February 16, 2022

# Zacks Small-Cap Research

*Sponsored – Impartial - Comprehensive*

T. Moore, CFA
312-265-9237
tmoore@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

## Biotricity Inc. (BTCY-NASDAQ)

## BTCY: Topline Growth Continues Despite Omicron Headwinds as the Company Expands Salesforce & Is Unleashing New Revenue Streams Soon

Based on a peer group industry of 9.3x EV/Sales 2022 applied to our calendar 2023 Sales estimate, we believe the stock could be worth $7.50 per share.

| | |
|---|---|
| Current Price (2/15/22) | $2.96 |
| **Valuation** | **$7.50** |

## OUTLOOK

Biotricity (BTCY) reported December quarter results of 93% sales growth from the year-ago quarter. 7% sequential sales growth was held back by Omicron COVID-19 causing the delay of patient visits and some temporary closings of clinics and doctor's offices. Simply a deferral and pushout of revenues into the late winter as that overhang fades.

We like how the company is evolving into an ecosystem for remoting monitoring and cost-effective earlier detection of health issues. New offerings & further penetration of it doctors network and their patients. We initiated coverage last week and refer investors to our in-depth report.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$5.30** |
| **52-Week Low** | **$1.30** |
| **One-Year Return (%)** | **104** |
| **Beta** | **2.29** |
| **Average Daily Volume (sh)** | **344,735** |
| **Shares Outstanding (mil)** | **49** |
| **Market Capitalization ($mil)** | **$152** |
| **Short Interest Ratio (days)** | **3** |
| **Institutional Ownership (%)** | **4** |
| **Insider Ownership (%)** | **26** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **N/A** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **-4.4x** |
| **P/E using cal 2022 Estimate** | **-8.1x** |
| **P/E using cal 2023 Estimate** | **-16.6x** |

| | |
|---|---|
| **Risk Level** | **Above Average** |
| **Type of Stock** | **Small-Growth** |
| **Industry** | **Healthcare-Devices** |

## ZACKS ESTIMATES

**Revenue**
(Adjusted in millions $ USD, Fiscal Year-End March)

| | Q1 (Jun) | Q2 (Sep) | Q3 (Dec) | Q4 (Mar) | Year (Mar) |
|---|---|---|---|---|---|
| 2021 | 0.5 A | 0.7 A | 1.0 A | 1.2 A | 3.4 A |
| 2022 | 1.8 A | 1.8 A | 1.9 A | 2.3 E | 7.8 E |
| 2023 | 3.1 E | 4.2 E | 5.7 E | 7.4 E | 20.4 E |
| 2024 | 9.1 E | 11.1 E | 13.1 E | 15.4 E | 48.7 E |

**EPS (Non-GAAP)**
(Adjusted in $ USD, fiscal year-end March)

| | Q1 (Jun) | Q2 (Sep) | Q3 (Dec) | Q4 (Mar) | Year (Mar) |
|---|---|---|---|---|---|
| 2021 | -$0.09 A | -$0.08 A | -$0.11 A | -$0.14 A | -$0.43 A |
| 2022 | -$0.14 A | -$0.26 A | -$0.13 A | -$0.10 E | -$0.62 E |
| 2023 | -$0.08 E | -$0.09 E | -$0.09 E | -$0.08 E | -$0.34 E |
| 2024 | -$0.05 E | -$0.04 E | -$0.02 E | $0.01 E | -$0.10 E |

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

© Copyright 2022, Zacks Investment Research. All Rights Reserved.

## WHAT'S NEW

- **We had initiated coverage of Biotricity Inc. (BTCY) last week with a valuation price target of $7.50 per share. We refer investors to our in-depth detailed report from February 10.**
- **93% sales growth in the December quarter was nice to see despite Omicron drag.**
- **Triple-digit sales growth this March 2022 fiscal year and next year was guided.**
- **33%+ salesforce growth in the past three to four months and a goal to double it during calendar 2022.**
- **Biotres could be a good growth contributor by the end of the calendar year after receiving FDA clearance received last month.**
- **Monthly care subscription (Cardiac & Chronic) offering should be available by July 1st. We deem this a big revenue contributor for the March 2024 fiscal year (see our model). Current sales reps will cross-sell and upsell the new offering while visiting clinics and offices for continued penetration of Bioflux. Part of building out a complete suite solution and ecosystem.**
- **Greenshoots being seen the past few weeks of initial fading of the Omicron overhang variant of COVID-19 created from late November through mid-January. Some patients opted to not go see their cardiologist and instead delay until Omicron would fade. Some offices were closed during the initial spike in Omicron and over the holidays. We expect there to be some catch-up demand on this front for March and April as COVID cases have subsided recently.**
- Chips shortages are not much of a supply constraint and the company believes they are insulated.
- International expansion opportunity could be pursued with distribution partners and for countries that recognize US FDA approval instead of having to start from scratch for slower regulatory burden.
- $14 million Cash at late December will support funding of working capital growth for devices, hiring additional salesforce and monthly care subscription rollout.

