

## 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

April 1, 2022

**MEDS \$2.77 — (NASDAQ)**

	2019 A	2020 A*	2021 A**	2022 E	2023 E
Revenue (in millions)	\$7.4	\$17.1	\$9.9	<b>\$10.1</b>	<b>\$11.5</b>
Earnings (loss) per share	(\$0.05)	(\$0.33)	(\$0.65)	<b>(\$0.32)</b>	<b>(\$0.17)</b>

52-Week range	\$10.82– \$1.64	Fiscal year ends:	December
Shares outstanding a/o 03/25/22	8.2 million	Revenue/shares (ttm)	\$1.22
Approximate float	3.3 million	Price/Sales (ttm)	2.3X
Market Capitalization	\$22.7 million	Price/Sales (2023) E	2.0X
Tangible Book value/shr	\$0.46	Price/Earnings (ttm)	NMF
Price/Book	6.0X	Price/Earnings (2023) 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 but reducing our 12-month price target to \$6.25 per share from \$7.00 per share based on our 2023 revenue per share forecast.**

**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 2022, approximately 13,100 pharmacies were on the company's platform, up from 10,000 in 2019.**

**Supply chain issues for generic drugs should continue to restrain TRxADE platform revenue in 1H22 since generic drugs have higher transaction fees compared to branded drugs. MEDS is focused on marketing partnerships to grow its Bonum Health subsidiary, enhancing its TRxADE platform through partnerships with group purchasing organizations, as well as establishing a joint venture (SOSRx) to provide an online platform for manufacturers and suppliers to sell and purchase pharmaceuticals.**

**In 4Q22, MEDS reported (on 03-28-22) a loss per share of (\$0.10) on revenue of \$2.4 million. In 4Q20, the loss per share was (\$0.29) on revenue of \$2 million. We projected a loss per share of (\$0.12) on revenue of \$2 million. The year-ago period included impairment of goodwill of \$726,000.**

**In 2022, we project a loss per share of (\$0.32) on revenue of \$10.1 million. Our prior forecast was for a loss per share of (\$0.08) on revenue sales of \$12.9 million. The reduction in our forecast is due to a slower than anticipated recovery in TRxADE platform sales and reduced contribution from the Bonum Health subsidiary.**

**In 2023, we project a loss per share of (\$0.17) on revenue growth of 13.7% to \$11.5 million. Our forecast reflects TRxADE platform growth of 10% and a \$930,000 contribution from Bonum Health compared to \$405,000 in 2022. Our loss per share forecast should narrow due to gross margin expanding to 63.3% from an estimated 57.8% in 2022.**

**Please view our Disclosures pages 14 - 16**

## Appreciation Potential

**Maintaining Speculative Buy rating but reducing our 12-month price target to \$6.25 per share from \$7.00 per share based on our 2023 revenue per share forecast.** Our price target should be supported by the 13.7% revenue growth forecast to \$11.5 million we anticipate for 2023 that reflects a growing number of independent pharmacies purchasing branded and generic prescription drugs on the TRxADE marketplace platform. We estimate approximately 14,500 independent pharmacies should be on the platform by 4Q23, up from 13,100 in 4Q22 and 10,000 in 2019. We also anticipate revenue contribution in 2023 of \$930,000 from its high margin Bonum Health subsidiary as people begin utilizing the telehealth mobile app offering and associated drug delivery service in 2H22. Our 2023 forecast reflects a return to more normal purchasing patterns on the TRxADE marketplace platforms as generic drug production and supply chain disruptions in 2H21 abate during 2H22.

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. Additionally, the 1Q22 establishment of a joint venture (SOSRx) to provide an online platform for manufacturers and suppliers to sell and purchase pharmaceuticals should provide additional revenue opportunities by the end of 2022. The overall mission is to build an end-to-end healthcare services organization so a patient never has to leave their home.

