

## 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 14, 2022

**MEDS \$0.75 — (NASDAQ)**

|                           | 2019 A   | 2020 A*  | 2021 A** | 2022 E          | 2023 E          |
|---------------------------|----------|----------|----------|-----------------|-----------------|
| Revenue (in millions)     | \$7.4    | \$17.1   | \$9.9    | <b>\$11.2</b>   | <b>\$10.6</b>   |
| Earnings (loss) per share | (\$0.05) | (\$0.33) | (\$0.65) | <b>(\$0.37)</b> | <b>(\$0.14)</b> |

|                                 |                |                         |          |
|---------------------------------|----------------|-------------------------|----------|
| 52-Week range                   | \$4.18– \$0.80 | Fiscal year ends:       | December |
| Shares outstanding a/o 11/04/22 | 9.3 million    | Revenue/shares (ttm)    | \$1.38   |
| Approximate float               | 3.8 million    | Price/Sales (ttm)       | 0.5X     |
| Market Capitalization           | \$7.0 million  | Price/Sales (2023) E    | 0.7X     |
| Tangible Book value/shr         | \$0.03         | Price/Earnings (ttm)    | NMF      |
| Price/Book                      | 25X            | Price/Earnings (2023) E | NMF      |

*\*Includes (\$0.25) per share from impairment charge and write-down of personal protective equipment inventory \*\* Includes (\$0.15) per share 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 \$1.75 per share from \$3.00 per share due to reductions in our 2023 sales per share forecast and sector valuation.**

**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 4Q22, approximately 14,100 pharmacies were on the company's platform, up from 10,000 in 2019.**

**As supply chain issues for generic drugs dissipate, we estimate platform revenue increasing 7.3% to \$5.2 million in 2022 with estimated growth of 8.8% to \$5.8 million in 2023. In 2021, the company had platform revenue of \$4.9 million. MEDS aims to accelerate its platform growth in 2H23, through partnerships with group purchasing organizations.**

**In 3Q22, MEDS reported (on 11-07-22) a loss per share of (\$0.06) on revenue of \$2.4 million. In 3Q21, the loss per share was (\$0.16) on revenue of \$2.6 million. We projected a loss per share of (\$0.12) on revenue of \$3.3 million. 3Q21 included write-downs of \$1.2 million on loss of inventory investment and \$630,000 of bad debt.**

**In 2022, we project a loss per share of (\$0.37) on revenue of \$11.2 million. Our prior forecast called for a loss per share of (\$0.45) on revenue of \$12.5 million. Our revised forecasts reflect 3Q22 results and a shift by the company to focus on generating positive gross margin on its TRxADE Prime sales.**

**In 2023, we project a loss per share of (\$0.14) on a 5.8% reduction in revenue to \$10.6 million. Our prior forecast was for a loss per share of (\$0.15) on revenue of \$14 million. Our reduced revenue forecast reflects the company's focus on eliminating negative gross margin sales for its TRxADE Prime offering. We anticipate on reduced revenue gross margin improving to 61.7% from an estimated 47% in 2022.**

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

## ***Appreciation Potential***

**Maintaining Speculative Buy rating but reducing our 12-month price target to \$1.75 per share from \$3.00 per share due to reductions in our 2023 sales per share forecast and sector valuation.** Our price target should be supported by the growing number of independent pharmacies purchasing branded and generic prescription drugs on the TRxADE marketplace platform. We estimate nearly 15,300 independent pharmacies should be on the platform by the end of 2023, up from an estimated 14,300 at the end of 2022. The company had 14,100 and 13,100 independent pharmacies on the platform in 3Q22 and 2021, respectively. We also anticipate the company's shift in focus towards improving gross and operating margin should result in operating loss narrowing to \$920,000 in 2023 from an estimated \$2.9 million in 2022.

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 long-term revenue opportunities.

**Our 12-month price target of \$1.75 per share implies shares could more than double over the next twelve months.** According to finviz (a/o 11/8/22), the average twelve month trailing price-to-sales multiple for companies in the Pharmaceutical – distribution and health information sectors is 2.5X (prior was 3.3X), compared to Trxade Health's trailing P/S multiple of 0.5X (prior was 1.1X). We anticipate investors are likely to accord Trxade Health a multiple approaching that of the sector. We applied a P/S multiple of 2X (prior was 3X) to our 2023 sales per share forecast of \$1.14 (prior was \$1.26), discounted for execution and dilution risks, to obtain a year-ahead price target of approximately \$1.75 per share.

A higher valuation of Trxade Health, Inc., is likely to be supported by improving gross margins, which we estimate should reach 61.7% in 2023, up from an estimated 47% in 2022. The improved gross margin should contribute to the narrowing of the company's cash burn, which we estimate at \$904,000 in 2023 compared to an estimated cash burn of \$2.8 million in 2022. In 2021, cash burn was \$3.7 million.

**We believe Trxade Health, Inc. is most suitable for highly 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 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 February 2022, the company obtained 51% ownership in a joint venture (SOSRx) that will provide an online platform for manufacturers and suppliers to sell and purchase pharmaceuticals. MEDS anticipates this 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 Integra Pharma Solutions subsidiary, which is a licensed wholesaler of brand, generic, and non-drug products to customers is offering Trxade Prime to its pharmacy customer. This offering takes orders for products, creates invoices for each order and recognizes revenue at the time the customer receives the product. MEDS utilizes a just-in-time inventory and drop ship partnerships to ship orders to customers. The focus for the Prime offering is to be the pharmaceutical supplier of choice for healthcare organizations of all sizes including hospitals and medical facilities.

