

Research Report – Update

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

TRxADE Group, Inc.

Rating: Speculative Buy

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July 30, 2020

MEDS \$7.54 — (NASDAQ)

	2017 A	2018 A	2019 A	2020 E*	2021 E
Revenue (in millions)	\$2.9	\$3.8	\$7.4	\$14.1	\$15.5
Earnings (loss) per share	\$0.05	\$0.00	(\$0.05)	\$0.09	\$0.30

52-Week range	\$11.60 – \$4.01	Fiscal year ends:	December
Shares outstanding a/o 07/24/20	8.1 million	Revenue/shares (ttm)	\$1.90
Approximate float	2.9 million	Price/Sales (ttm)	4.0X
Market Capitalization	\$61.1 million	Price/Sales (2021) E	4.0X
Tangible Book value/shr	\$1.17	Price/Earnings (ttm)	NMF
Price/Book	6.4X	Price/Earnings (2021) E	25.1X

**Excludes approximately (\$0.10) from a one-time non-cash expense of \$829,000 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 and increasing our 12-month price target to \$10.50 per share from \$9.50 per share based on increases in sector valuation and our 2021 EPS forecast.

Trxade Group, Inc. has an opportunity for sustained revenue and earnings growth as independent pharmacies join its TRxADE marketplace platform that matches buyers and sellers of generic and branded drugs. In 2Q20, 11,725 pharmacies were on the TRxADE marketplace platform, up from 8,835 in 1Q18. There are an estimated 21,000 independent community pharmacies in the US, which generated revenue of \$76 billion in 2018 with 93% of sales coming from prescription drugs.

MEDS reported (on 7-27-20) a 2Q20 loss of (\$0.07) per share on 244% sales growth to \$6.6 million. We projected breakeven per share on sales of \$1.9 million. 2Q19 EPS was \$0.01 per share on sales of \$1.9 million. 2Q20 included an estimated \$4 million in personal protective product sales and a one-time non-cash expense of \$829,000 or (\$0.10) per share related to stock-based compensation stemming from executive bonuses.

Results in 2Q20 demonstrated that MEDS is building an integrated technology and services company that was able to source and sell personal protective products (masks and sanitizer) through its Integra Pharma Solutions subsidiary during the worst part of the COVID-19 pandemic. The company's goal is to deliver products and services that meet the needs of independent pharmacies and their consumers, hospitals, employers, and state and local governments in the US.

For 2020, we project (excluding one-time expense) EPS* of \$0.09 per share on revenue of \$14.1 million. Our forecast reflects 1H20 results.

For 2021, we project EPS of \$0.30 per share (prior was \$0.28 per share) on revenue of \$15.5 million (prior was \$13.1 million). Our forecast reflects transaction growth on the TRxADE platform, approximately \$1 million of contribution from its mobile telehealth app and associated prescription drug sales, and modest but steady sales of personal protective equipment through the company's Integra Pharma Solutions subsidiary.

Please view our Disclosures pages 17 - 19

Appreciation Potential

Maintaining Trxade Group, Inc., with a Speculative Buy rating and increasing our 12-month price target to \$10.50 per share from \$9.50 per share based on increases in sector valuation and our 2021 EPS forecast. 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, as well as the company’s ability to source and sell personal protective equipment through its Integra Pharma Solution subsidiary. We estimate at least 13,500 independent pharmacies on the platform by 4Q21, up from 11,725 in 2Q20 and 8,835 in 1Q18. We also anticipate an initial revenue contribution of at least \$1 million from its Bonum Health subsidiary as people begin utilizing the telehealth mobile app offering and associated drug delivery service.

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 independent pharmacies, hospitals, employers, and state and local government agencies can obtain personal protective equipment for as long as the COVID-19 pandemic persists. 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 \$10.50 per share implies shares could appreciate nearly 40% over the next twelve months. According to finviz, the average forward price-to-earnings multiple for companies in the Medical – distribution, retail, and health information sectors is 34.2X (prior was 33.9X), compared to Trxade Group’s forward P/E multiple of 25.1X (prior was 21.9X). We anticipate investors are likely to accord Trxade Group the sector multiple given that our forecasted EPS growth (excluding one-time non-cash stock-based compensation expense) should nearly triple in 2021. We applied the current industry P/E multiple of 34.2X to our 2021 EPS forecast of \$0.30 to obtain a year-ahead price target of approximately \$10.50 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 2H20, as well as its ability to generate cash. We estimate cash earnings of nearly \$2.9 million in 2021, up from an estimated \$1.3 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 2Q20, 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, gloves, as well as third party rapid COVID-19 test kits.



