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electroCore, Inc. (ECOR: NASDAQ)

ECOR: 2Q:23 Revenues Impress

Our valuation is generated using a 20x multiple of 2027 earnings and discounting that value to the present year at a 20% rate.

Current Price (8/10/2023)	$4.95
Valuation	**$29.00**

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. Truvaga is another exciting topline driver.

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.

SUMMARY DATA

52-Week High	**10.20**
52-Week Low	**2.92**
One-Year Return (%)	**-50.4**
Beta	**1.2**
Average Daily Volume (sh)	**28,829**
Shares Outstanding (mil)	**5.98**
Market Capitalization ($mil)	**28.5**
Short Interest Ratio (days)	**4.0**
Institutional Ownership (%)	**16.9**
Insider Ownership (%)	**18.3**
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 2023 Estimate	**N/A**
P/E using 2024 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)
2022	$1.9 A	$2.2 A	$2.0 A	$2.6 A	$8.6 A
2023	$2.8 A	$3.6 A	$3.5 E	$4.0 E	$13.8 E
2024					$22.2 E
2025					$33.1 E

Earnings per Share

	Q1	Q2	Q3	Q4	Year
2022	-$1.18 A	-$1.13 A	-$1.15 A	-$1.22 A	-$4.69 A
2023	-$1.24 A	-$1.03 A	-$0.68 E	-$0.69 E	-$3.53 E
2024					-$2.07 E
2025					-$0.38 E

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WHAT'S NEW

Second Quarter 2023 Financial and Operational Results

For the quarter ending June 30, 2023, electroCore Inc. (NASDAQ: ECOR) posted revenues of $3.6 million vs. $2.2 million in the prior year quarter. This represents growth of nearly 65%, driven by increases in the VA/DOD segment and commercial revenues augmented by electroCore's cash pay initiatives. Since electroCore's previous quarterly update in early May, the company has participated in several scientific and investor conferences, been selected for a concussion study funded by the National Football League (NFL) and a cognitive performance study funded by the Air Force Research Laboratories. Other announcements include a distribution agreement with Reliefband Technologies, the issuance of a patent and publication of an article showing that nVNS improves memory in patients with post-traumatic stress disorder (PTSD).

Second quarter 2023 financial and operational results were provided in a press release and Form 10-Q filed with the SEC on August 9th. A conference call with investors and analysts was held immediately following the release. 2Q:23 revenues of $3.6 million were ahead of our initial estimates and matched revised company guidance. Net loss per share was ($1.03). Management reiterated its outlook of revenues between $14.0 and $15.0 million in 2023.

Operational and scientific highlights for 2Q:23 and to date include:

- Import license granted for Indonesia, Malaysia and South Africa – April 2023
- Teijin license fee remitted – April 2023
- Three patent issue notifications received – April 2023
- AAN Foreign Language Learning study and presentation – April 2023
- National Institutes of Health Grant Award – April 2023
- Tac-Stim selected for Air Force Research Laboratories project – June 2023
- gammaCore selected for NFL concussion study – July 2023
- Reliefband distribution agreement – July 2023
- Registered direct offering – July 2023

2Q:23 revenues were $3.5 million, a 65% increase over the $1.9 million generated in 2Q:22. Net loss was ($4.9) million in 2Q:23, which was ahead of our ($5.2) million estimate. This equated to a loss of ($1.03) on a per share basis.

For the three-month period ending June 30, 2023 and versus the same period a year prior:

- Net sales were $3.6 million, up 65% primarily due to increases in the VA and DOD channel of 75% and growth in cash pay channels. Contributions from the launch of Truvaga and TAC-STIM added to the revenue line. Sales in the UK and ex-US were weak due to currency effects and difficult comparisons;
- Gross margin was 83.5%, up 10 basis points helped by product mix tilted towards longer duration therapy and a greater number of refills;
- Research & development expenses totaled $1.2 million, falling 14% on lower compensation and cost cutting measures offset by targeted measures to support the next generation nVNS platform;
- Selling, general & administrative expenses of $6.8 million were up 8% from $6.3 million as sales related expenses grew with revenues and were partially offset by decreases in insurance and stock-based compensation;
- Net loss was ($4.9) million versus ($5.3) million with loss per share ($1.03) and ($1.13), respectively.[1]

