

Powermers Smart Industries, Inc.

Rating: Not Rated

Price Target: N/A

Share Price: N/A

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Company Data (OCAX)

Average Daily Volume (M)	0.008
52-Week Range	10.45-12.10
Shares Outstanding (M)	3.3
Market Cap (M)	75.17
Enterprise Value (M)	78.77
Total Cash (M), mrq	0.001
Total Debt (M)	3.6
Total Debt to Cap	0.048

Estimates

	FYE: Dec	2024E	2025E	2026E
EPS	Q1	N/A	N/A	N/A
	Q2	N/A	N/A	N/A
	Q3	N/A	N/A	N/A
	Q4	N/A	N/A	N/A
	FY	N/A	N/A	N/A
P/E		NM	NM	NM
	Q1	N/A	N/A	N/A
	Q2	N/A	N/A	N/A
	Q3	N/A	N/A	N/A
	Q4	N/A	N/A	N/A
	FY	N/A	N/A	N/A
EV/Sales		N/A	N/A	N/A
	Q1	N/A	N/A	N/A
	Q2	N/A	N/A	N/A
	Q3	N/A	N/A	N/A
	Q4	N/A	N/A	N/A
	FY	N/A	N/A	N/A

One-Year Performance Chart (OCAX)



Source: E-Trade.

Research Spotlight: Powermers Smart Industries, Inc.

A Unique Ecosystem Enabler in the Transition to a Green Logistics Economy

Summary

- We believe that a company to watch in the smart logistics sector is **Powermers Smart Industries, Inc. (PSI)**. In our opinion, this \$1B company (TTM revenues) effectively combines innovative logistics technology solutions with a multi-dimensional ecosystem view of the transportation industry and its carbon credit monetization opportunities.
 - We view PSI as a one-of-a-kind SCaaS (Supply Chain as a Service) company operating globally and serving the energy transition industries in Asia and North America, which are only now beginning to crystallize around the emerging green energy economic and regulatory frameworks in those markets. In Asia, PSI has emerged as a strong early-stage market force in the green commercial transportation and logistics equipment sales and leasing market, and has established an early-mover advantage in creating and developing a carbon credit origination framework through its focus on data collection and analytics.
 - Additionally, the company is assembling a financial infrastructure for commercial transportation participants to easily buy, sell, and lease both vehicles and commercial assets, but perhaps more importantly, to originate and monetize carbon credits as well.

- PSI is already a diversified, scaled organization which we believe is on track to generate over \$1B in revenue in the current calendar year ending in 2024.

Key Points

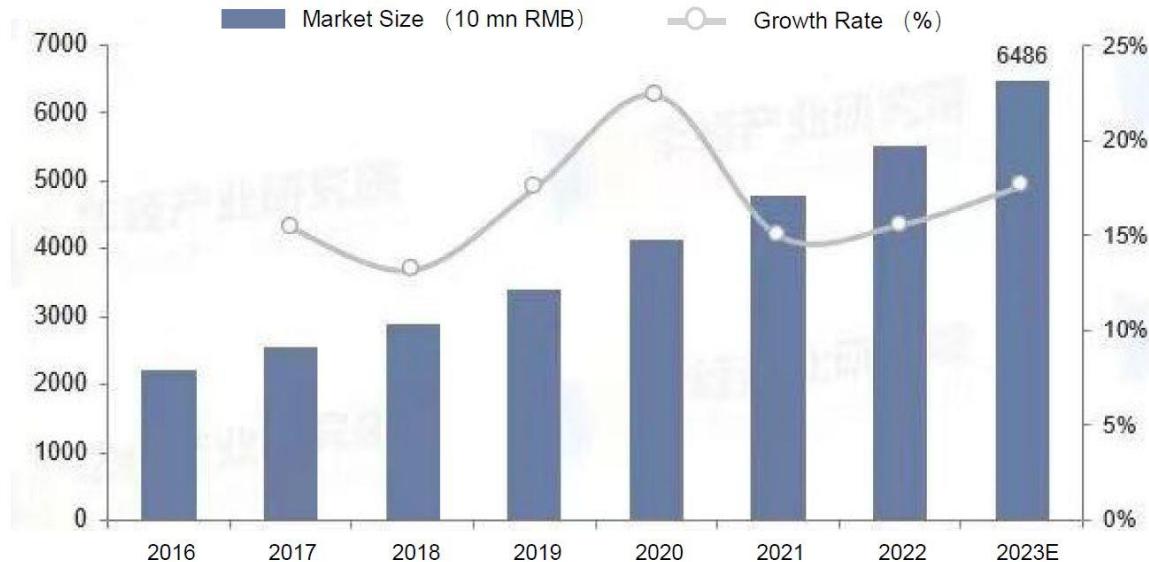
Early-stage leader in the global green energy transition market. The global commercial transportation and logistics industry has undergone seismic shifts over the last several years in addressing the problems of carbon dioxide and other gas emissions, resulting in an early-stage regulatory framework that in many markets still lacks full order and structure. Government intervention into stemming the tide of environmental pollution and rapid carbonization has resulted in regulatory initiatives that in many cases remain detached from market-driven mechanisms. These imbalances create a unique opportunity for PSI to quickly establish both an origination framework for carbon credits and to offer economic incentives for transportation providers to buy, lease, and operate clean vehicles, take advantage of financing options provided by PSI, and utilize logistics optimization software to reduce costs and improve margins.