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.

History

On December 16, 2013, Trxade Nevada and Xcellink International, Inc. (XCEL) entered into a definitive merger agreement providing for the merger of Trxade Nevada with and into XCEL, with XCEL as the surviving corporation. On January 8, 2014 Trxade became publicly traded. On February 12, 2020, the company effected a reverse stock split of 1-for-6 on its common stock.

The company acquired in October 2018 and October 2019, Community Specialty Pharmacy, an accredited independent retail pharmacy that focuses on specialty medications, and its telehealth subsidiary Bonum Health, respectively.

Revenue Platforms

TRxADE Marketplace Platform

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 2Q20, the platform had approximately 11,725 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 primary component of the company's marketplace platform include a pharmacy acquisition cost (PAC™) tool that enables the customer to know if the price being paid for a generic drug is fair compared to national averages. This tool is similar in nature to the wholesale acquisition cost for brand pharmaceuticals, which is an estimate of the manufacturer's list price for a drug to wholesalers or direct purchasers. The company developed PAC to be an exclusive benefit to its marketplace platform members. PAC looks at hundreds of thousands of pieces of data each day, which includes but is not limited to surveying pharmacies, using data from voluntary participating wholesalers, statistical dispensing activity, and disposal costs. The averages on the platform in most cases include rebates, discounts, and retail pharmacy product acquisitions based on size and existing supplier contracts.

An essential component of the marketplace is having knowledge of a suppliers' pedigree. This component allows independent pharmacies to compare prices across more than 50 pedigree compliant prescription wholesale suppliers that have undergone a thorough vetting process in order to ensure that each one is 100% track and trace compliant. The supplier vetting includes holding a verified-accredited wholesale distributors® (VAWD) accreditation, which is valid for 3 years, as well as including VAWD pending suppliers that have received a letter assuring they can act as a distributor to provide covered products as they are actively pursuing accreditation through the National Associations of Boards of Pharmacy.

Specialty Pharmacy

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.

Integra Pharma Solutions

Integra Pharma Solutions (formerly Pinnacle Tek, Inc.) was founded by the company's CEO in 2011 and is currently 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 and COVID-19 rapid test kits to its customer base. We estimate sales of personal protective equipment was approximately \$4 million, but only provide a gross margin of approximately 25%. Sales of personal protective equipment and test kits are likely to continue as long as the COVID-19 pandemic persists. However, sales are likely to be lumpy as they will occur upon customer requests.

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.

Telehealth Services

In October 2019, the company acquired its Bonum Health subsidiary that will be a telehealth service provider. 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. Eventually, the company might invest in rolling out the Bonum Health Hub, which would be located in independent pharmacy locations.

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.

The doctors in the Bonum Health network specialize in everyday care and dermatology services with plans to offer additional services to drive future growth.

Growth Strategy

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 company intends to grow its TRxADE 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 2Q20 there were 11,725 independent pharmacies registered to transact business on the platform, up from approximately 8,500 at the end of 2017. An important part of the sales mix are transaction fees, which for generic drugs are up to 6%, and up to 1% for branded drugs. It should be noted that branded drugs typically have higher average prices compared to generics.

To further broaden the company's revenue generating capabilities is the ability to provide additional services to US independent pharmacies that are already embedded on the TRxADE marketplace platform. The company continues the development of its logistics operations conducted through Integra Pharma Solutions as its virtual warehouse that supplies over 23,000 items to be sold through approximately 60 supply partners, as well as having over 500 drugs and/or related products that can be distributed. The estimated \$4 million in personal protective equipment sales in 2Q20 is an example of the leverage the subsidiary can take advantage of using its technology to source and then sell products it had never sold before.

At December 31, 2019, Community Specialty Pharmacy (CSP), an accredited independent retail pharmacy had licenses authorizing it to operate in 28 US states. The company will seek 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.

The October 2019 acquisition of Bonum Health should drive growth in the company's telehealth segment since there is a significant opportunity for growth in the 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. If the company can establish a recurring monthly revenue subscription base from the uninsured population, growth should be substantial. In the company's home state of Florida there were an estimated 2.8 million people without insurance in 2018 and in the US there were an estimated 28 million uninsured in 2017.

