

**IQAI / LSE**  
**IQAIF / OTCQB**

**SPECULATIVE**  
**BUY**

Initial

**6.50 GBp**

**Initial Target**

**CAPITALIZATION**

Shares Outstanding 8/22/22) 182.62 M

Recent Price (9/19/22) 4.20 GBp

Market Capitalization £ 7.67 M

+ Debt -0- M

- Cash 0.35 M

Enterprise Value £ 7.32 M

Book Value £ 0.82 M

Working Capital 0.01 M

Dividend Nil

*Balance sheet figures as of 6/30/22  
Values as reported in GBX*

**INVESTMENT RETURNS**

	IQAI	Sector
Return on Equity	neg	30.87%
Return on Assets	neg	11.73%
Return on Capital	neg	19.88%

*Source: Crystal Equity Research, CSI Markets*

**MARKET DATA**

Bid-Ask Spread, % Price 11.20%

52 Week High/Low 5.30 -0.04 GBp

Shares Outstanding 182.62 M

Inside Ownership 22.6%

Institutional Ownership 15.0%

Estimated Flotation 141.28 M

Average Daily Volume 362 K

Short Interest, % of Float na

Beta 3.04

*Source: Bloomberg LP*

**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**

- **Orphan Drug Status.** The FDA has conferred orphan drug status on the Company's gallium maltolate compound for the treatment of glioblastoma multiform brain cancer. The status extends market exclusivity if the compound is approved, which we believe will increase sales and earnings.
- **Gallium Maltolate Clinical Trial.** Management reports good progress with a Phase I clinical trial involving as many as sixteen participants who could be dosed with the oral gallium maltolate compound in the double blind study.
- **Valuation Catalyst.** Orphan drug status for one of the Company's pipeline compounds enhances value in the long-term and should trigger new interest in the stock.
- **2022 Financial Results.** The Company's financial report for the year ending December 2022, is due in April 2023. This could be a price triggering event as the otherwise quiet IQ-Ltd. has historically provided important updates on new product development and market strategies along with its annual report

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INDUSTRY: BIOTECHNOLOGY

IQAI: LSE, IQAIF: OTCQB

## RECENT DEVELOPMENTS

IQ-IA, Ltd. recently received approval by the U.S. Federal Drug Administration of orphan drug status for the Company's gallium maltolate compound for the treatment of glioblastoma multiform brain cancer. Once approved orphan drugs get market exclusivity for as long as seven years, providing IQ-IA competitive protection for an extended period of time, potentially enhancing sales and profits for the compound. Additionally, the Company could benefit from tax credits and exemption from certain fees for clinical trials. We expect higher return on investment for the compound in the long-term as well as reduced cash flow requirements in the near-term.

## RECOMMENDATION

We continue to view IQ-IA, Ltd. as a unique play on the application of artificial intelligence in the medical field. A building portfolio of intellectual property, including the gallium maltolate compound that has recently gain orphan drug status, makes the Company even more interesting. We continue to view the shares as undervalued against the Company's AI-based product line of radiology applications and the pipeline of new product under development.

The Company's shares are currently trading at 6.9 times book value, which may appear rich for an operation that has not yet achieved profitability. However, we note that the broader biotechnology and pharmaceutical sector is trading at an average 7.41 times book value. We expect the Company's accomplishments to filter into the stock price over a period of time. IQ-IA is still building a reputation among investors and market communications remain limited. That said, trading volumes have increase in recent months for shares traded on the London Exchange and trading activity in the U.S. market has become more frequent. Furthermore, the bid-ask spread as a percentage of price has dropped to 12% from 14% six months ago. While still a significant measure of capital risk, the near-term trend is favorable.

## VALUATION

Price/Sales	10.3 X
Price/Cash Flow	neg
Price/EPS	neg
Price/Book Value	6.9 X

Consensus EPS 2023	na
Forward PE	na

Per share figures estimated 7/28/22

## OPERATING PROJECTIONS

GBX	2020A	2021A	2022E	2023E
Sales	£ 255,314	£ 521,069	£ 780,609	£ 1,150,000
Operating (Loss)	(685,695)	(490,366)	(453,655)	(240,250)
CFO (U)	(423,222)	(288,759)	(423,887)	(209,423)
EPS (LPS)	(0.48) p	(0.29) p	(0.25) p	(0.12) p

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

Company Reports and Crystal Equity Research Estimates

## RECENT DEVELOPMENTS

The U.S. Food and Drug Administration has approved an application by IQ-AI's Imaging Biometric subsidiary of orphan drug status for a gallium maltolate compound. The Company is currently sponsoring a Phase I clinical trial of the compound being conducted by the Medical College of Wisconsin at the University of Michigan in Milwaukee. Gallium maltolate will be administered to trial participants as an oral agent to evaluate the compound for treatment of glioblastoma multiform brain cancer.