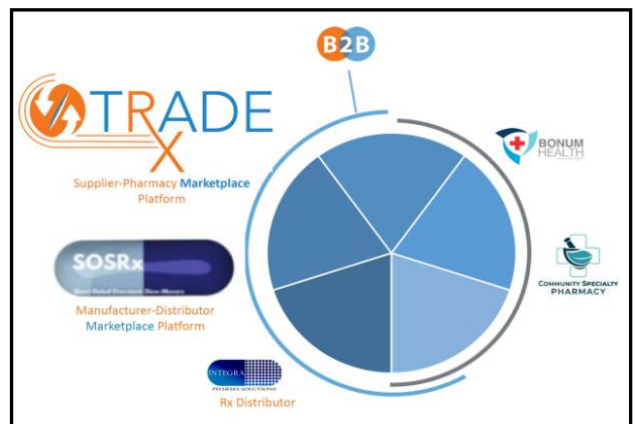
**Our 12-month price target of \$6.25 per share implies shares could more than double over the next twelve months.** According to finviz (a/o 03/29/22), the average twelve month trailing price-to-sales multiple for companies in the Pharmaceutical – distribution and health information sectors is 6.3X (prior was 6.2X), compared to Trxade Health’s trailing P/S multiple of 2X (prior was 3.7X). We anticipate investors are likely to accord Trxade Health a multiple approaching that of the sector given our sale growth forecast of 13.7% compared to 9.4% for the sectors. We applied a P/S multiple of 5X (unchanged) to our 2023 sales per share forecast of \$1.40, discounted for execution risk, to obtain a year-ahead price target of approximately \$6.25 per share.

A higher valuation of Trxade Health, Inc., is likely to be supported by quarterly sales growth and a narrowing of operating losses to \$1.4 million in 2023 from \$2.6 million in 2022, as well as narrowing of the company’s cash burn. We estimate cash burn of \$735,000 in 2023 compared to an estimated cash burn of \$1.9 million in 2022. In 2021, cash burn was \$3.7 million.

**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 March 2022 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 most recent addition (in February 2022) is the company’s 51% owned SOSRx joint venture that will provide an online platform for manufacturers and suppliers to



sell and purchase pharmaceuticals. The company anticipates that the joint venture should be able to collect up to a 20% administrative fee paid by the manufacturer of the purchase price on the pharmaceuticals that pass through the platform.

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.

### ***Recent Developments***

In February 2022, MEDS entered into a relationship with Exchange Health a technology company to form a joint venture called SOSRx, which is owned 51% by Trxade and 49% by Exchange Health. At closing, MEDS contributed \$325,000 in cash to SOSRx, issued a \$500,000 promissory note to SOSRx, which was immediately assigned to Exchange Health, and agreed to make an earn out payment of up to \$400,000 in either cash or common stock based achievement of certain revenue targets.

### ***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. The company's internally developed MedCheks is being incorporated into the company's Bonum Health offering to provide secure block-chain enabled electronic health records for patients on the telehealth platform. We anticipate a modest recurring revenue contribution in 2022, with accelerated growth through 2023.

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.

## ***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 14,500 in 4Q23, up from 10,000 in 2019.

In 2023, we anticipate TRxADE platform sales from its membership base of independent pharmacies of \$5.7 million, up from an estimated \$5.2 million (prior was \$6.1 million) in 2022. Our reduced 2022 forecast reflects the continuation of supply chain issues in Asia and the US that is disrupting the production and distribution of generic drugs that typically have higher transaction fees compared to branded drugs. Partly offsetting lower forecasted revenue in 2022 and overall growth in 2023 is the anticipated growth of pharmacies on the TRxADE platform.

Our revenue growth forecast anticipates 2022 and 2023 sales of \$425,000 (prior was \$3.5 million) and \$930,000, respectively from its Bonum Health telehealth subsidiary. The forecast for Bonum Health reflects slower than anticipated customer acceptance of the platform as marketing programs have been slower to setup through its 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.

In 2023 and 2022, we anticipate modest revenue contributions from group purchasing organizations and the SOSRx joint venture of approximately \$800,000 and \$175,000 respectively. Also, we anticipate the company's prime bulk ordering offering should drive the Integra subsidiary revenue to approximately \$2.8 million in each period.

### ***Operations – 2022***

We project 2.5% revenue growth to \$10.1 million (prior was \$12.9 million) compared to nearly \$9.9 million in 2021. Our forecast should be supported by growth in the company's TRxADE platform, Integra subsidiary, and modest

contribution from the company's telehealth subsidiary Bonum Health in 2H22 as people begin to embrace its mobile health network.

We anticipate gross profit increasing by 23.4% to \$5.9 million due primarily to revenue growth and gross margin improving to 57.8% from 48% in 2021 due primarily to a sales mix shift to the company's higher margin offerings.

