

Heart Test Laboratories, Inc.

Mt. Sinai agreement and FDA confirmation of 510K clearance pathway greatly strengthen business positioning. Resetting PT to \$0.90 on share count expansion.

United States
Healthcare

December 22, 2023

Lucas Ward
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COMPANY UPDATE

Rating: BUY

Ticker: HSCS

Price: \$0.16

Target: \$0.90
(From \$3.80)

Q2 FY24 in line: Q2 FY24 (Oct) EPS came in at \$(0.16), versus our estimate of \$(0.12) and consensus estimate of \$(0.13), with the primary variance from our estimates being lower share count. Total operating expenses for the quarter came in at \$1.6 million, versus our estimate of \$1.8 million. No forward guidance was provided.

Raising estimates on higher share count: Due to recent fundraising, the company's share count has expanded dramatically - from 10.3 million in Q1 to 63.6 million currently, resulting in lower projected losses per share. As a result, we are raising our FY24 EPS estimate to \$(0.25), versus \$(0.51) previously and consensus of \$(0.51). Our FY25 estimate is now \$(0.14), versus \$(0.56) previously and consensus of \$(0.56). We are lowering our FY24 revenue estimate to \$0.1 million (from \$0.4 million previously) and leaving our FY25 revenue estimate unchanged at \$5.4 million, in line with consensus.

510K clearance pathway means a streamlined FDA approval process. On Dec 5, HSCS announced that it had received confirmation from the FDA to change the clearance pathway for its MyoVista device and associated algorithms from the relatively complex De Novo pathway to the more standard 510K pathway. This will make it quicker and less expensive for the company to receive FDA clearance for its hardware, as well as the family of algorithms that it inherits from the Mt. Sinai agreement.

Mt. Sinai agreement is transformative. In Q2 FY24, the company closed a landmark agreement with the Icahn School of Medicine at Mt. Sinai to commercialize AI cardiovascular algorithms. The deal with Mt. Sinai transforms HSCS from a single-algorithm diagnostic provider to a multi-algorithm provider capable of diagnosing as many as 13 conditions with its MyoVista ECG machines. In addition, the company announced it will be creating a cloud-based diagnostic platform to complement its hardware solution (the MyoVista). This gives the company the ability to interpret data collected by any ECG device.

HSCS continues to target 2024 FDA approval of its signature ECG machine, the MyoVista. As soon as the company receives marketing approval from the FDA, it will be free to start selling the MyoVista. Indeed, the company has begun to line up distributors and holds substantial inventory for launch.

Large opportunity in early detection of heart disease driven by proprietary AI: Heart Test continues to develop what could be the first ECG machine to provide early detection of heart disease, a very significant advancement for prevention of this number one killer and a large revenue opportunity for the company. The key enabling technology is the clever application of machine-learning algorithms that interpret signals from the ECG to detect anomalies. Heart Sciences has spent years developing the AI to do this, and with Mt. Sinai now has a vastly expanded IP 'moat' against potential competitors.

Resetting PT on higher share count: We are lowering our price target to \$0.90 (from \$3.80) due to the more than 5x increase in share count over the past quarter. We note that our new target, based on an NPV analysis, represents 460% upside from the current share price and is actually higher in market cap terms. We believe this valuation appropriately balances out the company's high risks with the company's high growth prospects and large upside opportunity.

Company Description

Based in Southlake, Texas, Heart Test Laboratories, Inc. is a medical devices maker developing AI-enabled ECGs to provide early detection of heart disease.

Stock Data

Exchange:	NasdaqCM
52-week Range:	\$0.15-3.95
Shares Outstanding (million):	63.6
Market cap (\$million):	\$10.2
EV (\$million):	\$4.2
Debt (\$million):	\$0
Cash (\$million):	\$6.0
Avg. Daily Trading Vol (\$ millions):	\$1.3
Float (million shares):	57.9
Short Interest (million shares):	1.31
Dividend, annual (yield):	NA

Revenues (US\$ million)

	2024E (Cur.)	2024E (Old.)	2025E (Cur.)	2025E (Old.)
Q1 Jul	0.0A		0.3E	0.6E
Q2 Oct	0.0A		0.7E	1.0E
Q3 Jan	0.0E	0.1E	2.0E	1.6E
Q4 Apr	0.1E	0.3E	2.4E	2.2E
Total	0.1E	0.4E	5.4E	
EV/Rev	42x		0.8x	

Earnings per Share (pro forma)

	2024E (Cur.)	2024E (Old.)	2025E (Cur.)	2025E (Old.)
Q1 Jul	(0.13)A		(0.04)E	(0.15)E
Q2 Oct	(0.16)A	(0.12)E	(0.04)E	(0.14)E
Q3 Jan	(0.06)E	(0.13)E	(0.03)E	(0.14)E
Q4 Apr	(0.03)E	(0.13)E	(0.03)E	(0.13)E
Total	\$(0.25)E	\$(0.51)E	\$(0.14)E	\$(0.56)E
PE	NA		NA	

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 15.

Exhibit 1: Heart Test Laboratories, Inc. Corporate Highlights

HeartSciences: Investment Highlights

- ✓ High Growth \$25 Billion Market by 2032¹

Recent Progress Advances AI-ECG Agenda

- ✓ Mount Sinai agreements provide catalyst for HeartSciences' transformation
 - Large AI-ECG algorithm portfolio
 - Tens of millions of curated ECG records
 - Mount Sinai becomes 15% HSCS shareholder upon completion of the Offering
- ✓ Meaningful risk reduction: now expect 510(k) pathway versus De Novo
 - New FDA classification for AI-ECG
 - New AI-ECG CPT codes introduced in 2023.
- ✓ Compelling AI-ECG clinical evidence and IP portfolio
- ✓ HSCS: only pure play Nasdaq listed AI-ECG company



MyoVista

MyoVista® Wavelet ECG
New Generation of AI-ECG Technology
Designed to Revolutionize ECG for
Heart Screening



HeartSciences Signs Definitive Agreements with the Icahn School of Medicine at Mount Sinai to Commercialize Artificial Intelligence Cardiovascular Algorithms

Smithville, TX, September 21, 2023 (GLOBE NEWSWIRE) – Heart Test Laboratories, Inc. d/b/a HeartSciences (Nasdaq: HSCS; HSCSW) ("HeartSciences" or the "Company"), an AI-powered medical technology company focused on transforming ECGs/ECGs to save lives through earlier detection of heart disease, today announced it has executed definitive agreements with the Icahn School of Medicine at Mount Sinai (Icahn Mount Sinai), in New York, NY, to commercialize electrocardiographic AI algorithms and assets, as well as a memorandum of understanding for on-going cooperation, collaboration and de-identified data access.

