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Research Report – Update

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

Cosmos Health Inc.

Rating: Speculative Buy

Howard Halpern

COSM $0.96 — (NASDAQ)

September 16, 2024

	2022 A	2023 A	*2024 E*	*2024 E*
Total Revenues (in millions)	$50.3	$53.4	***$56.3***	***$69.0***
Earnings (loss) per share	($7.17)*	($2.15)*	***($0.48)***	***($0.05)***

52-Week range	$2.05 – $0.47	Fiscal year ends:	December
Shares outstanding a/o 08/19/24	17.8 million	Revenue/shares (ttm)	$3.77
Approximate float	16.2 million	Price/Sales (ttm)	0.3X
Market Capitalization	$17.1 million	Price/Sales (2025) E	0.3X
Tangible Book value/shr	$1.38	Price/Earnings (ttm)	NMF
Price/Book	0.7X	Price/Earnings (2025) E	NMF

** Excludes ($25.99) and ($0.60) per share in 2022 and 2023, respectively, related to recognition of Deemed dividends*

Cosmos Health Inc., headquartered in Chicago, Illinois is a diversified vertically integrated global health organization that manufactures and distributes medical grade nutritional and medicines. Cosmos owns a portfolio of proprietary pharmaceutical and nutraceutical brands (Sky Premium Life®, Mediterranation®, bio-bebe® and C-Sept®). Its CANA Pharmaceuticals Laboratories subsidiary is licensed to manufacture pharmaceuticals, food supplements, cosmetics, biocides, and medical devices within the European Union. COSM also distributes a broad line of pharmaceuticals and parapharmaceuticals that includes branded, generics, and OTC medications to retail pharmacies and wholesale distributors in Greece and the United Kingdom. Through a repurposing drug program, COSM is targeting major health disorders such as obesity, diabetes, and cancer.

Key Investment Considerations:

Maintain our Speculative Buy rating and establishing a 12-month price target of $4.00 per share based on our initial 2025 sales per share forecast.

Cosmos Health has substantial growth potential as has become a vertically integrated global health organization that develops, manufactures, distributes, a portfolio of medicines and internally developed nutraceutical products, as well as development of repurposed branded drugs for new disorders. The Global Healthcare distribution market is expected to grow 7.1% annually from 2023 reaching $2 trillion in 2032.

Supporting our growth forecast are the initial investments made to CANA Laboratories (acquired in 2Q23), which should enable the company to generate over $10 million in recurring annual gross profit at full capacity. Full capacity could occur as soon as the 4Q25. Additional growth should be supported by the relaunching of the C-Sept disinfectant brand throughout Europe and new nutraceutical distribution contracts.

For 2024, we project a net loss $8.5 million or ($0.48) per share on revenue growth of 5.5% to $56.3 million reflecting 1H24 results and a full year contribution of CANA Laboratories acquired in 2Q23. We anticipate operating leverage based on the synergies related to the CANA acquisition and associated ramping of pharmaceutical production that should drive the operating loss down to $7.9 million from $10 million after excluding approximately $11.9 million from provisions for expected credit losses.

For 2025, we project a net loss $895,000 or ($0.05) per share on revenue growth of 22.6% to $69 million reflecting increased contract manufacturing orders, expanded distribution of its nutraceutical and disinfectant offering to European and Middle Eastern countries. Our loss per share forecast anticipates operating expense margin improving to 19% from an estimated 22.7%.

Please view our Disclosures on pages 17 – 19.

Appreciation Potential

Maintain our Speculative Buy rating and establishing a 12-month price target of $4.00 per share based on our initial 2025 sales per share forecast.

Our rating and price target reflects the company becoming a vertically integrated global health organization that develops, manufactures, distributes, a portfolio of medicines and internally developed nutraceutical products, as well as development of repurposed branded drugs for new disorders. The Global Healthcare distribution market is expected to grow 7.1% annually from 2023 reaching $2 trillion in 2032.

Supporting our growth forecast are the initial investments made to CANA Laboratories (acquired in 2Q23), which should enable the company to generate over $10 million in recurring annual gross profit at full capacity. Full capacity could occur as soon as the 4Q25. Additional growth should be supported by the relaunching of the C-Sept disinfectant brand throughout Europe, new nutraceutical distribution agreement, and new contract manufacturing agreements for its CANA Laboratories.

For C-Sept, Cosmos Health expects to obtain all necessary registration approvals from the UK's Health Security Agency, which should lead to distribution agreements to supply this offering within England, Scotland, and Wales, and the Health and Social Care in Northern Ireland. Additional registrations should occur in other European countries such as Germany. In 2024, the company has obtained new nutraceutical distribution agreements for its Sky Premium Life brand offerings with Pharmalink in the United Arab Emirates, ZENDON s.r.o. in Slovakia, Hungary, Poland, and the Czech Republic, and ProMed Trading Company for distribution Qatar. The new distribution agreements should enhance growth and operating efficiencies in 2H24 and throughout 2025.

In July 2024, the company announced CANA Laboratories secured contract manufacturing agreement with Greece based Provident Pharmaceuticals for the manufacturing of over 5 million units (vials) of DE3-SOLE (over 4.3 million units), MIOREL (408,000 units), CALCIFOLIN (222,000 units), and DEXA-DOSE (72,000 units). Also, CANA Laboratories secured an agreement with Australian-based wellness company Humacology for the manufacturing of up to 500,000 units of its CBD products.

Our 12-month price target of $4.00 per share implies shares could increase more than four-fold over the next twelve months. According to finviz.com, the average price-to-sales multiple for companies of similar market capitalizations in the medical distribution and drug manufacturing sectors are 2.4X, compared to Cosmos Health's trailing price-to-sales multiple of 0.3X. We anticipate investors are likely to accord COSM a multiple approaching that of the sectors due to our forecasted revenue growth of 22.6% for 2025. We applied a price-to-sales multiple of 1.4X to our 2025 sales per share forecast of $3.86, discounted for execution risks and potential dilution from the exercise of warrants, to obtain a year-ahead price target of approximately $4.00 per share.

COSM's valuation should improve as it reports revenue growth, and swing to an operating profit and begin to generate cash earnings. We forecast revenue growth of 22.6% to $69 million in 2025 from an estimated $56.3 million in 2024. In 2025, we anticipate the company generating an operating profit of $20,000 and cash earnings of $1.6 million compared to an estimated operating loss of $7.9 million and cash burn of $5.7 million in 2024.

We believe Cosmos Health Inc., is most suitable for risk tolerant investors seeking exposure to an emerging vertically integrated global health organization that owns a portfolio of proprietary pharmaceutical and nutraceutical brands, as well as developing a contract manufacturing division through CANA Laboratories.

Overview

Cosmos Health Inc., headquartered in Chicago, Illinois is a diversified vertically integrated global health organization that manufactures and distributes medical grade nutritional and medicines through its operating subsidiaries of SkyPharm, Decahedron, CANA Pharmaceutical Laboratories, Cosmofarm Pharmaceuticals, and Zip Doctor. The integrated organization is designed to at scale provide pharmaceutical contract manufacturing and research services to customer, as well as manufacture and distribute to consumers its own portfolio of proprietary pharmaceutical and nutraceutical brands (see chart on top of next page). Those proprietary brands include Sky Premium Life®, Mediterranation®, bio-bebe® and C-Sept®. At the end of 2Q23, the CANA Laboratories subsidiary was acquired, which is licensed to manufacture pharmaceuticals, food supplements, cosmetics, biocides, and medical devices within the European Union. This subsidiary has begun to provide contract manufacturing services to large well establish pharmaceutical companies, as well as generate incremental revenues and operating efficiencies through the relaunching of its own bio-bebe and C-Sept brands and manufacturing of COSM's own nutraceutical products. The company has invested approximately $5.5 million to upgrade the facility, which once full capacity is reached should generate over $10 million of gross profit to COSM's operations.

