

Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

TRxADE Group, Inc.

Rating: Speculative Buy

Howard Halpern

November 2, 2020

MEDS \$4.18 — (NASDAQ)

	2017 A	2018 A	2019 A	2020 E*	2021 E
Revenue (in millions)	\$2.9	\$3.8	\$7.4	\$16.9	\$15.9
Earnings (loss) per share	\$0.05	\$0.00	(\$0.05)	\$0.14	\$0.30

52-Week range	\$11.60 – \$4.01	Fiscal year ends:	December
Shares outstanding a/o 10/23/20	8.1 million	Revenue/shares (ttm)	\$2.31
Approximate float	3.0 million	Price/Sales (ttm)	1.8X
Market Capitalization	\$34 million	Price/Sales (2021) E	1.1X
Tangible Book value/shr	\$1.25	Price/Earnings (ttm)	NMF
Price/Book	3.9X	Price/Earnings (2021) E	13.9X

*Excludes approximately (\$0.16) from one-time non-cash expense related stock-based compensation costs stemming from executive bonuses.

Trxade Group Inc., headquartered in Tampa, Florida, is an integrated technology and services company focused on delivering an effective process for purchasing and delivering prescription drugs and medical products to independent pharmacies and consumers in the US. MEDS is developing a complete platform to make healthcare services affordable and accessible in the US without the patient leaving their home.

Key Investment Considerations:

Maintaining Speculative Buy rating but decreasing our 12-month price target to \$9.50 per share from \$10.50 per share based on reduced sector valuation.

Trxade has an opportunity for sustained revenue and earnings growth as independent pharmacies join its marketplace platform that matches buyers and sellers of generic and branded drugs. In 3Q20, 11,800 pharmacies were on the company's platform, up from 8,835 in 1Q18. In 2018, 21,000 independent community pharmacies generated revenue of \$76 billion with 93% of sales coming from prescription drugs.

In 3Q20, MEDS reported (on 10-26-20) EPS of \$0.02 on 174% sales growth to \$6.3 million. We projected EPS of \$0.03 on sales of \$3 million. 3Q19 reported breakeven per share on sales of \$2.3 million. 3Q20 included an estimated \$2.94 million in personal protective product sales and a non-cash expense of \$524,000 or (\$0.06) per share related to stock-based compensation stemming from executive bonuses.

In October 2020, the company's Bonum Health subsidiary announced a partnership with SingleCare (a prescription savings service with millions of registered users) in order to enhance its enterprise telehealth solutions with prescription discounts. Bonum Health could show substantial growth as this enterprise service is expected to be marketed to SingleCare registered users through local pharmacies in the US.

For 2020, we project (excluding one-time expense) EPS* of \$0.14 per share on revenue of \$16.9 million. Our forecast reflects 9M20 results that includes approximately \$8.3 million in personal protective product sales. Our current 4Q20 forecast reflects nominal personal protective product sales.

For 2021, we project EPS of \$0.30 per share (unchanged) on revenue of \$15.9 million (prior was \$15.5 million). Our forecast reflects transaction growth on the TRxADE platform, approximately \$4 million of contribution from its mobile telehealth app and associated prescription drug sales primarily in 2H21, and only nominal sales of personal protective products through the company's Integra Pharma Solutions subsidiary.

Please view our Disclosures pages 15 - 17

Appreciation Potential

Maintaining Trxade Group, Inc., with a Speculative Buy rating but decreasing our 12-month price target to \$9.50 per share from \$10.50 per share based on reduced sector valuation. Our price target should be supported by the company growing the number of independent pharmacies purchasing branded and generic prescription drugs on the TRxADE marketplace platform. We estimate at least 13,500 independent pharmacies on the platform by 4Q21, up from 11,800 in 3Q20 and 8,835 in 1Q18. We also anticipate a significant revenue contribution of at least \$4 million from its high margin Bonum Health subsidiary as people begin utilizing the telehealth mobile app offering and associated drug delivery service. In October 2020, a partnership with SingleCare, a prescription savings service with millions of registered users was announced. That partnership will enable the Bonum Health subsidiary to market its services to SingleCare registered users through local US pharmacies.

Our rating reflects the company integrating its subsidiaries to build an end-to-end healthcare services organization so a patient never has to leave their home and the likelihood of its Bonum Health subsidiary gaining consumer acceptance and a growing number of monthly subscribers. The company strengthened its balance sheet through the 1Q20 issuance of over 922,000 common shares for net proceeds of \$5.3 million.

Our 12-month price target of \$9.50 per share implies shares could more than double over the next twelve months. According to finviz (a/o 10/30/20), the average forward price-to-earnings multiple for companies in the Medical – distribution, retail, and health information sectors is 32X (prior was 34.2X), compared to Trxade Group’s forward P/E multiple of 13.9X (prior was 25.1X). We anticipate investors are likely to accord Trxade Group the sector multiple given that our forecasted EPS (excluding non-cash stock-based compensation expense) should more than double in 2021. We applied the current industry P/E multiple of 32X to our 2021 EPS forecast of \$0.30 to obtain a year-ahead price target of approximately \$9.50 per share.

A higher valuation of Trxade Group, Inc., is likely to be supported by quarterly sequential sales and EPS growth that should begin in 2021, as well as its ability to generate cash. We estimate cash earnings of nearly \$3.2 million in 2021, up from an estimated \$2.1 million in 2020, and \$810,000 in 2019.

We believe Trxade Group, Inc. is most suitable for risk tolerant investors seeking exposure to a micro cap company providing integrated prescription drug delivery and mobile healthcare services to its customers.

Overview

Trxade Group Inc., headquartered in Tampa, Florida, is an integrated technology and services company focused on delivering an effective process for purchasing and delivering prescription drugs to independent pharmacies and consumers in the US. The company has developed offerings that once integrated (see chart on the right – from June 2020 company presentation) should make healthcare services affordable and accessible in the US. The offerings start with the company’s business-to-business (B2B) operations that include the TRxADE marketplace platform that is a procurement technology delivering a lower cost, more transparent fulfillment process for independent pharmacies and pharmacists compared to industry norms. The company operates Integra Pharma Solutions, a pharmaceutical supplier with expertise in the distribution of products (authorized to operate in 37 states) to healthcare markets including government organizations, hospitals, clinics, and independent pharmacies in the US. In 2Q/3Q 2020, the company was able to use this subsidiary and the TRxADE technology platform to include the sourcing and sale of personal protective equipment products such as masks, sanitizers, and gloves.



