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Xcelerate, Inc. (XCRT – OTCQB)

**Xcelerate Generates MedTech Breakthroughs by
Leveraging AI and Advancements in Materials
Sciences for the Benefit of Patients Worldwide**
Strong Buy
 Price Target: **\$0.081**
Recent Price: US\$0.028
Market Data (Closing prices, May 31, 2024)

Market Capitalization (mln.)	11,681
Enterprise Value (mln.)	13,519
Fully Diluted Shares (000s)	417,196*
Avg. Volume (90 day, approx.)	227,100
Institutional Ownership (approx.)	0%
Insider Ownership	40.6%
Exchange	OTCQB

* As of 12/31/2023

Balance Sheet Data (as of Dec 31, 2023, in \$000s)

Shareholders' Equity (000s)	(157)
Price/Book Value	N/A
Cash (000s)	238
Net Working Capital (000s)	(1,224)
Long-Term Debt (000s)	2,076
Total Debt to Equity Capital	N/A

Company Overview

Xcelerate, Inc. is a holding company focused on integrating innovative non-medical technologies into medical applications that enhance patient care and drive recurring revenues. The Company grows through strategic acquisitions and partnerships while keeping corporate operations and expenses to a minimum. It also actively recruits world-class Directors and Strategic Advisors whose experience and relationships facilitate the Company's acquisitive business model.

Company / Investor Contact Information
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Summary and Investment Opportunity
Acquisitive Business Model Drives Growth and Creates Economies of Scale

Xcelerate's strategy entails leveraging non-medical technology breakthroughs and applying them to the medical field, thereby revolutionizing healthcare solutions. This innovative approach positions Xcelerate to harness cutting-edge advancements from various industries and integrate them into medical applications, creating a diverse portfolio of transformative products and, in the process, subsidiary companies. To make this work, the Company has been focused on hiring a diverse set of Directors and Advisors whose knowledge, experience, and extensive professional contacts help empower the Company's vision and strategy.

ESN Lands Major U.S. Military Deal and While Growing Sales and Product Lines

Acquired by the Company in July of 2023, ESN's product lines include Ceramedx and Earth Science Naturals. All natural Ceramedx helps sufferers of Atopic Dermatitis, Eczema, and Psoriasis, and directly competes with CeraVe, a multi-billion dollar brand based on artificial ingredients that is owned by L'Oréal. Earth Science Naturals offers all-natural facial cleansers, moisturizers, and anti-aging products to fill demand for natural and effective skin care products. Notably, ESN recently partnered with the Army & Air Force Exchange Service (AAFES) that sells products to 20 million vets and their families.

AfiyaSasa Poised to Revolutionize Healthcare in Tanzanian and Kenyan Markets

AfiyaSasa, another subsidiary of the Company, is pioneering an AI-based telehealth application that offers patients AI-driven diagnostics, virtual consultations, and remote monitoring. It offers hospitals more efficient patient intake and routing, improving throughput in a massively under-resourced hospital industry. The app also drives referrals to member pharmacies. We are excited about this recurring revenue business and its potential for extreme growth over the coming two to three years.

Summary and Investment Recommendation

Xcelerate has done a great job at assembling a world-class team of subsidiary leaders, Directors, and Advisors to help it succeed. We have valued each of its assets as stand-alone businesses or future business opportunities, deriving a total value of the Company at \$33.6 million, which is ~3x its current market cap. We therefore initiate coverage of Xcelerate with a Strong Buy rating and a 12-month share price target of \$0.081.

P&L (000s)	FY'23A	H1'24E	Q3'24E	Q4'24E	FY'24E	FY'25E	FY'26E	FY'27E
Revenues	1,122	2,343	1,405	1,658	5,407	11,481	27,557	56,958
Gross Profit	294	1,242	745	879	2,886	5,074	9,754	17,498
Expenses**	2,832	1,071	832	971	2,874	6,651	16,428	30,313
Op. Income	(2,613)	171	(87)	(93)	(9)	(301)	2,420	11,852
Op. Margin	(233%)	7.3%	(6.2%)	(5.6%)	(0.2%)	(2.6%)	8.8%	20.8%
Net Income*	(2,751)	171	(87)	(93)	(9)	(301)	2,420	11,852
Dil. EPS	(0.007)	0.000	(0.000)	(0.000)	0.000	(0.001)	0.005	0.024
Dil. Shares	417,196	417,196	503,616	503,616	503,616	503,616	503,616	503,616

* Company has large historical NOLs

** Consolidated S, G, and A expenses including small Afiya Sasa gross costs

Please see analyst certification and disclosures on page 16 and 17 of this report.

Company Overview

Introduction

Xcelerate's unique strategy centers on leveraging non-medical technology breakthroughs and applying them to the medical field, thereby revolutionizing healthcare solutions. This innovative approach positions Xcelerate to harness cutting-edge advancements from various industries and integrate them into medical applications, creating a diverse portfolio of transformative products. By focusing on technologies such as advanced materials, AI, and novel devices, Xcelerate aims to enhance patient outcomes, improve procedural efficiencies, and reduce healthcare costs. This strategic direction not only differentiates Xcelerate from traditional medical technology companies but also opens up a vast array of opportunities for growth and market penetration.

To ensure the successful execution of this vision, Xcelerate has been meticulously assembling governance and advisory teams whose members have extensive expertise and influential relationships across both medical and non-medical industries. The Company's leadership includes seasoned professionals and thought leaders who bring a wealth of experience in technology commercialization, healthcare innovation, and strategic business development. This robust network of advisors and executives enhances Xcelerate's capability to identify and integrate groundbreaking technologies, navigate complex regulatory environments, and foster strategic partnerships. By leveraging their collective knowledge and connections, Xcelerate is well-positioned to achieve sustainable growth and make significant strides in the medical technology sector.

Xcelerate, Inc. is headquartered in Mauldin, South Carolina, and trades on the OTCQB¹ market under the symbol XCRT.

