

# HeartCore Enterprises, Inc.

(HTCR) (NASDAQ)

**NR**

Risk Rating: H

Price: \$0.75

**Revenue Increased 39% in 2024; Sustained Growth in Software Expected for 2025; Lower 2025, Increase 2026, Expectations As HTCR Addresses Go IPO Challenges; Note Stronger Finances**

<b>Aashi Shah</b> (212) 453-7026 (ashah@sidoti.com)	<b>EPS ESTIMATES</b>							
		<b>2023</b>	<b>2024E</b>		<b>2025E</b>		<b>2026E</b>	
			<b>OLD</b>	<b>NEW</b>	<b>OLD</b>	<b>NEW</b>	<b>OLD</b>	<b>NEW</b>
	Mar.	\$0.10	(\$0.06) A		(\$0.01)		\$0.00	
	June	(0.04)	(0.09) A		(0.01)	(\$0.02)	\$0.00	\$0.01
	Sep.	(0.11)	0.53 A		0.03	0.01	\$0.02	
	Dec.	(0.14)	0.00	(\$0.44) A	0.04	0.01	\$0.02	
	<b>EPS</b>	<b>(\$0.21)</b>	<b>\$0.39</b>	<b>(\$0.07)</b>	<b>\$0.05</b>	<b>(\$0.01)</b>	<b>\$0.04</b>	<b>\$0.05</b>
	<b>P/E</b>		<b>3.9x</b>	<b>NM</b>	<b>30.4x</b>	<b>NM</b>	<b>18.8x</b>	<b>15.0x</b>
<b>Key Statistics</b>								
<b>Market Cap (Mil)</b>	<b>\$18</b>							
<b>Enterprise Value (Mil)</b>	<b>\$25</b>							
<b>52-Week Range</b>	<b>0.55-3.38</b>							
<b>5-Year EPS CAGR</b>	<b>NA</b>							
<b>Avg. Daily Trading Volume</b>	<b>296,663</b>							
<b>Shares Out (Mil)</b>	<b>21,181</b>							
<b>Float Shares (Mil)</b>	<b>5,134</b>							
<b>Insider Ownership</b>	<b>75%</b>							
<b>Institutional Holdings</b>	<b>25%</b>							
<b>Date of IPO</b>	<b>02/11/22</b>							
<b>Price of IPO</b>	<b>\$5.06</b>							
<b>FCF Per Share (2026E)</b>	<b>\$0.09</b>							
<b>FCF Yield (2026E)</b>	<b>9.6%</b>							
<b>Net Cash Per Share (2026E)</b>	<b>\$0.09</b>							
<b>Price to Book Value</b>	<b>11.0x</b>							
<b>Return on Equity (2026E)</b>	<b>NM</b>							
<b>Total Debt to Capital</b>	<b>74%</b>							
<b>Interest Coverage Ratio</b>	<b>NM</b>							
<b>Russell 2000</b>	<b>2285</b>							
<b>Russell 2000 – Last 12 Months</b>	<b>13.59%</b>							
<b>HTCR – Last 12 Months</b>	<b>172.9%</b>							
<b>Auditor – MaloneBailey, LLP</b>								
<b>COMPANY DESCRIPTION</b>	<p>HeartCore Enterprises, Inc. (HTCR), with headquarters in Japan, provides expertise in software as a service (SaaS) solution to large enterprises and government clients locally and globally. The company has a customer experience management platform and a digital transformation business. The company also provides consulting services to companies based in Japan to help them list on U.S. exchanges. To date, the company has signed 14 clients, four of which have completed initial offerings.</p>							
	<b>Price Chart</b>			<b>Rev. (Mil.)</b>		<b>GAAP EPS</b>		
								
	<b>INVESTMENT SUMMARY</b>							
	<ul style="list-style-type: none"> <li>HeartCore Enterprises (HTCR) reported 4Q:24 results with revenue of \$3.4 million (up 3% year over year), compared to our estimate of \$4.7 million. For 2024 HeartCore Enterprises (HTCR) reported revenue of \$30.4 million, up 39% year over year but below our estimate of \$31.7 million.</li> <li>For the full year gross margin expanded significantly to 59%, up from 37% in the prior year, benefiting from higher Go IPO revenue with no associated costs. In 4Q:24 gross margin increased to 17%, up from 3% in 4Q:23.</li> <li>HTCR's strategic transition to a SaaS delivery model and multiyear licensing agreements contributed to a 104% year-over-year revenue increase for the CXM platform in 4Q:24 and added 35 new clients during the year.</li> <li>Management remains optimistic about Go IPO deals materializing in the second quarter of 2025, along with the expansion of the Go IPO business into additional APAC regions.</li> <li>For 2025, we lower our revenue to \$19 million from \$20 million, to reflect slowdown in Sigmaxways, as the subsidiary is in a highly competitive market.</li> <li>As of December 31, 2024, HeartCore's net working capital increased to \$2 million, reversing the previous year's negative position and improving the company's current ratio to 1.3, up from 0.8 in the prior year.</li> <li>Our high-risk rating reflects challenges in the Go IPO business, a highly competitive and fragmented digital transformation market, and the impact of exchange rates on revenue.</li> </ul>							

