Research Note

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

KULR Technology Group, Inc.

Speculative Buy

John Nobile
January 14, 2022

KULR $2.65 — (NYSE)

	2020A	2021E	2022E	2023E
Revenues (million)	$0.6	$2.3	$4.4	$44.0
Earnings (loss) per share	$(0.03)	$(0.14)*	$(0.12)	$0.05

52-Week range	$3.81 – $1.19	Fiscal year ends:	December
Common shares out as of 11/12/21	104.7 million	Revenue per share (TTM)	$0.02
Approximate float	80.1 million	Price/Sales (TTM)	133.5X
Market capitalization	$280 million	Price/Sales (FY2023)E	6.4X
Tangible book value/share	$0.12	Price/Earnings (TTM)	NMF
Price/tangible book value	22.3X	Price/Earnings (FY2023)E	53.4X

**Includes a $(0.03) per share preferred stock deemed dividend.*

KULR Technology Group, Inc., headquartered in Campbell, California, develops and commercializes high-performance thermal management technologies for batteries, electronics, and other components.

Key investment considerations:

We are maintaining coverage of KULR Technology Group, Inc. with a Speculative Buy rating and raising our twelve-month price target to $6.00 per share from $4.50 based on our robust revenue growth projections into 2023.

A large order from Volta and the acquisition of IP rights from Centropy should support our revised projection for 2022 and initial forecast for 2023. The initial deployment order from Volta should add revenue of $1.6 million to our previous 2022 projection of approximately $2.8 million resulting in our revised projection of approximately $4.4 million.

In December 2021, Utility Dive published an interview article with Jon Williams, the CEO of Viridi Parente, parent company of Volta Energy Products. Williams stated Volta plans to bring between 750 to 1,000 battery storage units (using KULR's technology) to market in 2022, increasing up to 50,000 units in 2023. We believe this could equate to revenue of at least $80 million from this order in 2023 if prices per unit were to remain constant and the maximum number of units were shipped. Factoring in volume pricing discounts and conservatively assuming less than the maximum number of units being shipped, we anticipate revenue from this order is likely to generate revenue of at least $40 million for KULR in 2023.

For 2021, we are maintaining our forecast for a more than 3-fold increase in revenue to $2.3 million from $624,000 in 2020 and a net loss to common of $13.7 million or $(0.14) per share.

For 2022, we project an 89.4% increase in revenue to $4.4 million with a loss of $(0.12) per share. We previously projected revenue of $2.8 million with a loss of $(0.12) per share. Our projections reflect the Volta order and higher operating expenses than previously projected.

For 2023, we project a more than 10-fold increase revenue to $44 million and EPS of $0.05. The dramatic increase in revenue and earnings is primarily due to the Volta order and continued organic growth.

****Please view our disclosures on pages 9 - 11.***

Recommendation and Valuation

We are maintaining coverage of KULR Technology Group, Inc. with a Speculative Buy rating and raising our twelve-month price target to $6.00 per share from $4.50 based on our robust revenue growth projections into 2023.

A large order from Volta and the acquisition of IP rights from Centropy (discussed below) should support our revised our projection for 2022 and initial forecast for 2023. The initial deployment order from Volta should add revenue of $1.6 million to our previous 2022 projection of approximately $2.8 million resulting in our revised projection of approximately $4.4 million.

In December 2021, Utility Dive (a publisher of utility industry news) published an interview article[1] with Jon Williams, the CEO of Viridi Parente, parent company of Volta Energy Products. Williams stated that Volta plans to bring between 750 to 1,000 battery storage units (using KULR's technology) to market in 2022, increasing to up to 50,000 units in 2023. We believe this could equate to revenue of at least $80 million from this order in 2023 if prices per unit were to remain constant and the maximum number of units were shipped. Factoring in volume pricing discounts and conservatively assuming less than the maximum number of units being shipped, we anticipate revenue from this order is likely to generate revenue of at least $40 million for KULR in 2023.

Shares of KULR have traded at trailing-twelve-month (ttm) P/S multiples ranging from 130X to 326X over the past year. These multiples were based off of relatively low revenue. As the company's revenue begins to show substantial growth, we believe the company's multiple will contract. We believe a multiple of 20X sales is reasonable given the growth in sales we project to 2023. Applying a multiple of 20X to our 2023 sales per share projection of $0.42, discounted for execution risks, we derive a twelve month price target of approximately $6.00 per share.