The company’s business-to-consumer (B2C) operations provide a turnkey service through a retail mail order specialty pharmacy (Community Specialty Pharmacy acquired in October 2018), as well as wholesale operations and delivery services. Delivmeds is a same day delivery service, as drugs are increasingly ordered and delivered directly

to consumers. DelivMeds mobile app was developed to leverage the company's registered network of independent pharmacies who have purchased and dispensed prescriptions to over 12 million consumers, as well as other channel partners including physicians and clinics who write patient prescriptions. Medications are delivered free to consumers by a local pharmacy.

The company's Web-based telehealth services portal seeks to provide affordable healthcare through its Bonum Health app. This offering crosses both the company's B2B and B2C organizations by providing same day or mail order pharmacy delivery capabilities that can be delivered by a local independent pharmacy registered on the TRxADE platform and through services offered via its wholesaler Integra Pharma Solutions.

MEDS mission is to provide its independent community pharmacy members, along with pharmaceutical suppliers, wholesalers, and buying groups, a competitive advantage over their competition since the TRxADE marketplace platform was developed to provide fair market value for drug transactions, as well as providing access to certain supply houses in the US. The acquisitions of Community Specialty Pharmacy and Bonum Health (a telehealth services provider), as well as the developing a national logistical delivery system should enhance the company's opportunity to provide all the necessary end-to-end healthcare services so a patient never has to leave their home.

Strategic Growth Platforms

Trxade Group's mission is to create an end-to-end telemedicine platform that not only provides remote healthcare services, but also supplies the medicines and medical equipment prescribed and/or recommended by a doctor without the patient leaving their home. The primary strategic growth platforms that should enable the company to achieve its mission is the TRxADE Marketplace Platform and Telehealth services through its Bonum Health subsidiary, as well as revenue support from its logistics subsidiary Integra Pharma Solutions and Community Specialty Pharmacy subsidiary.

The TRxADE marketplace platform operates a pharmaceuticals B2B e-commerce marketplace between independent pharmacies and large pharmaceutical suppliers in the US that provides independent pharmacies a platform that utilizes a proprietary database and algorithms to identify pharmaceutical products that are likely to be in short supply and delivers them to independent pharmacies. The solution helps independent pharmacies manage costs and maximize savings (historically reduces a pharmacy's total annual drug purchasing costs by approximately 7% to 10%), and complete purchase orders across suppliers while providing real-time industry pricing trends.

Since 2010 the platform has evolved. In 2020, the company had hundreds of suppliers providing over 20,000 branded and generic drugs for purchase by pharmacists. In 3Q20, the platform had approximately 11,800 registered independent pharmacies that conduct transactions. The organizations that are registered on the company's marketplace platform have access to the company's proprietary pharmaceutical database, data analytics that includes medication pricing, and manufacturer return policies. Revenue is generated by charging a transaction fee to the seller of the products for sales conducted via the TRxADE marketplace platform. Typically the transaction fee is up to 6% on generic pharmaceuticals and up to 1% on brand pharmaceuticals. There are no membership or transaction fees for the independent pharmacies registered on the platform.

The company intends to grow its marketplace platform in order to have a strong foundation to achieve its goal of creating an integrated technology and services company that can meet the needs of independent pharmacies on the TRxADE marketplace platform, as well as the medical needs of an individual without them having to leave their home. Three keys driving future growth will be increasing the number of pharmacies on the TRxADE marketplace platform, the number of average purchases made per pharmacy, and the average amount spent per pharmacy. To grow the company's TRxADE marketplace platform, its sales and marketing professionals are working to add at least 300 new independent pharmacies to the platform each quarter. In 3Q20 there were 11,800 independent pharmacies registered to transact business on the platform, up from approximately 8,500 at the end of 2017. It should be noted that branded drugs typically have higher average prices compared to generics.

The company's Bonum Health subsidiary is a provider of telehealth services. The subsidiary can individually or through an employer sponsored program provide patients access to board certified medical providers nationwide using the Bonum Health mobile app and/or via its Website.

The mobile app enables patients to have access to telehealth services such as an online doctor visit, and obtain, when deemed necessary, an electronic prescription and online health education information. The Bonum Health app should see incremental revenue growth driven by its subscription based model since it provides patients with 24/7/365 healthcare availability, with no insurance and no need for long term contracts. The company will market the offering through its network of independent pharmacies registered on the TRxADE marketplace platform. The telehealth fee will be either a monthly subscription for a set number of visits (usually three) with an online doctor or a one-time appointment fee to see a dermatologist, as well as a medical doctor to assess a patient for the common cold, fever, flu, viruses, allergies, sinus infection, headache and migraine, and more. A patient could also pay a one-time annual fee that would allow for up to three monthly visits with an online doctor.

Bonum Health's growth potential is significant within target markets, especially as additional mobile health services are added to the current offering of general healthcare and dermatology. The company's marketing plan includes social media marketing and targeting customers of the independent pharmacies already on the TRxADE marketplace platform. Additional patient populations that will be targeted include the uninsured or under insured, low income wage earners or those who are unemployed, as well as people who have limited access to doctors in their local area, and employer groups looking to reduce costs while offering a benefit to their employees. In October 2020, the company's marketing efforts were enhanced with the announcement of a partnership with SingleCare, a prescription savings service with millions of registered users. We anticipate significant growth based on the company's ability to establish a recurring monthly revenue subscription based for its Bonum Health subsidiary as its services are expected to be marketed to SingleCare registered users through local pharmacies in the US.

The Integra Pharma Solutions subsidiary is focused on serving as a logistics company that is a pharmaceutical supplier for healthcare organizations across the US. The company's expertise is in the distribution of products that extends to all healthcare markets including government organizations, hospitals, clinics, and independent pharmacies in the US. As of May 2020, this subsidiary has its Drug Distributor Accreditation pending. It is able to act as a pharmaceutical wholesaler and sells branded, generic, and non-drug products in 37 US states as of December 31, 2019. In 2Q20, this subsidiary began to source and sell personal protective equipment to its customer base. We estimate sales of personal protective equipment was approximately \$8.3 million for 2Q/3Q 2020 combined, but only provided mid-to-lower teens of gross margin. While sales of personal protective products could continue, we project nominal product sales through 2021 as this is not the company's base business.

Integra Pharma Solutions aims to be the pharmaceutical supply solution to independent pharmacies, hospitals and clinics, and government organizations such as the US Department of Veteran Affairs (approximately \$800,000 in sales). Integra Pharma Solutions has over 60 supply partners.