We project the operating loss narrowing to \$2.6 million compared to a loss of \$5.3 million in 2021 due primarily to revenue growth, gross margin improvement, and operating margin expense improving to 83.1% from 89.1% (excluding loss on inventory investment) in 2021. We forecast G&A expense decreasing to \$8.4 million from \$8.8 million (excluding \$1.2 million loss on inventory investment in 2021 reflecting reduced information technology development costs related to the company's newest offerings, and sales and marketing initiatives to support sales growth.

We anticipate interest expense of \$23,000 compared to an expense of \$24,000 in 2021, as MEDS issued a \$500,000 promissory note in February 2022 to complete a 51% investment in the SOSRx joint venture. We project a net loss of \$2.6 million or (\$0.32) per share. We previously projected a net loss of \$645,000 or (\$0.08) per share.

#### Finances – 2022

We project cash burn of \$2 million and a \$215,000 decrease in working capital. Cash used in operations of \$1.7 million, capital expenses, and investment into the SOSRx joint venture should decrease cash by \$2.1 million to nearly \$1.1 million at December 31, 2022.

#### Operations – 2023

We project 13.7% revenue growth to \$11.5 million compared to an estimated \$10.1 million in 2022. Our forecast should be supported by growth in the company's TRxADE platform, Integra subsidiary, and modest but growing contribution from the company's telehealth subsidiary Bonum Health as people begin to embrace its mobile health network, as well as modest revenue contributions from group purchasing organizations and the SOSRx joint venture.

We anticipate gross profit increasing by 24.7% to \$7.3 million due primarily to revenue growth and gross margin improving to 63.3% from an estimated 57.8% in 2022 due primarily to a sales mix shift to the company's higher margin offerings.

We project the operating loss narrowing to \$1.4 million compared to an estimated loss of \$2.6 million in 2022 due primarily to revenue growth, gross margin improvement, and operating margin expense improving to 75.3% from an estimated 83.1% in 2022. We forecast G&A expense increasing to \$8.7 million from an estimated \$8.4 million in 2022 reflecting sales and marketing initiatives to support sales growth.

We anticipate interest expense of \$17,000 compared to \$23,000 in 2022. We project a net loss of \$1.4 million or (\$0.17) per share.

#### Finances – 2023

We project cash burn of \$752,000 and a \$585,000 decrease in working capital. Cash used in operations of \$157,000, capital investments, and payment on promissory note should be partly offset by cash from options exercise reducing cash by \$332,000 to \$728,000 at December 31, 2023.

### ***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), in June 2021 there were nearly 19,400 small business community pharmacies in the US compared to over 23,000 in 2011. In 2020, the NCPA estimates the average prescription volume was 57,648 per store, a slight increase from the 57,414 prescriptions dispensed in 2019. According to the 2020 NCPA Digest, the independent community pharmacy market (in 2020) generated revenue of nearly \$67.1 billion that represent 34% of all US retail pharmacies.

IBISWorld projects US pharmacy and drug store annualized revenue growth of approximately 3.7% to \$393.2 billion in 2026, up from \$315.8 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 3.6% to \$237.3 billion in 2026, up from \$191.6 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 2020, there were approximately 1,200 pharmacies with a specialty accreditation in the US according to the Accreditation Commission for Health Care, or Center for Pharmacy Practice Accreditation, up from 900 in 2018. 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 36 US states at December 31, 2021), 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.

## ***2021 and 4Q21 Results***

### **2021**

Revenues decreased to \$9.9 million from \$17.1 million in the year-ago period, reflecting a \$6.6 million decrease at the company's Integra Pharma Solutions logistic subsidiary stemming from personal protective equipment sales that occurred in 2020 but only in small amount in 1Q21. TRxADE marketplace platform sales decreased \$623,000 to \$4.9 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 and China. Partly offsetting the sales decrease in TRxADE marketplace revenue was the addition of 1,300 new independent pharmacies to its platform, bringing the total registered pharmacy members to over 13,100 at the end of 4Q21. The company's Community Specialty Pharmacy operations contributed revenue of \$1.7 million, which was flat with 2020.

Gross profit decreased to \$4.7 million from \$5.7 million in the year-ago period due to lower revenue, partly offset by gross margin expansion to 48% from 33.3% in 2020. Gross margin expansion stems from the elimination of lower margin personal protective equipment sales in the final nine-months of 2021.

