June 15, 2023

ACCUSTEM SCIENCES, INC.

(OTCQB – ACUT)

Industry: Diagnostics

12-18 Mo. Price Target: $2.90

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Revolutionizing the Cancer Diagnostics Industry

Rob Goldman
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COMPANY SNAPSHOT

AccuStem is a clinical stage diagnostics company dedicated to optimizing outcomes and quality of life for all patients with cancer. Management plans to drive innovation in healthcare by offering proprietary molecular testing that addresses unmet clinical needs from cancer screening through treatment and monitoring. By interrogating novel disease pathways, such as tumor "stemness", AccuStem believes its tools will help care teams better understand the biology of each patient's cancer, leading to more informed decision making.

KEY STATISTICS

Price as of 6/14/23	$1.30
52 Week High – Low	$2.00 - $0.30
Est. Shares Outstanding	11.4M
Market Capitalization	$14.8M
Average Volume	5,673
Exchange	OTCQB

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

Leveraging the strength of its novel, proprietary technology and its first-rate leadership team, we believe that AccuStem Sciences, Inc. (OTCQB: ACUT) is poised to alter the current cancer diagnostics landscape. While the medical community recognizes the value of the company's utilization of stemness for improved patient outcomes, no firm has been able to successfully utilize the approach.

ACUT's innovative assay measures tumor stemness, which can predict the risk of treatment resistance or distant recurrence in cancer patients. Moreover, the assay is best suited to identify the ideal type of surgery given existing literature show surgery as the only effective treatment approach for patients exhibiting high tumor stemness. The benefit of predicting surgical approach is this test will be ordered prior to other diagnostic tests in this space.

ACUT's initial indication is for early-stage breast cancer, a $1.3B global market. Other indications under development include early-stage lung cancer and localized prostate cancer.

Our forecasts suggest full commercialization will commence in 2025, with revenue reaching $5.8M and $15.5M in 2026, with a 14.6% operating margin. Most of ACUT peers are not profitable.

With a series of milestones ahead, the 12-18-month price target for this potential acquisition candidate is $2.90. This figure is based a revenue and net income multiple, discounted back two years.

COMPANY OVERVIEW

The View from 30,000 Feet

It is not often that we uncover a life sciences company in the diagnostics segment that appears positioned to alter the cancer diagnostics arena. Further, it is rare that we find a company that seems like an obvious future acquisition target. In both instances, molecular genomics testing pioneer **AccuStem Sciences Inc. (OTCQB: ACUT)** checks the proverbial boxes.

ACUT is a clinical stage diagnostics company dedicated to optimizing outcomes and quality of life for all patients with cancer. The Company's flagship platform, *StemPrintER*, is a 20-gene prognostic assay intended to predict the risk of distant recurrence in cancer patients with patents awarded in the US and Europe. The assay was developed to measure the "stemness" of tumors, or how much a tumor behaves like stem cells which could indicate how likely a cancer is to recur or be resistant to standard treatments, ultimately impacting how patients are managed by their multi-disciplinary care team. Identification of the ideal type of surgery for cancer patients addresses a key unmet clinical need that could both improve patient outcomes and reduce healthcare costs.

The first indication is early-stage breast cancer, which represents a $1.3B global market and we believe that ACUT has competitive advantages over its peer group. The Company's peer group's assays typically are used post-surgery and as a determinant for post-surgery therapies. Conversely, ACUT's test is the only product designed for use at an earlier stage--post-biopsy, to be used as a determinant in directing the surgical approach for patients. As a result, meaningful inherent value exists for this assay.

The ACUT flagship capabilities are fueled by the concept of stemness, which has emerged as a key factor in predicting cancer recurrence. Unfortunately, no firms have been able to design a test that focuses on cancer stem cell features and offers the subsequent pre-surgery prognostication direction. Until ACUT---whose flagship has been validated in several clinical cohorts and studies, the largest of which is a consecutive series of approximately 2,400 patients.

Looking ahead, the Company is set to publish updated data in a paper for peers, will establish a lab ahead of launching its offering, and commence full commercialization, with reimbursement coverage in 2025. It should be noted that management is also in the early stage of testing for other indications, including early-stage lung cancer and localized prostate cancer. In addition to its development plans, ACUT plans to raise up to $11M in a secondary offering in 2H23 to fund these efforts in conjunction with a NASDAQ up-list, which would require a reverse split of the shares.

Financials, Valuation, M&A Target

At present, we project revenue of $5.8M in ACUT's first year of sales, followed by revenue of $15.5M, with gross profit margin of 75%, and a 14.6% operating margin. Given that most firms in the space are not profitable, this aspect is bit of a hidden positive, in our view. We have a great deal of confidence in the Company's future success based on the technology and the strength of the leadership team. The current team has a history of success together at other life sciences firms including noteworthy product launches and exits.

Our 12–18-month price target of $2.90 reflects a 5.5x multiple on 2026E forecasted revenue of $15.5M, discounted back two years (end of 2024) at a 15% discount rate.

It should be noted that while it is impossible to predict a potential pre-reverse split stock price, we have elected to use a $1.00 per share pricing, which would essentially double the shares outstanding to roughly 22M common shares outstanding. Since we cannot accurately forecast the share price and subsequent reverse split ratio, our target price reflects the funding but not the post-reverse split.

Finally, given the unique, enviable traits of the Company's proprietary technology, we believe that ACUT could emerge as an attractive acquisition target in the upcoming quarters and would not be surprised if the acquisition price was in the neighborhood of, or greater than, our current target price.