The competitive playing field remains undeveloped, with PSI commanding an early-stage lead in Asia. There are currently no diversified green energy transportation Supply Chain as a Service (SCaaS) players globally with the established product/service breadth and depth as PSI, nor do any of the market participants currently operating possess the network of regulatory authorizations and approvals with both commercial vehicle and service providers and government regulators that PSI has already amassed. *We believe that these early-stage market entry barriers will only steepen as the supply-chain ecosystem further develops.* This is because the market for carbon credits is inherently scale-driven, allowing for only a small number of established players to generate meaningful impact. Currently there is only a small number of diversified ecosystem players that can build a data-driven and readily monetizable carbon supply chain.

Powermers is strongly focused on the perishables (cold chain) transportation market, still under-utilized in many world regions. China's cold chain value of goods came from 6 trillion yuan in 2019, grew on average 18% per year from 2020 to 2023, and reached ~11.5 trillion yuan in value by 2023. However, the cold chain utilization rate in China is still only 22% of that in Japan, the U.S. and Europe, according to the Huajing Industry Research Institute, and the potential for expansion is ~4.5x. Currently in China, ~85% of meat, 77% of aquatic products, and 95% of vegetables and fruits are transported and sold at room temperature, and every year almost 12 million tons of perishables are discarded due to spoilage. Similar conditions exist in other emerging markets, mainly in the Global South. As food consumption continues to evolve consistent with rising living standards, the commercial transportation sectors in those markets will undergo significant expansion and modernization. PSI is not only well-positioned to capture leading roles in those modernization initiatives, but also bring its SCaaS infrastructure value proposition to new geographies.

Exhibit 1: China's Cold Chain Logistics TAM:

Statistics of China's Cold Chain Logistics Market Size from 2016 to 2023



Source: China Federation of Logistics and Purchasing Cold Chain Committee, compiled by Huajing Industry Research Institute

PSI's Green Revenue Value Chain is unique, scalable, sticky -- and should drive strong profitability metrics longer term. Customers signing on with PSI not only obtain access to green transportation fleet assets at favorable prices and terms, but gain access to an end-to-end logistics ecosystem that covers the entire life cycle of decarbonized commercial transportation. With services offered increasingly intertwined, PSI's value chain revenue model rewards customer loyalty with further economic incentives, creating additional customer stickiness and driving recurring revenue.