The FDA can confer orphan status on a treatment candidate if fewer than 200,000 people in the U.S. are affected by the particular target disease. Orphan drug status offers economic benefits, including tax credits for qualified clinical trials and exceptions from user fees. Most importantly, the Company could benefit from seven years of market exclusivity once the drug is approved. We believe the designation could result in higher return on investment for the compound in the long-term as well as reduced cash flow requirements in the near-term.

The Phase I clinical trial of *Oral Gallium Maltolate* has commenced with screening and qualification of participants. Gallium maltolate is an orally bioavailable form of the semi-metallic element gallium. The trial is undertaken by the Medical College of Wisconsin Cancer Center, which could expand the clinical trial to as many as two dozen participants. All participants must have recurrent glioblastoma multiform (GBM) brain cancer and have not responded to any other treatment. The Phase I trial is focused on safe dosing levels that will be used subsequently in a Phase II trial to prove efficacy and effectiveness. Orphan drug status is separate from FDA approval of a drug. The clinical trial will undergo the same vetting process and scientific review.

A bioavailable compound, gallium maltolate is potentially instrumental in treating glioblastoma brain cancer through a capacity to disrupt tumor metabolism. Acting something like a Trojan Horse, the metal gallium binds transferrin in the blood plasma and enters tumor cells via a particular receptor. Once in the cancer cell, the gallium disrupts iron homeostasis, triggering cell death. Indeed, rapidly multiplying cancer cells have a particular need for iron, an enzyme essential for DNA synthesis.

Gallium maltolate has been found to be potentially effective in the treatment of infectious disease and inflammatory disease as well as cancer. Unlike most other therapies meant for cancer treatment, gallium can cross the blood brain barrier, allowing it to reach brain cancers. The oral version of gallium maltolate is a safer and more convenient compound than gallium nitrate, which has already been approved by the FDA. Gallium nitrate is administered as an intravenous therapy to patients in hospital over a period of five days.

Earlier clinical trials have already found success with gallium maltolate. The compound has been administered to both healthy volunteers and as well as some late-stage cancer patients. It was given at doses as high as 3,500 milligrams per day for multiple 28-day cycles. The trials found no dose-limiting toxicity nor serious drug-related side effects.

## OTHER APPLICATIONS BEFORE FDA

The FDA has given Imaging Biometrics the option of submitted an alternative 'de novo' application. The de novo application process is for technologies that have no legally marketed predicate device already on the market, which is the case for the Company's *IB Zero G*.

The key is that there are controls in place that provide reasonable assurance of safety and effectiveness in the device's intended use. Company leadership certainly believe that is the case for *IB Zero G*, which is intended to enhance post contrast images using routinely acquired images without contrast agents.

Approval would mean the Company could address yet another slice of the radiology solutions market. Indeed, *IB Zero G* would be the first of its kind to help patients who cannot tolerate the contrast agent used for imaging procedures. The Company's distribution partners might be keen to get the product to help differentiate their menu of solution options. We have not included sales of *IB Zero G* in our projections, so approval whenever it comes along could justify an increase in revenue estimate.

## OUTLOOK and VALUATION

Ultimately, the orphan drug status recently conferred on IQ-IA's gallium maltolate compound could enhance revenue streams and profits. It may be a little early to begin calculating the increase in the profit levels from the Company's proprietary glioblastoma multiform brain cancer. However, in our view, this status should elevate the Company's current value. A study by the National Institute of Health found on average the stock price of a company increased by 3.4% after the announcement of the orphan drug status, with larger increases for oncology drugs. We expect the Company's success with the FDA application for orphan drug status to filter into the stock price over the next few weeks.

IQ-AI Ltd. is expected to next release financial results in April 2023, for the fourth quarter and year-ending December 2022. We do not regard the financial report as being pivotal as a stock price catalyst. However, managements description of its most recent accomplishments and analysis of its financial status can be valuable for investors sitting on the fence as far as new or expanded positions in the stock. The Company has several 'irons in the fire' to capture market share for existing products as well as add new products based on its proprietary technologies.