Business Strategy

The Company is organized as a holding company and intends to generate revenues and profits through the operations of its subsidiaries and via licensing and strategic partnerships.

Acquisitions

Xcelerate, Inc. employs a strategic approach to acquisitions, typically targeting a majority stake of 51% in the companies it acquires. These companies typically possess innovative technologies or products applicable to the healthcare sector. By acquiring controlling interests in each subsidiary, Xcelerate can effectively integrate these companies into its operations while retaining the flexibility to steer each subsidiary's overall direction. This strategy enables the Company to capitalize on the acquired company's existing market presence and operational capabilities, while also leveraging its technologies and innovations to enhance product offerings across all its operations and subsidiaries.

Strategic Partnerships

In addition to acquisitions, Xcelerate forms strategic partnerships with other organizations to expand its market reach and operational capabilities. These partnerships often involve collaborations with healthcare institutions, technology providers, and distribution networks. For instance, Xcelerate's partnership with the Army & Air Force Exchange Service (AAFES) facilitates the distribution of its skincare products to a vast consumer base of over 20 million members. Similarly, the AfiyaSasa initiative in Tanzania is supported by partnerships with local health institutions, pharmacies, and clinics, which are essential for implementing and scaling its AI and virtual health technologies.

Business Strategy Benefits

Market Expansion. By acquiring companies with an established market presence, and through forming strategic partnerships, the Company can rapidly expand its footprint in target markets, both domestic and international.

¹ <https://www.otcmarts.com/stock/XCRT/overview>

Operational Synergies

Acquisitions and partnerships enable Xcelerate to leverage operational synergies by combining resources and expertise to enhance efficiency, growth, and productivity.

Risk Mitigation

Acquiring controlling stakes in multiple companies helps mitigate risks associated with market entry, regulatory compliance, geopolitical risks, and operational risks.

Revenue Diversification

The Company's business strategy diversifies its revenue streams, reducing dependency on any single market or product line and enhancing financial stability.

Overall, Xcelerate's business model, centered on strategic acquisitions and partnerships, positions the Company to effectively leverage innovation, expand its market presence, and drive sustainable growth in multiple industries within the healthcare sector.

Company Analysis by Business Unit

In this section we conduct a traditional fundamental analysis of each of the Company's current subsidiaries, strategic partnerships, and other for-profit activities. In the next section we evaluate the Company holistically as a "sum of the parts" enterprise, assessing its current valuation based on market comparables and its investment profit potential.

ESN Group**Industry Background**

The global skincare and personal care market has seen substantial growth over the past decade, driven by increasing consumer awareness of health, wellness, and the benefits of natural and organic products. The market is evolving with a strong emphasis on sustainability, ethical sourcing, and plant-based ingredients. According to Econ Market Research, the global skincare market was valued at USD 154.4 billion in 2023 and is estimated to reach approximately USD 262.5 billion by 2032, at a CAGR of 6.0% from 2024 to 2032². This growth is fueled by rising disposable incomes, greater awareness of skincare benefits, and the proliferation of e-commerce platforms.

Products and Innovation

Xcelerate acquired a 51% interest in ESN Group and California Skin Research, Inc. on July 20, 2023, which was entirely responsible for the Company's 2023 revenues. This acquisition brought a range of innovative skincare products under Xcelerate's umbrella, primarily the Ceramedx and Earth Science product lines.

Ceramedx

This line of plant-based, cruelty-free skincare products is designed to cater to consumers with diagnosed skin conditions such as Atopic Dermatitis, Eczema and Psoriasis. The use of natural ceramides offers a therapeutic alternative to conventional skincare products, providing hydration and skin barrier repair without the use of synthetic ingredients. Ceramedx's primary competitor in this market is CeraVe, a product acquired by L'Oréal from Valeant Pharmaceuticals for \$1.3 billion in 2017. The Company believes that Ceramedx's main advantage over CeraVe is its use of all natural ingredients that CeraVe cannot match.

The Ceramedx products are built on a unique proprietary and secret technology that incorporates plant-based ceramides and phospholipids, cholesterol, and fatty acids that mimic the skin's natural moisture barrier. The Company's ingredient matrix and manufacturing process is proprietary and gives the Company some measure of IP protection, and to our knowledge Ceramedx is the first and only natural ceramide product available at this time.

² <https://www.econmarketresearch.com/industry-report/skincare-market/>

Earth Science Naturals

Targeting various skin types, ESN's Earth Science Naturals line emphasizes natural ingredients and ethical production. This product range includes facial cleansers, moisturizers, and anti-aging solutions that align with the growing consumer demand for natural and effective skincare products.

Future Products

ESN is developing a three-product system designed to improve the health of individuals' hair and scalp; it is currently in the customer testing phase and should be available in the near future.

Manufacturing and Licensing

ESN's products are manufactured by three contract manufacturers in Southern California that are compliant with stringent manufacturing quality standards required by the FDA. By outsourcing production, Xcelerate ensures scalability and flexibility while maintaining control over product quality and innovation. This strategy reduces the capital expenditure associated with owning manufacturing plants and allows the company to focus on research and development.

Sales, Marketing, and Distribution

Xcelerate employs a multifaceted sales and marketing strategy for the ESN product lines.

Distribution Partnerships

One of the Company's key partnerships is with the Army & Air Force Exchange Service (AAFES), which provides access to a large customer base of some 20 million active and retired military personnel and their families. This partnership enhances product visibility and sales through both online and physical store channels. The Company also serves over 200 corporate customers such as Whole Foods, Sprouts, Wakefern, Raley's Supermarkets, New Season, and Natural Grocers, and sells its products directly to consumers.

Independent Sales Agents

The Company utilizes independent sales agents who are paid a five-percent commission. These agents help expand the reach of ESN products by leveraging their distribution networks in the U.S. and Canada and expertise in the skincare market.