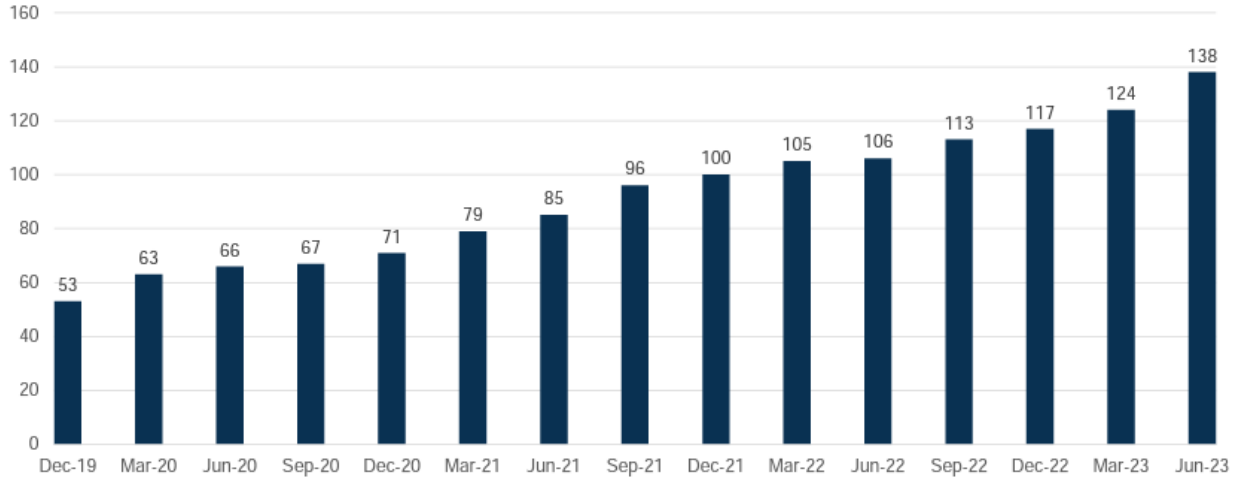
As of June 30, 2023, cash, equivalents and marketable securities on the balance sheet totaled $8.4 million. Cash burn was ($3.4) million in the quarter. No financing cash flows were recognized in the second quarter. In July, electroCore raised a net $7.5 million from a share offering which, along with existing balances, provides sufficient cash to make it through 2024. Management has reiterated its 2023 revenue guidance of $14 to $15 million. We anticipate

[1] Note that our earnings per share actuals use updated share counts in previous periods to reflect the February 2023 reverse stock split.

operating expenses rising mid-single digits net of expense reductions in 2023 with increases tied to sales-related variable costs. R&D activities will be driven by new product development but are expected to decline in coming quarters.

Since the first quarter update in early May, electroCore Inc. (NASDAQ: ECOR) has continued to expand its research efforts and build its stable of partners with the Reliefband distribution agreement. The company also announced better than expected revenues in the second quarter driven by its new initiatives in Truvaga and Tac-Stim. Other news was also promulgated including attendance at multiple conferences and the departure of founder and former CEO of electroCore, JP Errico, from the Board of Directors.

Exhibit I – Growth in VA/DoD Prescribing Facilities[2]



Registered Direct Offering

electroCore announced the sale of 1.7 million units which include a share of common stock and one-half warrant at $4.4125 per unit in a July 31st press release. Warrants are exercisable at $4.35 per share with a five-year duration. An additional 170,000 units are being sold to company officers and directors with the same structure and terms. In total, gross proceeds from the transaction were $8.145 million and net proceeds were approximately $7.5 million.