"ECG" (also known as "EKG") is the abbreviation for an electrocardiogram.
1 - Precedence Research 2023

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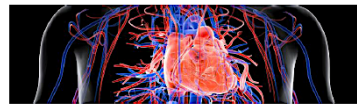


Source: Company Reports

Exhibit 2: Lack of Early Identification of Heart Disease is a Big Problem in Cardiology

Significant Challenge to Identify Heart Disease in Front-Line Healthcare

AI-ECG is the bridge between front-line healthcare and cardiology to detect heart disease early



Cardiology

Risk Assessment	Possibly Conventional ECG
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Echo	Stress Echo	ECG	Stress ECG
Coronary CT Angiogram	MRI	Invasive Angiogram	

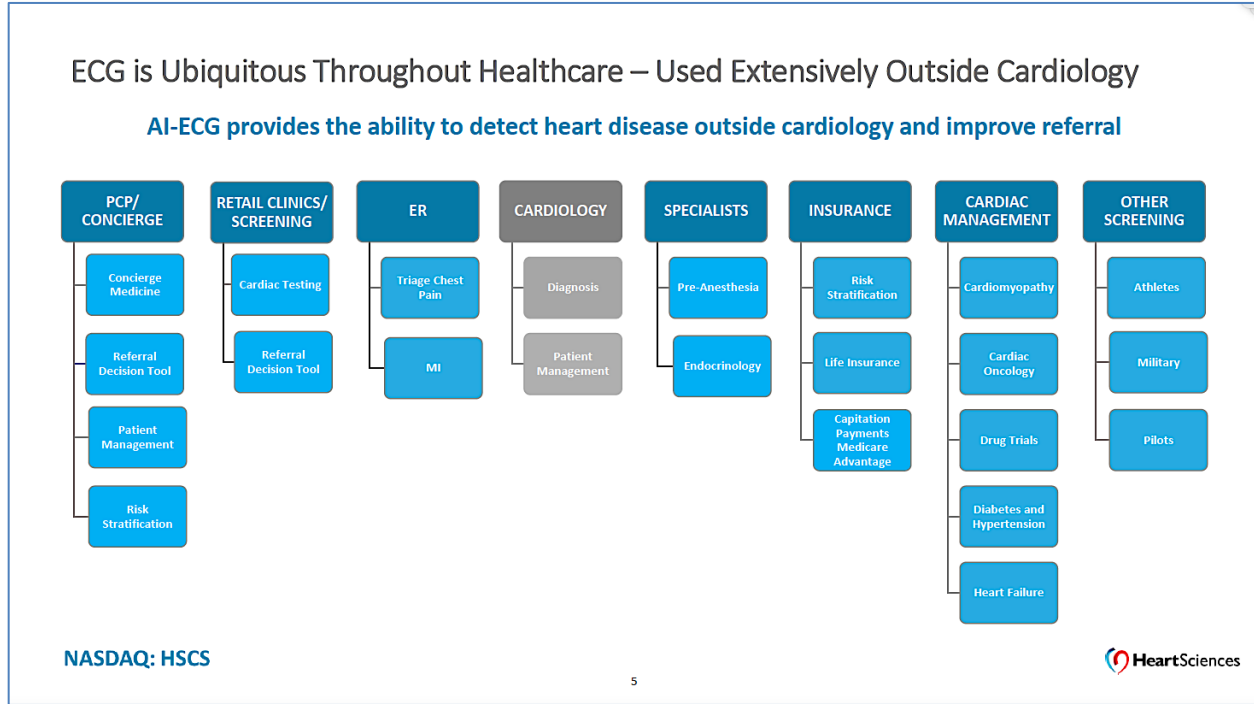
Conventional ECG - low sensitivity for 2 out of the 3 categories of heart disease (ischemia (CAD) and structural)

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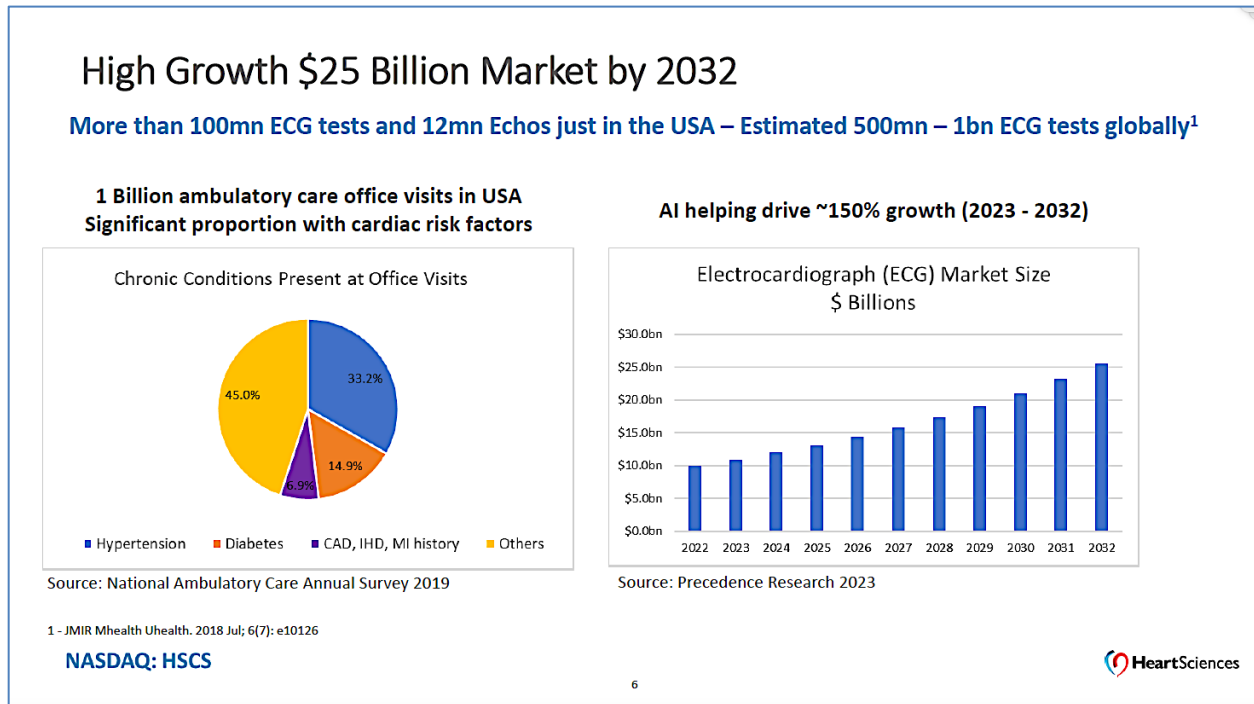
Source: Company Reports