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.

### ***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 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.

In April 2022, the company's board of directors authorized its CEO to explore strategic alternatives for the Bonum Health subsidiary. The process will include consideration of a potential sale, spin-off, fund raising, and/or a combination or other strategic transactions, which could include the winding down of the subsidiary's operations.

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

## ***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 15,300 in 4Q23, up from 13,100 in 2021.

In 2023, we anticipate TRxADE platform sales from its membership base of independent pharmacies of \$5.8 million, up from an estimated \$5.2 million in 2022. Our forecast reflects a normalization of the production and distribution of generic drugs and increased activity by independent pharmacies that utilize the TRxADE platform.

In 2023 and 2022, we anticipate modest revenue contributions from group purchasing organizations, the SOSRx joint venture, and Bonum Health segment of approximately \$187,000 and \$77,000 respectively. Also, we anticipate the company's Prime bulk ordering offering generating revenue of \$3.8 million in 2023, down from an estimated \$4.7 million in 2022. The revenue decline in the company's Prime offering reflects a shift to forgo negative gross margin sales.

In 3Q22, the company restructured operations to improve gross and operating margins through the deployment of automation software, employee restructuring, adjusting vendor pricing, and implementation of new vendor partnerships.

### *Operations – 2022*

We project 26.5% revenue growth to \$11.2 million (prior was \$12.5 million) compared to nearly \$9.9 million in 2021. Our revised forecast primarily reflects 3Q22 results.

We anticipate gross profit increasing to nearly \$5.3 million from \$4.7 million due primarily to revenue growth, partly offset by gross margin contracting to 47% (prior was 37.8%) from 48% in 2021.

We project the operating loss narrowing to \$2.9 million (prior was \$4.1 million) compared to a loss of \$5.3 million in 2021 due primarily to revenue growth, and operating margin expense improving to 73% from 89.1% (excluding loss on inventory investment) in 2021. We forecast G&A expense decreasing to \$8.2 million from \$8.8 million due primarily to 2H22 employee restructuring and automation efforts, as well as a reduction in information technology development costs.

We anticipate interest expense of \$257,000 compared to \$24,000 in 2021 due primarily to a higher debt balance and interest rates. In February 2022, the company issued a new \$500,000 related party promissory note to complete a 51% investment in the SOSRx joint venture (interest rate was 8.3% in 2Q22, up from 6.8% in 2Q22). We project a net loss to common shareholders of \$3.1 million or (\$0.37) per share. We previously projected a net loss of \$4 million or (\$0.45) per share.

### *Finances – 2022*

We project cash burn of \$2.8 million and a \$668,000 decrease in working capital. In October 2022, the company raised net equity capital of approximately \$1.5 million, which is unlikely to cover cash used in operations of \$3.4 million, capital expenses, and investment into the SOSRx joint venture. We anticipate cash decreasing by \$2 million to \$1.1 million at December 31, 2022.

### *Operations – 2023*

We project a 5.8% 11.9% revenue decrease to \$10.6 million (prior was \$14 million) compared to an estimated \$11.2 million in 2022. Our forecast reflects Integra subsidiary sales of \$3.8 million, which is a \$2.7 million decrease from our prior forecast stemming from the company's shift to maintain a positive gross margin profile on each sale made. Also, we anticipate sales of \$187,000 (or a \$703,000 decrease from our prior forecast) from the company's telehealth subsidiary and group purchasing organization offering combined reflecting customer acceptance of those offerings at a slower pace than previously anticipated.

We anticipate gross profit increasing 23.8% to \$6.5 million due primarily to revenue growth and gross margin improving to 61.7% from an estimated 47% in 2022 due primarily to higher margin offerings TRxADE platform sales that should comprise 54.3% (prior was 48.2%) of total revenue compared to an estimated contribution of 47% in 2022.

We project the operating loss narrowing to \$920,000 compared to an estimated loss of \$2.9 million in 2022 due primarily to revenue growth, gross margin improvement, and operating margin expense improving to 70.4% from an estimated 73% in 2022. We forecast G&A expense decreasing to \$7.5 million from an estimated \$8.2 million in 2022. The reduction reflects the 2H22 implementation of software automation processes, as well as reduced salary and wages and offshore staffing expenses, and significantly reduced technology development costs.

We anticipate interest expense increasing to \$500,000 compared to an estimated \$257,000 in 2022 due primarily to higher interest rates. We project a net loss to common stockholders of \$1.3 million or (\$0.14) per share. We previously projected a net loss to common stockholders of \$1.7 million or (\$0.15) per share.

### Finances – 2023

We project cash burn of \$904,000 and a \$675,000 decrease in working capital. Cash used in operations of \$229,000 and capital investments should reduce cash by \$304,000 to \$796,000 at December 31, 2023.

### **Industry Briefs**

#### **Drug Market**

IBISWorld projects branded pharmaceutical drug revenue to increase annually by 2.6% to \$258.1 billion in 2026, up from \$221.3 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.

#### **Independent Pharmacy**

According to the National Community Pharmacists Association (NCPA), in 2021 there were 19,397 small business independent 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 3.4% to \$405.7 billion in 2027, up from \$332.3 billion in 2021. Growth is likely to be driven by expanded service offerings that include preventive care options and additional front of the store non pharmaceutical offerings.