New Relationships and Activities

Reliefband Technologies
electroCore announced a distribution and billing agreement with Reliefband Technologies to provide their prescription Reletex product to the DoD and other Federal Supply Schedule entities. The product is an FDA cleared non-invasive neuromodulation device for nausea and vomiting. The product has a number of applications including sea-sickness, morning sickness, chemotherapy related nausea, anxiety, migraines and other. While the future impact on the bottom line has not been quantified, it does provide a new product for electroCore to offer and potentially expands call points for the gammaCore product.

National Football League and National Football League Players Association Study
The National Football League (NFL) and the National Football League Players Association (NFLPL) awarded a grant to independent medical researchers to examine the benefit of non-invasive vagus nerve stimulation (nVNS) and cannabidiol (CBD) on headache. The award will fund investigations into new alternative pain treatments that could benefit NFL players and a broader audience. The primary indication is Post-Traumatic Headache which will be evaluated using gammaCore and CBD in a pilot study "Assessing Non-Invasive Treatment of Refractory Post-Concussion Headache Pain." Dr. Erika Petersen, researchers at the American Society of Pain and Neuroscience (ASPN), and Emory University have been awarded the grant.

[2] Source: electroCore Corporate Presentation July 2023

Exhibit II – Tac-Stim In Use[3]



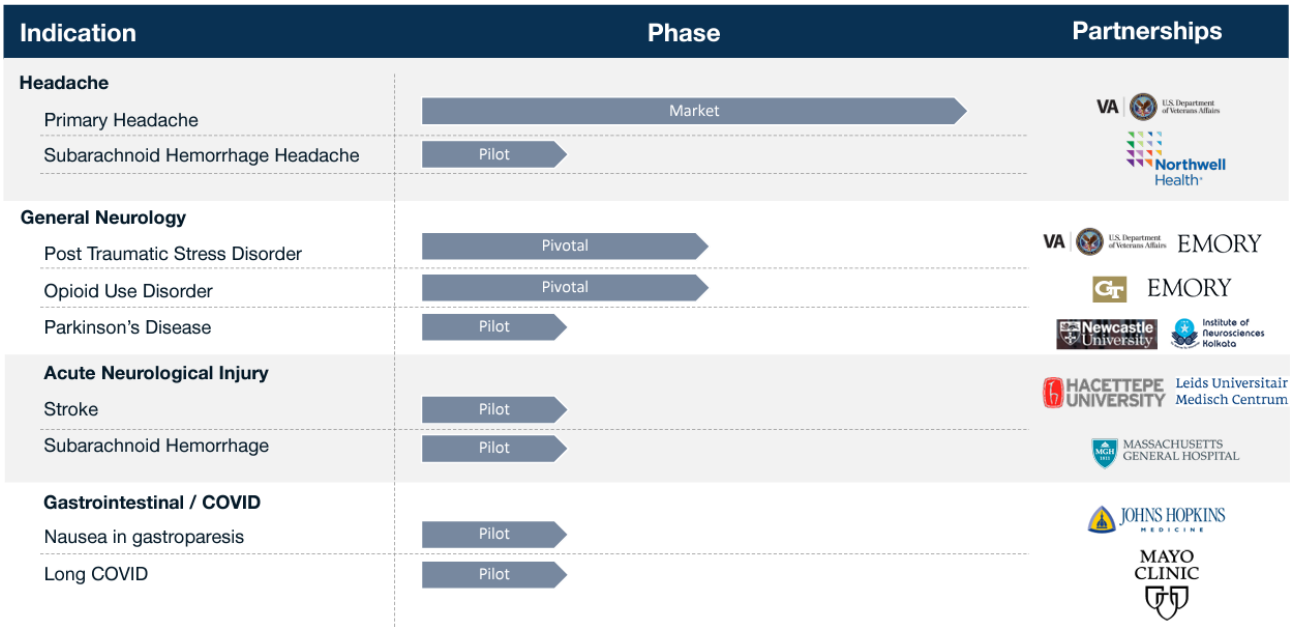
New Tac-Stim Study in Cognitive Performance
The Air Force Research Laboratories has selected the Tac-Stim device to evaluate in context of assessing and augmenting cognitive performance in extreme environments. The five-year project will be led by the Florida Institute for Human and Machine Cognition (IHMC). The goal of the program awarding the grant is to build a wearable system to sense, assess and augment cognitive performance in operational environments. Electrophysiological and biomarker sensors will assess stress and fatigue in extreme environments for servicemembers. The goal of the program is to identify devices that can improve performance in multi-day transoceanic operational and logistic flights as well as long duration remotely piloted aircraft missions. A further goal is to improve the long term-health of individuals in these environments. According to a representative from the Air Force, Tac-Stim was selected for this project based on its demonstrated ability to mitigate fatigue and improve performance in several relevant environments.