The company's Community Specialty Pharmacy, founded in 2010, is an accredited independent retail pharmacy with a focus on specialty medications. Since its founding, it has been providing and meeting the specialty medical drug needs for the Tampa/St. Petersburg area of Florida. It is licensed to provide specialty drugs in 28 US states. Community Specialty Pharmacy (CSP) growth within the competitive independent pharmacy industry is based on its patient-driven approach and having pharmacists and technicians that are highly trained, certified, and have decades of cumulative experience with many special certifications and accreditation. Through CSP's state licenses, the company is able to fill prescriptions through its network of independent pharmacies and deliver the medications to the patient.

This subsidiary should support its other subsidiaries to grow revenue through them seeking additional state licenses in order to increase sales of specialty drugs and to support its goal of becoming an integrated telemedicine company. To that end, the expansion of this segment's home delivery option throughout the US should continue to support revenue growth. This capability should bring the company closer to its overall goal of providing an end-to-end service to a patient without having to leave home. This delivery option can also support the company's growing logistics Integra Pharma segment throughout the US.

Industry Briefs

Telehealth Market

The company's acquisition of Bonum Health in October 2019 launched its entry into the US telehealth market. The advantage of its Bonum Health mobile app, which has a network of board certified doctors, should be the ability to have prescriptions sent to a patients' local independent pharmacy. If prescriptions are sent to independent pharmacies already on the TRxADE marketplace platform, transaction growth on the platform should increase. Prescription growth is also likely to occur at the company's own Community Specialty Pharmacy. In either circumstance, patients utilizing the Bonum Health mobile app that need a prescription drug should be able to have it delivered so that a patient does not have to leave home. According to IBISWorld, consumer awareness of mobile telehealth services has accelerated due to the COVID-19 pandemic since staying inside and avoiding social interactions has been the result of stay at home orders by most US states. Under these conditions telehealth providers have seen a spike in patients.

Data from a 2020 research report published by Arizton (a provider of market research reports, advisory and consulting services) on the US Telehealth Market indicated that in 2020, the US telehealth market should reach \$10 billion with an anticipated 20.1% annual growth rate to \$25 billion in 2025. Sustained growth through 2025 for the US telehealth market should be supported by favorable private and public reimbursement coverage for telehealth services and inclusion of remote patient monitoring under federal reimbursement coverage. Growth in mobile health should be driven by increasing investments to provide internet connectivity in remote rural areas of the US.

Independent Pharmacy

According to the National Community Pharmacists Association (NCPA), there are in excess of 21,000 small business community pharmacies in the US compared to over 23,000 in 2011. The NCPA estimates in the US there are approximately 1,800 rural independent pharmacies that serve as the only pharmacy provider in their community. According to the 2019 NCPA Digest, the independent community pharmacy market (in 2018) generated revenue of nearly \$76 billion with 93% of sales coming from prescription drugs.

IBISWorld projects US pharmacy and drug store annualized revenue growth of approximately 2.7% to \$355.6 billion in 2024, up from \$311.9 billion in 2019. Growth is likely to be driven by expanded service offerings that include preventive care options and additional front of the store non pharmaceutical offerings. IBISWorld also predicts that the number of insured individuals should remain relatively stagnant and individuals will continue to experience low out-of-pocket costs and easier access to prescription medications.

Drug Market

IBISWorld projects branded pharmaceutical drug revenue to increase annually by 3% to \$230.5 billion in 2025, up from an estimated \$198.7 billion in 2020. Growth should be supported by increasing sales volumes from biologic drugs, while also raising prices on widely used specialty drugs. According to research by Informa PLC, the number of new drug launches in 2019 was more than double (50 new active substances) the number launched in 2016, with many new drug launches focusing on rare diseases and oncology. This fits with the growth potential for the company's Community Specialty Pharmacy subsidiary.

Growth in the generic drugs market should be supported by manufacturers lobbying for policies to encourage cost savings and access to affordable medicines. In 2019, according to the Biosimilar Council, there were more than 350 biologics targeting an estimated 100 diseases under development in the US. IBISWorld projects annual revenue growth of 2.6% reaching \$70.1 billion in 2025, up from an estimated \$61.6 billion in 2020.

Specialty Pharmacy

The 2019 State of the Specialty Pharmacy Report indicated that as of 2018, there were more than 900 pharmacies with a specialty accreditation in the US, according to the Accreditation Commission for Health Care, or Center for Pharmacy Practice Accreditation. The company's 2018 acquisition of Community Specialty Pharmacy, a Florida based independent retail specialty pharmacy with a focus on specialty medications (authorized to operate in 28 US states at December 31, 2019), places the company in a position to grow its operations within the specialty pharmacy market. Growth for the company's Community Specialty Pharmacy segment should be driven by new patients

accessing the services of its telehealth subsidiary, Bonum Health. A percentage of patients that use the mobile health app are likely to need specialty pharmaceutical prescriptions filled and delivered to their homes.

Projections

Basis of Forecast

The company's core revenue growth should be driven primarily by increasing the number of independent pharmacies purchasing branded and generic prescription drugs on the TRxADE marketplace platform to at least 13,500 in 2021, up from 10,000 in 2019. Also, the number of transactions and dollar amount purchased is likely to grow as new offerings are developed and launched by the company for its members on the marketplace platform. Our 2021 revenue growth forecast anticipates at least \$4 million in sales from its Bonum Health telehealth subsidiary primarily from people utilizing the mobile health app offering and an associated increase in prescriptions filled by an independent pharmacy on the company's platform. Revenue from the company's Integra Pharm subsidiary was boosted by over \$8 million in 2Q/3Q 2020 (combined) from sourcing and selling personal protective equipment primarily to the company's independent pharmacies registered on the TRxADE marketplace platform.

In 2021, we anticipate higher margin recurring revenue from its Bonum Health subsidiary could replace a portion of the lower margin personal protective equipment sales that occurred in 2020. Our 2021 forecast only includes a modest contribution from the sale of low margin personal protective equipment.

Operations – 2020

We project 127.9% revenue growth to \$16.9 million (prior was \$14.1 million) from \$7.4 million in 2019 due primarily to the unanticipated sales of approximately \$8.3 million in personal protective equipment through its Integra Pharma Solutions subsidiary. Revenue growth should also be supported by an increase in the number of independent pharmacies that purchase pharmaceutical drugs (generic and branded) on the company's marketplace platform. We anticipate minimal revenue (less than \$100,000) from the company's Bonum Health subsidiary. We project gross profit increasing 42.6% to \$6.9 million due primarily to sales growth. We anticipate gross margin contracting to 41% from 65.5% in 2019 reflecting the sale of approximately \$8.3 million of lower margin PPE products in 2Q/3Q 2020.

