TAGLICH BROTHERS

MEMBER: FINRA, SIPC | WWW.TAGLICHBROTHERS.COM

Initial Research Report

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

HyreCar, Inc.

Rating: Speculative Buy

Howard Halpern

October 23, 2018

HYRE $2.34 — (NASDAQ)

	2016 A	2017 A	*2018 E*	*2019 E*
Total Revenue (in millions)	$0.5	$3.2	***$10.0***	***$19.5***
Earnings (loss) per share	($0.24)	($0.93)	***($1.35)***	***($0.51)***

52-Week range	$6.50 – $1.95	Fiscal year ends:	December
Shares outstanding a/o 08/13/18	11.7 million	Revenue/shares (ttm)	$1.19
Approximate float	7.0 million	Price/Sales (ttm)	2.0X
Market Capitalization	$27.4 million	Price/Sales (2019) E	1.4X
Tangible Book value/shr	$0.82	Price/Earnings (ttm)	NMF
Price/Book	2.9X	Price/Earnings (2019) E	NMF

HyreCar Inc., headquartered in Los Angeles, California operates a carsharing marketplace platform for ridesharing through its proprietary technology. The HyreCar marketplace platform, which operates in 34 states and Washington, D.C. is a technology platform designed to support a peer-to-peer carsharing marketplace allowing car owners to rent their idle vehicles to ridesharing service drivers.

Key Investment Considerations:

Initiating with Speculative Buy rating and 12-month price target of $4.00 per share.

HyreCar, Inc. has substantial growth potential from its HyreCar marketplace platform. The platform provides revenue opportunities for owners of idle vehicles and drivers seeking to rent a qualifying vehicle to operate for transportation network companies such as Lyft and Uber.

The company's aim is to expand operations within the Mobility as a Service (MaaS) industry. The industry that brings transportation options together from different providers into a single mobile application is projected to grow US revenue annually by 31.9% to $358 billion in 2025, up from $39 billion in 2017. The HyreCar marketplace operates in the ridesharing segment of the industry, which is projected to grow global revenue annually by 16.5% to $148.7 billion in 2024, up from an estimated $59.6 billion in 2018.

Our revenue growth forecast is supported by increases in average active daily vehicle rentals, which were 512 in 2Q17 and reached 1,000 in 2Q18. We estimate daily vehicle rentals of at least 2,100 in 4Q19. In the long-term, revenue growth should be supported by drivers seeking qualified vehicles. In a September 2018 presentation, HYRE anticipates a 13% market share of an estimated 4.5 million Uber and Lyft drivers in 2023.

For 2018, we project a net loss of $11.5 million or ($1.35) per share on revenue more than tripling to $10 million. Our revenue forecast reflects average active daily rentals increasing to an estimated 1,350 in 4Q18, up from 696 in 4Q17. Our loss forecast includes costs associated with being a publicly traded company.

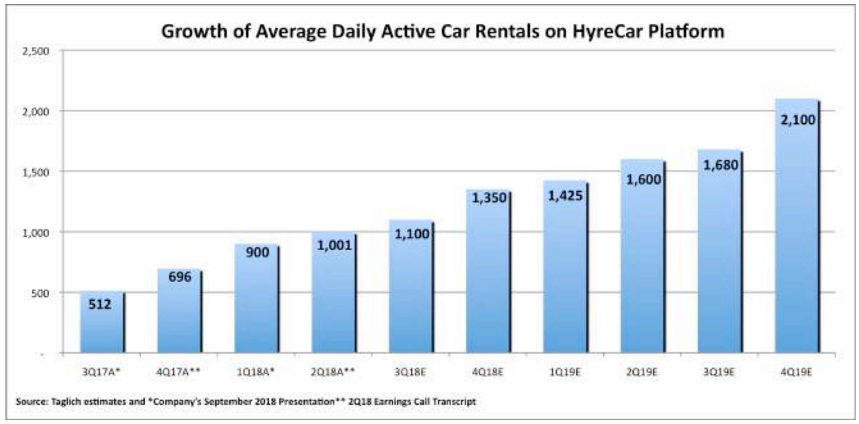
For 2019, we project a net loss of $5.9 million or ($0.51) per share on revenue growth of 94.9% to $19.5 million. Our revenue forecast reflects active daily rentals averaging 1,700 for the year, up from an estimated 1,088 in 2018. The narrowing of our net loss forecast reflects gross margin expanding to 51% from an estimated 40.2% in 2018 and operating expense margin improving to 81.5% from an estimated 135% in 2018.

Please view our Disclosures pages 16 - 18

790 New York Ave, Huntington, New York, N.Y. 11743
(800) 383-8464 • Fax (631) 757-1333

Appreciation Potential

We are initiating coverage of HyreCar, Inc. with a Speculative Buy rating and 12-month price target of $4.00 per share based on our 2019 revenue forecast. Our 2019 forecast reflects average active daily vehicle rental transactions on the HyreCar marketplace platform increasing more than four-fold on a quarterly basis from 3Q17 to 4Q19 (see table on the right).



Our rating reflects anticipated growth from the HyreCar marketplace platform that operates within the ridesharing segment in the Mobility as a Service (MaaS) industry. The ridesharing segment of the MaaS industry is projected to reach nearly $149 billion globally in 2024. Our rating also reflects the company signing partnerships to broaden the offerings the HyreCar marketplace platform provides. Two important partnerships announced in October 2018 should enable the company to obtain more vehicles, as well as expand offerings to include a ticket management solution (pilot program) for vehicle owners in California, Washington DC, Virginia, and Maryland.

Our 12-month price target of $4.00 per share implies shares could appreciate nearly 80% over the next twelve months. According to MSN Money, the average trailing-twelve month price-to-sales multiple for the Internet Content and Information and Leasing and Rental sectors is 3.7X (sales growth was 30%). HYRE's 2019 price-to-sales multiple is 1.4X based on our 2019 sales forecast of $1.66 per share (94.9% estimated total sales growth). We anticipate investors should accord a multiple that approaches the sector averages due to a higher growth rate for HyreCar. We applied a 2.9X multiple to our 2019 EPS forecast of $1.66, discounted for execution risk, to obtain a year ahead price target of approximately $4.00 per share.

HyreCar, Inc.'s valuation is likely to move towards the sector averages as investors see consistent quarterly sales growth, growth in average active daily vehicle rentals (see chart above), as well as the narrowing of operating losses. We forecast HYRE to generate revenue of $19.5 million in 2019, up from an estimated $10 million in 2018 and $3.2 million in 2017. Operating losses should narrow to $5.9 million in 2019 from an estimated $9.5 million in 2018.

We believe HyreCar, Inc. is most suitable for high-risk tolerant investors that seek exposure to a micro cap company in the emerging Mobility as a Service industry. The company's HyreCar marketplace app is a conduit for matching vehicle owners with drivers seeking to rent a car that qualifies for ridesharing services such as Lyft and Uber.