E-commerce Platforms

In addition to distribution through AAFES, ESN products are available on various e-commerce platforms, including the company's own website and major online retailers such as Amazon, iHerb, Thrive Market, and Emerson Ecologics. The Company also has several national distributors and directly provides products to Schnucks Markets, Wakefern, Hannaford, and Albertson's. The multi-pronged sales and distribution approach broadens market reach and provides convenient purchasing options for consumers.

Dermatologists

Finally, the Company has a direct-to-dermatologists sales and marketing initiative whereby it cultivates relationships with dermatologists who then sell the Company's products through to the patients who will benefit from them the most.

Target Market Size

The target market for ESN's skincare products is substantial and growing. Key segments include.

Natural and Organic Skincare

This segment is expected reach \$44.8 billion globally by 2030, growing at a CAGR of 9.4% from 2023 to 2030³, driven by consumer preferences for natural ingredients and sustainable practices.

³ <https://www.grandviewresearch.com/press-release/global-organic-personal-care-market>

Sensitive Skin Products

With increasing awareness of skin conditions such as eczema and psoriasis, the demand for sensitive skin products is on the rise. The global eczema treatment market alone is projected by Research and Markets to reach USD 13.8 billion by 2027, growing at a CAGR of 7.7% from 2020⁴.

E-commerce

The online beauty and personal care market is expanding rapidly, with a significant shift towards online shopping, especially post-pandemic. This trend provides a robust platform for ESN products to reach a wider audience.

Risks

Market Competition. The market is highly competitive, with numerous established brands and new entrants continuously vying for market share. Larger companies with greater resources can quickly adapt to market trends, posing a threat to smaller players like ESN.

Regulatory Compliance. Skincare products are subject to stringent regulations regarding safety, labeling, and marketing claims. Non-compliance can lead to product recalls, legal actions, and damage to the brand's reputation. That being said, the Company assures us that they are and will remain compliant with all manufacturing and labeling regulations and requirements.

Consumer Preferences. Shifts in consumer preferences can affect product demand. While there is a growing trend towards natural and organic products, changes in consumer trends or preferences for new types of skincare solutions could impact sales.

Supply Chain Vulnerabilities. Disruptions in the supply chain due to geopolitical events, natural disasters, or logistical challenges could impact product availability and/or increase costs.

Conclusion, ESN Group

ESN has a solid and growing annual revenue run rate of over \$2 million and has recently landed several sales, marketing, and product distribution wins including its distribution deal with the Army and Air Force Exchange⁵. It has an innovative and growing line of products that resonate with consumer preferences in health and wellness, and in our view is positioned for very strong growth over the coming quarters and years. We believe this is a prime example of the Company's ability to identify and acquire solid, growing companies at reasonable valuations, and in our opinion bodes well for Xcelerate and its investors.

AfiyaSasa Africa, LLC

Industry Background

The telehealth and telemedicine market has witnessed significant growth globally, driven by advancements in technology, increased connected mobile phone penetration, and the need for efficient healthcare delivery systems. In particular, the African telehealth market is poised for substantial expansion due to the continent's unique healthcare challenges, including inadequate healthcare infrastructure, a shortage of healthcare professionals, and the high prevalence of communicable and non-communicable diseases.

According to Markets and Markets, the global telehealth market was valued at \$120.4 billion in 2023 and is expected to reach \$285.7 billion by 2028, growing at a compound annual growth rate (CAGR) of 23.2%⁶. This growth is fueled by the increasing adoption of digital health technologies, the rise in chronic disease prevalence, and the demand for remote patient monitoring and virtual consultations.

⁴ <https://www.researchandmarkets.com/reports/5557605/eczema-therapeutics-market-global-industry>

⁵ <http://www.shopmyexchange.com/>

⁶ <https://www.marketsandmarkets.com/Market-Reports/telehealth-market-201868927.html>

In Africa, the telehealth market is gaining traction as governments and healthcare providers seek innovative solutions to bridge the healthcare access gap. Transparency Market Research projects that the global telehealth market in Africa will grow from \$7.8 billion in 2020 to \$15 billion by 2028, with a CAGR of 7%⁷. The African market, in particular, is expected to experience significant growth due to the rising mobile phone penetration and the increasing implementation of telehealth solutions to address the healthcare needs of underserved populations.

For AfiyaSasa Africa, LLC, these trends present a substantial opportunity to leverage telehealth technologies to improve healthcare delivery in Tanzania and other African markets. By providing telehealth services, AfiyaSasa plans to enhance access to quality healthcare, increase the patient throughput of healthcare facilities, and deliver cost-effective healthcare solutions to remote and rural communities.

Products and Services

AfiyaSasa's primary product is its comprehensive telehealth platform, powered by AdviNOW Medical's⁸ advanced artificial intelligence (AI) and augmented reality (AR) technologies. This platform enables remote consultations, diagnosis, and treatment, allowing patients to access healthcare services from the comfort of their homes. Key features include.

- **AI-driven Diagnostics.** The platform uses AI to collect and analyze patient symptoms and medical history, providing accurate diagnostic suggestions and treatment plans.
- **Virtual Consultations.** Patients can consult with healthcare professionals through video calls, reducing the need for in-person visits and minimizing travel-related challenges. The product also helps healthcare facilities more efficiently route patients through the patient intake process, thereby streamlining their operations and enabling doctors to see more patients per day.
- **Remote Monitoring.** The platform supports remote monitoring of chronic conditions, allowing continuous oversight and timely interventions by healthcare providers.

Mobile Health Clinics

In partnership with local healthcare providers, AfiyaSasa deploys mobile health clinics equipped with telehealth capabilities. These clinics travel to remote and underserved areas, providing essential healthcare services, including screenings, vaccinations, and primary care consultations.

Planned Features

AfiyaSasa plans to expand its telehealth services to include specialized care, such as mental health support, dermatology consultations, and maternal health services. This expansion aims to cater to a broader range of healthcare needs and improve access to specialized medical expertise.

Health Education and Awareness Programs

Recognizing the importance of preventive healthcare, AfiyaSasa is developing educational programs to raise awareness about health issues, hygiene practices, and disease prevention. These programs will be delivered through the telehealth platform and community outreach initiatives.

