Zacks Small-Cap Research
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John D. Vandermosten, CFA
312-265-9588 / jvandermosten@zacks.com
scr.zacks.com
10 S. Riverside Plaza, Suite 1600, Chicago, IL 60606

electroCore, Inc. (ECOR: NASDAQ)

Commercial Strength Drives 4Q

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 present.

Current Price (2/2/2023)	$0.37
Valuation	**$4.75**

OUTLOOK

electroCore is a commercial company marketing its gammaCore vagus nerve stimulation device in multiple migraine and cluster headache indications. The device non-invasively stimulates the vagus nerve which treats headache. It 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 most recently with Joerns Healthcare, which is a domestic distributor in a variety of care settings.

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	**0.70**
52-Week Low	**0.20**
One-Year Return (%)	**-44.8**
Beta	**0.93**
Average Daily Volume (sh)	**336,273**
Shares Outstanding (mil)	**71.2**
Market Capitalization ($mil)	**26.3**
Short Interest Ratio (days)	**4.1**
Institutional Ownership (%)	**18.5**
Insider Ownership (%)	**17.3**
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	**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	$2.0 A	$2.5 E	$8.5 E
2023					$14.5 E
2024					$22.9 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	-$0.08 A	-$0.08 E	-$0.31 E
2023					-$0.25 E
2023					-$0.08 E

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WHAT'S NEW

New Year Update

Following the report of third quarter results, electroCore Inc. (NASDAQ: ECOR) has provided investors with several updates including the issuance of a product code number in Belgium, award of new patents, launch of new product and a preliminary announcement of stronger than expected 4Q revenues. The company also prepared its proxy for the February 13, 2023 special meeting to obtain shareholder approval for a reverse stock split.

4Q:22 Update
On January 17th, electroCore announced preliminary 4Q:22 revenues of $2.5 million, which is ahead of our $2.2 million expectation. For 2022, revenues were $8.5 million, a 57% increase over 2021 levels. Strength in government channels, which produced a 56% increase were surpassed in percentage terms by growth in commercial which saw a 158% year over year rise. electroCore also saw contributions from new programs and products including TAC-STIM, and Truvaga. International sales were up a modest 7%, which includes license fees from the Teijin Limited agreement. Based on last year's fourth quarter report timing, we expect to see full FY:22 results filed in the second week of March along with a management conference call.

Truvaga
electroCore's strategy over the last several years has been to expand its revenue sources into new geographical, government and product verticals. The latest initiative is Truvaga™ which is a device similar to gammaCore Sapphire which activates the vagus nerve. Truvaga reduces stress by activating the vagus nerve at the primary source in the neck.[1] There is a broad body of research demonstrating that vagus nerve stimulation can influence the body's stress response, which in turn increases serotonin and norepinephrine. Serotonin is involved in regulating mood, appetite, and sleep, among other functions and is associated with feelings of happiness and well-being. Norepinephrine acts as a neurotransmitter and hormone, playing a role in regulating attention and alertness, as well as regulating the body's sympathetic nervous system response in times of stress. Norepinephrine is also involved in regulating blood pressure and heart rate. See footnotes for additional research on vagus nerve stimulation and stress.[2,3]

The product sells for $299 online and claims to reduce stress, improve sleep, induce calmness and boost thinking. Support for the product is available with both online video and written instruction as well as a customer support line. Training sessions are also offered during the week. electroCore reported that sales from Truvaga were recognized in the fourth quarter.

Exhibit I – Truvaga Device[4]



[1] The vagus nerve runs from the brainstem, down the neck and into the thorax and abdomen. It can be found in the neck near the pharynx, larynx, trachea and esophagus.
[2] Bremner, J.D., *et al.* Application of Noninvasive Vagal Nerve Stimulation to Stress-Related Psychiatric Disorders. J Pers Med. 2020 Sep; 10(3): 119.
[3] Breit, S., *et al*. Vagus Nerve as Modulator of the Brain–Gut Axis in Psychiatric and Inflammatory Disorders. Front. Psychiatry, 13 March 2018.
[4] Source: electroCore's Truvaga website. Accessed February 2023.

