

Research Report – Update

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

TRxADE Health, Inc.

Rating: Speculative Buy

Howard Halpern

November 1, 2021

MEDS \$4.28 — (NASDAQ)

	2018 A	2019 A	2020 A*	2021 E**	2022 E
Revenue (in millions)	\$3.8	\$7.4	\$17.1	\$9.5	\$12.9
Earnings (loss) per share	\$0.00	(\$0.05)	(\$0.33)	(\$0.67)	(\$0.08)

52-Week range	\$10.82– \$3.10	Fiscal year ends:	December
Shares outstanding a/o 10/25/21	8.2 million	Revenue/shares (ttm)	\$1.17
Approximate float	3.3 million	Price/Sales (ttm)	3.7X
Market Capitalization	\$35.1 million	Price/Sales (2022) E	2.7X
Tangible Book value/shr	\$0.57	Price/Earnings (ttm)	NMF
Price/Book	7.5X	Price/Earnings (2022) E	NMF

*Includes (\$0.25) per share from impairment charge and write-down of personal protective equipment inventory

** Includes (\$0.15) loss on inventory investment write-down

Trxade Health 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 12-month price target of \$7.00 per share.

Trxade has an opportunity for sustained revenue and eventually earnings growth as independent pharmacies join its marketplace platform that matches buyers and sellers of generic and branded drugs. Entering 4Q21, approximately 12,950 pharmacies were on the company's platform, up from 8,835 in 1Q18.

Supply chain issues for generic drugs imported primarily from India are likely to restrain TRxADE platform sales in 2021 since generic drugs have higher transaction fees compared to branded drugs. MEDS is focused on marketing its Bonum Health telehealth network offering through strategic partnerships, as well as enhancing its TRxADE platform sales through partnerships with group purchasing organizations (GPOs).

In 3Q21, MEDS reported (on 10-25-21) a loss per share of (\$0.16) on sales of nearly \$2.6 million. In 3Q20, EPS was \$0.02 on sales of \$6.3 million. We projected a loss per share of (\$0.16) on sales of \$1.9 million. The current period included bad debt expense of \$630,000.

For 2021, we project a loss per share of (\$0.67) on sales of \$9.5 million. We previously projected a loss per share of (\$0.72) on sales of \$8.9 million. The improvement in our forecast reflects 3Q21 results.

For 2022, we project a loss per share of (\$0.08) on sales of \$12.9 million, which is unchanged from our prior forecast. Our sales and loss forecast reflects the anticipated recovery of TRxADE platform sales and a 2H22 contribution from the Bonum Health subsidiary. The narrowing of our loss forecast reflects improved operating margin expense to 70% from 92.3% (excluding impairment and loss on inventory investment) in FY21.

Please view our Disclosures pages 14 - 16

Appreciation Potential

Maintaining Speculative Buy rating and 12-month price target of \$7.00 per share. Our price target should be supported by the 34.9% sales growth forecast to \$12.9 million we anticipate for 2022 that reflects a growing number of independent pharmacies purchasing branded and generic prescription drugs on the TRxADE marketplace platform. We estimate approximately 14,000 independent pharmacies should be on the platform by 4Q22, up from 12,950 in 3Q21 and 8,835 in 1Q18. We also anticipate revenue contribution in 2022 of \$3.5 million from its high margin Bonum Health subsidiary as people begin utilizing the telehealth mobile app offering and associated drug delivery service. Our 2022 forecast reflects a return to more normal purchasing patterns on the TRxADE marketplace platforms as generic drug production and supply chain disruptions in 2H21 abates during 1H22.

Our rating reflects the company integrating its subsidiaries and initiating new sales programs such as partnering with group purchasing organizations that allow for securing dozens of pharmacies at one time that will purchase drugs on the TRxADE marketplace platform. The overall mission is to build an end-to-end healthcare services organization so a patient never has to leave their home. MEDS has no debt and cash of \$3.6 million at September 30, 2021.