Recent Developments

KULR Acquires IP Rights from Centropy AB - On December 7, 2021, KULR announced it acquired the patented intellectual property (IP) rights from Centropy AB. The acquisition brings advanced carbon fiber based heatsink technology for high power computing (HPC) applications.

Centropy's cooling solutions will be integrated into KULR's existing technology portfolio targeting air and liquid-cooling of HPC applications such as crypto mining, cloud computing, and AR/VR simulations. HPC applications, such as industrial bitcoin mining operations, are comprised of thousands of computers stacked on shelves in warehouses surrounded by large-scale fans where electricity can account for about 80% of a miner's operating cost. With the joint capabilities of Centropy and KULR's technology, crypto miners should now be able to conduct operations more efficiently and effectively.

KULR Receives Three-Year Multi-Million Dollar Order from Volta Energy Products - On December 15, 2021, KULR announced the receipt of a three-year multi-million dollar deployment order for its Passive Propagation Resistant (PPR) solution suite from Volta Energy Products, a subsidiary of Viridi Parente, Inc. The PPR solution will be used for Volta's stationary and certain mobile lithium-ion battery power systems.

The initial deployment order totals approximately $1.6 million for immediate delivery with higher volume shipments expected throughout 2022 and into 2023. This order represents KULR's first PPR order of commercial deployment in a stationary energy storage product.

Volta also plans to incorporate KULR's technology into other stationary and certain mobile storage systems in order to capitalize on the added safety it will provide to its customers.

1. https://www.utilitydive.com/news/volta-bets-on-space-technology-for-battery-storage-fire-prevention/611833/

In support of Viridi Parente's vision to manufacture fail-safe, point-of-use lithium-ion battery technology at scale, Viridi raised approximately $95 million in funding from industry leaders in January 2022. KULR stated that the strategic investment by Sunbelt Rentals and National Grid (part of the investment group) likely means Viridi has the channels that can scale this technology into a massive market.

Projections

<u>*2021 Forecast*</u> - We are maintaining our forecast for a more than 3-fold increase in revenue to $2.3 million from $624,000 in 2020 and a net loss to common of $13.7 million or $(0.14) per share.

We project gross margins of 52.3%, down from 72.9% in 2020 due primarily to product mix. SG&A expenses are projected to increase to $10.5 million from $2.5 million to reflect staff additions to support sales growth and increased stock-based compensation. R&D expenses are projected to increase to $1.5 million from $290,000 in 2020 as the company expands development of its offerings. We project the operating loss widening to $10.7 million compared to $2.3 million in 2020. We project amortization of debt discount expense of $128,000 compared to $502,000 in 2020 as the company pays off debt.

In 2021, we project $7.7 million cash used in operations from a cash loss of $7.1 million and a $608,000 increase in working capital. Proceeds from the sale of convertible preferred stock of $6.5 million and $11.7 million from warrant exercises should cover cash used in operations and a $2.6 million pay off of debt, increasing cash by $6.1 million to $14.9 million at the end of 2021.

<u>*2022 Forecast*</u> - We project an 89.4% increase in revenue to $4.4 million with a net loss of $13 million or $(0.12) per share. We previously projected revenue of $2.8 million with a net loss of $13 million or $(0.12) per share. Our revised projections reflect the Volta order and higher operating expenses than previously projected.

We project gross margins of 54.6%, up from an estimated 52.3% in 2021 due to a shift to higher margin revenue offerings. SG&A expenses are projected at $13.1 million, up from $10.5 million projected for 2021 to reflect higher stock-based compensation related to 2021 managerial hirings. We project R&D expenses increasing to $2.3 million from $1.5 million projected for 2021 as the company continues to expand its product offerings. We project the operating loss increasing to $13 million from an estimated $10.7 million in 2021.

In 2022, we project $9.1 million cash used in operations, primarily from a cash loss, which should result in a $9.6 million decrease in cash to $5.4 million at the end of 2022.

<u>*2023 Forecast*</u> - We project a more than 10-fold increase revenue to $44 million with net income of $5.5 million or $0.05 per share. The dramatic increase in revenue and earnings is primarily due to the Volta order and continued organic growth.

We project gross margins of 50%, down from an estimated 54.6% in 2022 due to material price increases. SG&A expenses are projected at $13.9 million as we believe stock compensation levels should have plateaued. R&D expenses are projected to increase to $2.7 million from $2.3 million projected for 2022 as the company continues to expand its product offerings. We project operating income of $5.5 million from an estimated $13 million loss in 2022.