G&A expense increased to \$8.8 million from \$7.5 million in 2020 increases reflect higher compensation costs, legal expenses, and research and development expenses as a result of expanding and developing the company's newer operating segments. The current period included warrant and stock option expense of \$390,000 compared to \$1.9 million in 2020.

The current period included a \$1.2 million loss related to inventory investments and a \$630,000 write-off of bad debt expense. In 2020, the company recorded \$726,000 loss related to impairment of goodwill. Non-operating interest expense was \$24,000 compared to \$29,000 in the 2020.

The net loss was \$5.3 million or (\$0.65) per share on 8.1 million outstanding average shares compared to a net loss of \$2.5 million or (\$0.33) per share on 7.7 million outstanding average shares. Excluding the charges in each period, the loss per share was (\$0.50) compared to (\$0.23) in 2020. We projected a loss per share of (\$0.67) on revenue of \$9.5 million.

#### 4Q21

Revenue increased to \$2.4 million from \$2 million, reflecting a \$411,000 increase at the company's Integra Pharma Solutions logistic subsidiary. Revenue from the TRxADE marketplace platform and Community Specialty Pharmacy were essential flat compared to the year-ago period.

Gross profit increased to \$1.2 million from \$133,000 in 4Q20. The increase reflects revenue growth and gross margin improving to 51.9% from 6.7% (which includes an inventory write-off in cost of sales of approximately \$500,000) in the year-ago period. Total operating expenses (G&A) were \$2 million compared to \$2.4 million in the year-ago period. The year-ago period included a \$726,000 charge related to impairment of good will. Non-operating interest expense was \$2,000 compared to \$7,000 in the year-ago period.

The net loss was \$784,000 or (\$0.10) per share compared to a loss of \$2.3 million or (\$0.29) per share.

#### Finances

In 2021, cash burn of nearly \$3.7 million and a \$1.1 million decrease in working capital resulted in cash used in operations of \$2.6 million. Cash used in operations and repayment of a promissory note reduced cash by \$2.8 million to \$3.1 million at December 31, 2021.

#### Capital Structure

At December 31, 2021 the company had no outstanding debt. In February 2022, the company issued a \$500,000 5.2% promissory note as part of its investment in the SOSRx investment.

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 December 31, 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.

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 November 30, 2021, no shares of common stock have been sold in connection with the at-the-market offering.

Effective November 30, 2021, the company provided the distribution agent notice of the termination of its equity distribution agreement and its ATM program (each of which were terminated effective December 5, 2021).

#### ***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 our forecast period ending December 31, 2023. In 2021, MEDS had a retained deficit of \$16.2 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 December 31, 2021, Trxade had in excess of 13,100 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

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.

In November 2021, the company's Integra subsidiary filed a complaint against GSG PPE, LLC and Gary Waxman alleging breach of contract for a purchase agreement, a promissory note, and a personal guaranty. Waxman's personal guaranty confirmed that GSG owed Integra \$630,000. Integra has propounded discovery and plans to file a motion for summary judgment. On September 30, 2021, the \$630,000 was recorded as bad debt expense.

#### Internal Controls

As of December 31, 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 March 31, 2022) average daily volume was approximately 397,000 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  
FY2019 – FY2023E  
(in thousands)

	FY19A	FY20A	FY21A	FY22E	FY23E
<b>ASSETS</b>					
Current assets:					
Cash	\$ 2,872	\$ 5,920	\$ 3,123	\$ 1,060	\$ 728
Accounts receivable, net	792	805	979	845	704
Inventory	57	1,258	56	48	42
Prepaid assets	82	151	216	223	196
Other - deposits and receivables	-	1,088	-	-	-
<b>Total current assets</b>	<u>3,803</u>	<u>9,221</u>	<u>4,374</u>	<u>2,175</u>	<u>1,670</u>
Property and equipment, net	175	162	99	100	105
Deposits	22	22	60	60	60
Other assets	-	-	-	500	500
Deferred offering costs	88	-	-	-	-
Right of use lease assets	758	387	1,233	1,257	1,025
Goodwill	726	-	-	-	-
<b>Total assets</b>	<u>\$ 5,571</u>	<u>\$ 9,793</u>	<u>\$ 5,766</u>	<u>\$ 4,092</u>	<u>\$ 3,360</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Accounts payable	335	257	477	476	763
Accrued liabilities	99	219	270	350	475
Lease liabilities	87	131	179	179	179
Customer deposits	-	10	-	-	-
Convertible and notes payables - related party	-	225	-	-	-
<b>Total current liabilities</b>	<u>521</u>	<u>842</u>	<u>926</u>	<u>1,005</u>	<u>1,417</u>
Promissory note - SOSRx Joint Venture	-	-	-	500	335
Notes payable - related parties	225	-	-	-	-
Other liabilities - leases	685	271	1,070	800	602
<b>Stockholders' equity:</b>					
Common stock, \$.00001 par value; authorized 100,000 shares;	0	0	0	0	0
Paid-in capital	12,536	19,611	20,018	20,628	21,238
Retained earnings (deficit)	(8,396)	(10,932)	(16,247)	(18,840)	(20,232)
<b>Total stockholders' equity</b>	<u>4,140</u>	<u>8,679</u>	<u>3,770</u>	<u>1,788</u>	<u>1,006</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 5,571</u>	<u>\$ 9,793</u>	<u>\$ 5,766</u>	<u>\$ 4,092</u>	<u>\$ 3,360</u>
SHARES OUT	6,539	8,093	8,166	8,175	8,180