#### **Telehealth Market**

In February 2022, IBISWorld published data indicating that the US telemedicine market generated 2021 sales of approximately \$15.5 billion. IBISWorld forecast anticipates annualized revenue growth of 12.3% indicating the US telemedicine market reaching \$31.1 billion in 2027.

#### **Specialty Pharmacy**

In the US there are approximately 1,200 pharmacies with a specialty accreditation 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 36 US states at December 31, 2021), places the company in a position to grow its operations within the specialty pharmacy market.

**3Q22 and 9M22 Results****3Q22**

Revenues decreased 5.9% or nearly \$150,000 to \$2.4 million compared to the year-ago period. The company reported decreases of \$88,000, \$114,000, and \$19,000 respectively, from the company's Integra Pharma Prime offering, Community Specialty Pharmacy operations, and Telehealth subsidiary. Partly offsetting the revenue decreases was a nearly \$72,000 increase in the company's TRxADE marketplace platform. The decrease in Integra Pharma Prime was due to a 35% decrease in the number of units sold. Revenue growth in the company's TRxADE marketplace platform reflects a normalization of supply chain issues for generic drugs that impacted 2021 operations and the addition of 291 new independent pharmacies to its platform, as well as an 18% increase in processed sales volume.

Gross profit increased 9.4% to \$1.4 million due to revenue growth and gross margin expansion to 58.4% from 50.2% in 2Q21. Gross margin expansion stems from the company's focus on improving margins within its Integra Pharma Solutions subsidiary that resulted in gross margin of 3.5% compared to negative (5.8%) in 3Q21. The company's TRxADE marketplace platform produces gross margin of 100%.

Operating expenses (which was only G&A expense) decreased to \$1.8 million from \$2.6 million in the year-ago period due primarily to the company recording bad debt expense of \$630,000 in the year-ago period that did not occur in the current period.

Non-operating interest expense increased to \$122,000 from \$6,000 in the year-ago period due to higher average debt and interest rates. The net loss was \$503,000 or (\$0.06) per share compared to a net loss of \$1.3 million or (\$0.16) per share. We projected a loss per share of (\$0.12) on revenue of \$3.3 million.

**9M22**

Revenues increased to 18.9% to \$8.9 million compared \$7.5 million, reflecting a \$1.4 million increase at the company's Integra Pharma Solutions logistic subsidiary stemming from its Prime offering and a \$348,000 increase in TRxADE marketplace platform sales, partly offset by a \$382,000 decrease in Community Specialty Pharmacy sales.

Gross profit increased 11.5% to \$3.9 million due to revenue growth, partly offset by gross margin contraction to 43.8% from 46.7% in the year-ago period. Gross margin compression stems from increased lower margin Integra Pharma segment sales in 1H22, partly offset by improvements in 3Q22. Total operating expenses decreased to \$6.3 million from \$8 million in 9M21. The year-ago period included a \$1.2 million loss related to inventory investments and \$630,000 bad debt write-off. G&A expense decreased to \$6.4 million compared to nearly \$6.8 million in the year-ago period due to 3Q23 restructuring initiatives to streamline operations.

|  | 9 Mos. 22         | 9 Mos. 21         | % D          |
|--|-------------------|-------------------|--------------|
| <b>Revenues in thousands</b>                       | <b>\$ 8,919</b>   | <b>\$ 7,502</b>   | <b>18.9%</b> |
| Cost of Sales                                      | 5,011             | 3,996             | 25.4%        |
| Gross Profit                                       | <u>\$ 3,909</u>   | <u>\$ 3,506</u>   | 11.5%        |
| Total Operating Expenses                           | 6,387             | 8,016             | (20.3%)      |
| <b>Operating Income</b>                            | (2,479)           | (4,510)           | (45%)        |
| Total Other Income (Expense)                       | (128)             | (22)              | NMF          |
| <b>Pre-Tax Income</b>                              | (2,607)           | (4,532)           | NMF          |
| Income Tax Expense (Benefit)                       | -                 | -                 |              |
| Non-controlling interest                           | (60)              | -                 |              |
| Net income (loss) available to common Stockholders | <u>\$ (2,547)</u> | <u>\$ (4,532)</u> |              |
| <b>Net (loss) per share</b>                        | <u>\$ (0.31)</u>  | <u>\$ (0.56)</u>  |              |
| Avg Shares Outstanding                             | 8,203             | 8,127             |              |
| Margins  |                   |                   |              |
| Gross margin                                       | 43.8%             | 46.7%             |              |
| Operating Margin                                   | (27.8%)           | (60.1%)           |              |
| Pre-Tax Margins                                    | (29.2%)           | (60.4%)           |              |
| Source: company reports                            |                   |                   |              |

Non-operating interest expense was \$128,000 compared to \$22,000 in the year-ago period.

The net loss to common stockholders was \$2.5 million or (\$0.31) per share compared to \$4.5 million or (\$0.56) per share. Excluding the \$1.2 million loss on inventory investment in 9M21, we estimate the loss per share was (\$0.41).

### Finances

In 9M22, cash burn of \$2.4 million and a \$395,000 increase in working capital resulted in cash used in operations of \$2.8 million. Cash used in operations, capital expenditures, and distribution to non-controlling interest, partly offset by proceeds from sale of future revenue reduced cash by \$2.8 million to \$322,000 at September 30, 2022.

### Capital Structure

At September 30, 2022 the company had total outstanding debt of \$500,000, of which \$167,000 was short-term in promissory notes. All of the promissory note debt was related party. In 3Q22, the interest rate on the promissory notes was 8.3% (prime plus 2%). The debt is expected to be repaid before the end of 2025.