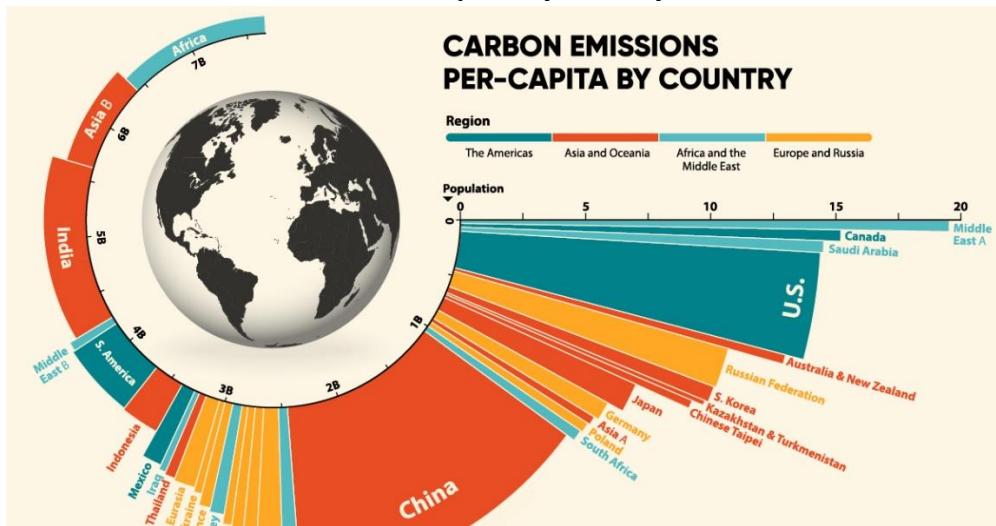
The company's business model is generating strong growth. We believe that PSI has generated ~\$150 million in revenue in 2023 on over \$2 billion of contracted business. The company has added over 4 million PSI-connected fleet vehicles with operators worldwide, along with the company's optimization software and services, and continues to expand its global network of partnerships. In the UK and the EU, Powermers has established a presence in the market through a partnership with a cadre of major long-haul operators for its transition to green-powered logistics on its largest volume delivery route.

Strong management team. PSI is led by CEO Chris Thorne (Harvard Law School, ex-McKinsey & Co.) and CFO Joel Thomas (ex-Wachovia Securities and a U.S. Olympic swimmer) and supported by a team of industry veterans in the Asia-Pacific region and the EU.

Industry Background

Greenhouse Gases (“GHG”) are a global problem impacting life everywhere on earth. Gases including carbon dioxide (CO₂), methane, and nitrous oxide cause the earth’s temperatures to rise by creating a “greenhouse effect,” reflecting infrared radiation back to earth as some of the heat leaves the atmosphere. When energy from the sun first reaches the earth, it does so mainly as light. But when that energy escapes the earth, it does so as infrared radiation, commonly experienced as heat. Greenhouse gases reflect infrared radiation, so some of the heat leaving the Earth bounces off the greenhouse gases in the atmosphere and returns to the earth’s surface, much like the heat-trapping glass on a greenhouse. The greenhouse effect is not a bad thing – up to a point. Without it, the earth would be too cold for life in its current form. But as the amount of greenhouse gases in the atmosphere increases, the strength of the greenhouse effect increases as well, eventually driving up temperatures beyond a point where life can sustain itself. The heat generated by human civilization is the cause of human-made climate change: by adding greenhouse gases to the atmosphere, we are trapping more heat, and the entire planet gets warmer.

