IQAI / LSE
IQAIF / OTCQB

SPECULATIVE BUY
Initial

6.50 GBp
Initial Target

CAPITALIZATION	
Shares Outstanding 5/10/22)	182.6 M
Recent Price (7/28/22)	3.00 GBp
Market Capitalization	£ 5.48 M
+ Debt	-0- M
- Cash	0.73 M
Enterprise Value	£ 4.75 M
Book Value	£ 1.19 M
Working Capital	0.42 M
Dividend	Nil

Balance sheet figures as of 12/31/21
Values as reported in GBX

MARKET DATA	
Bid-Ask Spread, % Price	15.38%
52 Week High/Low	8.00-3.64 GBp
Shares Outstanding	182.6 M
Inside Ownership	22.6%
Institutional Ownership	15.4%
Estimated Flotation	141.35 M
Average Daily Volume	341 K
Short Interest, % of Float	na
Beta	3.17

Source: Bloomberg LP

INVESTMENT RETURNS		
	IQAI	Sector
Return on Equity	neg	22.54%
Return on Assets	neg	7.01%
Return on Capital	neg	14.59%

Source: Crystal Equity Research, CSI Markets

FINANCIAL PROFILE		
	FY20	FY21
Sales	£ 255,314	£ 521,069
(L)EBITDA	(570,191)	(356,892)
(L)EPS	(0.29) p	(0.49) p

Source: Company Reports

HIGHLIGHTS

- **Radiology Offering.** One of the top pharmaceutical companies in the world, Bayer AG recently debut its Calantic platform for artificial intelligence-based applications for radiology.

- **Channel Partner.** IQ-AI's subsidiary Imaging Biometrics landed a deal to partner with Bayer for its radiology solutions platform. *IB Clinic* is featured on the platform as an oncology application, providing an excellent addition to Imaging Biometrics roster of channel partners.

- **Technology Endorsement.** Vetting of *IB Clinic* by a leading pharmaceutical company provides a strong endorsement for Imaging Biometrics technology and the Company's capacity to provide customer support.

- **Rating.** We reiterate our Speculative Buy rating on IQAI and maintain our price target of 6.50 GBp

- **Outlook.** The Company is due to report financial results for the first half of 2022, in the next few weeks. We expect the report to provide insight into market penetration efforts as well as progress with an ongoing clinical trial related to treatment of glioblastoma.

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INDUSTRY: BIOTECHNOLOGY	IQAI: LSE, IQAIF: OTCQB

RECENT DEVELOPMENTS

Imaging Biometics, IQ-AI'sprincipal investment, recently has received a strong endorsement from a leading pharmaceutical company, Bayer AG. The Company's *IB Clinic* platform has been chosen to debut in the launch of Bayers entrance into artificial intelligence-enabled radiology applications. Bayer's Calantic platform features only nine products from seven independent companies, which have agreed to partner with Bayer in what is arguably a bold move in the fast-growing radiology applications market. We believe inclusion in this small group speaks well to the technological strength in *IB Clinic* and the capacity of Imaging Biometrics to support customers. It is logical that Bayer would only risk its world class reputation with strong partners who can help win and retain customers.

RECOMMENDATION

We are steadfast in our interest in IQ-AI Ltd. and reiterate our Speculative Buy rating of IQAI.L with a target price of 6.50 GBp. Despite an uptick in new interest in the shares, the stock price has traded downward in sympathy with the broader U.S. equity market. This is unfortunate, in our view, given that worries about inflation that have weighed on investor sentiment apply only tangentially to IQ-AI and its channel partners. We believe hospitals and clinics making capital investments in efficiency-creating products are not likely to alter decisions based on the prospect of inflation rates.

The upcoming report on financial results in the first half 2022, could be the next catalyst for the stock. Investors can look for that filing in late August or early September.

VALUATION	
Price/Sales	10.5 X
Price/Cash Flow	neg
Price/EPS	neg
Price/Book Value	4.6 X
Consensus EPS 2022	na
Forward PE	na