On March 1, 2022, the company entered into an informal understanding with Masters Drug Company, Inc. and its affiliated companies (owned by McKesson Pharmaceutical), under which Masters agreed to extend up to \$500,000 of monthly credit to MEDS in connection with monthly pharmaceutical purchases from Masters. The company also entered into a guaranty in favor of McKesson to guaranty the payment of the monthly credit, which includes customary terms, rights of McKesson and requirements for the guarantors to pay the costs and expenses of McKesson in enforcing the guaranty. The monthly credit will be paid to McKesson each month automatically, via an ACH debit from the MEDS bank account.

On October 4, 2022, the company entered into a securities purchase agreement with a certain institutional investor that provides for the issuance of 920,000 in common stock, pre-funded warrants to purchase nearly 602,000 shares of common stock, and warrants to purchase nearly 2.7 million shares of common stock with an exercise price of \$1.50 per share. The net proceeds of approximately \$1.5 million.

During October 2022, the company also entered into a placement agent agreement with Maxim Group LLC where they agreed to use its reasonable best efforts to arrange for the sale of the MEDS securities.

### ***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 SureCost, which provides inventory management software that allows pharmacies to comply with primary supplier contracts.

### ***Risks***

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

### Going Concern

We forecast the company is likely to experience quarterly operating losses through our forecast period ending December 31, 2023. The company has limited financial resources and will need to raise additional capital or secure debt funding to support on-going operations. If such funding does not occur the company will likely need to curtail its operations. In October 2022, the company sold common equity and prefunded warrants for net proceeds of approximately \$1.5 million, which should enable execution of its growth plan through our forecast period.

### Financing/Dilution

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. We anticipate and have forecasted that the company will raise additional capital by the end of 2022. On July 29, 2022, the company filed with SEC a mixed shelf registration statement for the potential sales of up to \$100 million in debt or equity securities. In October 2022, the company issued 920,000 in common stock for net proceeds approximately \$1.5 million. As part of the offering, the company also issued pre-funded warrants to purchase nearly 602,000 shares of common stock, and warrants to purchase nearly 2.7 million shares of common stock with an exercise price of \$1.50 per share. While the exercise of warrants would bring in capital, the additional shares would increase the company's share count.

### Delisting Risk

The company's shares could be delisted if it fails to maintain \$2.5 million in stockholders' equity. As of September 30, 2022, the company's stockholders' equity was \$1.4 million. In October 2022, NASDAQ granted MEDS an extension to regain compliance with the stockholders' equity rule. The October 4, 2022 issuance of equity capital should be a significant step in regaining compliance with the stockholders' equity rule. If the company fails regain and then maintain its equity capital its shares could be delisted by the NASDAQ markets.

### Informal Monthly Credit Arrangement

On March 1, 2022, the company entered into an informal understanding with Masters Drug Company, Inc. Pursuant to the terms and conditions, and in order to secure the payment of the monthly credit, MEDS provided Masters Drug Company a security interest in all of its rights, titles and interests in and to the company's personal property. Past due amounts, if they occur, will accrue interest at the highest rate permitted by law. Masters Drug Company has the right to change a payment term to limit total credit and/or to suspend the provision of products or services to the company. If the company engages in this informal agreement and has issues in making payments, it could have an adverse impact on overall operations.

### 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.

### 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.



The company is in the process of conducting a strategic review and seeking alternatives for its Bonum Health subsidiary. The outcome of this process could result in the liquidation of the subsidiary's assets for significantly less than the company paid for them, and the write-off of prior expenses incurred in connection with the development of such assets, which would likely have a material adverse effect on operating results and liquidity. However, the company's board of directors will seek to maximize the value of such assets and operations to the extent possible.

#### Cybersecurity

In May 2022, the company's computer systems were breached. Following the breach, MEDS performed clean up procedures and instituted additional security measures to mitigate the risk of this type of incident from occurring in the future. However, any future breaches could negatively impact the company's finances and ongoing operations.

