April 8, 2022

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

Elizabeth Senko, CFA
312-265-9484
esenko@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Mitesco, Inc. (OTCQB: MITI)

MITI: A great start going into 2022

Our target valuation for Mitesco, Inc. is $0.53 per share. Our target is based on a 10-year DCF with a 22% terminal EBIT margin and 12% discount rate. We believe the gap between current valuation and our target may reflect: uncertainty surrounding how quickly the company will open clinics beyond 2023, possible need to raise cash to support growth in working investment – under an aggressive new clinic opening scenario.

Current Price (04/06/22)	$0.21
Valuation	**$0.53**

OUTLOOK

Mitesco, Inc. is building a better model for primary care. Headed by veteran physician practice clinical and business leaders, Mitesco's "The Good Clinic" seeks to improve health disparities through a nurse-practitioner driven model emphasizing patient engagement and activation, frequent communication, continuity of care, an emphasis on wellness and convenience. The Company opened first clinic in February 2021, and by the end of the year had six clinics operating around Minneapolis. In 2022, the Company expects to open an additional 12 clinics in three states – Minnesota, Colorado and Arizona. By 2023, Mitesco plans to have 50 clinics in operation.

SUMMARY DATA

52-Week High	**$0.35**
52-Week Low	**$0.13**
One-Year Return (%)	**-28.08**
Beta	**-1.48**
Average Daily Volume (sh)	**391,939**
Shares Outstanding (mil)	**220**
Market Capitalization ($mil)	**$46**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**3**
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	**N/A**
P/E using 2022 Estimate	**-10.5**
P/E using 2023 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**N/A**
Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2020	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2021	0.0 A	0.0 A	0.0 A	0.0 E	0.1 A
2022					17.9 E
2023					36.7 E

Earnings per share

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2020	$0.00 A	-$0.01 A	-$0.01 A	-$0.01 A	-$0.03 A
2021	-$0.01 A	-$0.01 A	-$0.01 A	-$0.03 A	-$0.06 A
2022					-$0.02 E
2023					$0.00 E

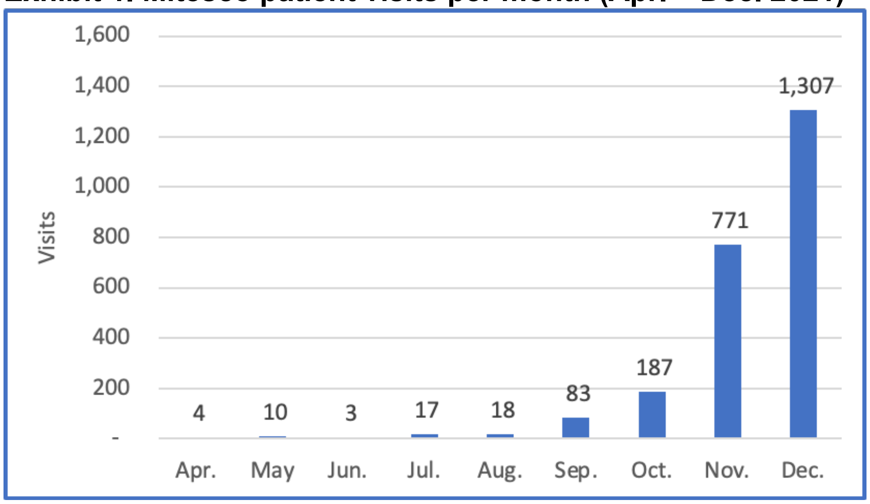
Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

COMPANY UPDATE

Mitesco, Inc. recently reported its full-year 2021 results largely in-line with our targets. Top line revenue of $0.1 million met our estimate, and is notable given that two of the Company's four clinics opened at the end of December, and didn't contribute to overall results. Earnings of $(0.06) lagged our $(0.03) expectation for the year; however, as Mitesco is very much at the start of its rollout, small changes in timing and costs can have a meaningful effect on reported results.