**HeartCore Enterprises (HTCR) reported 4Q:24 revenue of \$3.4 million, up 3% year-over-year, below our estimate of \$4.7 million.** The revenue came in below our estimate mainly due to Sigmaways losing two major clients that impacted revenue by a million dollars. 2024 revenue of \$30.4 million, up 39% year-over-year, below our estimate of \$31.7 million. HTCR's revenue growth was primarily driven by warrants revenue linked to the successful NASDAQ listings of two Go IPO consulting clients. The customer experience management (CXM) platform exceeded expectations, delivering 23% year-over-year growth compared to our 20% estimate. Go IPO revenue aligned with projections, surging 137% year-over-year. However, Sigmaways revenue declined 11% year-over-year, missing our forecast of 4% growth due to heightened market competition and reduced customer orders. Gross margin expanded significantly to 59%, up from 37% in the prior year, benefiting from higher Go IPO revenue with no associated costs. Operating expenses increased 46% year-over-year to \$17.8 million, primarily due to a one-time \$7.2 million impairment charge on Sigmaways' goodwill and intangible assets. Excluding this charge, operating expenses declined 13% year-over-year, reflecting the company's disciplined cost management. This led to a net loss of \$5.2 million, compared to \$4.9 million in the previous year. As of December 31, 2024, the company had \$2.1 million in cash and cash equivalents, up from \$1.0 million a year prior.

**Enhancing the CXM platform through SaaS expansion and strategic licensing and navigating Go IPO revenue decline is the current challenge.** HeartCore's strategic transition of its CMS platform to a SaaS delivery model, alongside a shift toward multiyear licensing agreements, is poised to drive substantial growth in the CXM segment. These initiatives contributed to a 104% year-over-year revenue increase for the CXM platform in 4Q:24. Throughout the year, HTCR added 35 new clients to its software business, bringing the total customer base to over 1,008. Of these, 72% were paying customers, up from 71% in 2023, while the remaining users accessed the platform through its freemium offerings. The consulting segment saw no new deal signings in the fourth quarter, and no companies completed their public listings during the period. However, management remains optimistic about Go IPO deals materializing in the second quarter, along with the expansion of the Go IPO business into additional APAC regions. Additionally, of the four companies expected to go public soon, one has withdrawn from the process, while the remaining three are on track to list in Q2 2025.

**We lower our 2025 estimates to reflect lower expected consulting revenue and modestly increase our 2026 estimates.**

For 2025, we project revenue of \$18.6 million, reflecting a 39% year-over-year decline due to challenging comparisons in the consulting segment. We lower our revenue estimate by 2% to reflect slowdown in Sigmaways, as the subsidiary is in highly competitive market. We anticipate \$17 million in software revenue, representing 15% growth, while consulting revenue is expected to remain below \$1 million, as no new deals were signed in the first quarter. We now estimate a loss of \$0.01 a share (from EPS of \$0.05) for 2025. For 2026, we now estimate revenue of \$20 million (up 9%), with EPS of \$0.05 (from \$0.04), reflecting persistent growth in the Software segment. Our estimate is a base case scenario where we assume continued growth on the CXM platform, and no new deals are signed, or additional companies begin to trade on NASDAQ. However, any new deals could provide upside potential to our revenue estimates for 2025 and 2026.

**Overall, we view HTCR as having a higher risk profile given the nature of its business, but this risk also comes with potentially higher rewards.** HeartCore's revenue is highly influenced by exchange rates, with 60% of revenue generated by its Japanese subsidiary. The Japanese yen depreciated against the U.S. dollar. The average USD/JPY rate was 151 in 2024 compared to 140 in 2023. Adjusting for currency, 2024 revenue grew 14%. In addition, the company operates in a highly competitive and fragmented digital transformation market, which could affect its ability to sustain growth in its software franchise. Also, the surge in companies seeking Nasdaq listings has slowed significantly in 2024. As with any capital markets-related business, this operating environment is highly cyclical by nature.

HeartCore Enterprises 4Q:24 Review					
US\$ in 000's, except per share	4Q:24 Act.	4Q:24 Est.	4Q:23 Act.	Act. vs Est.	Y/Y % Chg.
<b>Revenue</b>					
Software Segment	\$3,287	\$4,462	\$3,520	-26%	-7%
Consulting Segment	126	230	-230	-45%	-155%
<b>Total Revenue</b>	<b>\$3,444</b>	<b>\$4,733</b>	<b>\$3,327</b>	<b>-27%</b>	<b>3%</b>
Gross Profit	572	2,130	97	-73%	489%
Margin	17%	45%	3%		
Net Income	-9,255	-246	(2,853)	3662%	NM
<b>Adjusted EPS</b>	<b>-\$0.44</b>	<b>\$0.00</b>	<b>-\$0.14</b>	<b>NM</b>	<b>NM</b>

Source: Company reports & Sidoti & Co., LLC Estimates

HEARTCORE ENTERPRISES, INC.