#### 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.

#### Internal Controls

As of September 30, 2022, 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 49.3% of the outstanding voting stock and two large shareholders own approximately 15.4% of the company's outstanding voting stock (October 2022 SEC Filing). Officers, directors, and large shareholders 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 November 8, 2022) average daily volume was approximately 523,000. MEDS has 9.3 million shares outstanding and a float of approximately 3.8 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           | 3Q22A           | FY22E           | FY23E           |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>ASSETS</b>  |                 |                 |                 |                 |                 |                 |
| Current assets:  |                 |                 |                 |                 |                 |                 |
| Cash   | \$ 2,872        | \$ 5,920        | \$ 3,123        | \$ 322          | \$ 1,100        | \$ 796          |
| Accounts receivable, net                                     | 792             | 805             | 979             | 850             | 1,000           | 707             |
| Inventory  | 57              | 1,258           | 56              | 76              | 99              | 62              |
| Prepaid assets   | 82              | 151             | 216             | 250             | 281             | 318             |
| Other - deposits and receivables                             | -               | 1,088           | -               | 875             | 875             | 400             |
| <b>Total current assets</b>                                  | <b>3,803</b>    | <b>9,221</b>    | <b>4,374</b>    | <b>2,373</b>    | <b>3,355</b>    | <b>2,283</b>    |
| Property and equipment, net                                  | 175             | 162             | 99              | 68              | 69              | 70              |
| Deposits   | 22              | 22              | 60              | 49              | 50              | 50              |
| Intangible assets  | -               | -               | -               | 1,099           | 1,075           | 1,050           |
| Deferred offering costs                                      | 88              | -               | -               | -               | -               | -               |
| Right of use lease assets                                    | 758             | 387             | 1,233           | 1,100           | 1,180           | 1,212           |
| <b>Total assets</b>  | <b>\$ 5,571</b> | <b>\$ 9,793</b> | <b>\$ 5,766</b> | <b>\$ 4,689</b> | <b>\$ 5,729</b> | <b>\$ 4,665</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                  |                 |                 |                 |                 |                 |                 |
| Current liabilities:   |                 |                 |                 |                 |                 |                 |
| Accounts payable   | 335             | 257             | 477             | 744             | 795             | 677             |
| Accrued liabilities  | 99              | 219             | 270             | 312             | 350             | 375             |
| Lease liabilities  | 87              | 131             | 179             | 190             | 190             | 190             |
| Customer deposits  | -               | 10              | -               | -               | -               | -               |
| Other current liabilities                                    | -               | -               | -               | 106             | 106             | 106             |
| Contingent funding liabilities                               | -               | -               | -               | 542             | 542             | 542             |
| Convertible and notes payables - related party               | -               | 225             | -               | 167             | 167             | 167             |
| <b>Total current liabilities</b>                             | <b>521</b>      | <b>842</b>      | <b>926</b>      | <b>2,061</b>    | <b>2,150</b>    | <b>2,057</b>    |
| Notes payable - related parties                              | 225             | -               | -               | 333             | 333             | 333             |
| Other liabilities - leases                                   | 685             | 271             | 1,070           | 938             | 654             | 654             |
| <b>Stockholders' equity:</b>                                 |                 |                 |                 |                 |                 |                 |
| Common stock, \$.00001 par value; authorized 100,000 shares; | 0               | 0               | 0               | 0               | 0               | 0               |
| Paid-in capital  | 12,536          | 19,611          | 20,018          | 20,193          | 21,978          | 22,328          |
| Retained earnings (deficit)                                  | (8,396)         | (10,932)        | (16,247)        | (18,794)        | (19,344)        | (20,664)        |
| <b>Total TRxADE Health stockholders' equity</b>              | <b>4,140</b>    | <b>8,679</b>    | <b>3,770</b>    | <b>1,399</b>    | <b>2,633</b>    | <b>1,663</b>    |
| <b>Non-controlling interest</b>                              | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>(42)</b>     | <b>(42)</b>     | <b>(42)</b>     |
| <b>Total stockholders' equity</b>                            | <b>4,140</b>    | <b>8,679</b>    | <b>3,770</b>    | <b>1,357</b>    | <b>2,591</b>    | <b>1,621</b>    |
| <b>Total liabilities and stockholders' equity</b>            | <b>\$ 5,571</b> | <b>\$ 9,793</b> | <b>\$ 5,766</b> | <b>\$ 4,689</b> | <b>\$ 5,729</b> | <b>\$ 4,665</b> |
| SHARES OUT   | 6,539           | 8,093           | 8,166           | 8,399           | 9,320           | 9,350           |

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          | \$ 11,249         | \$ 10,600         |
| Cost of sales                                      | <u>2,566</u>     | <u>11,415</u>     | <u>5,143</u>      | <u>5,966</u>      | <u>4,060</u>      |
| <b>Gross Profit</b>                                | <u>4,871</u>     | <u>5,707</u>      | <u>4,746</u>      | <u>5,284</u>      | <u>6,540</u>      |
| <b>Operating Expenses:</b>                         |                  |                   |                   |                   |                   |
| Loss on goodwill impairment & inventory investment | -                | 726               | 1,226             | -                 | -                 |
| General and administrative                         | 4,377            | 7,488             | 8,812             | 8,212             | 7,460             |
| Total Operating Expenses                           | <u>4,746</u>     | <u>8,214</u>      | <u>10,038</u>     | <u>8,212</u>      | <u>7,460</u>      |
| <b>Operating Income (loss)</b>                     | 125              | (2,507)           | (5,292)           | (2,929)           | (920)             |
| Disposal of asset gain (loss)                      | (250)            | -                 | -                 | 4                 | -                 |
| Interest expense, net                              | <u>(53)</u>      | <u>(29)</u>       | <u>(24)</u>       | <u>(257)</u>      | <u>(500)</u>      |
| Total Other Income (expense)                       | <u>(410)</u>     | <u>(29)</u>       | <u>(24)</u>       | <u>(253)</u>      | <u>(500)</u>      |
| <b>Pre-Tax Income (loss)</b>                       | (284)            | (2,536)           | (5,316)           | (3,182)           | (1,420)           |
| Income Tax Expense (Benefit)                       | <u>-</u>         | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          |
| Non-controlling interest                           | -                | -                 | -                 | (85)              | (100)             |
| Net income (loss) available to common Stockholders | <u>\$ (284)</u>  | <u>\$ (2,536)</u> | <u>\$ (5,316)</u> | <u>\$ (3,097)</u> | <u>\$ (1,320)</u> |
| <b>Net (loss) per share</b>                        | <u>\$ (0.05)</u> | <u>\$ (0.33)</u>  | <u>\$ (0.65)</u>  | <u>\$ (0.37)</u>  | <u>\$ (0.14)</u>  |
| Avg Shares Outstanding                             | 5,929            | 7,706             | 8,129             | 8,452             | 9,328             |
| Adjusted EBITDA                                    | \$ 571           | \$ 87             | \$ (3,039)        | \$ (2,759)        | \$ (700)          |
| <b>Margin Analysis</b>                             |                  |                   |                   |                   |                   |
| Gross margin                                       | 65.5%            | 33.3%             | 48.0%             | 47.0%             | 61.7%             |
| Selling, general, and administrative               | 58.9%            | 43.7%             | 89.1%             | 73.0%             | 70.4%             |
| Operating margin                                   | 1.7%             | (14.6%)           | (53.5%)           | (26.0%)           | (8.7%)            |
| Pre-tax margin                                     | (3.8%)           | (14.8%)           | (53.8%)           | (28.3%)           | (13.4%)           |
| <b>YEAR / YEAR GROWTH</b>                          |                  |                   |                   |                   |                   |
| Total Revenues                                     | 94.1%            | 130.3%            | (42.2%)           | 13.8%             | (5.8%)            |

