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HeartBeam (NASDAQ: BEAT) - Buy

November 16, 2023

HeartBeam – Third Quarter Results

HeartBeam announced third quarter results. The company spent \$3.4M in the quarter and closed the period with \$19M in cash and equivalents. Cash is projected (by the company) to fund operations into 2025.

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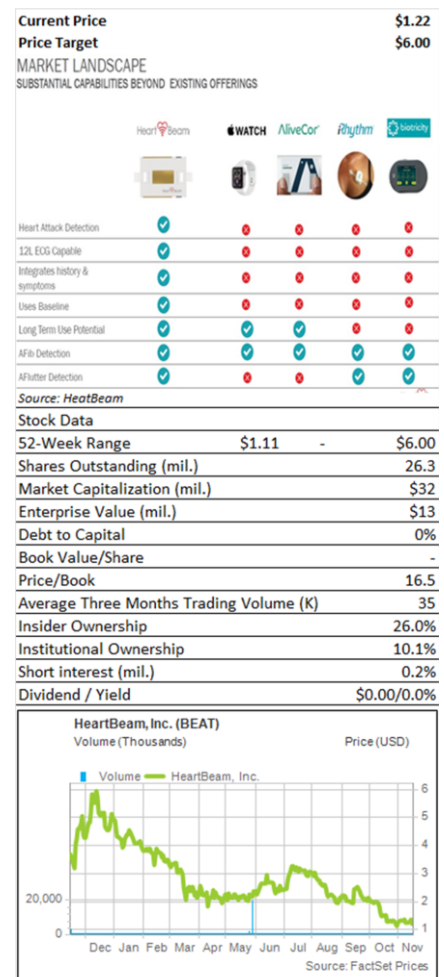
Investment Highlights

Third Quarter Highlights: (press release):

- Made steady progress toward key AIMIGo™ VECG Device Clinical and Regulatory Milestones.
- Received and responded to questions from FDA on the initial AIMIGo 510(k) submission, which is focused on the system hardware.
- Held a pre-submission meeting with FDA on the second AIMIGo 510(k) submission, which is focused on the algorithms that synthesize a 12L ECG from the AIMIGo device. This application will be submitted after the initial clearance that is focusing on AIMIGo hardware. The emphasis of the pre-submission meeting was on the design of the clinical study that will demonstrate the performance of our synthesized 12L ECG in relation to standard 12L ECGs.
- The US Patent and Trademark Office granted a third patent for the 12-Lead Extended Wear Patch for detecting heart attacks and complex cardiac arrhythmias.

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.

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.

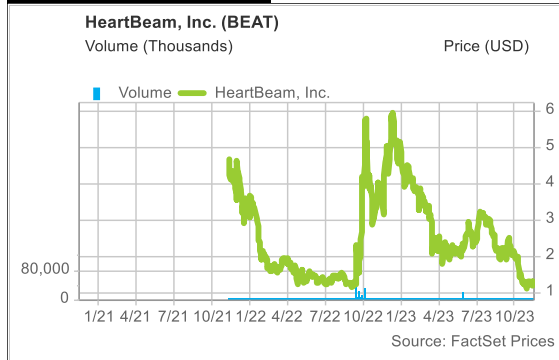
Exhibit 1. Income Statement

Heart Beam: Income Statement (\$000)													
∴ YE December 31	2022A	1Q23A	2Q23A	3Q23A	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	1,828	2,114	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	1,484	1,623	972	3,600	3,672	7,000	10,000	12,000	15,000	15,300	15,606
Total expenses	13,031	4,156	3,312	3,737	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)	(3,312)	(3,737)	(3,057)	(11,322)	(2,311)	14,495	34,668	53,392	76,166	181,411	287,890
Finance income													
Finance expenses	69	20	158	267									
Total other income	69	20	158	267	-	-	-	-	-	-	-	-	-
Pretax Income	(12,962)	(4,136)	(3,154)	(3,470)	(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)	(3,154)	(3,470)	(3,057)	(11,322)	(2,311)	13,045	29,468	40,044	53,316	117,917	178,492
GAAP-EPS	(2.72)	(0.50)	(0.16)	(0.13)	(0.12)	(0.91)	(0.09)	0.49	1.10	1.49	1.98	4.35	6.57
GAAP EPS (dil)	(1.59)	(0.50)	(0.13)	(0.10)	(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	19,690	26,449	26,475	20,209	26,542	26,648	26,755	26,862	26,970	27,078	27,186
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 – May 22, 2023 - Price Target goes from \$12.0 to \$6.0
- Update Report - Buy - August 21, 2023 - Price Target \$6.0
- Update Report - Buy – November 16, 2023 - Price Target \$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.

The following chart reflects the range of current research report ratings for all companies, followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Current as of 14-Nov-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	21	61.76%	3	8.80%
Market Perform (Neutral)	13	38.24%	2	5.90%
Market Underperform (Sell)	0	0%	0	0.00%
Total	34	100%	5	14.70%

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