Revenue Model

AfiyaSasa's revenue model is structured around multiple streams, ensuring sustainability and growth.

Subscription Fees

The Company charges healthcare providers and clinics a subscription fee for access to its telehealth platform. This fee covers the use of AI-driven diagnostic tools, virtual consultation infrastructure, and remote monitoring

⁷ <https://www.transparencymarketresearch.com/telehealth-market.html>

⁸ www.advinow.com

capabilities. It also offers a subscription model that provides for diagnosis and referrals and scheduled appointments for those individuals who can afford a monthly subscription.

Service Fees

Patients pay a service fee for each telehealth consultation conducted through the platform. This fee is typically lower than traditional in-person consultation fees, making healthcare more affordable and accessible. The pay-per-use fees are likely to be in the \$0.50 to \$1.00 range per patient consultation or visit.

Partnerships

AfiyaSasa partners with government agencies, non-governmental organizations (NGOs), and private sector companies to fund and support mobile health clinics and educational programs. These partnerships provide financial support and help in reaching a larger audience. As of this writing, the Company had signed agreements to provide their technology to two hospitals in Tanzania, including the National Hospital of Tanzania, the largest hospital in East Africa, and Haydom Regional Rural Hospital, which has 420 beds and had 12,635 inpatient admissions and 103,173 outpatient visits in 2023.

Advertising and Sponsorships

AfiyaSasa plans to monetize its health education and awareness programs by allowing advertisements and sponsorships from relevant companies, such as pharmaceutical firms, medical device manufacturers, and health insurance providers to appear on its telehealth product.

Market Size Analysis, Tanzania

Telehealth Market

AfiyaSasa Africa plans to revolutionize healthcare delivery in Tanzania through its innovative telehealth platform and mobile health clinics. Understanding the market size is crucial for evaluating the potential impact and growth opportunities of AfiyaSasa's product offerings in the region.

The telehealth market in Tanzania is still in its nascent stages of growth but shows significant promise due to the country's growing mobile phone penetration and the need for improved healthcare access in rural areas. The adoption of telehealth in this market is supported by increasing investments in digital infrastructure and government initiatives to enhance healthcare services. According to the GSMA, the telehealth market in Sub-Saharan Africa, including Tanzania, is expected to grow at a compound annual rate of 16% from 2021 to 2028, driven by the demand for remote healthcare solutions and the rise of mobile health (mHealth) applications⁹. Note that while we believe this forecast is directly applicable to the Tanzanian market it in fact pertains to the entire East Africa market.

Mobile Health Clinics Market

The mobile health clinics market in Tanzania is integral to extending healthcare access to remote and underserved regions. According to a report by Grand View Research, the global mobile health clinics market size was valued at USD 2.1 billion in 2020 and is expected to grow at a CAGR of 18.4% from 2021 to 2028. In Tanzania, the market for mobile health clinics is driven by the high demand for basic healthcare services in rural areas, where traditional healthcare facilities are scarce. The Tanzanian government's focus on improving healthcare accessibility further supports the growth of this market segment, which we believe will grow in line with the global average growth rate, if not more quickly.

Expansion into Other National Markets

AfiyaSasa Africa has the potential to expand into other Sub-Saharan African countries with similar healthcare challenges and infrastructure needs. Countries such as Kenya, Uganda, and Nigeria present significant opportunities for growth due to their large populations and increasing mobile phone penetration rates.

⁹ https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-economy/wp-content/uploads/2020/09/GSMA_MobileEconomy2020_SSA_Eng.pdf

Risks

Competition

The telehealth and mobile health clinics markets are highly competitive, with numerous established players and new entrants vying for market share. Larger, well-funded companies can quickly adapt to changing market trends, leveraging their resources to outpace smaller competitors like AfiyaSasa Africa. This intense competition could limit market penetration and growth opportunities for the Company.

Regulatory Risk

Operating in the healthcare sector involves navigating complex and stringent regulatory environments. In Tanzania and other African markets, regulatory requirements can vary significantly, posing compliance challenges for AfiyaSasa Africa. Any failure to comply with these regulations could result in legal penalties, product recalls, or reputational damage, impacting the company's operations and profitability.

Consumer Acceptance Risk

The adoption of telehealth services depends on consumer trust and acceptance of digital healthcare solutions. Factors such as data privacy concerns, technological literacy, and cultural attitudes towards telehealth can influence user acceptance. We believe that the Company must invest in educating and reassuring potential users about the safety, efficacy, and benefits of its services to drive adoption.

While none of these risks can be discounted entirely, we believe that these risks are typical of companies pioneering the use of new technologies in challenging markets such as that of East Africa.

Conclusion, AfiyaSasa Africa LLC

In our view AfiyaSasa could end up being one of the Company's greatest sources of revenues and operating margin beginning in late 2025 or early 2026. It already has partnerships with two major hospitals in Tanzania and has developed a robust, multi-faceted recurrent revenue model. While it remains to be seen to what degree and how quickly the Company can penetrate its target markets in Tanzania and other nearby countries, we are highly encouraged about its progress today. Furthermore, the markets tend to assign very high revenue and earnings multiples to recurring revenues such as AfiyaSasa is likely to generate, potentially making this subsidiary all that much more important to the Company and the appreciation it can provide to its shareholders.

InTool Product Line – New Patent Filings for “Surgical Tools with Targeting Guidance”

Overview

Xcelerate's InTool product line is an innovative suite of surgical tools designed to enhance precision and efficiency in medical procedures. The InTool technology is anchored by two utility patent applications filed in March 2023 under application numbers 18/187,352 and 18/189,441, which also have corresponding PCT applications. These patents claim priority to an earlier patent application, "Surgical Tools with Targeting Guidance," filed in March 2022. The InTool product lines include InTool Responder, InTool Clinic, and InTool Infirmary, each tailored to different medical environments.