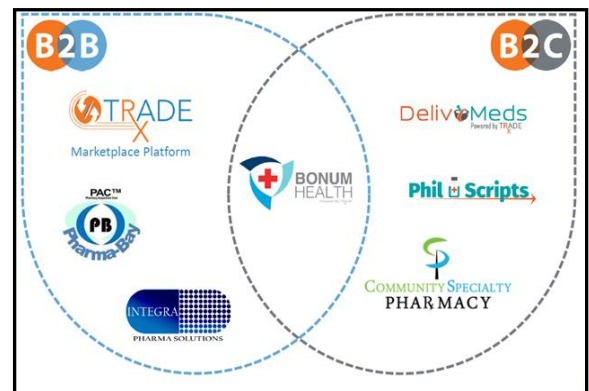
Our 12-month price target of \$7.00 per share implies shares could appreciate more than 65% over the next twelve months. According to finviz (a/o 10/25/21), the average twelve month trailing price-to-sales multiple for companies in the Medical – distribution, retail, and health information sectors is 6.2X (prior was 6X), compared to Trxade Health’s trailing P/S multiple of 3.7X (prior was 3X). We anticipate investors are likely to accord Trxade Health a multiple approaching that of the sector given our sale growth forecast of 34.9%. We applied a P/S multiple of 5X (unchanged) to our 2022 sales per share forecast of \$1.57, discounted for execution risk, to obtain a year-ahead price target of approximately \$7.00 per share.

A higher valuation of Trxade Health, Inc., is likely to be supported by quarterly sales growth and a narrowing of operating losses that should lead to operating profits in 2H22, as well as the generation of cash earnings. We estimate cash earnings of \$110,000 in 2022 compared to an estimated cash burn of \$2.9 million in 2021.

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

Overview

Trxade Health 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 company’s 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 to healthcare markets including government organizations, hospitals, clinics, and independent pharmacies in the US. In 2Q/3Q 2020, the company used this subsidiary and the TRxADE technology platform to source and sell 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), as well as wholesale operations and delivery services.

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 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

MEDS aims 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.

The organizations that are registered on the company's marketplace platform have access to its proprietary pharmaceutical database, data analytics that include medication pricing, and manufacturer return policies. Revenue is generated by charging a transaction fee to the seller of the products for sale 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. MEDS 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 meets the needs of independent pharmacies on the TRxADE platform, as well as the medical needs of an individual without them having to leave their home.

Three keys driving the company's 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 enhance the growth potential of the TRxADE marketplace platform, the company announced it secured a group purchasing agreement with QualityCare Pharmacies, an independent pharmacy prescription drug buying group. This was the first agreement reached under the company's new marketing initiative to bring group purchasing organizations onto its TRxADE Marketplace platform.

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. This subsidiary 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. Partnerships will also be a key growth driver.

The company has signed enterprise retail partnerships with Winn-Dixie, Big Y, SpartanNash, and Brookshire Grocery to onboard new customers to the company's telehealth platform. Entering 2022, we estimate over 500 stores will be offering the company's Bonum Health product to thousands of customers in all 50 states. MEDS also has a partnership with SingleCare, a prescription savings service with millions of registered users, and Kinney Drug retail

pharmacies in NY and VT, as well as more than 2 million Rx and discount card members of Kinney's sister company ProAct. We anticipate a modest recurring revenue contribution through 1H22, with accelerated growth in 2H22.

The company's other revenue generating subsidiaries include Integra Pharma Solutions a logistic organization and Community Specialty Pharmacy (CSP) which is an accredited independent retail pharmacy that is licensed to provide specialty drugs in 34 states. 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.

On April 28, 2021, TRxADE announced the launch of MedCheks which is a patient-centered, digital platform that lets patients consolidate and control their health data via a digital health passport. While this offering is unlikely to generate revenue during our forecast period, it will be incorporated into the company's Bonum Health offering to provide secure block-chain enabled electronic health records for patients on the telehealth platform.

Projections

Basis of Forecast

The company's core revenue growth should be driven primarily by an increasing number of independent pharmacies purchasing branded and generic prescription drugs on the TRxADE marketplace platform to at least 14,000 in 4Q22, up from 10,000 in 2019.

For 2021, we anticipate TRxADE platform sales of \$4.9 million (unchanged), down from \$5.5 million in 2020. The decline reflects an anticipated decrease in sales during 2Q/3Q stemming from supply chain issues in India and the US that disrupted the production and distribution of generic drugs that typically have higher transaction fees compared to branded drugs. Partly restraining lower revenue is the anticipated growth of pharmacies on the TRxADE platform.

In 2022, we anticipate 23.7% growth in platform sales from its membership base of independent pharmacies to \$6.1 million. In 2022, we anticipate initial sales from group purchasing organizations of approximately \$800,000 (primarily in 2H22), which is not included in normal marketplace sales from the company's membership base of independent pharmacies.

Our revenue growth forecast anticipates 2021 and 2022 sales of \$125,000 (prior was \$120,000) and \$3.5 million (unchanged for our prior forecast), respectively from its Bonum Health telehealth subsidiary. The forecast for Bonum Health reflects customer acceptance of the platform as marketing programs are initiated starting in 4Q21 with strategic partners. We continue to forecast a sales contribution that should be associated with increases in prescriptions filled by independent pharmacies on the company's platform.