HeartCore Enterprises

Income Statement

US\$ in thousands

	Quarterly Earnings												Annual Earnings				'23-'26 CAGR
	31-Mar 1Q24A	30-Jun 2Q24A	30-Sep 3Q24A	31-Dec 4Q24A	31-Mar 1Q25E	30-Jun 2Q25E	30-Sep 3Q25E	31-Dec 4Q25E	31-Mar 1Q26E	30-Jun 2Q26E	30-Sep 3Q26E	31-Dec 4Q26E	31-Dec 2023A	31-Dec 2024A	31-Dec 2025E	31-Dec 2026E	
<b>Revenue</b>	\$ 5,047	\$ 4,066	\$ 17,850	\$ 3,444	\$ 4,827	\$ 4,648	\$ 4,921	\$ 3,780	\$ 5,221	\$ 5,134	\$ 5,382	\$ 4,143	\$ 21,846	\$ 30,407	\$ 18,177	\$ 19,880	-3%
Cost of sales	3,015	3,261	3,433	2,871	2,896	3,021	2,559	2,004	2,992	2,927	2,960	2,241	13,778	12,579	10,480	11,120	
<b>Gross profit</b>	<b>2,032</b>	<b>806</b>	<b>14,417</b>	<b>572</b>	<b>1,931</b>	<b>1,627</b>	<b>2,362</b>	<b>1,777</b>	<b>2,229</b>	<b>2,208</b>	<b>2,422</b>	<b>1,902</b>	<b>8,067</b>	<b>17,828</b>	<b>7,697</b>	<b>8,761</b>	
Sales and marketing expenses	220	179	243	613	241	279	246	189	261	274	287	207	1,516	1,255	955	1,029	
General and administrative expenses	2,406	2,022	1,967	2,228	1,931	1,859	1,870	1,474	2,088	2,020	2,099	1,616	9,651	8,624	7,134	7,823	
Research and development expenses	89	111	108	422	97	93	98	76	283	103	108	130	1,019	730	364	623	
Impairment of intangible assets	0	0	0	3,878	0	0	0	0	0	0	0	0	0	3,878	0	0	
Impairment of goodwill	0	0	0	3,276	0	0	0	0	0	0	0	0	0	3,276	0	0	
Total operating expenses	2,715	2,313	2,317	10,418	2,269	2,231	2,214	1,739	2,632	2,396	2,494	1,953	12,187	17,763	8,453	9,475	-8%
<b>Operating Profit/ (Loss)</b>	<b>-683</b>	<b>-1,507</b>	<b>12,100</b>	<b>-9,845</b>	<b>-338</b>	<b>-604</b>	<b>148</b>	<b>38</b>	<b>-403</b>	<b>-188</b>	<b>-72</b>	<b>-51</b>	<b>-4,119</b>	<b>65</b>	<b>-757</b>	<b>-714</b>	
Change in fair value of investments in marketable securities	-234	-196	122	-2,104	-150	-150	-150	-150	150	150	150	150	-616	-2,412	-600	600	
Interest income	3	2	11	3	3	3	3	3	3	3	3	3	71	19	13	13	
Interest expenses	-37	-37	-31	-39	-39	-39	-39	-39	-39	-39	-39	-39	-163	-144	-156	-156	
Government grants	0	0	0	0	0	0	0	0	0	0	0	0	77	0	0	0	
Other income	97	38	24	102	102	102	102	102	102	102	102	102	366	261	408	408	
Other expenses	-25	-24	-82	-293	-293	-293	-293	-293	-293	-293	-293	-293	-125	-425	-1,174	-1,174	
Total other income (expenses)	-875	-776	-1,058	-2,705	-351	-351	-351	-351	-50	-49	-48	-47	-891	-5,414	-1,404	-194	
<b>Earnings before Tax</b>	<b>-1,558</b>	<b>-2,283</b>	<b>11,042</b>	<b>-12,550</b>	<b>-689</b>	<b>-955</b>	<b>-203</b>	<b>-313</b>	<b>-453</b>	<b>-237</b>	<b>-120</b>	<b>-98</b>	<b>-5,010</b>	<b>-5,350</b>	<b>-2,161</b>	<b>-908</b>	
Income tax expense (benefit)	-80	-72	225	-210	-210	-210	-210	-210	-210	-210	-210	-210	-134	-137	-839	-839	
Income tax rate	NA	NA	2%	-2%									NA				
<b>Net Income (Loss)</b>	<b>-1,478</b>	<b>-2,211</b>	<b>10,817</b>	<b>-12,341</b>	<b>-479</b>	<b>-746</b>	<b>6</b>	<b>-103</b>	<b>-243</b>	<b>-28</b>	<b>90</b>	<b>111</b>	<b>-4,877</b>	<b>-5,213</b>	<b>-1,322</b>	<b>-69</b>	
Net loss attributable to non-controlling interests	-145	-260	-241	-3,086	-260	-260	-260	-260	-260	-260	-260	-260	-687	-3,732	-1,040	-1,040	
<b>Net Income (Loss) attributable to HTCR</b>	<b>\$ (1,333)</b>	<b>\$ (1,951)</b>	<b>\$ 11,058</b>	<b>\$ (9,255)</b>	<b>\$ (219)</b>	<b>\$ (486)</b>	<b>\$ 266</b>	<b>\$ 157</b>	<b>\$ 17</b>	<b>\$ 232</b>	<b>\$ 350</b>	<b>\$ 371</b>	<b>\$ (4,190)</b>	<b>\$ (1,481)</b>	<b>\$ (282)</b>	<b>\$ 971</b>	
<b>EPS attributable to HTCR</b>	<b>\$ (0.06)</b>	<b>\$ (0.09)</b>	<b>\$ 0.53</b>	<b>\$ (0.44)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>	<b>\$ (0.21)</b>	<b>\$ (0.07)</b>	<b>\$ (0.01)</b>	<b>\$ 0.05</b>	
Diluted S/O	20,855	20,864	20,864	21,181	21,181	21,181	21,181	21,181	21,181	21,181	21,181	21,181	20,405	20,941	21,181	21,181	
<b>Margin Analysis</b>																	
Gross Margin	40%	20%	81%	17%	40%	35%	48%	47%	43%	43%	45%	46%	37%	59%	42%	44%	
Operating Margin	NA	NA	68%	NA	NA	NA	3%	1%	NA	NA	NA	NA	NA	0%	NA	NA	
Pretax Margin	NA	NA	62%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Net Margin	NA	NA	62%	NA	NA	NA	5%	4%	0%	5%	7%	9%	NA	NA	NA	5%	
<b>As a % of Revenue</b>																	
Cost of sales	60%	80%	19%	83%	60%	65%	52%	53%	57%	57%	55%	54%	63%	41%	58%	56%	
Sales & marketing expenses	4%	4%	1%	18%	5%	6%	5%	5%	5%	5%	5%	5%	7%	4%	5%	5%	
General & admin expenses	48%	50%	11%	65%	40%	40%	38%	39%	40%	39%	39%	39%	44%	28%	39%	39%	
Research & development expenses	2%	3%	1%	12%	2%	2%	2%	2%	5%	2%	2%	3%	5%	2%	2%	3%	
<b>Y/Y Growth</b>																	
Revenue	-42%	-20%	281%	3%	-4%	14%	-72%	10%	8%	10%	9%	10%	148%	39%	-40%	9%	
Cost of sales	-3%	-9%	-11%	-11%	-4%	-7%	-25%	-30%	3%	-3%	16%	12%	152%	-9%	-17%	6%	
Gross profit	-64%	-47%	1640%	489%	-5%	102%	-84%	210%	15%	36%	3%	7%	141%	121%	-57%	14%	
Sales and marketing expenses	-61%	-63%	-11%	231%	10%	55%	1%	-69%	8%	-2%	10%	10%	-46%	-17%	-24%	8%	
General and administrative expenses	-10%	-17%	-9%	-5%	-20%	-8%	-5%	-34%	8%	9%	12%	10%	47%	-11%	-17%	10%	
Research and development expenses	12%	181%	-37%	-42%	8%	-16%	-8%	-82%	193%	10%	9%	72%	59%	-28%	-50%	71%	
Total operating expenses	-19%	-22%	-11%	219%	-16%	-4%	-4%	-83%	16%	7%	13%	12%	21%	46%	-52%	12%	