Products

InTool Responder is designed for emergency responders, including civilian and military paramedics. These disposable tools feature rugged, reusable displays with inbuilt auto-adjustment features for optimal contrast and illumination. They conform to NATO and US regulations, ensuring reliability and standardization in emergency situations.

InTool Clinic focuses on hospital and operating theatre use, offering advanced features that can be adjusted by surgeons. This includes access to the Color Rendering Index (CRI), crucial for accurately identifying blood vessels and other tissues, enhancing surgical precision and patient outcomes.

InTool Infirmary allows retrofitting of existing surgical tools with the latest functionalities, addressing the need for continuous improvement in patient care without the need for purchasing entirely new surgical tools.

Manufacturing and Market Introduction Plans

Xcelerate does not intend to manufacture the surgical devices covered by the pending patents. Instead, the company plans to license the technology to existing device manufacturers. This strategy involves proposing a license agreement based on a flat fee, ongoing royalties, and minimum sales requirements. By controlling the licensing process in-house, Xcelerate is trying to ensure that their technology is integrated seamlessly into existing product lines, leveraging the technical expertise of their team to support manufacturers.

Total Addressable Market

The total addressable market for InTool products is significant, driven by the growing demand for advanced surgical tools that enhance precision and efficiency. The global surgical instruments market was valued at approximately \$14.1 billion in 2020 and is projected to reach \$23.7 billion by 2028, growing at a compound annual growth rate (CAGR) of 6.6%¹⁰. This growth is being driven by the increasing number of surgical procedures performed, advancements in technology, and the rising adoption of minimally invasive surgical techniques.

The Company's focus on licensing its InTool technology to established manufacturers positions the company to capture a substantial share of this expanding market, leveraging their innovative solutions to drive improvements in surgical outcomes and efficiency. While we believe this initiative is in too nascent of a stage to forecast at this time, we do view this as a perfect example of repurposing non-medical technology for medical purposes.

HS Pharmaceuticals, IP Purchase and Licensing, Joint Venture

Xcelerate's portfolio of patents acquired from HS Pharmaceuticals, LLC, holds significant potential value in various medical fields, including oncology, bacterial infection treatment, and chronic wound care. These patents cover innovative methods for treating cancers, bacterial infections, and specific types of ulcers with compositions releasing orthosilicic acid, as well as novel bone repair compositions. The inclusion of both U.S. and European patents strengthens Xcelerate's IP portfolio, providing a broad geographical scope and a robust foundation for potential future product development or licensing opportunities.

The relationship between Xcelerate and HS Pharmaceuticals is rooted in a strategic acquisition agreement. In May 2022, Xcelerate agreed to acquire HS Pharmaceuticals' patents, patent applications, and technology licenses in exchange for 10 million common shares and an arrangement to equally share future profits from these patents, net of any development expenses incurred post-sale. This agreement was formally completed in September 2023. While Xcelerate is currently prioritizing the development of other business segments like the ESN Group and AfiyaSasa, the acquired patents represent a valuable asset that could be leveraged in the future either through direct product development or strategic partnerships and licensing agreements.

Future Plans

Xcelerate's management is proactive in identifying and evaluating potential acquisitions or joint ventures that could synergistically enhance its business operations. The Company's strategy involves leveraging their equity securities as part or all of the consideration for such acquisitions, although this may result in dilution for current shareholders. We expect the successful integration of these acquisitions to increase revenues and profits so that each acquisition is accretive to per-share revenues and profits.

To implement this growth strategy, several steps are necessary, including identifying potential acquisition candidates, conducting thorough due diligence, negotiating terms, and closing on acquisitions. Xcelerate's focus

¹⁰ "Surgical Instruments Market Size, Share & Trends Analysis Report By Product, By Application, By Region, and Segment Forecasts, 2021 - 2028," Grand View Research.

will be on companies that complement its existing operations and industry focus. The acquisition due diligence process will encompass a comprehensive review of the candidate company's financial health, cash flow, debt, location, and other critical business aspects.

Potential acquisition structures could involve mergers, consolidations, reorganizations, joint ventures, or licensing agreements, as well as stock or asset acquisitions. This strategic approach is designed to build a stronger, more diversified company capable of delivering sustained growth and profitability.

The Team

Xcelerate, Inc. has assembled a team of highly experienced and accomplished professionals whose diverse expertise significantly enhances the company's strategic capabilities. The collective experience of the team spans forensic auditing, corporate management, manufacturing operations, medical technology innovation, and global health research. This broad spectrum of knowledge and skills enables Xcelerate to effectively identify and acquire new intellectual property and technology solutions, forge strategic partnerships, and execute relevant acquisitions. The presence of such a well-rounded team has been instrumental in advancing Xcelerate's mission and will continue to drive the company's growth and innovation in the healthcare sector.

Michael O'Shea, Founder, Chairman and CEO

Michael O'Shea is the CEO of Xcelerate, Inc., bringing extensive experience in forensic auditing and corporate management. He has played a pivotal role in steering the company towards its strategic goals, including significant acquisitions and the implementation of innovative healthcare solutions. Michael's leadership has been instrumental in advancing Xcelerate's mission to integrate non-healthcare innovations into medical applications, driving the company's growth and market presence.

John “Jay” Kline, Chief Executive Officer, ESN Group

Jay is a seasoned executive with over 35 years of experience in sales, marketing, operational management, and financial management. His career has spanned various leadership roles, including CEO positions at both private and publicly held companies. John has a proven track record of driving growth and creating value through strategic planning, corporate development, and process improvement.

At ESN Group, John has served as the Chief Executive Officer and Partner since 2018, where he oversees all aspects of operations, market channel execution, and growth strategies for the company's branded personal care business. Prior to ESN Group, he was the President and CEO of Liquid Technologies, where he led the company's expansion into the hair and skin care markets. John's leadership also includes significant experience at Kennametal Inc., where he grew a global business unit from \$250M to \$700M. His educational background includes a BS in Accounting and Economics from Seton Hall University and full credits towards an MBA in Marketing & International Business from Fairleigh Dickinson University.