Overview

HyreCar, Inc., headquartered in Los Angeles, California is establishing a carsharing marketplace for ridesharing through its proprietary technology platform. The HyreCar marketplace platform, which operates in 34 states and Washington D.C. provides revenue opportunities for owners of idle vehicles and drivers seeking to rent a qualifying vehicle to operate for transportation network companies such as Lyft and Uber. A key component the company's marketplace offering is its ability to provide a commercial auto insurance policy through American Business Insurance Services, its managing general underwriter. American Business Insurance Services handles all of the HyreCar marketplace back-end insurance generation and processing through a seamless application programming interface connection with HyreCar's proprietary technology platform. As the insurance program evolves, the company should be able to scale operations throughout the US.

History - IPO

The company was incorporated in the State of Delaware on November 24, 2014. On June 29, 2018, the company closed its initial public offering, in which its issued and sold over 2.5 million shares of common stock at $5.00 per share. Gross proceeds totaled $12.6 million and net proceeds net of underwriters' discounts, commissions, and offering costs were nearly $10.8 million. When the IPO closed, all outstanding shares of convertible preferred stock were converted into over 2.4 million shares of common stock.

HyreCar Platform

Source: September 2018 Presentation

The company's aim is to establish a presence in the relatively new Mobility as a Service (MaaS) sector by providing a safe, secure, and reliable marketplace through its proprietary mobile technology platform. The HyreCar marketplace platform is designed to support a peer-to-peer carsharing marketplace (pictured above) allowing car owners to rent their idle vehicles to drivers seeking a qualified vehicle for ridesharing companies such as Uber and Lyft. According to the MaaS Alliance, Mobility as a Service is the integration of various forms of transport services into a single mobility service accessible on demand. A MaaS operator can facilitate a menu of transport options – public transport, ride/car/bike/ sharing, taxi or car rental/lease, or some combination of the aforementioned.

HyreCar's mobile technology platform was built to support a peer-to-peer carsharing marketplace allowing car owners to rent their idle vehicles to ridesharing service drivers. The company's platform is dependent on sourcing vehicles from owners of vehicles (either from individuals, fleets, or OEMs - car dealers) in order to match them with drivers (typically part-time) for companies such as Lyft and Uber. The company's operations are designed to satisfy fluctuating transportation demand in cities around the US by matching owners of vehicles with drivers seeking employment with transportation network companies such as Lyft and Uber.

The company's HyreCar marketplace platform was designed to enroll vehicle owners and potential drivers, facilitate the matching of drivers with vehicles registered on the marketplace, as well as log rental activity for each party of the transaction. Transactions related to the rental process include (but are not limited to) background checks, rentals, deposits and insurance costs, and are processed securely through the HyreCar technology marketplace platform.

HYRE has also developed car dashboards through a unique login, where drivers can easily initiate, terminate or extend a rental through the platform while owners can manage their car or fleet of cars. The marketplace should have a competitive advantage since its commercial automobile policy covers owners and drivers with the policy specifically designed to cover the period of time in which a driver is operating an owner's vehicle while not actively operating a vehicle on a ridesharing platform, such as Uber or Lyft. When a driver is actively operating the vehicle on a ridesharing platform, the insurance defaults to the state mandated insurance provided by the applicable ridesharing company (such as Lyft or Uber). The company believes it is the only provider of a car matching service with this unique type of gap insurance product.

The two-sided nature of the company marketplace platform (pictured on top of the page) means that both the driver and the owner of a vehicle must be insured. The process includes that prior to any vehicle rental being completed, the driver and owner are provided an insurance ID card that lists the driver's name and the vehicle identification number. The process typically begins with the generation of documents twenty-four hours in advance of the commencement of the rental to when the owner of said vehicle confirms drop-off by the driver. The vehicle pick-up and drop-off is all managed through the HyreCar marketplace platform. The process also includes the vehicle owner taking pictures of the vehicle prior to pressing the 'confirm pick-up' button on the HyreCar mobile application (if pictures are not taken and the button is not pressed, it provides grounds for a claim denial, subsequent liability and/or physical damage rests solely on the driver and owner.) After the rental is completed, the vehicle owner presses the 'confirm drop-off" button on the HyreCar mobile application and the rental ends.

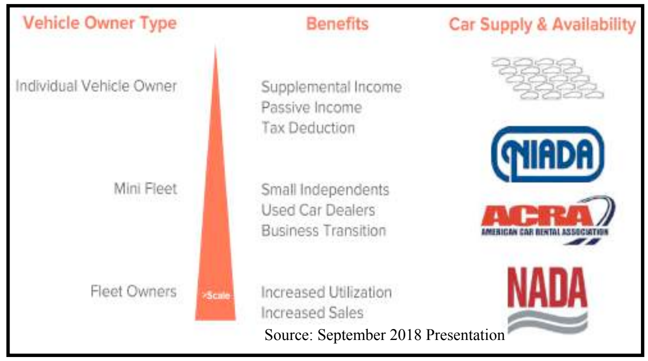
A primary benefit of the HyreCar marketplace is its pay-as-you-go model, where drivers using the platform are not locked into long-term lease agreements, monthly contracts, or subscription fees. The payment model is upfront and transparent where drivers pay for the term of rental up-front, extend it if they are financially able, and return the rented vehicle whenever they need.

Growth Strategy

<u>Marketing</u>

The company anticipates that a key growth driver is the development of its sales and marketing team in order to educate potential users as to the benefits and uses of the HyreCar marketplace platform. Entering 2018, the company had a sales team of 21 that was divided into a driver team and an owner team. The driver team has fifteen sales contractors each making approximately thirty calls a day to new customer leads. The owner sales team of six is split into three regions west coast, central states, and east coast. The primary objective of this team is to get vehicle owners to list their cars on the HyreCar platform. Early indications are that it is important for a member of the sales and marketing team to walk a customer through a complete transaction, since it is likely the customer will continue using the HyreCar marketplace platform for longer periods of time.

<u>Leveraging the HyreCar Marketplace Platform</u>



Source: September 2018 Presentation

The company's aim is to increase the number of drivers and vehicles on the platform in order to grow transaction revenue and associated fees including insurance. As of September 2018, the company stated that driver leads outpaced vehicles on the platform by a 10 to 1 ratio, which provides significant leverage to increase active daily rental transactions. Near-term, the company's goal is to increase the number of vehicles on the HyreCar platform in order to leverage the number of drivers registered on the HyreCar marketplace platform. The chart above identifies the various sources from which the company has the ability to onboard fleet vehicles onto its HyreCar marketplace platform. To execute building a large inventory of vehicles to meet driver demand on the platform, the company is seeking to develop programs and strategic partnerships.

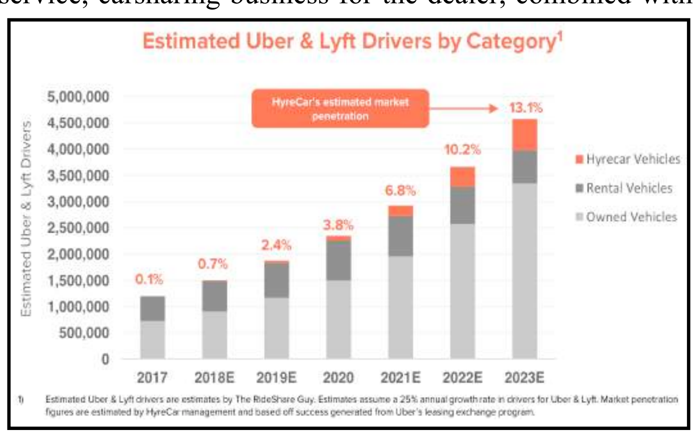
In July 2018, the company established a partnership with John Possumato, owner of the DriveItAway program. DriveItAway is a car dealer focused shared mobility company, enabling franchise and independent dealers to profit with new business opportunities in Mobility-as-a-Service. This partnership should begin the process of establishing relationships with the car dealership community in the US. The DriveItAway program is likely to become the company's institutional supply of vehicles for the HyreCar marketplace platform.

In August 2018, the company announced a car dealer focused program that provides a path to ownership with car dealerships in six US cities (Philadelphia, Cleveland, Dallas, New Orleans, Atlanta, and Asheville). The company estimates this pilot program could add approximately 500 vehicles to the HyreCar marketplace platform. The owner of the Burlington Auto Group in Philadelphia, PA stated that this program should be a win for everyone, as the dealer makes money supplying temporary vehicles, and in the process, nurture a new customer to by a vehicle.

In October 2018, the first DriveItAway deal was announced with the National Independent Automobile Dealers Association (NIADA). The NIADA, established in 1946, represents quality independent automobile dealers by assisting its members in becoming more successful within the used motor vehicle industry. The HyreCar marketplace platform will be marketed as a turnkey, self-service, carsharing business for the dealer, combined with insurance coverage, training and built-in driver demand.

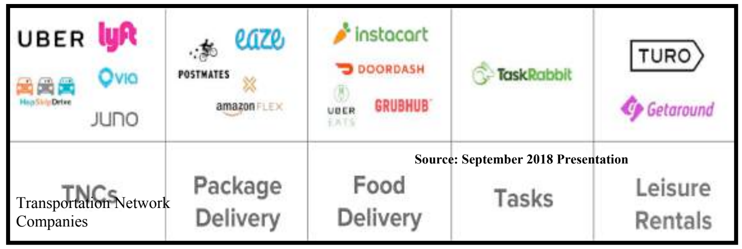
<u>Driver Demand</u>

In a September 2018 presentation (pictured on the right), HyreCar illustrated that it anticipates by 2023, its marketplace platform could capture more than a 13% market share of an estimated 4.5 million Uber and Lyft drivers. HYRE's growth should be supported by it capturing a steady stream of drivers seeking cars to join ridesharing companies (Lyft and Uber). As stated above, obtaining vehicles to match with drivers on the platform will also be a key factor in the company's growth.



New Vertical Penetration

The company's initial vertical is within Transportation Network Companies (TNCs). TNCs are also known as a mobility service provider or ride-hailing service, which are organizations that pairs passengers via Websites and mobile applications (apps) with drivers who provide such services.



Source: September 2018 Presentation

Uber and Lyft (TNCs) have reported high demand from drivers, however there are potential drivers who do not own a qualified vehicle for their platforms. The primary method for TNCs to attract drivers is to set up programs designed to get eligible drivers into qualified cars. The development of the HyreCar marketplace platform was designed to be a conduit/intermediary to bring drivers to TNCs such as Lyft and Uber. In May 2017, the company announced an arrangement with Lyft that enables the HyreCar marketplace platform to activate drivers through Lyft's sign-up portal (www.lyft.com/hyrecar).

In October 2018, the company extended its HyreCar marketplace platform within TNCs' as it announced a partnership with HopSkipDrive, in Denver. The partnership will enable drivers in the Denver area to find and rent large capacity vehicles to drive for HopSkipDrive. Additional TNC partnerships would allow for the company to leverage its HyreCar marketplace platform.

Mergers/Acquisitions

The company's aim is to add technologies and platforms (through mergers, acquisitions, and partnerships) to expand its capabilities within the Mobility as a Service (MaaS) space. Step one was to become a publicly traded company. Being publicly traded should enable HYRE to utilize its stock as currency, increase its potential to borrow funds, as well as use cash-based and stock-based earn-outs in order to roll-up smaller MaaS type companies. The company believes there are many smaller bolt-on type operations that could compliment and/or enhance the HyreCar marketplace platform.

In October 2018, the company announced it formed a strategic technology partnership with TIKD, a management solutions provider to the shared mobility industry. TIKD will launch a ticket management pilot program for HyreCar vehicle owners in California, Washington DC, Virginia, and Maryland. Owners of vehicles on the HyreCar marketplace platform in those states should see a seamless interface with TIKD's ticket management service. The goal of this partnership is to reduce the stress to vehicle owners that operate on the HyreCar Marketplace platform and eliminate the burden of collecting payment from drivers on the platform.

On October 23, 218, the company announced it entered into an agreement with Shift Technology that will enable HYRE to deploy SHIFT Technology's Force™, an artificial intelligence driven fraud detection solution to optimize the insurance claims processes for its HyreCar marketplace platform customers.

Mobility as a Service (MAAS) Industry

Mobility as a Service (MaaS) is a relatively new and evolving industry that is intended to bring every kind of transportation modes together into a single intuitive mobile app that seamlessly combines transportation options from different providers, handling everything from travel planning to payments. In 2017, consulting firm Deloitte published a review paper stating the goal of MaaS is to make it so convenient for users (primarily in an urban setting) to get around that they opt to give up their vehicles voluntarily for commuting. The Maas Alliance (a global trade organization) states that this industry is developing the integration of various forms of transportation services into a single mobility service accessible on demand.

The industry's growing focus is on the interaction between modes of transportation and the customer. This has led to the rise of business that supports segments of the industry such as car and ride sharing companies. Overtime, consumers should become more aware of the Mobility as a Service industry and that it represents a change in the way people travel using public and private transportation methods. The HyreCar marketplace platform of matching drivers who want and/or need to rent a vehicle to fill a transportation need is providing part of the infrastructure to support industry growth.

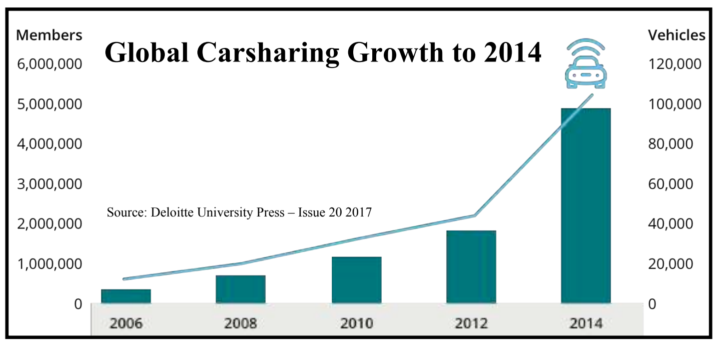
In May 2018, Researchandmarkets.com (a market research online store) published a report on the Mobility as a Service (MaaS) market. In the US, the report projects US revenue to grow annually by 31.9% to $358 billion in 2025, up from $39 billion in 2017. The significant growth drivers include rapid urbanization that will result in increased pressures on the transportation infrastructure and demand for an end-to-end solution such as a mobile application that connects riders with a transportation service. Also, there will be a large number of OEMs (Ford, GM Chariot, MAVEN) entering the market that should increase the supply of vehicles.

Car/Ride Sharing

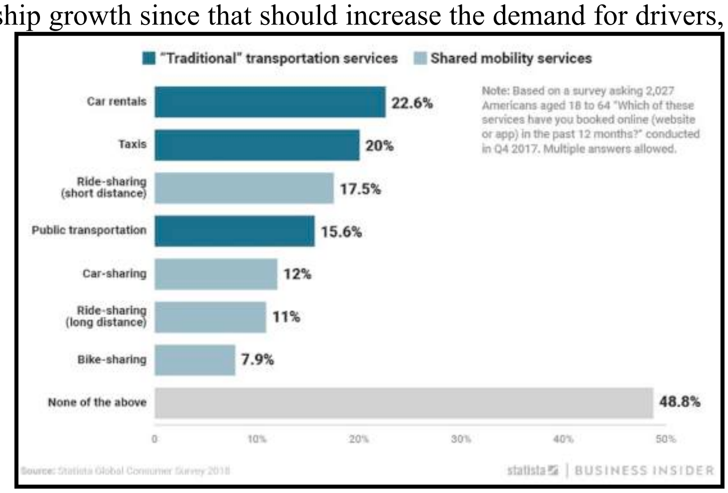
Car/Ride sharing can be defined as a service that arranges one-way transportation on short notice within the MaaS industry. The two largest ridesharing companies within the industry are Lyft and Uber.

In August 2018, market research firm Energias published a report on the global ridesharing market. Energias predicts this sector should reach $148.7 billion in 2024, up from an estimated $59.6 billion in 2018 for an annualized growth rate of 16.4%. The sectors growth should reflect the global increase in vehicular emission standards and demand for reduced traffic, as well as the integration of smart phone technology.

In an IBISWorld (August 2018) report on taxi and limousine services industry it was observed that technology is changing with the proliferation of mobile applications attached to Uber and Lyft, which facilitate instant connections between drivers and passengers. Ridesharing applications have hampered the operations of many traditional taxi and limousine drivers. In the future, mobile applications are likely to become engrained in industry operations, with the percentage of all services conducted online predicted to increase at an annualized rate of 7.2% to 2023.



In 2017, Deloitte Review published a paper entitled The rise of Mobility as a Service stating carsharing had nearly five million members (see chart on the right) worldwide in 2014, up from 350,000 in 2006. The projection in the paper is from a research paper called Innovative mobility carsharing outlook, which estimates carsharing membership should exceed 23 million globally in 2024. The growth in membership will also drive the number of vehicles being shared within the MasS ecosystem. According to the chart above, at six million members the number of vehicles being used on carsharing platforms equaled 120,000. In 2024, the number of vehicles being used on carsharing platforms could reach nearly 460,000 (if the ratios in the chart above are maintained). HyreCar should benefit from membership growth since that should increase the demand for drivers, as well as a corresponding need to obtain vehicle owners to list their vehicles on the HyreCar marketplace platform.



A 2018 survey by Statista of more than 2,000 US adults found that 28.5% of people surveyed had booked a ridesharing service within the last year. As the chart on the right shows, sharing services (short/long distance, car, and bike) far exceed the use of taxis and public transportation usage over the twelve-month period ending in 4Q17. What is encouraging from future growth is that nearly 50% of those surveyed indicated that they used none of the services listed. This indicates the growth potential that HyreCar envisions for the car/ride sharing sector of the Mobility as a Service industry.

Projections

Revenue Model

The company has developed a fee based revenue model, where it receives a fee from various elements of the rental transaction (10% from the driver renting a car and 15% of the owners portion of the rental rate) processed on the HyreCar marketplace platform and a fee from providing insurance coverage. In 2Q18, the insurance portion of the revenue model changed with the re-negotiation of the company's insurance product and implementation of a fixed daily fee. This should improve gross margin in future periods. At the end of 2Q18, an example of revenue generated for the company on a transaction based on a weekly rental rate of $200 should total approximately $141 consisting of a $20 driver fee, $30 owner fee, and $91 direct insurance and administration fee.

Basis of Forecast

The primary growth driver is the increase in active daily rentals. The growth in active daily rentals should be supported by the addition of new drivers and matching them with owner vehicles. In 2017, the company added 4,900 new unique drivers and in 1H18, 3,600 new unique drivers were added.

In 4Q17, active daily rentals averaged 696. In the second quarter of 2018, average daily active rentals increased to over 1,000, from 900 in 1Q18. We project average daily rentals reaching 2,100 in 4Q19 from and estimated 1,350 in 4Q18.

We anticipate as average active daily rentals increase gross margins should expand. We project gross margin to reach 51% in 2019, up from an estimated 40.2% in 2018, and 9.7% in 2017. The gross margin improvement should result from reductions in direct insurance costs and increases in owner fees. In 2Q18 changes were made to the insurance policies provided to customers on the HyreCar platform.

In 2019, we project operating expenses of nearly $16 million, up from an estimated $13.5 million in 2018. The level of expenses includes the cost to become a public company in June 2018, as well as the professional fees required to remain a public company. Over our forecast period the company will be building of sales teams to increase the number of drivers on the HyreCar marketplace platform, as well as increasing the number of available vehicles on the platform.

Economic Outlook

In October 2018, the IMF reduced its global economic growth estimate by 0.2% to 3.7% for 2018 and 2019, respectively. The IMF also reduced its US economic growth forecast for 2019 by 0.2% to 2.5% but left its 2018 forecast (from July 2018) unchanged at 2.9% in 2018. The reductions in growth made by the IMF reflect trade tensions between the US and its trading partners.

Since HyreCar generates all its revenue in the US, steady economic growth through 2019 should support our revenue growth forecasts.

In September 2018, the third estimate of US GDP growth was 4.2% (annualized) in 2Q18, up from 2.2% in 1Q18. The 2Q18 US GDP growth estimate was due primarily to increases in consumer spending, exports, business investment, and government spending.

Operations – 2018

We project revenue growth in excess of 210% to $10 million due to active daily rentals averaging an estimated 1,088 in 2018 from approximately 400 in 2017. Gross profit should exceed $4 million compared to $311,000 in 2017. The increase in gross profit reflects higher sales and gross margin of 40.2% compared to 9.7% in 2017. The improvement in gross margin reflects a reduction in direct insurance costs in 2H18 and higher rental volume that should increase administrative fee income.

We project the operating loss more than doubling to $9.5 million compared to a loss of $4.1 million as operating expenses more than triple to $13.5 million from $4.4 million in 2017. We anticipate G&A expense of $8.5 million due primarily to professional fees and stock-based compensation costs reflecting the company's IPO in June 2018.

Sales and marketing expenses should increase to $3.9 million from $1.9 million in 2017 reflecting a full year of having a twenty-one person sales team and Internet marketing initiatives. We anticipate R&D expenses of $1.1 million, up from $687,000 in 2017 as the company continues to develop the mobile application for its HyreCar marketplace platform.

Non-operating expense consists of interest expense of $2 million and other expense of $26,000. In 2017, the company had interest expense of $202,000 and other expense of $2,000. In 2018, interest expense reflects debt discount accretion of 2018 convertible notes in 1H18 prior to their conversion upon the company's IPO.

We project a net loss of $11.5 million or ($1.35) per share compared to a loss of $4.3 million or ($0.93) per share. We anticipate average shares outstanding of 8.5 million, up from 4.6 million in 2017.

At December 31, 2017, the company had approximately $4.6 million in federal net operating loss carryforwards, which begin to expire in 2035.

Finances – 2018

We project cash burn of $6.7 million and a decrease in working capital of $978,000. The decrease in working capital is due primarily to an increase in payables and accruals. Cash used in operations of $5.7 million was more than offset by gross proceeds $12.6 million from the company's IPO. We project cash will increase by $7.6 million to $7.8 million at December 31, 2018.

Operations – 2019

We project revenue growth nearly doubling to $19.5 million on a 56.3% increase in active daily rentals averaging 1,701. Gross profit should more than double to nearly $10 million from an estimated $4 million in 2018. The increase in gross profit reflects higher sales and gross margin expanding to 51% compared to an estimated 40.2% in 2018. The improvement in gross margin reflects a full year of reduced insurance costs and higher administrative fees.

We project the operating loss narrowing to $5.9 million compared to an estimated $9.5 million in 2018 as operating expense margin improves to 81.5% from an estimated 135% in 2018. We anticipate operating expenses increasing 17.6% to $15.9 million. We anticipate a 17.2% increase in G&A expense to $10 million due primarily to higher compensation costs and continued building of an infrastructure to support future growth. Sales and marketing expenses should increase 18.5% to $4.6 million reflecting the likely increase in the company's sales team to at least 25 from 21 in 2018. We anticipate R&D expenses of $1.3 million, up from an estimated $1.1 million in 2018 as the company continues to enhance the mobile application for its HyreCar marketplace platform.

Non-operating expense should be nil compared to interest expense of $2 million and other expense of $26,000. The reduction is due to the conversion and repayment off all outstanding debt in conjunction with the company IPO in June of 2018.

We project a net loss of $5.9 million or ($0.51) per share on average shares outstanding of 11.7 million compared to a net loss of $11.5 million or ($1.35) per share on average shares outstanding of 8.5 million in 2018.

Finances – 2019

We project cash burn of $4.1 million and a decrease in working capital of $497,000. The decrease in working capital is due primarily to an increase in payables and accruals. Cash used in operations of $3.6 million and the purchase of property and equipment should reduced cash by $3.6 million to $4.2 million at December 31, 2019.

2Q18 and 1H18 Results

2Q18

Revenue increased more than 260% to nearly $2.3 million compared to $631,000 in the year-ago period. Higher sales reflect the expansion of the company sales team to 21 professionals, increased marketing expenditures and brand awareness. Supporting sales growth was the implementation of late fees, a fixed administrative fee, as well as increased fees from partner referrals.

Gross profit was $1.1 million compared to $72,000 reflecting higher sales and gross margin of 47.4%, up from 11.4% in the year-ago period. Gross margin improvement was due to higher sales volume.

Operating expenses increased to $4.2 million from $829,000 in the year-ago period due primarily to building a sales and administrative infrastructure to support future revenue growth and $1.9 million of stock-based compensation. G&A expenses increase to $3.2 million from $362,000 in the year-ago period reflecting an increase in office space, salaries, contractors, operations and support functions. Sales and marketing expense more than doubled to $793,000 from $351,000 due to an increase in online advertising, increased usage of outside sales contractors, and compensation. R&D more than doubled to $297,000 from $116,000 due primarily to paying for outside services for the maintenance of the company's technology platform.

Non-operating expense was $1.9 million compared to $12,000 in 2Q17. Interest expense increased to $1.9 million from $14,000 due primarily to debt discount accretion of the 2018 convertible notes. Other income was $2,000 in each period.

Net loss was $5 million or ($0.92) per share compared to a loss of $769,000 or ($0.19) per share.

<u>1H18</u>

Revenue increased over 250% to $4 million from $1.1 million due to organic growth of the company's operations.

Gross profit reached $1.5 million reflecting higher sales and gross margins expanding to 37.6% from 9.6%. Gross margin improvement reflects increased sales volume.

Operating expenses increased over 300% to $6.2 million from $1.5 million in the year-ago period, reflecting nearly $2.1 million in stock-based compensation and building a sales, marketing, technology, and administrative infrastructure to support future sales growth.

Non-operating expense was $2.1 million compared to $155,000 in the year-ago period.

Net loss was $6.8 million or ($1.27) per share compared to a loss of $1.6 million or ($0.40) per share.

	6 Mos 18 A	6 Mos 17 A	% Δ
Revenues	3,988	1,137	250.9%
Cost of goods sold	2,487	1,027	142.1%
Gross Profit	1,500	109	1275.2%
Total Operating Expenses	6,244	1,546	303.9%
Operating Income	(4,744)	(1,437)	230.1%
Total Other Income (Expense)	(2,066)	(155)	
Pre-Tax Income	(6,809)	(1,592)	NMF
Income Tax Expense (Benefit)	-	-	
Income (loss)	$ (6,809)	$ (1,592)	NMF
EPS -- Fully Diluted	$ (1.27)	$ (0.40)	NMF
Avg Shares Out-Fully Diluted	5,355	4,015	
Tax Rate	*0.0%*	*0.0%*	
Margins			
Gross Margins	37.6%	9.6%	
Operating Margin	(49.5%)	(16.1%)	
Pre-Tax Margins	(71.1%)	(17.9%)	

Source: company reports

Finances

1H18, cash burn of $2.9 million was offset in part by a $918,000 decrease in working capital resulting in cash used in operations of $1.9 million. The decrease in working capital was due primarily to increases in payables and accruals. Proceeds from the sale of common stock (approximately $11.3 million) and convertible debt (nearly $2.8 million) covered cash used in operations and capital expenditures. Cash increased $11.7 million to $11.9 million at June 30, 2018.

Capital Structure

At June 30, 2018, the company had total outstanding notes payable – related party of $300,000. As of August 14, 2018, the company repaid the outstanding balance.

Competition

Carsharing and ridesharing services are intensely competitive and typically characterized by rapid changes in technology, customer requirements, industry standards, and frequent new service introductions and improvements.

The company anticipates challenges from current competitors most of which are private, as well as by new entrants. If HYRE is unable to effectively react to competitive challenges, its first mover advantage could weaken, and thus diminish operations.

The company believes its operational model of using crowd-sourced vehicles versus some competitors that typically own or manage vehicles. This should enable HyreCar to be competitive with other vehicle solutions since there is no monthly vehicle overhead or infrastructure costs.

Other company's that have some elements of a vehicle solution for ridesharing rentals include Hertz, Avis, Enterprise, and Maven (a General Motors' project). These car rental companies operate in the US and can provide cars drivers can rent and drive on the Uber or Lyft platform.

Management

Joseph Furnari – CEO and Director since January 2017. He previously served as vice president of portfolio management at The Palisades Group, LLC. His prior experience includes serving as assistant vice president of securitized products valuation at Morgan Stanley and as senior analytics analyst at JP Morgan Chase.

Scott Brogi – Chief Financial Officer since September 2018. He previously led finance and operations for Teaching Channel, Inc. His career began in corporate banking and finance at Chase Manhattan Bank and in various finance and developmental positions at startup companies such as AccentCare and Pictage. He also has a background in corporate financial planning and analysis for public companies, such as the Apollo Education Group. Holds a BS in Finance from Syracuse University, an MS in Finance from Loyola College in Maryland, and an MBA in Entrepreneurial Finance from the UCLA Anderson School of Management.

Abhishek Arora – Co-founder of the company in 2014 and served as Chief Technology Officer since October 2017 and Secretary since June 2018. He previously served as the company's COO. His prior experience includes working as a software consultant and founding Fillskills, an online marketplace to improve skills.

Risks

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

<u>Limited Operating History</u>
HyreCar Inc. was founded in 2014 and has operated as a public company since June 29, 2018. The limited operating history could make it difficult to evaluate its plan to grow operations. If the company is unable to respond to changes in the ridesharing or carsharing market, it could diminish operations and/or financial results.

<u>No Contracts</u>
The company's operations deploy drivers and cars to the systems of both Uber and Lyft since 2015. However, there is contractual relationship with either company. On May 17, 2017, an arrangement (not in writing) with Lyft was announced that allows HYRE to activate drivers through Lyft's sign-up portal. Relationships with Lyft and Uber could be discontinued at any time, which could diminish growth prospects.

<u>Competition</u>
While the two largest ridesharing companies have not sought to develop a peer-to-peer system to match drivers and car owners, there can be no assurance that either one of these companies or other competitors might enter this marketplace. In prior years, there were attempts by companies to match car fleets owned by operators with Uber and Lyft drivers, if one were to develop a viable economic model in the future it could diminish the company's business operations.

<u>Insurance</u>
The company believes it is the only one in the ridesharing marketplace that has effectively structured a cost-effective insurance program to provide for liability when a driver and a car are carrying passengers. Due to the company's

short operating history, it is difficult to assess the correlation between personal injury and property damage risks and the cost of insurance premiums. If insurance costs become more costly, it is likely to diminish the company's operations on growth prospects.

Regulation

There are few laws regulating the company's business. It is likely that as the Mobility as a Service marketplace matures, state, local, and federal government agencies could pass regulations in the future. Government regulation of the company's business would likely make them alter some business practices, which could impact operational results. Potential changes in laws or regulations that may negatively impact operations immediately would be to insurance intermediaries, customer privacy, data security, and/or rate regulation.

The California Public Utilities Commission has imposed rules and guidelines for ridesharing in the US. The commission designated Uber and Lyft transportation network companies (TNCs). The California guidelines became the standard for all states across the US. California is one of the strictest states when it comes to regulating the TNCs. The company believes its insurance works within those guidelines, which should make it adoptable by future state mandates outside of California.

Cyber Security

Security breaches, unauthorized access and usage, viruses or similar types of breaches or disruptions could result in loss of confidential information, damage to the company's reputation, early termination of contracts, litigation, regulatory investigations, etc. If the company's security measures or its third-party service providers are breached as a result of employee error, or malfeasance, its business could diminish due to the potential for significant liability expenses.

The US has laws and regulations relating to data privacy, security, and retention and transmission of information. The company must protect its information systems against unauthorized access and disclosure of confidential information and confidential information belonging to customers. There is no assurance that the company's security measures in place will be effective in every case.

Shareholder Control

All executive officers and directors as a group, own 42.5% of the outstanding voting stock (April 2018). Two large investors own 13.8% of the company's outstanding voting stock. These owners could greatly influence the outcome of matters requiring stockholder approval, which decisions may or may not be in the best interests of the other shareholders.

Legal Proceedings

In July 2017, an owner of several vehicles that he was renting through the company's platform filed arbitration seeking damages for losses associated with a claimed stolen vehicle, storage fees, damage/repair fees, an insurance deductible, and purported loss of income due to his inability to rent the stolen/damaged vehicles. In December 2017, the same owner filed a lawsuit in Los Angeles Superior Court reasserting the same claims. The company believes this action is without merit and is defending itself, while also exploring whether the dispute can be settled in an expeditious manner. Also, the Company has moved to compel the owner to arbitrate his claims and to stay his Superior Court case, which was granted by the courts after the motion was heard on June 19, 2018.

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

Based on our calculations, the average daily-volume of 206,000 is from June 28, 2018 (IPO) to October 22, 2018. Over the thirty-day period to October 22, 2018 average daily-volume was 124,000 shares. The company has a float of 7 million shares and shares outstanding of 11.7 million.

HyreCar, Inc.
Consolidated Balance Sheets
FY2016 – FY2019E
(in thousands)

	2016A	2017A	1Q18A	2Q18A	2018E	2019E
ASSETS						
Current assets:						
Cash	$ 516	$ 214	$ 810	$ 11,868	$ 7,811	$ 4,200
Accounts receivable, net	-	41	32	61	111	217
Related party receivable	7	-	-	-	-	-
Deferred offering costs	-	136	194	-	-	-
Deferred expenses	15	35	47	12	12	24
Other	0	118	83	83	83	17
Total current assets	**538**	**544**	**1,166**	**12,022**	**8,017**	**4,458**
Property and equipment, net	-	-	4	4	4	5
Other	20	90	90	90	90	90
Total assets	**$ 558**	**$ 634**	**$ 1,260**	**$ 12,116**	**$ 8,111**	**$ 4,553**
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	46	1,355	1,047	1,781	1,996	2,388
Accrued liabilities	161	119	254	429	550	750
Deferred revenue	20	48	68	25	25	25
Related party advances	10	10	10	10	10	-
Note payable, net	-	46	49	-	-	-
Notes payable - related party, net	-	279	297	300	-	-
Convertible debt, net	-	-	2,333	-	-	-
Settlement payable	73	24	6	-	-	-
Total current liabilities	**311**	**1,881**	**4,064**	**2,544**	**2,581**	**3,163**
Convertible debt	350	-	-	-	-	-
Convertible debt - related parties	150	-	-	-	-	-
Settlement payable, net	24	-	-	-	-	-
Preferred stock, $0.00001 par value ; 15,000,000 shares authorized	700	1,592	1,592	-	-	-
Stockholders' equity:						
Common stock, $0.00001 par value; authorized 50,000,000 shares	0	0	0	0	0	0
Paid-in capital	143	2,554	2,764	21,642	22,310	24,110
Subscription receivable -related party	(139)	(140)	(140)	(7)	(7)	(7)
Accumulated deficit	(981)	(5,253)	(7,020)	(12,062)	(16,773)	(22,708)
Total stockholders' equity	**(977)**	**(2,839)**	**(4,396)**	**9,572**	**5,530**	**1,395**
Total liabilities and stockholders' equity	**$ 558**	**$ 634**	**$ 1,260**	**$ 12,116**	**$ 8,111**	**$ 4,558**
SHARES OUT	3,979	5,253	5,253	11,708	11,710	11,750

Source: Company reports and Taglich Brothers estimates

HyreCar, Inc.
Annual Income Statement
FY2016 – FY2019E
(in thousands)

	2016A	2017A	2018E	**2019E**
Revenues	$ 515	$ 3,224	$ 10,008	**$ 19,500**
Cost of goods sold	428	2,913	5,988	**9,550**
Gross Profit	88	311	4,020	**9,950**
Operating Expenses:				
General and administrative	438	1,820	8,529	**10,000**
Sales and marketing	371	1,872	3,869	**4,585**
Research and development	117	687	1,105	**1,300**
Total Operating Expenses	926	4,378	13,502	**15,885**
Operating Income (loss)	(839)	(4,067)	(9,482)	**(5,935)**
Other income (expense)				
Interest (expense) income	(31)	(202)	(2,012)	**-**
Other (expense) income	4	(2)	(26)	**-**
Total Other Income (Expense)	(27)	(204)	(2,038)	**-**
Pre-Tax Income (loss)	(866)	(4,271)	(11,520)	**(5,935)**
Income Tax Expense (Benefit)	1	1	-	**-**
Net Income (loss)	$ (867)	$ (4,272)	$ (11,520)	**$ (5,935)**
EPS	$ (0.24)	$ (0.93)	$ (1.35)	**$ (0.51)**
Avg Shares (000)	3,646	4,590	8,534	**11,740**
Adjusted EBITDA	$ (834)	$ (3,671)	$ (7,865)	**$ (4,135)**
Margins				
Gross Margins	17.0%	9.7%	40.2%	**51.0%**
Operating Margin	(162.7%)	(126.2%)	(94.8%)	**(30.4%)**
Pre-Tax Margins	(168.0%)	(132.5%)	(115.1%)	**(30.4%)**
General and administrative	85.0%	56.4%	85.2%	**51.3%**
Sales and marketing	72.0%	58.1%	38.7%	23.5%
Research and development	22.7%	21.3%	11.0%	**6.7%**
Tax Rate	(0.1%)	(0.0%)	0.0%	**0.0%**
YEAR / YEAR GROWTH				
Net Sales		525.5%	210.4%	**94.9%**

Source: Company reports and Taglich Brothers estimates

HyreCar, Inc.
Income Statement Model
Quarters FY2017A – 2019E
(in thousands)

	1Q17A	2Q17A	2017A	1Q18A	2Q18A	3Q18E	4Q18E	2018E	1Q19E	2Q19E	3Q19E	4Q19E	**2019E**
Revenues	$ 505	$ 631	$ 3,224	$ 1,714	$ 2,273	$ 2,620	$ 3,400	$ 10,008	$ 3,535	$ 4,250	$ 5,100	$ 6,615	**$ 19,500**
Cost of goods sold	468	559	2,913	1,291	1,197	1,365	1,750	5,988	1,775	2,100	2,525	3,150	**9,550**
Gross Profit	37	72	311	423	1,077	1,255	1,650	4,020	1,760	2,150	2,575	3,465	**9,950**
Operating Expenses:													
General and administrative	316	362	1,820	889	3,156	2,200	2,300	8,529	2,400	2,450	2,500	2,650	**10,000**
Sales and marketing	320	351	1,872	883	793	1,100	1,110	3,869	1,125	1,135	1,150	1,175	**4,585**
Research and development	81	116	687	225	297	300	300	1,105	325	325	325	325	**1,300**
Total Operating Expenses	717	829	4,378	1,997	4,247	3,600	3,710	13,502	3,850	3,910	3,975	4,150	**15,885**
Operating Income (loss)	(680)	(757)	(4,067)	(1,574)	(3,170)	(2,345)	(2,060)	(9,482)	(2,090)	(1,760)	(1,400)	(685)	**(5,935)**
Other income (expense)													
Interest (expense) income	(140)	(14)	(202)	(162)	(1,875)	-	-	(2,012)	-	-	-	-	**-**
Other (expense) income	(3)	2	(2)	(31)	2	-	-	(26)	-	-	-	-	**-**
Total Other Income (Expense)	(143)	(12)	(204)	(193)	(1,873)	-	-	(2,038)	-	-	-	-	**-**
Pre-Tax Income (loss)	(823)	(769)	(4,271)	(1,767)	(5,042)	(2,345)	(2,060)	(11,520)	(2,090)	(1,760)	(1,400)	(685)	**(5,935)**
Income Tax Expense (Benefit)	-	-	1	-	-	-	-	-	-	-	-	-	**-**
Net Income (loss)	$ (823)	$ (769)	$ (4,272)	$ (1,767)	$ (5,042)	$ (2,345)	$ (2,060)	$ (11,520)	$ (2,090)	$ (1,760)	$ (1,400)	$ (685)	**$ (5,935)**
EPS	$ (0.21)	$ (0.19)	$ (0.93)	$ (0.34)	$ (0.92)	$ (0.20)	$ (0.18)	$ (1.35)	$ (0.18)	$ (0.15)	$ (0.12)	$ (0.06)	**$ (0.51)**
Avg Shares (000)	3,979	3,979	4,590	5,253	5,457	11,710	11,715	8,534	11,725	11,735	11,745	11,755	**11,740**
Adjusted EBITDA	$ (680)	$ (561)	$ (3,671)	$ (1,260)	$ (3,000)	$ (1,945)	$ (1,660)	$ (7,865)	$ (1,640)	$ (1,310)	$ (950)	$ (235)	**$ (4,135)**
Margins													
Gross Margins	7.3%	11.4%	9.7%	24.7%	47.4%	47.9%	48.5%	40.2%	49.8%	50.6%	50.5%	52.4%	**51.0%**
Operating Margin	(134.6%)	(119.9%)	(126.2%)	(91.8%)	(139.4%)	(89.5%)	(60.6%)	(94.8%)	(59.1%)	(41.4%)	(27.5%)	(10.4%)	**(30.4%)**
Pre-Tax Margins	(162.9%)	(121.8%)	(132.5%)	(103.1%)	(221.8%)	(89.5%)	(60.6%)	(115.1%)	(59.1%)	(41.4%)	(27.5%)	(10.4%)	**(30.4%)**
General and administrative	62.5%	57.4%	56.4%	51.9%	138.8%	84.0%	67.6%	85.2%	67.9%	57.6%	49.0%	40.1%	**51.3%**
Sales and marketing	63.3%	55.6%	58.1%	51.5%	34.9%	42.0%	32.6%	38.7%	31.8%	26.7%	22.5%	17.8%	23.5%
Research and development	16.1%	18.3%	21.3%	13.1%	13.1%	11.5%	8.8%	11.0%	9.2%	7.6%	6.4%	4.9%	**6.7%**
Tax Rate	0.0%	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													
Net Sales			525.5%	239.2%	260.2%	NA	NA	210.4%	106.2%	86.9%	94.7%	94.6%	**94.9%**