Exhibit 3: ECG Applications Extend Beyond Cardiology



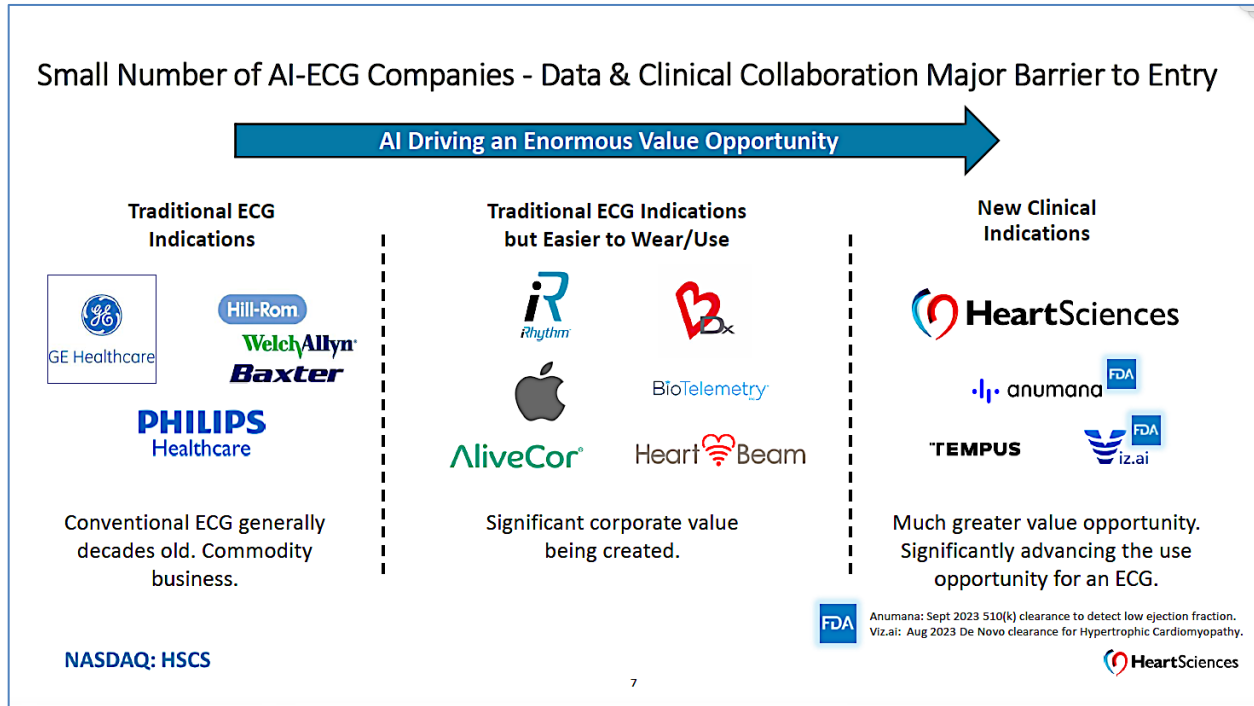
Source: Company Reports

Exhibit 4: ECG Market Size



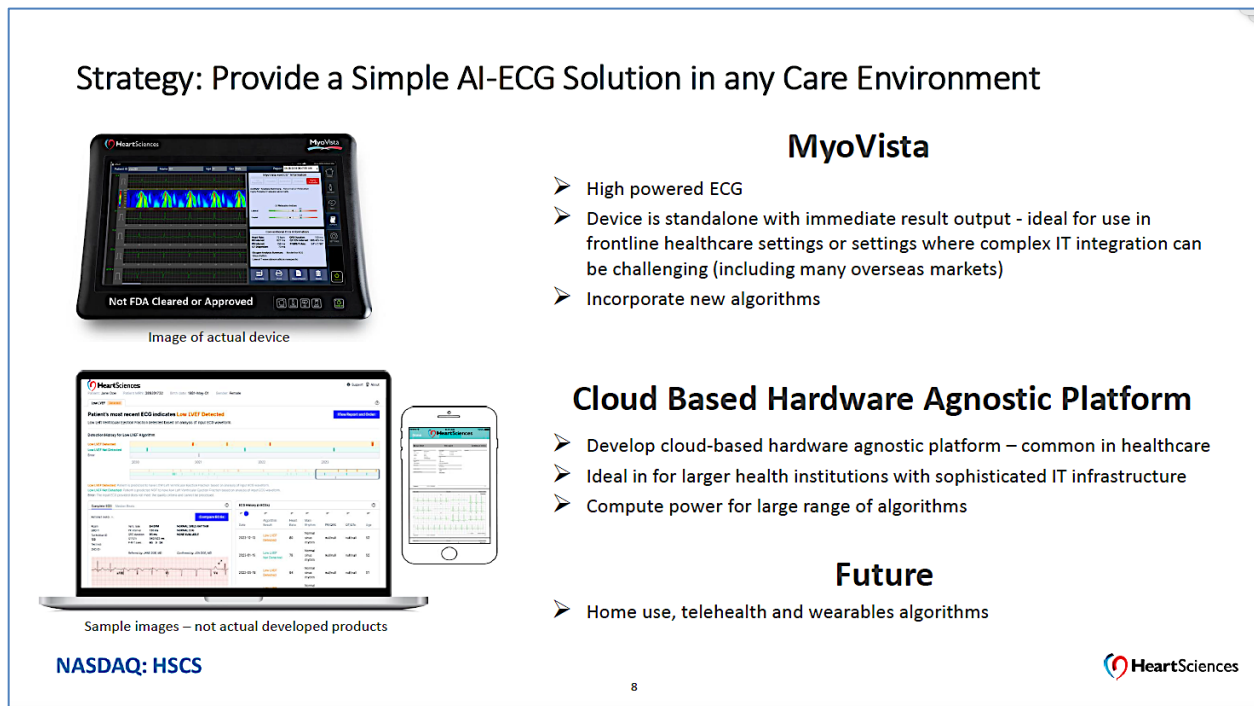
Source: Company Reports

Exhibit 5: Heart Test Laboratories, Inc. Competitive Landscape



Source: Company Reports

Exhibit 6: Heart Test Laboratories, Inc. Business Model



Source: Company Reports

Exhibit 7: MyoVista Interface

MyoVista: Simple to Use

New information on heart health plus conventional ECG information in a single test

MyoVista Energy Waveform
Provided for context. Not intended for use in clinical assessment

MyoVista wavECG LV Relaxation Algorithm Results
Provided in indicator and statement form for LV relaxation abnormality

Conventional ECG Traces

Glasgow Analysis Interpretive analysis report of conventional trace

THE ISCHEMIC CASCADE

Increasing Ischemic Severity

“LV diastolic function [cardiac relaxation phase] is impaired by all of the common pathological processes that affect LV function or produce LV hypertrophy or fibrosis, including hypertension, diabetes mellitus, ischemia, myocarditis, toxins, and infiltrative cardiomyopathies. Thus, LV diastolic performance is a sensitive indicator of cardiovascular dysfunction.”

Department of Health and Human Services Public Access: Diastolic Dysfunction and Prognosis 2015.

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Source: Company Reports

Exhibit 8: Heart Test Laboratories, Inc. Clinical Studies

MyoVista Technology Clinical Studies

<p>JACC 2018</p> <p>Prediction of Abnormal Myocardial Relaxation from Signal Processed Surface ECG</p> <ul style="list-style-type: none"> Mount Sinai (New York) 188 subjects (n=188) 80% sensitivity, 84% specificity with AUC > 90% in the identification of left ventricular diastolic dysfunction Also 82% identification of significant coronary arterial disease 	<p>JACC 2020</p> <p>Machine Learning Assessment of LV Diastolic Function based on Electrocardiographic Features</p> <ul style="list-style-type: none"> West Virginia, Mount Sinai, UCLA and Windsor Cardiac Center (Ontario) 1202 subjects (n=388) AUC 94% for estimated e' in prediction of LV diastolic dysfunction based on multiple age- and sex-adjusted reference limits AUC 80%, 84% and 81% for determining abnormal myocardial relaxation, LVDD and systolic dysfunction 	<p>JACC Cardiovascular Imaging 2021</p> <p>Machine Learning of ECG Waveforms to Improve Selection for Testing for Asymptomatic Left Ventricular Dysfunction</p> <ul style="list-style-type: none"> Baker Heart Institute, Australia 398 subjects (n=111) 85% sensitivity, 72% specificity with AUC 83% in the identification of left ventricular dysfunction Outperformed conventional methods of screening for LVD
<p>JACC – Journal of the American College of Cardiology</p> <p>ESC – European Society of Cardiology European Heart Journal</p> <p>JPCRR – Journal of Patient Centered Research and Reviews</p> <p style="text-align: center;">NASDAQ: HSCS</p>	<p>European Heart Journal 2020</p> <p>Prediction of coronary artery calcium scoring from surface electrocardiogram in atherosclerotic cardiovascular disease: a pilot study</p> <p>West Virginia, Mount Sinai, UCLA and Windsor Cardiac Center</p> <ul style="list-style-type: none"> 534 subjects (n=106) AUC 84% for prediction of CAC=0 score; AUC 87% for prediction of CAC ≥400 score Predictive accuracy for MACE events in higher risk patients 	<p>JPCRR 2022</p> <p>Surface ECG-based Machine Learning Model For Predicting Patient Subgroup at a High Risk for Major Adverse Cardiac Events</p> <p>West Virginia, Mount Sinai, UCLA and Windsor Cardiac Center</p> <ul style="list-style-type: none"> 1245 subjects (n=518) 84% sensitivity, 72% specificity with AUC 84% in prediction of MACE events over a 38-month period Comparable performance to Echo based MACE predictive model. 97% and 79% survival for low and high-risk groups respectively

