

# Heart Test Laboratories, Inc.

Q2 FY25 ahead on lower operating expense. CMS reimbursement for AI ECG a huge positive. Maintaining \$15 PT.

## COMPANY UPDATE

### Rating: BUY

Ticker: HSCS

Price: \$3.50

Target: \$15.00

**Q2 FY25 beats on lower expenses:** Q2 FY25 (Oct) EPS came in at \$(2.27), versus our estimate of \$(2.30) and consensus estimate of \$(2.37). All numbers have been adjusted for a 1:100 reverse stock split on May 17, 2024. SG&A expenses for the quarter came in at \$0.8 million, versus our estimate of \$1.0 million. The company is still pre-revenue. No forward guidance was provided.

**Adjusting estimates:** We are lowering our FY25 EPS estimate to \$(10.01), versus \$(9.82) previously on higher interest expense. We are trimming our FY26 EPS estimate to a split-adjusted \$(8.80), versus \$(8.35) previously on higher interest expense. Our revenue estimates are unchanged at \$0.1 million and \$2.0 million for FY25 and FY26, respectively. Consensus estimates are \$(9.10) and \$(6.45) on revenues of \$0 and \$2.1 million for FY25 and FY26, respectively.

**Heart Science's software platform, Myovista Insights rolling out in 3 phases:** Central to Heart Science's strategy is the development of its device-agnostic software platform (MyoVista Insights) which will complement its planned hardware release. The software platform will give HSCS the ability to use its algorithms to interpret ECGs performed anywhere and provide real-time diagnostics remotely. The company reports that phase 1 of the platform (ECG reporting capability) has been completed. Phase 2 (AI ECG algorithm capability) requires FDA approval, and the company is aiming for phase 2 FDA clearance in 2H of CY25. Phase 3 (ECG management system) will enable Heart Sciences to address the multi-billion-dollar market for ECG management in hospitals.

**Regulatory timeline for device submission intact:** Heart Sciences currently expects to submit its MyoVista device for FDA approval via the 510(k) pathway in early CY25, meaning approval would likely occur in late CY25. In addition, the company is targeting submission of its MyoVista Insights platform and low ejection fraction algorithm by Q1 CY25 as well. Together, the MyoVista Insights platform and low ejection fraction algorithm constitute a software-based medical device for regulatory purposes.

**Medicare and Medicaid (CMS) reimbursement for AI-ECG technology has been approved.** This approval allows outpatient settings to receive reimbursement for HeartSciences' MyoVista wavECG™ algorithm and MyoVista Insights low ejection fraction algorithm upon FDA clearance. The payment rate is expected to be \$125. Given 300 million ECGs performed annually in the US alone, the ability of Heart Sciences to capture a substantial software royalty for algorithmically interpreting nearly any ECG underscores the company's massive software revenue opportunity.

**Cash runway through current fiscal quarter:** HSCS exited the Oct FY24 quarter with \$4.1 million in cash, including \$1.9 million in debt financing raised during Q2 FY25. Given quarterly cash burn of roughly \$2.0 million, the company has runway to last through the current quarter (ending Jan) of FY25. In addition, the company has ample scope to raise additional funds (up to an additional \$4 million) on its ATM facility.

**Maintaining \$15 PT:** We are maintaining our price target of \$15.00, based on an NPV analysis. Our target represents more than 3x upside from the current share price and assumes only a modest software royalty of \$17 per ECG test (versus the CMS reimbursement rate of \$125).

### 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:	\$2.36-18.50
Shares Outstanding (million):	0.9
Market cap (\$million):	\$3.2
EV (\$million):	\$1.5
Debt (\$million):	\$2.4
Cash (\$million):	\$4.1
Avg. Daily Trading Vol (\$ millions):	\$0.13
Float (million shares):	0.8
Short Interest (million shares):	0.02
Dividend, annual (yield):	NA

### Revenues (US\$ million)

	2025E (Cur.)	2025E (Old.)	2026E (Cur.)	2026E (Old.)
Q1 Jul	0.0A		0.4E	
Q2 Oct	0.0A	0.0E	0.7E	
Q3 Jan	0.0E		0.1E	
Q4 Apr	0.1E		1.5E	
Total	0.1E		2.0E	
EV/Rev	15x		0.8x	

### Earnings per Share (pro forma)

	2025E (Cur.)	2025E (Old.)	2026E (Cur.)	2026E (Old.)
Q1 Jul	(2.64)A		(2.29)E	(2.18)E
Q2 Oct	(2.27)A	(2.30)A	(2.22)E	(2.11)E
Q3 Jan	(2.53)E	(2.41)E	(2.24)E	(2.13)E
Q4 Apr	(2.57)E	(2.46)E	(2.05)E	(1.93)E
Total	\$(10.01)E	\$(9.82)E	\$(8.80)E	\$(8.35)E
PE	NA		NA	

\* Reflects a 1:100 reverse stock split in May 2024

### 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 2032<sup>1</sup>

**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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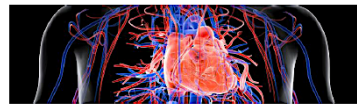