The clinical trial of gallium maltolate is one of several projects currently underway. In the Company's letter to shareholders posted in January 2023, distribution of *IB Clinic* received 'first mention' on the president's laundry list of growth projects. The team has resumed in-person marketing of the Company's flagship product reportedly has triggered new interest in *IB Clinic* and led to the launch of a user group event that provided an opportunity for the Company to discuss in detail the features and benefits of the *IB Clinic* product.

Table IV: Historic and Projected Sales and Earnings - GBP as Reported

Great Britain Pound	2020A	2021		2021A	2022		2022E	2023		2023E
	Year	1H	2H	Year	1H	2H	Year	1H	2H	Year
Total revenue,	255,314	238,488	282,581	521,069	255,609	525,000	800,000	550,000	600,000	1,150,000
Cost of sales	8,547	4,070	12,977	17,047	(2,457)	18,375	28,000	19,250	21,000	40,250
Gross profit	246,767	234,418	269,604	504,022	258,066	506,625	772,000	530,750	579,000	1,109,750
Operating expenses:										
Administrative expense	933,462	436,247	558,141	994,388	513,642	577,500	1,113,750	605,000	660,000	1,265,000
Depreciation and amortization	-	-	-	-	69,704	57,500	115,000	42,500	42,500	85,000
Total operating expenses	933,462	436,247	558,141	994,388	583,346	635,000	1,228,750	647,500	702,500	1,350,000
Operating income (loss)	(686,695)	(201,829)	(288,537)	(490,366)	(325,280)	(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)	(330,584)	(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)	(330,584)	(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	182.6 M	190.0 M	187.5 M	200.0 M	210.0 M	210.0 M
<b>SELECTED MEASURES:</b>										
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%	101.0%	96.5%	96.5%	96.5%	96.5%	96.5%
Administrative expense, % of sales	365.6%	182.9%	197.5%	190.8%	200.9%	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

US Dollar	2020A	2021		2021A	2022		2022E	2023		2023E
	Year	1H	2H	Year	1H	2H	Year	1H	2H	Year
Total revenue	327,747	328,088	388,747	716,835	311,843	603,750	925,022	632,500	690,000	1,322,500
Cost of sales	10,972	5,599	17,852	23,452	(2,998)	21,131	18,863	22,138	24,150	46,288
Gross profit	316,775	322,489	370,894	693,383	314,841	582,619	906,159	610,363	665,850	1,276,213
Operating expenses:										
Administrative expense	1,198,285	600,145	767,835	1,367,980	626,643	664,125	1,293,003	695,750	759,000	1,454,750
Depreciation and amortization	-	-	-	-	85,039	66,125	150,737	48,875	48,875	97,750
Total operating expenses	1,198,285	600,145	767,835	1,367,980	711,682	730,250	1,443,740	744,625	807,875	1,552,500
Operating income (loss)	(881,510)	(277,656)	(396,940)	(674,597)	(396,842)	(147,631)	(537,581)	(134,263)	(142,025)	(276,288)
Other income (expense)										
Financing expense	(40,837)	(7,306)	(7,427)	(14,734)	(6,479)	-	(6,294)	-	-	-
Other income (expense)	1,249	7	18	25	9	-	8	-	-	-
Total other income (expense)	(39,588)	(7,299)	(7,410)	(14,709)	(6,479)	-	(6,285)	-	-	-
Income (loss) before income taxes	(717,534)	(207,135)	(293,923)	(501,058)	(403,312)	(147,631)	(543,866)	(134,263)	(142,025)	(276,288)
Provision for income taxes (benefit)	-	-	-	-	-	-	-	-	-	-
Net income (loss)	(921,098)	(284,956)	(404,350)	(689,305)	(430,664)	(168,364)	(543,866)	(134,263)	(142,025)	(276,288)
Net EPS (Loss), available to shareholders	(0.0061)	(0.0016)	(0.0023)	(0.0039)	(0.0022)	(0.0008)	(0.0029)	(0.0007)	(0.0007)	(0.0013)
Weighted shares outstanding, diluted	150.0 M	175.0 M	175.0 M	175.0 M	182.6 M	190.0 M	186.3 M	200.0 M	210.0 M	210.0 M
<b>SELECTED MEASURES:</b>										
Sales growth, yr/yr	-4.7%			104.1%			53.5%			43.8%
Net income growth, yr/yr	16.3%			-30.2%			-8.8%			-49.2%
Gross margin	96.7%	98.3%	95.4%	96.7%	101.0%	96.5%	96.5%	96.5%	96.5%	96.5%
Administrative expense, % of sales	365.6%	182.9%	197.5%	190.8%	200.9%	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