Source: Company Reports and Sidoti & Co., LLC estimates

HEARTCORE ENTERPRISES, INC.

HeartCore Enterprises

Cash Flow Statement

US\$ in thousands

	31-Mar 1Q24A	30-Jun 2Q24A	30-Sep 3Q24A	31-Dec 4Q24A	31-Mar 1Q25E	30-Jun 2Q25E	30-Sep 3Q25E	31-Dec 4Q25E	31-Mar 1Q26E	30-Jun 2Q26E	30-Sep 3Q26E	31-Dec 4Q26E	31-Dec 2023A	31-Dec 2024A	31-Dec 2025E	31-Dec 2026E
<b>Cash flows from operating activities</b>																
Net income (loss)	-1,478	-2,211	10,817	-12,341	-479	-746	6	-103	-243	-28	90	111	-4,877	-5,213	-1,322	-69
Depreciation and amortization expenses	188	187	187	188	188	188	188	188	188	188	188	188	683	750	752	752
Warrants received as noncash consideration	0	0	-12,970	0									-3,764	-12,970		
Changes in fair value of investments in marketable securities	234	196	-122	2,104									616	2,412		
Changes in fair value of investments in warrants	679	559	-2,869	-26									501	-1,658		
Marketable Securities received as noncash consideration	0	0	-572	0									0	-572		
Loss on sale of warrants	0	0	3,971	0									0	3,971		
Impairment of investment in equity securities	0	0	0	300									0	300		
Impairment of investment in SAFE	0	0	0	75									0	75		
Loss on forgiveness of note receivable	0	0	0	100									0	100		
<b>Changes in assets and liabilities:</b>																
Accounts receivable	-523	-25	-137	492	19	-393	848	153	-700	50	60	383	-338	-193	627	-207
Prepaid expenses	-3,258	3,416	-230	283	1,038	-812	-14	57	150	-163	5	59	359	210	270	51
Accounts payable and accrued expenses	296	-1	-231	317	-580	216	-238	-683	747	-35	-22	-405	533	380	-1,285	284
Accrued payroll and other employee costs	-150	-129	210	72	-96	25	35	-439	361	-21	-5	-169	152	4	-475	165
Operating lease liabilities	-90	-93	-93	-96	0	0	0	0	0	0	0	0	-328	-372	0	0
Income tax payables	-2	-150	171	651	47	38	-139	-167	296	-19	10	-216	162	669	-221	71
Deferred revenue	-300	465	-370	49	778	134	410	-553	617	42	218	-807	553	-157	770	71
Other liabilities	5,061	-4,502	-19	170									64	710	0	0
<b>Net cash from operating activities</b>	<b>\$741</b>	<b>-\$2,202</b>	<b>-\$2,039</b>	<b>-\$1,275</b>	<b>\$915</b>	<b>-\$1,350</b>	<b>\$1,097</b>	<b>-\$1,547</b>	<b>\$1,427</b>	<b>\$13</b>	<b>\$544</b>	<b>-\$854</b>	<b>-\$4,331</b>	<b>-\$4,775</b>	<b>-\$885</b>	<b>\$1,130</b>
<b>Cash flows from investing activities</b>																
Purchases of property and equipment	0	-4	0	-3	-10	-10	-10	-10	-10	-10	-10	-10	-526	-7	-40	-40
Proceeds from disposal of PPE	0	-35	35	0									25	0		
Repayment of loan provided to related party	11	10	10	11									45	42		
Proceeds from sale of marketable securities				750									0	750		
Payment for acquisition of subsidiary, net of cash acquired	0	0	0	0									-725	0		
<b>Net cash from investing activities</b>	<b>\$11</b>	<b>\$5,261</b>	<b>\$46</b>	<b>\$1,032</b>	<b>-\$10</b>	<b>-\$10</b>	<b>-\$10</b>	<b>-\$10</b>	<b>-\$10</b>	<b>-\$10</b>	<b>-\$10</b>	<b>-\$10</b>	<b>-\$1,781</b>	<b>\$6,349</b>	<b>-\$40</b>	<b>-\$40</b>
<b>Cash flows from financing activities</b>																
Payments for finance leases	-4	-4	-4	-4									-22	-17		
Proceeds from short-term & long-term debt	68	0	0	75									710	143		
Repayment of short-term and long-term debts	-207	-74	-172	-102									-711	-555		
Repayment of insurance premium financing	-15	-45	-47	-49									-389	-156		
Net proceeds from factoring arrangement	0	0	0	0									563	0		
Net repayment of factoring arrangement	-383	141	-15	-133									0	-390		
Distribution of dividends	0	-417	-417	0	0	0	0	0	0	0	0	0	0	-835	0	
<b>Net cash from financing activities</b>	<b>-\$475</b>	<b>-\$399</b>	<b>-\$655</b>	<b>\$1,211</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$136</b>	<b>-\$319</b>	<b>\$0</b>	<b>\$0</b>
Effect of exchange rate changes	-71	-72	74	-78									-189	-147	0	
Net change in cash and cash equivalents	<b>\$207</b>	<b>\$2,587</b>	<b>-\$2,574</b>	<b>\$889</b>	<b>\$905</b>	<b>-\$1,360</b>	<b>\$1,087</b>	<b>-\$1,557</b>	<b>\$1,417</b>	<b>\$3</b>	<b>\$534</b>	<b>-\$864</b>	<b>-\$6,165</b>	<b>\$1,109</b>	<b>-\$925</b>	<b>\$1,090</b>
<b>Cash and cash equivalents - beginning of the period</b>	<b>\$1,012</b>	<b>\$1,219</b>	<b>\$3,806</b>	<b>\$1,232</b>	<b>\$2,121</b>	<b>\$3,026</b>	<b>\$1,666</b>	<b>\$2,753</b>	<b>\$1,196</b>	<b>\$2,613</b>	<b>\$2,616</b>	<b>\$3,150</b>	<b>\$7,177</b>	<b>\$1,012</b>	<b>\$2,121</b>	<b>\$1,196</b>
<b>Cash and cash equivalents - end of the period</b>	<b>\$1,219</b>	<b>\$3,806</b>	<b>\$1,232</b>	<b>\$2,121</b>	<b>\$3,026</b>	<b>\$1,666</b>	<b>\$2,753</b>	<b>\$1,196</b>	<b>\$2,613</b>	<b>\$2,616</b>	<b>\$3,150</b>	<b>\$2,287</b>	<b>\$1,012</b>	<b>\$2,121</b>	<b>\$1,196</b>	<b>\$2,287</b>
FCF	\$929	-\$2,011	-\$1,852	-\$1,084	\$1,113	-\$1,152	\$1,295	-\$1,349	\$1,625	\$211	\$742	-\$656	-\$3,122	-\$4,018	-\$93	\$1,922
FCF per share	\$0.04	-\$0.10	-\$0.09	-\$0.05	\$0.05	-\$0.05	\$0.06	-\$0.06	\$0.08	\$0.01	\$0.04	-\$0.03	-\$0.15	-\$0.19	\$0.00	\$0.09

HEARTCORE ENTERPRISES, INC.