Operations – 2021

We project revenue of \$9.5 million (prior was \$8.9 million) compared to \$17.1 million in 2020. The increase in our 2021 revenue forecast reflects 3Q21 results. Of note, our 2021 forecast reflects only modest personal protective equipment sales in 1Q21 compared to \$8.3 million in 2020.

Gross profit should decrease by approximately \$1.2 million to nearly \$4.6 million due primarily to lower revenue, partly offset by gross margin improving to 47.8% from 33.3% in 2020 as the sales mix shifts away from low margin PPE sales.

We project the operating loss increasing to \$5.5 million compared to a loss of \$2.5 million in 2020 due primarily to lower revenue and an increase in total operating expense to \$10 million from \$8.2 million in 2020. The increase in operating expense included \$1.2 million related to the loss on inventory investment compared to a \$726,000 goodwill impairment charge in 2020. We forecast SG&A of \$8.8 million compared to \$7.5 million in 2020. Our 2021 SG&A forecast reflects a normalization of sales and marketing initiatives to support its subsidiaries, as well as higher than anticipated developmental expenses for its telehealth and health passport offerings. We anticipate operating margin expense (excluding loss on inventory investment and goodwill impairment) increasing to 92.3% from 43.7% in 2020.

Non-operating expense should consist of interest expense of \$22,000 compared to \$29,000 in 2020 due primarily to lower debt balances. We project a net loss of nearly \$5.5 million or (\$0.67) per share. We previously projected a net loss of \$5.9 million or (\$0.72) per share. Excluding the \$1.2 million loss on inventory investment we estimate a net loss of \$4.3 million or (\$0.52) loss per share.

Finances – 2021

We project cash burn of \$2.9 million and a decrease in working capital of \$769,000 million. The decrease in working capital is due primarily to a decrease in inventory and increases in payables and accruals. Cash used in operations of \$2.1 million and repayment of promissory note should reduce cash by \$2.3 million to \$3.6 million at December 31, 2021.

Operations – 2022

We project 34.9% revenue growth to \$12.9 million (unchanged) compared to an estimated \$9.5 million in 2021. Our forecast should be supported by 23.7% sales growth in the company's TRxADE platform to \$6.1 million from an estimated \$4.9 million in 2021. In addition, we anticipate an estimated \$3.5 million contribution from the company's telehealth subsidiary Bonum Health as people begin to embrace its mobile health network. 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. While we anticipate no revenue contribution from the company's MedChek's subsidiary, we do anticipate an \$800,000 sales contribution from the company's group purchasing organization marketing initiative that should mostly occur in 2H22.

We anticipate gross profit increasing by 83.4% to nearly \$8.4 million due primarily to revenue growth and gross margin improving to 65% from an estimated 47.8% in 2021 due primarily to a sales mix shift to the company's higher margin offerings.

We project the operating loss narrowing to \$645,000 compared to a loss of \$5.5 million in 2021 due primarily to revenue growth, gross margin improvement, and operating margin expense improving to 70% from an estimated 92.3% (excluding loss on inventory investment) in 2021. We forecast SG&A expense increasing to \$9 million from \$8.8 million in 2021 reflecting sales and marketing initiatives to support sales growth as information technology development costs related to the company's newest offerings moderate. The current period does not include a repeat of the \$1.2 million related to loss on inventory investment that occurred in 2021.

We anticipate no non-operating expense or gain compared to an expense of \$22,000 in 2021 due to the elimination of debt. We project a net loss of \$645,000 or (\$0.08) per share. We previously projected a net loss of \$660,000 or (\$0.08) per share.

Finances – 2022

We project cash earnings of \$110,000 and a \$21,000 increase in working capital. Cash from operations of \$131,000 should increase cash to \$3.7 million at December 31, 2022.

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 September 2021, Zion Market Research published data indicating that the US telemedicine market generated 2018 sales of approximately \$23.6 billion. Zion's forecast anticipates annualized revenue growth of 14.9% indicating the US telemedicine market reaching \$62.2 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 the 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 2020 NCPA Digest, the independent community pharmacy market (in 2019) generated revenue of nearly \$73.7 billion that represent 35% of all US retail pharmacies.

IBISWorld projects US pharmacy and drug store annualized revenue growth of approximately 2.7% to \$352.5 billion in 2025, up from \$309.2 billion in 2020. 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.

Growth in the generic drugs market should be supported by manufacturers lobbying for policies to encourage cost savings and access to affordable medicines.

Specialty Pharmacy

In 2018, there were approximately 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 34 US states at December 31, 2020), 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.