STEMNESS: A PRIMER

A number of papers have appeared in leading medical journals regarding the stemness concept and its evolving utilization in cancer identification and the path in which clinicians take in patient care. These include papers found on the National Institute of Health online library. In a 2017 paper entitled *Stemness-Related Markers in Cancer*, the authors, who hail from Harvard Medical School, Massachusetts General and the Dana Farber Cancer Institute, note that cancer stem cells express stemness-related markers and pathways (which they have identified). According to the authors, the identified molecular markers and pathways are "not only involved in normal stem cell maintenance and self-renewal, but also regulate the stemness of CSCs (cancer stem cells). Investigation of these features may help elucidate the mechanism of CSC-driven tumorigenesis and lead to novel approaches for CSC-targeted cancer therapies.". Below is a key excerpt from this respected stemness paper (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5737740/pdf/nihms897279.pdf).

> *Cancer stem cells (CSCs), with their self-renewal ability and multilineage differentiation potential, are a critical subpopulation of tumor cells that can drive tumor initiation, growth, and resistance to therapy. Like embryonic and adult stem cells, CSCs express markers that are not expressed in normal somatic cells and are thus thought to contribute towards a 'stemness' phenotype. It has been hypothesized that only a small subset of tumor cells is capable of initiating and sustaining tumor growth; they have been termed cancer stem cells (CSCs). To date, CSCs have been isolated from many organs and confirmed to have stem cell-like abilities such as self-renewal, multilineage differentiation, and expression of stemness-related markers; some of these features are even confirmed by single cell analysis. These cells may also play a role in disease recurrence after treatment and remission. As such, targeting of CSCs is currently an active area of therapeutic development.*
>
> *A primary goal in cancer research is to identify mechanisms driving drug resistance, and recent studies have implicated CSCs in intrinsic resistance models. Similar to normal stem cells, the abilities of self-renewal, maintenance, and differentiation of CSCs serve as a core reservoir for cancer initiation, development, and growth. The overexpression of stem cell specific TFs (transcription factors) may contribute to the pathologic self-renewal characteristics of cancer stem cells while the surface molecules mediate interactions between cells and their microenvironment. Other stemness-related markers and pathways may promote cancer cell proliferation, progression, and metastasis.*
>
> *Understanding the stemness-related features in cancers will not only provide important knowledge on molecular mechanisms for cancer pathogenesis, but also shed new light on development of effective therapeutic approaches specifically targeting these stemness-related features.*

In addition to the above referenced document, a series of papers on the cancer cell hypothesis has emerged as a fundamental concept in cancer biology. Specifically, this concept posits that all tumors arise from precursor cells similar to stem cells that are highly adaptable and contain the capability to grow indefinitely. As a result, this hypothesis and tumor "stemness" features have been widely studied across a multitude of tumor types.

Thus, medical journals outline key characteristics inherent in CSCs and stemness features, along with the likely direct method of dealing with high stemness scenarios:

- Stemness" indicates how much a tumor behaves like stem cells
- "High stemness" in tumors is increasingly considered a core cause for disease recurrence and/or lack of response to chemotherapy and radiation
- "Stemness" evaluation of patient tumors may have critical implications for oncology treatment planning
- Surgery appears to be the singular method to effectively kill cancer stem cells or "high stemness" tumors

Despite the recognition of tumor stemness potential as a key diagnostic tool, existing firms have not been able to accurately assess it in patients. We believe that the Company's expertise in the segment, along with its advanced proprietary algorithms have fostered ACUT's invaluable developmental growth.

Clearly, a tumor stemness identification and evaluation diagnostic assay for cancer patients can offer patients personalized medicine with an improved outcome. It can also provide a potentially significant advantage as part of an oncology diagnostics player's toolbox. Thus, we believe that as the only pure play pubco focused on stemness evaluation in cancer patients, the Company will soon emerge as an acquisition target by its diagnostics peers.

