

electroCore, Inc.

(ECOR: NASDAQ)

Consistent Expansion of Distribution

Based on our multiple of earnings model and a 20% discount rate, electroCore is valued at approximately \$4.75 per share. Our methodology applies a 20x multiple of earnings to 2027 EPS and discounts the result to 2022.

Current Price (5/4/2022) **\$0.65**
Valuation \$4.75

OUTLOOK

electroCore is a commercial company marketing its gammaCore vagus nerve stimulation device in multiple migraine and cluster headache indications. It also has been granted Emergency Use Authorization (EUA) for respiratory-related COVID treatment.

The gammaCore device non-invasively stimulates the vagus nerve which treats headache. The device delivers an electrical pulse to activate the vagus nerve in the neck. Numerous clinical trials have been conducted supporting the efficacy and safety of gammaCore. Additional trials are underway for indications in stroke, PTSD, TBI and PT headache.

Sales are advancing in multiple areas: VA in the US, NHS in the UK, commercial, cash pay & distributors. Low penetration at the VA, expansions of the NHS program and continued efforts with commercial payors support topline advancement. Numerous distribution agreements signed around the globe will also layer on additional sales opportunities.

Associations with the VA, NHS, CVS, Express Scripts & others combined with the strong safety and efficacy data for gammaCore support a long runway for topline growth in the US, European and Asian markets.

Our valuation assumes first positive earnings in 2025 and employs a multiple of 2026 earnings to determine target price.

SUMMARY DATA

52-Week High **1.30**
 52-Week Low **0.27**
 One-Year Return (%) **-33.1**
 Beta **0.90**
 Average Daily Volume (sh) **251,939**

Shares Outstanding (mil) **71.1**
 Market Capitalization (\$mil) **46.1**
 Short Interest Ratio (days) **4.97**
 Institutional Ownership (%) **18.9**
 Insider Ownership (%) **15.2**

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 **N/A**
 P/E using 2023 Estimate **N/A**

Zacks Rank **N/A**

Risk Level Above Average
Type of Stock Small-Growth
Industry Med-Tech Devices

ZACKS ESTIMATES**Revenue**

(In millions of USD)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	\$1.2 A	\$1.3 A	\$1.5 A	\$1.5 A	\$5.5 A
2022	\$1.9 A	\$2.2 A	\$2.2 E	\$2.3 E	\$8.6 E
2023					\$14.6 E
2024					\$22.3 E

Earnings per Share

	Q1	Q2	Q3	Q4	Year
2021	-\$0.11 A	-\$0.06 A	-\$0.06 A	-\$0.07 A	-\$0.29 A
2022	-\$0.08 A	-\$0.08 A	-\$0.06 E	-\$0.09 E	-\$0.30 E
2023					-\$0.25 E
2024					-\$0.09 E

WHAT'S NEW

Second Quarter 2022 Financial and Operational Results

electroCore Inc. (NASDAQ: ECOR) rung up another impressive round of earnings growth in the second quarter [reported](#) on August 4th. Revenues rose 70% over 2Q:21 and by 14% sequentially. Since the beginning of the second quarter and to date, electroCore has signed a license agreement with Teijin, been selected for the BOOST program, expanded the availability of gammaCore and announced an investigator-led study for the use of gammaCore in post-COVID syndrome.

Second quarter 2022 financial and operational results were provided in a [press release](#) and [Form 10-Q](#) filed with the SEC. A [conference call](#) with investors and analysts was held immediately following the release. Second quarter revenues of \$2.2 million were slightly ahead of revised company guidance and represented a material sequential improvement. 2Q:22 loss per share of (\$0.08) matched our estimates of (\$0.08). 3Q:22 revenue guidance matching 2Q:22 actual levels, or about \$2.2 million, was provided.