3Q21 and 9Mos21 Results

3Q21

Revenues decreased to \$2.6 million from \$6.3 million in the year-ago period, reflecting a \$3.7 million decrease at the company's Integra Pharma Solutions logistic subsidiary stemming from personal protective equipment sales that occurred last year but not in the current period. TRxADE marketplace platform sales decreased \$203,000 to nearly \$1.2 million due primarily to supply chain issues for generic drugs that are sold at a higher transaction fee on the company's platform compared to branded prescription drugs. The COVID-19 pandemic created supply issues for wholesalers and the generic product supply which is mainly produced in India. Partly offsetting the sales decrease in TRxADE marketplace revenue was the addition of 250 new independent pharmacies to its platform, bringing the total registered pharmacy members to over 12,950 at the end of 3Q21. The company's Community Specialty Pharmacy operations contributed sales of \$455,000 compared to \$417,000 in the year-ago period.

Gross profit decreased to \$1.3 million from \$1.9 million in the year-ago period due to lower revenue, partly offset by gross margin expansion to 50.2% from 30.5% in the year-ago period. Gross margin expansion stems from the elimination of lower margin personal protective equipment sales in the current period.

G&A expense increased to \$2.6 million from \$1.8 million in the year ago period. The current period includes increased information technology development and marketing expenses relating to the telehealth subsidiary, Bonum Health. The current period included stock-based compensation of \$117,000 compared to \$524,000 in 3Q20.

Trxade Health, Inc.

The current period included a \$1,000 loss related to inventory investments and \$630,000 write-off of bad debt expense. There was no such losses recorded in 3Q20. Non-operating interest expense was \$6,000 compared to \$7,000 in the year-ago period.

The net loss was \$1.3 million or (\$0.16) per share on 8.2 million outstanding average shares compared to net income of \$138,000 or \$0.02 per share on 8.2 million outstanding average shares. We projected a loss per share of (\$0.16) on revenue of \$1.9 million.

9Mos21

Revenues decreased to \$7.5 million from \$15.1 million, reflecting a \$7 million decrease at the company’s Integra Pharma Solutions logistic subsidiary and a \$615,000 decrease in TRxADE marketplace platform revenue.

Gross profit decreased 37.1% to \$3.5 million due to lower revenue, partly offset by gross margin expansion to 46.7% from 36.8% in the year-ago period. Gross margin expansion reflects a shift away from lower margin personal protective equipment sales. Total operating expenses were \$8 million compared to \$6 million in the year-ago period. The current period included a \$1.2 million loss related to inventory investments and \$630,000 write-off of bad debt expense. G&A expense was \$6.8 million compared to \$5.8 million in the year-ago period. Non-operating interest expense was \$22,000 compared to \$23,000 in the year-ago period.

The net loss was \$4.5 million or (\$0.56) per share compared to a loss of \$224,000 or (\$0.03) per share.

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Revenues in the us ands	\$ 7,502	\$ 15,128	(50.4%)
Cost of Sales	3,996	9,554	(58.2%)
Gross Profit	<u>\$ 3,506</u>	<u>\$ 5,574</u>	(37.1%)
Total Operating Expenses	8,016	5,775	38.8%
Operating Income	(4,510)	(201)	2141%
Total Other Income (Expense)	(22)	(23)	NMF
Pre-Tax Income	(4,532)	(224)	NMF
Income Tax Expense (Benefit)	-	-	
Net income (loss)	<u>\$ (4,532)</u>	<u>\$ (224)</u>	
Net (loss) per share	<u>\$ (0.56)</u>	<u>\$ (0.03)</u>	
Avg Shares Outstanding	8,127	7,573	
Margins			
Gross margin	46.7%	36.8%	
Operating Margin	(60.1%)	(1.3%)	
Pre-Tax Margins	(60.4%)	(1.5%)	
Source: company reports			

Finances

In 9Mos21, cash burn of \$2.1 million and a \$6,000 increase in working capital resulted in cash used in operations of \$2.1 million. Cash used in operations and repayment of a promissory note reduced cash by \$2.3 million to nearly \$3.6 million at September 30, 2021.

Capital Structure

At September 30, 2021 the company had no outstanding debt.

On May 27, 2021, MEDS board of directors authorized the repurchase up to \$1 million of the company’s outstanding shares in open market transactions. As of September 30, 2021, no shares have been repurchased.

On July 18, 2021, the company’s board of directors approved an at-the-market offering for the sale of up to \$9 million in shares of the common stock pursuant to and in connection with its previously filed S-3 shelf registration statement filed with the SEC on August 28, 2020 and declared effective on September 3, 2020. At the same time MEDS paused its stock repurchase program until the at-the-market offering is completed.