We project an operating loss of \$141,000, compared to operating income \$125,000 in 2019 due primarily to recognition of a non-cash expense of \$1.7 million related stock-based compensation costs stemming from executive bonuses for 2019 and 2020 combined. Excluding the one-time item, we estimate operation income of approximately \$1.6 million and operating margin expense of 31.8% from 63.8% in 2019. We forecast operating expenses (consisting of G&A) increasing to nearly \$7.1 million (includes non-cash stock-based compensation) compared to \$4.7 million in 2019. Our G&A expense forecast reflects sales and marketing initiatives to support sales growth, further development of its revenue generating segments, sourcing of personal protective equipment, and information technology enhancements to grow the company's TRxADE marketplace platform.

Non-operating expense consists of interest expense of \$30,000 compared to \$53,000 in 2019 due primarily to lower debt balances. The year-ago period included a loss on extinguishment of debt, an investment loss, and other income, with those three items combined for a loss of \$357,000.

We project a net loss of \$171,000 or (\$0.02) per share (prior was net loss of \$76,000 or (\$0.01) per share), on an estimated 7.9 million average outstanding shares compared to a loss of \$284,000 or (\$0.05) per share, on 5.9 million average outstanding shares in 2019. We estimate EPS of \$0.14 per share excluding one-time non-cash items in 2020.

At December 31, 2019, the company had federal net operating loss carryforwards of \$5.4 million.

Finances – 2020

We project cash earnings of \$2.1 million and an increase in working capital of approximately \$2 million. The increase in working capital is due primarily to increases in inventory, receivables, and prepaid assets. Proceeds from the issuance of common stock and cash from operations of \$84,000 should cover capital expenditures and payment of stock issuance costs. Cash should increase by \$5.4 million to \$8.2 million at December 31, 2020.

Operations – 2021

We project a 5.9% revenue decrease to \$15.9 million (prior was \$15.5 million) compared to an estimated \$16.9 million in 2020. However, given \$8.3 million of personal protective equipment sales in 2Q2/3Q 2020, annualized sales growth (excluding 2020 PPE sales) should approximately 84% to 2021 from 2019. Sales growth excluding the large PPE sales in 2020 reflects an increase in the number of independent pharmacies that purchase pharmaceutical drugs (generic and branded) on the company's marketplace platform, an estimated \$4 million (prior was \$1 million) contribution from the company's telehealth subsidiary Bonum Health as people begin to embrace its mobile health app, and modest sales of supplies to its independent pharmacies through its Integra Pharma Solutions logistics subsidiary. We anticipate revenue directly generated from Bonum Health is likely to enhance revenue at the company's Integra Pharma Solutions logistic wholesaler subsidiary and Community Specialty Pharmacy operations.

Gross profit should increase 47.3% to \$10.2 million due primarily to sales growth and gross margin improving to 64.2% from an estimated 41% in 2020 due primarily to a sales mix shift away from low margin personal protective equipment sales.

We project operating income of \$2.5 million compared to a loss of \$141,000 in 2020 due primarily to higher margin sales growth and gross margin improvement, partly offset by operating margin expense increasing to 48.6% from an estimated 41.8% in 2020 (including non-cash stock-based compensation). We forecast operating expenses (consisting of G&A) increasing to nearly \$7.8 million compared to nearly \$7.1 million (includes non-cash stock-based compensation expense) in 2020 reflecting sales and marketing initiatives to support sales growth and further development and integration of sales opportunities within its revenue generating segments.

Non-operating expense should consist of interest expense of \$15,000 compared to \$30,000 in 2020 due primarily to lower debt balances. We project net income of \$2.5 million or \$0.30 per share (unchanged), on an estimated 8.3 million average outstanding shares.

Finances – 2021

We project cash earnings of nearly \$3.2 million and a decrease in working capital of \$977,000. The decrease in working capital is due primarily to decreases in inventory and deposits. Cash from operations of \$4.2 million should cover capital expenditures and repayment of debt, increasing cash by \$3.9 million to \$12.2 million at December 31, 2021.

3Q20 and 9Mos20 Results

3Q20

Revenues increased 174% to \$6.3 million compared to \$2.3 million in the year-ago period, reflecting a \$3.9 million increase at the company's Integra Pharma Solutions logistic subsidiary stemming from personal protective equipment sales, such as N95 masks and sanitizer products primarily to its network of independent pharmacies. TRxADE marketplace platform sales increased 17.5% or \$202,000 to nearly \$1.4 million due primarily to the addition of 144 new independent pharmacies to its platform, bringing the total registered pharmacy members to approximately 11,800 at the end of 3Q20. The increases were partly offset by a \$104,000 decrease in the company's Community Specialty Pharmacy operation to \$417,000. Of note, the company's Bohum Health subsidiary contributed revenue of approximately \$23,000 compared to none in the year-ago period.

Gross profit increased 47.2% to \$1.9 million due to sales growth, partly offset by gross margin contraction to 30.5% from 56.7% in the year-ago period. Gross margin contraction stems from lower margin sales for personal protective equipment within the company's Integra Pharma Solutions logistic subsidiary, which had gross margin of 11.3% compared to 15.3% in the year-ago period. Operating expenses (G&A) increased 57.5% to \$1.8 million from \$1.1 million in 3Q19. The increase in G&A expense reflects spending on information technology development, legal and market, and filing fees. However, the current period included non-cash stock-based compensation expense of \$524,000 compared to \$64,000 in the year-ago period due primarily to warrants granted to consultants, 2019 bonus shares issued to executives, shares issued to directors, 2020 bonus accruals and employee option grants.

Non-operating expense was \$7,000 compared to \$150,000 in the year-ago period. The year-ago period included a share in equity loss investment of \$162,000 and other income gains of \$25,000 compared to none in the current period.

Net income was \$138,000 or \$0.02 per share on 8.2 million outstanding average shares compared to net income of \$28,000 or breakeven per share on 6 million outstanding average shares. We projected EPS of \$0.03 per share on sales of \$3 million. Excluding non-cash stock based compensation, we estimate EPS of approximately \$0.08 per share.