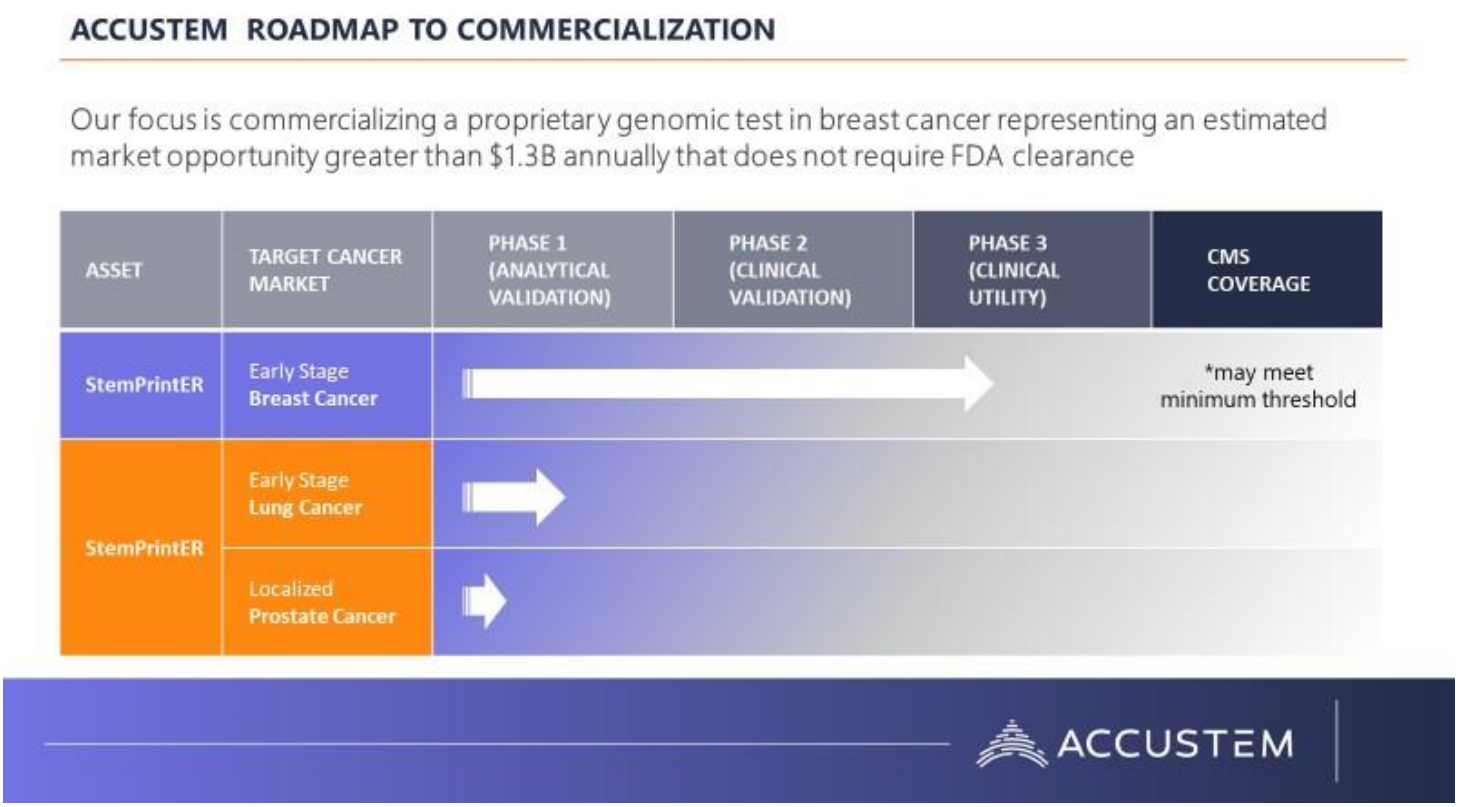
THE ACCUSTEM APPROACH

AccuStem Sciences Inc. traces its roots to a 2020 demerger from **Tiziana Life Sciences Ltd. (NASDAQ: TLSA).** The demerger agreement provided for the transfer by Tiziana to the Company of the entire issued share capital of StemPrintER Sciences Limited ("StemPrintER Sciences"), the Tiziana entity to which Tiziana contributed all of the assets and intellectual property relating to the StemPrint project and $1,167,700 in cash. For purposes of the demerger, Tiziana first transferred the assets relating to the StemPrint project (primarily the benefit of the license from IEO/University of Milan and an outsourced research program) to a separate company, StemPrintER Sciences, together with $1,167,700 in cash. As a result of this step, StemPrintER Sciences became an operating entity. In the next step, Tiziana transferred StemPrintER Sciences' shares to ACUT in return for shares of ACUT's common stock issued to Tiziana's stockholders, on a one for one basis, and Tiziana declared a dividend in specie to its stockholders of those shares.

Today, ACUT is a clinical stage diagnostics company dedicated to improving quality of life and outcomes for the more than 18 million people worldwide who are diagnosed with cancer each year. The Company's approach is to develop and commercialize a suite of novel, proprietary genomic tests (*StemPrintER*) that support decision making along the entire continuum of oncology care.

ACUT's flagship *StemPrintER* is a 20-gene prognostic assay intended to predict the risk of distant recurrence in cancer patients with patents awarded in the US and Europe. The assay was developed to measure the "stemness" of tumors, or how much a tumor behaves like stem cells which could indicate how likely a cancer is to recur or be resistant to standard treatments, ultimately impacting how patients are managed by their multi-disciplinary care team. Identification of the ideal type of surgery for cancer patients addresses a key unmet clinical need that could both improve patient outcomes and reduce healthcare costs. Studies published in peer-reviewed journals have shown that *StemPrintER* is highly prognostic, with "high stemness" patients up to 4 times as likely to experience a distant recurrence as "low stemness" patients.

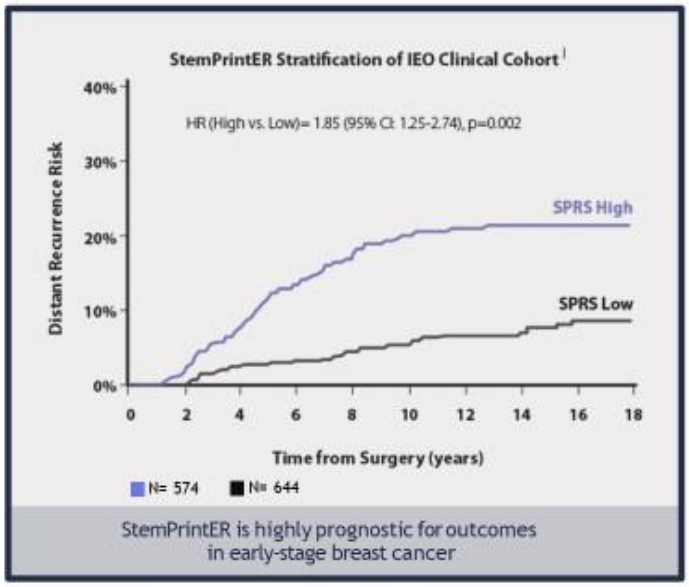
The Platform

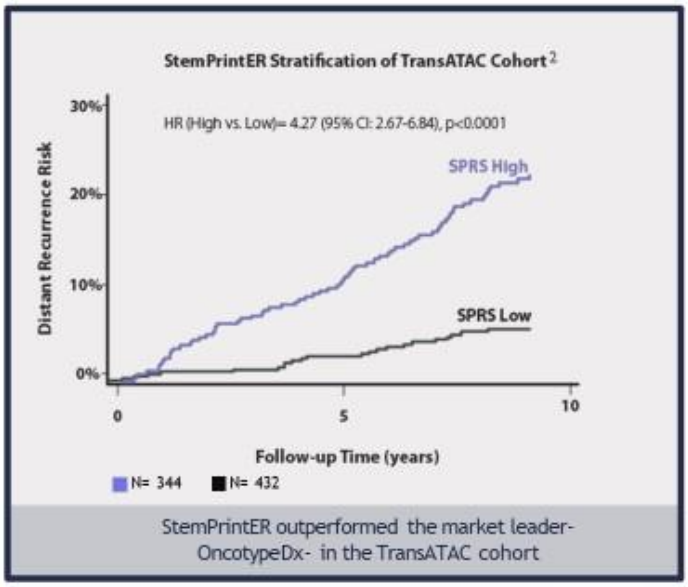


The Company's initial commercialization effort targets patients diagnosed with early-stage breast cancer. Management estimates the global annual market opportunity represents more than $1.3 billion in annual revenue and that commercialization will commence in 2025.