<b>Great Britain Pound</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>Dec</b>	<b>Dec</b>	<b>Dec</b>
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	728,586	270,627	61,204
Accounts receivable, net	78,189	166,815	189,041
Other current assets	-	-	-
Total current assets	806,775	437,442	250,245
<b>LONG-TERM ASSETS</b>			
Property, plant & equipment, net	4,440	5,469	5,469
Intangible assets, net	567,060	591,799	506,799
Goodwill	205,203	219,263	219,263
<b>TOTAL ASSETS</b>	<b>1,583,478</b>	<b>1,253,973</b>	<b>981,776</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	392,787	514,947	483,000
Revolving credit facility	-	-	-
Total current liabilities	392,787	514,947	483,000
<b>LONG-TERM LIABILITIES</b>			
Long-term debt	-	-	-
<b>STOCKHOLDER'S EQUITY</b>			
Common stock	1,825,076	1,826,214	1,826,214
Additional paid-in capital	20,547,343	20,553,499	20,553,499
Reserves	483,471	483,471	483,471
Retained earnings (deficit)	(21,665,199)	(22,124,158)	(22,137,533)
Total stockholders' equity	1,190,691	739,026	498,776
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,583,478</b>	<b>1,253,973</b>	<b>981,776</b>
<b>SELECTED MEASURES</b>			
Working capital, ££	413,988	(77,505)	(232,755)
Debt-to-equity	-	-	-
<b>SUPPLEMENTAL</b>			
Cash from (used by) operations, ££	(288,759)	(423,887)	(209,423)

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

US Dollar	2021 Dec	2022 Dec	2023 Dec
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	969,019	330,165	70,384
Accounts receivable, net	103,991	203,514	217,397
Other current assets	-	-	-
Total current assets	1,073,011	533,680	287,782
<b>LONG-TERM ASSETS</b>			
Property, plant & equipment, net	5,905	6,672	6,289
Intangible assets, net	754,190	721,995	582,819
Goodwill	272,920	267,501	252,152
TOTAL ASSETS	<u>2,106,026</u>	<u>1,529,847</u>	<u>1,129,042</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	522,407	628,236	555,450
Revolving credit facility	-	-	-
Total current liabilities	522,407	628,236	555,450
<b>LONG-TERM LIABILITIES</b>			
Long-term debt	-	-	-
<b>STOCKHOLDER'S EQUITY</b>			
Common stock	2,427,351	2,227,981	2,100,146
Additional paid-in capital	27,327,966	25,075,269	23,636,524
Reserves	643,016	589,835	555,992
Retained earnings (deficit)	(28,814,715)	(26,991,473)	(25,719,069)
Total stockholders' equity	1,583,619	901,612	573,592
TOTAL LIABILITIES AND EQUITY	<u>2,106,026</u>	<u>1,529,847</u>	<u>1,129,042</u>
<b>SELECTED MEASURES</b>			
Working capital, \$\$	550,604	(94,556)	(267,668)
Debt-to-equity	-	-	-
<b>SUPPLEMENTAL</b>			
Cash from (used by) operations, \$\$	(397,246)	(485,752)	(230,366)



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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

The analyst who is primarily responsible for this research and whose name is listed first on this front cover certifies that: 1) all of the views expressed in this research accurately reflect his or her professional views about any and all of the subject securities or issuers, and 2) no part of any of the analyst's compensation was, is or will be directly or indirectly related to the specific rating expressed by analyst in this research.

## 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	75%
Holds	5%
Sells	<u>20%</u>
Total	100%

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

<u>Report</u>	<u>Date</u>	<u>Price</u>	<u>Rating</u>	<u>Target Price</u>
Initial	5/27/2022	3.90 GBp	Speculative Buy	6.50 GBp
Update	7/29/2022	3.00 GBp	Speculative Buy	6.50 GBp
Update	9/20/2022	2.30 GBp	Speculative Buy	6.50 GBp
Update	3/2/23	4.20 GBp	Speculative Buy	6.50 GBp

**DISCLOSURES**

<u>Name</u>	<u>Symbol: Exchange</u>	<u>Disclosures</u>
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**

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