

ALT5 Sigma Corporation (Nasdaq: ALTS)

Rating: Buy

Price Target: \$24.00

Share Price: \$6.96

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Company Data

| | |
|--------------------------|------------|
| Average Daily Volume (M) | 1.650 |
| 52-Week Range | 1.55-10.95 |
| Shares Outstanding (M) | 21.61 |
| Market Cap (M) | 150.40 |
| Enterprise Value (M) | 187.99 |
| Total Cash (M), mrq | 9.56 |
| Total Debt (M), mrq | 22.73 |
| Total Debt to Cap | 40.7% |

Estimates

| | | 2025E | 2026E |
|----------|----|-----------|----------|
| EPS | Q1 | (\$0.18)A | (\$0.14) |
| | Q2 | (\$0.30)A | (\$0.15) |
| | Q3 | (\$0.36) | (\$0.16) |
| | Q4 | (\$0.18) | (\$0.15) |
| | FY | (\$1.03) | (\$0.60) |
| P/E | | N/A | N/A |
| Rev (M) | Q1 | \$5.51A | \$15.31 |
| | Q2 | \$6.38A | \$15.46 |
| | Q3 | \$10.01 | \$15.77 |
| | Q4 | \$15.62 | \$16.09 |
| | FY | \$37.53 | \$62.63 |
| EV/Sales | | 5.0x | 3.0x |

One-Year Performance Chart



As of August 13, 2025. Source: E-Trade.

ALTS Prints Better Than Expected 2Q Revenue, Announces Transformative Financing Transaction

Reiterate Buy Rating and \$24 Price Target

Summary

- ALT5 Sigma Corp. reported 2Q results that modestly exceeded our revenue estimate. Revenue of \$6.4M was slightly better than our \$5.9M estimate, although gross margin for 2Q was below our expectation at 43.5% (vs. our 51%). SG&A expense levels were consistent with our model.
- During the quarter, ALT5 acquired Mswipe, a payment solutions provider offering multi-currency, fiat payment card services, along with crypto-enabled capabilities through its existing integration with the ALT5 Subsidiary platform. Its suite of physical and virtual cards, available on both the Visa and Mastercard networks, allows users to spend traditional and digital currencies worldwide.
- Separately, on August 11th, ALT5 Sigma Corp. announced securities purchase agreements with certain institutional investors, where ALT5 has agreed to issue an aggregate of 100,000,000 shares of the Company's common stock in a registered direct offering, at a purchase price of \$7.50 per share.
- ALT5 intends to use up to \$10M of the net proceeds from the Registered Offering to settle existing litigation, pay existing debt, and fund the Company's existing business operations. The balance of the net proceeds will be used to fund the acquisition of \$WLFI tokens from World Liberty Financial, Inc. (the Lead Investor)

pursuant to a Token Purchase Agreement and the establishment of the Company's cryptocurrency treasury operations.

- Additionally, ALT5 entered into a concurrent PIPE Securities Purchase Agreement with the Lead Investor, pursuant to which the Company received \$750M of \$WLFI tokens and agreed to issue to the Lead Investor a total of 1M shares of common stock at a purchase price of \$7.50 per share (the PIPE Shares) and pre-funded warrants to purchase up to 99,000,000 shares of Common Stock at a purchase price of \$7.499 per PIPE Pre-Funded Warrant. Each of the PIPE Pre-Funded Warrants is exercisable for one share of Common Stock at an exercise price of \$0.001 per share. The PIPE Pre-Funded Warrants are not exercisable until the Company has filed an amendment to its Articles of Incorporation to increase the number of authorized shares of common stock (the "Amendment"). Following the effectiveness of the Amendment, the PIPE Pre-Funded Warrants may be exercised at any time until all of the PIPE Pre-Funded Warrants are exercised in full, subject to certain beneficial ownership limitations.
- The Registered Offering is expected to result in gross proceeds of \$750M and the Private Placement is expected to result in the receipt of \$750M of \$WLFI tokens, before placement agent commissions and other offering expenses.
- In connection with the Offerings, the Company will appoint Zachary Witkoff as the Chairman of the Company's Board of Directors (son of Steve Witkoff, President Trump's foreign policy negotiator), Eric Trump (President Trump's son) as a member of the Company's Board of Directors, Zachary Folkman as an observer to the Board of Directors, and Matt Morgan as its Chief Investment Officer.
- Aside from the transformative nature of these transactions for ALT5 Sigma giving the company a new level of industry visibility, we believe that the infusion of \$10M into the Company's core operations will significantly improve its ability to execute its stated strategy of developing ALT5 Pay and ALT5 Prime into leading cryptocurrency transaction platforms, and will expedite the Company's stated intent to divest its interests in Alyea Therapeutics, its biotechnology subsidiary. ALT5 Pay is a crypto-currency payment gateway that enables registered and approved global merchants to accept and make crypto-currency payments or to integrate the ALT5 Pay payment platform into their application or operations. ALT5 Prime is a comprehensive crypto-as-a-service platform for financial institutions, allowing them to integrate cryptocurrencies and other digital assets into their operations and product lines, facilitating seamless digital asset trading, banking and payments.