Source: Company reports and Taglich Brothers estimates

Trxade Health, Inc.  
Annual Income Statement  
FY2019 – FY2023E  
(in thousands)

	<u>FY19 A</u>	<u>FY20 A</u>	<u>FY21 A</u>	<u>FY22 E</u>	<u>FY23 E</u>
Revenues, net	\$ 7,436	\$ 17,123	\$ 9,889	\$ 10,135	\$ 11,525
Cost of sales	<u>2,566</u>	<u>11,415</u>	<u>5,143</u>	<u>4,280</u>	<u>4,225</u>
<b>Gross Profit</b>	<u>4,871</u>	<u>5,707</u>	<u>4,746</u>	<u>5,855</u>	<u>7,300</u>
<b>Operating Expenses:</b>					
Loss on goodwill impairment & inventory investment	-	726	1,226	-	-
Selling, general, and administrative	4,377	7,488	8,812	8,425	8,675
Total Operating Expenses	<u>4,746</u>	<u>8,214</u>	<u>10,038</u>	<u>8,425</u>	<u>8,675</u>
<b>Operating Income (loss)</b>	125	(2,507)	(5,292)	(2,570)	(1,375)
Interest expense, net	<u>(53)</u>	<u>(29)</u>	<u>(24)</u>	<u>(23)</u>	<u>(17)</u>
Total Other Income (expense)	<u>(410)</u>	<u>(29)</u>	<u>(24)</u>	<u>(23)</u>	<u>(17)</u>
<b>Pre-Tax Income (loss)</b>	(284)	(2,536)	(5,316)	(2,593)	(1,392)
Income Tax Expense (Benefit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$ (284)</u>	<u>\$ (2,536)</u>	<u>\$ (5,316)</u>	<u>\$ (2,593)</u>	<u>\$ (1,392)</u>
<b>Net (loss) per share</b>	<u>\$ (0.05)</u>	<u>\$ (0.33)</u>	<u>\$ (0.65)</u>	<u>\$ (0.32)</u>	<u>\$ (0.17)</u>
Avg Shares Outstanding	5,929	7,706	8,129	8,193	8,213
Adjusted EBITDA	\$ 571	\$ 87	\$ (3,039)	\$ (1,990)	\$ (795)
<b>Margin Analysis</b>					
Gross margin	65.5%	33.3%	48.0%	57.8%	63.3%
Selling, general, and administrative	58.9%	43.7%	89.1%	83.1%	75.3%
Operating margin	1.7%	(14.6%)	(53.5%)	(25.4%)	(11.9%)
Pre-tax margin	(3.8%)	(14.8%)	(53.8%)	(25.6%)	(12.1%)
<b>YEAR / YEAR GROWTH</b>					
Total Revenues	94.1%	130.3%	(42.2%)	2.5%	13.7%

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 FY2021A – 2023E  
(in thousands)