Other Highlights
electroCore participated in several scientific and investor conferences over the last few months. This included the 13th Annual LD Micro Invitational on June 6 held in Los Angeles, the Maxim Group Virtual Healthcare Conference on June 21 and the American Headache Society's (AHS) 65th Annual Scientific Meeting on June 17 in Austin, Texas. The title of the scientific poster was "SUNCT/SUNA with neurovascular conflict: consider nVNS" which observed efficacy of nVNS in three patients with rare headache diseases, SUNCT/SUNA, in the class of headache disorders known as Trigeminal Autonomic Cephalalgias (TACs). The retrospective study suggests that nVNS, as a treatment for TACs in general, and specifically for refractory SUNCT/ SUNA, should be considered before microvascular neurosurgery, particularly given the well-recognized risks and costs of such surgical procedures.

Board Member Departure
JP Errico, the founder and former CEO of electroCore announced his resignation from the Board of Directors of the company in late May. He will continue to serve as a strategic advisor focused on supporting the growth and direction of electroCore's new initiatives.

[3] Source: electroCore Corporate Presentation July 2023

Exhibit III – electroCore Pipeline & Partnerships[4]



New Indications

The number of indications that may benefit from nVNS seems to be endless. Announcements of grants to support opioid use disorder, and the recent launch of Truvaga to improve stress, anxiety, sleep, energy and mood build on previous work done demonstrating benefits in post-traumatic stress disorder, stroke, and Parkinson's disease. Recently, work conducted in collaboration with the Department of Defense at the US Defense Language Institute Foreign Language Center demonstrated a statistically significant benefit for language test performance.

Data from the language study was presented at the 75th Annual Meeting of the American Academy of Neurology (AAN) in April, 2023. Support for the study was provided by the Defense Advanced Research Projects Agency (DARPA)/AFRL within the DARPA Targeted Neuroplasticity Training (TNT) program. 36 subjects were assessed in a 1:1 ratio between nVNS and sham following a baseline assessment. gammaCore stimulation treatments were self-administered before and after training. On day five, assessments were administered on language recall. Mood was also measured. Subjects using nVNS showed increases in energy and focus relative to sham participants.

The study's findings suggest that transcutaneous vagus nerve stimulation (tcVNS) promotes learning by inducing neuroplasticity, enhancing focus and mitigating fatigue. tcVNS training benefits are sustained for at least 24 hours after stimulation. Based on current and related demonstration of training enhancement, the study's authors conclude that tcVNS could be beneficial in language learning as well as acquisition of skills in intensive learning environments.

Traumatic Brain Injury is another area where a study was conducted. This pre-clinical work was presented in a paper entitled "Non-Invasive Vagus Nerve Stimulation Improves Brain Lesion Volume and Neurobehavioral Outcomes in a Rat Model of Traumatic Brain Injury" in the peer-reviewed Journal of Neurotrauma. The use of nVNS was associated with small brain lesion (damage) volume as compared with the control group. Benefits were measured after one day of treatment and by day 7, nVNS was associated with a decreased lesion size of 35% and 89% in the low and high dose nVNS groups respectively. Neurobehavioral assessments were also more favorable for the mice treated with nVNS.