StemPrintER has been validated in several clinical cohorts and studies, the largest of which is a consecutive series of approximately 2,400 patients from the European Institute of Oncology ("IEO") in Milan, Italy and approximately 800 patients from the TransATAC study. In the IEO cohort, *StemPrintER* High Risk patients ("SPRS High") were 1.85 times more likely to have a distant recurrence compared to Low Risk ("SPRS Low") patients and in the TransATAC cohort, SPRS High patients were 4.27 times more likely to experience a distant recurrence compared to SPRS Low Risk patients.

VALIDATION OF STEMPRINTER IN BREAST CANCER





1. Pece, et al. Ebiomedicine. 2019; 2. Pece, et al. Eur J Cancer. 2022

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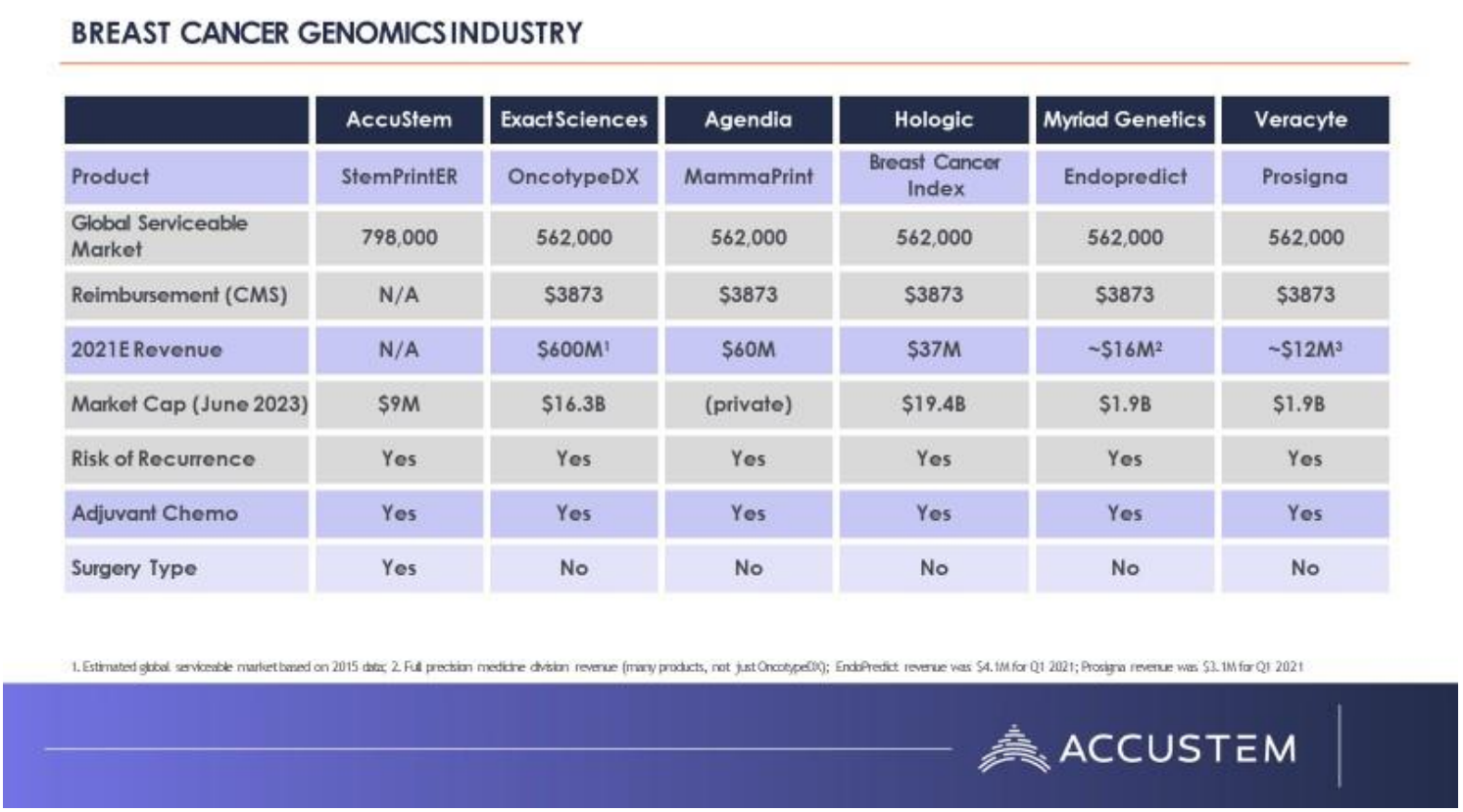
Together, this data demonstrates that *StemPrintER* is highly prognostic for outcomes in patients with breast cancer and indicates the potential utility of the test in the oncology clinic.

An underlying advantage of the *StemPrintER* platform is where it sits in the industry food chain. Competing products from diagnostic peers sit in the latter, post-surgery stage, whereby the tools are used to determine the type of post-surgery therapies (hormone, radiation, chemo). Conversely, *StemPrintER's* utilization lies prior to the post-surgery therapeutic stage and is designed for use after a biopsy, with tool results used to determine the type of post-biopsy surgery, i.e., mastectomy versus lumpectomy, etc. As an assay designed for *early*-stage breast cancer patients, the *StemPrintER*'s prognostic capabilities can mean the world to a breast cancer sufferer.

The table below illustrates the Company's enviable positioning. Due to its function as a tool for the earlier stage of the cancer analysis continuum target, ACUT's addressable market size is 41% greater than its peers. Separately, CMS refers to the funds reimbursed by Medicare---a figure we believe will be in the cards for ACUT at the $3873 level as well. It should be noted that this figure would be reduced in a number of international markets.