On July 22, 2021, the company’s board of directors deferred the filing of MEDS at-the market offering and reactivated the stock repurchase program.

On August 4, 2021, MEDS board of directors approved an at-the-market offering and paused the stock repurchase program until the offering is complete. At September 30, 2021, no shares of common stock have been sold in connection with the at-the-market offering.

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 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, RxCherrypick, PharmSaver and Generic Bid. 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

We forecast the company is likely to experience quarterly operating losses through 1H22. Its 3Q21 retained deficit was \$15.5 million, up from \$8.4 million in 2019. In February 2020, Trxade issued over 922,452 shares of its common stock 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 like the 2020 COVID-19 pandemic could negatively impact results.

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 September 30, 2021, Trxade had in excess of 12,950 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, 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.

Legal Proceeding

In September 2020, a lawsuit against the company's former subsidiary, Westminster Pharmaceuticals, and company officials, was filed in the state of Florida. The company is not currently accused of any direct misconduct. MEDS could incur liability if some or all of the defendants were found liable to plaintiffs and the company is found to be jointly liable for the actions of such defendants. The lawsuit claims approximately \$450,000 in damages.

The company has filed claims against two different companies for the return of nearly \$1.1 million (combined) for the return of deposit made for PPE gloves that were never delivered.

Internal Controls

As of September 30, 2021, material weaknesses in internal controls were identified due to the formative stage of the company's development. MEDS has committed to improving its financial organization by creating a position to segregate duties consistent with control objectives and plans to increase its personnel resources and technical accounting expertise within the accounting function.

Shareholder Control

Officers and directors collectively own approximately 53.3% of the outstanding voting stock (April 2021 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 29, 2021) average daily volume was approximately 119,000 million. MEDS has 8.2 million shares outstanding and a float of approximately 3.3 million. Investors should be aware that a thinly traded equity could experience price volatility.

Trxade Health, Inc.
Consolidated Balance Sheets
FY2018 – FY2022E
(in thousands)

	FY18A	FY19A	FY20A	3Q21A	FY21E	FY22E
ASSETS						
Current assets:						
Cash	\$ 870	\$ 2,872	\$ 5,920	\$ 3,572	\$ 3,575	\$ 3,706
Accounts receivable, net	434	792	805	1,009	1,006	999
Inventory	80	57	1,258	95	66	50
Prepaid assets	83	82	151	436	381	353
Deferred offering costs	-	-	-	78	78	78
Other - deposits and receivables	-	-	1,088	-	-	-
Total current assets	<u>1,466</u>	<u>3,803</u>	<u>9,221</u>	<u>5,189</u>	<u>5,106</u>	<u>5,187</u>
Property and equipment, net	15	175	162	13	14	15
Deposits	21	22	22	22	22	22
Deferred offering costs	-	88	-	-	-	-
Right of use lease assets	-	758	387	290	150	100
Goodwill	726	726	-	-	-	-
Total assets	<u>\$ 2,228</u>	<u>\$ 5,571</u>	<u>\$ 9,793</u>	<u>\$ 5,514</u>	<u>\$ 5,292</u>	<u>\$ 5,324</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	401	335	257	275	304	250
Accrued liabilities	138	99	219	316	350	375
Lease liabilities	-	87	131	64	64	64
Customer deposits	-	-	10	-	-	-
Convertible payable, net	182	-	-	-	-	-
Convertible and notes payables - related party	140	-	225	-	-	-
Total current liabilities	<u>860</u>	<u>521</u>	<u>842</u>	<u>655</u>	<u>718</u>	<u>689</u>
Convertible note, net - long term	523	-	-	-	-	-
Notes payable - related parties	-	225	-	-	-	-
Other liabilities - leases	-	685	271	242	787	793
Stockholders' equity:						
Common stock, \$.00001 par value; authorized 100,000 shares;	0	0	0	0	0	0
Paid-in capital	8,956	12,536	19,611	20,080	20,201	20,901
Retained earnings (deficit)	(8,111)	(8,396)	(10,932)	(15,463)	(16,413)	(17,058)
Total stockholders' equity	<u>845</u>	<u>4,140</u>	<u>8,679</u>	<u>4,617</u>	<u>3,788</u>	<u>3,843</u>
Total liabilities and stockholders' equity	<u>\$ 2,228</u>	<u>\$ 5,571</u>	<u>\$ 9,793</u>	<u>\$ 5,514</u>	<u>\$ 5,292</u>	<u>\$ 5,324</u>
SHARES OUT	5,548	6,539	8,093	8,161	8,165	8,175