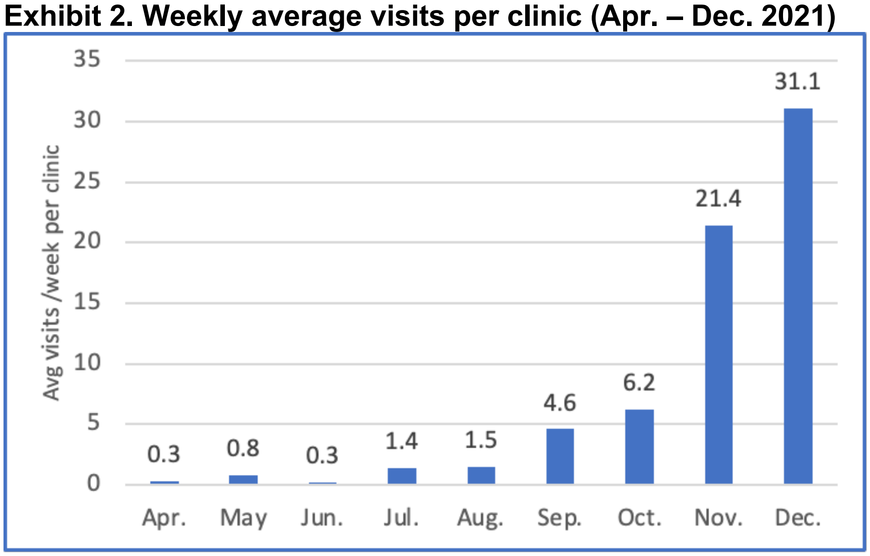
Mitesco is seeing strong ramp up in the number of patient visits. From four visits in its first month, the Company saw 1,307 visits by December, in four clinics. When looked at by weekly visits per average number of clinics open in a month, the number of weekly visits was at 31.5/clinic at the end of December. The numbers are highest at Mitesco's first clinic, but management indicates that all clinics are ramping up on a similar trend.

Exhibit 1. Mitesco patient visits per month (Apr. – Dec. 2021)



Source: Company reports.

Exhibit 2. Weekly average visits per clinic (Apr. – Dec. 2021)



Source: Company presentation, Zacks Investment Research estimates

We value Mitesco at $0.53/share based on ten-year DCF for 300 clinics by 2031. Our model builds to $400 million in sales by 2031, with a terminal revenue growth rate of 2%. We model a terminal EBIT margin of 22%, 25% tax rate, and a 12% discount rate. Several factors provide upside to our valuation including: more modest working investment needs at the clinic level, faster time to cash flow breakeven at new clinics, reimbursement from insurers with risk-sharing upside for keeping patients healthy, and robust sales of ancillary products and services.

Mitesco, Inc. is at the very beginning of its growth story, Management has a very specific business plan, one built on collective wisdom and experience – which we believe will mitigate many of the risks typically associated with a startup. Success comes from basic blocking-and-tackling. Importantly, as an owner-operator, Mitesco's interests are aligned with those of its practitioners. While results may be somewhat volatile in the next year or two, we expect this to stabilize as the business grows.

OVERVIEW

Mitesco, Inc. is building a better model for primary care. Headed by veteran physician practice clinical and business leaders, Mitesco's "The Good Clinic" seeks to improve health disparities through a nurse-practitioner driven model emphasizing patient engagement and activation, frequent communication, continuity of care, an emphasis on wellness and convenience.

Mitesco opened its first clinic in February 2021, and by the end of the year had six clinics operating around Minneapolis. In 2022, the Company expects to open an additional 12 clinics in three states – Minnesota, Colorado and Arizona. By 2023, Mitesco plans to have 50 clinics in operation.

Importantly, the Company doesn't seek to be everything to everyone. The strategy simply to build new clinics, attract a panel of patients who want primary care that emphasizes prevention and wellness, and repeat the process again and again. Longer-term, the Company may diversify its core strategy, but in our view, it will differentiate itself from the competition by sticking to basics.