Source: Company Reports

Exhibit 9: Mt. Sinai Agreements Are Game Changer for the Company

Recent Agreements with Mount Sinai are a Transformative Catalyst

Broad Portfolio of Licensed AI-ECG Algorithms

Overview

- **11 licenses covering:**
 - 13 algorithms
 - State-of-the art vision transformer platforms
 - 3 patent filings
- **No cash acquisition cost of licenses - Mount Sinai to become a significant shareholder**
- **MoU:**
 - Co-operation
 - Internal use and health economics
 - Partnering opportunities
 - De-identified data access
 - MyoVista evaluation
- **Elite data science team – tens of millions of records**
- **Closing upon completion of the offering**



HeartSciences Signs Definitive Agreements with the Icahn School of Medicine at Mount Sinai to Commercialize Artificial Intelligence Cardiovascular Algorithms

Southlake, TX, September 21, 2023 (GLOBE NEWSWIRE) – Heart Test Laboratories, Inc. d/b/a HeartSciences (Nasdaq: HSCS; HSCSW) ("HeartSciences" or the "Company"), an AI-powered medical technology company focused on transforming ECGs/EKGs to save lives through earlier detection of heart disease, today announced it has executed definitive agreements with the Icahn School of Medicine at Mount Sinai (Icahn Mount Sinai), in New York, NY, to commercialize electrocardiographic AI algorithms and assets, as well as a memorandum of understanding for on-going cooperation, collaboration and de-identified data access.

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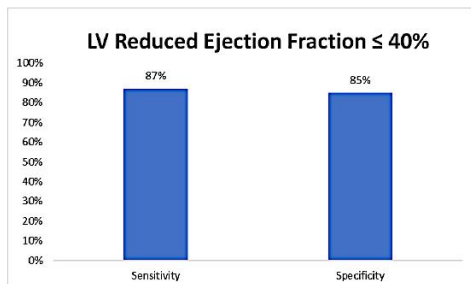
Source: Company Reports

Exhibit 10: Mt Sinai Algorithms Are Comparable to Recently FDA-Cleared Algorithms

Mount Sinai LVEF Algorithm Comparable to Recently Cleared Mayo Clinic Algorithm

Standardizes and Simplifies Regulatory Clearance

Exclusively Licensed to HeartSciences



JACC Cardiovascular Imaging, Vol 15, No 5.

ECG Echo Pairs N = 1,439

- FDA cleared Mayo Clinic LVEF algorithm licensed algorithm to Anumana in September 2023 under 510(k)
- Sensitivity 85% Specificity 84%
- Approved for use in Adult populations at risk for Heart Failure including but not limited to:
 - Patients with cardiomyopathies
 - Patients who are post myocardial infarction
 - Patients with aortic stenosis
 - Patients with chronic atrial fibrillation
 - Patients receiving pharma therapies that are cardio toxic
 - Postpartum women

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Source: Company Reports

Exhibit 11: Published Data on Mt. Sinai Algorithm Portfolio

Selected Other Licensed Mount Sinai Algorithms - Publications

Large AI-ECG Algorithm Portfolio Licensed to HSCS with Compelling Clinical Value

Hypertrophic Cardiomyopathy

- Data Science method – Vision based Transformer method
- Number of ECG/Echo pairs – 20,448
- AUROC – 0.80 in test set

Mitral Valve Regurgitation

- Data Science method – CNN
- Number of ECG/Echo pairs – 123,096
- AUROC – 0.81 in test set

Aortic Stenosis

- Data Science method – CNN
- Number of ECG/Echo pairs – 128,628
- AUROC – 0.86 in test set

Pulmonary Embolism

- Data Science method – CNN
- Number of ECG/Echo pairs – 21,183
- AUROC – 0.84 in test set

Right Ventricle Dysfunction

- Data Science method – Vision based Transformer method
- Number of ECG/Echo pairs – 219,466
- AUROC – 0.84 in test set

PVC related Cardiomyopathy

- Data Science method – Vision based Transformer method
- Number of ECG/Echo pairs – 14,241
- AUROC – 0.83 at ≤LVEF 40% in test set

ST – Elevation Myocardial Infarction detection

- Data Science method – Vision based Transformer method
- Number of ECG/Imaging pairs – 21,801
- AUROC - 0.95 in test set

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Source: Company Reports

Exhibit 12: Streamlined Regulatory Pathway

FDA Streamlines Clearance Pathway with New Product Classification



➤ New Class II product code for cardiovascular machine learning-based notification software:

- Based on De Novo clearance of hypertrophic cardiomyopathy algorithm (Aug 2023)
- Subsequent 510(k) clearance of Low LVEF algorithm (late Sept 2023) – which was previously submitted as De Novo

➤ Now expect more standard 510(k) pathway for MyoVista and algorithms:

- Generally shorter (approx. 4-5 months) and more standardized process than De Novo
- Future algorithms likely to be retrospective data – much quicker

➤ Prior De Novo submission of MyoVista during 2020:

- Significant interaction with FDA during past De Novo and subsequent - detailed understanding of FDA requirements
- MyoVista has already been modified to address prior FDA comments

➤ Submission:

- Filed request to confirm 510(k) and expect response in December
- Expecting submission in first half 2024 and clearance second half 2024
- Pivotal study patient recruitment completed (>600 patients at 5 U.S. institutions)
- Core-lab work and device performance testing ongoing

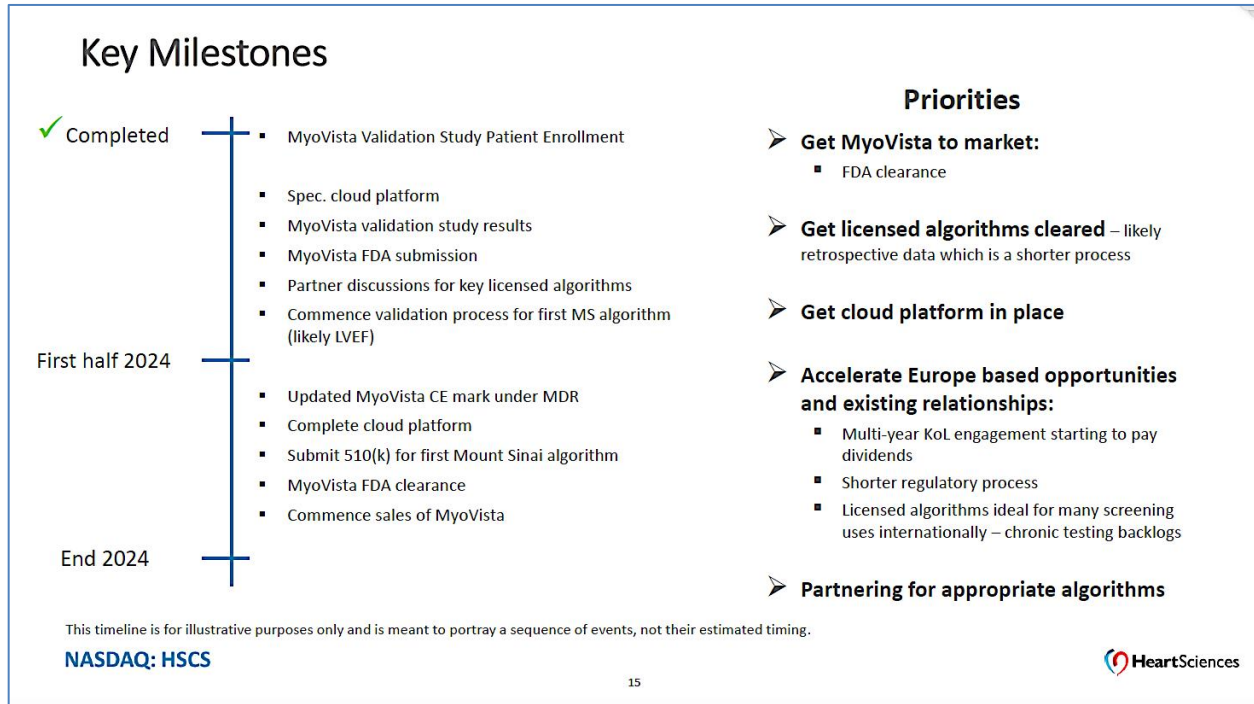
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Source: Company Reports

