

IQAI / LSE
IQAIF / OTCQB

SPECULATIVE
BUY

6.50 GBp

Target

CAPITALIZATION

Shares Outstanding 8/22/22) 182.62 M

Recent Price (4/26/23) 2.50 GBp

Market Capitalization £ 456.55 M

+ Debt -0- M

- Cash 0.35 M

Enterprise Value £456.20 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*

MARKET DATA

Bid-Ask Spread, % Price 4.0%

52 Week High/Low 5.30 – 0.04 GBp

Shares Outstanding 182.62 M

Inside Ownership 23.0%

Institutional Ownership 15.0%

Estimated Flotation 141.00 M

Average Daily Volume 680 K

Short Interest, % of Float na

Beta na

Source: Bloomberg LP

INVESTMENT RETURNS

	IQAI	Sector
Return on Equity	neg	36.4%
Return on Assets	neg	11.6%
Return on Capital	neg	14.7%

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

- **New Marketing Pact.** IQ-AI's main portfolio holding, Imaging Biometrics, has signed a new agreement with Prism Clinical Imaging, a provider of brain mapping software. Prism will market its applications enhanced by quantitative analysis and maps generated with Imaging Biometrics technology.
- **Orphan Drug.** The FDA recently granted orphan drug status to the Company's therapeutic candidate oral gallium maltolate for treatment of glioblastoma. We do not believe investors have given the Company sufficient credit in the stock price for its accomplishments in this project.
- **Undervaluation.** Valuation multiples in the artificial intelligence sector have pulled back. Nonetheless, IQAI remains deeply undervalued in our view against the Company's accomplishments.
- **Year 2022 Financial Report.** The annual report is due at any time and could provide a strong catalyst for upward price movement. If our estimates are valid, sales will have ramped in the second half 2022.

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INDUSTRY: BIOTECHNOLOGY

IQAI: LSE, IQAIF: OTCQB

RECENT DEVELOPMENTS

Shareholders were recently treated to encouraging news from IQ-AI's main portfolio holding in artificial intelligence. Mid-April 2023, Imaging Biometrics announced a new partnership with Prism Clinical Imaging, a provider of brain mapping software. Prism intends to integrate Imaging Biometric's quantitative solutions into its software product. Brain image clinical reports generated by Prism's applications will be enhanced by quantitative analysis and maps generated by Imaging Biometrics programming. The partnership is the latest in a series of pacts for Imaging Biometrics to leverage the marketing and sales infrastructure of third-parties with complementary technologies for Imaging Biometrics' customer targets.

RECOMMENDATION

We continue to rate IQAI and IQAIF at Speculative Buy with a 6.50 Gbp price target. Indeed, the Prism pact renews our enthusiasm for the Company's prospects as it demonstrates that patience and perseverance will lead to progress in market penetration. In the run up to the year 2022 earnings report, which we expect at any time, we view the stock as a compelling value. We expect that report to confirm our expectations for continue topline growth the Company's primary holding, Imaging Biometrics doggedly pursues customers directly and through various marketing partnerships and technology agreements.

VALUATION

Price/Sales	8.5 X
Price/Cash Flow	neg
Price/EPS	neg
Price/Book Value	5.7 X

Consensus EPS 2023	na
Forward PE	na

Per share figures estimated 7/28/22

OPERATING PROJECTIONS

GBX	<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
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

PARTNERSHIP AGREEMENT – expanding market reach

In April 2023, Imaging Biometrics, the primary holding of IQ-AI, Ltd., announced a new partnership with Prism Clinical Imaging, a privately-held provider of brain mapping software and applications. The pact will put Imaging Biometrics' quantitative imaging solutions into Prism's tools used by clinicians to diagnose and treat brain disease. Apparently, Prism software applications generate a brain image clinical report that could be significantly enhanced by quantitative reports and maps generated by Imaging Biometrics programming. The Prism solution and IB tools will be seamlessly integrated.

The deal represents yet another extension of Imaging Biometrics' reach in the medical imaging market by leveraging the marketing capabilities of partners. Prism has its own client base of physicians, hospitals and clinics, which Imaging Biometrics might not otherwise reach. Granted Prism is a small company, but it is held in high regard by medical decision makers. Its reputation alone makes Prism a valuable partner

Recent discussions with Imaging Biometrics management revealed the team is always pushing for faster results with prospecting and customer conversion among its various market partners. In 2022, the Company forged a new relationship with the Calantic Digital Solutions division of Bayer SA (BAYN: DE) to offer its *IB Clinic* solution as part of Calantic's innovative artificial intelligence-driven radiology solution set. The Company has not made any major announcements resulting from the Calantic relationship, but management appears confident given Bayer's leading position in the healthcare field. In the meantime, Imaging Biometrics collaborates frequently in prospect presentations and trials with its long-time partner Terrarecon and others.

YEAR-END REPORT PREVIEW

We expect IQ-AI to report financial results for its fiscal year ending December 2022 within days if not weeks of this update. The financial release should provide a timely view on management's priorities relative to its quest to build a portfolio of companies using artificial intelligence in products and services. Imaging Biometrics is currently sponsoring a clinical trial of oral gallium maltolate for treatment of glioblastoma, for which the Company has received orphan drug status from the U.S. Federal Drug Administration. Additionally, Imaging Biometrics has been making improvements in its application architecture to provide for greater privacy for patients, security for customers and more efficient integration into third-party applications. We expect progress reports on both projects.

We also expect to get a better perspective on the Company's capital situation. With the progress being made by Imaging Biometrics, it is increasingly certain a capital infusion may be needed to continue clinical trial work and further product research and development. The Company's annual letter at the beginning of 2023, remained focused as usual on products, technology and market penetration - topics shareholders and investors want to hear about. However, the financial strength to pursue a long-term strategic plan is important and a roadmap for capitalization seems prudent.

VALUATION AND OUTLOOK

We continue to view IQ-AI as undervalued given the progress of its primary portfolio company. Imaging Biometrics is building out a competitive product line of AI-driven applications that make medical imaging more effective and efficient and gaining traction in the healthcare industry with strong marketing and sales partners. Imaging Biometrics is also on the cusp of elevating its business model to include a complementary therapeutic. Even as the Company finds success valuation multiples for the artificial intelligence sector have cooled from a peak in third quarter 2021. Finerva, an industry data collector, used a group of AI-driven companies across several industries to find enterprise value to revenue multiples have been cut in half over the last year, landing near 2.5 times by early 2023. Confounding the story somewhat is the fact that the multiple of enterprise value to cash earnings has experienced a renaissance in the last three quarters, increasing back to 15.3 times EBITDA in early 2023. Of course, this is still significantly cooler valuation than the peak EBITDA multiple of 28.0 times in late 2020.

It is not entirely clear if the cooling values in the artificial intelligence arena are due to the technology or are simply reflective of broader risk aversion in the U.S. equity market. We do observe some hesitation among investors as certain high-profile entrepreneurs have criticized the use of AI for communications applications. Many have interpreted their remarks to include all AI applications. With the first hint of negative opinion, we believe the shine on the new technology may have dimmed a little as investors realize it is prudent to invest carefully.

In our view, there is significant value generation by applications of artificial intelligence to make existing equipment and applications work better. This is Imaging Biometric's gift to radiology. It is acknowledged that the Company has only just started to gain a foothold in the market. However, it is vital to remember that as software-based products, AI technology scales rapidly and delivers strong profits even in early stages.

In terms of valuation, it is also important to note that Imaging Biometrics is creating valuable intellectual property in the development of oral gallium maltolate for treatment of glioblastoma. We do not believe the market has given the Company any credit for its accomplishments in this project. In our view, there is considerable upside that could be triggered by news of a successful completion of the clinical trial.

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
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%	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
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%			-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

Great Britain Pound	2021	2022	2023
	Dec	Dec	Dec
CURRENT ASSETS			
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
LONG-TERM ASSETS			
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
TOTAL ASSETS	1,583,478	1,253,973	981,776
CURRENT LIABILITIES			
Accounts payable	392,787	514,947	483,000
Revolving credit facility	-	-	-
Total current liabilities	392,787	514,947	483,000
LONG-TERM LIABILITIES			
Long-term debt	-	-	-
STOCKHOLDER'S EQUITY			
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
TOTAL LIABILITIES AND EQUITY	1,583,478	1,253,973	981,776
SELECTED MEASURES			
Working capital, ££	413,988	(77,505)	(232,755)
Debt-to-equity	-	-	-
SUPPLEMENTAL			
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
CURRENT ASSETS			
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
LONG-TERM ASSETS			
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	2,106,026	1,529,847	1,129,042
CURRENT LIABILITIES			
Accounts payable	522,407	628,236	555,450
Revolving credit facility	-	-	-
Total current liabilities	522,407	628,236	555,450
LONG-TERM LIABILITIES			
Long-term debt	-	-	-
STOCKHOLDER'S EQUITY			
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	2,106,026	1,529,847	1,129,042
SELECTED MEASURES			
Working capital, \$\$	550,604	(94,556)	(267,668)
Debt-to-equity	-	-	-
SUPPLEMENTAL			
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.

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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	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
Update	4/27/23	2.50 GBp	Speculative Buy	6.50 GBp

DISCLOSURES

<u>Name</u>	<u>Symbol: Exchange</u>	<u>Disclosures</u>
IA-QI, Ltd.	IQAI: LSE	D

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- 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.

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