We believe that Mitesco's business plan is solid and straightforward. It addresses important deficiencies healthcare delivery, while hitting on the 4 "Cs" of primary care: first-contact care that is comprehensive, continuous, and coordinated. It is building out a platform for delivering care in a convenient, patient-focused way, that encourages patients to be active participants in their health. If successfully executed, it's an elegant solution to a long-standing challenge to improving healthcare delivery.

Profit and loss

Mitesco launched operations in 2021, so results to date primarily reflect start-up costs. In 2021, Mitesco's revenue totaled $0.1 million. Mitesco opened two clinics in the last week of December, adding pre-revenue start-up expenses for those sites, so operating expenses of $0.4 million were higher than out $0.2 million estimate. General and administrative costs came in at $6.1 million for the year, ahead of our $4.7 million target, and up from pre-operation levels of $2.5 million in 2020. The G&A increase reflects higher corporate payroll, stock compensation, legal/professional costs, and additional corporate costs.

Mitesco reported an operating loss of $6.4 million for the year, compared with our $4.8 million estimate. Most of the difference stemmed from higher G&A expenses, relative to our forecast. Non-operating expense was $1.5 million, slightly better than our $1.6 million estimate. The Company reported a net loss of $7.9 million for the period. After preferred stock dividends (paid and deemed) of $3.3 million, loss per common share was $0.06.

For 2022, we look for revenues of $17.8 million, based on 17 clinics in operation at year end (12 clinics opened during the year). We model average clinic revenues of $1 million in the first year, based on 60% capacity utilization. For more mature clinics, we model revenues of $1.5 million, based on 80% utilization. Depending on the timing of new clinic openings, it's possible that reported costs will also differ materially from our estimate.

We assume that operating costs for each clinic are largely fixed at $0.9 million per year, excluding construction and start-up costs. For 2022, we model $15.7 million in COGs, a clinic level gross margin of 12%. We've modeled $4.9 million in general and administrative costs for 2022, interest expense of $0.8 million for clinic construction debt financing, and other expense of $0.7 million. Earnings are forecast to improve from $(0.06) 2021 to $(0.02) in 2022.

We expect the Company to report breakeven net income in 2023, based on our revenue estimate of $36.7 million (32 clinics at year end), 19% gross margin, 5% operating margin and $0.2 million in net income to common shareholders.