BREAST CANCER GENOMICS INDUSTRY

	AccuStem	ExactSciences	Agendia	Hologic	Myriad Genetics	Veracyte
Product	StemPrintER	OncotypeDX	MammaPrint	Breast Cancer Index	Endopredict	Prosigna
Global Serviceable Market	798,000	562,000	562,000	562,000	562,000	562,000
Reimbursement (CMS)	N/A	$3873	$3873	$3873	$3873	$3873
2021E Revenue	N/A	$600M[1]	$60M	$37M	~$16M[2]	~$12M[3]
Market Cap (June 2023)	$9M	$16.3B	(private)	$19.4B	$1.9B	$1.9B
Risk of Recurrence	Yes	Yes	Yes	Yes	Yes	Yes
Adjuvant Chemo	Yes	Yes	Yes	Yes	Yes	Yes
Surgery Type	Yes	No	No	No	No	No

1. Estimated global serviceable market based on 2015 data; 2. Full precision medicine division revenue (many products, not just OncotypeDX); EndoPredict revenue was $4.1M for Q1 2021; Prosigna revenue was $3.1M for Q1 2021

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Figure 1: Genomics Peers by Product
Source: AccuStem Sciences, Inc.

Upcoming Milestones: Breast Cancer Assay

Management's near-to-intermediate goals include R&D milestones, release new data at a critical Fall 2023 conference followed by publication in peer reviewed journals, and the execution of a funding round to further company efforts.

On the R&D side, ACUT is poised to engage in more testing with large scale samples from tumor banks and other sources. To that end, the Company recently announced a key, joint clinical collaboration agreement with University Hospitals. Per the terms of this agreement, University Hospitals will provide tissue samples with clinical outcomes to ACUT for research purposes. The scope of the agreement covers a multitude of different cancers but will initially focus on breast cancer cases to support further validation of the *StemPrintER* test. The goal of the initial project is to build on the strong foundation of data for *StemPrintER* by demonstrating additional clinical utility beyond identifying patients' risk of recurrence. This next step is critical for women with early-stage breast cancer because there are many tests to determine the need for chemotherapy but there are no genomic tools to inform decisions earlier in the continuum of care. *StemPrintER* may be able to shift this paradigm by informing physicians of the most effective approaches to surgical or radiological treatment.

The Company and its clinical collaborators plan to present the data obtained under this agreement at scientific conferences such as SABCS, the annual *San Antonio Breast Cancer Symposium* and to publish the findings in peer-reviewed medical journals. This event is the breast cancer segment's most important conference of the year. Those activities will help to bolster the foundation of data for *StemPrintER* and familiarize physicians with its utility and value in clinical decision making with the ultimate goal of improving patient outcomes and quality of life.

During upcoming R&D, management may also seek to identify more markers or pathways as part of the testing along with ensuring reliable, reproduceable results, and scalability. With release of updated data and a paper, management plans to address unanswered questions and to build on its lineup of industry KOLs.

Separately, ACUT has announced it has signed an agreement with a leader in the genomic testing space that will support further clinical validation of the *StemPrintER* with the goal of operationalizing the assay in their laboratory. The partnership will leverage the similarity in platforms, technologies and human capital at both companies. Going forward, ACUT plans to offer its commodity testing as well, once full commercialization occurs in 2025. Commodity testing includes hereditary genetic testing, somatic mutation testing, etc. Finally, ACUT plans to raise funds (we estimate $11M in 2H23 to fund the development outlined above.

ACUT plans to establish a laboratory that will be responsible for processing, testing and reporting *StemPrintER* results for all commercial samples. Further, management is prepared to transfer the *StemPrintER* assay from the laboratories in which they were developed to our commercial laboratory. Finally, upon establishing testing capabilities in its commercial laboratory, ACUT will seek to obtain U.S. Clinical Laboratory Improvement Amendments of 1988 ("CLIA") certification so that ACUT is able to report results for clinical use and to seek reimbursement from the Centers for Medicare and Medicaid Services. At this juncture, management anticipates that it will take at least 18 months to complete these milestones. Once those tasks are complete, we plan to initially launch *StemPrintER* in the US; hence, why commercialization in 2025 is the Company's target launch timeframe.

While we believe ACUT could commence commercialization immediately, we believe that management, which has significant product introduction M&A experience, has correctly elected to take a more prudent approach that can offer greater levels of success, by targeting 2025 as the commercialization year. By launching its assays in 2025, ACUT can leverage its deep data, KOL relationships, and other lab-based testing capabilities to foster a greater sales run-rate.

Other Solid Tumor Indications

In addition to the breast cancer assay, ACUT is in the analytical validation stage for early-stage lung cancer and localized prostate cancer. Management believe that significant opportunity exists to expand its product portfolio given the broad applicability of tumor "stemness", which has been evaluated in these and other solid tumor cancers. Thus, the *StemPrintER* platform could have meaningful clinical utility beyond breast cancer. As such, ACUT is in the early stages of validating *StemPrintER* for additional different tumor types.

A test for early-stage lung cancer has an initial addressable market of 416,000 patients annually out of more than 2M new lung cancer diagnoses each year. At present, no genomic tests to inform surgical approach or the

benefits of radiation, providing a wide open opportunity for ACUT, as it continues along the research spectrum. Management believes that *StemPrintER* may inform treatment planning in patients with early- stage lung cancer by evaluating the underlying "stem" biology of tumors.

The Company's opportunity in localized prostate cancer is intriguing, and could supersede the early-stage lung cancer indication. At present, there are more than 1.4M new prostate cancer diagnoses annually and no genomic tests offered to inform on the approach to definitive treatment such as surgery, radiation, or ablation. StemPrintER may be well positioned to evaluate the stemness factor here for roughly one third of the patients diagnosed annually, and with a CMS pricing similar to the breast cancer assay.