**December Quarter Financial Results Update**

Biotricity (BTCY) reported December quarter results of 93% revenues growth, which was a 5% beat versus our expectation. While the sales growth was only 7% sequentially higher than the September quarter, we point out that the Omicron variant of COVID-19 was severe and kept many patients away from going inside. Including visiting their doctor's or cardiologist offices. Some offices and clinics were temporarily closed during the main spike period. Holidays also created a drag.

We are confident that this was simply a deferral or pushout because people still need to maintain and track their cardiac health. We suspect that doctor visits will restart soon and already began to the past few weeks. Sales reps are likely to be allowed to visit clinics again soon to find new customers, clinics and penetrate current ones further.

Gross margin 43% was down 640 bps due to a mix shift in the quarter to low-margin Devices. Technology Fee and study rendering is higher margin, but studies were delayed during Omicron.

Net loss adjusted was negative $6-7 million (-$0.13 EPS) depending how you treat a financing expense. Our focus is on the topline and we believe that sales growth is the #1 catalyst that investors care about.

## Conclusion

We believe that Biotricity (BTCY) is becoming well-positioned for 130% sales growth this fiscal year ending March and 160% next fiscal year (March 2023).

**We refer investors to our full initiation report from February 10th with complete thesis & catalysts.**

### Winning Formula by Biotricity:

Innovative Software (improved features & interface post-feedback from doctor's usage)

+ Superior accuracy and reporting

+ Designed hardware & MCT devices to displace the conventional approach

+ Cloud-based platform

+ Financially attractive profit center for doctors & clinics

+ Patient Engagement and monitoring the patient for the rest of their life!

+ Monthly telemedicine & Biocare subscription launch

---

= **Emerging Growth Company & Disruptor in Several Scalable Addressable Markets**

---

- **Each new offering increases Biotricity's total addressable market into existing accounts**
- **Platform technology advantages with well-developed products and services (not concepts)**
- **Reimbursement-based with Centers for Medicare & Medicaid (CMS) & compatible billing**
- **Biotres patch upcoming launch had 3 channels instead of 1 channel competitive offering**

**$7.50 remains our valuation price per share based on peer group of 9.3x EV/Sales 2022, but applied to our calendar 2023 Sales forecast for BTCY to capture a full year of Biocare & Biotres.**

**If our assumptions prove to be accurate, valuation is attractive if revenues can grow 130% in calendar 2022 and 165% in calendar 2023.**

## VALUATION

We value Biotricity Inc. using a peer comparables valuation methodology based on EV/Sales multiples of the peer group applied to our 2023 forecasts.

**We reach $7.50 valuation price per share based on a blend of the peer group median of 8.9x EV/Sales 2022 and average of 9.7x, but applied to our calendar 2023 Sales forecast for BTCY to capture a full year of Biocare & Biotres. If our assumptions prove to be accurate.**

We appreciate the company's runway and addressable market for additional penetration of its network for Bioflux, the Biotres launch contribution and the recurring revenues stream. Our focus is on 2023 sales.

We used 49 million shares count and Net Cash $3.2 million as of 12/31/21

$7.50 price target compares to the stock trading as high as $6 in early 2017 and $5 in December 2021.