Source: Company Reports

**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	

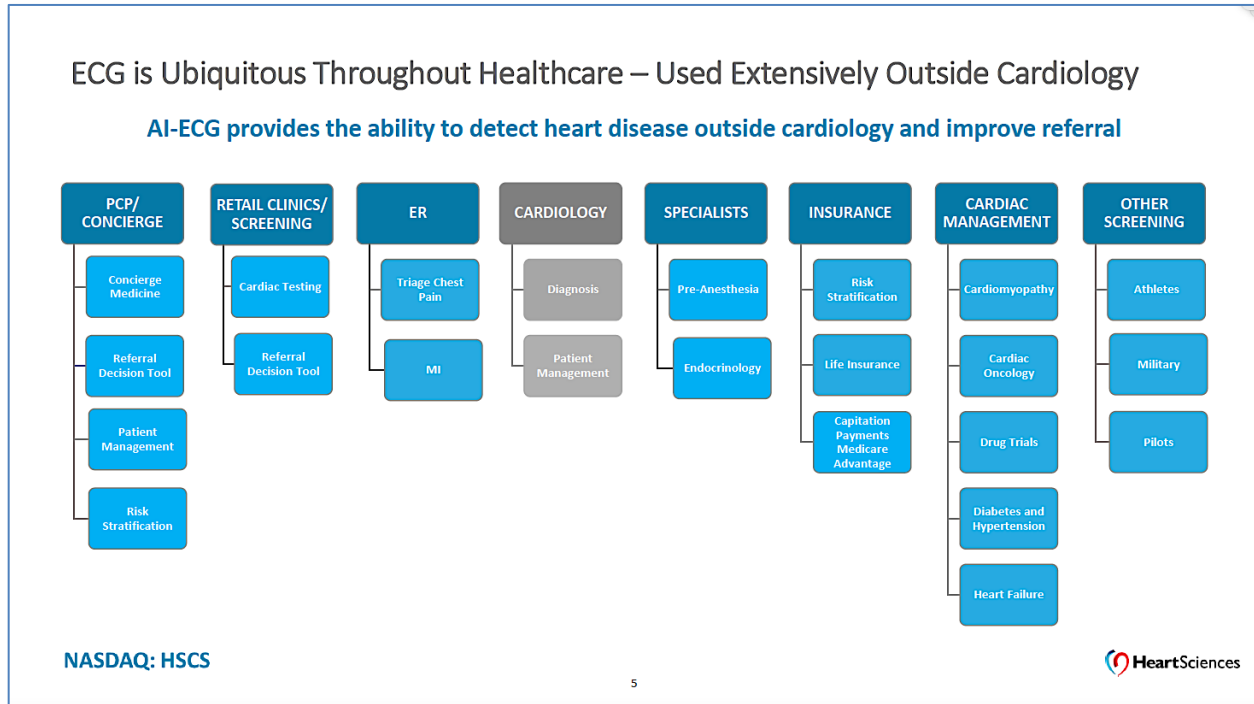
**Conventional ECG - low sensitivity for 2 out of the 3 categories of heart disease (ischemia (CAD) and structural)**

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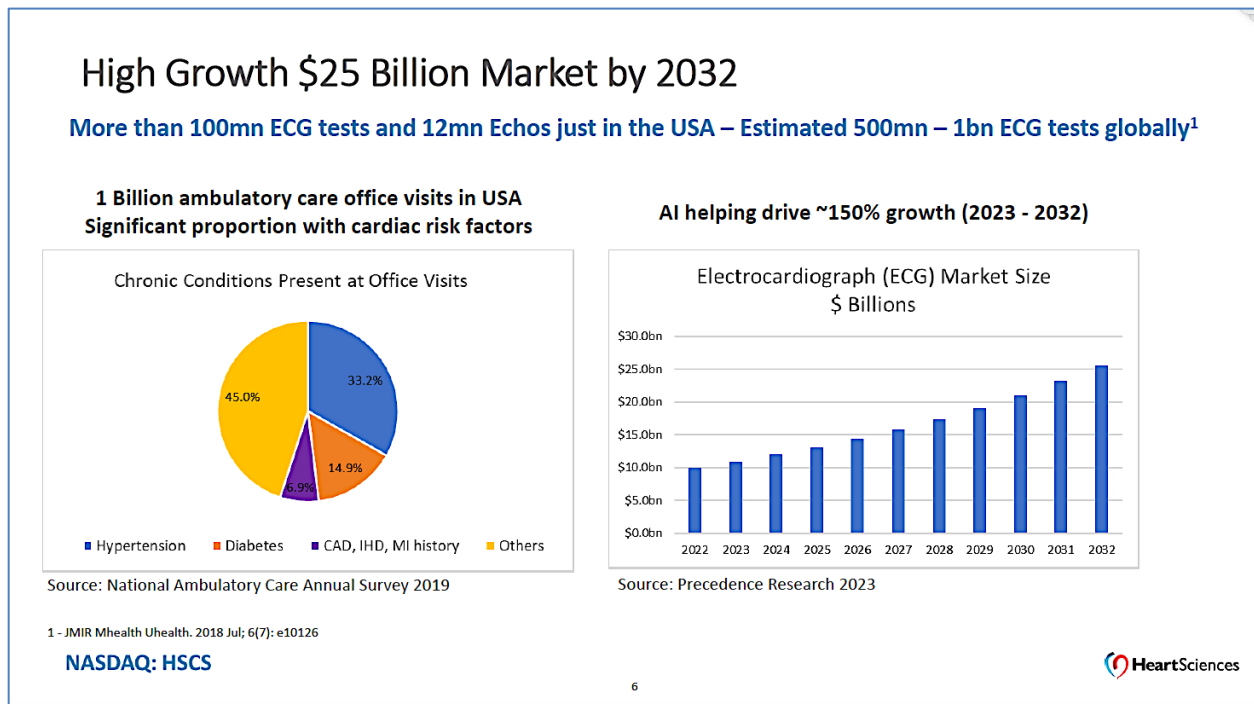
Source: Company Reports