HeartCore Enterprises

Balance Sheet

US\$ in thousands

	31-Mar 1Q24A	30-Jun 2Q24A	30-Sep 3Q24A	31-Dec 4Q24A	31-Mar 1Q25E	30-Jun 2Q25E	30-Sep 3Q25E	31-Dec 4Q25E	31-Mar 1Q26E	30-Jun 2Q26E	30-Sep 3Q26E	31-Dec 4Q26E	31-Dec 2023A	31-Dec 2024A	31-Dec 2025E	31-Dec 2026E
<b>Current assets</b>																
Cash and cash equivalents	\$ 1,219	\$ 3,806	\$ 1,232	\$ 2,121	\$ 3,026	\$ 1,666	\$ 2,753	\$ 1,196	\$ 2,613	\$ 2,616	\$ 3,150	\$ 2,287	\$ 1,012	\$ 2,121	\$ 1,196	\$ 2,287
Accounts receivable	3,086	2,441	2,579	1,950	1,931	2,324	1,476	1,323	2,023	1,974	1,913	1,530	2,624	1,950	1,323	1,530
Investments in marketable securities	408	435	7,350	4,496	483	930	246	227	535	529	425	357	642	4,496	227	357
Prepaid expenses	3,942	3,877	769	459	-579	232	246	189	39	202	198	138	537	459	189	138
Current-portion of long term note receivable	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Due from related party	42	40	44	40	40	40	40	40	40	40	40	40	45	40	40	40
Other current assets	223	199	177	252	252	252	252	252	252	252	252	252	235	252	252	252
<b>Total current assets</b>	<b>\$9,021</b>	<b>\$10,900</b>	<b>\$12,251</b>	<b>\$9,417</b>	<b>\$5,252</b>	<b>\$5,544</b>	<b>\$5,113</b>	<b>\$3,327</b>	<b>\$5,603</b>	<b>\$5,713</b>	<b>\$6,078</b>	<b>\$4,704</b>	<b>\$5,495</b>	<b>\$9,417</b>	<b>\$3,327</b>	<b>4,704</b>
<b>Non-current assets</b>																<b>0</b>
Property & equipment, net	689	641	663	585	387	189	-9	-207	-405	-603	-801	-999	764	585	-207	-999
Operating lease right-of-use assets	2,272	2,106	2,184	1,936	1,936	1,936	1,936	1,936	1,936	1,936	1,936	1,936	2,468	1,936	1,936	1,936
Intangible asset, net	4,356	4,197	4,038	0	0	0	0	0	0	0	0	0	4,516	0	0	0
Goodwill	3,276	3,276	3,276	0	0	0	0	0	0	0	0	0	3,276	0	0	0
Long-term investment in equity securities & SAFE	300	300	650	0	0	0	0	0	0	0	0	0	0	0	0	0
Long-term investments in warrants	1,325	543	552	578	578	578	578	578	578	578	578	578	2,004	578	578	578
Long-term note receivable	200	200	200	100	100	100	100	100	100	100	100	100	200	100	100	100
<b>Total non-current assets</b>	<b>\$13,309</b>	<b>\$13,176</b>	<b>\$13,221</b>	<b>\$4,548</b>	<b>\$3,597</b>	<b>\$3,399</b>	<b>\$3,201</b>	<b>\$3,003</b>	<b>\$2,209</b>	<b>\$2,011</b>	<b>\$1,813</b>	<b>\$1,615</b>	<b>\$14,129</b>	<b>\$4,548</b>	<b>\$3,003</b>	<b>\$1,615</b>
<b>Total assets</b>	<b>\$22,330</b>	<b>\$24,076</b>	<b>\$25,472</b>	<b>\$13,965</b>	<b>\$8,848</b>	<b>\$8,943</b>	<b>\$8,314</b>	<b>\$6,330</b>	<b>\$7,811</b>	<b>\$7,724</b>	<b>\$7,891</b>	<b>\$6,318</b>	<b>\$19,624</b>	<b>\$13,965</b>	<b>\$6,330</b>	<b>\$6,318</b>
<b>Current liabilities</b>																
Accounts payable and accrued expenses	2,016	1,779	1,809	2,087	1,506	1,722	1,484	801	1,548	1,513	1,491	1,086	1,757	2,087	801	1,086