In 2023, we project $7.9 million cash provided by operations from cash earnings of $9.4 million, partly offset by a $1.5 million increase in working capital. We project a $7.5 million increase in cash to $12.9 million at the end of 2023.

Risks

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

Limited operating history - KULR was formed in 2015 and KTC was formed in 2013. The company has a limited operating history and has not yet demonstrated sales of products at a level capable of covering its fixed expenses. There can be no assurance that KULR will ever produce a profit.

Reliance on a small number of customers – In 2020, KULR had two customers who accounted for 50% of total revenues. There is the risk of significant loss of future revenues if one or more of these customers were to stop ordering the company's materials.

Technological obsolescence – The company operates in a market that is subject to rapid technological change. If KULR is not able to adapt to new advances in materials sciences, the company's revenues and business prospects would likely be adversely affected.

Competition – The company operates in a market that is expected to have significant competition in the future. Global research is being conducted by substantially larger companies who have greater financial, personnel, technical, and marketing resources. There can be no assurance that KULR will be able to compete with other companies.

Economic conditions - Downturns in general economic conditions can reduce demand for the company's products, product prices, volumes and gross margins. A decline in the demand for KULR's products or a shift to lower-margin products due to deteriorating economic conditions could adversely affect sales of the company's products and profitability.

High level of unpredictability in sales growth – KULR's customers and prospective customers are large organizations with multiple levels of management, controls/procedures, and contract evaluation/authorization. The business activity cycle between initial customer interest to shipping, acceptance and billing can be lengthy, unpredictable and lumpy, which can influence the timing, consistency and reporting of sales growth.

High concentration of insider ownership – As of March 19, 2021, KULR's officers, directors and affiliates owned approximately 41% of KULR outstanding common stock. With such concentrated control of the company, other shareholders may have no effective voice in the company's management.

Pandemic concerns - Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19, it is difficult to reasonably estimate the impact this pandemic will have on KULR's future results of operations, cash flows, or financial condition.

Liquidity risk - Shares of KULR have risks common to those of the microcap segment of the market. Often these risks 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 and can lead to large spreads and high volatility in stock price. There are 80.1 million shares in the float and the average daily volume is approximately 1.8 million shares.

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.

Consolidated Balance Sheets
(in thousands $)

	2019A	2020A	9/21A	2021E	2022E	2023E
Cash	109	8,880	10,990	14,940	5,377	12,853
Accounts receivable	30	56	550	638	1,208	12,222
Inventory	27	55	191	219	493	5,500
Prepaid expenses and other	43	150	451	451	451	451
Total current assets	209	9,141	12,182	16,249	7,530	31,027
Property and equipment	28	58	386	468	846	1,194
Equipment deposits	-	-	1,030	1,030	1,030	1,030
Security deposits	-	9	59	59	59	59
Right of use asset	-	-	730	730	730	730
Total assets	**237**	**9,208**	**14,387**	**18,536**	**10,195**	**34,040**
Accounts payable	349	66	68	76	181	2,017
Accounts payable-related party	-	3	-	-	-	-
Accrued expenses and other	659	395	689	735	1,392	14,080
Accrued expenses and other-related party	10	-	-	-	-	-
Accrued issuable equity	-	128	194	194	194	194
Notes payable	-	2,322	-	-	-	-
Loans payable	-	13	155	-	-	-
Lease liability	-	-	257	257	257	257
Deferred revenue	15	20	159	159	159	159
Total current liabilities	1,033	2,947	1,522	1,421	2,183	16,707
Lease liability	-	-	476	476	476	476
Loans payable	-	142	-	-	-	-
Total liabilities	**1,033**	**3,089**	**1,998**	**1,897**	**2,659**	**17,183**
Total stockholders' equity (deficit)	**(796)**	**6,119**	**12,389**	**16,639**	**7,536**	**16,857**
Total liabilities & stockholders' equity	**237**	**9,208**	**14,387**	**18,536**	**10,195**	**34,040**

Source: Company filings and Taglich Brothers' estimates

KULR Technology Group, Inc.

