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HeartBeam (NASDAQ: BEAT) - Buy

March 17, 2023

HeartBeam – Catalysts Ahead – Just Take a Look

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HeartBeam announced fourth quarter and full year 2022 results. The company spent \$1.6M in R&D and \$2.1M in SG&A in the period, closing the year with \$3.6M on the balance sheet. Our model assumes the company raises capital. Management highlighted multiple accomplishments in the company's first year as a public entity.

Investment Highlights

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.

What's the Market Opportunity? It's large. Simply put, 18M patients in the U.S. have heart disease. This adds up to over \$30B. The number of hospitals using mobile applications is rising sharply (in part as a result of COVID), accelerating a push to tele-health. These 18 million patients are typically seen by 5,000 cardiologists and 5,000 emergency rooms nationwide.

Milestones Ahead (*press release*):

AIMI

- FDA Submission Completed – Q3 2022
- FDA Clearance – Q2 2023
- Limited Market Release – Q3 2023

AIMIGo

- FDA Submission V1 – Q2 2023
- FDA Clearance V1 – Q3 2023
- Limited Market Release V1 – Q4 2023
- FDA Submission V2 – Q4 2023
- FDA Clearance V2 – Q1 2024
- Limited Market Release V2 – Q2 2024

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	\$2.50
Price Target	\$12.00
MARKET LANDSCAPE	
SUBSTANTIAL CAPABILITIES BEYOND EXISTING OFFERINGS	
	
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.)	\$20
Enterprise Value (mil.)	\$13
Debt to Capital	0%
Book Value/Share	-
Price/Book	1.8
Average Three Months Trading Volume (K)	179
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.

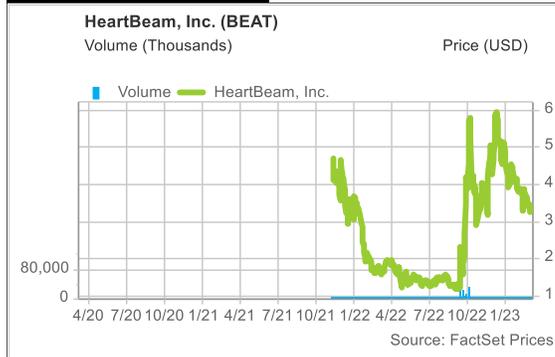
Exhibit 1. Income Statement

Heart Beam: Income Statement (\$000)																	
..YE December 31	1Q22A	2Q22A	3Q22A	4Q22A	2022A	1Q23E	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Product sales																	
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
Total Product Sales											16,701	96,267	210,381	334,303	581,059	760,699	934,200
Expenses																	
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	2,099	7,354	1,853	1,776	2,008	2,085	7,722	12,000	18,000	30,000	30,600	31,212	31,836	32,473
Research and Development	734	1,742	1,562	1,639	5,677	864	828	936	972	3,600	3,672	7,000	10,000	12,000	15,000	15,300	15,606
Total expenses	2,148	3,535	3,610	3,738	13,031	2,717	2,604	2,944	3,057	11,322	19,012	44,253	73,661	89,402	115,939	123,206	141,499
Operating Income (Loss)	(2,148)	(3,535)	(3,610)	(3,738)	(13,031)	(2,717)	(2,604)	(2,944)	(3,057)	(11,322)	(2,311)	52,013	136,720	244,900	465,120	637,493	792,701
Finance income																	
Finance expenses	2	10	31	26	69												
Total other income		10	31	26	69												
Pretax Income	(2,146)	(3,525)	(3,579)	(3,712)	(12,962)	(2,717)	(2,604)	(2,944)	(3,057)	(11,322)	(2,311)	52,013	136,720	244,900	465,120	637,493	792,701
change in fair value of cash flow hedge																	
Income Tax Benefit (Provision)		-	-	-	-	-	-	-	-	-	-	5,201	20,508	61,225	139,536	223,123	301,227
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	10%	15%	25%	30%	35%	38%
GAAP Net Income (loss)	(2,146)	(3,525)	(3,579)	(3,712)	(12,962)	(2,717)	(2,604)	(2,944)	(3,057)	(11,322)	(2,311)	46,812	116,212	183,675	325,584	414,370	491,475
GAAP-EPS	(0.27)	(0.43)	(0.44)	(0.45)	(1.59)	(0.33)	(0.14)	(0.12)	(0.12)	(0.71)	(0.09)	1.86	4.59	7.23	12.77	16.19	19.12
GAAP EPS (dil)	(0.27)	(0.43)	(0.44)	(0.45)	(1.59)	(0.33)	(0.11)	(0.08)	(0.09)	(0.44)	(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	8,228	8,169	8,237	18,245	25,000	25,025	19,127	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	8,228	8,169	8,311	23,394	35,000	35,350	25,514	36,243	37,714	39,246	40,839	42,497	44,223	46,019

Source: 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
- Update Report – Buy – March 17, 2023 – Price Target \$12.00

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Current as of 3-Mar-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
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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