On June 9, 2020, the company announced the appointment of Ashton Maaraba as president of its Bonum Health telemedicine subsidiary in order to solidify the growth opportunities of Bonum Health.

Industry Briefs

Telehealth Market

The company's acquisition of Bonum Health in October 2019 indicates that it is seeking to enter 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. A driving force for the company's Bonum Health subsidiary's mobile health app is that the US healthcare system has a shortage of physicians and is having difficulty in handling the increase in population, as well as its need to expand healthcare access to underserved communities due to increases in chronic conditions. Trxade aims to develop Bonum's services to take advantage of advancements in telecommunications and government support and increasing awareness of mobile telehealth access for consumers.

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. Industry growth in 2020 could approach 80% due to the COVID-19 pandemic. 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 smartphone usage and 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 observed that independent and small chain pharmacies and drug stores have entered the market in order to take advantage of the increasing elderly population in the US along with pharmacies having robust front-store sales of non-pharmaceutical items.

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, individuals will continue to experience low out-of-pocket costs and easier access to prescription medications.

Consulting firm Grandview Research projects the global ePharmacy market to grow 14.8% annually reaching \$109.4 billion in 2025, up from an estimated \$33 billion in 2016. North America, which had the largest market share in 2016, should dominate through the forecast period due primarily to a high adoption of ecommerce, increase in online orders, and growth in the elderly population.

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.

The report also stated that in 2017, specialty medicines revenue growth of \$9.8 billion supported overall new branded drug growth of \$12 billion. In 2017, specialty drugs accounted for roughly 45% of the \$450 billion pharmaceutical market. The report observed that specialty pharmacies are becoming an integral part of taking care of chronically ill patients. In 2020, the report anticipated that more than 50% of outpatient drug spending is likely to be on specialty medicines.

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 \$1 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. Utilization of the company's mobile health app by people seeking medical care should provide incremental growth to the company's specialty pharmacy subsidiary. Revenue from the company's Integra Pharm subsidiary should grow as its offerings (that included starting in 2Q20, personal protective equipment and third party COVID-19 rapid test kits) are marketed to the independent pharmacies registered on the TRxADE marketplace platform, as well as hospitals, employers, and state and local government agencies in the US.

The estimated \$4 million in personal protective equipment (PPE) sales was not anticipated, we are including modest sales of the low gross margin (approximately 30%) PPE's going forward. We are not including the potential for large orders that could occur if certain circumstances related to the COVID-19 pandemic environment occurs.

Operations – 2020

We project 90.2% revenue growth to \$14.1 million (prior was \$9.9 million) from \$7.4 million in 2019 due primarily to the unanticipated sales of approximately \$4 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 from the company's Bonum Health subsidiary. We project gross profit increasing 38% to \$6.7 million due primarily to sales growth. We anticipate gross margin contracting to 47.5% from 65.5% in 2019 reflecting the sale of approximately \$4 million of lower margin PPE products in 2Q20.

We project an operating loss of \$47,000, compared to operating income \$125,000 in 2019 due primarily to recognition of a one-time non-cash expense of \$829,000 related stock-based compensation costs stemming from executive bonuses. Excluding the one-time item, we estimate operation income of approximately \$700,000 and operating margin expense of 42% from 63.8% in 2019. We forecast operating expenses (consisting of G&A) increasing to \$6.8 million (includes \$828,000 in non-cash stock-based compensation) compared to \$4.7 million in 2019 (included a \$369,000 loss on write-off of software assets). 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 \$29,000 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 \$76,000 or (\$0.01) per share (prior was net income of \$1.1 million or \$0.13 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 \$0.09 per share excluding one-time non-cash items in 2020 compared to estimated EPS of \$0.07 per share excluding one-time items in 2019.

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

Finances – 2020

We project cash earnings of \$1.3 million and an increase in working capital of approximately \$1.6 million. The increase in working capital is due primarily to increases in inventory, receivables, and prepaid assets. Proceeds from the issuance of common stock should cover cash used from operations of \$327,000, as well as capital expenditures and payment of stock issuance costs. Cash should increase by \$4.9 million to \$7.7 million at December 31, 2020.

Operations – 2021

We project 9.6% revenue growth to \$15.5 million (prior was \$13.1 million) due primarily to an increase in the number of independent pharmacies that purchase pharmaceutical drugs (generic and branded) on the company's marketplace platform, an estimated \$1 million contribution from the company's telehealth subsidiary Bonum Health as people begin to embrace its mobile health app, and modest but steady sales of personal protective equipment and third party COVID-19 test kits through the Integra Pharma Solutions subsidiary. We anticipate revenue generated from Bonum Health should also integrate with both the company's Integra Pharma Solutions logistic wholesaler subsidiary and Community Specialty Pharmacy operations. Given the \$4 million sales of PPE's in 2Q20, annualized sales growth should approximate 44.4% to 2021 from 2019.

