	3,672	7,000	10,000	12,000	15,000	15,300	15,606
<b>Total expenses</b>	<b>2,148</b>	<b>3,535</b>	<b>3,610</b>	<b>2,700</b>	<b>11,993</b>	<b>10,693</b>	<b>19,012</b>	<b>44,253</b>	<b>73,661</b>	<b>89,402</b>	<b>115,939</b>	<b>123,206</b>	<b>141,499</b>
Operating Income (Loss)	(2,148)	(3,535)	(3,610)	(2,700)	(11,993)	(10,693)	(2,311)	52,013	136,720	244,900	465,120	637,493	792,701
Finance income													
Finance expenses	2	10	31		43								
<b>Total other income</b>		<b>10</b>	<b>31</b>	<b>-</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Pretax Income</b>	<b>(2,146)</b>	<b>(3,525)</b>	<b>(3,579)</b>	<b>(2,700)</b>	<b>(11,950)</b>	<b>(10,693)</b>	<b>(2,311)</b>	<b>52,013</b>	<b>136,720</b>	<b>244,900</b>	<b>465,120</b>	<b>637,493</b>	<b>792,701</b>
change in fair value of cash flow hedge													
Income Tax Benefit (Provision)		-	-	-	-	-	-	5,201	20,508	61,225	139,536	223,123	301,227
<b>Tax Rate</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>10%</b>	<b>15%</b>	<b>25%</b>	<b>30%</b>	<b>35%</b>	<b>38%</b>
<b>GAAP Net Income (loss)</b>	<b>(2,146)</b>	<b>(3,525)</b>	<b>(3,579)</b>	<b>(2,700)</b>	<b>(11,950)</b>	<b>(10,693)</b>	<b>(2,311)</b>	<b>46,812</b>	<b>116,212</b>	<b>183,675</b>	<b>325,584</b>	<b>414,370</b>	<b>491,475</b>
<b>GAAP-EPS</b>	<b>(0.27)</b>	<b>(0.43)</b>	<b>(0.44)</b>	<b>(0.17)</b>	<b>(1.31)</b>	<b>(0.54)</b>	<b>(0.09)</b>	<b>1.86</b>	<b>4.59</b>	<b>7.23</b>	<b>12.77</b>	<b>16.19</b>	<b>19.12</b>
GAAP EPS (dil)	(0.27)	(0.43)	(0.44)	(0.11)	(0.97)	(0.35)	(0.06)	1.24	2.96	4.50	7.66	9.37	10.68
Wgtd Avg Shrs (Bas) - '000s	8,082	8,146	8,147	16,000	10,094	20,518	25,088	25,188	25,289	25,390	25,492	25,594	25,697
Wgtd Avg Shrs (Dil) - '000s	8,082	8,146	8,147	25,000	12,344	30,276	36,243	37,714	39,246	40,839	42,497	44,223	46,019

Source: Company reports and Dawson James

Companies mentioned in this report:

**Important Disclosures:**



Price target and ratings changes over the past three years:

- Initiated – Buy – July 25, 2022 – Price Target \$12.00
- Update Report – Buy – August 12, 2022 – Price Target \$12.00
- Update Report – Buy – September 20, 2022 – Price Target \$12.00
- Update Report – Buy – September 30, 2022 – Price Target \$12.00
- Update Report – Buy – October 5, 2022 – Price Target \$12.00
- Update Report – Buy – November 11, 2022 – Price Target \$12.00
- Update Report – Buy – November 17, 2022 – Price Target \$12.00
- Update Report – Buy – December 7, 2022 – Price Target \$12.00
- Update Report – Buy – March 8, 2023 – Price Target \$12.00
- Update Report – Buy – March 15, 2023 – Price Target \$12.00

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Current as of 3-Mar-23

	<b>Company Coverage</b>		<b>Investment Banking</b>	
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Market Outperform (Buy)	24	69%	1	3%
Market Perform (Neutral)	11	31%	2	6%
Market Underperform (Sell)	0	0%	0	0%
Total	35	100%	3	9%

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