Peer Group Valuation Table

| Company | Ticker | Price* (local FX) | Market Cap* (local FX) | EV (local FX) | Sales 2021E Consensus | Sales 2022E Consensus | EV/Sales 2021E | EV/Sales 2022E |
|---|---|---|---|---|---|---|---|---|
| Teladoc Health/Livongo | TDOC | 74.93 | 11,995 | 12,383 | 2,020 | 2,570 | 6.1x | 4.8x |
| iRhythm Technologies | IRTC | 129.01 | 3,796 | 3,664 | 319 | 373 | 11.5x | 9.8x |
| GoodRx Holdings | GDRX | 29.18 | 11,639 | 11,429 | 749 | 1,020 | 15.2x | 11.2x |
| BioSig Technologies | BSGM | 1.54 | 54 | 38 | 1 | 11 | 53.7x | 3.5x |
| CVRx Inc. | CVRX | 8.62 | 175 | 148 | 14 | 27 | 10.8x | 5.5x |
| Doximity | DOCS | 56.94 | 15,791 | 15,712 | 328 | 425 | 48.0x | 37.0x |
| LeMaitre Vascular | LMAT | 43.37 | 947 | 946 | 155 | 167 | 6.1x | 5.7x |
| Vuzix Corp | VUZI | 6.60 | 420 | 292 | 14 | 25 | 21.1x | 11.7x |
| TransMedics Group | TMDX | 15.61 | 433 | 446 | 28 | 62 | 15.8x | 7.2x |
| DarioHealth | DRIO | 8.74 | 145 | 94 | 21 | 34 | 4.6x | 2.7x |
| ArtiCure Inc | ATRC | 65.50 | 3,009 | 3,030 | 274 | 319 | 11.1x | 9.5x |
| Tandem Diabetes Care | TNDM | 117.75 | 7,481 | 7,650 | 691 | 827 | 11.1x | 9.2x |
| Masimo Corp | MASI | 228.84 | 12,637 | 11,985 | 1,230 | 1,350 | 9.7x | 8.9x |
| Biotelemetry (CardioNet) was acquired by Philips for $2.8b February 2021 (6.4x Sales) | | | | | | | N/A | N/A |
| Preventice acquired by Boston Scientific for $1.2b in 2021 (7.8x Sales incl $300m milestone) | | | | | | | N/A | N/A |
| Livongo Health merged with Teladoc October 2020 at $14b mkt cap (38x Sales) | | | | | | | N/A | N/A |
| ScottCare/TZ Medical (subsidiary of Berkshire Hathaway's Scott Fetzer) | | | | | | | N/A | N/A |
| Corventis acquired by Medtronic for $150m+ in 2004 | | | | | | | N/A | N/A |
| RhythMedix | private | | | | | | N/A | N/A |
| InfoBionic | private | | | | | | N/A | N/A |
| CardioMEMS | private | | | | | | N/A | N/A |
| Incentia (CardioSTAT) | private | | | | | | N/A | N/A |
| MediLynx Cardiac Monitor | private | | | | | | N/A | N/A |
| TZ Medical | private | | | | | | N/A | N/A |
| **Peer Median** | | | | | | | **11.1x** | **8.9x** |
| **Peer Average** | | | | | | | **17.3x** | **9.7x** |
| Biotricity Inc. | BTCY | $2.96 | 152 | 147 | 7 calendar yr | 15 calendar yr | 22.0x | 9.6x |

**2/15/22 closing prices*

*Source: Yahoo Finance Consensus & Zacks SCR*

**We expect investors to begin looking towards calendar 2023 Sales potential ($40m estimate) this summer or by November after a likely sales dollars growth acceleration is reported**.

## RISKS

- Competition landscape risks including any increased competition, new entrants or bigger peers.
- If revenue growth does not materialize enough for calendar 2022 or 2023.
- COVID-19 ongoing pandemic impact on company's salesteam visits to clinics or physician offices.
- COVID-19 ongoing pandemic negative impact on company's revenue growth and sales.
- Recession in the United States.
- Failure to penetrate and monetize enough new physician offices and cross-sell offerings.
- Dependent on physicians & clinics acceptance and utilization of the company's products & services.
- History of operating losses and the company might not ever achieve profitability.
- Reimbursement rates pressure by Medicare, Medicaid or private insurance companies.
- Software issues or inaccuracy claims could harm operations and revenue potential.
- Brand reputational impairment or negative news such as glitches or missed detections.
- MCT device slowdown in adoption for various reasons (if newer or more affordable integrated substitutes, cost per study deterrent, Holter patch gets improved enough or real-time connectivity).
- Regulatory changes, lack of FDA approval for new products or iterations, FDA approval withdrawal.
- Supply chain issues, dependency on some third-party suppliers and manufacturers.
- Trade secrets protection, Intellectual Property or Know-how infringement protection challenges.
- Operations disruption or distraction of management team while expanding or unforeseen challenges.
- Departure of key saleforce members.
- International expansion challenges if the company pursues that route.
- Dilution from Equity Raises, Warrants, Options, Share-based Compensation, Private Placements, Promissory Notes and Private Placements. The company might need to raise capital to support working capital during high-growth periods or for acquisitions. Equity issuance would be dilutive to stock shareholders.
- Could be pressure on the stock price from upcoming likely secondary shares offering tied to prior private placements, promissory notes and as well as warrants to be registered)
- Funding of operations, lack of cash flow, lack of access to new capital or no borrowing ability.
- Liquidity of stock shares can cause large fluctuations in stock prices and bid/ask.
- Material misstatement of consolidated financial statements. Internal control or audit errors.
- Executive Officers & Directors could exert significant control over stockholder matters.
- Lawsuits or litigation. CFO was named in a lawsuit or action in 1996/1997 when a young CPA, but he was exonerated. Vetted for four CFO jobs since then including at a large bank in Canada.
- Affiliates, Large Shareholders, Executive Officers & Directors could exert significant control over stockholder matters. Related Party Financing & Transactions.
- Bank Covenants: could be breaches that restrict credit facility or working capital funding.