Gross profit should increase 40% to \$9.4 million due primarily to sales growth and gross margin improving to 60.7% from an estimated 47.5% in 2020 due primarily to a sales mix shift and the company being able to obtain at least 30% gross margin on PPE sales.

We project operating income of \$2.5 million compared to a loss of \$47,000 in 2020 due primarily to sales growth, gross margin improvement, and operating margin expense of 44.8% from an estimated 47.8% in 2020 (including the one-time non-cash item of \$829,000). We forecast operating expenses (consisting of G&A) increasing to nearly \$7 million compared to \$6.8 million (includes \$829,000 of one-time 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 \$29,000 in 2020 due primarily to lower debt balances. We project net income of nearly \$2.4 million or \$0.30 per share, on an estimated 8.1 million average outstanding shares. We previously projected net income of nearly \$2.3 million or \$0.28 per share.

Finances – 2021

We project cash earnings of nearly \$2.9 million and an increase in working capital of \$718,000. The increase in working capital is due primarily to increases in receivables, inventory, and prepaid assets. Cash from operations of \$2.2 million should cover capital expenditures and repayment of debt, increasing cash by \$1.9 million to \$9.6 million at December 31, 2021.

2Q20 and 1H20 Results

2Q20

Revenues increased 244% to \$6.6 million compared to \$1.9 million in the year-ago period, reflecting a \$4.4 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, as well as sales

of COVID-19 rapid test kits. TRxADE marketplace platform sales increased \$256,000 to nearly \$1.4 million due primarily to the addition of 325 new independent pharmacies to its platform, bringing the total registered pharmacy members to over 11,725 at the end of 2Q20. The increases were partly offset by a \$12,200 decrease in the company's Community Specialty Pharmacy operation to \$438,000.

Gross profit increased 72.3% to \$2 million due to sales growth, partly offset by gross margin contraction to 30.4% from 60.7% in the year-ago period. Gross margin contraction stems from lower margin sales (approximately 25% gross margin) for personal protective equipment. Operating expenses (G&A) more than doubled to \$2.5 million from \$1 million in 1Q19. The increase in G&A expense reflects spending on information technology development, legal and market, and filing fees. However, the current period included a one-time non-cash expense of \$829,000 related stock-based compensation costs stemming from executive bonuses. The company also recorded an increase in warrants and option expense to \$205,000 due primarily to warrants issued to consultants and Board of Director option grants.

Non-operating interest expense was \$7,000 compared to \$16,000 in the year-ago period. The year-ago period included a share in equity loss investment of \$59,000 compared to none in the current period.

Net loss was \$543,000 or (\$0.07) per share on 7.6 million outstanding average shares compared to net income of \$58,000 or \$0.01 per share on nearly 6.1 million outstanding average shares. We projected EPS of breakeven per share on sales of \$1.9 million. Excluding non-cash stock based compensation, we estimate EPS of approximately \$0.03 per share.

1H20

Revenues increased 156.5% to \$8.8 million compared to \$3.4 million in the year-ago period, reflecting a \$4.4 million increase at the company's Integra Pharma Solutions logistic subsidiary in 2Q20. TRxADE marketplace platform sales increased \$732,000 to \$2.9 million due primarily to the addition of 630 new independent pharmacies to its platform. The increases were partly offset by a \$22,200 decrease in the company's Community Specialty Pharmacy operation to \$892,000.

Gross profit increased 57.8% to \$3.6 million due to sales growth, partly offset by gross margin contraction to 41.4% from 67.4% in the year-ago period. Gross margin contraction stems from the sale of lower margin personal protective equipment within its Integr Pharma Solutions subsidiary. Operating expenses (G&A) doubled to \$4 million from \$2 million in 1H19. The increase in G&A expense reflects spending on information technology development, legal and market, and filing fees. However, the current period included a one-time non-cash expense of \$829,000 related stock-based compensation costs stemming from executive bonuses. The company also recorded an increase in warrants and option expense of \$246,000 to \$346,000 due primarily to warrants issued to consultants and Board of Director option grants.