Operational and scientific highlights for 2022 to date include:

- [Publication](#) of PREMIUM II trial results for migraine prophylaxis - January 2022
- [Launch](#) of US telehealth portal and online store - January 2022
- nVNS [receives](#) Breakthrough Device Designation for Post-Traumatic Stress Disorder - January 2022
- Shareholder letter and 2021 business update - January 2022
- TRANSIT study enrollment [completed](#) - February 2022
- Three abstracts [presented](#) at International Stroke Conference 2022 - February 2022
- Julie Goldstein and Tricia Wilber [join](#) Board - March 2022
- nVNS [selected](#) for DoD BOOST program – April 2022
- Sale of New Jersey tax credits [completed](#) & funding received – April 2022
- [Details](#) of SAVIOR-1 published in Frontiers in Neurology – April 2022
- Availability of gammaCore at National Spine and Pain Centers – May 2022
- Mayo Clinic study of gammaCore for post-COVID syndrome treatment – July 2022

In the financial domain, revenues for 2Q:22 were \$2.2 million, a 70% increase over the \$1.3 million generated in 2Q:21. Net loss was (\$5.4) million in 2Q:22 slightly better than our (\$5.6) million estimate and lower than 2Q:21 net loss of (\$2.9) million. On a per share basis this was an (\$0.08) and (\$0.06) loss, respectively.

For second quarter 2022 ending June 30, 2022 and versus the same period in the prior year:

- Net sales were \$2.2 million, driven by strong growth in the VA channel (up 53%), accelerating commercial revenues (up 382%) and a contribution of license revenues from the recently signed arrangement with Teijin. Ex-US revenues were up by 8% tempered by currency headwinds;
- Gross margin was 83% versus 71% due to the favorable absorption of labor and overhead costs, and product mix tilted towards longer duration, higher margin therapy, and the contribution of high margin license revenues from Teijin;
- Research & development expenses totaled \$1.3 million, rising 63% from \$825,000 on increased investment into the next generation of gammaCore device which will be smartphone integrated and connected;
- Selling, general & administrative expenses of \$6.3 million were up approximately 19% from \$5.3 million propelled by investments in Direct-to-Consumer awareness campaigns and the e-commerce platform;
- Net loss was (\$5.3) million versus (\$2.9) million with loss per share (\$0.08) and (\$0.06), respectively;

As of June 30, 2022, cash, equivalents and marketable securities on the balance sheet totaled \$26.3 million. Cash burn was (\$3.2) million. No financing cash flows were recognized. Cash burn guidance for the third quarter calls for operating use of (\$4.5) to (\$5.0) million.

Commercial

Distribution Agreements

On April 5, 2022, electroCore [announced](#) the addition of its first new distribution agreement for 2022 with Teijin Limited for Japan. This brings the total number of distributors to ten covering 23 different countries. The arrangement with Teijin provides upfronts, milestones and license fees in return for the rights to commercialize electroCore's nVNS technology in Japan for a variety of primary headache disorders. Revenues from the upfront will be recognized over the next four quarters with the first tranche of \$48,000 in 2Q:22. Teijin is responsible for all aspects of shepherding the product through the device approval process with the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) and, after approval and payor coverage, enter into an exclusive commercial supply agreement for gammaCore nVNS. Teijin is committed to minimum purchase commitments once the agreement is in place.

Exhibit I – Summary of electroCore's Distributors¹

Partner	Announce Date	Region	Term
Pro Medical Baltic	December 2020	Lithuania, Latvia, Belarus, Kazakhstan, Ukraine	Three Years
RSK Medical	January 2021	Canada	Three Years
Medistar	February 2021	Australia	Three Years
Silvert Medical	March 2021	Belgium, Luxembourg, the Netherlands, France	Three Years
East Agency	April 2021	Qatar	Three Years
Kromax	June 2021	Taiwan, China, Malaysia, Singapore, Indonesia	Three Years
Melidonia	December 2021	Cyprus	Three Years
Cyrus	December 2021	United Arab Emirates, Oman	Five Years
Medexsol	December 2021	Saudi Arabia, Bahrain	Five Years
Teijin	April 2022	Japan	

National Spine and Pain Centers

Beyond the distribution agreements that electroCore has signed with entities outside of the US, it has also expanded its distribution to the [National Spine and Pain Centers](#) (NSPC) inside the country. NSPC is based in Rockville Maryland and offers locations throughout the Eastern seaboard of the United States and Texas. gammaCore will be available for purchase at the more than 130 centers for patients with headache pain. NSPC selected the device to be available in their locations based on gammaCore's a non-invasive and non-pharmaceutical approach to pain management which allows patients to avoid potentially addictive medications. NSPC represents one of the first corporate accounts to work with electroCore and will help increase availability of the gammaCore device.