THE ACCUSTEM LEADERSHIP TEAM

The ACUT team is unusually strong for an early-stage life sciences company. Notably, this strength is not just in the historical product introduction and company exit successes of the executive team. These individuals have a history of success together at previous firms. Moreover, the Company's board of directors is similar to midcap sized life sciences firms, rather than a microcap. Against this backdrop, investors should feel confident in management's ability to lead ACUT to sales growth and ultimately an exit in the form of a buyout by a larger player in the space.

Corporate Executives

Wendy Blosser, Chief Executive Officer, Director

Wendy E. Blosser has served as our Chief Executive Officer since March 2022. Prior to joining our company, Ms. Blosser held various roles launching, relaunching and building organizations in the diagnostic, surgical and capital spaces, with a primary focus in oncology and women's health. Prior to joining us, Ms. Blosser took a one-year sabbatical for personal reasons. From May of 2019 through March 2021, Ms. Blosser served as Chief Commercial Officer at Agendia N.V. From March 2018 to May 2019, Ms. Blosser held multiple executive roles for the Caravel Ventures portfolio (Animated Dynamics, Strand Diagnostics). From February 2015 to March 2018, Ms. Blosser was Vice President of Sales (February 2015 to March 2017) and then Chief Commercial Officer (March 2017 to March 2018) for Biodesix. Prior to that, Ms. Blosser served as VP of Sales with Integrated Oncology (LabCorp subsidiary). Ms. Blosser began her career in diagnostics at Cytyc Corporation holding several leadership positions in her eight years with the company. We believe Ms. Blosser's background launching and relaunching products in the diagnostics space, experience providing advisory support to various companies and track record in corporate leadership roles qualifies her to be a member of the Board of Directors.

Jeff Fensterer

Jeff Fensterer has been our Chief Operating Officer since December 2021. Prior to joining us, Mr. Fensterer served as Vice President of Global Marketing and Market Strategy at Agendia N.V. from July 2019 to December 2021. During that time, he led product strategy to commercialize novel technologies and developed a marketing program resulting in strong sales volume and revenue growth. From March 2018 to June 2019, Mr. Fensterer held multiple leadership roles for the Caravel Ventures portfolio (Animated Dynamics, Strand Diagnostics). From February 2015 to March 2018, Mr. Fensterer held various commercial leadership roles including Senior Director

of Commercial Strategy for Biodesix. Mr. Fensterer received an MBA from Carnegie Mellon Tepper School of Business in May 2015 and a BS degree from Saint Vincent College in May 2001.

Joe Flanagan, Chief Business Officer

Joe Flanagan has been our Chief Business Officer since January 2022. Mr. Flanagan has more than 25 years of sales excellence experience and is a strategic expert, playing a leading role in the commercial development and successful launch of several product offerings from early-stage diagnostic startups to large pharmaceutical companies. Prior to joining us, from April 2021 to January 2022, Mr. Flanagan held a commercial leadership role with Ambry Genetics in their oncology franchise. From July 2019 to March 2021, Mr. Flanagan served as the Vice President of Market Development for Agendia N.V. where he led strategic sales initiatives. From July 2018 to July 2019, he was Vice President of Sales for Circulogene where he led the company's efforts to sell blood-based genomic and genetic testing for patients with cancer. From March 2015 through July 2018, Mr. Flanagan was the Area Vice President of Sales, East for Biodesix where he was responsible for sales and revenue for the Eastern United States.

Keeren Shah, Chief Financial Officer

Keeren Shah has been our Chief Financial Officer since August 2021. Ms. Shah has also served as the Chief Financial Officer of OKYO Pharma Limited since March 2021 and the Finance Director of Tiziana Life Sciences Limited and Rasna Therapeutics, Inc. since August 2020, having previously served as the Financial Controller for Tiziana and its related companies from June 2016 to July 2020. Previously, Ms. Shah spent ten years at Visa, Inc. as a senior leader in its finance team where she was responsible for key financial controller activities, financial planning and analysis, and core processes as well as leading and participating in key transformation programmes and Visa Inc.'s initial public offering. Before joining Visa, Ms. Shah also held a variety of finance positions at other leading companies including Arthur Andersen and BBC Worldwide. She holds a Bachelor of arts with honours in Economics and is a member of the Chartered Institute of Management Accountants.

Board of Directors (non-operating members)

Gabriele Cerrone, Executive Chairman

Mr. Gabriele Marco Antonio Cerrone has served as a director of our company since March 2021. Mr. Cerrone founded ten biotechnology companies in oncology, infectious diseases and molecular diagnostics, and has listed seven of these companies on Nasdaq, two on the London Stock Exchange Main Market and AIM Market in London. Mr. Cerrone founded Tiziana Life Sciences Ltd. and has been its Executive Chairman since April 2014. Mr. Cerrone co-founded Cardiff Oncology, Inc., an oncology company and served as its Co-Chairman; he was a co-founder and served as Chairman of both Synergy Pharmaceuticals, Inc. and Callisto Pharmaceuticals, Inc. and was a Director of and led the restructuring of Siga Technologies, Inc. Mr. Cerrone also co-founded FermaVir Pharmaceuticals, Inc. and served as Chairman of the Board until its merger in September 2007 with Inhibitex, Inc. Mr. Cerrone served as a director of Inhibitex, Inc. until its US$2.5bn sale to Bristol Myers Squibb Co in 2012. Mr. Cerrone is the Co-Founder of Rasna Therapeutics Inc., a company focused on the development of therapeutics for leukemias; Co-Founder of Hepion Pharmaceuticals, Inc.; Executive Chairman and Co-Founder of Gensignia Life Sciences, Inc., a molecular diagnostics company focused on oncology using microRNA

technology; and founder of BioVitas Capital Ltd. Mr. Cerrone graduated from New York University's Stern School of Business with a master's degree in business administration (MBA). We believe Mr. Cerrone's business and financial expertise qualifies him to be a member of the Board.