Adjustments to our model. We are making slight adjustments to our model for ALT5's core business at present, which have the effect of raising our revenue estimates modestly while also increasing the expected earnings losses in 2025 and for 2026. Our revised revenue estimates for 2025 and 2026 are now \$37.53M and \$62.63M, respectively, while our revised EPS estimate losses for 2025 and 2026 are now (\$1.03) and (\$0.60), respectively.

Reiterate Buy Rating and \$24 price target. Our \$24 price target is based on a sum-of-the-parts valuation of ALT5's Fintech business (\$15.50/share), plus the midpoint of the valuation range of Alyea Therapeutics of ~\$8.50/share, assuming a fully diluted share count of 28 million shares (please see the Valuation section in our May 30, 2025, Initiation of Coverage report for a detailed discussion).

Key Investment Points

- **Divestment of Legacy Biotechnology Business.** ALT5 is currently in the process of divesting its legacy biotechnology business, Alyea Therapeutics, as it completes its transition to a pure-play integrated crypto payment and management platform for both merchants and financial institutions. We are valuing the Alyea business in a range of \$131-\$347 million, or \$4.67-12.40/share, and believe that a divestiture will provide ATLS with flexibility to pay down its \$14.3 million debt and/or pursue strategic acquisitions. ALT5 intends to remain a majority shareholder in Alyea.
- **Earnings Model Reflecting Core Fintech Business Only.** Our earnings model for ALT5 Sigma reflects its core fintech business, as we believe that its future growth will be focused on that business.
- **Large and Growing Customer Base Supported by Industry Tailwinds.** ALT5 has a global base of B2B customers in over 40 countries and is benefitting from a series of industry tailwinds: (1.) Mainstream adoption of cryptocurrency payments; (2.) Seamless integration of crypto-to-fiat transactions; and (3.) Gradual easing of the cryptocurrency regulatory environment.

Company Overview

ALT5 Sigma Corporation is a fintech company providing blockchain-powered technology infrastructure and solutions tailored to the rapidly evolving cryptocurrency economy. Its flagship Crypto-as-a-Service (CaaS) platform enables financial institutions and global merchants to integrate and operate within cryptocurrency markets with enhanced security, efficiency, and regulatory compliance. The Company's slogan, "TRADE, PAY, SEND™" captures the scope of its offering. ALT5's technology platforms and application programming interfaces (APIs) facilitate the tokenization, trading, payment, settlement, and safekeeping of digital assets.

ALT5 Sigma Corporation also has a wholly owned subsidiary, Alyea Therapeutics Inc., a clinical-stage biotechnology company focused on the development of non-opioid pain relief drugs. The biotechnology segment is currently in the process of being spun out and is actively seeking its own independent public listing.

Alyea Therapeutics is a biotechnology company dedicated to developing non-opioid pain relief solutions, with a focus on chronic pain conditions like Complex Regional Pain Syndrome (CRPS). Alyea's lead product, a proprietary oral formulation of Low Dose Naltrexone (LDN), holds FDA orphan drug

designation for CRPS and is expected to enter late-stage clinical development in H2 2025. Post market launch of LDN in its lead indication, anticipated in late 2027, the Company envisions expanding LDN's applications beyond CRPS to a wide range of other chronic pain conditions.

Alyea's second product, Clear Patch, is a novel, topical drug delivery system that allows patients to apply medication directly to the affected area, where it administers a controlled dose of medication through the skin. The patch employs proprietary technology to optimize drug absorption and efficacy. Clear Patch could obtain FDA clearance as early as Q4 2025 and proceed to commercial launch in 2026.

Alyea's customers include patients suffering from complex and chronic pain conditions such as CRPS, autoimmune disorders, neuropathic pain, and other ailments where traditional pain management methods pose addiction risks.