Income Statements for the Fiscal Years Ended
(in thousands $)

	2019A	2020A	**2021E**	**2022E**	**2023E**
Revenue	830	624	**2,297**	**4,350**	**44,000**
Cost of revenue	226	169	**1,097**	**1,974**	**22,000**
Gross profit	604	455	**1,201**	**2,377**	**22,000**
Research and development	502	290	**1,458**	**2,250**	**2,650**
Selling, general and administrative	2,081	2,506	**10,470**	**13,100**	**13,900**
Operating income (loss)	(1,979)	(2,341)	**(10,728)**	**(12,974)**	**5,450**
Interest expense	(2)	(5)	**(3)**	**-**	**-**
Other income (expense)	1	-	**(140)**	**-**	**-**
Amortization of debt discount	-	(502)	**(128)**	**-**	**-**
Loss on foreign currency transactions	-	-	**-**	**-**	**-**
Change in fair value of accrued equity	-	(2)	**(67)**	**-**	**-**
Net Income / (Loss)	(1,980)	(2,850)	**(11,066)**	**(12,974)**	**5,450**
Preferred stock deemed dividend	-	-	**(2,624)**	**-**	**-**
Net Income / (Loss) to common	(1,980)	(2,850)	**(13,690)**	**(12,974)**	**5,450**
EPS	(0.02)	(0.03)	**(0.14)**	**(0.12)**	**0.05**
Shares Outstanding	80,123	82,032	**95,903**	**104,700**	**104,700**
Margin Analysis					
Gross margin	72.8%	72.9%	**52.3%**	**54.6%**	**50.0%**
R&D	60.5%	46.5%	**63.5%**	**51.7%**	**6.0%**
SG&A	250.7%	401.6%	**455.8%**	**301.1%**	**31.6%**
Operating margin	(238.4)%	(375.2)%	**(467.0)%**	**(298.2)%**	**12.4%**
Year / Year Growth					
Total Revenues	(34.9)%	(24.8)%	**268.1%**	**89.4%**	**911.5%**

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements 2020A - 2023E
(in thousands $)

	3/20A	6/20A	9/20A	12/20A	2020A	3/21A	6/21A	9/21A	12/21E	**2021E**	3/22E	6/22E	9/22E	12/22E	**2022E**	3/23E	6/23E	9/23E	12/23E	**2023E**
Revenue	78	201	137	208	624	418	628	601	650	**2,297**	750	1,250	1,050	1,300	**4,350**	5,000	9,000	13,000	17,000	**44,000**
Cost of revenue	26	41	61	41	169	275	439	155	228	**1,097**	293	538	494	650	**1,974**	2,500	4,500	6,500	8,500	**22,000**
Gross profit	52	160	76	167	455	143	189	446	423	**1,201**	458	713	557	650	**2,377**	2,500	4,500	6,500	8,500	**22,000**
Research and development	112	58	52	68	290	123	353	482	500	**1,458**	525	550	575	600	**2,250**	625	650	675	700	**2,650**
Selling, general and administrative	470	425	835	776	2,506	1,493	2,723	3,104	3,150	**10,470**	3,200	3,250	3,300	3,350	**13,100**	3,400	3,450	3,500	3,550	**13,900**
Operating income (loss)	(530)	(323)	(811)	(677)	(2,341)	(1,473)	(2,887)	(3,140)	(3,228)	**(10,728)**	(3,268)	(3,088)	(3,319)	(3,300)	**(12,974)**	(1,525)	400	2,325	4,250	**5,450**
Interest expense	(1)	(2)	(1)	(1)	(5)	(1)	(1)	(1)	-	**(3)**	-	-	-	-	**-**	-	-	-	-	**-**
Other income (expense)	-	-	-	-	-	-	(140)	-	-	**(140)**	-	-	-	-	**-**	-	-	-	-	**-**
Amortization of debt discount	-	(78)	(210)	(214)	(502)	(108)	(20)	-	-	**(128)**	-	-	-	-	**-**	-	-	-	-	**-**
Loss on foreign currency transactions	-	-	-	-	-	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
Change in fair value of accrued equity	(19)	(26)	10	33	(2)	(133)	21	45	-	**(67)**	-	-	-	-	**-**	-	-	-	-	**-**
Net Income / (Loss)	(550)	(429)	(1,012)	(859)	(2,850)	(1,715)	(3,027)	(3,096)	(3,228)	**(11,066)**	(3,268)	(3,088)	(3,319)	(3,300)	**(12,974)**	(1,525)	400	2,325	4,250	**5,450**
Preferred stock deemed dividend	-	-	-	-	-	-	(2,624)	-	-	**(2,624)**	-	-	-	-	**-**	-	-	-	-	**-**
Net Income / (Loss) to common	(550)	(429)	(1,012)	(859)	(2,850)	(1,715)	(5,651)	(3,096)	(3,228)	**(13,690)**	(3,268)	(3,088)	(3,319)	(3,300)	**(12,974)**	(1,525)	400	2,325	4,250	**5,450**
EPS	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)	(0.02)	(0.06)	(0.03)	(0.03)	**(0.14)**	(0.03)	(0.03)	(0.03)	(0.03)	**(0.12)**	(0.01)	0.00	0.02	0.04	**0.05**
Shares Outstanding	81,098	81,235	82,467	83,327	82,032	90,079	92,513	99,019	102,000	**95,903**	104,700	104,700	104,700	104,700	**104,700**	104,700	104,700	104,700	104,700	**104,700**
Margin Analysis																				
Gross margin	66.7%	79.6%	55.5%	80.3%	72.9%	34.2%	30.1%	74.2%	65.0%	**52.3%**	61.0%	57.0%	53.0%	50.0%	**54.6%**	50.0%	50.0%	50.0%	50.0%	**50.0%**
R&D	143.6%	28.9%	38.0%	32.7%	46.5%	29.4%	56.2%	80.2%	76.9%	**63.5%**	70.0%	44.0%	54.8%	46.2%	**51.7%**	12.5%	7.2%	5.2%	4.1%	**6.0%**
SG&A	602.6%	211.4%	609.5%	373.1%	401.6%	357.2%	433.6%	516.5%	484.6%	**455.8%**	426.7%	260.0%	314.3%	257.7%	**301.1%**	68.0%	38.3%	26.9%	20.9%	**31.6%**
Operating margin	(679.5)%	(160.7)%	(592.0)%	(325.5)%	(375.2)%	(352.4)%	(459.7)%	(522.5)%	(496.5)%	**(467.0)%**	(435.7)%	(247.0)%	(316.0)%	(253.8)%	**(298.2)%**	(30.5)%	4.4%	17.9%	25.0%	**12.4%**
Year / Year Growth																				
Total Revenues	(60.0)%	258.9%	(74.0)%	300.0%	(24.8)%	435.9%	212.4%	338.7%	212.5%	**268.1%**	79.4%	99.0%	74.7%	100.0%	**89.4%**	566.7%	620.0%	1138.1%	1207.7%	**911.5%**