Cosmos Health's distribution network for its proprietary line of branded pharmaceuticals and nutraceuticals through a network that includes over 160 pharmaceutical wholesale distributors in Europe's largest markets, over 40,000 pharmacies in Europe that includes 1,500 pharmacies in Greece. The aim is to continue leveraging growing purchasing scale and supplier relationships to secure discounts and provide pharmaceuticals at reduced prices to be sold through COSM's expanding distribution network.

To ensure growth opportunities investments in technology and processes were made to enhance safety, distribution, and warehousing efficiency and reliability. These investments should enable the company to build a vertically integrated organization to accomplish its mission, which is to develop, commercialize through good manufacturing practices, and distribute proprietary pharmaceutical and nutraceutical brands that are aimed at improving patients' lives and outcomes.

Subsidiaries

The company's subsidiaries are the operating organizations that as a fully integrated operation will provide quality production of new and existing product offerings and efficient distribution capabilities to drive organic growth as global expansion occur throughout the European Union, the UK, and countries in Asia and North America.

CANA Pharmaceutical Laboratories, founded in 1928 is a Greek pharmaceutical company that manufactures, sells, distributes, and markets original branded products researched and developed by global pharmaceutical and healthcare companies. In its history, this subsidiary manufactured and distributed a broad range of proprietary pharmaceutical and health-related products with trusted partners of multinational pharmaceutical companies such as AstraZeneca, Janssen, Merck, and Viatris, as well as some of the largest consumer goods companies such as Nestle, Unilever, and Procotor and Gamble. CANA's prior activities also included production of medical devices from medical technology companies such as Medtronic, Stryker, and others in the Greek market. CANA owns and operates a 54,000 square foot production facility located in Athens, Greece that is licensed under European Good Manufacturing Practices and certified by the European Medicines Agency for the manufacture of pharmaceuticals, food supplements, cosmetics, biocides, and medical devices. The subsidiary can produce various produce from wide range of production lines capable of manufacturing solids, orals, semi-solids, and liquids. This subsidiary serves a diverse customer base, including public and private hospitals, pharmacies, supermarkets, and wholesalers

Sky Pharm SA, headquartered in Thessaloniki, Greece trades through price arbitrage about 500 medicines that can be exported within the EU countries. The subsidiary buys medicines from Greek wholesale pharmaceutical companies and multinational pharmaceutical manufacturers that are exported to other European countries where there is demand and higher prices. Sky Pharm is in compliance with Good Distribution Practices as certified by EOΦ (the Greek equivalent to the FDA), and is ISO certified by TUV NORD as of February 2016.

Cosmofarm Pharmaceuticals, headquartered Athens, Greece was founded in 1994 as a fully licensed pharmaceutical wholesale company. This subsidiary is approved and authorized by the National Organization for Medicines under Good Distribution Practices to distribute a comprehensive range of pharmaceutical products. Cosmofarm is primarily engaged in sourcing, procuring, and distributing branded and generic medicines, over-the-counter pharmaceuticals, food supplements, and medical devices to its growing network that is approaching 2,000 pharmacies. The subsidiary maintains a supplier network of approximately 250 pharmaceutical manufacturers and wholesalers.

Decahedron Ltd., based in Harlow, UK is a pharmaceutical wholesaler that is audited by the Medicines and Healthcare products Regulatory Agency under European Good Distribution Practices and is a full member of the European Association of Euro Pharmaceutical Companies. This subsidiary imports and exports branded, generic, and unlicensed prescription only medicines, over-the-counter products, and medical devices. Decahedron participates in governmental tenders and register dossiers in new territories. The subsidiary's network consists of 25 clients and vendors within the following countries - Germany, United Kingdom, Denmark, United Arab Emirates, Germany, Italy, France, Singapore, and Ireland. This subsidiary has growth potential since its warehouse has the necessary infrastructure for product classification and cold room operations.

ZipDoctor Inc., headquartered in Addison, Texas, is a direct-to-consumer subscription-based telemedicine platform.

Growth Strategy

The company's growth strategy is to leverage the acquisition of CANA Laboratories that should generate high margin contract manufacturing sales, distribution of its industrial grade disinfectant brand C-Sept, as well as production and distribution of generic and repurposed drugs. In addition, COSM's should experience increased distribution of the Sky Premium Life nutraceutical brand offerings within European countries, the Middle East, and eventually South East Asia. Accelerating future growth is likely to be the launch of the company's weight management product, which successfully completed the development stage and pilot production testing. Clinical trials should begin in 2025. The strategic plan of being a vertically integrated global healthcare organization should assist in the company's mission of improving patients' lives and outcomes.

Vertically Integrated

Entering 2H24, the company has reached its initial goal of becoming a vertically integrated organization. The over $5 million spent in upgrades to CANA Laboratories manufacturing facilities has complete the initial steps in the company's quest to become a complete vertically integrated organization. These upgrades provides Cosmos Health the capabilities to become a global developer, manufacturer, and distributor of healthcare products from third parties and internally developed pharmaceutical and over-the-counter branded and generic drugs, as well as medical product offerings such as C-Sept for hospitals and outpatient medical settings. The CANA subsidiary provides Cosmos with the ability to manufacture its existing portfolio of proprietary brands and medicines in-house, which enhances overall control and ability to achieve operating leverage and efficiencies throughout the entire organization. It also offer a competitive advantage as its non-pharmaceutical products such as nutraceuticals will be manufactured with the quality and practices followed by pharmaceutical drugs within its manufacturing facilities that should assure consumers a quality and consistent product that can be relied upon.

Additionally CANA's capabilities means the company's operating units can research a pharmaceutical drug or new nutraceutical offering bring in all the way through the development stage and produce, commercialize, and distribute the offering through manufacturing capabilities that conform to the highest standard of producing a brand pharmaceutical drug.

Through vertical integration the company will have increased flexibility to commercialize new and existing products within its growing portfolios of generic and repurposed branded pharmaceuticals and nutraceutical and nutritional offerings. The increased flexibility should help drive expanded distribution within European Union countries including the United Kingdom followed by countries within Asian and North American markets.

Product Portfolio Expansion

The CANA subsidiary is relaunching two of its own products offerings, bio-bebe a line of organic infant care foods and C-Sept a line of antiseptic washes and scrubs. CANA's C-Sept is being launched with new offerings C-Scrub Wash 4% CHG Biocide and C-Sept Pro 2%. The CANA subsidiary has the potential to generate over $10 million in recurring annual gross profit at full production capacity

The company is also acquiring and seeking agreement to acquire product licenses primarily for generic drugs to increase its overall product portfolio in order to enhance revenue growth opportunities in 2H24 and beyond.

COSM signed a definitive agreement to acquire the license and rights for DIABIT-IS X, a drug used in the treatment of type-2 diabetes. DIABIT-IS X is likely to be one of the first generics to be launched in Europe following the European patent expiration in June 2024 of the Januvia brand owned by Merck. In 1Q24, the company completed the acquisition of licenses and rights of a comprehensive portfolio of ten generic drugs that were chosen for their efficacy in addressing a variety of health issues, including treatments for diabetes, cholesterol, respiratory, and cardiac conditions.

The company's product portfolio expansion plans includes entering the drug repurposing market through the January 2024 acquisition of Cloudscreen®, a cutting-edge Artificial Intelligence powered platform. Cloudscreen is a multimodal platform specialized in drug repurposing, a process that involves uncovering new target proteins or indications for existing drugs for use in treating different diseases. It is focused on identifying new therapeutic uses for drugs that have already been tested for safety and efficacy. This acquisition should enhance the company strategy to explore abandoned drugs for potential applications in treating different diseases. The assets come with a patent for addressing certain central nervous system cancers. The Cloudscreen's AI drug repurposing platform is likely to result in future patent applications for new uses for old drugs.