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Revenues increased 163.5% to \$15.1 million compared to \$5.7 million in the year-ago period, reflecting an \$8.3 million increase at the company's Integra Pharma Solutions logistic subsidiary in 2Q/3Q20 combined. TRxADE marketplace platform sales increased nearly 28% or \$934,000 to \$4.3 million due primarily to the addition of 774 new independent pharmacies to its platform. The increases were partly offset by a \$125,000 decrease in the company's Community Specialty Pharmacy operation to \$1.3 million. Of note, the company's Bohum Health subsidiary contributed revenue of approximately \$23,000 compared to none in the year-ago period.

Gross profit increased 54% to \$5.6 million due to sales growth, partly offset by gross margin contraction to 36.8% from 63.1% in the year-ago period. Gross margin contraction stems from the sale of lower margin personal protective equipment within its Integra Pharma Solutions subsidiary. Operating expenses (G&A) increased 84% to nearly \$5.8 million from \$3.1 million in 9M19. The increase in G&A expense reflects spending on information technology development, legal, marketing, and filing fees. However, the current period included non-cash expense of \$1.7 million compared to \$168,000 in the year-ago period. The increase is due to stock-based compensation costs stemming from warrants granted to consultants, 2019 bonus shares issued to executives, shares issued to directors, 2020 bonus accruals, and employee option grants.

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Revenues in thousands	\$ 15,128	\$ 5,740	163.5%
Cost of Sales	9,554	2,120	350.7%
Gross Profit	<u>\$ 5,574</u>	<u>\$ 3,620</u>	54.0%
Total Operating Expenses	5,775	3,138	84.0%
Operating Income	(201)	482	(142%)
Total Other Income (Expense)	(23)	(272)	NMF
Pre-Tax Income	(224)	211	NMF
Income Tax Expense (Benefit)	-	-	
Net income (loss)	<u>\$ (224)</u>	<u>\$ 211</u>	
Net (loss) per share	<u>\$ (0.03)</u>	<u>\$ 0.03</u>	
Avg Shares Outstanding	7,725	6,028	
Margins			
Gross margin	36.8%	63.1%	
Operating Margin	(1.3%)	8.4%	
Pre-Tax Margins	(1.5%)	3.7%	
Source: company reports			

Non-operating expense was \$23,000 compared to \$272,000 in the year-ago period. The year-ago period included a share in equity loss investment of \$250,000 compared to none in the current period.

Net loss was \$224,000 or (\$0.03) per share on 7.7 million outstanding average shares compared to net income of \$211,000 or \$0.03 per share on nearly 6 million outstanding average shares. Excluding non-cash stock-based compensation related expenses and accruals, we estimate EPS of approximately \$0.19 per share.

Finances

In 9M20, cash earnings of \$1.7 million and a \$3.2 million increase in working capital resulted in cash used in operations of nearly \$1.5 million. The increase in working capital was due primarily to increases in inventory and receivables. The issuance of \$5.3 million (net of issuance costs) of common stock covered cash used in operations and capital expenditures. Cash increased \$3.8 million to \$6.6 million at September 30, 2020.

Capital Structure

At September 30, 2020 the company had total outstanding debt of \$225,000 in a related party convertible note. In October 2018, a \$300,000 10% promissory note maturing on October 15, 2021, was issued in connection with the acquisition of Community Specialty Pharmacy, LLC. The note was issued to Nikul Panchal, a non-executive officer of the company. In October 2019, \$75,000 of the note was converted into 25,000 common shares at \$3.00 per share.

Competitive Landscape

The company's competition comes from three large authorized distributors of record (ADR distributors), McKesson, Cardinal Health, and AmerisourceBergen, as well as other pharmaceutical distributors, buying groups, and software products. Compared to Trxade, those companies operations have greater financial and manufacturer backed resources, longer operating histories, greater name recognition and more established relationships in the industry.

Small private companies that provide supplier-pharmacy trading platforms include MatchRx (approximately 6,500 independent pharmacies on their platform), RxCherrypick (seeks to improving pharmacy customer's gross profit, cash flow, and working capital), PharmSaver (helped independent US pharmacies save time and money by providing a marketplace that features over a dozen top-ranked wholesalers) and Generic Bid (an online auction site where pharmacies, distributors, hospitals, and governmental entities can bid on manufacturer closeouts, short-dated, and overstock products). The TRxADE marketplace platform attempts to differentiate itself from these exchanges by providing pharmacies with both brand and generic pharmaceutical products.

The competitive landscape includes buying groups that provide discounted prices to their members by negotiating pricing with one primary wholesaler while charging administration fees generally ranging from 3% to 5%. The company also faces competition from a company like SureCost, which provides inventory management software that allows pharmacies to comply with primary supplier contracts.

Given the competitive landscape of pharmacy-to-pharmacy retail wholesaling, Trxade's advantage in the marketplace is its ability to be flexible and fast moving in adjusting its business model to address the needs of customers. To that end, the TRxADE marketplace platform, which started with a reverse auction model, now provides a buy now format and pharmacy-to-pharmacy trading capability for all overstock pharmaceuticals.

The company's Bonum Health subsidiary will face competition within the telehealth industry primarily from established participants such as Teladoc Health, Inc., MDLive, Inc., American Well Corporation and Grand Rounds, Inc., as well as potential new companies entering the industry.

Risks

In our view, these are the principal risks underlying the stock.

Financing/Dilution

Historically, the company had experienced small operating losses. Its 3Q20 retained deficit was \$8.6 million, up from \$8.4 million in 2019. In February 2020, Trxade issued 806,452 shares of its common stock to the underwriters, and the representative exercised its overallotment option and purchased an additional 115,767 shares of common stock. The shares were sold at a public offering price of \$6.50 per share, from which Trxade received net proceeds of nearly \$5.2 million. If MEDS needs additional capital to operate, make acquisitions, or create a new line of business, it may require additional financing, and there can be no assurance that any such commitments can be obtained.

Regulation

Five states (California, Florida, Nevada, New Mexico, and Indiana) have enacted laws that prohibit lateral movement of pharmaceuticals within the distribution channel. These laws prohibit wholesalers from selling pharmaceuticals directly from or to other wholesalers where they maintain inventory. Other states may enact similar laws that place restrictions in pharmaceutical trading within the TRxADE marketplace platforms. Some states have laws that utilize the Federal Model Pharmacy Act allowing for the addition and changes in rules that restrict pharmacy-to-pharmacy trading in the future. The current law permits pharmacies to trade 5% of their annual inventory with other pharmacies while most state laws allow for retail pharmacies to be able to trade a product in national shortage status.