Non-operating interest expense was \$15,000 compared to \$33,000 in the year-ago period. The year-ago period included a share in equity loss investment of \$88,000 compared to none in the current period.

Net loss was \$362,000 or (\$0.05) per share on 7.3 million outstanding average shares compared to net income of \$183,000 or \$0.03 per share on nearly 6.1 million outstanding average shares. Excluding one-time non-cash expense of \$829,000 related stock-based compensation costs, we estimate EPS of approximately \$0.06 per share.

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Revenues in thousands	\$ 8,796	\$ 3,429	156.5%
Cost of Sales	5,151	1,119	360.3%
Gross Profit	<u>\$ 3,645</u>	<u>\$ 2,310</u>	57.8%
Total Operating Expenses	3,992	2,005	99.1%
Operating Income	(347)	304	(214%)
Total Other Income (Expense)	(15)	(121)	NMF
Pre-Tax Income	(362)	183	NMF
Income Tax Expense (Benefit)	-	-	
Net income (loss)	<u>\$ (362)</u>	<u>\$ 183</u>	
Net (loss) per share	<u>\$ (0.05)</u>	<u>\$ 0.03</u>	
Avg Shares Outstanding	7,325	6,059	
Margins			
Gross margin	41.4%	67.4%	
Operating Margin	(3.9%)	8.9%	
Pre-Tax Margins	(4.1%)	5.3%	
Source: company reports			

Finances

In 1H20, cash earnings of \$873,000 and a \$4.9 million increase in working capital resulted in cash used in operations of nearly \$4 million. The increase in working capital was due primarily to increases 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 \$1.3 million to \$4.2 million at June 30, 2020. Subsequent to June 30, 2020, the company received payments of approximately \$2 million to reduce receivables to approximately \$1.5 million from \$3.5 million at the end of 2Q20.

Capital Structure – At March 31, 2020

At June 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. Competition within the telehealth industry is marked by the development of technology to enable the delivery of on-demand access to healthcare. Other competitive factors include experience, customer service, quality of technology, as well as know-how and reputation.

Risks

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

Financing/Dilution

Historically, the company had experienced small operating losses. Its 2Q20 retained deficit was \$8.8 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 the company 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, the implementation of the 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 attorneys 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.

Legal Proceedings

In January 2020, Trxade became aware of a complaint filed by Jitendra Jain, Manish Arora, Scariy Kumaramangalam, Harsh Datta and Balvant Arora, against the wholly-owned subsidiary, Trxade, Inc. and CEO Suren Ajjarapu, Annapurna Gundlapalli, Gajan Mahendiran and Nexgen Memantine, in the Circuit Court of Madison County, Alabama. The complaint relates to certain investments allegedly made by the plaintiffs in Nexgen Memantine and alleged fraudulent transfers of assets and funds to have been taken by the defendants (all alleged) which are unrelated to the Trxade Group, Inc. The complaint seeks \$425,000 in compensatory damages and nearly \$1.3 million in punitive damages. The company and its CEO deny in their entirety the plaintiffs' allegations. The company is unable to determine the estimate of the probable or reasonable possible loss or range of losses arising from this legal proceeding. The final date for the plaintiffs to appeal the ruling to dismiss the lawsuit is August 2020.

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 July 29, 2020) average daily volume was approximately 61,000. MEDS has 8.1 million shares outstanding and a float of approximately 2.9 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	2Q20A	FY20E	FY21E
ASSETS						
Current assets:						
Cash	\$ 184	\$ 870	\$ 2,872	\$ 4,151	\$ 7,730	\$ 9,603
Accounts receivable, net	319	434	792	3,544	1,044	1,292
Inventory	-	80	57	1,819	990	1,220
Prepaid assets	102	83	82	300	283	465
Other - deposits for inventory purchases	<u>2</u>	<u>-</u>	<u>-</u>	<u>309</u>	<u>200</u>	<u>150</u>
Total current assets	607	1,466	3,803	10,123	10,247	12,730
Property and equipment, net	-	15	175	151	155	150
Deposits	-	21	22	22	22	22
Deferred offering costs	-	-	88	-	-	-
Right of use lease assets	-	-	758	710	710	710
Goodwill	10	726	726	726	726	726
Total assets	<u>\$ 617</u>	<u>\$ 2,228</u>	<u>\$ 5,571</u>	<u>\$ 11,732</u>	<u>\$ 11,860</u>	<u>\$ 14,338</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	106	401	335	272	206	254
Accrued liabilities	157	138	99	350	200	100
Lease liabilities	-	-	87	94	94	94
Customer deposits	-	-	-	4	-	-
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	720	500	448
Convertible note, net - long term	182	523	-	-	-	-
Notes payable - related parties	223	-	225	225	225	-
Other liabilities - leases	-	-	685	636	635	601
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	18,909	18,895	19,245
Retained earnings (deficit)	(8,120)	(8,111)	(8,396)	(8,758)	(8,396)	(5,956)
Total stockholders' equity	<u>(312)</u>	<u>845</u>	<u>4,140</u>	<u>10,151</u>	<u>10,499</u>	<u>13,289</u>
Total liabilities and stockholders' equity	<u>\$ 617</u>	<u>\$ 2,228</u>	<u>\$ 5,571</u>	<u>\$ 11,732</u>	<u>\$ 11,860</u>	<u>\$ 14,338</u>
SHARES OUT	5,331	5,548	6,539	8,062	8,075	8,100