	<u>Q1 21 A</u>	<u>Q2 21 A</u>	<u>Q3 21 A</u>	<u>Q4 21 A</u>	<u>FY21 A</u>	<u>Q1 22 E</u>	<u>Q2 22 E</u>	<u>Q3 22 E</u>	<u>Q4 22 E</u>	<u>FY22 E</u>	<u>Q1 23 E</u>	<u>Q2 23 E</u>	<u>Q3 23 E</u>	<u>Q4 23 E</u>	<u>FY23 E</u>
Revenues, net	\$ 3,053	\$ 1,898	\$ 2,550	\$ 2,388	\$ 9,889	\$ 2,345	\$ 2,400	\$ 2,590	\$ 2,800	\$ 10,135	\$ 2,575	\$ 2,650	\$ 3,000	\$ 3,300	\$ 11,525
Cost of sales	<u>1,670</u>	<u>1,057</u>	<u>1,269</u>	<u>1,148</u>	<u>5,143</u>	<u>1,050</u>	<u>1,055</u>	<u>1,075</u>	<u>1,100</u>	<u>4,280</u>	<u>1,000</u>	<u>1,025</u>	<u>1,075</u>	<u>1,125</u>	<u>4,225</u>
<b>Gross Profit</b>	<u>1,383</u>	<u>841</u>	<u>1,281</u>	<u>1,240</u>	<u>4,746</u>	<u>1,295</u>	<u>1,345</u>	<u>1,515</u>	<u>1,700</u>	<u>5,855</u>	<u>1,575</u>	<u>1,625</u>	<u>1,925</u>	<u>2,175</u>	<u>7,300</u>
<b>Operating Expenses:</b>															
Loss on goodwill impairment & inventory investment	-	1,225	1	-	1,226	-	-	-	-	-	-	-	-	-	-
Selling, general, and administrative	2,028	2,186	2,576	2,023	8,812	2,050	2,075	2,125	2,175	8,425	2,100	2,125	2,200	2,250	8,675
Total Operating Expenses	<u>2,028</u>	<u>3,411</u>	<u>2,577</u>	<u>2,023</u>	<u>10,038</u>	<u>2,050</u>	<u>2,075</u>	<u>2,125</u>	<u>2,175</u>	<u>8,425</u>	<u>2,100</u>	<u>2,125</u>	<u>2,200</u>	<u>2,250</u>	<u>8,675</u>
<b>Operating Income (loss)</b>	(644)	(2,570)	(1,296)	(782)	(5,292)	(755)	(730)	(610)	(475)	(2,570)	(525)	(500)	(275)	(75)	(1,375)
Interest expense, net	<u>(7)</u>	<u>(9)</u>	<u>(6)</u>	<u>(2)</u>	<u>(24)</u>	<u>(3)</u>	<u>(7)</u>	<u>(7)</u>	<u>(7)</u>	<u>(23)</u>	<u>(2)</u>	<u>(5)</u>	<u>(5)</u>	<u>(5)</u>	<u>(17)</u>
Total Other Income (expense)	<u>(7)</u>	<u>(9)</u>	<u>(6)</u>	<u>(2)</u>	<u>(24)</u>	<u>(3)</u>	<u>(7)</u>	<u>(7)</u>	<u>(7)</u>	<u>(23)</u>	<u>(2)</u>	<u>(5)</u>	<u>(5)</u>	<u>(5)</u>	<u>(17)</u>
<b>Pre-Tax Income (loss)</b>	(652)	(2,578)	(1,302)	(784)	(5,316)	(758)	(737)	(617)	(481)	(2,593)	(527)	(505)	(280)	(80)	(1,392)
Income Tax Expense (Benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	<u>\$ (652)</u>	<u>\$ (2,578)</u>	<u>\$ (1,302)</u>	<u>\$ (784)</u>	<u>\$ (5,316)</u>	<u>\$ (758)</u>	<u>\$ (737)</u>	<u>\$ (617)</u>	<u>\$ (481)</u>	<u>\$ (2,593)</u>	<u>\$ (527)</u>	<u>\$ (505)</u>	<u>\$ (280)</u>	<u>\$ (80)</u>	<u>\$ (1,392)</u>
<b>Net (loss) per share</b>	<u>\$ (0.08)</u>	<u>\$ (0.32)</u>	<u>\$ (0.16)</u>	<u>\$ (0.10)</u>	<u>\$ (0.65)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>	<u>\$ (0.32)</u>	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	<u>\$ (0.17)</u>
Avg Shares Outstanding	8,093	8,122	8,164	8,137	8,129	8,185	8,190	8,195	8,200	8,193	8,205	8,210	8,215	8,220	8,213
Adjusted EBITDA	\$ (469)	\$ (1,181)	\$ (546)	\$ (843)	\$ (3,039)	\$ (610)	\$ (585)	\$ (465)	\$ (330)	\$ (1,990)	\$ (380)	\$ (355)	\$ (130)	\$ 70	\$ (795)
<b>Margin Analysis</b>															
Gross margin	45.3%	44.3%	50.2%	51.9%	48.0%	55.2%	56.0%	58.5%	60.7%	57.8%	61.2%	61.3%	64.2%	65.9%	63.3%
Selling, general, and administrative	66.4%	115.1%	101.0%	84.7%	89.1%	87.4%	86.5%	82.0%	77.7%	83.1%	81.6%	80.2%	73.3%	68.2%	75.3%
Operating margin	(21.1%)	(135.4%)	(50.8%)	(32.8%)	(53.5%)	(32.2%)	(30.4%)	(23.6%)	(17.0%)	(25.4%)	(20.4%)	(18.9%)	(9.2%)	(2.3%)	(11.9%)
Pre-tax margin	(21.3%)	(135.8%)	(51.0%)	(32.8%)	(53.8%)	(32.3%)	(30.7%)	(23.8%)	(17.2%)	(25.6%)	(20.5%)	(19.1%)	(9.3%)	(2.4%)	(12.1%)
<b>YEAR / YEAR GROWTH</b>															
Total Revenues	38.6%	(71.2%)	(59.7%)	19.7%	(42.2%)	(23.2%)	26.4%	1.6%	17.3%	2.5%	9.8%	10.4%	15.8%	17.9%	13.7%