Willy Simon, Director

Mr. Simon has served as a director of the company since March 2021. He is a banker and worked at Kredietbank N.V. and Citibank London before serving as an executive member of the Board of Generale Bank NL from 1997 to 1999 and as the chief executive of Fortis Investment Management from 1999 to 2002. He acted as chairman of Bank Oyens & van Eeghen from 2002 to 2004. He was chairman of AIM-tradedVelox3 plc (formerly 24/7 Gaming Group Holdings plc) until 2014 and had been a director of Playlogic Entertainment Inc., a Nasdaq OTC listed company. Willy Simon has been the chairman of Bever Holdings, a company listed in Amsterdam, since 2006 and Chairman of Ducat Maritime since 2015. He is also a non-executive director of OKYO Pharma Ltd. and Tiziana Life Sciences Ltd. We believe Mr. Simon's business expertise qualifies him to be a member of the Board.

John Brancaccio, Director

Mr. Brancaccio, a retired CPA, has served as a director of our company since March 2021 . From April 2004 until May 2017, Mr. Brancaccio was the Chief Financial Officer of Accelerated Technologies, Inc., an incubator for medical device companies. Mr. Brancaccio served as a director of Callisto Pharmaceuticals, Inc. from April 2004 until its merger with Synergy Pharmaceuticals, Inc. in January 2013 and has been a director of Tamir Biotechnology, Inc. (formerly Alfacell Corporation) since April 2004, as well as a director of Hepion Pharmaceuticals, Inc. since December 2013, Rasna Therapeutics, Inc. since September 2016, Okyo Pharma Ltd. since June 2020 and Tiziana Life Sciences Ltd. since July 2020. Mr. Brancaccio served as a director of Synergy from July 2008 until April 2019. We believe Mr. Brancaccio's financial experience qualifies him to be a member of the Board.

Sean McDonald, Director

Mr. McDonald has served as a director of our company since November 2022. Since January 2015, Mr. McDonald has been President and CEO of Ocugenix, Inc., a biotech company focused on ocular diseases. From 2015 to 2016 Mr. McDonald was a venture partner with Adams Capital Management, a venture capital firm specializing in early-stage applied technology investments. Prior to that, from 2001 to 2014, Mr. McDonald served as the CEO of Precision Therapeutics, one of the first biotechnology companies to marry breakthroughs in understanding of cancer biology and the use of machine learning with the goal of developing products that would help cancer patients get the most effective cancer treatment. We believe Mr. McDonald's business and management experience qualifies him to be a member of the Board.

FINANCIALS SNAPSHOT

As is typically the case with pre-revenue companies, there isn't a great deal to report regarding its corporate expenses, beyond its developmental roadmap. Given that the valuation drivers relate to a planned secondary offering and a concurrent NASDAQ up-list, along with the commencement of sales, our focus is on these

milestone events. At present, we forecast that the Company could raise gross proceeds of around $11M in the second half of 2023. While it is impossible to predict a potential pre-reverse split stock price, we have elected to use a $1.00 per share pricing, which would essentially double the shares outstanding to roughly 22M common shares outstanding. Again, since we cannot accurately forecast the share price and subsequent reverse split ratio, our target price reflects the funding but not the post-reverse split.

Looking ahead, the Company could receive CPT codes and Medicare's coding from it Molecular Diagnostic Test program, in 2024. During 2024, ACUT will actively build its operational and sales infrastructure including the CLIA-approved lab, its lineup of KOLs, new ACUT's relationships and 3rd party distributors. Since the accepted pricing for the test can vary by insurers, we have elected to utilize the $3873 figure afforded ACUT's peers for their tests, as a potential unit sales price. For 2025, we project 1500 units could be sold, generating $5.8M in revenue, and 4000 units could be sold in 2026, bringing revenue to the $15.5M level. It should be noted that gross margin is projected to reach a healthy 75%, and this figure could prove to be low, as volumes increase or insurers elect to pay greater than the $3873 figure. As a corollary, the Company's peers generate similar gross profit margins.

We have discussed the qualitative reasons why ACUT is likely an attractive target for acquisition by larger peers, just for its breast cancer test. We should note that ACUT is attractive on a quantitative basis as well. A firm with an installed base of salespeople in the channel could begin to generate positive EBITDA with a relatively low number of assay sales. Moreover, with sunken costs on the R&D side, and IP for its platform, a swift, meaningful ROI for the prostate or lung indications could be in the cards in 2026 as well.

As noted in Table I, the ACUT peer group currently trades 5.1x and 4.6x FY23E and FY24E revenue, respectively. Our contention is that ACUT could be acquired in the next 12-18 months at a price/revenue multiple of 5.5x FY25E projected sales, discounted back two years at a 15% rate. This metric represents a modest premium to the forward calendar year multiple of 4.5x for FY24E for the peer group, reflecting a substantially higher growth rate. We should note that most companies in the space are losing money. With a 75% gross margin, we forecast operating and net profit for the Company for Year 2 of sales.

Table I. ACUT Publicly-Traded Peer Group

Company Name	Symbol	Price (6/12/23)	Mkt Cap (mil)	FY23E Revs (mil)	FY24E Revs (mil)	23E - 24E Revs Growth	2023E Price/Revs	2024E Price/Revs
Exact Sciences	EXAS	$93.38	$16,853	$2,410	$2,730	13.3%	7.0	6.2
Hologic	HOLX	$81.04	$19,981	$4,010	$4,180	4.2%	5.0	4.8
Myriad Genetics	MYGN	$22.94	$1,871	$742	$800	7.8%	2.5	2.3
Veracyte	VCYT	$26.52	$1,921	$335	$381	13.7%	5.7	5.0
Average			$10,157	$1,874	$2,023	10%	*5.1*	*4.6*

Sources: www.Yahoo!Finance.com, Company websites, GSCR

Following a review of the peers, we believe that given **Exact Sciences (NASDAQ: EXAS)** and **Hologic (NASDAQ: HOLX)** offerings and positioning, these two firms could represent two of the more logical future acquirers. Both firms have a big presence in breast and female health and would likely welcome a complementary diagnostic product, particularly in the women's health market. Further, any acquirer would likely be able to grow sales at an even higher rate, and generate enviable operating profit, given their installed base of customers and the ACUT flagship's unique value-added features that solves a major unmet need.