Accrued payroll and other employee costs	551	628	634	676	579	604	640	200	561	540	534	366	723	676	200	366
Current portion of long-term debts	447	509	462	401	401	401	0	0	0	0	0	0	372	401	0	0
Insurance premium financing	158	112	65	17	17	17	17	17	17	17	17	17	0	17	17	17
Factoring liability	179	321	305	172	172	172	172	172	172	172	172	172	563	172	172	172
Operating lease liabilities, current	375	358	383	372	372	372	372	372	372	372	372	372	397	372	372	372
Finance lease liabilities, current	17	16	17	16	16	16	16	16	16	16	16	16	17	16	16	16
Income tax payables	150	1	170	822	869	906	768	601	897	878	888	672	163	822	601	672
Deferred revenue	1,792	2,207	1,928	1,876	2,655	2,789	3,199	2,646	3,263	3,305	3,524	2,717	2,166	1,876	2,646	2,717
Other current liabilities	5,268	9,261	757	907	907	907	907	907	907	907	907	907	216	907	907	907
<b>Total current liabilities</b>	<b>\$11,018</b>	<b>\$15,193</b>	<b>\$6,531</b>	<b>\$7,422</b>	<b>\$7,570</b>	<b>\$7,983</b>	<b>\$7,650</b>	<b>\$5,809</b>	<b>\$7,829</b>	<b>\$7,795</b>	<b>\$7,997</b>	<b>\$6,401</b>	<b>\$6,512</b>	<b>\$7,422</b>	<b>\$5,809</b>	<b>\$6,401</b>
<b>Non-current liabilities</b>																
Long-term debts	1,524	1,404	1,382	1,239	1,239	1,239	1,239	1,239	1,239	1,239	1,239	1,239	1,770	1,239	1,239	1,239
Operating lease liabilities, non-current	1,960	1,805	1,860	1,615	1,615	1,615	1,615	1,615	1,615	1,615	1,615	1,615	2,135	1,615	1,615	1,615
Deferred tax liabilities	1,220	1,175	1,131	0	0	0	0	0	0	0	0	0	1,264	0	0	0
Other non-current liabilities	192	685	201	184	184	184	184	184	184	184	184	184	209	184	184	184
<b>Total non-current liabilities</b>	<b>\$4,954</b>	<b>\$5,121</b>	<b>\$4,625</b>	<b>\$3,081</b>	<b>\$3,081</b>	<b>\$3,081</b>	<b>\$3,081</b>	<b>\$3,081</b>	<b>\$3,081</b>	<b>\$3,081</b>	<b>\$3,081</b>	<b>\$3,081</b>	<b>\$5,445</b>	<b>\$3,081</b>	<b>\$3,081</b>	<b>\$3,081</b>
<b>Total liabilities</b>	<b>\$15,972</b>	<b>\$20,314</b>	<b>\$11,157</b>	<b>\$10,503</b>	<b>\$10,652</b>	<b>\$11,064</b>	<b>\$10,732</b>	<b>\$8,890</b>	<b>\$10,911</b>	<b>\$10,877</b>	<b>\$11,078</b>	<b>\$9,482</b>	<b>\$11,957</b>	<b>\$10,503</b>	<b>\$8,890</b>	<b>\$9,482</b>
<b>Equity</b>																
Total Shareholders' Equity	\$6,358	\$3,762	\$14,316	\$3,462	-\$1,803	-\$2,122	-\$2,418	-\$2,560	-\$3,099	-\$3,153	-\$3,187	-\$3,164	\$7,667	\$3,462	-\$2,560	-\$3,164
<b>Total liabilities and equity</b>	<b>\$22,330</b>	<b>\$24,076</b>	<b>\$25,472</b>	<b>\$13,965</b>	<b>\$8,848</b>	<b>\$8,943</b>	<b>\$8,314</b>	<b>\$6,330</b>	<b>\$7,811</b>	<b>\$7,724</b>	<b>\$7,891</b>	<b>\$6,318</b>	<b>\$19,624</b>	<b>\$13,965</b>	<b>\$6,330</b>	<b>\$6,318</b>
Net Cash	-371	2,403	7,150	6,074	2,221	3,360	3,464	1,958	1,958	1,958	1,958	1,958	-894	6,074	1,958	1,958
Net Cash per share	-0.02	0.12	0.34	0.29	0.11	0.16	0.17	0.09	0.09	0.09	0.09	0.09	-0.04	0.29	0.09	0.09