Source: Company reports and Taglich Brothers estimates

Trxade Health, Inc.
Annual Income Statement
FY2018 – FY2022E
(in thousands)

	<u>FY18 A</u>	<u>FY19 A</u>	<u>FY20 A</u>	<u>FY21 E</u>	<u>FY22 E</u>
Revenues, net	\$ 3,832	\$ 7,436	\$ 17,123	\$ 9,527	\$ 12,850
Cost of sales	<u>449</u>	<u>2,566</u>	<u>11,415</u>	<u>4,971</u>	<u>4,495</u>
Gross Profit	<u>3,383</u>	<u>4,871</u>	<u>5,707</u>	<u>4,556</u>	<u>8,355</u>
Operating Expenses:					
Loss on goodwill impairment & inventory investment	-	-	726	1,226	-
Selling, general, and administrative	3,470	4,377	7,488	8,789	9,000
Total Operating Expenses	<u>3,470</u>	<u>4,746</u>	<u>8,214</u>	<u>10,016</u>	<u>9,000</u>
Operating Income (loss)	(88)	125	(2,507)	(5,460)	(645)
Interest expense, net	<u>(58)</u>	<u>(53)</u>	<u>(29)</u>	<u>(22)</u>	<u>-</u>
Total Other Income (expense)	<u>97</u>	<u>(410)</u>	<u>(29)</u>	<u>(22)</u>	<u>-</u>
Pre-Tax Income (loss)	9	(284)	(2,536)	(5,482)	(645)
Income Tax Expense (Benefit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$ 9</u>	<u>\$ (284)</u>	<u>\$ (2,536)</u>	<u>\$ (5,482)</u>	<u>\$ (645)</u>
Net (loss) per share	<u>\$ 0.00</u>	<u>\$ (0.05)</u>	<u>\$ (0.33)</u>	<u>\$ (0.67)</u>	<u>\$ (0.08)</u>
Avg Shares Outstanding	5,826	5,929	7,706	8,136	8,204
Adjusted EBITDA	\$ 82	\$ 571	\$ 87	\$ (2,965)	\$ 135
Margin Analysis					
Gross margin	88.3%	65.5%	33.3%	47.8%	65.0%
Selling, general, and administrative	90.6%	58.9%	43.7%	92.3%	70.0%
Operating margin	(2.3%)	1.7%	(14.6%)	(57.3%)	(5.0%)
Pre-tax margin	0.2%	(3.8%)	(14.8%)	(57.5%)	(5.0%)
YEAR / YEAR GROWTH					
Total Revenues	30.7%	94.1%	130.3%	(44.4%)	34.9%

2020 includes approximately (\$0.25) per share from impairment charge and write-down of personal protective equipment inventory

2021 includes approximately (\$0.15) per share from loss on inventory investment

Source: Company reports and Taglich Brothers estimates

Trxade Health, Inc.
Income Statement Model
Quarters FY2020A – 2022E
(in thousands)