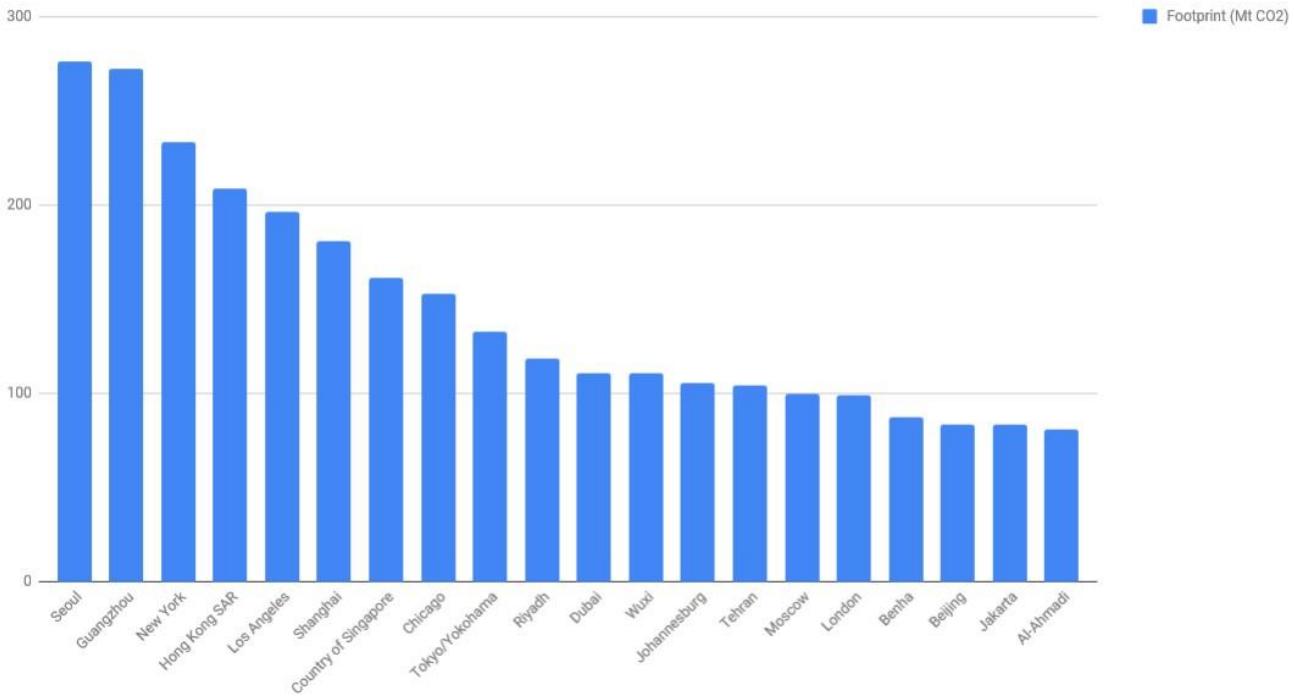
The focus on carbon. For climate change, the most impactful greenhouse gas is carbon dioxide (CO₂), which is why so many references to “carbon footprint” are made in discussions about climate change. There are three main reasons why CO₂ is key to today’s global warming. The first reason is sheer quantity: People now add over 35 billion tons of CO₂ to the atmosphere every year, mostly by burning carbon-rich fuel like coal and oil that had previously been trapped in the ground. The second reason is its lasting effects in the atmosphere: The CO₂ emitted today will remain in the atmosphere reflecting heat for hundreds of years. The third reason is that many different industries rely on carbon-rich fuels and on processes that give off CO₂. That includes burning fossil fuels for electricity and heat and to power vehicles, but it also includes manufacturing processes, refining crude oil and gas, fermentation to make alcohol or pharmaceuticals, and the decay of used plant matter. All of these sectors can improve different process efficiencies to emit less CO₂, but the improvement potential remains limited.

Exhibit 2: Carbon Emissions Per Capita, By Country:


Source: Visualcapitalist.com

Exhibit 3: Cities With the Largest Carbon Footprints
Big Foot

These are the cities with the largest carbon footprints



Source: World Economic Forum

The impact of transportation on greenhouse gases. The transportation sector contributes a substantial and growing share of the world's greenhouse gas emissions. During the period of 2010 to 2019, it was the fastest-growing fossil fuel-burning sector globally. In 2019, transport was the second-largest source of CO₂ emissions after the power sector. Transportation was responsible for 30% of the global final energy demand and for 23% of global direct CO₂ emissions from the energy sector that year.

Today, commercial transportation accounts for approximately 60% of GHG emissions from the overall transportation sector, which in turn represents just over 20% of all GHG emissions globally. This means that reducing GHG emissions by the commercial transportation sub-sector will have a material effect on greenhouse gas mitigation. Doing so, however, requires a comprehensive effort to address the issue across the entire commercial transportation ecosystem, which in many instances remains disparate. Only a comprehensive ecosystem provider can be tasked by a government or an international regulatory body to undertake such significant structural change.

The Powermers value proposition: Controlling the ecosystem can lead to high-impact GHG mitigation. Powermers aims to make a significant impact on GHG carbon emissions within the commercial transportation category. To create differentiating advantages, PSI has developed a business model that creates economic incentives for the transportation value chain to ensure compliance with the various evolving regulatory government frameworks, while creating a profitable ecosystem for the entire value chain.