## BALANCE SHEET

| Assets | 12/31/21 |
|---|---|
| **Current Assets** | |
| Cash | 16.8 |
| Accounts Receivable (net) | 2.0 |
| Inventory | 0.4 |
| Deposits & Other Receivables | 0.5 |
| **Non-Current Assets** | |
| Deposits & Other Receivables | 0.0 |
| Long-term Accounts Receivable | 0.0 |
| Property, Plant & Equipment | 0.0 |
| Operating Right-of-Use Lease Asset | 1.4 |
| **Total Assets** | **21.0** |
| **Liabilities** | |
| **Current Liabilities** | |
| Accounts Payable & Accrued Liabilities | 2.9 |
| Convertible Promissory Notes & ST Notes | 1.1 |
| Derivative Liabilities (short-term) | 0.6 |
| Operating Lease Liability | 0.2 |
| **Non-Current Liabilities** | |
| Federally Guaranteed Loans | 0.9 |
| Term Loan | 11.6 |
| Derivative Liabilities (long-term) | 0.3 |
| Operating Lease Liability | 1.2 |
| **Total Liabilities** | **18.7** |
| **Shareholder's Equity (Deficiency)** | |
| Preferred Stock | 0.0 |
| Common Stock | 0.0 |
| Shares to be Issued | 4.1 |
| Additional Paid-in Capital | 85.9 |
| Accumulated Other Comprehensive Loss | -0.6 |
| Accumulated Deficit | -87.1 |
| **Shareholder's Equity (Deficiency)** | **2.3** |
| **Total Liabilities & Shareholder's Equity** | **21.0** |

*Source: Company filing*

## PRODUCTS & SERVICES FORECASTS

We estimate the company's product lines and services revenues and gross margins below.

March fiscal year end (March 2022 is the current estimated fiscal year).

See next page for our full Income Statement line items & forecasts

| (US Dollars in Millions; March Year-End) | 2020 | 2021 | 2022E | 1QE | 2QE | 3QE | 4QE | 2023E | 1QE | 2QE | 3QE | 4QE | 2024E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | | | | | | | | |
| **Technology Fee Income (incl study rendering)** | **1.1** | **2.8** | **6.3** | 2.4 | 3.0 | 3.8 | 4.7 | **13.9** | 6.0 | 6.1 | 6.3 | 6.9 | **25.2** |
| % change (yoy) | NM | **159%** | **130%** | 62% | 100% | 162% | 144% | **119%** | 151% | 104% | 65% | 45% | **81%** |
| **Device Sales (Bioflux & Biotres)** | **0.4** | **0.6** | **1.5** | 0.6 | 0.9 | 1.3 | 1.7 | **4.4** | 1.6 | 2.0 | 2.0 | 2.1 | **7.7** |
| % change (yoy) | NM | **77%** | **133%** | 96% | 176% | 171% | 356% | **203%** | 173% | 124% | 55% | 27% | **74%** |
| Bioflux | 0.4 | 0.6 | 1.4 | 0.5 | 0.7 | 1.1 | 1.5 | 3.7 | 1.4 | 1.7 | 1.7 | 1.8 | 6.6 |
| % change (yoy) | NM | 77% | 122% | 56% | 128% | 143% | 353% | 169% | 190% | 134% | 55% | 25% | 76% |
| Biotres | - | - | - | 0.0 | 0.1 | 0.2 | 0.3 | 0.7 | 0.4 | 0.6 | 0.8 | 1.0 | 2.9 |
| % change (yoy) | | | | | NM | NM | NM | NM | NM | 500% | 225% | 206% | 320% |
| Bioheart | - | - | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.7 | 0.3 | 0.3 | 0.3 | 0.3 | 1.1 |
| % change (yoy) | | | NM | NM | NM | 700% | 375% | 867% | 110% | 77% | 56% | 42% | 66% |
| **Biocare Health & Telemed (Cardiac & Chronic Care)** | - | - | - | 0.1 | 0.3 | 0.6 | 1.0 | **2.1** | 1.5 | 3.1 | 4.8 | 6.4 | **15.8** |
| % change (yoy) | | | | NM | NM | NM | NM | **NM** | 1000% | 800% | 700% | 540% | **660%** |
| **Total Revenues** | **1.4** | **3.4** | **7.8** | **3.1** | **4.2** | **5.7** | **7.4** | **20.4** | **9.1** | **11.1** | **13.1** | **15.4** | **48.7** |
| **% change (yoy)** | **256%** | **139%** | **130%** | **76%** | **132%** | **195%** | **222%** | **161%** | **194%** | **164%** | **130%** | **108%** | **139%** |