	Q1 20 A	Q2 20 A	Q3 20 A	Q4 20 A	FY20 A	Q1 21 A	Q2 21 A	Q3 21 A	Q4 21 E	FY21 E	Q1 22 E	Q2 22 E	Q3 22 E	Q4 22 E	FY22 E
Revenues, net	\$ 2,203	\$ 6,593	\$ 6,332	\$ 1,994	\$ 17,123	\$ 3,053	\$ 1,898	\$ 2,550	\$ 2,025	\$ 9,527	\$ 2,265	\$ 2,500	\$ 3,560	\$ 4,525	\$ 12,850
Cost of sales	563	4,588	4,403	1,861	11,415	1,670	1,057	1,269	975	4,971	990	1,015	1,155	1,335	4,495
Gross Profit	1,640	2,005	1,929	133	5,707	1,383	841	1,281	1,050	4,556	1,275	1,485	2,405	3,190	8,355
Operating Expenses:															
Loss on goodwill impairment & inventory investment	-	-	-	726	726	-	1,225	1	-	1,226	-	-	-	-	-
Selling, general, and administrative	1,452	2,540	1,783	1,713	7,488	2,028	2,186	2,576	2,000	8,789	2,100	2,150	2,325	2,425	9,000
Total Operating Expenses	1,452	2,540	1,783	2,439	8,214	2,028	3,411	2,577	2,000	10,016	2,100	2,150	2,325	2,425	9,000
Operating Income (loss)	188	(535)	146	(2,305)	(2,507)	(644)	(2,570)	(1,296)	(950)	(5,460)	(825)	(665)	80	765	(645)
Interest expense, net	(8)	(7)	(7)	(7)	(29)	(7)	(9)	(6)	-	(22)	-	-	-	-	-
Total Other Income (expense)	(8)	(7)	(7)	(7)	(29)	(7)	(9)	(6)	-	(22)	-	-	-	-	-
Pre-Tax Income (loss)	180	(543)	138	(2,312)	(2,536)	(652)	(2,578)	(1,302)	(950)	(5,482)	(825)	(665)	80	765	(645)
Income Tax Expense (Benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	\$ 180	\$ (543)	\$ 138	\$ (2,312)	\$ (2,536)	\$ (652)	\$ (2,578)	\$ (1,302)	\$ (950)	\$ (5,482)	\$ (825)	\$ (665)	\$ 80	\$ 765	\$ (645)
Net (loss) per share	\$ 0.02	\$ (0.07)	\$ 0.02	\$ (0.29)	\$ (0.33)	\$ (0.08)	\$ (0.32)	\$ (0.16)	\$ (0.12)	\$ (0.67)	\$ (0.10)	\$ (0.08)	\$ 0.01	\$ 0.09	\$ (0.08)
Avg Shares Outstanding	7,424	7,581	8,215	7,973	7,706	8,093	8,122	8,164	8,166	8,136	8,170	8,175	8,230	8,240	8,204
Adjusted EBITDA	\$ 331	\$ 500	\$ 671	\$ (1,415)	\$ 87	\$ (469)	\$ (1,181)	\$ (546)	\$ (770)	\$ (2,965)	\$ (630)	\$ (470)	\$ 275	\$ 960	\$ 135
Margin Analysis															
Gross margin	74.4%	30.4%	30.5%	6.7%	33.3%	45.3%	44.3%	50.2%	51.9%	47.8%	56.3%	59.4%	67.6%	70.5%	65.0%
Selling, general, and administrative	65.9%	38.5%	28.2%	85.9%	43.7%	66.4%	115.1%	101.0%	98.8%	92.3%	92.7%	86.0%	65.3%	53.6%	70.0%
Operating margin	8.5%	(8.1%)	2.3%	(115.6%)	(14.6%)	(21.1%)	(135.4%)	(50.8%)	(46.9%)	(57.3%)	(36.4%)	(26.6%)	2.2%	16.9%	(5.0%)
Pre-tax margin	8.2%	(8.2%)	2.2%	(115.9%)	(14.8%)	(21.3%)	(135.8%)	(51.0%)	(46.9%)	(57.5%)	(36.4%)	(26.6%)	2.2%	16.9%	(5.0%)
YEAR / YEAR GROWTH															
Total Revenues	45.7%	244.0%	174.0%	17.6%	130.3%	38.6%	(71.2%)	(59.7%)	1.5%	(44.4%)	(25.8%)	31.7%	39.6%	123.5%	34.9%

2020 includes approximately (\$0.25) per share from impairment charge and write-down of personal protective equipment inventory

2021 includes approximately (\$0.15) per share from loss on inventory investment

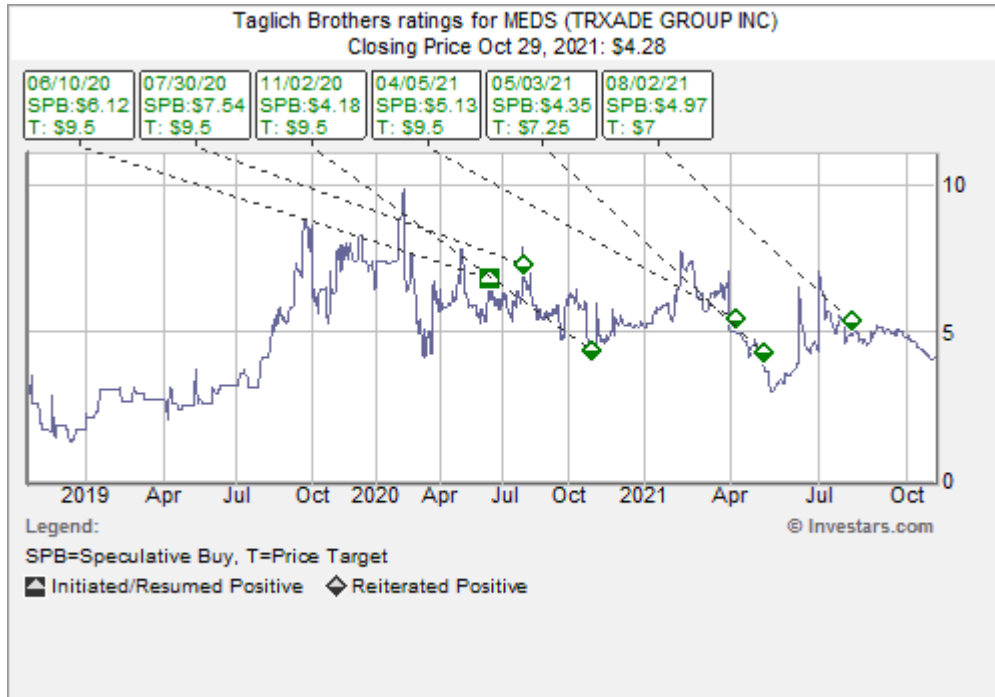
Source: Company reports and Taglich Brothers estimates