Dr. Dilan B. Ellegala, M.D., FAANS, Managing Member, AfiyaSasa Africa, LLC

Dr. Ellegala is a pioneering neurosurgeon and medical innovator known for his work in developing and implementing advanced surgical techniques and technologies. With a focus on improving healthcare delivery in underserved regions, Dr. Ellegala has made significant contributions to global health through his efforts in surgical training and healthcare system improvement.

He is the founder of Madaktari Africa, a nonprofit organization dedicated to training medical professionals in Africa. This initiative has helped build sustainable healthcare infrastructure by empowering local surgeons with advanced skills. Dr. Ellegala's innovative approach to medical education and his dedication to global health have earned him recognition and awards within the medical community.

In addition to his work in Africa, Dr. Ellegala has been involved in the development of new medical devices and technologies aimed at enhancing surgical outcomes. His expertise and commitment to advancing medical science have positioned him as a leading figure in the field of neurosurgery and global health.

Dr. Ellegala's affiliation with Xcelerate, Inc. aligns with the company's mission to leverage technological breakthroughs for medical applications. His experience and vision contribute significantly to Xcelerate's efforts to innovate and expand its impact in the healthcare sector.

Doyle Bradford Word, *Managing Member, AfiyaSasa Africa, LLC*

Doyle Bradford Word is a seasoned business executive with over three decades of experience as CEO of several international companies. He is currently the Managing Partner of AfiyaSasa Africa LLC, a company that is pioneering the integration of artificial intelligence in healthcare across Africa. In addition to his role at AfiyaSasa Africa, Doyle serves on the Board of Directors of Madaktari Africa LLC, a consortium of prestigious medical universities including Harvard, Cornell, MUSC, Colorado University, University of Bergen, Duke, and the Barrow Neurosurgery Institute. Madaktari, initially focused on teaching neurosurgery, has expanded its scope to include cardiology, anesthesiology, general medicine, and dialysis.

Doyle holds a Bachelor of Science in Industrial Engineering from Auburn University and has served five years in the United States Air Force. His extensive experience and leadership in both business and healthcare sectors make him a key asset to AfiyaSasa Africa and its mission to revolutionize healthcare delivery through advanced technology.

Dr. Anja Glisovic, *Interim Chief Science Officer*

Dr. Glisovic received her PhD in X-Ray and Material Physics from Germany's Georg-August Universitat in 2007. She went on to become the head of the R&D Laboratory, Chief Science Officer, and R&D Project Leader for the Fraunhofer Institute, the world's leading applied research organization. Dr. Glisovic will be bringing her vast experience in scientific research and development, as well as project leadership at the highest levels, to the Xcelerate Team. She holds numerous patents in the fields of medical devices, chemical engineering, and small arms and munitions. Her primary initial responsibility with Xcelerate will be identifying and developing business combinations and high growth opportunities in the medical arena.

Jason Householder, *Director*

Jason Householder was appointed as a director in December 2020. He is the Co-Founder and CEO of Charlotte based LenDRgroup Consulting, has more than a decade of experience in the healthcare banking field and specializes in assisting medical, dental, and veterinary practices to devise strategies that run their businesses effectively and achieve peak performance. LenDRgroup has financed over \$300 mil in practice loans to dentists, physicians, and veterinarians. Jason has experience helping private practice owners, DSO, MSO, corporations, group practices, and hospital systems improve cash flow and profit margins, pursue expansion, acquire real estate, and devise exit strategies. He ranked as the #1 sales producer seven times when working for Bank of America Practice Solutions, Affinity Bank, and NuGrowrh Solutions.

Steve Gravely, *Director*

Steve Gravely is a Company Director, and serves as the President of the Consulting Group of Jocassee, Inc. He has been responsible for the startup of 25 manufacturing plants worldwide and the introduction of over 300 new products for major corporations such as Michelin, AT&T, NCR, and General Motors. Steve's extensive experience in operations and corporate acquisitions brings valuable strategic insight to Xcelerate, enhancing the company's operational capabilities and growth potential.

Jon Wilken, *Director*

Mr. Wilken was appointed as a Director in May 2022. In addition to his position as a Director of our Company, since 2004 he has been President and CEO of HS Pharmaceutical, a company engaged in oncology research and

the development of human and animal health care and medical products, as well as cosmetics and beauty products. Prior to founding HS Pharmaceuticals, from 1998 through 2002, Mr. Wilken was President and CEO of BILO Inc., a supermarket chain which at the time of his employment was wholly owned by Ahold NV of The Netherlands. During his tenure, the company employed approximately 26,000 people and operated over 400 retail supermarkets and convenience stores in four Southeastern States with annual sales of approximately \$4 Billion. Mr. Wilken received a degree in Advanced Management from Harvard University in 1992.

Advisory Board

Professor Barry Marshall, AC, FRACP, FAA, FRS, MBBS-UWA, *Advisory Board Member*

Professor Barry Marshall is a Nobel Prize Laureate and a Professor of Clinical Microbiology at The University of Western Australia. He was awarded the Nobel Prize in 2005 for his discovery of the bacterium *Helicobacter pylori* and its role in gastritis and peptic ulcer disease. His ongoing research at the Marshall Centre for Infectious Diseases focuses on innovative diagnostics and treatments for infectious diseases. Professor Marshall's groundbreaking work has saved millions of lives and continues to influence global health practices.

Cathy Scangarella, *Advisory Board Member*

Cathy Scangarella is the Chief Business Development Officer and sector lead for Life Sciences at Choose New Jersey, a leading nonprofit economic development organization. With over 25 years of experience in marketing, outreach, and business development, Cathy has played a crucial role in enhancing New Jersey's business attraction efforts and establishing international partnerships. Her leadership and strategic planning have been pivotal in fostering collaborations between New Jersey's research universities and global industry partners.

Xcelerate's team of seasoned professionals, with their diverse expertise and accomplishments, positions the Company to very effectively navigate the complexities of the healthcare sector and drive innovation in medical applications. This should in turn drive shareholder value.