*Source: Company Filings & Zacks Investment Research, Inc. Tim Moore, CFA*

| **Gross Margin Estimates** | **March 2022 Yr** | **March 2023 Yr** | **March 2024 Yr** |
|---|---|---|---|
| Technology Fee Income (incl study rendering) | 69% | 73% | 74% |
| Device Sales (Bioflux & Biotres) | 10% | 20% | 22% |
| Biocare Health & Telemed (Cardiac & Chronic Care) | 0% | 56% | 65% |
| Gross Margin Overall | **57.7%** | **59.9%** | **63.0%** |

| **% of Revenues** | **March 2022 Yr** | **March 2023 Yr** | **March 2024 Yr** |
|---|---|---|---|
| Technology Fee Income (incl study rendering) | 81% | 68% | 52% |
| Device Sales (Bioflux & Biotres) | 19% | 22% | 16% |
| Biocare Health & Telemed (Cardiac & Chronic Care) | 0% | 10% | 32% |
| Revenues Total | 100% | 100% | 100% |

*Source: Zacks Investment Research, Inc. Tim Moore, CFA*

## INCOME STATEMENT FORECASTS

| (US Dollars in Millions; March Year-End) | 2020 | 2021 | 1Q | 2Q | 3Q | 4QE | 2022E | 1QE | 2QE | 3QE | 4QE | 2023E | 1QE | 2QE | 3QE | 4QE | 2024E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | | | | | | | | | | | | |
| **Technology Fee Income (incl study rendering)** | **1.1** | **2.8** | 1.5 | 1.5 | 1.5 | 1.9 | **6.3** | 2.4 | 3.0 | 3.8 | 4.7 | **13.9** | 6.0 | 6.1 | 6.3 | 6.9 | **25.2** |
| % change (yoy) | NM | **159%** | 324% | 155% | 73% | 95% | **130%** | 62% | 100% | 162% | 144% | **119%** | 151% | 104% | 65% | 45% | **81%** |
| **Device Sales (Bioflux & Biotres)** | **0.4** | **0.6** | 0.3 | 0.3 | 0.5 | 0.4 | **1.5** | 0.6 | 0.9 | 1.3 | 1.7 | **4.4** | 1.6 | 2.0 | 2.0 | 2.1 | **7.7** |
| % change (yoy) | NM | **77%** | 182% | 99% | 194% | 86% | **133%** | 96% | 176% | 171% | 356% | **203%** | 173% | 124% | 55% | 27% | **74%** |
| Bioflux | 0.4 | 0.6 | 0.3 | 0.3 | 0.5 | 0.3 | 1.4 | 0.5 | 0.7 | 1.1 | 1.5 | 3.7 | 1.4 | 1.7 | 1.7 | 1.8 | 6.6 |
| % change (yoy) | NM | 77% | 182% | 99% | 179% | 62% | 122% | 56% | 128% | 143% | 353% | 169% | 190% | 134% | 55% | 25% | 76% |
| Biotres | - | - | - | - | - | - | - | 0.0 | 0.1 | 0.2 | 0.3 | 0.7 | 0.4 | 0.6 | 0.8 | 1.0 | 2.9 |
| % change (yoy) | | | | | | | | | NM | NM | NM | NM | NM | 500% | 225% | 206% | 320% |
| Bioheart | - | - | - | - | 0.0 | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.7 | 0.3 | 0.3 | 0.3 | 0.3 | 1.1 |
| % change (yoy) | | | | | NM | NM | NM | NM | NM | 700% | 375% | 867% | 110% | 77% | 56% | 42% | 66% |
| **Biocare Health & Telemed (Cardiac & Chronic Care)** | - | - | - | - | - | - | - | 0.1 | 0.3 | 0.6 | 1.0 | **2.1** | 1.5 | 3.1 | 4.8 | 6.4 | **15.8** |
| % change (yoy) | | | | | | | | NM | NM | NM | NM | **NM** | 1000% | 800% | 700% | 540% | **660%** |
| **Total Revenues** | **1.4** | **3.4** | **1.8** | **1.8** | **1.9** | **2.3** | **7.8** | **3.1** | **4.2** | **5.7** | **7.4** | **20.4** | **9.1** | **11.1** | **13.1** | **15.4** | **48.7** |
| **% change (yoy)** | **256%** | **139%** | **290%** | **143%** | **93%** | **94%** | **130%** | **76%** | **132%** | **195%** | **222%** | **161%** | **194%** | **164%** | **130%** | **108%** | **139%** |
| Cost of Revenue | 0.9 | 1.9 | 0.5 | 0.7 | 1.1 | 1.0 | 3.3 | 1.3 | 1.7 | 2.3 | 2.9 | 8.2 | 3.5 | 4.2 | 4.8 | 5.5 | 18.0 |
| Gross Profit | 0.5 | 1.5 | 1.2 | 1.1 | 0.8 | 1.3 | 4.5 | 1.8 | 2.5 | 3.4 | 4.5 | 12.2 | 5.6 | 6.9 | 8.3 | 9.9 | 30.7 |