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

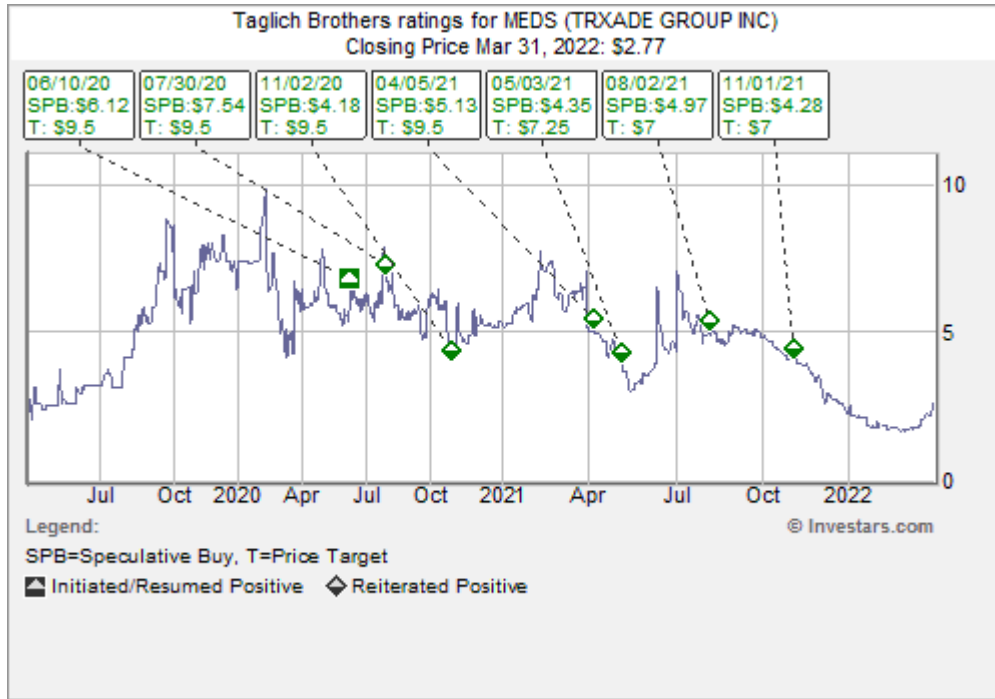
Trxade Health, Inc.  
Cash Flow Statement  
FY2019 – FY2023E  
(in thousands)