Regulatory & Clinical

gammaCore Sapphire for Treatment of Post-COVID Syndrome

In a July 7th [press release](#), electroCore announced that the Mayo Clinic would initiate an investigator-led study to assess the efficacy of gammaCore Sapphire non-invasive vagus nerve stimulation (nVNS) in patients with post-COVID syndrome. Post-COVID syndrome includes symptoms such as headache, brain fog, fatigue and gastric distress. These symptoms are similar to central sensitization syndromes, a group of conditions that includes fibromyalgia, chronic fatigue syndrome, and postural orthostatic tachycardia syndrome (POTS).

The post-COVID study is entitled Outcomes of Treatment with Non-invasive Vagal Nerve Stimulation (nVNS) in Post-COVID Syndrome: A Pilot Study. It will be a randomized and single-center, targeting enrollment of 20 subjects at the Mayo Clinic in Rochester, Minnesota. Endpoints include the Post-COVID Functional Status Score as well as an analysis of blood samples for certain chemokines, and positron emission tomography-computed tomography (PET-CT) of the brain to evaluate brain metabolism.

FDA Meetings

electroCore met with the FDA on May 2, 2022 in a pre-submission meeting to cover what is needed to successfully develop a number of indications including post-traumatic stress disorder (PTSD), mild traumatic brain injury (mTBI) or concussion, substance abuse and acute stroke among other conditions. Management expects to hold another meeting with the FDA regarding PTSD. Updates from these regulatory interactions are expected on the third quarter earnings call in November.

¹ [electroCore, Inc. Provides Update on Global Distribution Partners | electroCore](#). Compiled by Zack's analysts.

Department of Defense BOOST Program

electroCore was selected to participate in the Department of Defense’s (DoD) Biotech Optimized for Operational Solutions and Tactics (BOOST) Program which is in part funded by the Defense Advanced Research Projects Agency (DARPA). The program seeks to improve training in the intelligence, surveillance, and reconnaissance (ISR) training environment. Investigations conducted using gammaCore have found a 20% acceleration in training and a 35% improvement in memory retention during intelligence, surveillance, and reconnaissance (ISR) training. The same participants also exhibited a 25% improvement in attention and mood. If further study under the BOOST study confirms the initial findings, electroCore may be asked to provide field ready devices to the US Air Force by 2H:23. electroCore is now working on device designs that would enable the device to conform to military specifications for durability and electronic interference. A 510(k) filing may be required prior to use by the Air Force; however, this has not yet been determined.

Exhibit II – electroCore Pipeline & Partnerships²

Indication	Phase	Partnerships
Headache		
Primary Headache	Market	VA U.S. Department of Veterans Affairs
Post Traumatic Headache	Pivotal	
Subarachnoid Hemorrhage Headache	Pilot	
General Neurology		
Post Traumatic Stress Disorder	Pivotal	VA U.S. Department of Veterans Affairs EMORY
Opioid Use Disorder	Pilot	Gr EMORY
Parkinson’s Disease	Pilot	Newcastle University Institute of Neurosciences Holkoto
Acute Neurological Injury		
Stroke	Pilot	HACETTEPE UNIVERSITY Leids Universitair Medisch Centrum
Subarachnoid Hemorrhage Headache	Pilot	MASSACHUSETTS GENERAL HOSPITAL
Gastrointestinal		
Post Operative Ileus	Pivotal	UNIVERSITY OF LEEDS
Nausea in gastroparesis	Pilot	JOHNS HOPKINS MEDICINE

Pipeline initiatives largely funded through non-company sources such as IITs and grants

Summary

On August 4, 2022, electroCore presented its second quarter 2022 financial and operational results. Second quarter revenues of \$2.2 million slightly exceeded upwardly revised company guidance and our expectations. Net loss per share of (\$0.08) matched our estimates. Guidance for the third quarter calls for revenues in line with second quarter levels and cash burn of (\$4.5) to (\$5.0) million.