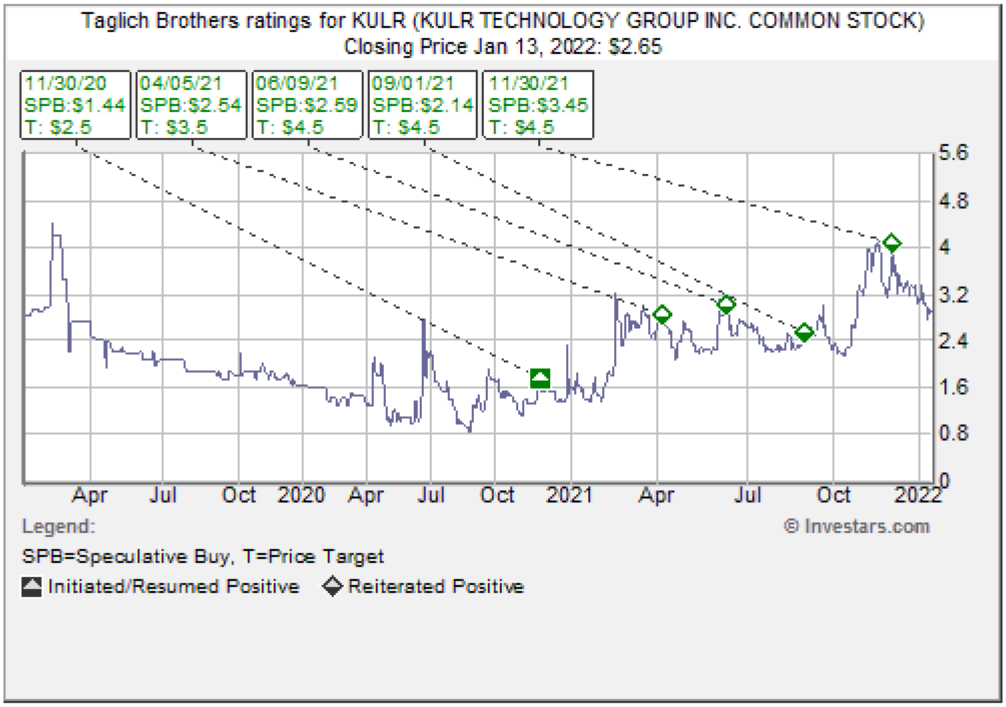
Source: Company filings and Taglich Brothers' estimates