**Exhibit 3: ECG Applications Extend Beyond Cardiology**



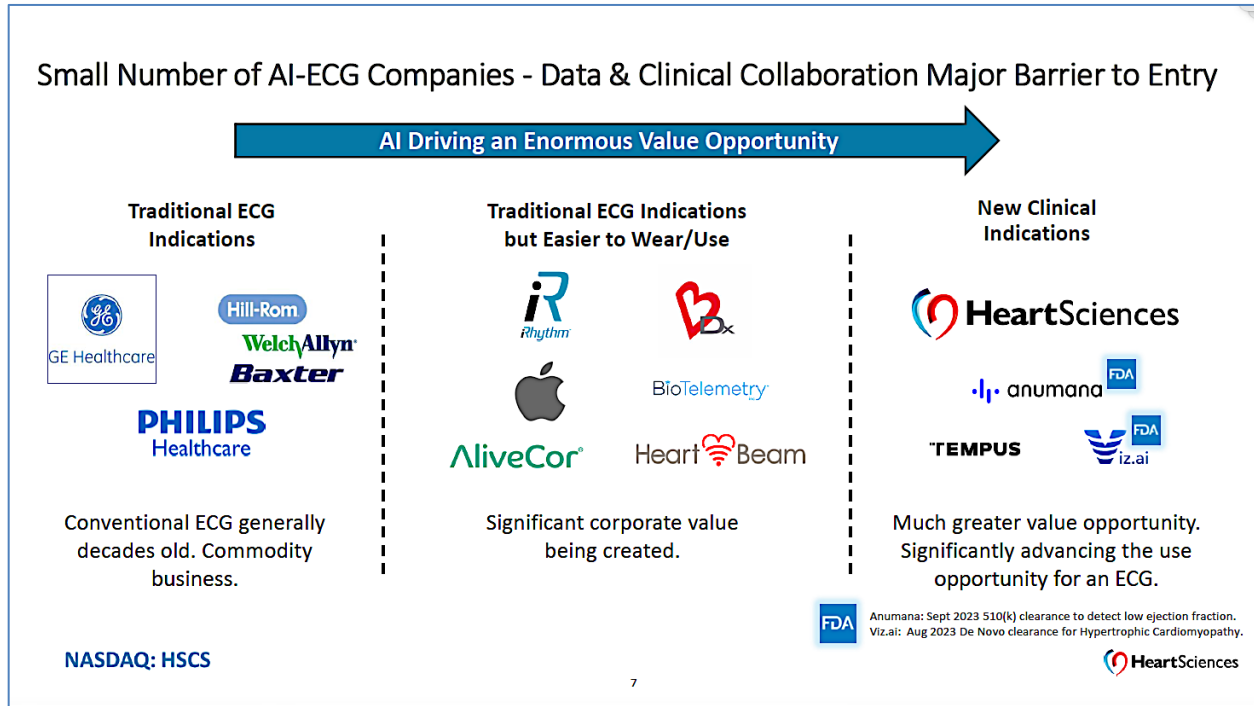
Source: Company Reports

**Exhibit 4: ECG Market Size**



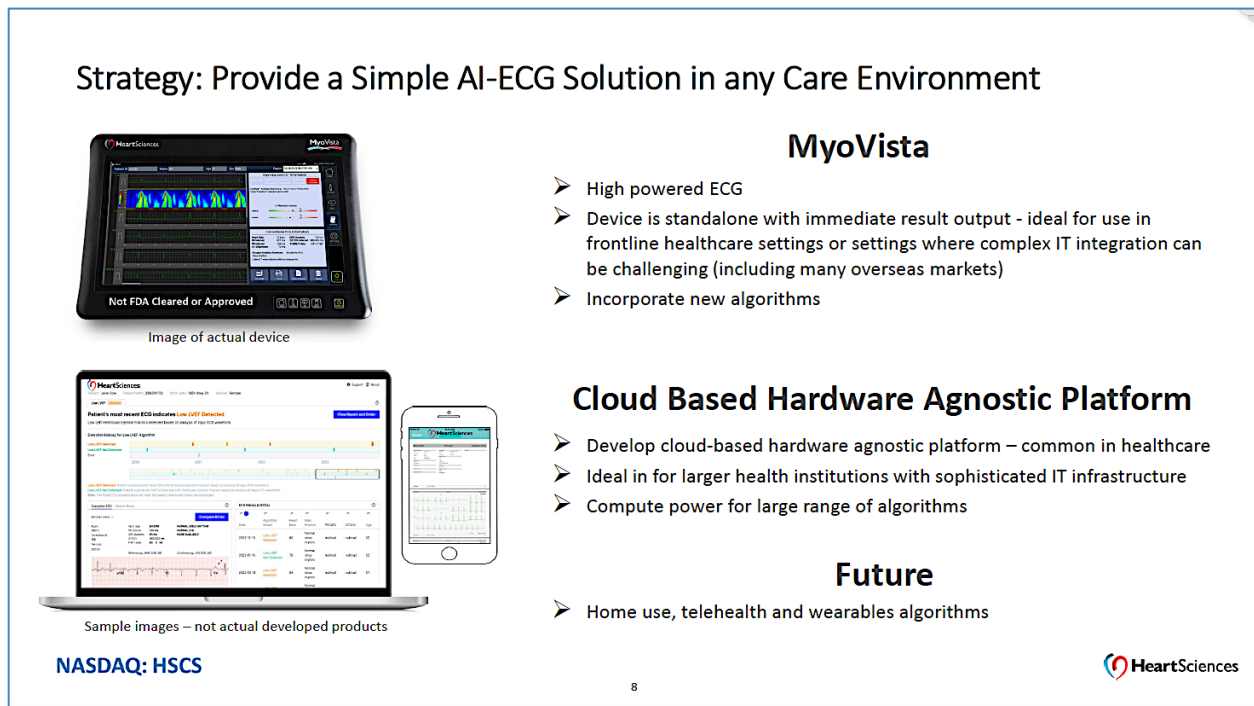
Source: Company Reports

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

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