ALT5 Sigma Corporation
Model excludes forward Alyea Therapeutics growth assumptions.
GAAP Basis, except where noted
Fiscal Year Ends December 31
(\$ in thousands, except per share data)

| | Dec-24 CY24A* | Mar-25 1Q25A | Jun-25 2Q25A | Sep-25 3Q25E | Dec-25 4Q25E | Dec-25 CY25E | Mar-26 1Q26E | Jun-26 2Q26E | Sep-26 3Q26E | Dec-26 4Q26E | Dec-26 CY26E | Dec-27 CY27E |
|------------------------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total Revenue | \$ 12,532 | \$ 5,514 | \$ 6,378 | \$ 10,013 | \$ 15,621 | \$ 37,526 | \$ 15,309 | \$ 15,462 | \$ 15,771 | \$ 16,086 | \$ 62,627 | \$ 77,144 |
| Cost of Revenue | 6,238 | 2,923 | 3,603 | 4,806 | 7,029 | 18,362 | 6,583 | 6,649 | 6,781 | 6,917 | 26,930 | 32,401 |
| Gross Profit | 6,294 | 2,591 | 2,775 | 5,207 | 8,592 | 19,165 | 8,726 | 8,813 | 8,989 | 9,169 | 35,698 | 44,744 |
| Gross Margin | 0.0% | 47.0% | 43.5% | 52.0% | 55.0% | 51.1% | 57.0% | 57.0% | 57.0% | 57.0% | 57.0% | 58.0% |
| Operating Expenses: | | | | | | | | | | | | |
| SG&A | 13,856 | 4,761 | 4,870 | 8,612 | 8,592 | 26,834 | 8,879 | 9,277 | 9,620 | 9,652 | 37,428 | 40,767 |
| <i>% of Total Revenue</i> | <i>0.0%</i> | <i>86.3%</i> | <i>76.4%</i> | <i>86.0%</i> | <i>55.0%</i> | <i>71.5%</i> | <i>58.0%</i> | <i>60.0%</i> | <i>61.0%</i> | <i>60.0%</i> | <i>59.8%</i> | <i>52.8%</i> |
| Depreciation & Amortization | 3,402 | 1,210 | 1,561 | 859 | 859 | 4,489 | 1,133 | 1,133 | 1,133 | 1,133 | 4,534 | 4,579 |
| <i>% of Total Revenue</i> | <i>0.0%</i> | <i>21.9%</i> | <i>0.0%</i> | <i>8.6%</i> | <i>5.5%</i> | <i>12.0%</i> | <i>7.4%</i> | <i>7.3%</i> | <i>7.2%</i> | <i>7.0%</i> | <i>7.2%</i> | <i>5.9%</i> |
| Other Expenses | 0 | 150 | 150 | 150 | 150 | 600 | 170 | 170 | 170 | 170 | 680 | 780 |
| <i>% of Total Revenue</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>1.5%</i> | <i>1.0%</i> | <i>1.6%</i> | <i>1.1%</i> | <i>1.1%</i> | <i>1.1%</i> | <i>1.1%</i> | <i>1.1%</i> | <i>1.0%</i> |
| Other Non-Cash Expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>% of Total Revenue</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0</i> | <i>0.0%</i> |
| EBITDA | (4,160) | (960) | (534) | (2,546) | 859 | (3,181) | 980 | 670 | 503 | 651 | 2,804 | 8,556 |
| <i>EBITDA Margin (%)</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>-25.4%</i> | <i>5.5%</i> | <i>-8.5%</i> | <i>6.4%</i> | <i>4.3%</i> | <i>3.2%</i> | <i>4.0%</i> | <i>4.5%</i> | <i>11.1%</i> |
| Operating Income | (7,562) | (2,170) | (2,095) | (3,405) | 0 | (7,670) | (153) | (464) | (631) | (483) | (1,730) | 3,977 |
| <i>Operating Margin</i> | <i>0.00%</i> | <i>0.00%</i> | <i>0.00%</i> | <i>-34.00%</i> | <i>0.00%</i> | <i>-20.44%</i> | <i>-1.00%</i> | <i>-3.00%</i> | <i>-4.00%</i> | <i>-3.00%</i> | <i>-2.76%</i> | <i>5.16%</i> |
| Other Expense, Net: | | | | | | | | | | | | |
| Interest Income/Expense, Net | (879) | (720) | (550) | (550) | (550) | (2,370) | (593) | (593) | (593) | (593) | (2,370) | (2,370) |
| Other Income/Expense, Net | (845) | 314 | (3,289) | (3,289) | (3,289) | (9,553) | (2,388) | (2,388) | (2,388) | (2,388) | (9,553) | (9,553) |
| Pretax Income | (9,286) | (2,576) | (5,934) | (7,244) | (3,839) | (19,593) | (3,134) | (3,445) | (3,612) | (3,463) | (13,653) | (7,946) |
| Provision for income taxes | (3,041) | 285 | (432) | 0 | 0 | (147) | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Effective Tax Rate</i> | <i>32.7%</i> | <i>-11.1%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.8%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> |
| Net Income (GAAP) | (6,245) | (2,861) | (5,502) | (7,244) | (3,839) | (19,446) | (3,134) | (3,445) | (3,612) | (3,463) | (13,653) | (7,946) |
| Shares outstanding - diluted (000) | 11,148 | 15,551 | 18,000 | 20,000 | 21,000 | 18,638 | 21,700 | 22,400 | 23,100 | 23,800 | 22,750 | 26,050 |
| EPS | (\$0.56) | (\$0.18) | (\$0.31) | (\$0.36) | (\$0.18) | (\$1.03) | (\$0.14) | (\$0.15) | (\$0.16) | (\$0.15) | (\$0.60) | (\$0.31) |