Per share figures estimated 7/28/22

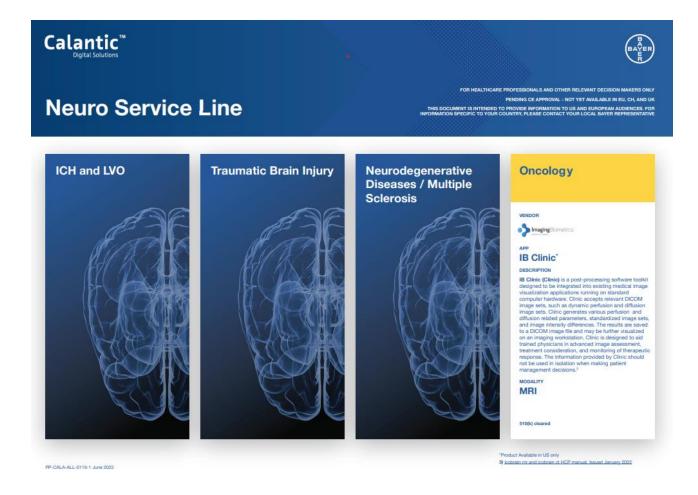| OPERATING PROJECTIONS				
GBX	2020A	2021A	2022E	2023E
Sales	£ 255,314	£ 521,069	£ 800,000	£ 1,150,000
Operating (Loss)	(685,695)	(490,366)	(456,750)	(240,250)
CFO (U)	(423,222)	(288,759)	(378,814)	(138,825)
EPS (LPS)	(0.48) p	(0.29) p	(0.24) p	(0.12) p

Great Britain Pounds in thousands except per share earnings (loss)

Company Reports and Crystal Equity Research Estimates

RECENT DEVELOPMENTS

In late June 2022, health care products developer and service provider Bayer AG (BAYN: BE, BAYRY: OTC) launched its new Calantic Digital Solutions for the radiology market. The cloud-hosted platform represents an expansion of Bayer's existing radiology business that includes medical devices, software, contrast media, and consulting services.   The platform is composed of a selection of third-party digital applications to speed up and improve medical imaging results. Bayer is launching its platform focused on thoracic and neurological diseases, but will later add applications targeting other specific diseases.

Imaging Biometrics was chosen as a foundational partner for the Calantic launch. The Company's *IB Clinic* is featured in Calantic's Neuro Service line as an oncology application for processing magnetic resonance images (MRI). *IB Clinic* is one of nine products in the Calantic offering. Other vendors include Avidenna and icometrix in the Neuro Services group and Nanox.ai, Riverain Technologies and Vida Insights in the Thoracic Services line.

The platform is Bayer's effort to quickly infuse its product line with leading edge technology based on artificial intelligence. During a launch event in late June 2022, by Todor Khristov, Digital Accelerator Program Lead Radiology, explained that collaborations with external partners are an integral part of the Bayer innovation strategy. He stated, "We recognized the creative and scientific potential outside of Bayer….By joining forces with external partners and utilizing their respective expertise, we will be much quicker in providing new digital solutions in radiology than we would be alone."

As noted by Alexandre Salvador, Bayer's Head of Digital Solutions in a presentation to potential customers during the Calantic launch, radiology is perfectly poised to benefit from technological innovation based on artificial intelligence. Radiology exams generate massive amounts of data, which can be burdensome for medical professionals to review and correctly analyze. Artificial intelligence is designed to gobble up data and rapidly use various algorithms to define and process that data for a medical conclusion.

Salvador believes the Calantic platform will be taken up rapidly because it offers state of the art technology that can have a material impact on health care outcomes through faster diagnosis and fewer errors. This in turn will reduce costs and give users a good return on investment. Bayer's hospital and clinic customers are driven by an increasing use of medical imaging for diagnostic and treatment purposes. At the same time there is a shortage of adequately trained radiology professionals. Increasing workload and inadequate staffing are expected to drive health care institutions with radiology departments to make investments in efficiency-creating software.

For Imaging Biometrics, it is the potential to be introduced to a wide audience that provides an incentive to cooperate with the Bayer team. Bayer is among the top ten pharmaceutical companies in the world, credited with approximately 3% of world market share of global drug and therapies. Bayer focuses on immunology, oncology and the nervous system, making it a strong distribution channel ally for Imaging Biometrics.

EXPERTISE - artificial intelligence technology

If it is expertise that Bayer is looking for, the Imaging Biometrics team believes they are the folks to bring it. The Company has been awarded a selection of patents in the U.S., Europe and Japan for the innovations at the core of its medical image processing applications.

The *IB Clinic* suite featured on Bayer's Calantic platform is a technology rich suite that uses artificial intelligence to enhance results of standardized MRI image sets. The application takes up data generated by any medical resonance imaging (MRI) system that adheres to the Digital Imaging and Communications in Medicine (DICOM) standard. For example, image intensity data from basic images generated through dynamic contrast-enhanced (DCE) perfusion techniques. can be analyzed by *IB Clinic* for more nuanced results. Perfusion imaging is a method of assessing the flow of blood in tissue, which discloses the presence of a tumor and its growth.