| **Gross Profit Margin** | **34.3%** | **44.7%** | **70.2%** | **62.8%** | **42.7%** | **56.5%** | **57.7%** | **59.0%** | **59.5%** | **59.9%** | **60.6%** | **59.9%** | **61.5%** | **62.4%** | **63.3%** | **64.1%** | **63.0%** |
| **Operating Expenses**: | | | | | | | | | | | | | | | | | |
| General & Administrative Expenses (incl Selling) | 10.1 | 12.8 | 3.7 | 5.7 | 4.7 | 4.2 | 18.2 | 4.2 | 5.6 | 6.5 | 6.6 | 22.9 | 6.6 | 7.3 | 7.7 | 8.3 | 29.9 |
| % change (yoy) | 37% | 27% | 14% | 119% | 26% | 27% | 42% | 16% | -2% | 39% | 57% | 26% | 57% | 31% | 19% | 24% | 31% |
| Research & Development Expenses | 1.4 | 2.1 | 0.6 | 0.6 | 0.9 | 1.0 | 3.1 | 0.9 | 0.9 | 0.9 | 0.9 | 3.6 | 1.0 | 1.0 | 1.0 | 1.0 | 3.9 |
| **Total Operating Expenses** | **11.4** | **14.9** | **4.2** | **6.3** | **5.6** | **5.2** | **21.3** | **5.1** | **6.5** | **7.4** | **7.5** | **26.5** | **7.6** | **8.3** | **8.7** | **9.3** | **33.8** |
| **% change (yoy)** | **32%** | **30%** | 17% | 111% | 27% | 34% | **43%** | 21% | 3% | 32% | 45% | **24%** | 48% | 28% | 18% | 23% | **28%** |
| **Operating Income (Loss)** | **(10.9)** | **(13.4)** | **(3.0)** | **(5.2)** | **(4.7)** | **(3.9)** | **(16.8)** | **(3.3)** | **(4.0)** | **(3.9)** | **(3.1)** | **(14.3)** | **(2.0)** | **(1.3)** | **(0.4)** | **0.6** | **(3.1)** |
| Other Income | (0.0) | (0.0) | 0.0 | 0.8 | 0.3 | 0.0 | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accretion & Amortization Expense (Debt/Discount)* | 0.1 | 2.5 | 2.3 | 5.2 | 1.3 | 1.5 | 10.3 | 1.5 | 1.5 | 1.5 | 1.5 | 6.0 | 1.5 | 1.5 | 1.5 | 1.5 | 6.0 |
| Change in Fair Value of Derivative Liabilities | 0.1 | (0.4) | 0.3 | (0.4) | 0.8 | 0.0 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Loss from Conversion of Notes | - | 0.1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Interest Expense (part of Accretion/Amort above | 0 | 0 | - | - | - | - | 0 | - | - | - | - | 0 | - | - | - | - | 0 |
| **Income before Taxes** | **(11.1)** | **(15.5)** | **(5.7)** | **(10.8)** | **(7.1)** | **(5.4)** | **(28.9)** | **(4.8)** | **(5.5)** | **(5.4)** | **(4.6)** | **(20.3)** | **(3.5)** | **(2.8)** | **(1.9)** | **(0.9)** | **(9.1)** |
| Income Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net Income (Loss) Before Preferred Dividends** | **(11.1)** | **(15.5)** | **(5.7)** | **(10.8)** | **(7.1)** | **(5.4)** | **(28.9)** | **(4.8)** | **(5.5)** | **(5.4)** | **(4.6)** | **(20.3)** | **(3.5)** | **(2.8)** | **(1.9)** | **(0.9)** | **(9.1)** |
| Less: Preferred Stock Dividends | 0.3 | 1.0 | 0.2 | 0.2 | 0.2 | 0.2 | 1.0 | 0.2 | 0.2 | 0.2 | 0.2 | 1.0 | 0.2 | 0.2 | 0.2 | 0.2 | 1.0 |
| **Net Income (Loss) to Common Shareholders** | **(11.3)** | **(16.5)** | **(5.9)** | **(11.0)** | **(7.3)** | **(5.7)** | **(29.9)** | **(5.0)** | **(5.7)** | **(5.7)** | **(4.8)** | **(21.2)** | **(3.7)** | **(3.1)** | **(2.2)** | **(1.1)** | **(10.1)** |
| Add-back: Stock-based Compensation | **2.4** | **0.8** | **0.2** | **0.2** | **0.1** | **0.8** | **1.2** | **0.8** | **0.8** | **0.9** | **0.9** | **3.4** | **1.0** | **1.1** | **1.2** | **1.3** | **4.6** |
| **Net Loss Adjusted (excl stock comp & FV derivatives** | **(8.9)** | **(16.0)** | **(5.4)** | **(11.2)** | **(6.5)** | **(4.9)** | **(28.0)** | **(4.2)** | **(4.9)** | **(4.8)** | **(3.9)** | **(17.8)** | **(2.7)** | **(2.0)** | **(1.0)** | **0.2** | **(5.5)** |