Exhibit 13: Corporate Milestones and Priorities

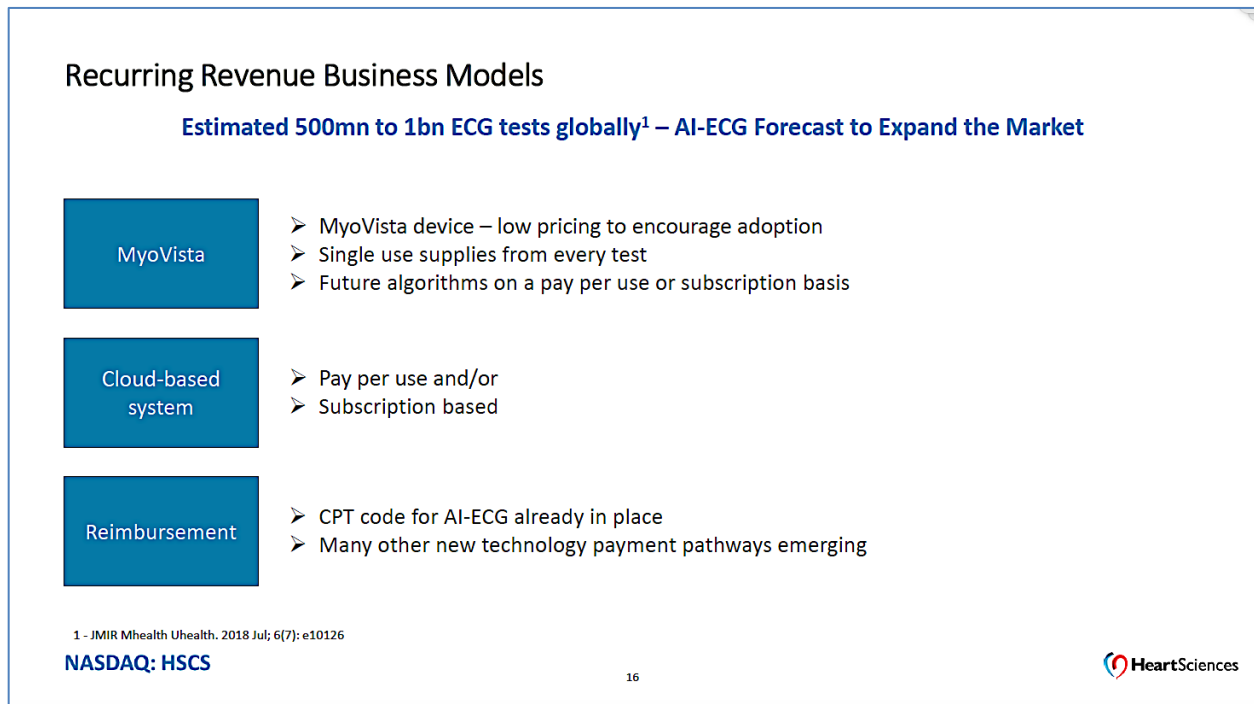


Priorities

- **Get MyoVista to market:**
 - FDA clearance
- **Get licensed algorithms cleared** – likely retrospective data which is a shorter process
- **Get cloud platform in place**
- **Accelerate Europe based opportunities and existing relationships:**
 - Multi-year KoL engagement starting to pay dividends
 - Shorter regulatory process
 - Licensed algorithms ideal for many screening uses internationally – chronic testing backlogs
- **Partnering for appropriate algorithms**

Source: Company Reports

Exhibit 14: Heart Sciences, Inc. Recurring Revenue Opportunities



Source: Company Reports

Exhibit 15: Heart Test Laboratories, Inc. Sales and Marketing Channels

Front-Line Referral Testing is Increasingly Major Healthcare Focus

- Intend to have Direct Sales Force in USA
- Intend to use Distributors Internationally

Focus	Rep Location
Cardiology	Regional
PCP/ Concierge	Regional
Retail Clinics/ Screening	HQ

209,000 PCPs in the USA

Cardiology

- Credibility and research
- Focus - centers of excellence

PCP/ Concierge Medicine

- High concentration in major states
- Initial focus on middle to upper income regions – patient pay opportunity
- Physician owned facilities – procurement autonomy

Retail Clinics and Screening

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Source: Company Reports

Exhibit 16: Heart Test Laboratories, Inc. Intellectual Property

Significant Valuable Intellectual Property

- ✓ 41 granted patents
- ✓ 9 US Patents and 32 international
- ✓ Licensed from Mount Sinai state-of-the-art foundational vision transformer for ECG and further patent filings
- ✓ Proprietary wavECG patient database
- ✓ Trademarked in multiple jurisdictions
- ✓ Considerable trade secrets and know-how gathered over years of development work




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Source: Company Reports

Exhibit 17: Clinical Study Key Institutions and Researchers

Clinical Study Institutions and Key Researchers

- | | |
|--|--|
|  Rutgers - Robert Wood Johnson MS, New Brunswick, NJ |  The Baker Heart and Diabetes Institute, Melbourne, Australia |
|  Harvard - Beth Israel Deaconess, Boston, MA |  Mount Sinai- Icahn School of Medicine, New York, NY |
|  Scripps Clinic and Research Foundation Health, San Diego, CA |  West Virginia University - Heart and Vascular Institute, Morgantown WV |
|  UTSW UT Southwestern, Clinical Heart and Vascular Center, Dallas, Tx |  UCLA Medical Center – Harbor, Los Angeles, CA |



Thomas Marwick
 Director and Chief Executive, Head of Imaging Research at The Baker Heart and Diabetes Institute
 Former Head of Cardiovascular Imaging at Cleveland Clinic



Partho Sengupta
 Professor of Cardiology and Chief of Cardiology at Rutgers Robert Wood Johnson Medical School (RWJMS), and Chief of Cardiology at Robert Wood Johnson University Hospital (RWJUH)

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Source: Company Reports

Exhibit 18: Heart Test Laboratories, Inc. Senior Management Team

Senior Management

- | | | | | |
|--|--|--|---|--|
| <p>Andrew Simpson
Chairman and CEO</p> <ul style="list-style-type: none"> ➢ Peel Group CEO – c. \$8 billion of assets ➢ Speedy Hire Plc Main Board Director and Division MD – Company joined FTSE 250 during that time ➢ Rothschild - Investment Banker ➢ Price Waterhouse - Chartered Accountant | <p>Mark Hilz
COO</p> <ul style="list-style-type: none"> ➢ INX CEO/Founder - Technology consulting, revenue \$400m NASDAQ listed with multiple public offerings Sold in 2011 ➢ PCSS CEO/Founder – Tech logistics outsourcing, revenue \$160m; NASDAQ listed, multiple public offerings ➢ HCP CEO/Founder - Technology product distributor \$10m in revenue. Sold - 1988 | <p>Danielle Watson
CFO</p> <ul style="list-style-type: none"> ➢ Over 15 years of accounting in both the public accounting and private sector ➢ Extensive public accounting experience in preparation and audit of with public company filings including 10Ks, 10-Qs, 8-Ks, and other registration statements ➢ Certified Public Account ➢ Master of Science in Accounting from University of Texas at Arlington ➢ Bachelors Degree in Accounting from Texas Christian University | <p>Aaron Peterson
VP R&D</p> <ul style="list-style-type: none"> ➢ 25 years of Engineering and product development in the areas of Cardiac Rhythm Management, Neurostimulation and electrocardiography-based devices ➢ St Jude Medical - Director of Systems Engineering ➢ Boston Scientific - Manager R&D ➢ Master's Degree in Computer Science from Utah State University | <p>Carol Krieger
VP Clinical & Regulatory</p> <ul style="list-style-type: none"> ➢ 30 years of clinical and regulatory experience including over 100 FDA submissions ➢ Becton Dickinson - Director of Clinical QA and Compliance ➢ Bio Connect VP of Clinical Ops ➢ Alfa Wasserman - VP Quality and Regulatory ➢ MS Jurisprudence Seton Hall University ➢ MBA, Montclair State University ➢ BS Degree Rutgers University |
|--|--|--|---|--|

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Source: Company Reports

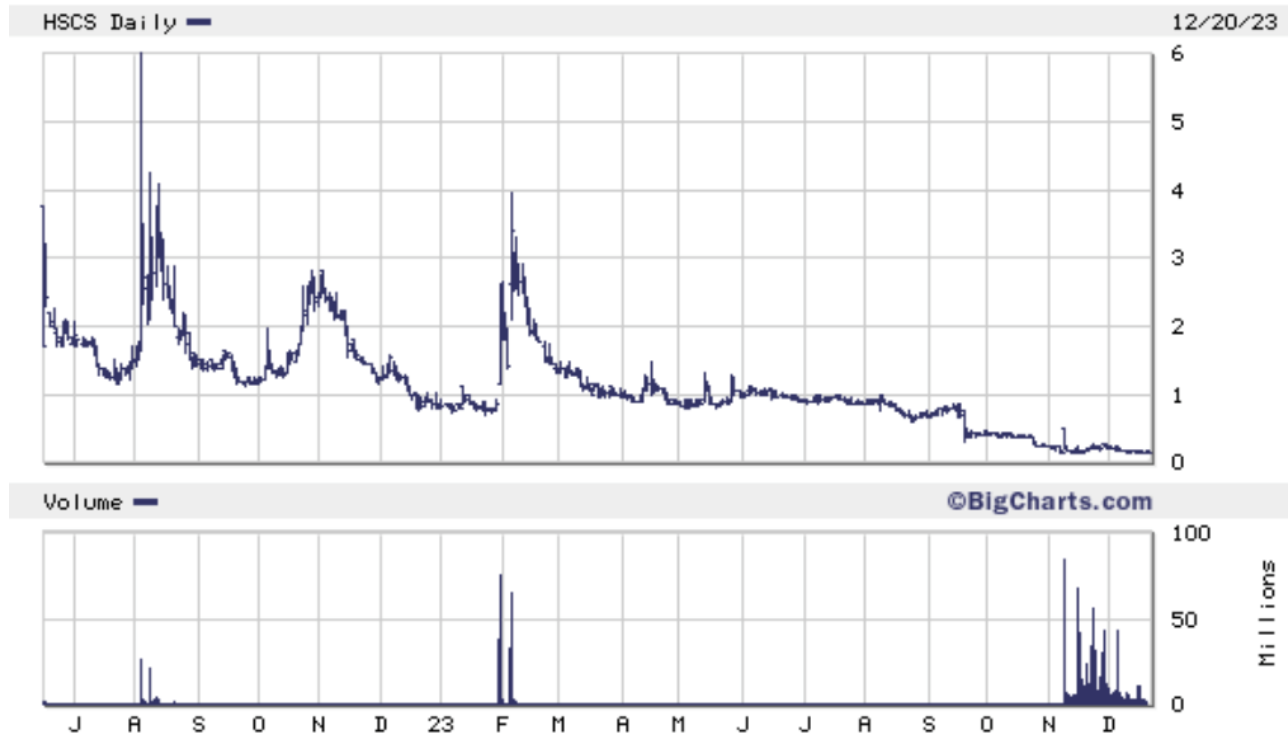
Exhibit 19: HSCS Consensus Expectations

	Revenue (\$ million)		EPS		
	<u>FY2024E</u>	<u>FY2025E</u>	<u>FY2024E</u>	<u>FY2025E</u>	
Q1 Jul	\$0.0A	\$0.6E	Q1 Jul	\$(0.13)A	\$(0.15)E
Q2 Oct	\$0.0A	\$1.0E	Q2 Oct	\$(0.16)A	\$(0.14)E
Q3 Jan	\$0.1E	\$1.6E	Q3 Jan	\$(0.13)E	\$(0.14)E
Q4 Apr	\$0.3E	\$2.2E	Q4 Apr	\$(0.13)E	\$(0.13)E
Total	\$0.4E	\$5.4E	Total	\$(0.51)E	\$(0.56)E

*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company reports, CapitalIQ, Ascendant Capital Markets estimates

Exhibit 20: Heart Test Laboratories, Inc. Daily Stock Price Chart Since IPO



Source: <https://bigcharts.marketwatch.com/>

FINANCIAL MODEL

Heart Test Laboratories, Inc.

Income Statement (\$ mils except EPS) Fiscal Year End: April 30	2021 FY-A	2022 FY-A	Jul-22 Q1A	Oct-22 Q2A	Jan-23 Q3A	Apr-23 Q4A	2023 FY-A	Jul-23 Q1A	Oct-23 Q2A	Jan-24 Q3E	Apr-24 Q4E	2024 FY-E	Jul-24 Q1E	Oct-24 Q2E	Jan-25 Q3E	Apr-25 Q4E	2025 FY-E
Total revenue	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.7	2.0	2.4	5.4
Total cost of goods sold	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.9	1.1	2.4
Gross profit (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.4	1.1	1.3	3.0
Operating expenses																	
Research and development	1.7	3.0	0.4	0.8	0.6	0.5	2.5	0.6	0.8	0.8	0.8	2.9	1.2	1.2	1.3	1.3	5.0
Selling, general and administrative	0.9	1.7	1.0	0.9	0.7	1.1	3.7	0.8	0.8	1.3	1.4	4.3	1.5	1.5	1.7	1.9	6.6
Other	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	0.0	0.0
Total operating expenses	2.6	4.7	1.4	1.8	1.3	1.6	6.1	1.3	1.6	2.1	2.2	7.2	2.7	2.7	3.0	3.2	11.6
Loss from operations	(2.6)	(4.7)	(1.4)	(1.8)	(1.3)	(1.6)	(6.1)	(1.3)	(1.6)	(2.1)	(2.1)	(7.1)	(2.5)	(2.3)	(1.9)	(1.9)	(8.6)
Other income (expense)																	
Gain on Extinguishments of Debt	0.3	0.3	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
Gain/loss on Disposal of Property and	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	0.0	0.0
Gain on Settlement of Payables	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	0.0	0.0
Gain on Disposals of Property and Equ	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	0.0	0.0
Interest income (expense)	(0.1)	(0.4)	(0.1)	(0.0)	(0.0)	(0.0)	(0.2)	(0.0)	(0.2)	(0.2)	0.0	(0.4)	0.0	0.0	0.0	0.0	0.0
Other income (expense)	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	0.0	0.0
Income before taxes	(2.5)	(4.8)	(1.6)	(1.8)	(1.3)	(1.6)	(6.4)	(1.4)	(1.7)	(2.3)	(2.1)	(7.5)	(2.5)	(2.3)	(1.9)	(1.9)	(8.6)
Taxes	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	0.0	0.0
Net loss	(2.5)	(4.8)	(1.6)	(1.8)	(1.3)	(1.6)	(6.4)	(1.4)	(1.7)	(2.3)	(2.1)	(7.5)	(2.5)	(2.3)	(1.9)	(1.9)	(8.6)
Nonrecurring/noncash adjustments																	
Net income (pro forma)	(2.5)	(4.8)	(1.6)	(1.8)	(1.3)	(1.6)	(6.4)	(1.4)	(1.7)	(2.3)	(2.1)	(7.5)	(2.5)	(2.3)	(1.9)	(1.9)	(8.6)
EBITDA	(2.5)	(4.7)	(1.4)	(1.8)	(1.3)	(1.6)	(6.1)	(1.3)	(1.6)	(2.1)	(2.1)	(7.1)	(2.5)	(2.3)	(1.9)	(1.9)	(8.6)
Weighted average common shares out	3.3	3.3	5.6	8.2	8.2	9.7	8.0	10.3	10.9	37.3	63.6	30.5	63.6	63.6	63.6	63.6	63.6
Shares, Diluted	3.3	3.3	5.6	8.2	8.2	9.7	8.0	10.3	10.9	37.3	63.6	30.5	63.6	63.6	63.6	63.6	63.6
EPS Basic	\$ (0.74)	\$ (1.45)	\$ (0.28)	\$ (0.22)	\$ (0.16)	\$ (0.17)	\$ (0.80)	\$ (0.13)	\$ (0.16)	\$ (0.06)	\$ (0.03)	\$ (0.25)	\$ (0.04)	\$ (0.04)	\$ (0.03)	\$ (0.03)	\$ (0.14)
EPS Diluted	\$ (0.74)	\$ (1.45)	\$ (0.28)	\$ (0.22)	\$ (0.16)	\$ (0.17)	\$ (0.80)	\$ (0.13)	\$ (0.16)	\$ (0.06)	\$ (0.03)	\$ (0.25)	\$ (0.04)	\$ (0.04)	\$ (0.03)	\$ (0.03)	\$ (0.14)
Margins																	
Gross margin	58%	45%	NM	NM	NM	NM	NM	50%	50%	50%	52%	52%	54%	54%	56%	56%	56%
Research and development	6673%	20883%	NM	NM	NM	NM	NM	NM	19418%	NM	NM	2813%	400%	171%	65%	54%	93%
Selling, general and administrative	3416%	11928%	NM	NM	NM	NM	NM	NM	20898%	NM	NM	4119%	500%	214%	85%	79%	122%
Operating margin	-10044%	-32766%	NM	NM	NM	NM	NM	NM	-40255%	NM	NM	-6880%	-846%	-332%	-94%	-77%	-159%
Tax rate, GAAP	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Net margin	-9577%	-33593%	NM	NM	NM	NM	NM	NM	-44830%	NM	NM	-7259%	-846%	-332%	-94%	-77%	-159%
Y/Y % change																	
Revenue	-60%	-44%	NM	NM	NM	NM	NM	-100%	NM	NM	NM	1917%	NM	NM	NM	NM	5097%
COGS	-77%	-26%	NM	NM	NM	NM	NM	-100%	NM	NM	NM	1671%	NM	NM	NM	NM	4738%
Gross Profit	-16%	-57%	NM	NM	NM	NM	NM	-100%	NM	NM	NM	2210%	NM	NM	NM	NM	5424%
Research and development	-16%	76%	8%	56%	-8%	-61%	-18%	30%	-11%	24%	50%	19%	10%	10%	10%	10%	71%
Selling, general and administrative	-51%	96%	262%	125%	65%	70%	113%	-23%	-12%	95%	32%	17%	8%	8%	8%	8%	54%
Total operating expenses	-33%	82%	112%	85%	19%	-19%	30%	-7%	-11%	60%	38%	18%	103%	72%	43%	45%	61%
Operating Income	-33%	83%	112%	85%	19%	-19%	30%	-7%	-12%	60%	34%	17%	91%	48%	-10%	-14%	20%
Net income	-35%	97%	214%	75%	8%	-20%	32%	-13%	-3%	70%	32%	19%	86%	33%	-17%	-14%	14%
EPS	-36%	97%	85%	-29%	-56%	-73%	-45%	-53%	-27%	-62%	-80%	-69%	-70%	-77%	-52%	-14%	-45%

Source: Company reports, Ascendant Capital Markets estimates

Heart Test Laboratories, Inc.

Balance Sheet (\$ mils)	Apr-21	Apr-22	Jul-22	Oct-22	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24	Apr-24	Jul-24	Oct-24	Jan-25	Apr-25
Fiscal Year End: April 30	Q4A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Current assets														
Cash	0.7	0.9	4.3	3.1	1.9	1.7	0.6	0.1	6.0	3.9	1.4	(0.9)	(2.5)	(4.3)
Accounts receivable, net	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
Inventories, net	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Prepaid expenses and other assets	0.1	0.0	0.4	0.3	0.2	0.1	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Deferred offering Costs	0.0	0.2	0.0	0.0	0.0	0.2	0.3	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Other Current Assets	0.1	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
Total current assets	1.6	1.9	5.4	4.1	2.9	2.7	2.0	1.8	7.7	5.6	3.1	0.9	(0.8)	(2.6)
Operating lease right-of-use asset, net	0.2	0.1	0.1	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Property and equipment, net	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	1.9	2.1	5.6	4.8	3.5	3.3	2.6	2.4	8.3	6.2	3.7	1.4	(0.3)	(2.1)
Liabilities and Stockholders' Equity														
Current liabilities														
Accounts payable	0.3	0.7	0.5	0.8	1.0	0.6	0.5	1.1	0.0	0.0	0.0	0.1	0.3	0.4
Accrued expenses	0.3	1.1	0.5	0.9	0.6	0.6	0.6	0.8	0.8	0.8	0.8	0.8	0.8	0.8
PPP Loan Payable	0.3	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
Current Portion of Notes Payable	0.1	1.6	0.1	1.1	0.1	0.5	0.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Lease liability - current	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other Current Liabilities	0.0	0.0	0.4	0.3	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total current liabilities	1.1	3.5	1.5	3.1	2.0	1.8	1.9	3.5	2.4	2.5	2.5	2.6	2.7	2.8
Accrued Expenses	0.1	0.2	0.1	0.0	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lease liability - long-term	0.1	0.0	0.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Notes Payable	2.5	4.4	1.0	0.0	1.0	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preferred Stock Convertible	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
Total liabilities	3.8	8.1	2.7	3.7	3.7	3.1	3.1	4.0	2.9	2.9	3.0	3.0	3.2	3.3
Stockholders' Equity														
Convertible Preferred Stock					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common stock	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
Additional paid-in capital	47.7	48.3	58.9	58.9	58.9	61.0	61.6	62.2	71.5	71.5	71.5	71.5	71.5	71.5
Accumulated deficit	(49.6)	(54.4)	(56.0)	(57.8)	(59.1)	(60.8)	(62.1)	(63.9)	(66.2)	(68.3)	(70.8)	(73.2)	(75.0)	(76.9)
Total stockholders' equity	(1.9)	(6.1)	2.9	1.1	(0.3)	0.2	(0.5)	(1.6)	5.4	3.2	0.7	(1.6)	(3.5)	(5.4)
Total liabilities and stockholders' equity	1.9	2.1	5.6	4.8	3.5	3.3	2.6	2.4	8.3	6.2	3.7	1.4	(0.3)	(2.1)