The sausage factory, if there is such a thing in a radiology software application, is composed of a series of proprietary algorithms that take in the data from the original image and carry out analytical or evaluative steps. Using AI makes it possible to wring more information out of the original image without the need for subjecting the patient to a second exam or the use of additional contrast agent. Medical professionals get improved accuracy in a new data set and/or improved image that can, for example, help grade the tumor or distinguishing recurrence from treatment response. Such nuances are important for a better diagnosis and treatment plan.

Imaging Biometrics keeps the details of the inner workings of their applications relatively close to the vest. However, management does point out *IB Clinic's* competitive characteristics. For example, *IB Clinic* makes it possible to standardize images for the same patient that might have been completed on MRI systems from different vendors. This can happen frequently when patients are treated at more than one facility, even those owned by the same health care institution. A second selling point is that the *IB Clinic* is perhaps the only application that delivers an analysis differentiating between tumor regrowth and normal treatment effects.

OUTLOOK and VALUATION

In our view, selection by Bayer AG for its debut into artificial intelligence enabled radiology applications is a strong endorsement of Imaging Biometrics technology. We believe it is also an endorsement of Imaging Biometrics engineering and programming personnel and consultants. Bayer has vetted numerous applications and chose nine that met their standards for robust technology and capacity to provide support and service to their customers. Bayer has made an investment of capital as well as reputation in its Calantic platform. With sales and profits on the line, it is doubtful Bayer would choose any application that is not technologically sound or partner that is not operationally capable.

Sales and profits are on the line for IQ-AI and its Imaging Biometrics subsidiary. The Company is due to publish financial results for the first half of 2022, in late August. We do not expect to see any evidence of sales through the Bayer channel. Indeed, it may not be until the full year 2022 report that will come in early 2023, before any contribution could be discerned. Even then historically the Company has not disclosed sales and earnings by sales channel. Any details on the Bayer relationship would likely be anecdotal commentary from members of the management team.

We reiterate our Speculative Buy rating of IQAI.L with a target price of 6.50 GBp. Despite an uptick in new interest in the shares, the stock price has traded downward in sympathy with the broader U.S. equity market. This is unfortunate, given that worries about inflation that have weighed on investor sentiment apply only tangentially to IQ-AI and its channel partners. Hospitals and clinics making capital investments in efficiency-related products are not likely to alter decisions based on the prospect of inflation rates.

Table IV: Historic and Projected Sales and Earnings - GBP as Reported										
	2020A	2021		2021A	2022		2022E	2023		2023E
Great Britain Pound	Year	1H	2H	Year	1H	2H	Year	1H	2H	Year
Total revenue,	255,314	238,488	282,581	521,069	275,000	525,000	800,000	550,000	600,000	1,150,000
Cost of sales	8,547	4,070	12,977	17,047	9,625	18,375	28,000	19,250	21,000	40,250
Gross profit	246,767	234,418	269,604	504,022	265,375	506,625	772,000	530,750	579,000	1,109,750
Operating expenses:										
Administrative expense	933,462	436,247	558,141	994,388	536,250	577,500	1,113,750	605,000	660,000	1,265,000
Depreciation and amortization	-	-	-	-	57,500	57,500	115,000	42,500	42,500	85,000
Total operating expenses	933,462	436,247	558,141	994,388	593,750	635,000	1,228,750	647,500	702,500	1,350,000
Operating income (loss)	(686,695)	(201,829)	(288,537)	(490,366)	(328,375)	(128,375)	(456,750)	(116,750)	(123,500)	(240,250)
Other income (expense)										
Financing expense	(31,812)	(5,311)	(5,399)	(10,710)	-	-	-	-	-	-
Other income (expense)	973	5	13	18	-	-	-	-	-	-
Total other income (expense)	(30,839)	(5,306)	(5,386)	(10,692)	-	-	-	-	-	-
Income (loss) before income taxes	(717,534)	(207,135)	(293,923)	(501,058)	(328,375)	(128,375)	(456,750)	(116,750)	(123,500)	(240,250)
Provision for income taxes (benefit)	-	-	-	-	-	-	-	-	-	-
Net income (loss)	(717,534)	(207,135)	(293,923)	(501,058)	(328,375)	(128,375)	(456,750)	(116,750)	(123,500)	(240,250)
Net EPS (loss), pence	-0.48	-0.12	-0.17	-0.29	-0.18	-0.07	-0.24	-0.06	-0.06	-0.12
Weighted shares outstanding, diluted	150.0 M	175.0 M	175.0 M	175.0 M	185.0 M	190.0 M	187.5 M	200.0 M	210.0 M	210.0 M
SELECTED MEASURES:										
Sales growth, yr/yr	-4.7%			104.1%			53.5%			43.8%
Net income growth, yr/yr	16.3%			-30.2%			-8.8%			-47.4%
Gross margin	96.7%	98.3%	95.4%	96.7%	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%
Administrative expense, % of sales	365.6%	182.9%	197.5%	190.8%	195.0%	110.0%	139.2%	110.0%	110.0%	110.0%
EBITDA, ££	(570,191)			(356,892)			(341,750)			(155,250)
EBITDA margin	-223.3%			-68.5%			-42.7%			-13.5%