Financial Analysis

On November 13, 2023, the Company filed an S-1 registration to raise a significant amount of capital through Titan Partners Group, LLC through a firm underwriting. The Company received its first round of comments from the SEC and was in the process of responding to those comments when they received some unexpected bad news: on May 10, 2024, Xcelerate's auditor BF Borgers CPA PC announced that it had been banned by the SEC from doing any public company audit work, with the SEC alleging "massive fraud affecting more than 1,500 SEC filings." The Company immediately terminated its relationship with Borgers of course, and rather impressively was able to find and retain another PCAOB¹¹ registered auditor by the name of Bush & Associates to audit the Company's financial statements and those of its subsidiary ESN.

This was a tough break for the Company, which had already paid for its Borgers audits with precious cash ahead of its planned financing, and now would have to suffer additional delays and expenses while its audits were re-done and re-filed with the SEC. Since SEC rules require full reporting status for a Company pursuing a financing via an S-1 registration, the Company now has no choice but to postpone its planned financing until all required documents are refiled. Based on our conversation with management, we believe that this could all be completed and a funding transaction consummated as early as this July or August.

In the meanwhile, the Company has had to postpone the launch of its AfiyaSasa business until Q3 of 2024, and has also had to reign in the marketing and product development efforts of ESN to some degree. While this will put some additional strain on the Company and its finances over the short-term, we are confident that the Company will soon obtain the financing its needs to fully fund both ESN and AfiyaSasa in their respective business endeavors. We have accounted for this temporary setback in our financial model and the fair valuation range that it indicates.

¹¹ Public Company Accounting Oversight Board, established as part of the Sarbanes-Oxley Act of 2002.

Valuation Analysis

In this section we have undertaken a “sum of the parts” valuation of both of the Company’s active subsidiaries ESN and AfiyaSasa, while essentially ignoring the value of its promising medical IP portfolio and the two businesses it could spawn. While we do believe that the Company will eventually create attractive businesses in both of these areas, management has indicated that neither are the Company’s focus, nor will they be for at least the next few quarters.

ESN Group

ESN is in the early stages of likely rapid sales growth that we believe will persist for at least the next three to four years. We estimate ESN’s 2023 revenue at ~3.6 million and forecast 45.7% revenue growth this year to ~5.4 million in sales. We believe that ESN is likely to show even stronger growth next year, with 88.8% growth in sales. Based on these growth rates, we believe that the subsidiary would command a premium valuation in a private equity transaction, where EV/Revenue multiples are currently ranging from as low as 1.2x to as high as 2.5x. However, as part of a public company, this subsidiary is considerably more valuable than it would be in a private sale, as public company valuation multiples are typically 2x to 3x higher than their private equity counterparts.

To stay conservative, we will value this subsidiary at an EV/forward revenue multiple of 4x, yielding a current valuation estimate of \$21.6 million for ESN Group. If the Company can execute on its growth plan over the next two to three years, then its value contribution to Xcelerate should be much more sizeable.

AfiyaSasa Africa, LLC

AfiyaSasa is basically a startup company at this time, but backed by two principals who have extensive decades-long experience in the Tanzanian and Kenyan healthcare industry. Dr. Dilan Ellegala, M.D., FAANS, is an experienced neurosurgeon who also is known for medical device innovation and for his chartable work with patients. Doyle Bradford Word, on the other hand, is an accomplished international business leader with over 30 years’ experience in the region. This team has deep relationships with myriad individuals in every facet of the countries’ healthcare system, including with doctors, clinics, pharmacies, top government leaders, insurance companies, and the top hospitals in the region. Because of the soundness of their business plan, the lack of real competitors in Tanzania and Kenya, and their personal track records of excellence, we believe that AfiyaSasa has an above average chance of success, and great success at that.

In terms of its present valuation, the most appropriate way to think of a company such as AfiyaSasa is to consider how likely it is to succeed, and how large the financial reward will likely be if it does succeed. In terms of its future success, the only significant risk we see is a potential delay in its financing, which as we previously stated should be finalized in the next two to three months. With the required capital in hand, we believe this team has a well over 50% chance that it will indeed execute on its business plan as previously described in this report.

In terms of the reward, it can hardly be overstated how large it might be, largely because of the recurring nature of the business’ revenue streams. Unlike in many industries, the markets tend to reward companies in this type of industry with extremely high valuation multiples, in this case approximately 6x sales on average¹².

In our financial model we have the Company launching its Tanzanian business in the second half of this year and its Kenyan business a year later in H2 ’25. Based on our model, the Company is likely to become cash flow positive within two years and reach a revenue level of just over \$9 million in sales by the end of 2026. If current valuation multiples hold, this means that AfiyaSasa would be worth approximately \$48 million at that time.

¹² Source: Google Search AI: As of 2023, HealthTech SaaS companies had a wide range of valuations, with Enterprise Value to Revenue (EV/R) multiples ranging from 4.5x to 8.5x. For example, Cerner was valued at 8.5x, Evolent Health at 7.5x, athenahealth at 6.5x, Allscripts at 5.5x, and Teladoc Health at 4.5x. In 2021, the average EV/R multiple was 8.3x, meaning that investors were willing to pay 8.3 times a company’s annual revenue to acquire it.

However, given the risky nature of even the most promising startups and teams, we believe that we should discount this future valuation by 75% to account for risk and for the time-value of money. This leads us to our current valuation estimate of AfiyaSasa Africa LLC at ~\$12.0 million.

Conclusion, Valuation

The Company has an extremely attractive business model and highly respected executives, directors, and advisors, all of which bode well for its future success both now and in the future. However, for the time being we will constrain our valuation of the Company to include only the Company's two active subsidiaries, despite the fact that the Company has already acquired the underpinnings for two additional lines of business based on its intellectual property assets. Given our valuation estimates of ~\$21.6 million for ESN Group and ~\$12.0 million for AfiyaSasa, we value the enterprise at \$33.6 million. Based on the current number of fully diluted shares outstanding, this Company value equates to a stock price target of \$0.081 per share.