Source: Kingswood Capital Partners estimates.
**Represents revenue from May to Dec., 2024.*

Risks to Our Price Target

The Company may require additional capital to support business growth, and this capital might not always be available. ALT5 has funded its operations since inception primarily through equity financings, debt, and cash flows generated from operations. Management cannot be certain that the Company's operations will continue to fund ongoing operations or the growth of ALT5's business. ALT5 intends to continue to make investments in its business, which may require additional funds. Additional financing may not be available on terms favorable to the Company, if at all, due to general macroeconomic conditions, crypto market conditions and any disruptions in the crypto market, instability in the global banking system, increasing regulatory uncertainty and scrutiny, or other unforeseen factors. In the event of a downgrade of the Company's credit rating, its ability to raise additional financing may be adversely affected, and any future debt offerings or credit arrangements may be on less favorable terms or terms that may not be acceptable to the Company.

ALT5's operating results are likely to fluctuate significantly, for reasons including the highly volatile nature of cryptocurrencies. Due to the highly volatile nature of the crypto economy and the prices of crypto assets, the Company's operating results have, and will continue to fluctuate significantly from quarter to quarter in accordance with market sentiments and movements in the broader crypto economy. ALT5's operating results will continue to fluctuate significantly because of a variety of unpredictable factors, some of which are outside of management's control. These factors may include crypto asset trading activity, trading volume, and the current trading prices for crypto assets, which can be highly volatile. Additionally, the Company's ability to attract, maintain, grow, and engage its customer base, together with changes in the legislative or regulatory environment, actions by foreign governments or regulators, as well as regulatory changes or scrutiny will impact the Company's ability to offer its core products or services.

ALT5's new product development and competitive position are likely to remain at risk. The Company operates in a highly competitive environment, and management's development and introduction of existing new products and services may be put at risk both by the actions of its competitors, as well as management's own potential execution missteps. This includes the amount and timing of ALT5's operating expenses related to the maintenance and expansion of its business and operations, including investments made to develop its products and services.

The proposed divestiture of ALT5's life sciences business may be delayed or not be on terms suitable to management. Any worsening in the condition of public capital markets, or in the sectors in which ALT5's life sciences business operates could delay, possibly indefinitely, management's plans to spin off that business into a standalone publicly traded company. Additionally, any alternative divestiture scenario involving the acquisition of ALT5's life sciences business by another organization could be called into question or delayed indefinitely if market conditions change and make such an acquisition no longer feasible.

The Company's total fintech revenue is substantially dependent on the volume of transactions conducted on its platforms. ALT5 generates a large portion of its revenue from transaction fees from ALT5 Pay and ALT5 Prime. Transaction revenue is directly based on transaction fees, and such revenue has grown over time. Declines in the volume of crypto asset transactions, among other reasons, may result in lower total revenue. If volume declines, ALT5's business, operating results, and financial condition would be adversely affected, and the price of its common stock could decline.

If ALT5 fails to retain existing customers or add new customers, or if customers decrease their level of engagement with its products, services and platform, the Company's business, operating results, and financial condition may be significantly harmed. ALT5's success depends on its ability to retain existing customers and attract new ones, including developers, to increase engagement with its products, services, and platform. To do so, ALT5 must continue to offer leading technologies and ensure that the products and services are secure, reliable, and engaging. The Company must also expand its products and services and offer competitive prices in an increasingly crowded and price-sensitive market. There is no assurance that ALT5 will be able to retain its current customers or attract new customers, or keep existing customers engaged. Any number of factors can negatively affect customer retention, growth, and engagement, including customers increasingly engaging with competing products and services, ALT5 failing to introduce new and improved products and services, or ALT5's new products or services not being favorably received.

DISCLOSURES

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I, Greg Mesniaeff, certify that (1) the views expressed in this report accurately reflect my own views about any and all of the subject companies and securities; and (2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by me in this report.