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	\$ 14,146	\$ 15,505
Cost of sales	<u>-</u>	<u>449</u>	<u>2,566</u>	<u>7,426</u>	<u>6,100</u>
Gross Profit	<u>2,931</u>	<u>3,383</u>	<u>4,871</u>	<u>6,720</u>	<u>9,405</u>
Operating Expenses:					
Loss on write-off of software assets	-	-	369	-	-
Selling, general, and administrative	2,536	3,470	4,377	6,767	6,950
Total Operating Expenses	<u>2,536</u>	<u>3,470</u>	<u>4,746</u>	<u>6,767</u>	<u>6,950</u>
Operating Income (loss)	395	(88)	125	(47)	2,455
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>(29)</u>	<u>(15)</u>
Total Other Income (expense)	<u>(106)</u>	<u>97</u>	<u>(410)</u>	<u>(29)</u>	<u>(15)</u>
Pre-Tax Income (loss)	289	9	(284)	(76)	2,440
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>\$ (76)</u>	<u>\$ 2,440</u>
Net (loss) per share	<u>\$ 0.05</u>	<u>\$ 0.00</u>	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>	<u>\$ 0.30</u>
Avg Shares Outstanding	5,681	5,826	5,929	7,857	8,138
Adjusted EBITDA	\$ 675	\$ 82	\$ 571	\$ 1,390	\$ 2,987
Margin Analysis					
Gross margin	100.0%	88.3%	65.5%	47.5%	60.7%
Selling, general, and administrative	86.5%	90.6%	58.9%	47.8%	44.8%
Operating margin	13.5%	(2.3%)	1.7%	(0.3%)	15.8%
Pre-tax margin	9.9%	0.2%	(3.8%)	(0.5%)	15.7%
YEAR / YEAR GROWTH					
Total Revenues		30.7%	94.1%	90.2%	9.6%