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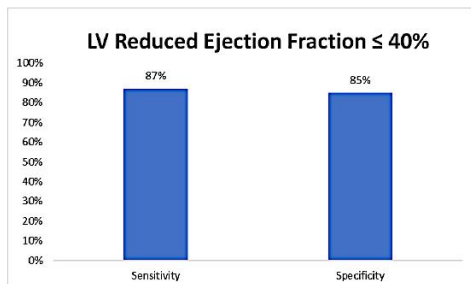
Source: Company Reports

**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

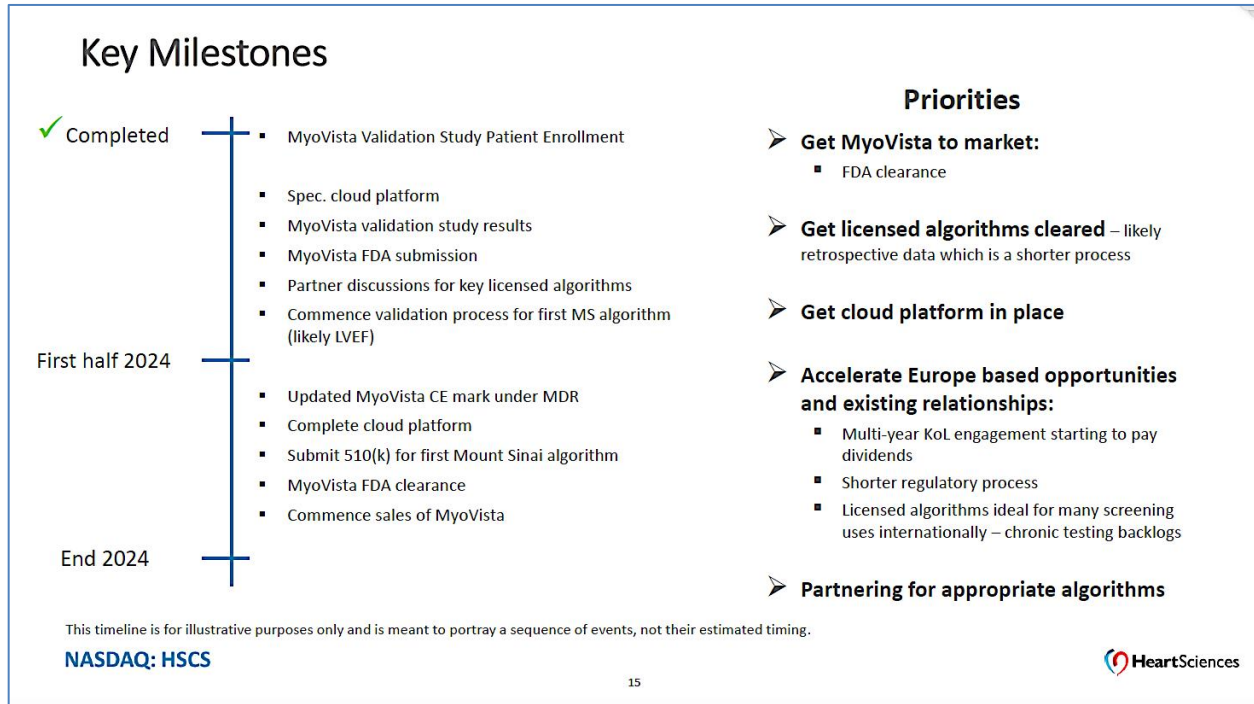
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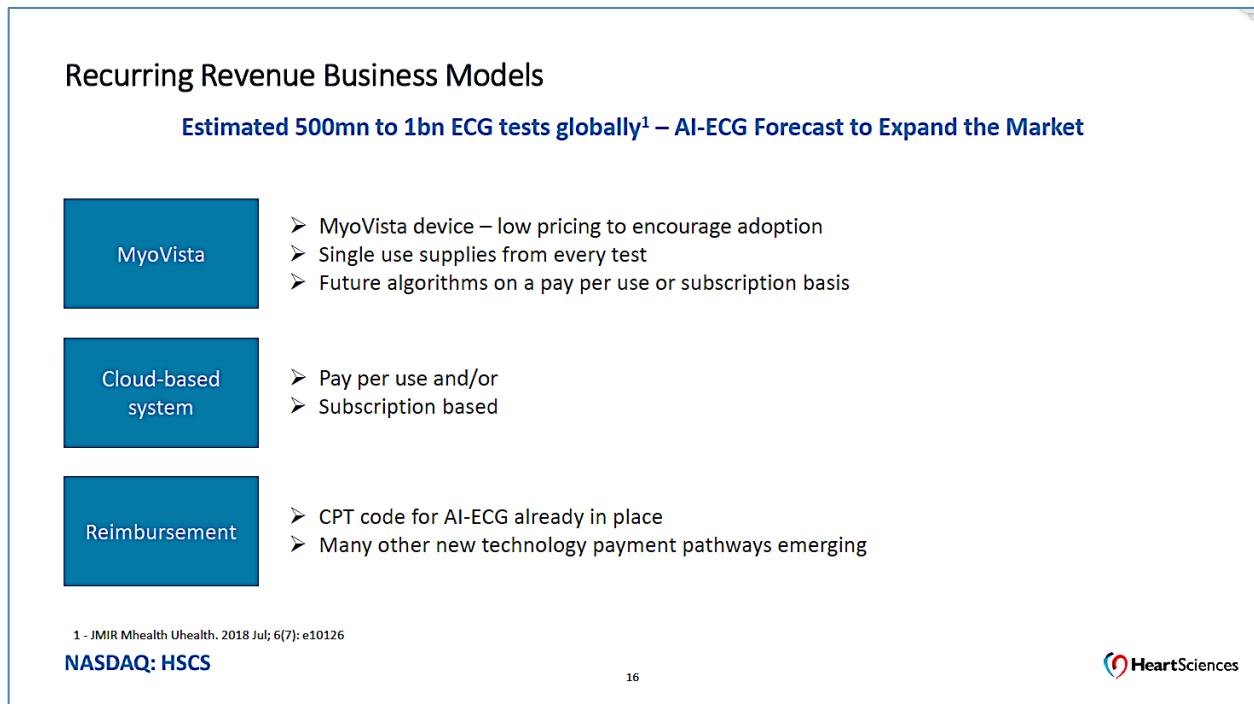
Source: Company Reports