At the federal level, track and trace legislation, which went into effect in 2018, requires the use of pharmaceutical pedigree that may restrict and disrupt the movement of pharmaceuticals along the supply chain. The cost of complying with this new legislation could be too burdensome for smaller suppliers.

In addition to the above, regulatory mandates in response to certain unexpected events, such as viral outbreaks, could negatively impact sales. For example, in December 2019 an outbreak of a coronavirus surfaced in China and has resulted, and may continue to result, in government mandates in China and other markets, including the United States, to address public health concerns which could include, but are not be limited to, restrictions on public gatherings and restrictions on companies' ability to conduct normal business operations.

Potential Regulation

The company has identified price gouging could be an issue in the coming months due to the COVID-19 pandemic. In 2020, in response to the COVID-19 pandemic, 34 states have enacted some type of price gouging laws. The laws vary from state to state, but one constant is a prohibition to charge excessive or unconscionable prices for consumer goods. MEDS will need to comply with the excessive price statutes. The company believes it is in compliance such laws in those 34 states.

Regulatory Requirements

Trxade is required to obtain and hold permits, product registrations, licenses and other regulatory approvals from, and to comply with operating and security standards of, numerous governmental bodies. Being a wholesale distributor of controlled substances, the company must hold valid DEA registrations and state-level licenses, meet various security and operating standards, and comply with the Controlled Substances Act. Failure to maintain or renew necessary permits, product registrations, licenses or approvals, or to comply with required standards, could have an adverse effect on the company's results of operations and financial condition.

Customers

At December 31, 2019, Trxade had in excess of 10,000 pharmacies and 30 pharmaceutical suppliers as customers, as well as a working relationship with over 25 wholesalers and the nation's largest buying group. If the company were to lose a buying group and/or a few wholesalers, the resulting supplier void would adversely affect its competitiveness in the marketplace.

Telemedicine

The company's ability to conduct telehealth services within a US state is dependent upon the applicable laws governing remote healthcare and the practice of medicine and healthcare delivery in general in such location, which is often subject to changing political, regulatory and other influences. Also, the definition of practicing medicine is subject to change and open to evolving interpretations by medical boards and state attorney generals. The company must continually monitor its compliance with laws in the jurisdictions in which they operate. If a successful legal challenge or an adverse change in the relevant laws were to occur, and Trxade was unable to adapt its business model accordingly, operations in the affected jurisdictions would be disrupted.

The market for telehealth services is relatively new and unproven, and it is uncertain whether it can achieve consumer acceptance and market adoption. Consumer acceptance could be impacted by patient confidentiality and privacy concerns.

Shareholder Control

Officers and directors collectively own approximately 58.7% of the outstanding voting stock (April 2020 SEC Filing). Officers could potentially greatly influence the outcome of matters requiring stockholder approval. These decisions may or may not be in the best interests of the other shareholders.

Miscellaneous Risk

The company's financial results and equity values are subject to other risks and uncertainties, including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Trading Volume

Liquidity is a potential concern. Over the last three months (ending October 30, 2020) average daily volume was approximately 85,000. MEDS has 8.1 million shares outstanding and a float of approximately 3 million. Investors should be aware that a thinly traded equity could experience price volatility.

Trxade Group, Inc.
Consolidated Balance Sheets
FY2017 – FY2021E
(in thousands)

	FY17A	FY18A	FY19A	3Q20A	FY20E	FY21E
ASSETS						
Current assets:						
Cash	\$ 184	\$ 870	\$ 2,872	\$ 6,648	\$ 8,230	\$ 12,178
Accounts receivable, net	319	434	792	1,034	1,001	1,001
Inventory	-	80	57	1,647	1,177	286
Prepaid assets	102	83	82	233	254	279
Other - deposits for inventory purchases	<u>2</u>	<u>-</u>	<u>-</u>	<u>1,081</u>	<u>500</u>	<u>250</u>
Total current assets	607	1,466	3,803	10,643	11,163	13,993
Property and equipment, net	-	15	175	150	150	150
Deposits	-	21	22	22	22	22
Deferred offering costs	-	-	88	-	-	-
Right of use lease assets	-	-	758	313	513	340
Goodwill	10	726	726	726	726	726
Total assets	<u>\$ 617</u>	<u>\$ 2,228</u>	<u>\$ 5,571</u>	<u>\$ 11,854</u>	<u>\$ 12,574</u>	<u>\$ 15,231</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	106	401	335	192	278	238
Accrued liabilities	157	138	99	286	200	100
Lease liabilities	-	-	87	57	57	57
Notes payable, net	11	-	-	-	-	-
Convertible payable, net	-	182	-	-	-	-
Convertible payable - related party	<u>252</u>	<u>140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	525	860	521	535	535	395
Convertible note, net - long term	182	523	-	-	-	-
Notes payable - related parties	223	-	225	225	225	-
Other liabilities - leases	-	-	685	267	243	100
Stockholders' equity:						
Common stock, \$.00001 par value; authorized 100,000 shares;	0	0	0	0	0	0
Paid-in capital	7,808	8,956	12,536	19,446	19,967	20,667
Retained earnings (deficit)	(8,120)	(8,111)	(8,396)	(8,619)	(8,396)	(5,931)
Total stockholders' equity	<u>(312)</u>	<u>845</u>	<u>4,140</u>	<u>10,827</u>	<u>11,571</u>	<u>14,736</u>
Total liabilities and stockholders' equity	<u>\$ 617</u>	<u>\$ 2,228</u>	<u>\$ 5,571</u>	<u>\$ 11,854</u>	<u>\$ 12,574</u>	<u>\$ 15,231</u>
SHARES OUT	5,331	5,548	6,539	8,071	8,100	8,150

Source: Company reports and Taglich Brothers estimates

Trxade Group, Inc.
Annual Income Statement
FY2017 – FY2021E
(in thousands)

	<u>FY17 A</u>	<u>FY18 A</u>	<u>FY19 A</u>	<u>FY20 E**</u>	<u>FY21 E</u>
Revenues, net	\$ 2,931	\$ 3,832	\$ 7,436	\$ 16,948	\$ 15,940
Cost of sales	<u>-</u>	<u>449</u>	<u>2,566</u>	<u>10,004</u>	<u>5,710</u>
Gross Profit	<u>2,931</u>	<u>3,383</u>	<u>4,871</u>	<u>6,944</u>	<u>10,230</u>
Operating Expenses:					
Loss on write-off of software assets	-	-	369	-	-
Selling, general, and administrative	2,536	3,470	4,377	7,085	7,750
Total Operating Expenses	<u>2,536</u>	<u>3,470</u>	<u>4,746</u>	<u>7,085</u>	<u>7,750</u>
Operating Income (loss)	395	(88)	125	(141)	2,480
Loss on debt extinguishment/conversion	(17)	(7)	(179)	-	-
Investment gain (loss)	-	-	(250)	-	-
Other income includes equity loss investment	68	162	72	-	-
Interest expense, net	<u>(157)</u>	<u>(58)</u>	<u>(53)</u>	<u>(30)</u>	<u>(15)</u>
Total Other Income (expense)	<u>(106)</u>	<u>97</u>	<u>(410)</u>	<u>(30)</u>	<u>(15)</u>
Pre-Tax Income (loss)	289	9	(284)	(171)	2,465
Income Tax Expense (Benefit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$ 289</u>	<u>\$ 9</u>	<u>\$ (284)</u>	<u>\$ (171)</u>	<u>\$ 2,465</u>
Net (loss) per share	<u>\$ 0.05</u>	<u>\$ 0.00</u>	<u>\$ (0.05)</u>	<u>\$ (0.02)</u>	<u>\$ 0.30</u>
Avg Shares Outstanding	5,681	5,826	5,929	7,868	8,275
Adjusted EBITDA	\$ 675	\$ 82	\$ 571	\$ 1,836	\$ 3,012
Margin Analysis					
Gross margin	100.0%	88.3%	65.5%	41.0%	64.2%
Selling, general, and administrative	86.5%	90.6%	58.9%	41.8%	48.6%
Operating margin	13.5%	(2.3%)	1.7%	(0.8%)	15.6%
Pre-tax margin	9.9%	0.2%	(3.8%)	(1.0%)	15.5%
YEAR / YEAR GROWTH					
Total Revenues		30.7%	94.1%	127.9%	(5.9%)

** Includes approximately (\$0.16) per share from a one-time non-cash expense related stock-based compensation costs stemming from executive bonuses.

Source: Company reports and Taglich Brothers estimates

Trxade Group, Inc.
Income Statement Model
Quarters FY2019A – 2021E
(in thousands)

	<u>Q1 19 A</u>	<u>Q2 19 A</u>	<u>Q3 19 A</u>	<u>Q4 19 A</u>	<u>FY19 A</u>	<u>Q1 20 A</u>	<u>Q2 20 A*</u>	<u>Q3 20 A*</u>	<u>Q4 20 E</u>	<u>FY20 E**</u>	<u>Q1 21 E</u>	<u>Q2 21 E</u>	<u>Q3 21 E</u>	<u>Q4 21 E</u>	<u>FY21 E</u>
Revenues, net	\$ 1,513	\$ 1,916	\$ 2,311	\$ 1,696	\$ 7,436	\$ 2,203	\$ 6,593	\$ 6,332	\$ 1,820	\$ 16,948	\$ 2,815	\$ 3,200	\$ 5,330	\$ 4,595	\$ 15,940
Cost of sales	366	753	1,001	446	2,566	563	4,588	4,403	450	10,004	845	1,025	2,000	1,840	5,710
Gross Profit	1,147	1,163	1,311	1,250	4,871	1,640	2,005	1,929	1,370	6,944	1,970	2,175	3,330	2,755	10,230
Operating Expenses:															
Loss on write-off of software assets	-	-	-	369	369	-	-	-	-	-	-	-	-	-	-
Selling, general, and administrative	975	1,031	1,133	1,239	4,377	1,452	2,540	1,783	1,310	7,085	1,700	1,900	2,100	2,050	7,750
Total Operating Expenses	975	1,031	1,133	1,607	4,746	1,452	2,540	1,783	1,310	7,085	1,700	1,900	2,100	2,050	7,750
Operating Income (loss)	172	133	178	(357)	125	188	(535)	146	60	(141)	270	275	1,230	705	2,480
Loss on debt extinguishment/conversion	-	-	-	(179)	(179)	-	-	-	-	-	-	-	-	-	-
Investment gain (loss)	(29)	(59)	(162)	-	(250)	-	-	-	-	-	-	-	-	-	-
Other income includes equity loss investment	-	-	25	47	72	-	-	-	-	-	-	-	-	-	-
Interest expense, net	(18)	(16)	(13)	(6)	(53)	(8)	(7)	(7)	(7)	(30)	(5)	(5)	(5)	-	(15)
Total Other Income (expense)	(47)	(75)	(150)	(138)	(410)	(8)	(7)	(7)	(7)	(30)	(5)	(5)	(5)	-	(15)
Pre-Tax Income (loss)	125	58	28	(495)	(284)	180	(543)	138	53	(171)	265	270	1,225	705	2,465
Income Tax Expense (Benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	\$ 125	\$ 58	\$ 28	\$ (495)	\$ (284)	\$ 180	\$ (543)	\$ 138	\$ 53	\$ (171)	\$ 265	\$ 270	\$ 1,225	\$ 705	\$ 2,465
Net (loss) per share	\$ 0.02	\$ 0.01	\$ 0.00	\$ (0.08)	\$ (0.05)	\$ 0.02	\$ (0.07)	\$ 0.02	\$ 0.01	\$ (0.02)	\$ 0.03	\$ 0.03	\$ 0.15	\$ 0.09	\$ 0.30
Avg Shares Outstanding	5,998	6,059	6,048	5,929	5,929	7,424	7,581	8,215	8,250	7,868	8,260	8,270	8,280	8,290	8,275
Adjusted EBITDA	\$ 209	\$ 198	\$ 247	\$ (83)	\$ 571	\$ 331	\$ 500	\$ 671	\$ 335	\$ 1,836	\$ 412	\$ 405	\$ 1,360	\$ 835	\$ 3,012
Margin Analysis															
Gross margin	75.8%	60.7%	56.7%	73.7%	65.5%	74.4%	30.4%	30.5%	75.3%	41.0%	70.0%	68.0%	62.5%	60.0%	64.2%
Selling, general, and administrative	64.5%	53.8%	49.0%	73.1%	58.9%	65.9%	38.5%	28.2%	72.0%	41.8%	60.4%	59.4%	39.4%	44.6%	48.6%
Operating margin	11.4%	6.9%	7.7%	(21.1%)	1.7%	8.5%	(8.1%)	2.3%	3.3%	(0.8%)	9.6%	8.6%	23.1%	15.3%	15.6%
Pre-tax margin	8.3%	3.0%	1.2%	(29.2%)	(3.8%)	8.2%	(8.2%)	2.2%	2.9%	(1.0%)	9.4%	8.4%	23.0%	15.3%	15.5%
YEAR / YEAR GROWTH															
Total Revenues	77.3%	128.8%	172.7%	31.1%	94.1%	45.7%	244.0%	174.0%	7.3%	127.9%	27.8%	(51.5%)	(15.8%)	152.5%	(5.9%)

* Includes approximately (\$0.10) per share for 2Q20 and (\$0.06) per share for 3Q20 from one-time non-cash expense related stock-based compensation costs stemming from executive bonuses.