Third quarter 2022 financial and operational results were provided in a press release and Form 10-Q filed with the SEC on November 2nd. A conference call with investors and analysts was held immediately following the release. Third quarter revenues of $2.0 million matched revised company guidance and produced a net loss per share of ($0.08) compared to our estimates of ($0.06). 4Q:22 guidance anticipates revenues of $2.2 to $2.3 million.

New Patents
The US Patent Office granted two new patents to electroCore for disorders in general and gastrointestinal disorders specifically. The patents strengthen electroCore's portfolio that is expected to expand into a number of new conditions beyond migraines and cluster headaches.

Patent titles:

- Non-invasive Magnetic or Electrical Nerve Stimulation to Treat Gastroparesis, Functional Dyspepsia, and other Functional Gastrointestinal Disorders
  - Patent number 11,511,109
  - Device uses methods involving the transmission of impulses of energy non-invasively to selected nerve fibers, particularly those in a vagus nerve.
- Non-invasive vagal nerve stimulation to treat disorders
  - Patent number 11,517,742
  - Disorders mentioned include asthma, COPD, depression, anxiety, epilepsy and fibromyalgia.

These patents build on the previous set of patents that were announced in 2022 related to using a mobile phone for vagus nerve stimulation in dementia, use of devices for remote therapy, treatment of a broad group of gastrointestinal disorders and use of a stimulator with a mobile device.

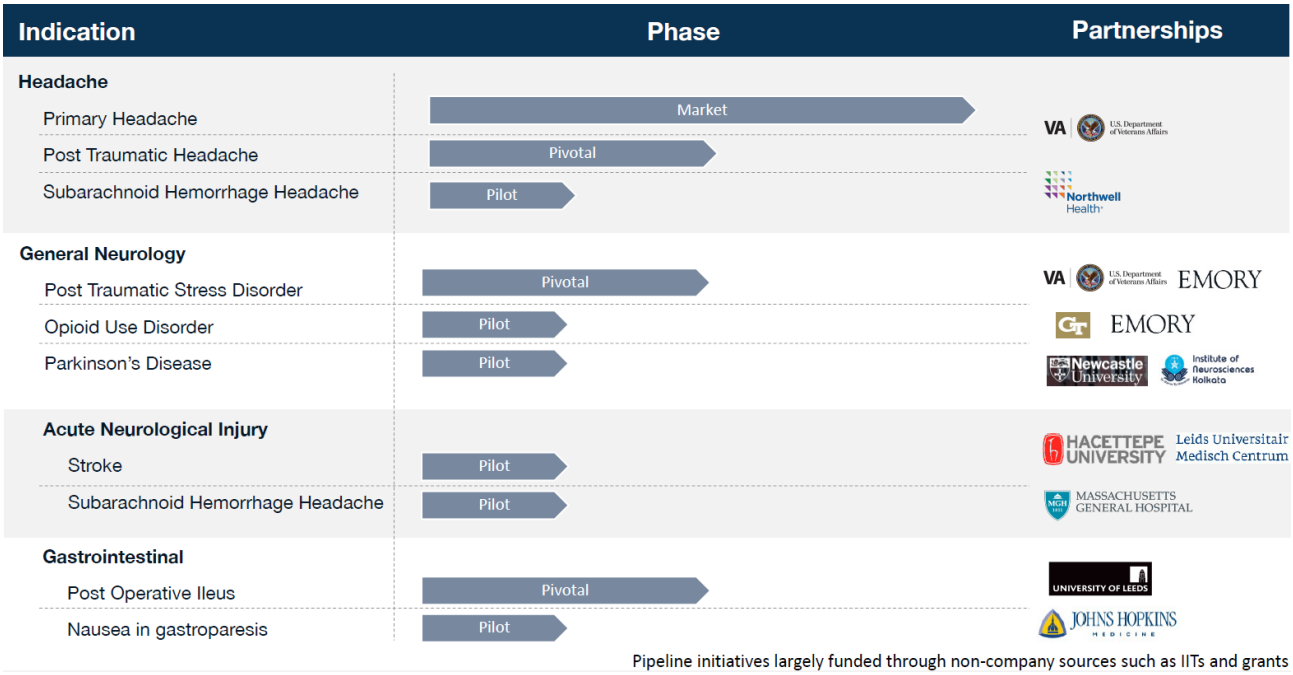
Belgian Product Code
In mid-November, electroCore was issued a National Code Number in Belgium which allows product recognition throughout the Belgian pharmaceutical network. The coding and recognition of gammaCore Sapphire by the system will improve the ease of prescribing the therapy and enhance the reimbursement process.