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Buy - Buy-rated stocks are expected to have a total return of at least 15% over the following 12 months and are the most attractive stocks in the sector coverage area.

Hold - We believe this stock will perform in line with the average return of others in its industry over the following 12 months.

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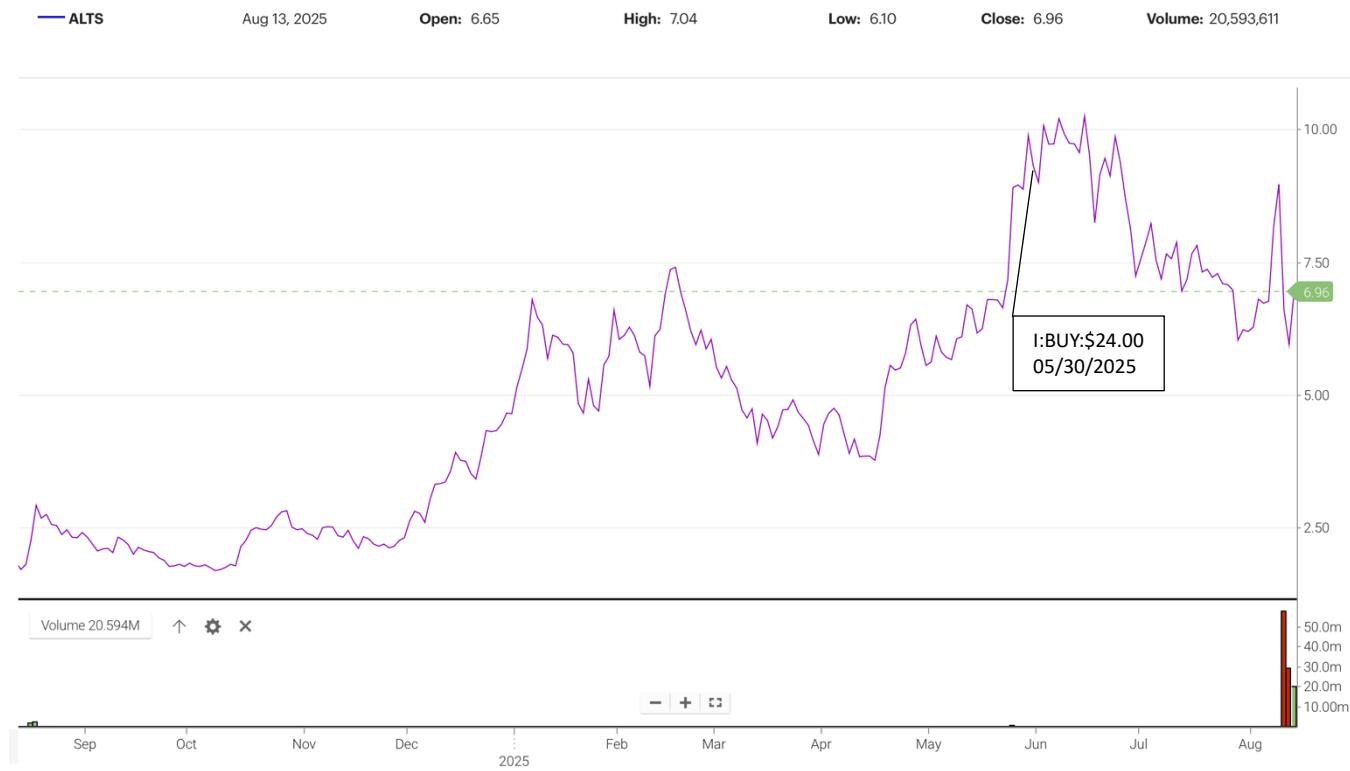
Company-Specific Disclosures

| Distribution of Ratings | | | | | |
|--|-------|---------|-------|---------|--|
| Kingswood Capital Partners, LLC | | | | | |
| Investment Banking Services/Past 12 Months | | | | | |
| Rating | Count | Percent | Count | Percent | |
| BUY | 9 | 81.81 | 2 | 22.22 | |
| HOLD | 1 | 9.09 | 0 | 0.00 | |
| SELL | 0 | 0.00 | 0 | 0.00 | |
| NOT RATED | 1 | 9.09 | 1 | 100.00 | |

As of July 2025.

Kingswood Capital Partners has not received compensation from ALT5 Sigma during the past 12 months. Kingswood is currently engaged by ALT5 Sigma to provide investment banking or advisory services.

ALT5 Sigma Rating History



As of August 13, 2025. Source: E-Trade.

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