2Q:22 continued the quarterly growth trend for electroCore with a topline increase of 70% driven by continued strength at the VA, commercial businesses, the UK’s National Health Service and contributions from licensing fees. A number of distribution partners have been secured that span the globe and augment electroCore’s core VA and NHS channels. Teijin was most recently added to electroCore’s portfolio of partners, entering into an agreement for development and commercialization rights. Distribution is global and varied, and while we may see some disruptions in Europe in the near term, growth in the largest segment, VA and DoD, continues to be strong. New opportunities in commercial and cash pay markets also are showing early success.

electroCore has many factors in its favor which are helping to expand its presence in multiple regions and in new indications, the most recent being the partnership with NSPC which provides for on-site prescribing of gammaCore. Additional indications are longer-term opportunities such as those in Parkinson’s disease, opioid use disorder, respiratory distress, post-traumatic headache, mild traumatic brain injury, PTSD, inflammatory diseases and stroke. Meetings with the FDA are guiding the optimal path forward for these promising indications. Based on the expedited treatment and the data generated, the next pursuit is likely PTSD. The material and broad initiatives being advanced by electroCore support continued strong topline growth and our price target of \$4.75 per share.

² electroCore Corporate Presentation May 2022

PROJECTED FINANCIALS

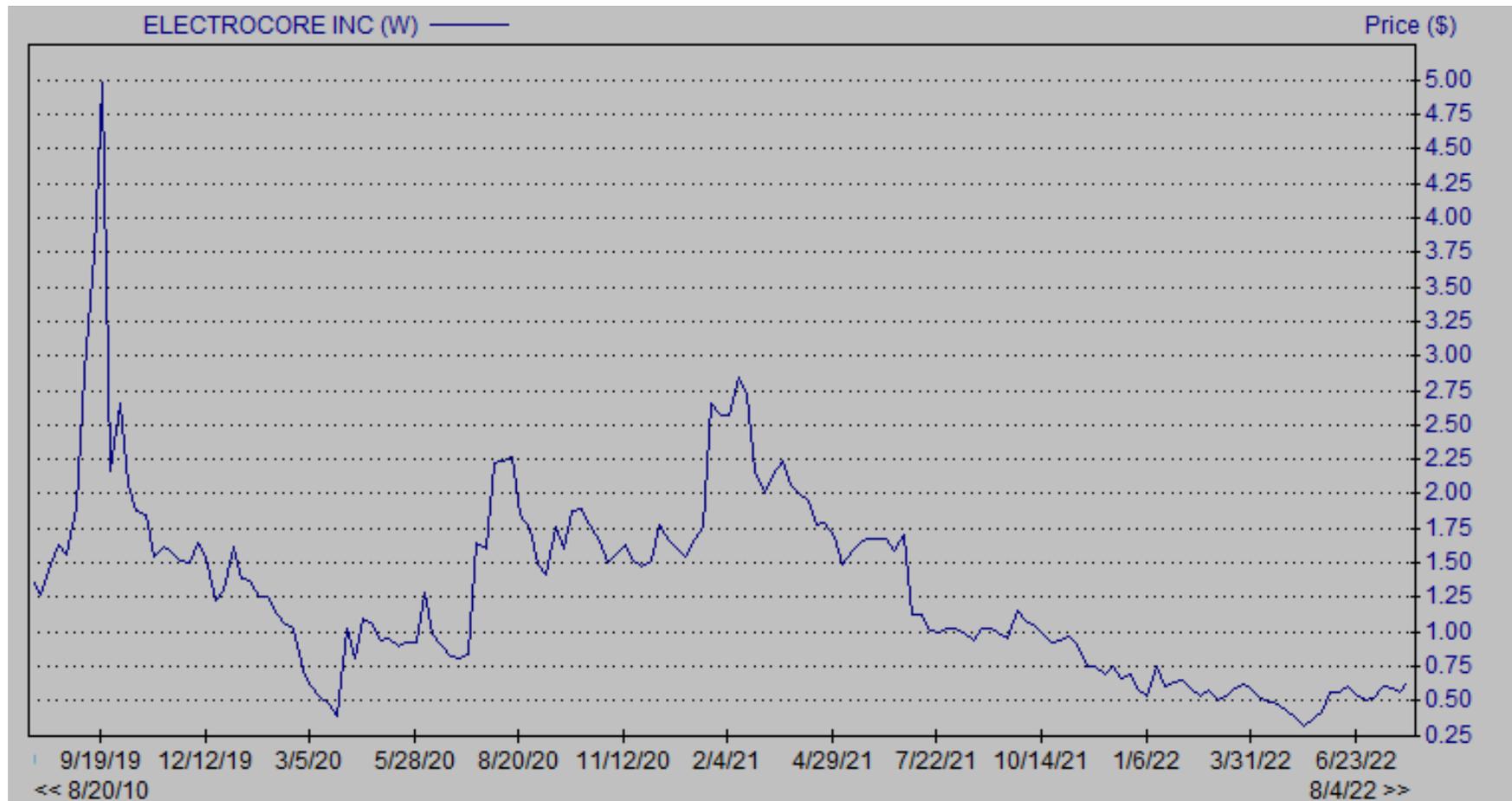