** Includes approximately (\$0.16) per share from a one-time non-cash expense related stock-based compensation costs stemming from executive bonuses.

Source: Company reports and Taglich Brothers estimates

Trxade Group, Inc.
Cash Flow Statement
FY2017 – FY2021E
(in thousands)

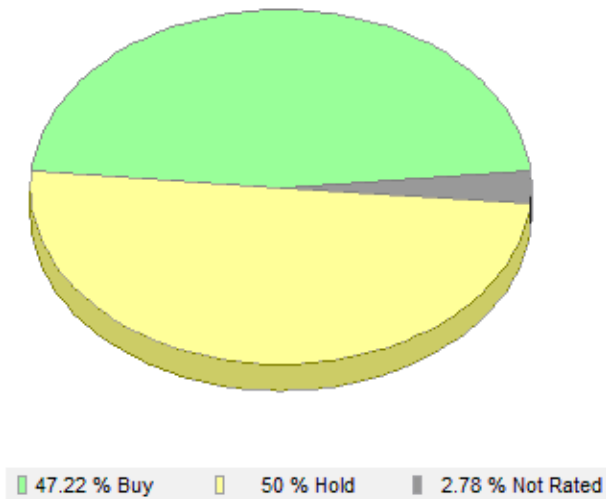
	<u>FY2017A</u>	<u>FY2018A</u>	<u>FY2019A</u>	<u>9 Mos. 20A</u>	<u>FY2020E</u>	<u>FY2021E</u>
<i>Cash Flows from Operating Activities</i>						
Net Income (loss)	\$ 289	\$ 9	\$ (284)	\$ (224)	\$ (171)	\$ 2,465
Depreciation	-	-	5	4	5	5
Warrant expense	-	-	105	149	175	-
Stock issued for services	13	-	-	1,178	1,400	700
Options expense	268	170	176	373	400	-
Bad debt expense	-	2	12	36	40	-
Loss on debt extinguishment	17	7	179	-	-	-
Investment loss	-	-	250	-	-	-
Loss on write off of software assets	-	-	278	-	-	-
Inventory writedown	-	-	-	137	137	-
Amortization of right of use assets	-	-	90	61	75	75
Amortization of debt discount	89	0	-	-	-	-
Cash earnings (burn)	<u>675</u>	<u>189</u>	<u>810</u>	<u>1,713</u>	<u>2,061</u>	<u>3,245</u>
<i>Changes In:</i>						
Accounts receivable	(20)	(2)	(370)	(278)	(209)	0
Prepaid assets and other current assets	(91)	14	0	(150)	(172)	(25)
Other assets - includes deposits for inventory purchases	-	-	(89)	(1,081)	(500)	250
Inventory	-	(4)	23	(1,727)	(1,120)	891
Lease liability	-	-	(75)	(65)	(21)	-
Accounts payable	(98)	95	(149)	(98)	(57)	(40)
Accrued liabilities and other liabilities	(294)	(19)	(9)	187	101	(100)
(Increase)/decrease in Working Capital	<u>(503)</u>	<u>85</u>	<u>(668)</u>	<u>(3,213)</u>	<u>(1,977)</u>	<u>977</u>
Net cash (used) provided by operations	<u>172</u>	<u>273</u>	<u>142</u>	<u>(1,499)</u>	<u>84</u>	<u>4,222</u>
<i>Cash Flows from Investing Activities</i>						
Purchase of fixed assets	-	(15)	(82)	(24)	(24)	(50)
Cash paid for acquisition, net	-	(250)	-	-	-	-
Purchase of equity method investment	-	-	(250)	-	-	-
Cash Flows from Investing Activities	<u>-</u>	<u>(265)</u>	<u>(332)</u>	<u>(24)</u>	<u>(24)</u>	<u>(50)</u>
<i>Cash Flows from Financing Activities</i>						
Repayments of promissory note - third parties	(433)	(11)	-	-	-	-
Repayments of short-term debt - related parties	-	(112)	(263)	-	-	(225)
Proceeds from convertible/note - related party	180	-	-	-	-	-
Proceeds from exercise of warrants/options	0	-	0	37	37	-
Payment of stock issuance costs	-	-	-	(732)	(732)	-
Proceeds from issuance of common stock	<u>250</u>	<u>800</u>	<u>2,455</u>	<u>5,994</u>	<u>5,994</u>	<u>-</u>
Net cash provided by (used in) Financing	<u>(2)</u>	<u>678</u>	<u>2,193</u>	<u>5,299</u>	<u>5,299</u>	<u>(225)</u>
Net change in Cash	169	686	2,002	3,776	5,359	3,947
Cash Beginning of Period	<u>15</u>	<u>184</u>	<u>870</u>	<u>2,872</u>	<u>2,872</u>	<u>8,230</u>
Cash End of Period	<u>\$ 184</u>	<u>\$ 870</u>	<u>\$ 2,872</u>	<u>\$ 6,648</u>	<u>\$ 8,230</u>	<u>\$ 12,178</u>

Source: Company reports and Taglich Brothers estimates

Price Chart



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	3	15
Hold		
Sell		
Not Rated		

Important Disclosures

As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company with in the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. In May 2020, the company paid Taglich Brothers a monetary fee of \$3,000 (USD) representing payment for the creation and dissemination of research reports for two months. In September 2020, the company began paying Taglich Brothers a monthly monetary fee of \$1,500 (USD) for the creation and dissemination of research reports.

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Analyst Certification

I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Public Companies mentioned in this report:

AmerisourceBergen Corporation	(NYSE: ABC)	Cardinal Health, Inc.	(NYSE: CAH)
McKesson Corporation	(NYSE: MCK)	Teladoc Health, Inc.	(NYSE: TDOC)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long-term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company-specific risks that contribute to lower valuations. 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.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.