

ALTERNET SYSTEMS, INC.

New Strategy + New Orders = New Momentum

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ALTERNET SYSTEMS, INC. (OTC – ALYI - Price \$0.0087)	
Price Target: \$0.09	Rating: Speculative Buy

COMPANY SNAPSHOT

Alternet Systems, Inc. is focused on offering varied, environmentally sustainable, energy storage solutions for targeted markets, including consumer electric vehicles and military applications. The first product category is lithium battery-powered motorcycles, to be followed by motorbikes. These products are released through its newly launched ReVolt Electric Motorbikes subsidiary.

KEY STATISTICS

Price as of 9/14/18	\$0.0087
52 Week High – Low	\$0.038 - \$0.006
Est. Shares Outstanding	176.9M
Market Capitalization	\$1.5M
30-Day Average Volume	1 231,268
Exchange	OTCPK

COMPANY INFORMATION

Alternet Systems, Inc.

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INVESTMENT HIGHLIGHTS

Conclusion: Since our initiation of coverage in May 2018, ALYI has evolved from an R&D firm to an innovative, revenue-generating company with a revised approach that could generate greater results than originally forecast. Thus, we reiterate our \$0.09 price target.

Upgraded Strategy: Management has revised its approach from offering products exclusively using Lithium-ion battery solutions to engaging in an agnostic energy storage approach to its markets. ALYI is now free to utilize best-of-class and best price approaches, including graphene, solar, fuel cells, sodium-ion and others. This shift offers greater upside, in our view.

New \$1M Order: ALYI recently received its first order for its *ReVolt Electric Motorcycle*, a 100-unit order valued at \$1 million, to support a new inner-city shared ride initiative in Africa. We believe this that this deal will result in follow-on orders and new sales to other channels and geographies. An announcement by Uber that it is now targeting the use of motorbikes and scooters for short trips is clearly having an impact on interest in the space.

Spin-off coming: ALYI's planned ReVolt public spin-off in the coming quarters should increase shareholder value.

Catalysts Ahead: As ReVolt achieves production, design and sales milestones, the value of ALYI and this subsidiary, prior to its future spin-off, could serve as major catalysts for ALYI shareholders. Plus, entrance into new markets such as the military could prove to be a bonus for investors.

THE LATEST

New Approach

Alternet Systems, Inc. (OTC - ALYI – Speculative Buy) has been quite busy since our May 2018 coverage initiation. ALYI has shifted its strategy to an approach, that in our view, offers greater upside for the Company and investors. Specifically, management has revised its emphasis from offering products exclusively using Lithium-ion battery solutions to the exploration of varied energy storage products for the electric vehicle market and a new vertical, the military. One new category is graphene-based supercapacitors. Current graphene-based supercapacitors can now store almost as much energy as lithium-ion batteries, charge and discharge in seconds and maintain this activity over tens of thousands of charging cycles. Other alternatives being considered include fuel cells, photosynthesis, solid state technologies, sodium-ion, solar, foam, aluminum graphite, and sand. It should be noted that most of these alternatives are safer and more abundant than Lithium. It should be noted that management intends to partner with universities and R&D organizations to commercialize their technologies via the introduction of new, high-growth, technology applications.

Industry Momentum

The Company has seen an increased interest from prospective strategic investors since Uber announced a shift away from cars to electric bikes and scooters for short trips. Alternet Systems introduced a strategy last year to commercialize advanced energy storage technologies by integrating the technologies into specific products and services. Alternet's leading project is housed in a subsidiary recently launched by the Company called ReVolt Electric Motorbikes. Alternet's ReVolt has its first electric motorcycle in pilot production now. Uber has recognized the trend toward electric bike and scooter transportation within inner cities after Alternet had already launched a business strategy to deliver electric vehicles for this market with a special emphasis in Africa. Uber currently has 2 million regular users in Africa and 29,000 registered drivers. Alternet management reports that the company is receiving an increased number of emails and calls from investors interested in learning more about the ReVolt subsidiary. Management is optimistic that Uber's move will result in an opportunity for Alternet to realize accelerated growth in this category.

A \$1M Order

In a surprise event, ALYI recently announced that it received an order worth \$1 million for 100 of its ReVolt Electric Motorcycles. It is a surprise because we believed that initial orders would be generated on the consumer side in the U.S. first, which would be used to fund the commercialization of the technology. That event was to be followed by commercial orders abroad in a second stage. This shift, in our view, bodes very well for the Company and management is leveraging this deal as part of its overall go-to-market strategy.

The recently announced 100-unit order is intended to support a new inner-city shared ride initiative in Africa. The ReVolt Electric Motorcycle is a stylish retro design with a rugged structure coming with two saddle seats and a side car. Alternet's ReVolt Electric Motorcycle is currently in pilot production. The order is contingent on a successful test of the pilot electric motorbike expected to take place before the end of this year. If the test is successful, the first 30 electric motorcycles will then go into production. The total order calls for a phased delivery over a 2-year period.

FUTURE “DRIVERS”

ReVolt has partnered with a manufacturing company to first produce a motorcycle based on the 1930's BMW R71 motorcycle with sidecar utilized by the German Army in WWII (think Steve McQueen in *The Great Escape*). The ReVolt *Classic Electric Motorbike with Sidecar* will be powered by an electric motor utilizing an Alternet Systems designed lithium battery solution. Initial production runs and sales in the U.S. are expected to occur this year, with future product designs and commercial sales in and emerging markets (such as the Africa deal) slated to continue next year.

The expected growth in the fuel cell electric vehicle market is enormous and management has targeted a key segment that offers significant potential. According to a just-released report by Global Market Insights, the market is slated to surpass the \$9 billion mark by 2024. Moreover, e-bikes, ReVolt's flagship product segment, is expected to account for as much as nearly 25% of the entire fuel cell vehicle market—yet it is not as crowded as the traditional electric vehicle market, which serves as a major advantage for the Company. This figure is driven (pun intended) by huge sales growth and market penetration expectations in emerging markets, as a result of the relative affordability and practicality of e-bikes over automobiles and as a replacement for current motorbikes.

Looking ahead, Alternet management seeks to increase shareholder value by spinning off subsidiaries such as ReVolt via Reg A+ public offerings and subsequent subsidiary fund-raising. In this fashion, Alternet will serve in a role as a holding company that maintains the critical IP assets while each subsidiary operates in its own industry-specific commercial niche, leveraging/licensing the IP. As a result, Alternet shareholders can generate outsized returns via direct ownership in the Company, along with a stock dividend in the subsidiaries that are spun-off.

We believe that Alternet's stock should trade at a significantly higher price given its varied approach, evolution from an R&D firm to a revenue-generating company, and momentum, which could fuel sales up to the \$3-5M next year. Moreover, as ReVolt achieves production, design and sales milestones, the value of the subsidiary ahead of its future spin-off could serve as a major bonus for ALYI shareholders as well. Thus, we reiterate our \$0.09 price target.



SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 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*.

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