| Translation Adjustment | (0.1) | 0.2 | 0.0 | 0.0 | (0.0) | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Comprehensive Loss (reported)** | **(11.4)** | **(16.2)** | **(5.9)** | **(11.0)** | **(7.4)** | **(5.7)** | **(29.9)** | **(5.0)** | **(5.7)** | **(5.7)** | **(4.8)** | **(21.2)** | **(3.7)** | **(3.1)** | **(2.2)** | **(1.1)** | **(10.1)** |
| **EPS (reported)** | **($0.31)** | **($0.44)** | **($0.15)** | **($0.26)** | **($0.15)** | **($0.11)** | **($0.66)** | **($0.10)** | **($0.11)** | **($0.11)** | **($0.09)** | **($0.41)** | **($0.07)** | **($0.06)** | **($0.04)** | **($0.02)** | **($0.18)** |
| **EPS Adjusted (excl stock comp & one-offs)** | **($0.25)** | **($0.43)** | **($0.14)** | **($0.26)** | **($0.13)** | **($0.10)** | **($0.62)** | **($0.08)** | **($0.09)** | **($0.09)** | **($0.07)** | **($0.34)** | **($0.05)** | **($0.04)** | **($0.02)** | **$0.00** | **($0.10)** |
| **EBITDA (reported)** | **(10.9)** | **(13.4)** | **(3.0)** | **(5.2)** | **(4.7)** | **(3.9)** | **(16.8)** | **(3.3)** | **(4.0)** | **(3.9)** | **(3.1)** | **(14.3)** | **(2.0)** | **(1.3)** | **(0.4)** | **0.6** | **(3.1)** |
| **EBITDA Adjusted (excl stock comp & one-offs)** | **(8.5)** | **(12.6)** | **(2.8)** | **(5.0)** | **(4.6)** | **(3.1)** | **(15.6)** | **(2.5)** | **(3.2)** | **(3.0)** | **(2.2)** | **(10.9)** | **(1.0)** | **(0.2)** | **0.8** | **1.9** | **1.5** |
| Shares Outstanding (reported weighted ave) | 36.0 | 37.5 | 39.1 | 42.9 | 49.2 | 50.7 | **45.5** | 51.2 | 51.7 | 52.2 | 53.2 | **52.0** | 53.7 | 54.2 | 54.7 | 56.2 | **54.7** |
| Fully Diluted Shares (incl Warrants, Options, Convertible & Share Issuan | | | 56.9 | 60.8 | 67.1 | 68.6 | **63.3** | 69.1 | 69.6 | 70.1 | 71.1 | **69.9** | 71.6 | 72.1 | 72.6 | 74.1 | **72.6** |
| **Margins:** | | | | | | | | | | | | | | | | | |
| **Gross Margin** | **34.3%** | **44.7%** | 70.2% | 62.8% | 42.7% | 56.5% | **57.7%** | 59.0% | 59.5% | 59.9% | 60.6% | **59.9%** | 61.5% | 62.4% | 63.3% | 64.1% | **63.0%** |
| **EBITDA Margin Adjusted (excl stock comp)** | **-601.1%** | **-371.1%** | -161.4% | -276.6% | -240.1% | -135.5% | **-199.9%** | -80.7% | -75.3% | -53.5% | -29.1% | **-53.3%** | -10.9% | -2.1% | 5.9% | 12.5% | **3.0%** |
| **Operating Margin Adjusted (excl stock comp)** | **-601.1%** | **-371.1%** | -161.4% | -276.6% | -240.1% | -135.5% | **-199.9%** | -80.7% | -75.3% | -53.5% | -29.1% | **-53.3%** | -10.9% | -2.1% | 5.9% | 12.5% | **3.0%** |
| Operating Margin (reported) | -771.0% | -394.5% | -170.2% | -286.0% | -245.3% | -170.2% | -215.6% | -106.5% | -94.4% | -69.3% | -41.2% | -69.9% | -21.8% | -12.0% | -3.2% | 4.0% | -6.4% |
| Net Margin (adjusted excl stock comp) | -624.6% | -471.8% | -308.5% | -621.1% | -335.1% | -211.3% | -358.8% | -137.0% | -116.8% | -84.1% | -52.6% | -87.5% | -30.0% | -17.8% | -7.4% | 1.3% | -11.3% |
| **OpEx % of Revenues** | **805%** | **439%** | 240% | 349% | 288% | 227% | **273%** | 166% | 154% | 129% | 102% | **130%** | 83% | 74% | 67% | 60% | **69%** |
| General & Admin % of Revenues | 709% | 378% | 207% | 314% | 241% | 183% | 233% | 136% | 132% | 113% | 90% | 112% | 73% | 66% | 59% | 54% | 61% |
| R&D % of Revenues | 96% | 61% | 33% | 35% | 47% | 43% | 40% | 29% | 21% | 16% | 12% | 18% | 10% | 9% | 8% | 6% | 8% |