	<u>FY2019A</u>	<u>FY2020A</u>	<u>FY2021A</u>	<u>FY2022E</u>	<u>FY2023E</u>
<i>Cash Flows from Operating Activities</i>					
Net Income (loss)	\$ (284)	\$ (2,536)	\$ (5,316)	\$ (2,593)	\$ (1,392)
Depreciation	5	6	7	5	5
Warrant expense	105	57	22	-	-
Stock issued for services	-	1,358	181	400	400
Options expense	176	448	187	185	185
Bad debt expense	12	11	616	-	-
Loss on debt extinguishment	179	-	-	-	-
Investment loss including Inventory investment	250	-	144	-	-
Loss on write off of software assets	278	-	-	-	-
Loss on impairment of goodwill	-	726	-	-	-
Inventory writedown	-	1,218	376	-	-
Amortization of right of use assets	90	97	132	50	50
Amortization of debt discount	-	-	-	-	-
Cash earnings (burn)	<u>810</u>	<u>1,384</u>	<u>(3,651)</u>	<u>(1,953)</u>	<u>(752)</u>
<i>Changes In:</i>					
Accounts receivable	(370)	(24)	(790)	134	140
Prepaid assets and other current assets	0	(69)	(104)	(7)	27
Other assets - includes deposits for inventory purchases	(89)	-	1,088	-	-
Inventory	23	(2,419)	825	9	5
Other receivables	-	(1,088)	-	-	-
Lease liability	(75)	(97)	(131)	-	-
Accounts payable	(149)	(33)	220	(1)	287
Accrued liabilities, other liabilities, and customer deposits	(9)	130	(24)	80	125
(Increase)/decrease in Working Capital	<u>(668)</u>	<u>(3,599)</u>	<u>1,085</u>	<u>215</u>	<u>585</u>
<b>Net cash (used) provided by operations</b>	<u>142</u>	<u>(2,215)</u>	<u>(2,566)</u>	<u>(1,738)</u>	<u>(167)</u>
<i>Cash Flows from Investing Activities</i>					
Purchase of and development of assets	(82)	(38)	(23)	(25)	(25)
Investment in SOSRx Joint Venture - cash paid	-	-	-	(325)	-
Investment in SOSRx Joint Venture - promissory note issued	-	-	-	(500)	-
Cash paid for acquisition, net	-	-	-	-	-
Purchase of equity method investment	(250)	-	-	-	-
<b>Cash Flows from Investing Activities</b>	<u>(332)</u>	<u>(38)</u>	<u>(23)</u>	<u>(850)</u>	<u>(25)</u>
<i>Cash Flows from Financing Activities</i>					
Repayments of promissory note - third parties	-	-	(225)	-	-
Issuance of promissory note - SOSRx Joint Venture	-	-	-	500	(165)
Proceeds from exercise of warrants/options	0	38	17	25	25
Payment of stock issuance costs	-	(732)	-	-	-
Proceeds from issuance of common stock	2,455	5,994	-	-	-
<b>Net cash provided by (used in) Financing</b>	<u>2,193</u>	<u>5,300</u>	<u>(208)</u>	<u>525</u>	<u>(140)</u>
Net change in Cash	2,002	3,048	(2,797)	(2,063)	(332)
Cash Beginning of Period	<u>870</u>	<u>2,872</u>	<u>5,920</u>	<u>3,123</u>	<u>1,060</u>
Cash End of Period	<u>\$ 2,872</u>	<u>\$ 5,920</u>	<u>\$ 3,123</u>	<u>\$ 1,060</u>	<u>\$ 728</u>

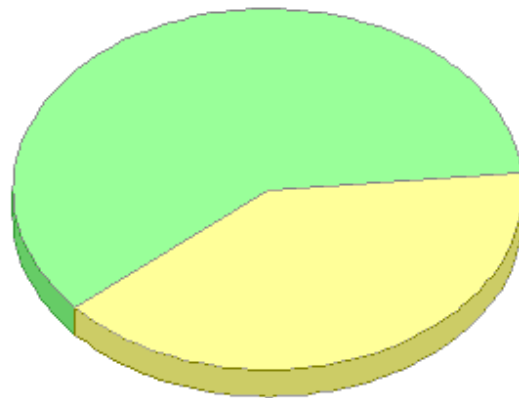
Source: Company reports and Taglich Brothers estimates

Taglich Brothers, Inc.

**Price Chart**



**Taglich Brothers Current Ratings Distribution**



60 % Buy | 40 % Hold

<b>Investment Banking Services for Companies Covered in the Past 12 Months</b>		
<u>Rating</u>	<u>#</u>	<u>%</u>
Buy	5	25
Hold		
Sell		
Not Rated		

**Important Disclosures**

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

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

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**Analyst Certification**

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

**Public Companies mentioned in this report:**

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

### **Meaning of Ratings**

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

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

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

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

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

### **Some notable Risks within the Microcap Market**

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

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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.