	Apr-21	Apr-22	Jul-22	Oct-22	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24	Apr-24	Jul-24	Oct-24	Jan-25	Apr-25
	Q4A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Balance Sheet Drivers														
Inventory Days	10,862		NM	NM	NM	NM	NM	50	50	30	30	30	30	30
Accounts Payable (Days)	4,858	NM	NM	NM	NM	NM	NM	50	50	30	30	30	30	30
Book & Cash Value (per share)														
Book Value per Share (diluted)	(0.58)	(1.82)	0.51	0.13	(0.03)	0.02	(0.05)	(0.15)	0.14	0.05	0.01	(0.03)	(0.06)	(0.08)
Cash per Share (diluted)	0.22	0.35	0.76	0.37	0.23	0.19	0.08	0.07	0.18	0.07	0.03	(0.00)	(0.03)	(0.06)
Net cash per Share (diluted)	(0.54)	(0.99)	0.58	0.37	0.11	0.14	0.03	0.07	0.18	0.07	0.03	(0.00)	(0.03)	(0.06)

Source: Company reports, Ascendant Capital Markets estimates

Heart Test Laboratories, Inc.

Cash Flow Statement (\$ mils)	2021	2022	Jul-22	Oct-22	Jan-23	Apr-23	2023	Jul-23	Oct-23	Jan-24	Apr-24	2024	Jul-24	Oct-24	Jan-25	Apr-25	2025
Fiscal Year End: April 30	FY-A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Cash flow from operating activities																	
Net loss	(2.5)	(4.8)	(1.6)	(1.8)	(1.3)	(1.6)	(6.4)	(1.4)	(1.7)	(2.3)	(2.1)	(7.5)	(2.5)	(2.3)	(1.9)	(1.9)	(8.6)
Adjustments:																	
Depreciation and Amortization	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	0.0	0.0
Amortization of Debt Discount and Deferred Financing	0.0	0.2	0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Gain/loss on Disposal of Property and Equipment	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	0.0	0.0
Stock based Compensation	0.0	0.1	0.1	0.0	0.0	0.1	0.2	0.1	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Gain on Extinguishment of Debt	(0.3)	(0.3)	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
Other Assets	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	0.0	0.0
Gain on Settlement of Payables	0.0	0.0	(0.1)	0.0	0.0	(0.0)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Warrants Issued to non-employees	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Warrants Issued for Note Extension	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	0.0	0.0
Stock Issued for Note Facility Fee	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	0.0	0.0
WC changes																	
Accounts Receivable	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	(0.0)	0.00	0.0	0.0	0.0	0.0
Inventory	0.1	0.1	(0.0)	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.0
Accounts Payable	(0.0)	0.4	(0.2)	0.3	0.2	(0.4)	0.0	(0.2)	0.6	(1.1)	0.0	(0.6)	0.03	0.06	0.19	0.06	0.3
Accrued liabilities	0.1	0.9	(0.5)	0.2	(0.0)	(0.0)	(0.3)	0.0	(0.1)	0.0	0.0	(0.0)	0.00	0.0	0.0	0.0	0.0
Deferred offering Costs	0.0	(0.2)	0.0	0.0	0.0	(0.2)	0.1	(0.1)	(0.3)	0.0	0.0	(0.448)	0.00	0.0	0.0	0.0	0.0
Prepays and Other Current Assets	0.0	0.1	0.0	0.1	0.1	0.1	0.4	0.1	0.1	0.0	0.0	0.2	0.00	0.0	0.0	0.0	0.0
Other Current Liabilities	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	0.0	0.0
Net cash used in operating activities	(2.5)	(3.6)	(1.8)	(1.1)	(1.0)	(1.9)	(5.8)	(1.4)	(1.0)	(3.4)	(2.1)	(7.9)	(2.5)	(2.3)	(1.7)	(1.8)	(8.2)
Investing Activities																	
Purchase of Property and Equipment	(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	0.0	0.0
Disposition of Property and Equipment	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	0.0	0.0
Net cash used in investing activities	(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	0.0	0.0
Financing Activities																	
Proceeds from Convertible Promissory Notes	1.5	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.3	0.00	0.0	0.0	0.0	0.0
Proceeds from Issuance of Common Stock, Net of Fees	0.0	0.0	5.2	0.0	0.0	0.0	5.2	0.0	0.0	9.3	0.0	9.3	0.00	0.0	0.0	0.0	0.0
Issuance of warrants in IPO	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.0
Issuance of Common Stock for bridge warrant extension	0.0	0.0	0.0	0.0	0.0	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.0
Issuance of Common Stock under equity line, net of fees	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.4	0.2	0.0	0.0	0.6	0.00	0.0	0.0	0.0	0.0
Issuance of Common Stock under ATM Facility, net of fees	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.1	0.1	0.0	0.0	0.1	0.00	0.0	0.0	0.0	0.0
Issuance of pre-funded warrants for bridge warrant extension	0.0	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.0
Repayment of Shareholder's Note	0.7	0.5	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.0
Proceeds from Shareholders Notes	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.3	0.00	0.0	0.0	0.0	0.0
Proceeds from Ppp Loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.0
Repayment of Financing Leases	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.1)	(0.4)	(0.1)	(0.1)	0.0	0.0	(0.167)	0.00	0.0	0.0	0.0	0.0
Proceeds from Issuance of Series C Preferred Convertible Note	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.0
Deferred Financing Costs	0.0	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.0
Net cash provided by financing activities	2.7	3.8	5.2	(0.1)	(0.1)	1.6	6.5	0.3	0.5	9.3	0.0	10.1	0.0	0.0	0.0	0.0	0.0
Net cash increase (decrease)	0.2	0.2	3.4	(1.2)	(1.1)	(0.3)	0.7	(1.1)	(0.5)	5.9	(2.1)	2.2	(2.5)	(2.3)	(1.7)	(1.8)	(8.2)
Cash balance at beginning of period	0.5	0.7	0.9	4.3	3.1	2.0	0.9	1.7	0.6	0.1	6.0	1.7	3.9	1.4	(0.9)	(2.5)	3.9
Cash balance at end of period	0.7	0.9	4.3	3.1	2.0	1.7	1.7	0.6	0.1	6.0	3.9	3.9	1.4	(0.9)	(2.5)	(4.3)	(4.3)

Source: Company reports, Ascendant Capital Markets estimates

ANALYST CERTIFICATION

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Heart Test Laboratories, Inc.

- Ascendant Capital Markets, LLC has not received compensation for advisory or investment banking services from the company in the past 12 months.

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Risks & Considerations

Risks to attainment of our share price target include balance sheet/liquidity risks, failure of product candidates to demonstrate safety and efficacy in clinical trials, failure to gain regulatory approvals, ability to commercialize product, failure to obtain suitable reimbursement, competition, changing macroeconomic factors, investor sentiment for investing in healthcare stocks, and changes in consumer or government priorities for healthcare.

Ascendant Capital Markets, LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of October 13, 2023)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	51	98%	19	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	52	100%	19	37%

Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

Dissemination of Research

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