RISK FACTORS

In our view, the Company's near term risk is related to receipt timing of CPT codes and CMS pricing for its *StemPrintER* breast cancer testing platform. Given the impressive prognostic results in identifying the surgery approach, the biggest risk in our view is related to the timing and magnitude of the sales and marketing ramp. This factor is due to the need to educate the market about stemness to clinicians and patients alike, which can impact the subsequent implementation/utilization of the proprietary diagnostic test. On a secondary basis. It may also initially be difficult for prospective patients or those in key channels to differentiate ACUT's platform from the competition. Competitive risks may also include lower pricing, more effective sales/marketing, and overall greater business model efficacy

The aforementioned risks could come from larger competitors, existing firms, or new entrants. Still, these future concerns are consistent with firms of ACUT's size and standing. Moreover, we believe that ACUT's seasoned management team is prepared to overcome these hurdles and generate significant interest, leading to broad deployment and significant, future top-line growth.

Volatility and liquidity are typical concerns for microcap stocks that trade on the over the counter (OTC) stock market. Management is seeking to raise funds in a public offering and concurrent up-list to the NASDAQ exchange to fund corporate development, product sales and overall expansion. An overriding financial benefit as a public company is the favorable access to and the availability of capital to fund product launches, consistent marketing campaigns and other initiatives. Since the proceeds of any future funding would be used in large part to advance development, infrastructure, and sales of its lead platform for specific cancer indications, we believe that any dilutive effect from such a funding could be offset by related increases in market value.

VALUATION AND CONCLUSION

Leveraging the strength of its novel, proprietary technology and its first-rate leadership team, we believe that ACUT is poised to alter the current cancer diagnostics landscape. While the medical community recognizes the value of the company's utilization of stemness for improved patient outcomes, no firm has been able to successfully utilize the approach. ACUT's innovative assay measures stemness, which can predict the risk of treatment resistance or distant recurrence in cancer patients. Moreover, the assay appears able to identify the ideal type of surgery for cancer patients, since it is provided at an earlier time than other diagnostic tests.

ACUT's initial indication is for early-stage breast cancer, a $1.3B global market. Other indications under development include early-stage lung cancer and localized prostate cancer.

Our forecasts suggest full commercialization will commence in 2025, with revenue reaching $5.8M and $15.5M in 2026, with a 14.6% operating margin. Most of ACUT peers are not profitable. With a series of milestones ahead, the 12-18-month (pre-reverse stock split) price target for this potential acquisition candidate is $2.90. This figure is based on a revenue multiple, discounted back two years (end of 2024). Specifically, our price target reflects a 5.5x multiple on 2026E forecasted revenue of $15.5M, discounted back at a 15% discount rate.

Finally, given the unique, enviable traits of the Company's proprietary technology, we believe that ACUT could emerge as an attractive acquisition target in the upcoming quarters and would not be surprised if the acquisition price was in the neighborhood of, or greater than, our current target price.

Table II. Accustem Sciences Inc.
Pro Forma Projected Income Statement
December Fiscal Year

	FY22A	FY23E	FY24E	FY25E	FY26E
REVENUE	**$0**	**$0**	**$0**	**$5,809,000**	**$15,492,000**
COGS				$1,452,250	$3,873,000
Gross Profit				**$4,356,750**	**$11,619,000**
Operating Expenses					
Sales and Marketing			($300,000)	($1,200,000)	($2,000,000)
Research & Development	($266,933)	($1,000,000)	($1,200,000)	($1,400,000)	($1,750,000)
General & Administrative	($3,479,486)	($3,800,000)	($4,300,000)	($4,900,000)	($5,600,000)
Total Operating Expenses	**($3,746,419)**	**($4,800,000)**	**($5,800,000)**	**($7,500,000)**	**($9,350,000)**
Operating Income (Loss)	**($3,746,419)**	**($4,800,000)**	**($5,800,000)**	**($3,143,250)**	**$2,269,000**
Operating Margin	*N/A*	*N/A*	*N/A*	*N/A*	*14.6%*
Net Loss	**($3,746,419)**	**($4,800,000)**	**($5,800,000)**	**($3,143,250)**	**$2,269,000**
Net Loss Per Share	**($0.34)**	**($0.27)**	**($0.26)**	**($0.13)**	**$0.09**
Est. Shares Outstanding	11,016,165	18,000,000	22,000,000	24,000,000	26,000,000

Sources: Accustem, SEC, GSCR

Table III. Accustem Sciences Inc.
Balance Sheet: 12/31/22

Current Assets	
Cash	$733,978
Related party receivable	$0
Prepaid expenses	168,430
Other current assets	$29,603
Total Current Assets	**$932,011**
Non-Current Assets	
Equp, net	$7,678
Total Non Current Assets	**$7,678**
TOTAL ASSETS	**$939,689**
Current Liabilities	
Accounts payable	$311,834
Related party payable	$142,229
Accrued expenses	$518,625
Note payable	$106,551
Total Current Liabilities	**$1,079,239**
TOTAL LIABILITIES	**$1,079,239**
SHAREHOLDER'S EQUITY	
Pref stock, common stock	11,346
Additional paid-in capital	4,320,385
Accumulated deficit	($4,471,281)
TOTAL EQUITY	**($139,550)**
TOTAL LIABILITIES & EQUITY	**$919,689**

Sources: Accustem and GSCR

RECENT TRADING HISTORY FOR ACUT

(Source: www.StockTA.com)

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Rob Goldman founded Goldman Small Cap Research in 2009 and has over 25 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

ANALYST CERTIFICATION

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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