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 quantified 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 confirms the initial findings, electroCore will be expected to provide field ready devices to the US Air Force by 2H:23. The company has signed an agreement with the contractor for the first purchase commitment for this nVNS product which will be called the Tac-Stim[5] for human performance. electroCore is working to expand use of the product to all branches of the US Armed Services.

[5] Tactical Stimulation (Tac-Stim). If it's the military, you've got to have an acronym.

Exhibit II – electroCore Pipeline & Partnerships[6]



Summary

electroCore has provided a number of updates since its third quarter report. Most notable is the stronger than expected revenues in the fourth quarter which were driven by both government and commercial channels as well as new initiatives that could provide substantial growth in years to come. Another welcome surprise was the launch of Truvaga, which is a device similar to gammaCore Sapphire but is intended to treat stress and is being sold directly to the consumer. The favorable safety profile for vagus nerve stimulation and the non-invasive nature of the device make it an enticing online offering for consumer use.

electroCore continues to develop its intellectual property with additional indications added and also noted that it has received revenues in the fourth quarter related to its BOOST program. We are very positive on electroCore's prospects and see its strong revenue growth profile supporting substantially greater valuation. The material and bold initiatives being advanced by electroCore support continued strong topline growth and our price target of $4.75 per share.

[6] Source: electroCore Corporate Presentation November 2022

PROJECTED FINANCIALS

electroCore, Inc. - Income Statement

electroCore, Inc.	2021 E	Q1 A	Q2 A	Q3 A	Q4 E	2022 E	2023 E	2024 E
Total Revenues ($US '000)	**$5,451**	**$1,899**	**$2,157**	**$1,976**	**$2,500**	**$8,532**	**$14,504**	**$22,917**
YOY Growth	56%	58%	70%	33%	68%	57%	70%	58%
Cost of Goods Sold	$1,385	$360	$358	$258	$525	$1,501	$2,901	$4,583
Product Gross Margin	75%	81%	83%	87%	79%	82%	80%	80%
Research & Development	$2,536	$934	$1,341	$1,617	$920	$4,812	$3,022	$1,000
Selling, General & Administrative	$21,573	$6,186	$6,278	$5,657	$6,818	$24,939	$26,186	$22,800
Restructuring & Other	$0	$0	$0	$0	$0	$0	$0	$0
Income from operations	($20,043)	($5,581)	($5,820)	($5,556)	($5,763)	($22,720)	($17,605)	($5,466)
Operating Margin	*-368%*	*-294%*	*-270%*	*-281%*	*-231%*	*-266%*	*-121%*	*-24%*
Other Expense	($1,974)	$1	($38)	($103)	$0	($140)	$0	$0
Pre-Tax Income	($18,069)	($5,582)	($5,782)	($5,453)	($5,763)	($22,580)	($17,605)	($5,466)
Provision for Income Tax	($851)	$0	($445)	$0	$0	($445)	$0	$0
Tax Rate	*4.7%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*2.0%*	*0.0%*	*0.0%*
Net Income	**($17,218)**	**($5,582)**	**($5,337)**	**($5,453)**	**($5,763)**	**($22,135)**	**($17,605)**	**($5,466)**
Net Margin	*-316%*	*-294%*	*-247%*	*-276%*	*-231%*	*-259%*	*-121%*	*-24%*
Reported EPS	**($0.29)**	**($0.08)**	**($0.08)**	**($0.08)**	**($0.08)**	**($0.31)**	**($0.25)**	**($0.08)**
YOY Growth	*-52%*	*-30.1%*	*26.4%*	*33.5%*	*15.0%*	*7%*	*-21%*	*-69%*
Basic Shares Outstanding	59,178	70,672	70,816	71,090	71,600	71,250	71,588	71,858

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

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HISTORICAL STOCK PRICE

electroCore – Share Price Chart[7]



[7] Source: Zacks Research System

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