A $6 million NIDA grant was announced that will fund a 100-patient trial to be conducted at Emory University and the Atlanta VA Hospital. It is of a double-blind, randomized, sham-controlled design with a primary endpoint of peak difference in the Subjective Opioid Withdrawal Score (SOWS) between nVNS and sham treatment on day 2 and 3 of the initial withdrawal period. The grant will have a duration of three years. Based on today's visibility, enrollment could be completed by the end of 2024 and regulatory submissions may be able to start in 2025.

[4] Source: electroCore Corporate Presentation April 2023

Valuation

We adjust our valuation to reflect a change in share count which is now $29 per share.

Summary

electroCore's launch of two new brands, Tac-Stim and Truvaga, has supported a rapid sales acceleration generating a meaningful increase in second quarter revenues. The VA relationship is also performing well, with additional facilities added and longer treatment prescribed as physicians become more familiar with the capabilities of gammaCore. The company adds the first new product outside of nVNS to its distribution, signing a partnership with Reliefband Technologies to offer the Reletex product at VA hospitals and other government agencies. Research into new indications continues with two studies planned with the Air Force and the NFL for augmenting cognitive performance and alleviating concussion symptoms respectively.

electroCore's share price has not moved in tandem with its prospects which have continued to improve. The company has produced impressive organic growth with its VA an DoD relationships but has also expanded into new areas including consumer-oriented products, distribution agreements and cash pay business lines which have the potential to provide dramatic growth and better margins that the existing business outside the indications listed in the corporate pipeline.

We remain very positive on electroCore's revenue prospects and see the trend in this line item supporting substantially greater valuation. The material and bold initiatives being advanced by electroCore support continued strong topline growth and our price target of $29 per share.

PROJECTED FINANCIALS

electroCore, Inc. - Income Statement

electroCore, Inc.	2022 A	Q1 A	Q2 A	Q3 E	Q4 E	2023 E	2024 E	2025 E
Total Revenues ($US '000)	**$8,592**	**$2,780**	**$3,551**	**$3,552**	**$3,992**	**$13,875**	**$22,200**	**$33,078**
YOY Growth	58%	46%	65%	80%	56%	61%	60%	49%
Cost of Goods Sold	$1,616	$458	$585	$639	$719	$2,401	$4,440	$8,270
Product Gross Margin	81%	84%	84%	82%	82%	83%	80%	75%
Research & Development	$5,520	$1,809	$1,155	$1,055	$1,001	$5,020	$4,900	$1,000
Selling, General & Administrative	$24,330	$6,710	$6,799	$5,910	$6,460	$25,879	$26,914	$26,400
Restructuring & Other	$0	$0	$0	$0	$0	$0	$0	$0
Income from operations	($22,874)	($6,197)	($4,988)	($4,052)	($4,188)	($19,425)	($14,054)	($2,592)
Operating Margin	*-266%*	*-223%*	*-140%*	*-114%*	*-105%*	*-140%*	*-63%*	*-8%*
Other Expense	($281)	($119)	($85)	$0	$0	($204)	$0	$0
Pre-Tax Income	($22,593)	($6,078)	($4,903)	($4,052)	($4,188)	($19,221)	($14,054)	($2,592)
Provision for Income Tax	($431)	($211)	$0	$0	$0	($211)	$0	$0
Tax Rate	*1.9%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*1.1%*	*0.0%*	*0.0%*
Net Income	**($22,162)**	**($5,867)**	**($4,903)**	**($4,052)**	**($4,188)**	**($19,010)**	**($14,054)**	**($2,592)**
Net Margin	*-258%*	*-211%*	*-138%*	*-114%*	*-105%*	*-137%*	*-63%*	*-8%*
Reported EPS	**($4.69)**	**($1.24)**	**($1.03)**	**($0.68)**	**($0.69)**	**($3.53)**	**($2.07)**	**($0.38)**
YOY Growth	*7%*	*# DIV/0!*	*# DIV/0!*	*# DIV/0!*	*# DIV/0!*	*-25%*	*-41%*	*-82%*
Basic Shares Outstanding	4,729	4,743	4,751	6,000	6,045	5,385	6,800	6,800

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

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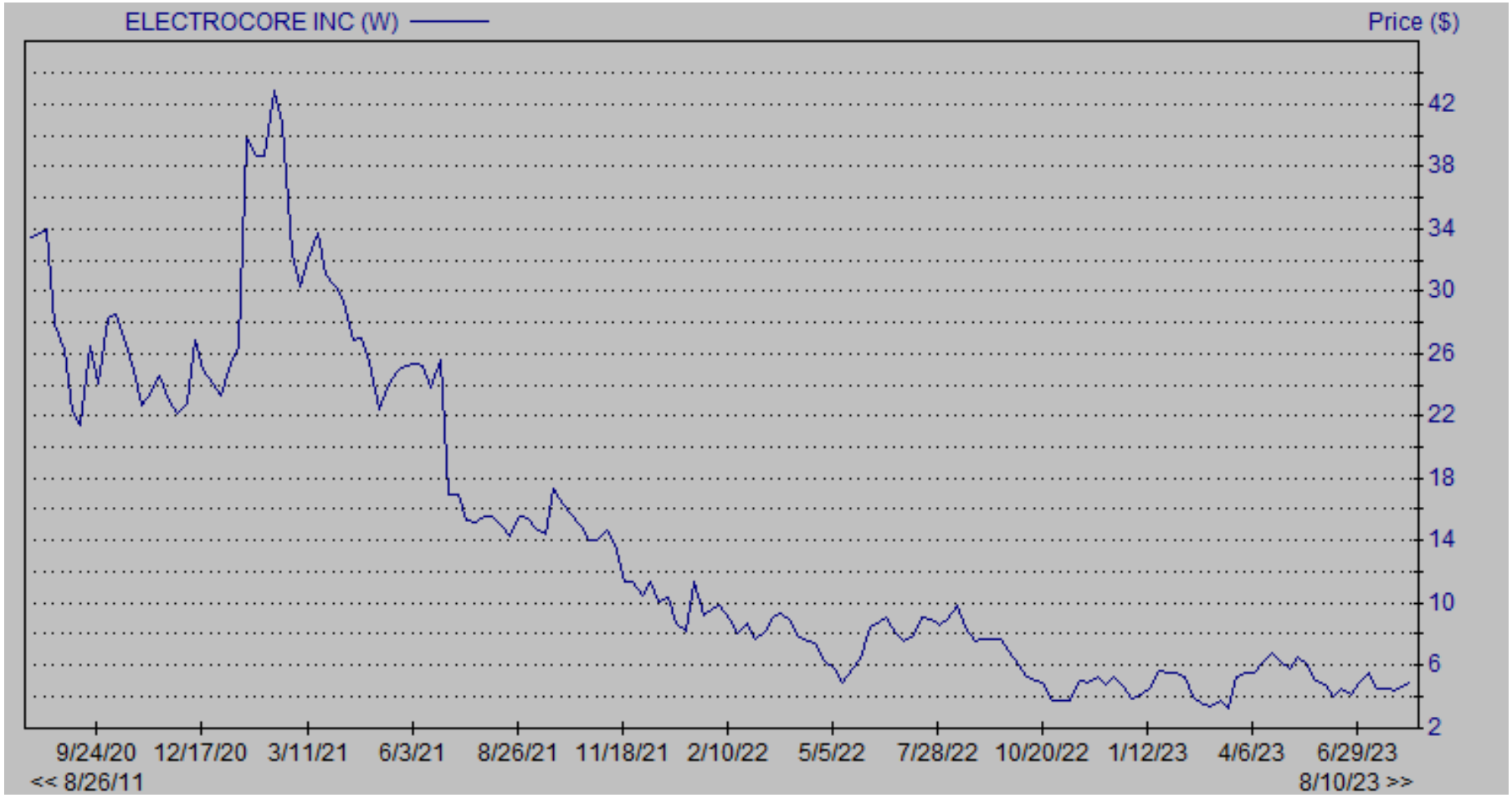
HISTORICAL STOCK PRICE

electroCore – Share Price Chart[5]



[5] Source: Zacks Research System

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