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 A</u>   | <u>Q2 22 A</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         | \$ 3,240         | \$ 3,279         | \$ 2,400         | \$ 2,330         | \$ 11,249        | \$ 2,550         | \$ 2,700         | \$ 2,850         | \$ 2,500         | \$ 10,600        |
| Cost of sales                                      | 1,670            | 1,057            | 1,269            | 1,148            | 5,143            | 1,905            | 2,108            | 998              | 955              | 5,966            | 1,020            | 1,025            | 1,000            | 1,015            | 4,060            |
| <b>Gross Profit</b>                                | <b>1,383</b>     | <b>841</b>       | <b>1,281</b>     | <b>1,240</b>     | <b>4,746</b>     | <b>1,336</b>     | <b>1,171</b>     | <b>1,402</b>     | <b>1,375</b>     | <b>5,284</b>     | <b>1,530</b>     | <b>1,675</b>     | <b>1,850</b>     | <b>1,485</b>     | <b>6,540</b>     |
| <b>Operating Expenses:</b>                         |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Loss on goodwill impairment & inventory investment | -                | 1,225            | 1                | -                | 1,226            | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| General and administrative                         | 2,028            | 2,186            | 2,576            | 2,023            | 8,812            | 2,304            | 2,274            | 1,809            | 1,825            | 8,212            | 1,850            | 1,875            | 1,900            | 1,835            | 7,460            |
| Total Operating Expenses                           | 2,028            | 3,411            | 2,577            | 2,023            | 10,038           | 2,304            | 2,274            | 1,809            | 1,825            | 8,212            | 1,850            | 1,875            | 1,900            | 1,835            | 7,460            |
| <b>Operating Income (loss)</b>                     | <b>(644)</b>     | <b>(2,570)</b>   | <b>(1,296)</b>   | <b>(782)</b>     | <b>(5,292)</b>   | <b>(969)</b>     | <b>(1,103)</b>   | <b>(407)</b>     | <b>(450)</b>     | <b>(2,929)</b>   | <b>(320)</b>     | <b>(200)</b>     | <b>(50)</b>      | <b>(350)</b>     | <b>(920)</b>     |
| Disposal of asset gain (loss)                      | -                | -                | -                | -                | -                | 4                | -                | -                | -                | 4                | -                | -                | -                | -                | -                |
| Interest expense, net                              | (7)              | (9)              | (6)              | (2)              | (24)             | (1)              | (9)              | (122)            | (125)            | (257)            | (125)            | (125)            | (125)            | (125)            | (500)            |
| Total Other Income (expense)                       | (7)              | (9)              | (6)              | (2)              | (24)             | 3                | (9)              | (122)            | (125)            | (253)            | (125)            | (125)            | (125)            | (125)            | (500)            |
| <b>Pre-Tax Income (loss)</b>                       | <b>(652)</b>     | <b>(2,578)</b>   | <b>(1,302)</b>   | <b>(784)</b>     | <b>(5,316)</b>   | <b>(966)</b>     | <b>(1,112)</b>   | <b>(529)</b>     | <b>(575)</b>     | <b>(3,182)</b>   | <b>(445)</b>     | <b>(325)</b>     | <b>(175)</b>     | <b>(475)</b>     | <b>(1,420)</b>   |
| Income Tax Expense (Benefit)                       | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Non-controlling interest                           | -                | -                | -                | -                | -                | (6)              | (28)             | (26)             | (25)             | (85)             | (25)             | (25)             | (25)             | (25)             | (100)            |
| Net income (loss) available to common Stockholders | \$ (652)         | \$ (2,578)       | \$ (1,302)       | \$ (784)         | \$ (5,316)       | \$ (960)         | \$ (1,084)       | \$ (503)         | \$ (550)         | \$ (3,097)       | \$ (420)         | \$ (300)         | \$ (150)         | \$ (450)         | \$ (1,320)       |
| <b>Net (loss) per share</b>                        | <b>\$ (0.08)</b> | <b>\$ (0.32)</b> | <b>\$ (0.16)</b> | <b>\$ (0.10)</b> | <b>\$ (0.65)</b> | <b>\$ (0.12)</b> | <b>\$ (0.13)</b> | <b>\$ (0.06)</b> | <b>\$ (0.06)</b> | <b>\$ (0.37)</b> | <b>\$ (0.05)</b> | <b>\$ (0.03)</b> | <b>\$ (0.02)</b> | <b>\$ (0.05)</b> | <b>\$ (0.14)</b> |
| Avg Shares Outstanding                             | 8,093            | 8,122            | 8,164            | 8,137            | 8,129            | 8,178            | 8,181            | 8,250            | 9,200            | 8,452            | 9,320            | 9,325            | 9,330            | 9,335            | 9,328            |
| Adjusted EBITDA                                    | \$ (469)         | \$ (1,181)       | \$ (546)         | \$ (843)         | \$ (3,039)       | \$ (900)         | \$ (1,064)       | \$ (395)         | \$ (400)         | \$ (2,759)       | \$ (265)         | \$ (145)         | \$ 5             | \$ (295)         | \$ (700)         |
| <b>Margin Analysis</b>                             |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Gross margin                                       | 45.3%            | 44.3%            | 50.2%            | 51.9%            | 48.0%            | 41.2%            | 35.7%            | 58.4%            | 59.0%            | 47.0%            | 60.0%            | 62.0%            | 64.9%            | 59.4%            | 61.7%            |
| Selling, general, and administrative               | 66.4%            | 115.1%           | 101.0%           | 84.7%            | 89.1%            | 71.1%            | 69.4%            | 75.4%            | 78.3%            | 73.0%            | 72.5%            | 69.4%            | 66.7%            | 73.4%            | 70.4%            |
| Operating margin                                   | (21.1%)          | (135.4%)         | (50.8%)          | (32.8%)          | (53.5%)          | (29.9%)          | (33.6%)          | (17.0%)          | (19.3%)          | (26.0%)          | (12.5%)          | (7.4%)           | (1.8%)           | (14.0%)          | (8.7%)           |
| Pre-tax margin                                     | (21.3%)          | (135.8%)         | (51.0%)          | (32.8%)          | (53.8%)          | (29.8%)          | (33.9%)          | (22.0%)          | (24.7%)          | (28.3%)          | (17.5%)          | (12.0%)          | (6.1%)           | (19.0%)          | (13.4%)          |
| <b>YEAR / YEAR GROWTH</b>                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Total Revenues                                     | 38.6%            | (71.2%)          | (59.7%)          | 19.7%            | (42.2%)          | 6.1%             | 72.7%            | (5.9%)           | (2.4%)           | 13.8%            | (21.3%)          | (17.7%)          | 18.7%            | 7.3%             | (5.8%)           |