* Includes approximately (\$0.10) per share from a one-time non-cash expense of \$829,000 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 E</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	\$ 3,000	\$ 2,350	\$ 14,146	\$ 3,130	\$ 4,600	\$ 4,240	\$ 3,535	\$ 15,505
Cost of sales	366	753	1,001	446	2,566	563	4,588	1,250	1,025	7,426	1,275	1,800	1,625	1,400	6,100
Gross Profit	1,147	1,163	1,311	1,250	4,871	1,640	2,005	1,750	1,325	6,720	1,855	2,800	2,615	2,135	9,405
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	1,500	1,275	6,767	1,625	1,850	1,775	1,700	6,950
Total Operating Expenses	975	1,031	1,133	1,607	4,746	1,452	2,540	1,500	1,275	6,767	1,625	1,850	1,775	1,700	6,950
Operating Income (loss)	172	133	178	(357)	125	188	(535)	250	50	(47)	230	950	840	435	2,455
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)	(29)	(5)	(5)	(5)	-	(15)
Total Other Income (expense)	(47)	(75)	(150)	(138)	(410)	(8)	(7)	(7)	(7)	(29)	(5)	(5)	(5)	-	(15)
Pre-Tax Income (loss)	125	58	28	(495)	(284)	180	(543)	243	43	(76)	225	945	835	435	2,440
Income Tax Expense (Benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	\$ 125	\$ 58	\$ 28	\$ (495)	\$ (284)	\$ 180	\$ (543)	\$ 243	\$ 43	\$ (76)	\$ 225	\$ 945	\$ 835	\$ 435	\$ 2,440
Net (loss) per share	\$ 0.02	\$ 0.01	\$ 0.00	\$ (0.08)	\$ (0.05)	\$ 0.02	\$ (0.07)	\$ 0.03	\$ 0.01	\$ (0.01)	\$ 0.03	\$ 0.12	\$ 0.10	\$ 0.05	\$ 0.30
Avg Shares Outstanding	5,998	6,059	6,048	5,929	5,929	7,424	7,581	8,100	8,325	7,857	8,115	8,130	8,145	8,160	8,138
Adjusted EBITDA	\$ 209	\$ 198	\$ 247	\$ (83)	\$ 571	\$ 331	\$ 500	\$ 380	\$ 180	\$ 1,390	\$ 372	\$ 1,080	\$ 970	\$ 565	\$ 2,987
Margin Analysis															
Gross margin	75.8%	60.7%	56.7%	73.7%	65.5%	74.4%	30.4%	58.3%	56.4%	47.5%	59.3%	60.9%	61.7%	60.4%	60.7%
Selling, general, and administrative	64.5%	53.8%	49.0%	73.1%	58.9%	65.9%	38.5%	50.0%	54.3%	47.8%	51.9%	40.2%	41.9%	48.1%	44.8%
Operating margin	11.4%	6.9%	7.7%	(21.1%)	1.7%	8.5%	(8.1%)	8.3%	2.1%	(0.3%)	7.3%	20.7%	19.8%	12.3%	15.8%
Pre-tax margin	8.3%	3.0%	1.2%	(29.2%)	(3.8%)	8.2%	(8.2%)	8.1%	1.8%	(0.5%)	7.2%	20.5%	19.7%	12.3%	15.7%
YEAR / YEAR GROWTH															
Total Revenues	77.3%	128.8%	172.7%	31.1%	94.1%	45.7%	244.0%	29.8%	38.6%	90.2%	42.1%	(30.2%)	41.3%	50.4%	9.6%

* Includes approximately (\$0.11) per share for 2Q20 and (\$0.10) per share for FY20 from a one-time non-cash expense of \$829,000 related stock-based compensation costs stemming from executive bonuses.

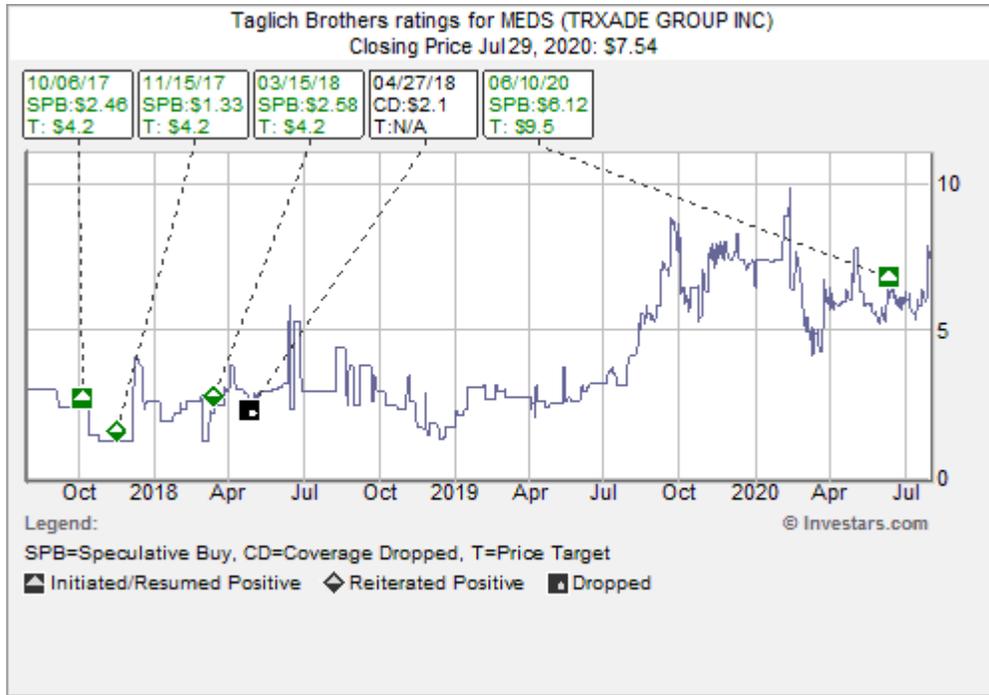
Source: Company reports and Taglich Brothers estimates