COSM's overall product portfolio should expand through its work in the creation, development and trading of its own proprietary branded nutraceutical product lines called Sky Premium and Life®" and Mediterranation®. The company's product portfolio is in excess of 105 product codes that including vitamins, minerals and other herbal extracts used for health prevention and care needs. The goal is to expand its branded nutraceuticals product portfolio to approximately 150 product codes that will include basic line formulas to cover more customer needs of any age, advanced formulations, formulas based on herbs.

Global Distribution

The company's aim is to have its product offering generating revenue through a global distribution network. Organic and global distribution growth should occur methodically in tandem with expanded production capacity through its newly acquired CANA subsidiary. Distribution of the company's growing product portfolio will be shipped to retail chains and pharmacies, as well as sold through e-commerce platforms like eBay and Amazon in the United Kingdom, Canada, the US, Germany, France, Spain, and Singapore. Pharmacy and retail distribution has be conducted through its retailer partner Holland & Barrett, which is Europe's largest health and wellbeing retailer. The company growing distribution network has direct access to sell its offering through over 160 pharmaceutical wholesale distributors in Europe's largest markets, over 40,000 pharmacies in Europe and upwards of 2,000 pharmacies in Greece. In 2Q23, to further increase distribution capabilities the company acquired the distribution network owned by I.Bikas General Partnership that has been operating in Greece since 1986. The increased distribution capabilities from this acquisition should overtime contribute incremental revenues in excess of $10 million annually.

The company has achieve stable supply of pharmaceuticals from DocPharma, a related party, which enhances the overall ability to increase volumes within expanded distribution channels that includes utilizing its own subsidiaries as distribution centers for nutraceuticals and OTC medicines that can increase penetration within European Union countries and the United Kingdom. These capabilities should enable the company to increase the purchase of excess inventories at a discounted prices from wholesalers and export pharmaceutical product codes to European Union member states capturing contract price differentials in the process.

The company aims to eventually have its products distributed globally with geographic expansion beginning throughout all the European countries including the United Kingdom followed by Asian and North American countries. COSM will seek to strike exclusive distributors, wholesalers, ecommerce, development of franchising opportunities, as well as acquisitions within those locations.

Acquisitions
The company has been and will continue to be focused on acquiring discounted assets through business combinations and potential join ventures to broaden the company's distribution network, overall manufacturing capabilities, market share potential, and enhanced product offerings, as well as seek strategic partnerships to broaden distribution across Europe including the UK, as well as Asia and North America.

Another types of acquisitions the company may make will be to acquire strategic hard assets. An example was the May 2024 acquisition of the entire property that houses its wholly owned subsidiary CosmoFarm Pharmaceuticals. The property comprised a 3-story building that utilizes state-of-the-art ROWA® technologies that automates procurement, inventory management, and order execution, which has a zero-error rate, faster order picking, and automated order picking process.

Projections

Basis of Forecast
Our 2023 forecast primarily reflects incremental 4Q23 revenue growth from the 2Q23 acquisitions of Cana Pharmaceutical Laboratories and pharmacy distribution network from Bikas GP. The contribution from those acquisitions should more than offset weakness in sales of medicines including OTC products and distribution of nutraceutical products.

Our 2024 revenue growth forecast of 24.8% to $64 million reflects a full year sales contribution from the acquisitions made in 2023, as well as a contribution from increased production capacity, the acquisition of generic drug licenses in 1Q24, and finalizing contract manufacturing agreements in 1H24.

The CANA subsidiary is involved in projects including ramping up its production capacity to accommodate the increased demand for its proprietary brands globally, including C-Sept, and is nearing the finalization of several contract manufacturing agreements with both local and multinational pharmaceutical companies. What's more, the acquisition of more than 10 licenses for innovative and fast-moving drugs should position CANA not just as a contract manufacturing company, but as a fully integrated pharmaceutical company with capabilities spanning from drug development and production to marketing and sales through the company's other operating subsidiaries.

The 2023 and early 2024 acquisitions of new subsidiaries and generic drug license portfolios should enable the company to drive improve gross margins from increased volumes of higher margin offerings. We anticipate gross margins improving to 14.6% from an estimated 8.9% in 2023. The gross margin improvements should be driven by the company's ability to have full production of its product offerings in its subsidiaries in Greece that ensures production-cost advantages while at the same time securing additional discounts by leveraging purchasing scale.

At December 2022, the company has US federal and foreign net operating loss carryforwards of approximately $21.5 million and $2.5 million, respectively, that begin to expire in 2031.

Economy
In July 2024, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 3.2% for 2024 and 3.3% for 2025. In April 2024, the IMF's prior projections called for growth of 3.2% in 2024 and in 2025. The forecast reflects greater-than-expected resilience in the US and several large emerging market and developing economies.

In July 2024, the IMF issued its economic growth estimate for the Euro Area to experience growth of 0.9% for 2024 and 1.5% for 2025. In November 2023, the Organization for Economic Co-operation and Development (OECD) forecast GDP growth for Greece of 2% and 2.5%, respectively, in 2024 and 2025 due primarily to increased productivity and fiscal stimulus.

Operations – 2024
We project total revenue growth of 5.5% to $56.3 million reflecting 1H24 results and a full year contribution of CANA Laboratories acquired in 2Q23., as well as volume and distribution growth in the company's core

nutraceuticals and wholesale medicine sales in Greece, the United Kingdom, and initial distribution in the Middle East.

We forecast gross profit increasing by 12.2% to $4.9 million from nearly $4.4 million in 2023. The increase in gross profit reflects gross margin expansion to 8.7% from 8.1% in 2023 and revenue growth. Gross margin improvement should stem from product mix shift to higher margin nutraceutical sales and higher margin sales from products and manufacturing services generated by the CANA Laboratories subsidiary in 2H24.

We anticipate total operating expenses of $12.8 million compared to $26.2 million (includes nearly $11.9 million from a provision for credit losses recorded in 4Q23) in 2023. Total operating expenses reflects a full year of CANA Laboratories operations and spending to support the infrastructure for future sales growth. We forecast G&A expense and salaries and wages of $5.5 million and $5.4 million, respectively, compared to $19.6 million (includes credit provisions) and $4.7 million, respectively in 2023. We project sales and marketing and D&A expenses of $634,000 and $1.2 million respectively, compared to $1.2 million and $614,000, respectively in 2023.

We project operating losses should narrow to $7.9 million from $10 million (excluding the 4Q23 credit provision) due to revenue growth, gross margin expansion, and operating expense margin improving to 22.7% from 28.7% (excluding one-time costs) in 2023.

We anticipate non-operating expense of $594,000 compared to income of $3.3 million in 2023. The current period includes interest expense of $1.1 million, partly offset by interest income of $308,000, other income of $163,000, and a positive change in foreign currency transactions. In the year-ago period included a $1.9 million gain on extinguishment of debt, a $1.4 million bargain purchase gain related to the acquisition of CANA Laboratories, interest income of $663,000, and a $199,000 positive impact from foreign currency transactions, partly offset by interest expense of $666,000 and $66,000 other expense.

We project a net loss of $8.5 million or ($0.48) per share on average shares of 17.6 million.

Finances

We forecast 2024 cash burn of $5.7 million and a decrease in working capital of $2 million resulting in cash used in operations of $3.7 million. We estimate cash provided by financing activity is unlikely cover cash used in operations, purchase of property and equipment, and repayment of debt. We anticipate cash to decrease by $3.5 million to $356,000 at December 31, 2024.

Operations – 2025

We project total revenue growth of 22.6% to $69 million reflecting the phase one upgrades to CANA Laboratories facility that should enable the company to rapidly expand its contract manufacturing services that secured two contracts in the 2H24 from Provident Pharmaceuticals and Humacology to manufacture over 5 million units of medicines and up to 500,000 CBD units, respectively. Also supporting our growth forecast should be the 2024 registrations and tenders in European countries, the United Kingdom, Scotland, and Middle Eastern countries for its disinfectant offerings including its antimicrobial C-Scrub wash, as well as volume and distribution growth in the company’s core nutraceuticals and wholesale medicine sales.

We forecast gross profit more than doubling to nearly $13.2 million from an estimated $4.9 million in 2024. The increase in gross profit reflects gross margin expansion to 19.1% from an estimated 8.7% in 2024 and revenue growth. Gross margin improvement should stem from product mix shift to higher margin nutraceutical sales and contract manufacturing services generated by the CANA Laboratories, as well as distribution of its C-Scrub offering.

We anticipate total operating expenses increasing to $13.1 million from an estimated $12.8 million in 2024. The modest increase in operating expenses should support sales growth, as spending on the infrastructure was accomplished in 2H24. We forecast G&A expense and salaries and wages of $5.7 million and $5.4 million, respectively, up from an estimated $5.5 million and $5.4 million, respectively in 2024. We project sales and marketing and D&A expenses of $920,000 and $1.2 million respectively, compared to an estimated $634,000 and $1.2 million, respectively in 2024.

We project a swing to an operating profit of $20,000 from an estimated operating loss of $7.9 million due to revenue growth, gross margin expansion, and operating expense margin improving to 19% from an estimated 22.7% in 2024.

We anticipate non-operating expense of $915,000 compared to an estimated expense of $594,000million in 2024. The current period includes interest expense of $955,000 partly offset by interest income of $40,000. We anticipated interest expense of $1.1 million in the year-ago period, partly offset by other income of $163,000 and interest income of $308,000.

We project a net loss of $895,000 or ($0.05) per share on average shares of 17.9 million.

Finances
We forecast 2025 cash earnings of $1.6 million and a decrease in working capital of $505,000 resulting in cash from operations of $1.2 million. We estimate cash earnings should cover the purchase of property and equipment, and repayment of debt. We anticipate cash to increase by $610,000 to $965,000 at December 31, 2025.

Market Briefs

Nutraceuticals
Grandview Research published a report indicating that the Global Nutraceuticals market was approximately $317.2 billion in 2023 and should grow annually by 9.6%, reaching at least $600 billion in 2030. Growth in the Nutraceuticals market should be driven by preventive healthcare, rising consumer focus on health-promoting diets, as well as increasing consumer spending power.

Mordor Intelligence published a report detailing that the Europe Nutraceutical Market should approximate $83.9 billion in 2024, and grow annually by 4.9% reaching nearly $106.6 billion in 2029. The report noted that nutraceutical’s in Europe are gaining importance and becoming a part of the consumer's daily diet due primarily to the increased prevalence of lifestyle-related diseases.

Drug Repurposing
Repurposing is the process of identifying new medical uses or pharmacological indications for old or existing licensed drugs. The Market.US had a report published on its platform indicating the Global Drug Repurposing market was approximately $32.1 billion in 2023 and should grow annually by 4.5%, reaching nearly $52 billion in 2033. Growth in this market should be driven by artificial intelligence (AI) technologies that will be used to seek out new therapeutic uses for known drugs, including approved, discontinued, obsolete and experimental drugs that have already gone through clinical trials and will only need to complete a Phase III to verify its efficacy for the new disease indication. Through the January 2024 acquisition of Cloudscreen, a multimodal platform specialized in drug repurposing Cosmos Health accelerated its position within this market. The Cloudscreen platform focuses on identifying new therapeutic uses for drugs that have already been tested for safety and efficacy through its AI technology.

Pharmaceutical Contract Manufacturing
In August 2024, Marketsandmarkets published a report anticipating that the Global Pharmaceutical Contract Manufacturing market should approximate $201 billion in 2024 and grow annually by 9.7%, reaching nearly $320 billion in 2029. COSM enhanced its position in this market through the acquisition of CANA Pharmaceutical Laboratories in 2Q23. This new subsidiary positions the company to take advantage of the market drivers for pharmaceutical contract manufacturing, which are cost and time saving benefits associated with the implementation of outsourcing.

Healthcare Distribution
Global Market Insights issued a report on the Global Healthcare distribution market indicating that in 2023, the market was over $1 trillion and should reach approximately $2 trillion by 2032 for annualized growth of approximately 7.1%. This market should be supported by the increasing popularity of generic drugs and the rise of specialty healthcare products. The important element for a company to successfully participate in this sector is to

have the flexibility to design new supply chains that can cater to the distribution of specialty medications. COSMO's acquisitions in 2023 and early 2024 position it to be a vertically integrated organization that can move quickly to align its supply chain with a new drug (branded, generic, or repurposed) in order to drive revenue growth.

1H24 Results

1H24

COSM reported revenue increased 12.5% to nearly $27.8 million from $14.7 million in 1H23 due primarily to an increased wholesale revenue stream that was supported by a growing customer base, as well as a contribution from the acquisition of Cana Laboratories that occurred in 2Q23.

In Thousands $	6 Mos. '24	6 Mos. '23	% D
Revenue	$ 27,791	$ 24,713	**12.5%**
Cost of goods sold	25,690	22,809	**12.6%**
Gross Profit	2,101	1,904	**10.3%**
Total Operating Expenses	6,439	7,132	**(9.7%)**
Operating Income (loss)	(4,338)	(5,228)	**NMF**
Total Other Income (expense)	(119)	3,852	**NMF**
Pre-Tax Income (loss)	(4,457)	(1,376)	**NMF**
Income Tax Expense (Benefit)	-	66	
Net income (loss)	(4,457)	(1,441)	**NMF**
Earnings per share	$ (0.26)	$ (0.13)	
Avg Shares Outstanding	17,025	10,718	
Adjusted EBITDA	(1,742)	(904)	
Margin Analysis			
Gross margin	7.6%	7.7%	
Operating margin	(15.6%)	(21.2%)	
Pre-tax margin	(16.0%)	(5.6%)	

Source: company reports

Gross profit increased to $2.1 million from $1.9 million in the year-ago period due to revenue growth, partly offset by gross margin compression to 7.6% from 7.7% in the year-ago period. Gross margin compression stems from higher sales volume of lower margin products through the company's wholesale distribution network, nearly offset by sales of higher margin nutraceutical products and the operations of Cana Laboratories.

Operating expenses decreased to $6.4 million from $7.1 million last year due primarily to cost reduction initiatives that began in 2Q24. G&A expense decreased to $2.8 million from $4.1 million in 1H23 reflecting a reduction in cash bonuses. Sales and marketing expense decreased to $284,000 from $785,000 in the year ago period. Those decreases were partly offset by increases in salaries and wages to $2.7 million compared to $2 million and D&A expense to $633,000 from $230,000 in the year-ago period due primarily to the operations of Cana Laboratories that was acquired in 2Q23.

The company's operating loss decreased to $4.3 million compared to a loss of $5.2 million. The decrease reflects revenue growth and lower operating expenses, partly offset by gross margin compression.

Non-operating expense was $119,000 compared to income of $3.9 million in the year-ago period. The current period includes interest expense of $511,000, partly offset by a positive change in foreign currency transactions of $19,000, interest income of $208,000, and other income of nearly $163,000. Last year included a $1.9 million gain on extinguishment of debt, a $1.6 million bargain purchase gain, a $263,000 positive change in foreign currency transactions, and interest income of $445,000, partly offset by interest expense of $379,000 and other expense of $29,000.

Net loss was $4.5 million or ($0.26) per share on 17 million average shares compared to a net loss of $1.4 million or ($0.13) per share, after income tax expense of $66,000, on 10.7 million average shares in the year-ago period. Excluding items in the year-ago period, the loss per share was approximately ($0.46).

Finances

In 1H24, cash burn of $3 million and an increase in working capital of $1.6 million resulted in cash used in operations of $4.6 million. Cash from financing activities of $747,000 and investing activities of $242,000 did not cover cash from operations. Cash decreased by $3.5 million to $344,000 at June 30, 2024.

Capital Structure

At June 30, 2024, COSM had total outstanding debt of $11.1 million (of which $8.7 million is short-term and included a $7.1 million line of credit). The company was in compliance with all financial ratios and loan covenants.