Conclusion

Xcelerate, Inc. has a well-architected business strategy and has assembled the right team to make it work. We have been very impressed with the leadership teams of both its subsidiaries and with the backgrounds and accomplishments of its Directors and Advisors, including its Founder and CEO Michael O'Shea. We believe that over time the Company will continue to grow its operations through acquisitions, partnerships, and strategic licensing deals under terms that are accretive to earnings per share and positive for growth in shareholder value.

Therefore, based on our valuation analysis, we are initiating coverage of Xcelerate, Inc. with a rating of Strong Buy, and a 12-month price target of \$0.081. We believe that all risk tolerant investors should give serious consideration to becoming shareholders of the Company and beneficiaries of its business execution and future growth.

Xcelerate Profit and Loss Forecast Model

<i>(In 000s, except per-share data)</i>	FY2022A	FY 2023E	Q1 '24E	Q2 '24E	Q3 '24E	Q4 '24E	FY 2024E	Q1 '25E	Q2 '25E	Q3 '25E	Q4 '25E	FY 2025E	FY 2026E	FY 2027E
ESN Group revenues		3,600	1,121	1,222	1,405	1,658	5,407	1,957	2,309	2,725	3,215	10,206	18,462	32,291
<i>Quarterly/annual sequential revenue growth</i>		<i>N/A</i>	<i>9.0%</i>	<i>9.0%</i>	<i>15.0%</i>	<i>18.0%</i>	<i>50.2%</i>	<i>18.0%</i>	<i>18.0%</i>	<i>18.0%</i>	<i>18.0%</i>	<i>88.8%</i>	<i>80.9%</i>	<i>74.9%</i>
ESN operating profits			82	89	103	121	395	118	139	164	194	614	2,110	5,163
AfiyaSasa Africa LLC, revenues					0	0	0	35	147	353	741	1,276	9,095	24,667
<i>Quarterly/annual sequential revenue growth</i>					<i>N/A</i>	<i>N/A</i>	<i>N/A</i>		<i>320.0%</i>	<i>140.0%</i>	<i>110.0%</i>	<i>N/A</i>	<i>612.9%</i>	<i>171.2%</i>
Net earnings					(190)	(214)	(404)	(224)	(130)	(210)	(255)	(819)	1,440	10,418
<i>Net margins</i>					<i>N/A</i>	<i>N/A</i>		<i>-641.0%</i>	<i>-88.8%</i>	<i>-59.4%</i>	<i>-34.4%</i>	<i>-64.2%</i>	<i>15.8%</i>	<i>42.2%</i>
Xcelerate, Inc. Consolidated P&L Model														
Revenues	0	1,122	1,121	1,222	1,405	1,658	5,407	1,992	2,456	3,077	3,956	11,481	27,557	56,958
Gross profit (loss), total	0	294	594	648	745	879	2,866	973	1,148	1,355	1,599	5,074	9,754	17,498
Consolidated S, G, and A expenses*	845	2,832	512	558	832	971	2,874	1,116	1,294	1,781	2,460	6,651	16,428	30,313
Operating profit (loss)	(845)	(2,613)	82	89	(87)	(93)	(9)	(108)	1	(74)	(121)	(301)	2,420	11,852
<i>Operating margins</i>	<i>N/A</i>	<i>-232.8%</i>	<i>7.3%</i>	<i>7.3%</i>	<i>-6.2%</i>	<i>-5.6%</i>	<i>-0.2%</i>	<i>-5.4%</i>	<i>0.0%</i>	<i>-2.4%</i>	<i>-3.0%</i>	<i>-2.6%</i>	<i>8.8%</i>	<i>20.8%</i>
Net income (loss)	(845)	(2,751)	82	89	(87)	(93)	(9)	(108)	1	(74)	(121)	(301)	2,420	11,852
Net income (loss) per share, basic/diluted	(0.002)	(0.007)	0.000	0.000	(0.000)	(0.000)	0.000	(0.000)	0.000	(0.000)	(0.000)	(0.001)	0.005	0.024
Weighted average shares outstanding	385,446	417,196	417,196	417,196	503,616	503,616	460,406	503,616	503,616	503,616	503,616	503,616	503,616	503,616

*AfiyaSasa's <5% COGS blended into Operating Expenses

Our Rating System

We rate enrolled companies based on the appreciation potential we believe their shares represent. The performance of those companies rated “Speculative Buy” or “Strong Speculative Buy” are often highly dependent on some future event, such as FDA drug approval or the development of a new key technology.

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STRONG BUY	We believe the enrolled company will appreciate more than 50% relative to the general market for U.S. equities during the next 12 to 24 months.
BUY	We believe the enrolled company will appreciate more than 30% relative to the general market for U.S. equities during the next 12 to 24 months.
STRONG SPECULATIVE BUY	We believe the enrolled company could appreciate more than 50% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.
SPECULATIVE BUY	We believe the enrolled company could appreciate more than 30% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.
NEUTRAL	We expect the enrolled company to trade between -10% and +10% relative to the general market for U.S. equities during the following 12 to 24 months.
SELL	We expect the enrolled company to underperform the general market for U.S. equities by more than 10% during the following 12 to 24 months.

Analyst Certification

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Analyst Highlight

Brian Connell, CFA

Senior Research Analyst

Mr. Connell has over 25 years' experience in the securities industry, as an equity analyst and portfolio manager, and as the Founder and CEO of StreetFusion (acquired by CCBN/StreetEvents), a software company serving the institutional investment community. On the sellside, Mr. Connell served as the technology analyst for Neovest, an Atlanta-based boutique, and as a Senior Analyst - Internet for Preferred Capital Markets, an investment bank based in San Francisco. Mr. Connell has also held the position of Executive Director of Marquis Capital Management, a technology-focused hedge fund.

Mr. Connell holds degrees in Economics and Psychology from Duke University, and is a CFA Charterholder.