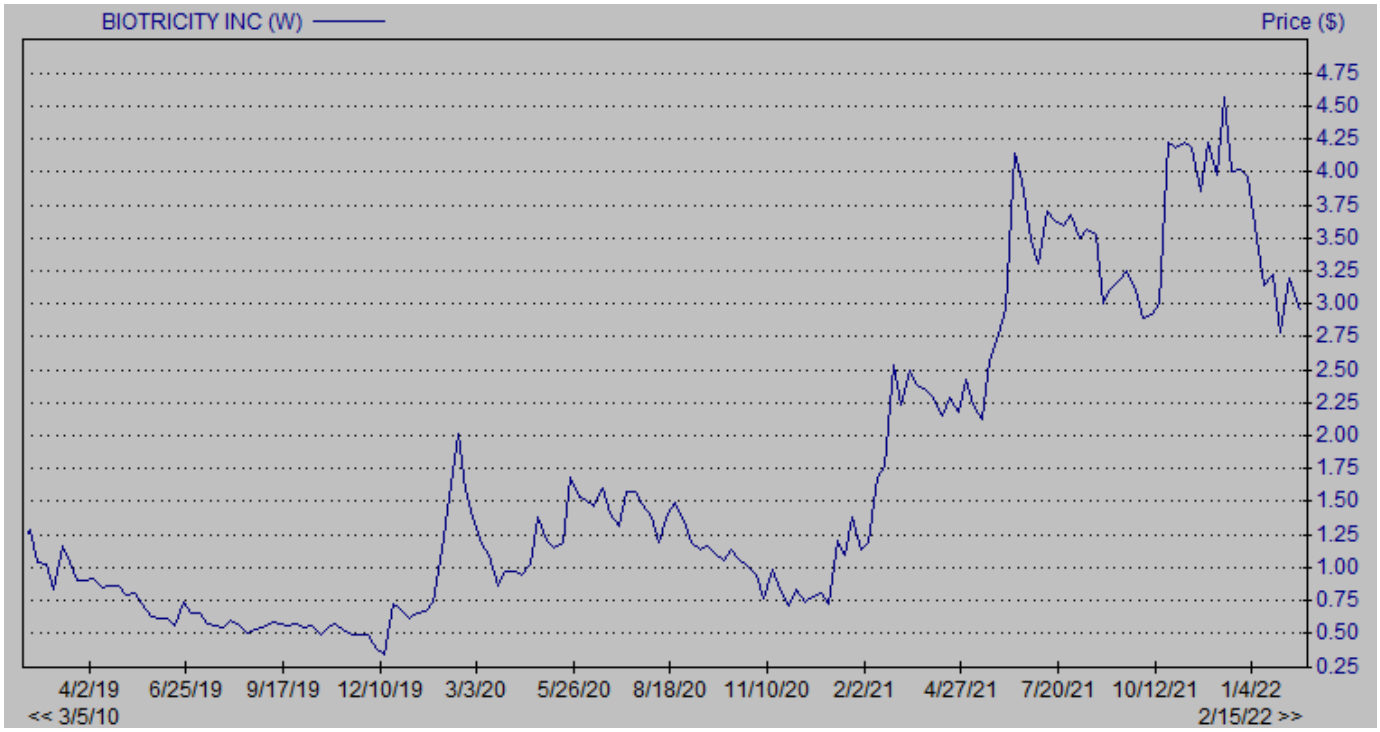
*we do not add back accretion and amortization for an "adjusted" net income or EPS figure because the convertible debt and notes are borrowing and behave more like interest expense

**COVID-19 Delta mutation & storms in the South held back sales growth in Sept '21 Q. Delta & Omicron negatively impacted Dec '21 Q. Revenues split between Technology Fee & Devices is our estimate for Dec '21

G&A expense in Sept & Dec '21 quarters include one-off financing expenses totaling approximately $2m tied to debt financing and uplisting on Nasdaq and investor relations/professional fee one-time

*Source: Zacks Investment Research, Inc. Tim Moore, CFA*

## HISTORICAL STOCK PRICE




*Source: Zacks SCR*

## DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Tim Moore, CFA, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.

Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.

SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer. Therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.