**Exhibit 13: Corporate Milestones and Priorities**



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

**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**

**209,000 PCPs in the USA**

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

NASDAQ: HSCS



Source: Company Reports

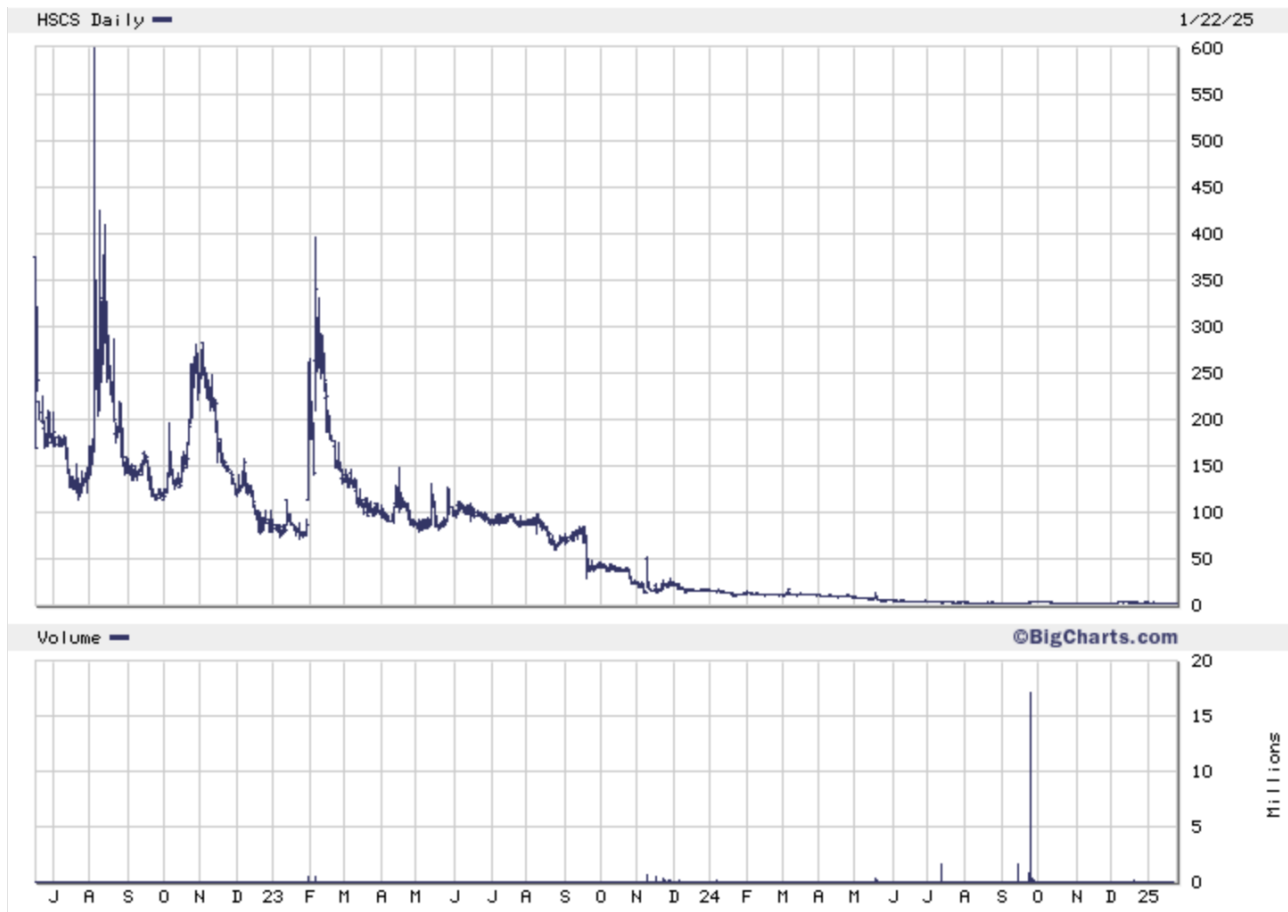
**Exhibit 19: Heart Test Laboratories, Inc. Consensus Earnings Estimates**

1/24/25

	Revenue (\$ million)			EPS	
	FY2025E	FY2026E		FY2025E	FY2026E
Q1 Jul	\$0.0A	\$0.2E	Q1 Jul	\$(2.64)A	\$(1.83)E
Q2 Oct	\$0.0A	\$0.4E	Q2 Oct	\$(2.27)A	\$(1.65)E
Q3 Jan	\$0.0E	\$0.6E	Q3 Jan	\$(2.33)E	\$(1.58)E
Q4 Apr	\$0.1E	\$0.1E	Q4 Apr	\$(1.98)E	\$(1.40)E
Total	\$0.0E	\$2.1E	Total	\$(9.10)E	\$(6.45)E