Statement of Cash Flows for the Periods Ended
(in thousands $)

	2019A	2020A	9M21A	**2021E**	**2022E**	**2023E**
Net income (loss)	(1,980)	(2,850)	(7,838)	**(11,066)**	**(12,974)**	**5,450**
Amortization of debt discount	-	502	128	**171**	**171**	**171**
Depreciation expense	17	16	29	**40**	**72**	**102**
Bad debt expense	-	1	-	**-**	**-**	**-**
Change in fair value of accrued issuable equity	-	2	66	**66**	**-**	**-**
Lower of cost or net realizable value adjustment	-	-	-	**-**	**-**	**-**
Share-based compensation	221	344	2,766	**3,700**	**3,700**	**3,700**
Cash earnings (loss)	(1,742)	(1,985)	(4,849)	**(7,089)**	**(9,031)**	**9,423**
Changes in assets and liabilities						
Accounts receivable	82	(26)	(495)	**(582)**	**(570)**	**(11,014)**
Inventory	(17)	(28)	(135)	**(164)**	**(274)**	**(5,007)**
Prepaid expenses and other	11	(107)	(300)	**(301)**	**-**	**-**
Security deposits	-	-	(50)	**(50)**	**-**	**-**
Right of use asset	-	-	85	**85**	**-**	**-**
Accounts payable	231	(296)	(2)	**10**	**105**	**1,836**
Accounts payable-related party	-	(2)	-	**(3)**	**-**	**-**
Accrued expenses and other	270	(271)	294	**340**	**657**	**12,688**
Accrued expenses and other-related party	(38)	(11)	-	**-**	**-**	**-**
Lease liability	-	-	(82)	**(82)**	**-**	**-**
Deferred revenue	15	5	139	**139**	**-**	**-**
(Increase) decrease in working capital	554	(736)	(546)	**(608)**	**(83)**	**(1,497)**
Net cash provided by (used in) operations	**(1,188)**	**(2,721)**	**(5,395)**	**(7,697)**	**(9,113)**	**7,926**
Deposits for equipment purchases	-	-	(1,030)	**(1,030)**	**-**	**-**
Purchase of property and equipment	-	(46)	(357)	**(450)**	**(450)**	**(450)**
Net cash used in investing	**-**	**(46)**	**(1,387)**	**(1,480)**	**(450)**	**(450)**
Proceeds from note payable	-	3,710	-	**-**	**-**	**-**
Repayments of note payable	-	(759)	(2,450)	**(2,605)**	**-**	**-**
Payment of debt issuance costs	-	(340)	-	**-**	**-**	**-**
Proceeds from the exercise of warrants	-	-	5,207	**11,707**	**-**	**-**
Proceeds from Paycheck Protection Program loan	-	155	-	**-**	**-**	**-**
Proceeds from issuance of Series B conv. pref. stock	-	-	-	**-**	**-**	**-**
Proceeds from sale of Series C conv. pref. stock	184	-	-	**-**	**-**	**-**
Proceeds from sale of Series D conv. pref. stock	-	-	6,500	**6,500**	**-**	**-**
Proceeds from sale of common stock	898	9,501	-	**-**	**-**	**-**
Payment of financing costs	(15)	(720)	(365)	**(365)**	**-**	**-**
Net cash provided by (used in) financing	**1,067**	**11,547**	**8,892**	**15,237**	**-**	**-**
Net Change in Cash	**(121)**	**8,780**	**2,110**	**6,060**	**(9,563)**	**7,476**
Cash - Beginning of Period	**230**	**109**	**8,880**	**8,880**	**14,940**	**5,377**
Cash - End of Period	**109**	**8,880**	**10,990**	**14,940**	**5,377**	**12,853**

Source: Company filings and Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution

Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	**5**	**21**
Hold		
Sell		
Not Rated		

Important Disclosures

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I, John Nobile, 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:

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.