Table V: Historic and Projected Sales and Earnings - US Dollar Translation										
	2020A	2021		2021A	2022		2022E	2023		2023E
US Dollar	Year	1H	2H	Year	*1H*	*2H*	*Year*	*1H*	*2H*	*Year*
Total revenue	327,747	328,088	388,747	716,835	*360,663*	688,538	1,049,200	742,500	810,000	1,552,500
Cost of sales	10,972	5,599	17,852	23,452	12,623	24,099	36,722	25,988	28,350	54,338
Gross profit	316,775	322,489	370,894	693,383	348,039	664,439	1,012,478	716,513	781,650	1,498,163
Operating expenses:										
Administrative expense	1,198,285	600,145	767,835	1,367,980	703,292	757,391	1,460,683	816,750	891,000	1,707,750
Depreciation and amortization	-	-	-	-	75,411	75,411	150,823	57,375	57,375	114,750
Total operating expenses	1,198,285	600,145	767,835	1,367,980	778,703	832,803	1,611,506	874,125	948,375	1,822,500
Operating income (loss)	(881,510)	(277,656)	(396,940)	(674,597)	(430,664)	(168,364)	(599,028)	(157,613)	(166,725)	(324,338)
Other income (expense)										
Financing expense	(40,837)	(7,306)	(7,427)	(14,734)	-	-	-	-	-	-
Other income (expense)	1,249	7	18	25	-	-	-	-	-	-
Total other income (expense)	(39,588)	(7,299)	(7,410)	(14,709)	-	-	-	-	-	-
Income (loss) before income taxes	(717,534)	(207,135)	(293,923)	(501,058)	*(328,375)*	*(128,375)*	*(456,750)*	*(116,750)*	*(123,500)*	*(240,250)*
Provision for income taxes (benefit)	-	-	-	-	-	-	-	-	-	-
Net income (loss)	(921,098)	(284,956)	(404,350)	(689,305)	(430,664)	(168,364)	(599,028)	(157,613)	(166,725)	(324,338)
Net EPS (Loss), available to shareholders	(0.0061)	(0.0016)	(0.0023)	(0.0039)	*(0.0023)*	*(0.0009)*	*(0.0032)*	*(0.0008)*	*(0.0008)*	*(0.0016)*
Weighted shares outstanding, diluted	150.0 M	175.0 M	175.0 M	175.0 M	*185.0 M*	*190.0 M*	*187.5 M*	*200.0 M*	*210.0 M*	*210.0 M*
SELECTED MEASURES:										
Sales growth, yr/yr	-4.7%			104.1%			53.5%			43.8%
Net income growth, yr/yr	16.3%			-30.2%			-8.8%			-47.4%
Gross margin	96.7%	98.3%	95.4%	96.7%	*96.5%*	96.5%	96.5%	96.5%	96.5%	96.5%
Administrative expense, % of sales	365.6%	182.9%	197.5%	190.8%	*195.0%*	110.0%	139.2%	110.0%	110.0%	110.0%
EBITDA, $$	(731,954)			(490,976)			(448,205)			(209,588)
EBITDA margin	-223.3%			-68.5%			-42.7%			-13.5%