Trxade Health, Inc.
Cash Flow Statement
FY2018 – FY2022E
(in thousands)

	<u>FY2018A</u>	<u>FY2019A</u>	<u>FY2020A</u>	<u>9 Mos. 21A</u>	<u>FY2021E</u>	<u>FY2022E</u>
<i>Cash Flows from Operating Activities</i>						
Net Income (loss)	\$ 9	\$ (284)	\$ (2,536)	\$ (4,532)	\$ (5,482)	\$ (645)
Depreciation	-	5	6	5	7	5
Warrant expense	-	105	57	22	22	-
Stock issued for services	-	-	1,358	240	320	400
Options expense	170	176	448	191	250	300
Bad debt expense	2	12	11	616	616	-
Loss on debt extinguishment	7	179	-	-	-	-
Investment loss	-	250	-	-	-	-
Loss on write off of software assets	-	278	-	-	-	-
Loss on impairment of goodwill	-	-	726	-	-	-
Inventory writedown	-	-	1,218	1,226	1,226	-
Amortization of right of use assets	-	90	97	97	130	50
Amortization of debt discount	0	-	-	-	-	-
Cash earnings (burn)	<u>189</u>	<u>810</u>	<u>1,384</u>	<u>(2,133)</u>	<u>(2,911)</u>	<u>110</u>
<i>Changes In:</i>						
Accounts receivable	(2)	(370)	(24)	(820)	(201)	6
Prepaid assets and other current assets	14	0	(69)	(284)	(230)	28
Other assets - includes deposits for inventory purchases	-	(89)	-	-	-	-
Inventory	(4)	23	(2,419)	1,163	1,191	16
Defrdr offering costs	-	-	-	(78)	(78)	-
Other receivables	-	-	(1,088)	5	5	-
Lease liability	-	(75)	(97)	(97)	(97)	-
Accounts payable	95	(149)	(33)	18	47	(54)
Accrued liabilities, other liabilities, and customer deposits	(19)	(9)	130	87	131	25
(Increase)/decrease in Working Capital	<u>85</u>	<u>(668)</u>	<u>(3,599)</u>	<u>(6)</u>	<u>769</u>	<u>21</u>
Net cash (used) provided by operations	<u>273</u>	<u>142</u>	<u>(2,215)</u>	<u>(2,140)</u>	<u>(2,142)</u>	<u>131</u>
<i>Cash Flows from Investing Activities</i>						
Purchase of and development of assets	(15)	(82)	(38)	-	-	-
Cash paid for acquisition, net	(250)	-	-	-	-	-
Purchase of equity method investment	-	(250)	-	-	-	-
Cash Flows from Investing Activities	<u>(265)</u>	<u>(332)</u>	<u>(38)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash Flows from Financing Activities</i>						
Repayments of promissory note - third parties	(11)	-	-	(225)	(225)	-
Proceeds from exercise of warrants/options	-	0	38	15	20	-
Payment of stock issuance costs	-	-	(732)	2	2	-
Proceeds from issuance of common stock	800	2,455	5,994	-	-	-
Net cash provided by (used in) Financing	<u>678</u>	<u>2,193</u>	<u>5,300</u>	<u>(208)</u>	<u>(203)</u>	<u>-</u>
Net change in Cash	686	2,002	3,048	(2,348)	(2,345)	131
Cash Beginning of Period	<u>184</u>	<u>870</u>	<u>2,872</u>	<u>5,920</u>	<u>5,920</u>	<u>3,575</u>
Cash End of Period	<u>\$ 870</u>	<u>\$ 2,872</u>	<u>\$ 5,920</u>	<u>\$ 3,572</u>	<u>\$ 3,575</u>	<u>\$ 3,706</u>

Source: Company reports and Taglich Brothers estimates

Price Chart



Taglich Brothers Current Ratings Distribution



62.5 % Buy | 37.5 % Hold

Investment Banking Services for Companies Covered in the Past 12 Months		
<u>Rating</u>	<u>#</u>	<u>%</u>
Buy	4	19
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.

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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.