Source: CapitalIQ, Ascendant Capital Markets

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



\* Reflects a 1:100 reverse stock split in May 2024

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	2023 FY-A	2024 FY-A	Jul-24 Q1A	Oct-24 Q2A	Jan-25 Q3E	Apr-25 Q4E	2025 FY-E	Jul-25 Q1E	Oct-25 Q2E	Jan-26 Q3E	Apr-26 Q4E	2026 FY-E
<b>Total revenue</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.4	0.7	1.0	1.5	3.6
Total cost of goods sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.3	0.4	0.7	1.6
<b>Gross profit (loss)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.4	0.6	0.8	2.0
<b>Operating expenses</b>														
Research and development	1.7	3.0	2.5	2.9	1.2	1.2	1.2	1.2	4.8	1.2	1.2	1.3	1.3	5.0
Selling, general and administrative	0.9	1.7	3.7	3.4	0.9	0.8	1.0	1.1	3.7	1.0	1.1	1.2	1.3	4.6
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
Total operating expenses	2.6	4.7	6.1	6.3	2.1	2.0	2.2	2.3	8.6	2.2	2.3	2.5	2.6	9.6
<b>Loss from operations</b>	(2.6)	(4.7)	(6.1)	(6.3)	(2.1)	(2.0)	(2.2)	(2.2)	(8.5)	(2.0)	(1.9)	(1.9)	(1.8)	(7.6)
<b>Other income (expense)</b>														
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
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
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
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
Interest income (expense)	(0.1)	(0.4)	(0.2)	(0.4)	(0.0)	(0.1)	(0.1)	(0.1)	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)
Other income (expense)	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Income before taxes	(2.5)	(4.8)	(6.4)	(6.6)	(2.1)	(2.1)	(2.3)	(2.4)	(8.8)	(2.1)	(2.0)	(2.1)	(1.9)	(8.1)
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
<b>Net loss</b>	(2.5)	(4.8)	(6.4)	(6.6)	(2.1)	(2.1)	(2.3)	(2.4)	(8.8)	(2.1)	(2.0)	(2.1)	(1.9)	(8.1)
Nonrecurring/noncash adjustments	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
<b>Net income (pro forma)</b>	(2.5)	(4.8)	(6.4)	(6.6)	(2.1)	(2.1)	(2.3)	(2.4)	(8.8)	(2.1)	(2.0)	(2.1)	(1.9)	(8.1)
<b>EBITDA</b>	(2.5)	(4.7)	(6.1)	(6.3)	(2.1)	(2.0)	(2.2)	(2.2)	(8.5)	(2.0)	(1.9)	(1.9)	(1.8)	(7.6)
Weighted average common shares outs	0.0	0.0	0.1	0.4	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Shares, Diluted	0.0	0.0	0.1	0.4	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
<b>EPS Basic Pro Forma</b>	NM	NM	\$(79.92)	\$(18.74)	\$(2.64)	\$(2.27)	\$(2.53)	\$(2.57)	\$(10.01)	\$(2.29)	\$(2.22)	\$(2.24)	\$(2.05)	\$(8.80)
<b>EPS Diluted Pro Forma</b>	NM	NM	\$(79.92)	\$(18.74)	\$(2.64)	\$(2.27)	\$(2.53)	\$(2.57)	\$(10.01)	\$(2.29)	\$(2.22)	\$(2.24)	\$(2.05)	\$(8.80)
<b>Margins</b>														
Gross margin	58%	45%	NM	67%	NM	54%	56%	56%	56%	54%	54%	56%	56%	55%
Research and development	6673%	20883%	NM	NM	NM	NM	NM	1200%	4824%	300%	171%	130%	87%	139%
Selling, general and administrative	3416%	11928%	NM	NM	NM	NM	NM	1100%	3737%	250%	157%	120%	87%	128%
Operating margin	-10044%	-32766%	NM	NM	NM	NM	NM	-2244%	-8505%	-496%	-275%	-194%	-117%	-211%
Tax rate, GAAP	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Net margin	-9577%	-33593%	NM	NM	NM	NM	NM	-2362%	-8814%	-525%	-291%	-206%	-125%	-224%
<b>Y/Y % change</b>														
Revenue	-60%	-44%	NM	261%	NM	NM	NM	NM	438%	NM	NM	NM	NM	3500%
COGS	-77%	-26%	NM	117%	NM	NM	NM	NM	624%	NM	NM	NM	NM	3550%
Gross Profit	-16%	-57%	NM	432%	NM	NM	NM	NM	347%	NM	NM	NM	NM	3461%
Research and development	-16%	76%	-18%	17%	117%	58%	136%	15%	68%	-2%	0%	8%	8%	4%
Selling, general and administrative	-51%	96%	113%	-6%	11%	-4%	-3%	32%	9%	18%	40%	20%	18%	23%
Total operating expenses	-33%	82%	30%	3%	56%	26%	43%	22%	35%	6%	16%	14%	13%	12%
Operating Income	-33%	83%	30%	3%	56%	26%	44%	19%	35%	-4%	-3%	-12%	-22%	-11%
Net income	-35%	97%	32%	4%	50%	19%	41%	28%	33%	2%	-2%	-11%	-20%	-8%
EPS				-77%	-80%	-86%	-17%	-8%	-47%	-13%	-2%	-11%	-20%	-12%