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

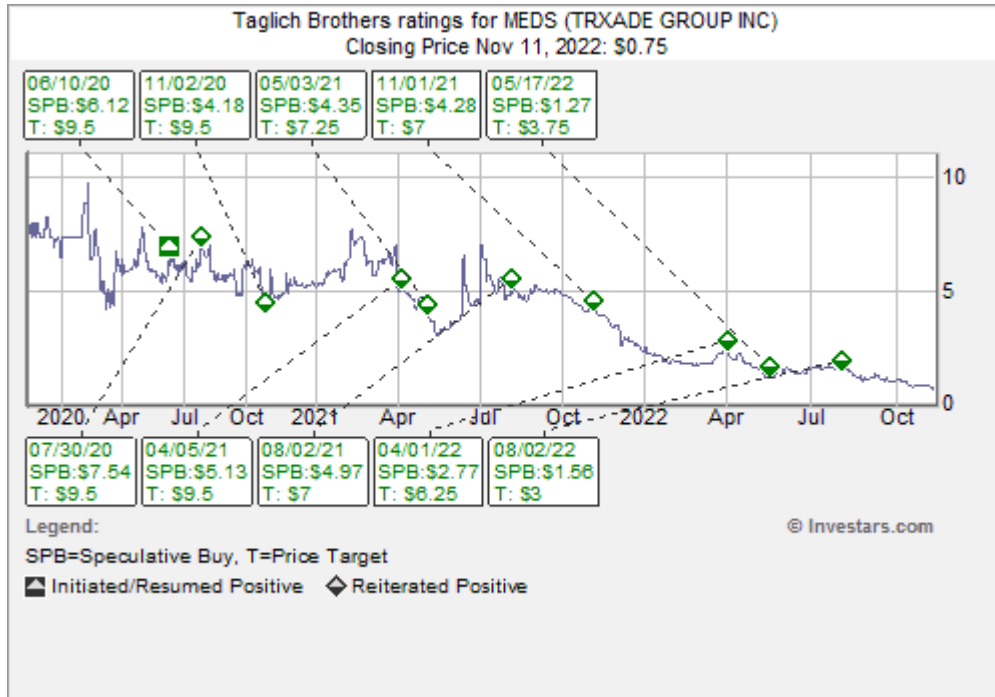
Source: Company reports and Taglich Brothers estimates