Powermers Smart Industries – Key Investment Considerations

The “SCaaS” value proposition. Creating a “Supply-Chain-as-a-Service” enterprise, Powermers brings together the key elements required to tackle GHG emissions in the commercial transportation sector. Its business strategy incorporates the following:

- **Investing and partnering with established, proven technology companies and market-leading OEMs** who have already developed key components of the supply chain, many of which are in Asia. PSI has established multi-year structured contracts with industry partners who have the established capability, capital, and capacity to deliver vehicles across a wide variety of Commercial and Industrial sectors (Mining, Construction, Agriculture, Long-haul Logistics, Last-mile Delivery, Dock and Warehouse Materials-Handling Equipment, and Vendor Trucks).
- **Securing the exclusive license in China to build and manage the carbon credit data system across the entire transportation sector.** Already, Powermers won the exclusive operating rights for China's transportation carbon credit system for 55 years (including all transportation vehicles, ships, aviation, rail transportation), as well as potentially the supply chain of production plants and equipment. Powermers' position in carbon credit origination and monetization is further enhanced by its proprietary software that can calculate carbon credits harmonized with the

World Sustainability Standards Organization (WSSO), created to establish a unified global standard for tradable carbon credits based on standardized data. In Q3 of 2024, Powermers intends to launch the world's first ubiquitous transportation carbon credit trading market network, providing trading services and charging a 35% transaction commission.

- **Providing exclusive “Localization” services** at economically advantaged prices, thereby (a) Creating new jobs in the USA and Europe through locally-assembled products (e.g., Made-in-the-USA, Made-in-Europe); (b) Enabling exclusive access to green equipment technology alternatives with private-label opportunities for local industry incumbent brands, and; (c) Creating value for leading Asia-based companies that have invested in the development of these technologies and desire to realize commercial value for their R&D investments.
- **Targeted acquisitions.** To further its business strategy, PSI has acquired an established Ohio-based battery innovation company, Powermers, Inc. (assuming its name in the process), whose capabilities can be expanded globally to verify, test, and develop safer battery technologies.
- **Investing and obtaining a controlling interest in partnerships** with technology providers and service companies that have capabilities to provide value-added services across the ecosystem. Powermers has already signed service contracts for about 3.8 million logistics vehicles, representing approximately 80% of China's mainline commercial logistics vehicles, with a steady upward trend. Powermers is building a comprehensive ecosystem for equipment, digitalization, value chains, and global carbon credit trading.

Building a strong foundation for sustainable growth and profitability. As requirements for carbon footprint tracking continue to expand and grow in transportation and logistics ecosystems around the world, we see PSI's early-mover advantage in this area as being critically important to smoothly-functioning supply chains going forward. This advantage also creates a scalable, highly-defensible business model for Powermers to continue its strong (+>200% y/y), high-margin (>40% estimated gross margin in 2024) revenue growth in China and in expanding markets in Asia and other world geographies.

PSI provides a comprehensive suite of offerings as a solutions integrator. Leveraging its strong relationships at all levels of government and business in China, PSI has remained in the forefront of building and expanding its unique “Supply-Chain as a Service” value proposition within Asia’s transportation industry, while investing in partnerships with leading transportation and logistics companies worldwide, delivering a wide range of offerings.

PSI is helping create a structured marketplace for carbon credits. By combining its network of subsidiaries and industry partnerships with commercial vehicle manufacturers, transportation and logistics optimization software, and customer financing service providers in China and in other global markets, and by utilizing capital and capacity gained through acquisitions and industry partnerships, Powermers *is spearheading the transition to green energy in an organized, user-friendly, and affordable way*, leveraging its comprehensive technical expertise in commercial and industrial equipment and services. The result is a ground-floor creation of a complete carbon-friendly logistics ecosystem whose

strong value proposition and early-mover advantage give PSI a dominant and sustainable market leadership position in Asia, and an emerging market presence in other markets worldwide.

As Powermers Industries is best characterized as a “Category Creator,” direct peer comparisons become difficult and imprecise. Some could look at PSI as a novel “Category Creator” that has established an innovative business model that dynamically helps address recognized “pain points” and unmet needs across the supply chain by bringing together the following highly-charged themes into an integrated new model. This model consists of three incremental stages:

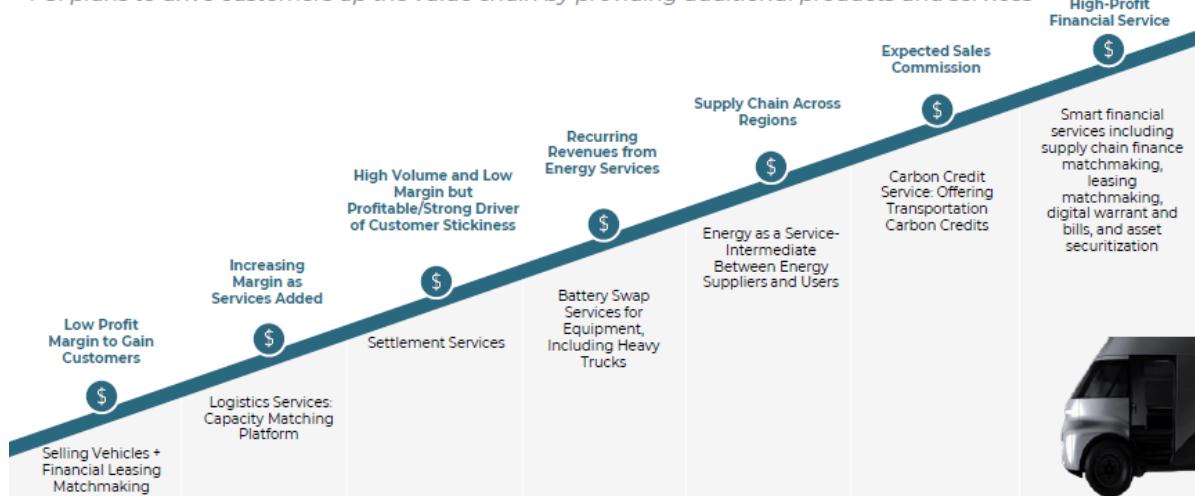
- 1) Technology Platform Creation:** This stage features the development of an IoT and data management infrastructure as the foundation on which the company’s services are built;
- 2) Ecosystem Development:** PSI’s sprawling network of industry partnerships formed through JVs, VAR partnerships, licensing agreements, direct investments, equity swaps, and M&A deals has resulted in a virtual Holding Company created for the purpose of developing and managing a cost-effective ecosystem offering a strong value proposition to the transportation and logistics industries in select world markets;
- 3) Building a Commercialization & Monetization Services Platform:** PSI is in the process of building a logistics-derived data monetization framework positioning the company as the “Amazon” of the Commercial & Industrial Mobility Equipment market.

All of these incremental stages are underscored by a central unifying theme of Sustainability and Climate-Tech solutions. The following exhibit provided by PSI illustrates the company’s Value Chain approach to developing a sustainable, data-driven transportation and logistics ecosystem with a focus on carbon credit origination and monetization:

Exhibit 4: Creating Value Along the Logistics Value Chain:

PSI Green Revenue Value Chain

PSI plans to drive customers up the value chain by providing additional products and services



Source: Powermers Smart Industries, Inc.

Powermers Smart Industries – Key Business Offerings

Equipment Sales and Leasing

PSI currently partners with major OEMs to deliver green energy-powered commercial and industrial equipment, including vehicles. By working with leading manufacturers in Asia, the company expects to grow this category and offer a diverse portfolio of customizable commercial equipment products, including heavy and light duty trucks, forklifts and agricultural machinery.

Powermers is able to integrate a wide range of power systems into commercial vehicles and industrial equipment and accelerate their commercialization. The product portfolios of its industry partners include logistics vehicles, heavy hauling vehicles for the construction and mining industries, light-duty trucks, micro trucks, forklifts and agricultural equipment.

The company is working to become a preferred solutions integrator in green-powered equipment by focusing on its ecosystem of specialized OEM partners, green energy technology and industrial battery manufacturers. Many of these partners are Asia-based. When selecting industry partners, Powermers prioritizes vendor qualifications, technology, manufacturing, and safety, and primarily focuses on the following types of commercial equipment:

- Heavy duty trucks;
- Light duty trucks;
- Materials handling equipment; and
- Agricultural machinery

PSI has also established a commodity trading solution in order to deepen its relationships across the commodity trading value chain and to gain insights into customers' needs relating to logistics and new offerings. To this end, the company has primarily generated revenue from the sales of metal for vehicles.

Following is a breakdown of PSI's ecosystem solutions, by business category:

Energy Solutions

PSI currently offers several equipment solutions, as a solutions integrator, to public transport companies, fleet operators and vehicle manufacturers. Such equipment solutions include heavy duty trucks, light duty trucks, materials handling equipment, and agricultural machinery. PSI also expects to integrate various energy systems into vehicle platforms including lithium-ion batteries, sodium-ion batteries, solid-state batteries and hydrogen fuel cells.