Cash flow

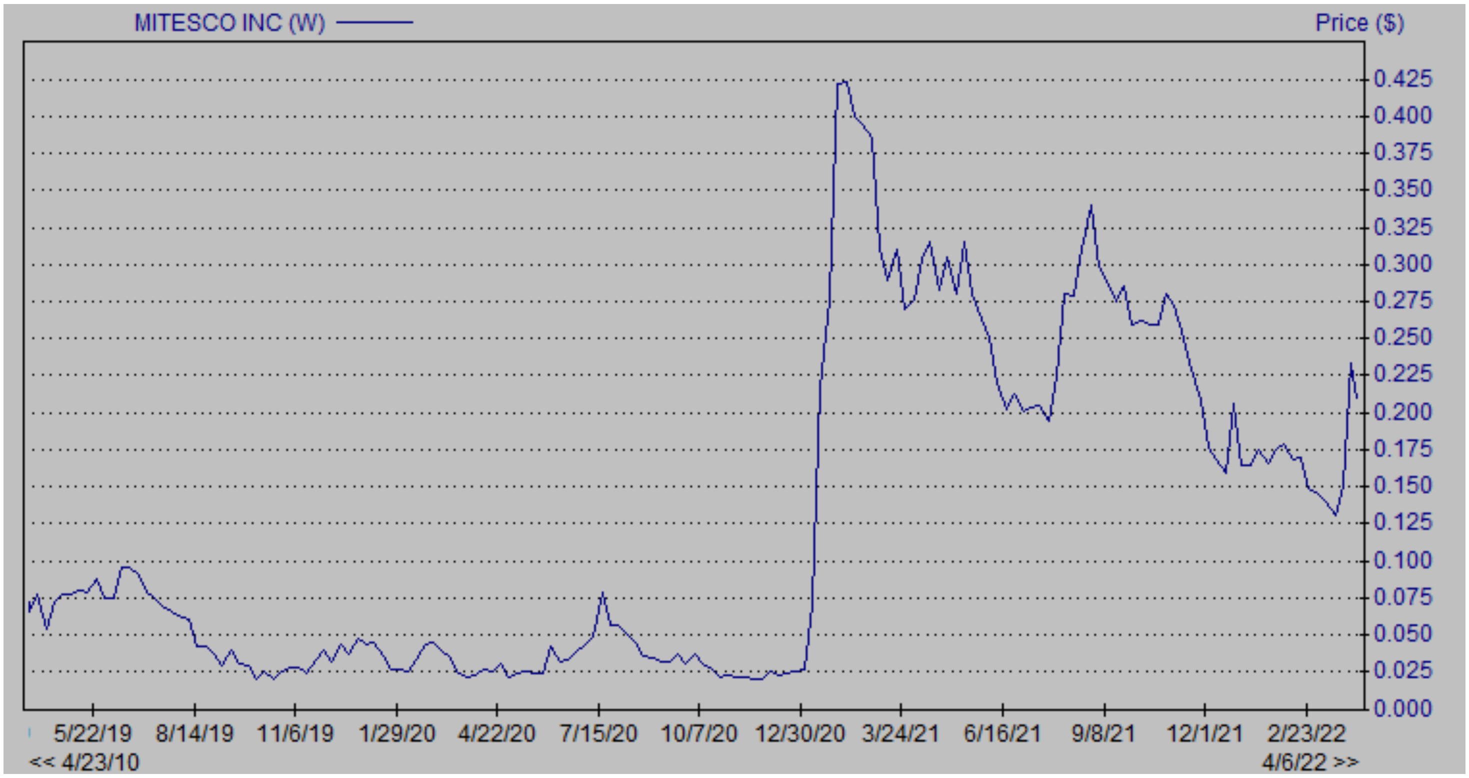
Mitesco's business model is cash intensive, as are most physician practice companies. On the front end are new clinic construction costs, as well as clinic overhead until each reaches normalized revenue levels. In addition, is the need to fund accounts receivable, as the Company seeks to be a key provider to insurers in its markets. We are taking a conservative approach to modeling clinic accounts receivable averaging 90 days (DSOs). A clinic generating $1.0 million in revenue, would have $0.25 million in AR. This amount would grow to $0.38 million for a clinic with $1.5 million in revenue. The level of DSOs for each clinic will vary by revenue mix; clinics with a high level of ancillary product and service sales, will likely have lower DSOs as these items will be cash payment at time of service.

Our model assumes six clinics at the end of 2021 (two clinics opened on December 30, 2021), growing to 98 by the end of 2026. Under these assumptions, we estimate that the Company will not generate positive free cash flows (after capex and working investment) until 2029. However, given our aggressive clinic roll-out and conservative working investment need assumptions, our timeline may be flawed. Mitesco's management guides to new clinics being operating cash flow breakeven at 14 months; for clinics tied to narrow network insurers, management believes operating cash flow breakeven will occur in about half that time.

Balance Sheet

At December 31, 2021, Mitesco had $1.2 million in cash and equivalents on its balance sheet. The Company raised approximately $3.7 million in capital in the last three months of 2021. Management indicates a preference to finance clinic construction costs with short-term debt and a 12- to 18-month payoff, as a way of reducing dilution to existing shareholders compared to equity financing.

HISTORICAL STOCK PRICE



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, Elizabeth Senko, Senior Analyst, 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.