Source: Company Reports and Sidoti & Co., LLC estimates

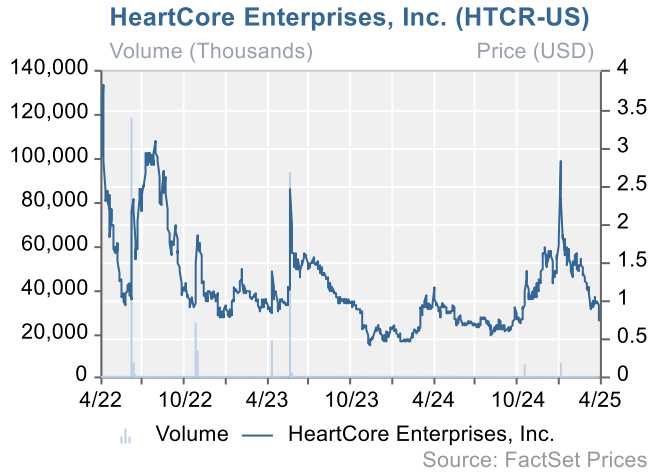
**Appendix**  
Required Disclosures

**Required Disclosures**

**HeartCore Enterprises, Inc. (HTCR-\$0.75) NR Risk Rating: H**

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Initiation	10/8/24	0.7	NR	N/A	H



**(IF A COMPANY SPONSORED RESEARCH (“CSR”) REPORT, ALSO REFER TO  
ADDITIONAL CSR-SPECIFIC DISCLOSURES PROVIDED BELOW<sup>1</sup>)**

**Rating System**

Sidoti’s Equity Research rating system consists of BUY and NEUTRAL recommendations, as well as a NOT RATED classification. We do not assign these BUY or NEUTRAL ratings for companies covered under our Company Sponsored Research program. Companies (or equity securities) covered by our CSR program are classified as NOT RATED (NR) and are only assigned a HIGH (H) or MODERATE (M) risk rating. Unless otherwise noted in a report, Sidoti ratings should be interpreted as follows:

Rating	Industry	Interpretation
<b>BUY</b>	All, except Utilities	Capital appreciation of at least 25% over the next 12 months
<b>NEUTRAL</b>	All, except Utilities	Capital appreciation of less than 25% over the next 12 months
<b>BUY</b>	Utilities(a)	Capital appreciation of at least 15% over the next 12 months
<b>NEUTRAL</b>	Utilities(a)	Capital appreciation of less than 15% over the next 12 months
<b>HIGH (RISK)</b>	All in CSR program	Companies/equities with among others, one or more of the following characteristics: <ul style="list-style-type: none"> <li>• significant potential for loss of principal;</li> <li>• significant share price volatility;</li> <li>• limited revenue or cash flow and/or high unpredictability associated with revenue and cash flow;</li> <li>• short and/or unprofitable operating history;</li> <li>• potentially significant issues regarding operational and/or financial success;</li> <li>• problematic financial, liquidity, legal, regulatory or political issues;</li> <li>• upcoming need for additional capital when availability is questionable;</li> <li>• significant related party transactions which could lead to a conflict of interest;</li> </ul>

<sup>1</sup> Lighthouse Equity Research, an affiliate of Sidoti & Company, LLC is part the broker-dealer’s CSR program)