Logistics Data Solutions

Given the importance of transportation and logistics in the global economy, PSI is now creating and marketing logistics software that optimizes transportation efficiency and measures key data for fleet operators and drivers. The ultimate purpose of commercial transportation and industrial equipment is to transport or handle valued products and materials, and PSI's global approach to serving the commercial transportation sector is to take an end-to-end view of the supply chain -- to identify unmet needs and opportunities to address process bottlenecks in the supply chain.

Carbon Credits

Powermers expects that its transportation customers will be able to generate, track and monetize carbon credits in a predictable manner, thereby accelerating the use and value of carbon credits in the market. Green-powered products in the company's ecosystem portfolio will earn certain carbon credits that PSI can then sell or exchange with third parties. As carbon reduction practices are implemented, this allows for measurement, reporting, and verification of commercial transportation-related carbon credit data. This solution offering should unlock opportunities and generate revenue in a "frictionless" operating model within an online marketplace. We expect that PSI's ability to measure, report and validate carbon credits will create an additional source of revenue going forward.

Financial Services

In the future, PSI intends to offer an array of financial services targeting logistics and supply chain, including payment and settlement, finance/leasing matchmaking and digital asset securitization services.

Marketplace Services

PSI also intends to offer showroom integration services that will offer customers an attractive purchasing experience. To accomplish this, PSI intends to work with partners to design and build online and brick-and-mortar showrooms for the exhibition, sale, and financing of green-powered commercial equipment and projects.

Powermers Smart Industries – Investment Rationale and Key Growth Drivers

PSI represents an unusually broad-reaching opportunity to invest across commercial equipment sectors within the green energy ecosystem via a single company. Not only is the green energy market in its early innings of growth, but the global regulatory landscape remains Balkanized and inconsistent. We believe that the only supply chain enablers capable of making a compelling case to customers for an integrated, user-friendly offering are those who provide comprehensive end-to-end offerings partnered with established transportation services providers. This is the approach that Powermers has followed successfully.

A transformative green energy story. PSI management has created a series of value-added solutions with potential to transform the green energy and carbon credit sectors. These include partnerships with major OEMs to deliver green energy-powered commercial and industrial equipment, development of logistics optimization software for transportation efficiency and telematics, and a framework to originate, monetize, and standardize carbon credits recognized within all developed geographic markets.

Large and growing fulfillment capacity. PSI's partnerships with leading manufacturers of green energy commercial vehicles and other equipment leads to shorter R&D cycles and reduces capital requirements. The company's logistics optimization telematics software, connected with its fleet vehicles through wireless and satellite-enabled IoT devices, brings new levels of efficiency to commercial fleet operators. Its proprietary software also allows for carbon credits-based data origination, collection and monetization. Multiple growth drivers include equipment sales, fees from enabling IoT ecosystem solutions, and fees from carbon credit origination and monetization services. These services, taken together, create a foundation for a total green energy ecosystem.

Management Team

Christopher Thorne, Chairman and CEO. Mr. Thorne has served as PSI's Chairman and Chief Executive Officer since February 2023. He also serves as a Harvard Faculty Member, appointed by Harvard Law School in December 2021. He was Co-Founder and Executive Chairman of Powermers Inc., an energy storage innovator founded in January 2010, which PSI acquired in February 2024. Mr. Thorne is also Chairman and CEO of Broadline Capital, a global alternative investment firm which focuses primarily on growth capital, late-stage venture, and sustainable investments. Previously, Mr. Thorne served as a Senior Management Consultant at McKinsey & Co., and has served as Chairman of the Board for Cytonus Therapeutics, Inc., a biotechnology company, since January 2019, and Chairman of the Board for Endosphere Inc., a medical technology company, since December 2010. In April 2000, Mr. Thorne founded and served as Chairman and Chief Executive Officer of Maverick Xchange Inc. (now iTradeNetwork, Inc.), a Software-as-a-Service (SaaS) innovator which created fundamental advancements in the development of inter-enterprise solutions. The company was sold to Roper Technologies (NASDAQ: ROP) in a \$525 million all-cash transaction in July 2010. Mr. Thorne previously served on the board of directors of Cenntro Electric Group, Inc. and China Rapid Finance, Inc. Mr. Thorne holds a B.A. from Harvard University, graduating Magna Cum Laude, a Doctor of Law (J.D.) with honors from Harvard Law School, and an M.B.A. from Harvard Business School, receiving final-year honors.