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

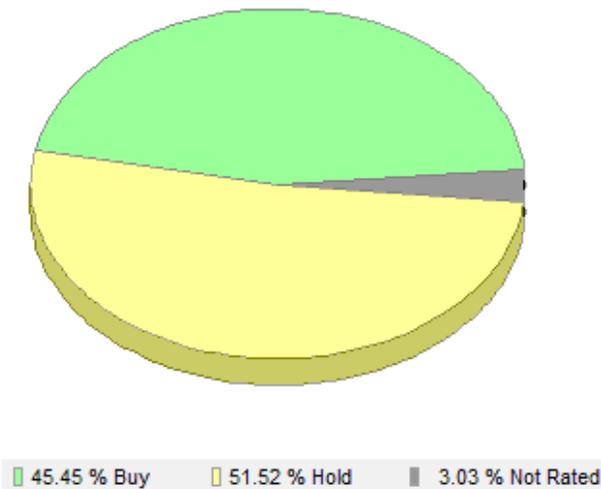
	<u>FY2017A</u>	<u>FY2018A</u>	<u>FY2019A</u>	<u>6 Mos. 20A</u>	<u>FY2020E</u>	<u>FY2021E</u>
<i>Cash Flows from Operating Activities</i>						
Net Income (loss)	\$ 289	\$ 9	\$ (284)	\$ (362)	\$ (76)	\$ 2,440
Depreciation	-	-	5	3	5	5
Warrant expense	-	-	105	100	79	-
Stock issued for services	13	-	-	830	830	-
Options expense	268	170	176	246	365	350
Bad debt expense	-	2	12	9	9	-
Loss on debt extinguishment	17	7	179	-	-	-
Investment loss	-	-	250	-	-	-
Loss on write off of sotware assets	-	-	278	-	-	-
Amortization of right of use assets	-	-	90	48	96	96
Amortization of debt discount	89	0	-	-	-	-
Cash earnings (burn)	<u>675</u>	<u>189</u>	<u>810</u>	<u>873</u>	<u>1,308</u>	<u>2,891</u>
<i>Changes In:</i>						
Accounts receivable	(20)	(2)	(370)	(2,761)	(252)	(248)
Prepaid assets and other current assets	(91)	14	0	(218)	(200)	(182)
Other assets - includes deposits for inventory purchases	-	-	(89)	(309)	(200)	50
Inventory	-	(4)	23	(1,762)	(933)	(230)
Lease liability	-	-	(75)	(42)	(21)	-
Customer deposits	-	-	-	4	-	(56)
Accounts payable	(98)	95	(149)	(18)	(128)	48
Accrued liabilities and other liabilities	(294)	(19)	(9)	251	101	(100)
(Increase)/decrease in Working Capital	<u>(503)</u>	<u>85</u>	<u>(668)</u>	<u>(4,856)</u>	<u>(1,634)</u>	<u>(718)</u>
Net cash (used) provided by operations	<u>172</u>	<u>273</u>	<u>142</u>	<u>(3,983)</u>	<u>(327)</u>	<u>2,173</u>
<i>Cash Flows from Investing Activities</i>						
Purchase of fixed assets	-	(15)	(82)	(24)	(100)	(75)
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>(100)</u>	<u>(75)</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	23	23	-
Payment of stock issuance costs	-	-	-	(732)	(732)	-
Proceeds from issuance of common stock	250	800	2,455	5,994	5,994	-
Net cash provided by (used in) Financing	<u>(2)</u>	<u>678</u>	<u>2,193</u>	<u>5,285</u>	<u>5,285</u>	<u>(225)</u>
Net change in Cash	169	686	2,002	1,279	4,858	1,873
Cash Beginning of Period	<u>15</u>	<u>184</u>	<u>870</u>	<u>2,872</u>	<u>2,872</u>	<u>7,730</u>
Cash End of Period	<u>\$ 184</u>	<u>\$ 870</u>	<u>\$ 2,872</u>	<u>\$ 4,151</u>	<u>\$ 7,730</u>	<u>\$ 9,603</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		
<u>Rating</u>	<u>#</u>	<u>%</u>
Buy	2	11
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. Two-months after publication of the initial report (September 2020), the company will begin paying Taglich Brothers a monthly monetary fee of \$1,500 (USD) for the creation and dissemination of research reports.

General Disclosures

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to changes in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an Analyst or member of the Research Department may sell such securities after obtaining expressed written permission from Compliance.

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.