Table VI: Historic and Projected Balances and Cash Flows - GBP as Reported			
	2021	2022	2023
Great Britain Pound	Dec	Dec	Dec
CURRENT ASSETS			
Cash & cash equivalents	728,586	349,772	210,947
Accounts receivable, net	78,189	142,466	189,041
Other current assets	-	-	-
Total current assets	806,775	492,238	399,988
LONG-TERM ASSETS			
Property, plant & equipment, net	4,440	4,440	4,440
Intangible assets, net	567,060	452,060	367,060
Goodwill	205,203	205,203	205,203
TOTAL ASSETS	1,583,478	1,153,941	976,691
CURRENT LIABILITIES			
Accounts payable	392,787	420,000	483,000
Revolving credit facility	-	-	-
Total current liabilities	392,787	420,000	483,000
LONG-TERM LIABILITIES			
Long-term debt	-	-	-
STOCKHOLDER'S EQUITY			
Common stock	1,825,076	1,825,076	1,825,076
Additional paid-in capital	20,547,343	20,547,343	20,547,343
Reserves	483,471	483,471	483,471
Retained earnings (deficit)	(21,665,199)	(22,121,949)	(22,362,199)
Total stockholders' equity	1,190,691	733,941	493,691
TOTAL LIABILITIES AND EQUITY	1,583,478	1,153,941	976,691
SELECTED MEASURES			
Working capital, ££	413,988	72,238	(83,012)
Debt-to-equity	-	-	-
SUPPLEMENTAL			
Cash from (used by) operations, ££	(288,759)	(378,814)	(138,825)

Table VII: Historic and Projected Balances and Cash Flows - USD as Translated			

US Dollar	2021 Dec	2022 Dec	2023 Dec
CURRENT ASSETS			
Cash & cash equivalents	969,019	472,193	284,778
Accounts receivable, net	103,991	192,329	255,205
Other current assets	-	-	-
Total current assets	1,073,011	664,521	539,984
LONG-TERM ASSETS			
Property, plant & equipment, net	5,905	5,994	5,994
Intangible assets, net	754,190	610,281	495,531
Goodwill	272,920	277,024	277,024
TOTAL ASSETS	,,,2,106,026	1,557,820	1,318,533
CURRENT LIABILITIES			
Accounts payable	522,407	567,000	652,050
Revolving credit facility	-	-	-
Total current liabilities	522,407	567,000	652,050
LONG-TERM LIABILITIES			
Long-term debt	-	-	-
STOCKHOLDER'S EQUITY			
Common stock	2,427,351	2,463,853	2,463,853
Additional paid-in capital	27,327,966	27,738,913	27,738,913
Reserves	643,016	652,686	652,686
Retained earnings (deficit)	(28,814,715)	(29,864,631)	(30,188,969)
Total stockholders' equity	1,583,619	990,820	666,483
TOTAL LIABILITIES AND EQUITY	2,106,026	1,557,820	1,318,533
SELECTED MEASURES			
Working capital, $$	550,604	97,521	(112,066)
Debt-to-equity	-	-	-
SUPPLEMENTAL			
Cash from (used by) operations, $$	(397,246)	(496,814)	(187,414)

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ANALYST

Debra Fiakas, CFA is a seasoned, credentialed investment professional with a diversified and successful track record as a research analyst and as an investment banker. Her decade-plus career includes solid experience in all aspects of the equity capital markets with particular emphasis on emerging growth companies operating in the technology sectors. Ms. Fiakas is also the principal member of Crystal Equity Research, LLC.

ANALYST CERTIFICATION

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RATING SYSTEM

Buy   Price appreciation expected 10% or more over a 12-month period.
Hold   Price appreciation/depreciation expected between 10% and −10% over 12 months.
Sell   Price depreciation expected 10% or more over a 12-month period.

CRYSTAL RESEARCH UNIVERSE

Buys	80%
Holds	5%
Sells	15%
Total	100%

HISTORICAL RECOMMENDATIONS AND TARGET PRICE: IQ-AI Ltd / IQAI.L or IQAIF / OTCQB

Report	Date	Price	Rating	Target Price
Initial	5/27/2022	3.90 GBp	Speculative Buy	6.50 GBp
Updte	7/29/2022	3.00 GBp	Speculative Buy	6.50 GBp

DISCLOSURES

Name	Symbol: Exchange	Disclosures
IA-QI, Ltd.	IQAI: LSE	D

Disclosure Key

A	A member or employee of Crystal Equity Research, LLC serves on the board of directors of the company.

B	A controlling member of Crystal Equity Research, LLC has a beneficial interest in the common stock of the company.

C	A person or persons preparing this report or an immediate family member of the preparer has a beneficial interest in the common stock of the company.

D	Crystal Equity Research, LLC received compensation for research coverage from the company or one of its agents. The fees are paid in advance in cash.

E	The company has a convertible issue outstanding.

F	The securities covered in this report can be optioned.

G	The securities covered in this report can be margined.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST