

Trickle Research

Every raging river, every great lake, every
deep blue sea starts ... with a trickle



1QF20 Earnings Update & Allocation Decrease



BioSig Technologies, Inc.

(NasdaqCM: BSGM)

Report Date: 05/14/20

12- 24 month Price Target: \$10.50

Allocation: *2

Closing Stock Price at Initiation (Closing Px:04 /03/20): \$5.14

Closing Stock Price at This Update (Closing Px:05 /13/20): \$10.99

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Disclosure: Portions of this report are excerpted from BioSig's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

BioSig's Q1-F20 numbers included some considerable variances from our model, although considering the addition and rapid ramp of its new ViralClear Pharmaceuticals subsidiary, none of those differences were particularly surprising. Recall, ViralClear, which is in the process of developing a therapeutic for COVID-19 was acquired by BioSig a few weeks ago. Given that the Company is still on the cusp of their commercial launch (and is thus still "pre-revenue") the earnings focus is largely limited to the expense side of things, and again, the quarter did include some unexpected expenses due largely to the addition of ViralClear, which was made as we were just initiating the coverage.

Specifically, for Q1-F20, the Company reported Research & Development expenses of \$4.9 million versus our estimate of \$1.7 million for a difference of \$3.2 million. That difference was largely related to "acquired research and development" associated with ViralClear and as such was a non-cash item.

Secondly, SG&A for the quarter was \$7.9 million versus our estimate of \$5 million for a difference of \$2.9 million. Here again, as we understand it, much of that difference was also associated with the Viral Clear transaction, which included setting up the ViralClear executive team and board. Much of this was stock-based compensation/incentives and thus was non-cash as well.

While we think the quarter certainly involved some significant extraordinary items surrounding the acquisition, we have to admit, it is unclear to us how the ViralClear transaction will impact BioSig's financials over the next quarter or two and perhaps beyond. Frankly, from our perspective, the Company has not provided much guidance regarding those issues. What they *have indicated*, is that their intent is to file an S-1 and spin ViralClear to BioSig shareholders. That makes sense to us, but it still does not tell us a great deal about what happens between now and then as they are accelerating clinical efforts to advance ViralClear. We know that the Company is collaborating with the Mayo Clinic in terms of the evaluation/development of ViralClear. Recall, Mayo is a partner with BioSig in other core business endeavors as well. That said, they have not provided much color on what those clinical efforts might cost and who is going to pay for them. As far as we can tell, they will be consolidating ViralClear's activities (read: burn-rate) until they effect some sort of transaction that no longer requires consolidation. Again, unless we missed something, they have not provided much detail on the operating minutia of ViralClear, which raises some concern about the cash available to support not only ViralClear's clinical endeavors, but also the commercial launch of the Company's core business. We are not suggesting they do not have a plan; we just don't know what it is, and that lack of visibility leaves some holes in the analysis.

Looking ahead, The ViralClear transaction certainly provided a new twist to the BioSig story. We noted in the initial coverage and subsequent update, that we had no idea how to handicap the ViralClear addition, and we still don't. Again, outside of the addition of some capable resumés to the ViralClear team, we do not know a great deal more about the acquisition than we did a few weeks ago. That said, we think we can all recognize that if ViralClear truly has an approvable therapy for COVID-19 and as we understand it, potentially for other viruses or mutations of Covid-19, then ViralClear is worth much more than the current value of BioSig **without the core business**. If they do not it is probably worth nothing and will in retrospect probably will have required some resources that would have been better directed towards the launch of the core business. At the same time, we initiated this coverage based on the prospects of the Company's emerging core EP signaling business. Since that initiation just a few weeks ago, the stock price has appreciated through our target, which was primarily based on our assumed prospects for the core business *over the next 12-24 months* and has subsequently likely been negatively impacted by the current pandemic so that puts us at a bit of a crossroads. To put that another way, we think the current stock price may represent full value for the core business, which would generally lead us to either reassess our target, or terminate the coverage based on the stock breaching our target. In short, it is hard to terminate this coverage when there is some prospect for a therapy for the current pandemic, but it is also hard to maintain our allocations knowing that if biopharma history is any guide the probability of ViralClear having an FDA approvable solution is probably low.

Given the above dilemma, we are going to seek the easiest path and straddle the fence here, by lowering our allocation, but still maintain our coverage presence. To reiterate, while we think the recent run in the stock (which we surmise is largely related to ViralClear) reflects something close to our own 12-24 month fair value target of the core business, the ViralClear piece represents a considerable potential catalyst that is difficult to walk away from. As a result, we are lowering our allocation of BioSig from 4 to *2, while maintaining the price target until we see a few more datapoints.

Projected Operating Model

BioSig Technologies, Inc.						
Projected Operating Overview						
By: Trickle Research LLC						
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS	(actual)	(estimate)	(estimate)	(estimate)	(estimate)	(estimate)
	<u>3/31/2020</u>	<u>6/30/2020</u>	<u>9/30/2020</u>	<u>12/31/2020</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>
Revenues:						
Unit Sales	\$ -	\$ 380,000	\$ 950,000	\$ 1,520,000	\$ 2,850,000	\$ 9,600,000
Recurring Maintenance and Service Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800,000
Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -		
Total Revenue	\$ -	\$ 380,000	\$ 950,000	\$ 1,520,000	\$ 2,850,000	\$ 10,400,000
Cost of Goods	\$ -	\$ 80,000	\$ 200,000	\$ 320,000	\$ 600,000	\$ 1,600,000
Gross Profit (Loss)	\$ -	\$ 300,000	\$ 750,000	\$ 1,200,000	\$ 2,250,000	\$ 8,800,000
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses:	\$ -	\$ -	\$ -	\$ -	\$ -	
Research and development	\$ 4,926,714	\$ 2,141,500	\$ 2,371,610	\$ 1,745,600	\$ 11,185,424	\$ 7,112,000
General and administrative	\$ 7,855,220	\$ 4,563,600	\$ 4,967,880	\$ 4,510,400	\$ 21,897,100	\$ 18,208,000
Depreciation and amortization	\$ 21,015	\$ 21,057	\$ 21,099	\$ 21,141	\$ 84,313	\$ 84,989
Total operating expenses	\$ 12,802,949	\$ 6,726,157	\$ 7,360,589	\$ 6,277,141	\$ 33,166,837	\$ 25,404,989
Loss from operations	\$ (12,802,949)	\$ (6,426,157)	\$ (6,610,589)	\$ (5,077,141)	\$ (30,916,837)	\$ (16,604,989)
Other income (expense):	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on change in fair value of derivatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	\$ 39,576	\$ 42,625	\$ -	\$ -	\$ 82,201	\$ -
Loss before income taxes	\$ (12,763,373)	\$ (6,383,532)	\$ (6,610,589)	\$ (5,077,141)	\$ (30,834,636)	\$ (16,604,989)
Income taxes (benefit)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss	\$ (12,763,373)	\$ (6,383,532)	\$ (6,610,589)	\$ (5,077,141)	\$ (30,834,636)	\$ (16,604,989)
Preferred stock dividend	\$ (4,618)	\$ (4,700)	\$ (4,700)	\$ (4,700)	\$ (18,718)	\$ (18,800)
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	\$ (12,767,991)	\$ (6,388,232)	\$ (6,615,289)	\$ (5,081,841)	\$ (30,853,354)	\$ (16,623,789)
Non-controlling interest	\$ (1,427,813)	\$ -	\$ -	\$ -	\$ (1,427,813)	\$ -
NET LOSS ATTRIBUTABLE TO BIOSIG TECHNOLOGIES, INC.	\$ (11,340,178)	\$ (6,388,232)	\$ (6,615,289)	\$ (5,081,841)	\$ (29,425,541)	\$ (16,623,789)
Net loss per common share, basic (in Dollars per share)	\$ (0.44)	\$ (0.24)	\$ (0.25)	\$ (0.19)	\$ (1.11)	\$ (0.56)
	\$ (0.44)	\$ (0.24)	\$ (0.24)	\$ (0.19)	\$ (1.11)	\$ (0.56)
Weighted average number of common shares outstanding, basic (in Shares)	25,705,604	26,936,854	26,965,425	26,991,741	26,649,906	29,548,815
Weighted average number of common shares outstanding, diluted (in Shares)	27,331,314	29,806,011	29,789,209	29,778,526	29,772,319	29,725,230

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position ($\250×4). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.