Joel Thomas, EVP and CFO. Mr. Thomas has served as PSI's Chief Financial Officer and Executive Vice President since October 2023. Mr. Thomas retired from Pyxus International, Inc. in November 2021, where he was Executive Vice President and Chief Financial Officer from January 2014, and Vice President and Treasurer from December 2005 to December 2013. In June 2020, Pyxus filed, and successfully completed in August 2020, a prepackaged plan of reorganization in the United States Bankruptcy Court

for the District of Delaware. From January 2001 to November 2005, Mr. Thomas served as a Director at Wachovia Securities and as a Vice President from January 1996 to December 2000. Mr. Thomas holds an M.B.A. from Nova Southeastern University and a Bachelor of Arts from the University of California at Berkeley. Additionally, Mr. Thomas was a U.S. Olympic Gold Medalist in swimming in 1992.

Peer Group Analysis

Powermers Industries is best characterized as a “Category Creator,” making direct peer group comparable analysis difficult and imprecise. One of the publicly-traded peer group companies that we believe has a business model not all that dissimilar to PSI’s is Canada-based Descartes Systems Group, Inc. (DSGX-Nasdaq, \$103.93, NR), based in Waterloo, Ontario. The Descartes Systems Group, Inc., with a market cap of \$8.8B, provides cloud-based logistics and supply chain management solutions worldwide. Its Logistics Technology platform offers a range of modular, interoperable web and wireless logistics management solutions. DSGX shares trade at a very rich, premium multiple: A forward P/E of 50x and an EV/Sales of 14.6x on consensus Street estimates. Another peer group company whose business model in some ways draws parallels with PSI is Atlanta-based Manhattan Associates, Inc. (MANH-Nasdaq, \$239.15, NR). This company, with a market cap of \$14.7B, develops and maintains software solutions to manage supply chains, inventory, and omni-channel operations. It offers a Warehouse Management Solution for managing goods and information logistics supply chains. MANH shares trade at a valuation similar to that of DSGX: 52x consensus forward earnings and an EV/Sales multiple of 15.3x.

Risk Factors

Powermers Smart Industries, Inc. faces the following operational and execution risks, and the list is not limited to these factors:

A very limited history of execution. Powermers Smart Industries, Inc., is a recently formed company and has a limited operating history upon which to evaluate its business and future prospects, and is thus subject to a number of risks and uncertainties, including its ability to plan for and predict future growth.

Competitive and market risks. Powermers may encounter risks and difficulties experienced by growing companies in rapidly developing and changing industries, including challenges related to achieving market acceptance of its products, competing against companies with greater financial and technical resources, and competing against entrenched incumbent competitors that have long-standing relationships with prospective customers in the smart logistics management market, as well as recruiting and retaining qualified employees, and making use of its limited resources.

Low-cost operators could disrupt the market. Competing logistics ecosystem management companies, especially in foreign jurisdictions including but not limited to China and Asia, Europe, and North America, could emerge and develop strategic partnerships and relationships with key transportation services

providers. Such a scenario could impact the market in general, and adversely impact the sales of the company.

Key management personnel. The company relies on key management personnel currently in place. The departure of any of these individuals could have a material adverse impact on the strategy and operations of Powermers Smart Industries, Inc.

Environmental compliance and potential liability. Powermers' business is governed by various foreign, federal, state, and local environmental protection and health and safety laws and regulations, and permits issued under these laws by foreign, federal, state and local environmental and health and safety regulatory agencies. If the company violates or fails to comply with these laws, regulations or permits, it could be subject to administrative or civil fines or penalties or other sanctions imposed by regulators and it could also be subject to lawsuits, civil or criminal, seeking enforcement, injunctive relief and/or other damages.

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BUY	3	75.00	2	66.67
HOLD	0	0.00	0	0.00
SELL	0	0.00	0	0.00
NOT RATED	1	25.00	1	100.00

As of July 2024.

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Powermers Smart Industry Price History as of July 17, 2024



Source: E-Trade.

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