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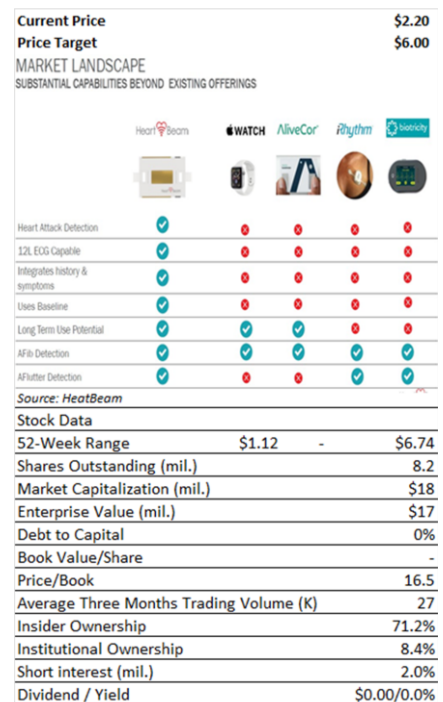
HeartBeam (NASDAQ: BEAT) - Buy

March 22, 2023

HeartBeam – Raises Capital, Submits the 510(k) – We are Lowering Our Price Target from \$12.0 to \$6.0

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HeartBeam announced first quarter results. The company spent \$4.1M in the quarter and raised \$23.2M (net) for 16.7M shares which funds operations into 2024. The company also submitted a 510(k) for the AIMIGo system. We have factored in the recent raise and associated dilution. Our price target falls to \$6.0 from \$12.0.



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:

AIMI

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

AIMIGo

- FDA Submission V1 – Completed
- 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 have adjusted our model for the recent raise. 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. The result is equal-weighted and averaged and rounded to the nearest whole number to derive our 12-month projected price target of \$6.0, which was previously \$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.

- **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.

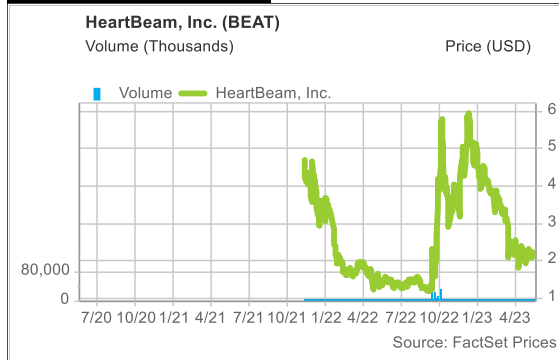
Exhibit 1. Income Statement

| Heart Beam: Income Statement (\$'000) | | | | | | | | | | | | | |
|---|-----------------|----------------|----------------|----------------|----------------|-----------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|
| ∴ YE December 31 | 2022A | 1Q23A | 2Q23E | 3Q23E | 4Q23E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| Product sales | | | | | | | | | | | | | |
| ED Software | | - | - | - | - | - | 1,780 | 18,103 | 36,823 | 37,452 | 38,091 | 46,489 | 47,283 |
| ECG Monitor | | - | - | - | - | - | 14,921 | 31,266 | 52,067 | 74,167 | 100,975 | 207,452 | 326,016 |
| Total Product Sales | | - | - | - | - | - | 16,701 | 49,368 | 88,891 | 111,618 | 139,066 | 253,941 | 373,299 |
| Expenses | | | | | | | | | | | | | |
| COGS | | | | | | | 3,340 | 9,874 | 14,222 | 15,627 | 16,688 | 25,394 | 37,330 |
| COGS % | | | | | | | 20% | 20% | 16% | 14% | 12% | 10% | 10% |
| General & Administrative | 7,354 | 2,475 | 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 | 5,677 | 1,681 | 828 | 936 | 972 | 3,600 | 3,672 | 7,000 | 10,000 | 12,000 | 15,000 | 15,300 | 15,606 |
| Total expenses | 13,031 | 4,156 | 2,604 | 2,944 | 3,057 | 11,322 | 19,012 | 34,874 | 54,222 | 58,227 | 62,900 | 72,530 | 85,409 |
| Operating Income (Loss) | (13,031) | (4,156) | (2,604) | (2,944) | (3,057) | (11,322) | (2,311) | 14,495 | 34,668 | 53,392 | 76,166 | 181,411 | 287,890 |
| Finance income | | | | | | | | | | | | | |
| Finance expenses | 69 | 20 | | | | | | | | | | | |
| Total other income | 69 | 20 | - | - | - | - | - | - | - | - | - | - | - |
| Pretax Income | (12,962) | (4,136) | (2,604) | (2,944) | (3,057) | (11,322) | (2,311) | 14,495 | 34,668 | 53,392 | 76,166 | 181,411 | 287,890 |
| change in fair value of cash flow hedge | | | | | | | | | | | | | |
| Income Tax Benefit (Provision) | - | - | - | - | - | - | - | 1,449 | 5,200 | 13,348 | 22,850 | 63,494 | 109,398 |
| Tax Rate | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 10% | 15% | 25% | 30% | 35% | 38% |
| GAAP Net Income (loss) | (12,962) | (4,136) | (2,604) | (2,944) | (3,057) | (11,322) | (2,311) | 13,045 | 29,468 | 40,044 | 53,316 | 117,917 | 178,492 |
| GAAP-EPS | (2.72) | (0.50) | (0.10) | (0.12) | (0.12) | (0.85) | (0.09) | 0.52 | 1.17 | 1.58 | 2.09 | 4.61 | 6.95 |
| GAAP EPS (dil) | (1.59) | (0.50) | (0.10) | (0.08) | (0.09) | (0.44) | (0.06) | 0.35 | 0.75 | 0.98 | 1.25 | 2.67 | 3.88 |
| Wgtd Avg Shrs (Bas) - '000s | 8,169 | 8,222 | 24,897 | 25,000 | 25,025 | 20,786 | 25,088 | 25,188 | 25,289 | 25,390 | 25,492 | 25,594 | 25,697 |
| Wgtd Avg Shrs (Dil) - '000s | 8,169 | 8,222 | 24,971 | 35,000 | 35,350 | 25,886 | 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
- Price Target Change – Buy – Price Target goes from \$12.0 to \$6.0

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- 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 1-May-23

| | Company Coverage | | Investment Banking | |
|-----------------------------|-------------------------|-------------|---------------------------|-------------|
| Ratings Distribution | # of Companies | % of Total | # of Companies | % of Totals |
| Market Outperform (Buy) | 26 | 72% | 2 | 6% |
| Market Perform (Neutral) | 10 | 28% | 1 | 3% |
| Market Underperform (Sell) | 0 | 0% | 0 | 0% |
| Total | 36 | 100% | 3 | 9% |

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