**Appendix**  
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		<ul style="list-style-type: none"> <li>any other factor that the analyst believes could materially and adversely impact the subject company and/or the value of its securities.</li> </ul>
<b>MODERATE (RISK)</b>	All in CSR program	<p>Companies which have many of the same risks as described under the HIGH risk rating, but which risks are mitigated (on a relative basis and in the opinion of the analyst) due to, among others, one or more of the following:</p> <ul style="list-style-type: none"> <li>more stable and predictable revenue, profits and cash flow;</li> <li>more established operating history;</li> <li>more favorable operating or business environment</li> <li>lower potential for financial, liquidity, regulatory or political issues; or</li> <li>less onerous upcoming capital needs.</li> </ul>

(a) those with at least 75% of operations derived from regulated state and federal businesses

**Percentage of Covered Companies with Each Rating and Realization of Investment Banking Income from Covered Companies Over the Past 12 Months:**

With reference to the information described in the header immediately above please refer to the table below, which is as of, and reflects information immediately prior to, the publication of this report:

Rating	# of Companies	% (b)	Realized Investment Banking Income (# of companies with rating)	Realized Investment Banking Income (% of companies with rating)
BUY	37	25.3%	1	2.7%
NEUTRAL(a)	13	8.9%	1	7.7%
NOT RATED	0	0.0%	0	0.0%
NR -CSRs Moderate Risk (c)	83	56.8%	1	1.2%
NR -CSRs High Risk (c)	13	8.9%	0	0.0%
<b>TOTAL</b>	<b>146</b>	<b>100%</b>	<b>3</b>	<b>2.1%</b>

(a) Of the NEUTRALS 2 trade above our price target.

(b) Numbers may not add due to rounding or because of a pending drop of coverage.

(c) 86.5% of our CSRs are moderate risk, while 13.5% are high risk.

**Certain Risks**

A universal risk to all our price targets is that the analyst's estimates or forecasts may not be met. Past performance should not be construed as indicative of future performance. This report contains forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in the "Risk Factors" section in the subject company's SEC filings available in electronic format through SEC Edgar filings at [www.sec.gov](http://www.sec.gov).

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**Appendix**  
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**Sidoti Investment Banking Revenue Realized from the Subject Company in the Last 12 Month**

Sidoti has non-research employees that will seek compensation for investment banking services from the company covered hereunder. As of the date hereof, Sidoti may expect to receive or may intend to seek investment banking compensation from any of its covered companies, including the subject company covered herein, within the next 3 months (additional detail, if any, is provided in a special disclosure below). Investment banking services, as defined under FINRA Rule 2241, includes, among other things, acting as an underwriter in or as a member of the selling group in a securities underwriting. Sidoti's role in most investment banking transactions can be viewed on this company's filings at [www.sec.gov](http://www.sec.gov). The table below sets forth instances where Sidoti has received investment banking revenue from the company covered hereunder in the last twelve months, if any:

Date	Role	Transaction	Security

**Sidoti Non-Investment Revenue Realized from the Subject Company in the Last 12 Months**

Prior to December 31, 2022, Sidoti held multiple conferences a year and charged a fee of up to \$6,000 per conference to presenting companies. Beginning January 2023, Sidoti Events, LLC ("Sidoti Events"), an affiliate of Sidoti by common ownership, began to hold these conferences. Sidoti or Sidoti Events may also receive a fee of up to \$8,000 for scheduling a Non-Deal Roadshow ("NDR") day. Sidoti Events reimburses Sidoti for certain services provided by Sidoti to Sidoti Events in respect of these conferences (or NDR days) pursuant to an Expense Sharing Arrangement. The table below sets forth instances where Sidoti or Sidoti Events received non-investment revenue from the company covered hereunder, if any, over the past 12 months:

Conferences	NDR Days
November 2024	

**Additional Disclosures Specific to the Subject Company of this Report Including the Pursuit or Expectation of Investment Banking Revenue in the Next Three Months**

None.



## Appendix Required Disclosures

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- does not directly tie analyst compensation to their willingness to cover a company on a commissioned basis, provided however that the provision of CSR coverage is one of several overall considerations that is factored into Sidoti’s determination of analyst compensation; and
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Notwithstanding the measures set forth above to mitigate the risk of potential conflicts of interest, Sidoti makes no representations and does not warrant that such measures can or will fully eradicate potential conflicts.

#### **Certain Additional CSR (including Lighthouse Equity Research) Risk Considerations**

Many companies covered under Sidoti’s CSR program can be classified as microcap stocks, which equities typically bear certain risks that are not as prevalent in the “Blue Chip”, large capitalization, mid capitalization or even the small capitalization segment of the market. Microcap stocks are more prone to trade at discounts. They generally have smaller trading volume and smaller public floats than companies with larger market capitalization, which can lead to an inability to buy or sell shares (liquidity risk) in quantity without moving the market (or at all), large bid-ask spreads, and increased stock price volatility (which can result) even if a trade involves a very small number of shares. In addition, microcaps tend to have significant company specific risks that contribute to lower valuations and may limit stock price appreciation. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market. Given the foregoing, readers of this report are urged to pay special attention to the risk rating and risk factors set forth in this report, as well as to seek more detailed information regarding risks by reviewing the company’s public filings at [www.sec.gov](http://www.sec.gov).

#### **Source(s)**

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