electroCore, Inc. - Income Statement

electroCore, Inc.	2021 E	Q1 A	Q2 A	Q3 E	Q4 E	2022 E	2023 E	2024 E
Total Revenues (\$US '000)	\$5,451	\$1,899	\$2,157	\$2,200	\$2,310	\$8,566	\$14,562	\$23,300
YOY Growth	56%	58%	70%	37%	55%	57%	70%	60%
Cost of Goods Sold	\$1,385	\$360	\$358	\$528	\$554	\$1,800	\$3,641	\$5,825
Product Gross Margin	75%	81%	83%	76%	76%	79%	75%	75%
Research & Development	\$2,536	\$934	\$1,341	\$600	\$920	\$3,795	\$3,022	\$1,000
Selling, General & Administrative	\$21,573	\$6,186	\$6,278	\$5,344	\$6,818	\$24,626	\$25,858	\$22,800
Restructuring & Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Income from operations	(\$20,043)	(\$5,581)	(\$5,820)	(\$4,272)	(\$5,983)	(\$21,656)	(\$17,958)	(\$6,325)
Operating Margin	-368%	-294%	-270%	-194%	-259%	-253%	-123%	-27%
Other Expense	(\$1,974)	\$1	(\$38)	\$0	\$0	(\$37)	\$0	\$0
Pre-Tax Income	(\$18,069)	(\$5,582)	(\$5,782)	(\$4,272)	(\$5,983)	(\$21,619)	(\$17,958)	(\$6,325)
Provision for Income Tax	(\$851)	\$0	(\$445)	\$0	\$0	(\$445)	\$0	\$0
Tax Rate	4.7%	0.0%	0.0%	0.0%	0.0%	2.1%	0.0%	0.0%
Net Income	(\$17,218)	(\$5,582)	(\$5,337)	(\$4,272)	(\$5,983)	(\$21,174)	(\$17,958)	(\$6,325)
Net Margin	-316%	-294%	-247%	-194%	-259%	-247%	-123%	-27%
Reported EPS	(\$0.29)	(\$0.08)	(\$0.08)	(\$0.06)	(\$0.08)	(\$0.30)	(\$0.25)	(\$0.09)
YOY Growth	-52%	-30.1%	26.4%	4.4%	19.4%	2%	-16%	-65%
Basic Shares Outstanding	59,178	70,672	70,816	71,200	71,600	71,250	71,588	71,858

Source: Company Filing // Zacks Investment Research, Inc. Estimates

HISTORICAL STOCK PRICE

electroCore – Share Price Chart³



³ Source: Zacks Research System

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