Source: Company reports, Ascendant Capital Markets estimates

\* Reflects a 1:100 reverse stock split in May 2024

**Heart Test Laboratories, Inc.**

Balance Sheet (\$ mils)	Apr-21	Apr-22	Apr-23	Apr-24	Jul-24	Oct-24	Jan-25	Apr-25	Jul-25	Oct-25	Jan-26	Apr-26
Fiscal Year End: April 30	Q4A	Q4A	Q4A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Current assets</b>												
Cash	0.7	0.9	1.7	5.8	4.3	4.1	1.5	(0.9)	(2.9)	(4.9)	(6.9)	(8.7)
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
Inventories, net	0.8	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Prepaid expenses and other assets	0.1	0.0	0.1	0.2	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Deferred offering Costs	0.0	0.2	0.2	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
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
<b>Total current assets</b>	<b>1.6</b>	<b>1.9</b>	<b>2.7</b>	<b>7.4</b>	<b>6.1</b>	<b>5.7</b>	<b>3.1</b>	<b>0.8</b>	<b>(1.3)</b>	<b>(3.3)</b>	<b>(5.3)</b>	<b>(7.1)</b>
Operating lease right-of-use asset, net	0.2	0.1	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Intangible assets, net	0.0	0.0	0.0	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Property and equipment, net	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
<b>Total assets</b>	<b>1.9</b>	<b>2.1</b>	<b>3.3</b>	<b>9.5</b>	<b>8.2</b>	<b>7.8</b>	<b>5.2</b>	<b>2.8</b>	<b>0.8</b>	<b>(1.2)</b>	<b>(3.2)</b>	<b>(5.0)</b>
<b>Liabilities and Stockholders' Equity</b>												
<b>Current liabilities</b>												
Accounts payable	0.3	0.7	0.6	0.4	0.4	0.3	0.0	0.0	0.1	0.1	0.1	0.2
Accrued expenses	0.3	1.1	0.6	0.7	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4
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
Current Portion of Notes Payable	0.1	1.6	0.5	0.5	0.0	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Lease liability - current	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other Current Liabilities	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
<b>Total current liabilities</b>	<b>1.1</b>	<b>3.5</b>	<b>1.8</b>	<b>1.8</b>	<b>1.4</b>	<b>3.3</b>	<b>3.0</b>	<b>3.0</b>	<b>3.1</b>	<b>3.1</b>	<b>3.2</b>	<b>3.2</b>
Accrued Expenses	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lease liability – long-term	0.1	0.0	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Notes Payable	2.5	4.4	0.5	0.0	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
<b>Total liabilities</b>	<b>3.8</b>	<b>8.1</b>	<b>3.1</b>	<b>2.2</b>	<b>2.3</b>	<b>3.8</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.6</b>	<b>3.6</b>	<b>3.7</b>
<b>Stockholders' Equity</b>												
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
Additional paid-in capital	47.7	48.3	61.0	74.7	75.3	75.5	75.5	75.5	75.5	75.5	75.5	75.5
Accumulated deficit	(49.6)	(54.4)	(60.8)	(67.4)	(69.4)	(71.5)	(73.8)	(76.2)	(78.3)	(80.3)	(82.4)	(84.3)
<b>Total stockholders' equity</b>	<b>(1.9)</b>	<b>(6.1)</b>	<b>0.2</b>	<b>7.3</b>	<b>5.9</b>	<b>4.0</b>	<b>1.7</b>	<b>(0.7)</b>	<b>(2.8)</b>	<b>(4.8)</b>	<b>(6.9)</b>	<b>(8.7)</b>
<b>Total liabilities and stockholders' equity</b>	<b>1.9</b>	<b>2.1</b>	<b>3.3</b>	<b>9.5</b>	<b>8.2</b>	<b>7.8</b>	<b>5.2</b>	<b>2.8</b>	<b>0.8</b>	<b>(1.2)</b>	<b>(3.2)</b>	<b>(5.0)</b>

	Apr-21	Apr-22	Apr-23	Apr-24	Jul-24	Oct-24	Jan-25	Apr-25	Jul-25	Oct-25	Jan-26	Apr-26
	Q4A	Q4A	Q4A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Balance Sheet Drivers</b>												
Inventory Days	10,862	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Accounts Payable (Days)	4,858	NM	NM	30	30	30	30	30	30	30	30	30
<b>Book &amp; Cash Value (per share)</b>												
Book Value per Share (diluted)	(57.64)	(182.48)	2.37	11.10	7.63	4.38	1.85	(0.72)	(3.01)	(5.24)	(7.48)	(9.53)
Cash per Share (diluted)	21.83	27.67	18.85	8.81	5.58	4.42	1.60	(0.95)	(3.18)	(5.35)	(7.54)	(9.50)
Net cash per Share (diluted)	(53.61)	(147.85)	6.78	8.05	5.79	2.55	(0.27)	(2.82)	(5.05)	(7.21)	(9.41)	(8.74)