The company's lines of credit were with the National Bank of Greece, Alpha Bank of Greece, Pancreta Bank, and EGF are guaranteed by customer receivables and had interest rates of 6%, 3.6%, 3.6%, and 43.6%, respectively at June 30, 2024. The outstanding balances for each participant in the line of credit was $4.1 million, $1.1 million, $1.5 million, and $414,000, respectively, for National Bank of Greece, Alpha Bank of Greece, Pancreta Bank, and EGF.

The company's largest note payable had an outstanding balance of $3.9 million of which $1.5 million was short-term. Other notes payable and loans payable totaled over $16,000 and classified as short-term.

Competitive Landscape

Cosmos Health's pharmaceutical operations are conducted in highly competitive and regulated markets. The trading of pharmaceutical products face competition from branded or generic drugs that treat similar diseases or indications. The competitive environment is primarily based on efficacy, safety, ease of use, and cost effectiveness that means COSM must demonstrate to its customers the value of its trading products to have successful organic growth. Products manufactured by the company face competition in highly competitive markets throughout the EU territory and internationally. Competitors include major brand name and generic manufacturers of pharmaceutical products. If competitors introduce new products, delivery systems or processes with therapeutic or cost advantages, the company's products can be subject to progressive price reductions or decreased volume of sales.

In the generic pharmaceutical market, there is intense competition from other generic drug manufacturers, brand name pharmaceutical companies, existing brand equivalents, and manufacturers of therapeutically similar drugs. The company seeks to specialize in high barrier to entry products and believe that it has competitive advantages that include an integrated team-based approach to product development that combines formulation, regulatory, legal and commercial capabilities, as well as the ability to introduce new generic equivalents for brand-name drugs that meet customer expectations.

Competition within the nutritional sector is high as it revolves around other companies that sell through retail stores, as well as direct selling companies. The competitive environment for nutraceutical products is from companies that distribute products through supermarkets, drug stores, health food stores, vitamin outlets, and mass market retailers. Overall competition for nutraceutical revolves around expertise and service, product quality, diversification and differentiation, price, and brand recognition. The good manufacturing practices used by the company to produce pharmaceutical drugs is being used to produce their nutraceutical offerings which for consumers' should provide enhanced quality assurance providing a noticeable competitive advantage for consumers.

Risks

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

<u>Operating Losses – Going Concern</u>
Cosmos Health Inc. has not generated an annual operating profit. At June 30, 2024, the company's accumulated deficit was approximately $96.1 million, up from $34.3 million in 2021. Operating losses are likely to diminish to an estimated $7.9 million in 2024 from $9.9 million (excluding $11.9 million related to provisions for expected credit losses in 2023. We anticipate estimated operating income of $20,000 in 2025. The lack of operating profits could result in the company's inability to execute on its growth strategy and diminish its operations. The company may need to finance operations through additional borrowing, debt and/or equity offerings.

<u>Potential Dilution</u>
On August 19, 2024, COSM had 17.8 million common shares outstanding, up from nearly 15.9 million common shares at December 31, 2023. In 2021, the company had 657,000 common shares outstanding. According to the company's S-3 filing in January 2024, COSMO's entered into an exchange agreement and sold to selling shareholders of its common stock new warrants to purchase nearly 4.9 million warrant shares that are exercisable for a five-year period commencing from the date shareholder approval is obtained for the exercise of the new warrants at an exercise price of $1.45 per share of common stock (registration statement for all warrants appears to have become effective in September 2024). If fully exercised, common shares outstanding would increase along with a capital

infusion of nearly $7.1 million. There is the potential the company may need additional funding for its operations or acquisitions that would likely dilute current shareholders.

Currency Exchange Rate Fluctuation

In 2023, 100% percent of total sales occurred outside the US with a majority recognized in each market's respective local currency. COSM purchases inventory from companies in foreign markets, some of them in US dollars. Since sales are in foreign countries, exchange rate fluctuations may have a significant effect financial results. Reported financial results have been and may continue to be affected by fluctuations in currency exchange rates, as increases occur with a weaker US dollar and decrease with a strengthening US dollar.

Country Concentration

In 2023 and 2022, one country (Greece) accounted for total sales of 94.7% and 98.9%, respectively. The other country where significant sales occurred was the UK. In 2023, sales in the UK increased to $2.4 million from $403,000 in 2022. The company is working toward diversifying sales to a broader array of countries. Without diversification into Asian, North American, and other European countries could hamper future revenue potential.

Integration of Acquisitions

Since 2021, the company has acquired multiple businesses. Successfully integrating those acquisitions will be key to the company's future growth potential. If an acquisition is unable to be integrated into the organization it could hamper overall growth prospects. Also, future acquisitions could involve substantial investment of funds or financings and are likely to require management's time and effort to generate revenues and operating profits that could take away from existing operations.

Regulatory and Litigation

Laws and regulations in countries that COSM operates in, may prohibit or restrict its ability to sell products in some markets or require them to make changes to the business model in some markets. It is important to note that products, business practices, and manufacturing activities are subject to extensive government regulations and could be subject to additional laws and regulations that could restrain operating activities in future periods.

Product Liability

The company has exposure to potential product liability or similar claims, and insurance against these claims may not be available at a reasonable rate in the future. Additionally, discovery of safety issues with products could create product liability and could cause additional regulatory scrutiny and requirements for additional labeling, withdrawal of products from the market, and the imposition of fines or criminal penalties. If any of these circumstances were to occur it would likely diminish near-term operations.

Intellectual Property

Cosmo's has developed and acquired various proprietary pharmaceutical and nutraceutical products, nutraceutical products licenses, wholesale licenses, processes, software, and other intellectual property that are used either to facilitate the conduct operations. The company is at the beginning stages of developing and applying for patents so protected intellectual property is minimal. Although, the company did submit a patent application with the European Patent Office for its CCX0722 obesity and weight management product on December 1, 2023. Additionally, on June 18, 2024, COSM entered into an agreement to acquire all remaining rights arising from the patent filed with the World Intellectual Property Organization under reference code PCT/EP2023/071865, which follows the agreement announced on December 7, 2023, where the company had acquired 60% of the rights. The patent filing describes the repurposing of an existing drug to act on the Mucosa-associated lymphoid tissue lymphoma translocation protein 1 (MALT1), a key target in various diseases. Also, the company has trademark registrations for its Sky Premium Life® and related logos for all of its Sky Premium Life® product lines. COSM holds trademark registrations in Europe. In 2023, a number of trademarks were added through the acquisition of Cana Laboratories, such as multiple C-SEPT, EXELIA, and C-DERM).

Cosmo Health relies on confidentiality agreements with its employees, consultants and other parties to protect trade secrets and other proprietary technology. However, there can be no assurance that these agreements will not be breached, and/or that adequate remedies for any breach will occur.

Cyber Security

COSM's operations face cyber risks and threats that seek to damage, disrupt, and/or gain access to its networks and platform, supporting infrastructure, intellectual property, as well as other assets. Any failure to prevent, mitigate, or respond to security breaches could result in interruptions to the company's platform, degrade the user experience, cause users and creators to lose confidence its technology platforms, and incur legal and financial exposure.

Internal Controls

As of June 30, 2024, the company continues to identify material weaknesses in its internal controls disclosed on December 31, 2023. The material weakness relates to a lack of proper segregation of duties and its internal control structure lacks multiple levels of review and oversight and does not have appropriate information technology general controls for the applications used in the financial reporting process. The company is and will continue to work on remediating those material weakness identified by management.

Shareholder Control

Officers and directors collectively own or have a controlling interest in approximately 15% of the company's outstanding voting common stock as of August 4, 2024's 10-K filing. Collectively this ownership 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.

Other Risk Factors

Investors should be aware of additional risk factors that should be considered. **Taxation and transfer pricing** could adversely affect financial results and the company's financial condition as it is subject to foreign tax and intercompany pricing laws, including those relating to the flow of funds between its US parent company and foreign subsidiaries. **Changes in consumer behavior** have occurred within the Health-Medicines sector, especially during the COVID-19 pandemic. Consumer responses to future health crises could negatively impact the company growth opportunities. **Geopolitical conflicts** such as the war in Ukraine, Middle East, and other acts of war, as well as macroeconomic events such as inflation and/or recessionary environments could negatively impact current and future operations.

Miscellaneous Risk

The company's financial results and equity values are subject to other risks and uncertainties, including competition, operations, financial markets in the US and foreign countries, international regulatory environment, legislative initiatives in the European Union, status as an emerging growth company, accounting issues, and/or other events. These risks may cause actual results to differ from expected results.

Trading Volume

Average daily trading volume was more than 1.4 million in 2023. Over the last three month ending September 13, 2024 average daily volume increased to approximately 2.5 million. Cosmo Health Inc., has a float of approximately 16.2 million shares and outstanding shares of approximately 17.8 million.

Cosmos Health Inc.
Consolidated Balance Sheets
FY2022 – FY2025E
(in thousands)

	2022 A	2023 A	2Q24A	**2024 E**	**2025 E**
ASSETS					
Current assets:					
Cash and cash equivalents	$ 20,750	$ 3,833	$ 344	**$ 356**	**$ 965**
Accounts receivable, net	23,692	19,759	18,383	**18,000**	**18,500**
Accounts receivable - related party	2,710	1,099	1,620	**1,620**	**1,620**
Marketable Securities	15	20	22	**22**	**22**
Inventory	3,452	4,789	4,324	**4,287**	**4,489**
Loans receivable	377	412	439	**439**	**439**
Loans receivable - related party	428	442	428	**428**	**428**
Prepaid expense and other current assets	1,546	1,812	2,100	**2,094**	**2,500**
Prepaid expense and other current assets - related party	3,397	4,441	5,756	**5,500**	**5,000**
Total current assets	56,367	36,608	33,415	**32,747**	**33,963**
Property and equipment, net	1,817	10,455	10,054	**10,050**	**10,045**
Goodwill and intangible assets, net	707	7,684	7,716	**5,600**	**5,050**
Loans receivable - long term portion	3,792	3,509	3,190	**2,700**	**2,500**
Loans receivable - related party - long term portion	3,851	3,540	3,213	**2,600**	**2,400**
Operating lease right-of-use asset	1,070	1,132	727	**727**	**727**
Financing lease right-of-use asset	43	29	29	**29**	**29**
Advances for building's acquisition	-	2,000	2,000	**-**	**-**
Other assets	392	1,058	483	**400**	**448**
Deferred tax asset	-	-	-	**-**	**-**
Total assets	$ 68,039	$ 66,015	$ 60,827	**$ 54,853**	**$ 55,162**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued expenses	10,134	11,912	10,900	**10,750**	**11,000**
Accounts payable and accrued expenses - related party	205	232	848	**900**	**925**
Accrued interest	276	166	165	**165**	**165**
Lines of credit	5,759	6,630	7,106	**7,106**	**7,106**
Convertible notes payable, net	100	-	-	-	-
Derivative liability - convertible note	54	-	-	**-**	**-**
Notes payable	2,158	1,571	1,541	**1,412**	**1,000**
Notes payable - related party	11	11	11	**-**	**-**
Loans payable - related party	13	13	5	**5**	-
Taxes payable	127	-	-	-	-
Operating lease liability	240	286	254	**254**	**254**
Financing lease liability	25	27	24	**24**	**24**
Other current liabilities	2,647	3,474	3,968	**3,968**	**3,968**
Total current liabilities	21,749	24,322	24,821	**24,584**	**24,442**
Share settled debt obligation	1,555	-	-	-	-
Notes payable - long term	2,860	3,035	2,391	**2,041**	**1,007**
Operating lease liability, net of current portion	829	845	472	**472**	**472**
Finance lease liability, net of current portion	31	5	8	**8**	**8**
Other liabilities	1,359	1,764	1,015	**1,015**	**1,500**
Total Liabilities	$ 28,382	$ 29,972	$ 28,708	**$ 28,120**	**$ 27,429**
Series A preferred stock - liquidation preference	372	-	-	-	-
Stockholders' equity:					
Common stock, $0.001 par value; authorized 300,000,000	11	16	18	**18**	**18**
Additional paid-in capital	112,206	129,008	130,316	**129,008**	**129,008**
Subscription receivable	(4,750)	(0)	(0)	**(0)**	**(0)**
Treasury stock	(817)	(917)	(917)	**(971)**	**(971)**
Retained earnings (Deficit)	(66,233)	(91,644)	(96,102)	**(100,127)**	**(100,127)**
Accumulated other comprehensive (loss)	(1,133)	(420)	(1,196)	**(1,196)**	**(196)**
Total stockholders' equity	39,284	36,043	32,120	**26,733**	**27,733**
Total liabilities, preferred, and stockholders' equity	$ 68,039	$ 66,015	$ 60,827	**$ 54,853**	**$ 55,162**
Common Shares Outstanding	10,590	15,986	17,748	**17,775**	**17,800**
Series A preferred stock outstanding	-	-	-	-	-

Source: Company reports and Taglich Brothers estimates

Cosmos Health Inc.
Annual Income Statement
FY2022 – FY2025E
(in thousands)

	2022 A	2023 A	**2024 E**	**2025 E**
Revenue	$ 50,348	$ 53,377	**$ 56,291**	**$ 69,000**
Cost of Goods Sold	44,391	49,027	**51,410**	**55,850**
Gross Profit	5,957	4,350	**4,881**	**13,150**
Operating Expenses:				
General and administrative	10,183	19,642	**5,524**	**5,690**
Salaries and wages	2,429	4,720	**5,363**	**5,350**
Sales and marketing	630	1,205	**634**	**920**
Depreciation and amortization	189	614	**1,248**	**1,170**
Total Operating Expenses	13,431	26,181	**12,769**	**13,130**
Operating Income (loss)	(7,474)	(21,831)	**(7,888)**	**20**
Other income (expense), net				
Other (expense)	(2,425)	(66)	**163**	**-**
Interest (expense)	(2,345)	(866)	**(1,086)**	**(955)**
Interest income	236	663	**308**	**40**
Non-cash interest (expense)	(1,620)	-	-	-
Gain on equity investments, net	2	5	**2**	-
Gain on extinguishment of debt	1,004	1,911	-	-
Change in fair value of derivative liability	(20)	3	-	-
Bargain purchase gain	-	1,440	-	-
Foreign currency transaction, net	(413)	199	**19**	-
Total Other Income (expense)	(5,581)	3,289	**(594)**	**(915)**
Income (loss) before taxes	(13,055)	(18,543)	**(8,482)**	**(895)**
Income Tax Expense (Benefit)	775	-	-	-
Net Income (loss) before deemed dividends	(13,830)	(18,543)	**(8,482)**	**(895)**
Deemed Dividends - total	(50,116)	(7,241)	-	-
Net Income (loss) to Common after deemed dividends	$ (63,946)	$ (25,784)	**$ (8,482)**	**$ (895)**
Net Income (loss) per share	$ (33.16)	$ (2.15)	**$ (0.48)**	**$ (0.05)**
Avg Shares Outstanding	1,928	11,969	**17,593**	**17,855**
Adjusted EBITDA	$ 505	$ (13,987)	**$ (3,677)**	**$ 2,390**
Margin Analysis				
Gross margin	11.8%	8.1%	**8.7%**	**19.1%**
SG&A	20.2%	36.8%	**9.8%**	**8.2%**
Depreciation and amortization	0.4%	1.2%	**2.2%**	**1.7%**
Operating margin	(14.8%)	(40.9%)	**(14.0%)**	**0.0%**
Pre-tax margin	(25.9%)	(34.7%)	**(15.1%)**	**(1.3%)**
Tax rate	(5.9%)	0.0%	**0.0%**	**0.0%**
YEAR / YEAR GROWTH				
Total Revenues	(10.5%)	6.0%	**5.5%**	**22.6%**

Source: Company reports and Taglich Brothers estimates

Cosmos Health Inc.
Income Statement Model
Quarters FY2023A – 2025E
(in thousands)

	Q1 23 A	Q2 23 A	Q3 23 A	Q4 23 A	2023 A	Q1 24 A	Q2 24 A	Q3 24 E	Q4 24 E	**2024 E**	Q1 25 E	Q2 25 E	Q3 25 E	Q4 25 E	**2025 E**
Revenue	$ 12,350	$ 12,363	$ 12,824	$ 15,840	$ 53,377	$ 14,584	$ 13,207	$ 14,000	$ 14,500	**$ 56,291**	$ 15,500	$ 17,000	$ 18,500	$ 18,000	**$ 69,000**
Cost of Goods Sold	11,393	11,417	11,609	14,609	49,027	13,251	12,439	12,670	13,050	**51,410**	13,350	14,150	14,350	14,000	**55,850**
Gross Profit	957	947	1,215	1,231	4,350	1,334	767	1,330	1,450	**4,881**	2,150	2,850	4,150	4,000	**13,150**
Operating Expenses:															
General and administrative	2,089	2,000	2,573	12,979	19,642	1,418	1,391	1,350	1,365	**5,524**	1,390	1,415	1,435	1,450	**5,690**
Salaries and wages	949	1,078	1,253	1,440	4,720	1,258	1,455	1,315	1,335	**5,363**	1,300	1,325	1,375	1,350	**5,350**
Sales and marketing	467	318	157	262	1,205	174	111	150	200	**634**	210	225	235	250	**920**
Depreciation and amortization	103	127	249	136	614	320	313	310	305	**1,248**	300	295	290	285	**1,170**
Total Operating Expenses	3,608	3,523	4,232	14,817	26,181	3,170	3,269	3,125	3,205	**12,769**	3,200	3,260	3,335	3,335	**13,130**
Operating Income (loss)	(2,651)	(2,576)	(3,017)	(13,586)	(21,831)	(1,836)	(2,502)	(1,795)	(1,755)	**(7,888)**	(1,050)	(410)	815	665	**20**
Other income (expense), net															
Other (expense)	6	(34)	14	(52)	(66)	192	(29)	-	-	**163**	-	-	-	-	-
Interest (expense)	(134)	(244)	(151)	(337)	(866)	(169)	(342)	(300)	(275)	**(1,086)**	(250)	(245)	(235)	(225)	**(955)**
Interest income	183	261	111	108	663	106	102	50	50	**308**	10	10	10	10	**40**
Gain on equity investments, net	1	3	(1)	2	5	2	0	-	-	**2**	-	-	-	-	-
Gain on extinguishment of debt	1,909	2	1	(1)	1,911	-	-	-	-	-	-	-	-	-	-
Change in fair value of derivative liability	3	-	-	-	3	-	-	-	-	-	-	-	-	-	-
Bargain purchase gain	-	1,634	-	(194)	1,440	-	-	-	-	-	-	-	-	-	-
Foreign currency transaction, net	196	67	(371)	307	199	(161)	181	-	-	**19**	-	-	-	-	-
Total Other Income (expense)	2,164	1,688	(398)	(166)	3,289	(31)	(89)	(250)	(225)	**(594)**	(240)	(235)	(225)	(215)	**(915)**
Income (loss) before taxes	(487)	(888)	(3,415)	(13,752)	(18,543)	(1,867)	(2,591)	(2,045)	(1,980)	**(8,482)**	(1,290)	(645)	590	450	**(895)**
Income Tax Expense (Benefit)	(27)	93	(66)	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (loss) before deemed dividends	(460)	(981)	(3,349)	(13,752)	(18,543)	(1,867)	(2,591)	(2,045)	(1,980)	**(8,482)**	(1,290)	(645)	590	450	**(895)**
Deemed Dividends - total	-	-	(15)	(7,226)	(7,241)	-	-	-	-	-	-	-	-	-	-
Net Income (loss) to Common after deemed dividends	$ (460)	$ (981)	$ (3,364)	$ (20,978)	$ (25,784)	$ (1,867)	$ (2,591)	$ (2,045)	$ (1,980)	**$ (8,482)**	$ (1,290)	$ (645)	$ 590	$ 450	**$ (895)**
Net Income (loss) per share	$ (0.04)	$ (0.09)	$ (0.27)	$ (1.67)	$ (2.15)	$ (0.11)	$ (0.15)	$ (0.11)	$ (0.11)	**$ (0.48)**	$ (0.07)	$ (0.04)	$ 0.03	$ 0.03	**$ (0.05)**
Avg Shares Outstanding	10,615	10,820	12,585	12,585	11,969	16,852	17,834	17,840	17,845	**17,593**	17,850	17,855	17,855	17,860	**17,855**
Adjusted EBITDA	$ (434)	$ (471)	$ (1,132)	$ (11,950)	$ (13,987)	$ (533)	$ (1,210)	$ (985)	$ (950)	**$ (3,677)**	$ (450)	$ 185	$ 1,405	$ 1,250	**$ 2,390**
Margin Analysis															
Gross margin	7.7%	7.7%	9.5%	7.8%	8.1%	9.1%	5.8%	9.5%	10.0%	**8.7%**	13.9%	16.8%	22.4%	22.2%	**19.1%**
SG&A	30.8%	28.0%	27.2%	29.0%	36.8%	28.8%	27.8%	27.1%	28.3%	**9.8%**	28.8%	27.8%	27.1%	28.3%	**8.2%**
Depreciation and amortization	0.8%	1.0%	1.9%	0.9%	1.2%	2.2%	2.4%	2.2%	2.1%	**2.2%**	1.9%	1.7%	1.6%	1.6%	**1.7%**
Operating margin	(21.5%)	(20.8%)	(23.5%)	(85.8%)	(40.9%)	(12.6%)	(18.9%)	(12.8%)	(12.1%)	**(14.0%)**	(6.8%)	(2.4%)	4.4%	3.7%	**0.0%**
Pre-tax margin	(3.9%)	(7.2%)	(26.6%)	(86.8%)	(34.7%)	(12.8%)	(19.6%)	(14.6%)	(13.7%)	**(15.1%)**	(8.3%)	(3.8%)	3.2%	2.5%	**(1.3%)**
Tax rate	5.5%	(10.5%)	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**
YEAR / YEAR GROWTH															
Total Revenues	(5.5%)	(6.4%)	6.7%	31.4%	6.0%	18.1%	6.8%	9.2%	(8.5%)	**5.5%**	6.3%	28.7%	32.1%	24.1%	**22.6%**

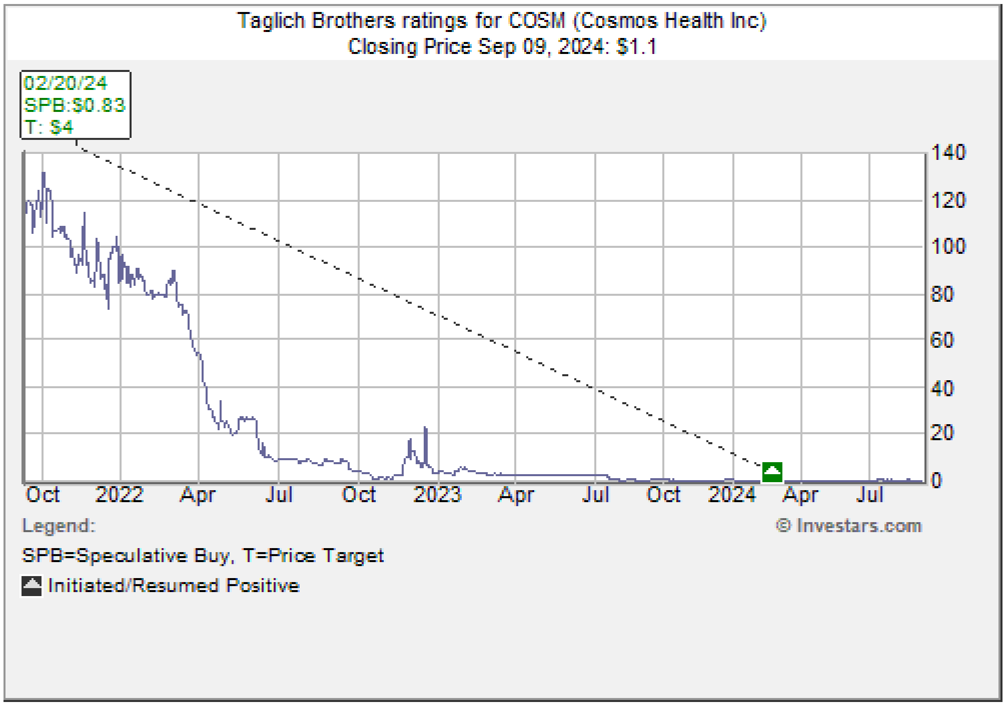
Source: Company reports and Taglich Brothers estimates

Cosmos Health Inc.
Cash Flow Statement
FY2022 – FY2025E
(in thousands)

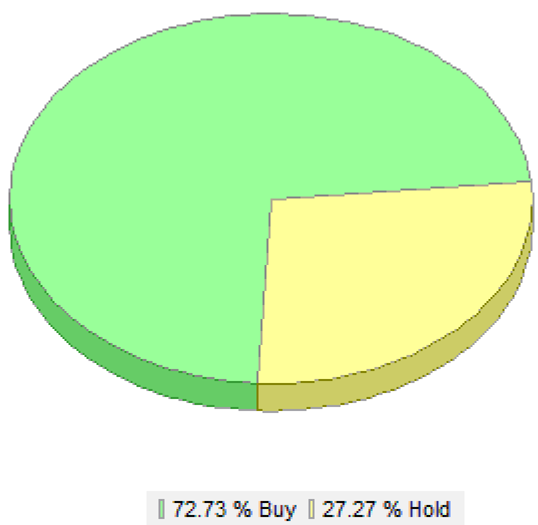
	FY2022A	FY2023A	6 Mos.24A	FY2024E	FY2025E
Cash Flows from Operating Activities					
Net Income (loss)	$ (13,830)	$ (18,543)	$ (4,457)	**$ (8,482)**	**$ (895)**
Depreciation and amortization	103	591	618	**1,248**	**1,170**
Amortization of right-of-use assets	86	24	15	**30**	**30**
Amortization of debt discounts and accretion of debt	1,620	-	-	-	-
Bad debt expense	5,622	11,851	(31)	**(31)**	-
Write-off of investment	-	-	-	-	-
Provisons for extraordinary tax charges	-	579	-	-	-
Lease expense	210	366	155	**310**	**300**
Interest on finance leases	16	3	1	**2**	-
Stock based compensation	24	578	680	**1,260**	**1,000**
Deferred income taxes	780	79	(6)	**(6)**	-
Gain on extinguishment of debt	(877)	(1,911)	-	-	-
Bargain purchase gain	-	(1,440)	-	-	-
Change in fair value of the derivative liability	20	(3)	-	-	-
Gain on net change in fair value of equity investments	(2)	(5)	(2)	**(2)**	-
Gain on forgiveness of accrued interest	(127)	-	-	-	-
Other income	-	(1)	-	-	-
Shares issued in lieu of cash	176	97	-	-	-
Cash earnings (burn)	(6,178)	(7,737)	(3,026)	**(5,672)**	**1,605**
Changes In:					
Accounts receivable	(3,073)	(5,484)	788	**1,759**	**(500)**
Accounts receivable - related party	(171)	1,458	(560)	**(521)**	-
Inventory	(485)	(891)	323	**502**	**(202)**
Prepaid expenses and other	(895)	(579)	(360)	**(282)**	**(406)**
Prepaid expenses and other - related party	(375)	(914)	(1,462)	**(1,059)**	**500**
Loan receivable	-	-	-	**809**	**200**
Loan receivable - related party	(4,214)	-	-	**940**	**200**
Other assets	-	-	-	**658**	**(48)**
Accounts payable and accrued expenses	2,092	645	(712)	**(1,162)**	**250**
Accounts payable and accrued expenses - related party	(358)	72	621	**668**	**25**
Accrued interest	(913)	(116)	3	**(1)**	-
Lease liabilities	(211)	(374)	(155)	**(35)**	-
Taxes payable	(1,107)	(129)	-	-	-
Other current liabilities	(320)	(1,359)	614	**494**	-
Other liabilities	1,338	(228)	(699)	**(749)**	**485**
Net (increase)/decrease in Working Capital	(8,693)	(7,899)	(1,597)	**2,021**	**505**
Net cash provided (used) by operating activities	(14,871)	(15,636)	(4,623)	**(3,651)**	**2,110**
Cash Flows from Investing Activities					
Proceeds from loan receivable	351	806	357	**357**	-
Cash paid for the acquisition of CANA Pharmaceutical Laboratories	-	(5,231)	-	-	-
Loan receivable - related party	-	(168)	-	-	-
Purchase of property and equipment	(74)	(1,313)	(117)	**(500)**	**(500)**
Advancers or building's acqusition	-	(1,665)	-	-	
Sale of fixed and intangible assets	13	-	2	**2**	-
Purchase of intangible assets	(309)	(6,190)	-	-	-
Purchase of marketable securities	(3)	-	-	-	-
Net cash used in investing activities	(21)	(13,760)	242	**(141)**	**(500)**
Cash Flows from Financing Activities					
Proceeds (repayments) convertible , net	(525)	(100)	-	-	-
Payment of related party note payable`	(421)	-	-	-	-
Proceeds (repayments) note payable, net	(11,993)	(554)	(550)	**(1,100)**	**(1,000)**
Proceeds (repayments) related party loan, net	(1,199)	-	(8)	**(16)**	-
Proceeds (repayments) loan payable, net	(1,000)		-	-	-
Proceeds (repayments) credit line	1,379	661	692	**692**	-
Proceeds from issuance of Series A preferred Stock	6,000	-	-	-	-
Proceeds from the issuance of common stock	35,276	10,000	-	-	-
Proceeds from exercise of warrants	10,826	3,534	-	-	-
Payments of finance lease liability	(100)	(28)	(18)	**(36)**	-
Payment of financing fees including common stock	(3,195)	(718)	630	**630**	-
Purchase of treasury stock	-	(100)	-	-	-
Proceeds from sale of treasury stock	-	-	-	-	-
Net cash provided (used) by Financing	35,048	12,694	747	**170**	**(1,000)**
Effect of exchange rate changes on cash	307	(214)	144	**144**	-
Net change in Cash	20,463	(16,916)	(3,490)	**(3,478)**	**610**
Cash Beginning of Period	286	20,750	3,833	**3,833**	**356**
Cash End of Period	$ 20,750	$ 3,833	$ 344	**$ 356**	**$ 965**

Source: Company reports and Taglich Brothers estimates

Price Chart



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	2	14
Hold		
Sell		
Not Rated		

Important Disclosures

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

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Analyst Certification

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

Public Companies mentioned in this report:

AstraZeneca	(NASDAQ: AZN)	Amazon	(NASDAQ: AMZN)
eBay Inc.	(NASDAQ: EBAY)	Merck & Co., Inc.	(NYSE: MRK)
Unilever PLC	(NYSE: UL)	Viatris Inc.	(NASDAQ: VTRS)
The Procter & Gamble Company	(NYSE: PG)	Medtronic plc	(NYSE: MDT)

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.