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

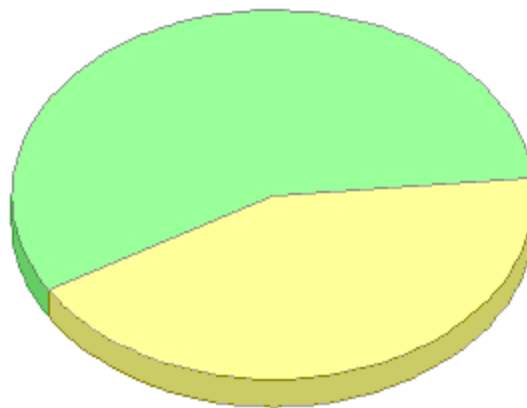
|   | <u>FY2019A</u>  | <u>FY2020A</u>  | <u>FY2021A</u>  | <u>9 Mos. 22A</u> | <u>FY2022E</u>  | <u>FY2023E</u> |
|---|-----------------|-----------------|-----------------|-------------------|-----------------|----------------|
| <i>Cash Flows from Operating Activities</i>                   |                 |                 |                 |                   |                 |                |
| Net Income (loss)   | \$ (284)        | \$ (2,536)      | \$ (5,316)      | \$ (2,607)        | \$ (3,097)      | \$ (1,320)     |
| Depreciation  | 5               | 6               | 7               | 12                | 15              | 15             |
| Warrant expense   | 105             | 57              | 22              | -                 | -               | -              |
| Stock issued for services                                     | -               | 1,358           | 181             | 107               | 125             | 200            |
| Options expense   | 176             | 448             | 187             | 67                | 75              | 125            |
| Bad debt expense  | 12              | 11              | 616             | (99)              | (99)            | (99)           |
| 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             | -               | -                 | -               | -              |
| Gain on sale of assets  | -               | -               | -               | (4)               | (4)             | -              |
| Inventory writedown   | -               | 1,218           | 376             | -                 | -               | -              |
| Amortization of right of use assets                           | 90              | 97              | 132             | 133               | 175             | 175            |
| Amortization of intangible assets                             | -               | -               | -               | 29                | 30              | -              |
| Cash earnings (burn)  | 810             | 1,384           | (3,651)         | (2,361)           | (2,780)         | (904)          |
| <i>Changes In:</i>  |                 |                 |                 |                   |                 |                |
| Accounts receivable   | (370)           | (24)            | (790)           | 228               | (21)            | 293            |
| Prepaid assets and other current assets                       | 0               | (69)            | (104)           | 198               | (65)            | (37)           |
| Other assets - includes deposits for inventory purchases      | (89)            | -               | 1,088           | -                 | (875)           | 475            |
| Inventory   | 23              | (2,419)         | 825             | (20)              | (43)            | 37             |
| Other receivables and undeposited customer funds              | -               | (1,088)         | -               | (875)             | (12)            | -              |
| Lease liability   | (75)            | (97)            | (131)           | (120)             | (50)            | -              |
| Accounts payable  | (149)           | (33)            | 220             | 267               | 318             | (119)          |
| Accrued liabilities, other liabilities, and customer deposits | (9)             | 130             | (24)            | (73)              | 80              | 25             |
| (Increase)/decrease in Working Capital                        | (668)           | (3,599)         | 1,085           | (395)             | (668)           | 675            |
| <b>Net cash (used) provided by operations</b>                 | <u>142</u>      | <u>(2,215)</u>  | <u>(2,566)</u>  | <u>(2,756)</u>    | <u>(3,448)</u>  | <u>(229)</u>   |
| <i>Cash Flows from Investing Activities</i>                   |                 |                 |                 |                   |                 |                |
| Purchase of and development of assets                         | (82)            | (38)            | (23)            | -                 | -               | -              |
| Investment in capitalized software                            | -               | -               | -               | (336)             | (375)           | (100)          |
| Sale of fixed assets  | -               | -               | -               | 23                | 23              | -              |
| Purchase of equity method investment                          | (250)           | -               | -               | -                 | -               | -              |
| <b>Cash Flows from Investing Activities</b>                   | <u>(332)</u>    | <u>(38)</u>     | <u>(23)</u>     | <u>(313)</u>      | <u>(352)</u>    | <u>(100)</u>   |
| <i>Cash Flows from Financing Activities</i>                   |                 |                 |                 |                   |                 |                |
| Repayments of promissory note - third parties                 | -               | -               | (225)           | -                 | -               | -              |
| Repayments of short-term debt - related parties               | (263)           | -               | -               | -                 | -               | -              |
| Proceeds from sale of future revenue                          | -               | -               | -               | 825               | 825             | -              |
| Distributions to non-controlling interest                     | -               | -               | -               | (275)             | (275)           | -              |
| Proceeds from exercise of warrants/options                    | 0               | 38              | 17              | 1                 | 10              | 25             |
| Payment of stock issuance costs                               | -               | (732)           | -               | -                 | (250)           | -              |
| Payment of contingent liability                               | -               | -               | -               | (283)             | (283)           | -              |
| Proceeds from issuance of common stock                        | 2,455           | 5,994           | -               | -                 | 1,750           | -              |
| <b>Net cash provided by (used in) Financing</b>               | <u>2,193</u>    | <u>5,300</u>    | <u>(208)</u>    | <u>268</u>        | <u>1,777</u>    | <u>25</u>      |
| Net change in Cash  | 2,002           | 3,048           | (2,797)         | (2,801)           | (2,023)         | (304)          |
| Cash Beginning of Period                                      | 870             | 2,872           | 5,920           | 3,123             | 3,123           | 1,100          |
| Cash End of Period  | <u>\$ 2,872</u> | <u>\$ 5,920</u> | <u>\$ 3,123</u> | <u>\$ 322</u>     | <u>\$ 1,100</u> | <u>\$ 796</u>  |

Source: Company reports and Taglich Brothers estimates

**Price Chart**



**Taglich Brothers Current Ratings Distribution**



■ 57.14 % Buy | 42.86 % Hold

| <b>Investment Banking Services for Companies Covered in the Past 12 Months</b> |          |          |
|--|----------|----------|
| <u>Rating</u>  | <u>#</u> | <u>%</u> |
| Buy  | 5        | 26       |
| 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.

**General Disclosures**

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

**Analyst Certification**

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

**Public Companies mentioned in this report:**

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

### **Meaning of Ratings**

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

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

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

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

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

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

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

---

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