Source: Company reports, Ascendant Capital Markets estimates



**Heart Test Laboratories, Inc.**

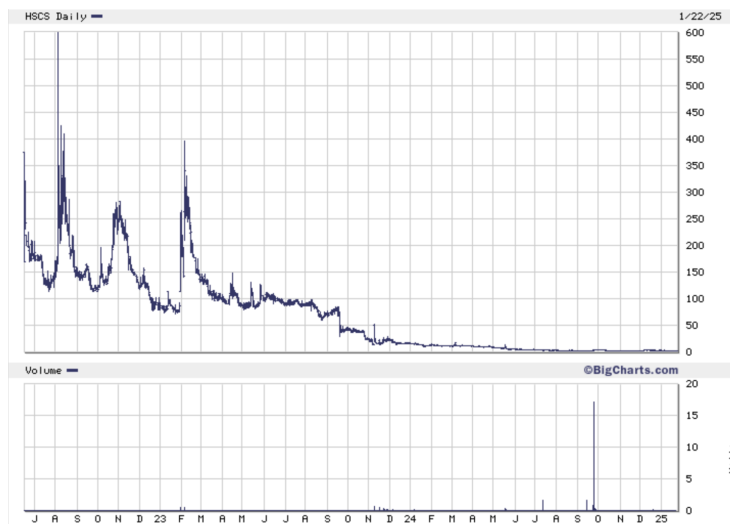
Cash Flow Statement (\$ mils)	2021	2022	2023	2024	Jul-24	Oct-24	Jan-25	Apr-25	2025	Jul-25	Oct-25	Jan-26	Apr-26	2026
Fiscal Year End: April 30	FY-A	FY-A	FY-A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Cash flow from operating activities</b>														
<b>Net loss</b>	(2.5)	(4.8)	(6.4)	(6.6)	(2.1)	(2.1)	(2.3)	(2.4)	(8.8)	(2.1)	(2.0)	(2.1)	(1.9)	(8.1)
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
Amortization of Debt Discount and Deferred Fin	0.0	0.2	0.1	0.1	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Amortization - Right-of-use assets, operating lea	0.0	0.0	0.1	0.1	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 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
Stock based Compensation	0.0	0.1	0.2	0.4	0.1	0.0	0.0	0.0	0.1	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
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
Gain on Settlement of Payables	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	0.0
Warrants Issued to non-employees	0.0	0.0	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Issuance of Common Stock for consulting service	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 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
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
<b>WC changes</b>														
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	0.0	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	0.0	0.0
Accounts Payable	(0.0)	0.4	0.0	(0.2)	(0.1)	(0.1)	(0.3)	0.0	(0.4)	0.0	0.0	0.0	0.1	0.2
Accrued Liabilities	0.1	0.9	(0.3)	(0.1)	(0.0)	(0.2)	0.0	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0
Deferred offering Costs	0.0	(0.2)	0.1	(0.5)	0.0	(0.0)	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0
Prepays and Other Current Assets	0.0	0.1	0.4	0.2	0.0	0.2	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Lease liability, operating lease	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	0.0
Intangibles	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 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
<b>Net cash used in operating activities</b>	(2.5)	(3.6)	(5.8)	(6.0)	(2.0)	(2.2)	(2.6)	(2.3)	(9.1)	(2.0)	(2.0)	(2.0)	(1.8)	(7.8)
<b>Investing Activities</b>														
Purchase of Property and Equipment	(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
Acquisition of intellectual property - intangibles	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
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
<b>Net cash used in investing activities</b>	(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
<b>Financing Activities</b>														
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	0.0	0.0	0.0
Proceeds from Issuance of Common Stock, Net of	0.0	0.0	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0
Issuance of Common Stock for bridge warrant ex	0.0	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Issuance of Common Stock under equity line, net	0.0	0.0	0.4	0.0	0.6	0.1	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0
Issuance of Common Stock under ATM Facility, net of fees	0.0	0.0	0.0	10.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Issuance of pre-funded warrants for bridge warr	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of Shareholder's Note	0.0	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Shareholders Notes	0.7	0.5	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Ppp Loan	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
Repayment of Financing Leases	0.0	0.0	(0.4)	(0.3)	(0.1)	(0.1)	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0
Proceeds from Issuance of Series C Preferred Co	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Streeterville note, net	0.0	0.0	0.0	0.0	0.0	1.9	0.0	0.0	1.9	0.0	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	0.0	0.0
<b>Net cash provided by financing activities</b>	2.7	3.8	6.5	10.3	0.6	1.9	0.0	0.0	2.5	0.0	0.0	0.0	0.0	0.0
<b>Net cash increase (decrease)</b>	0.2	0.2	0.7	4.2	(1.5)	(0.3)	(2.6)	(2.3)	(6.7)	(2.0)	(2.0)	(2.0)	(1.8)	(7.8)
Cash balance at beginning of period	0.5	0.7	0.9	1.7	5.9	4.4	4.1	1.5	5.9	(0.8)	(2.9)	(4.9)	(6.9)	(0.8)
<b>Cash balance at end of period</b>	0.7	0.9	1.7	5.9	4.4	4.1	1.5	(0.8)	(0.8)	(2.9)	(4.9)	(6.9)	(8.7)	(8.7)

Source: Company reports, Ascendant Capital Markets estimates

## ANALYST CERTIFICATION

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## Heart Test Laboratories, Inc.



Report	Date	Rating	PT split adjusted
1	30-Jan-23	BUY	\$330.00
2	25-Mar-23	BUY	\$350.00
3	3-Aug-23	BUY	\$370.00
4	3-Oct-23	BUY	\$380.00
5	22-Dec-23	BUY	\$90.00
6	22-Mar-24	BUY	\$100.00
7	9-Aug-24	BUY	\$15.00
8	20-Sep-24	BUY	\$15.00
9	24-Jan-25	BUY	\$15.00

- Ascendant Capital Markets, LLC has 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 products, 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.

## Ratings Distribution and Investment Banking Disclosure (As of January 10, 2024)

	Investment Banking Services Past 12 Months			
	Count	Percent	Count	Percent
Buy	56	98%	20	36%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
<b>Total</b>	<b>57</b>	<b>100%</b>	<b>20</b>	<b>35%</b>

## 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.



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