*2H17 results will be recorded as 2018 quarterly results are reported

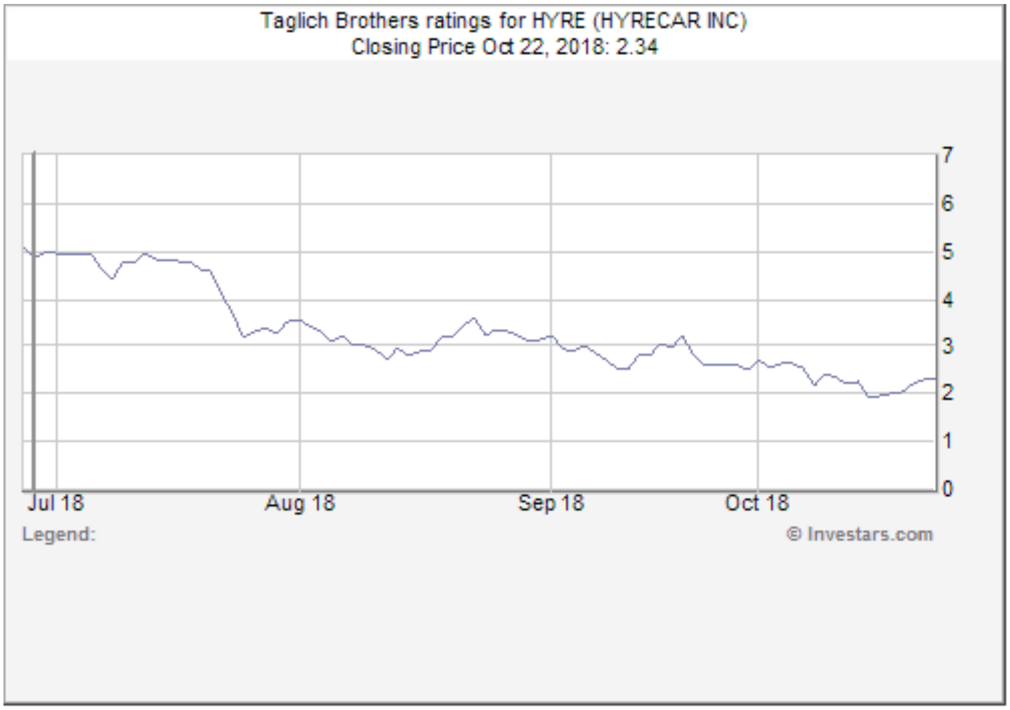
Source: Company reports and Taglich Brothers estimates

HyreCar, Inc.
Cash Flow Statement
FY2016 – FY2019E
(in thousands)

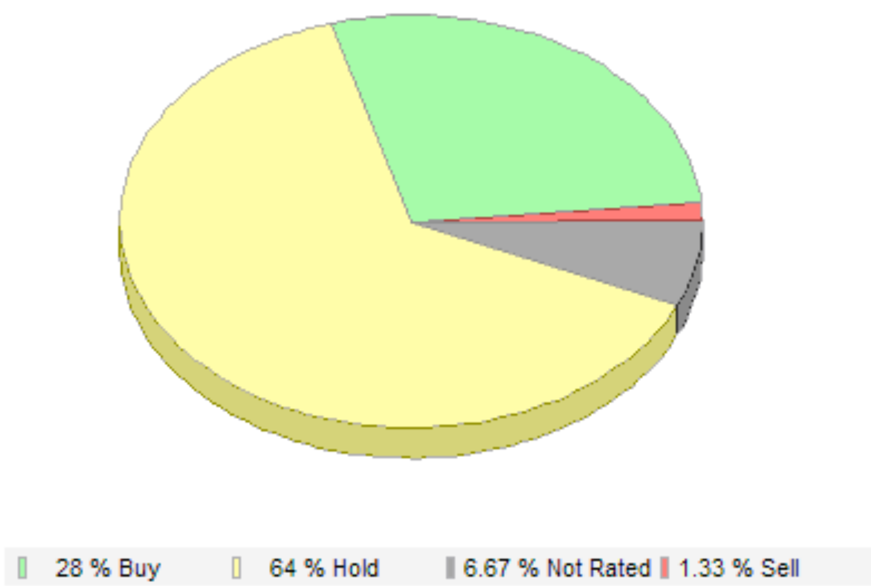
	FY2016A	FY2017A	6 Mos18A	FY2018E	**FY2019E**
Cash Flows from Operating Activities					
Net Income (loss)	$ (867)	$ (4,272)	$ (6,809)	$ (11,520)	**$ (5,935)**
Depreciation	-	-	0	1	**2**
Forgiveness of related party advance	8	8	-	-	**-**
Amortization of debt discount	-	59	1,515	1,515	**-**
Interest expense on beneficial conversion feature	-	134	369	369	**-**
Stock-based compensation	4	337	2,066	2,975	**1,800**
Cash earnings (burn)	(855)	(3,734)	(2,859)	(6,660)	**(4,133)**
Changes In:					
Accounts receivable	-	(41)	(20)	**(70)**	**(105)**
Deferred expense	(15)	(21)	24	24	11
Accounts payable	41	1,330	561	**641**	**392**
Accrued liabilities	158	(6)	400	**431**	**200**
Deferred revenues	20	27	(23)	(23)	**-**
Settlement paid	(12)	(73)	(24)	(24)	**-**
Net (increase)/decrease in Working Capital	193	1,217	918	978	**497**
Net cash Provided (used) by Operations	(662)	(2,518)	(1,941)	(5,682)	**(3,636)**
Cash Flows from Investing Activities					
Purchase of property and equipment	-	-	(4)	(20)	**(50)**
Related party advances	(15)	(1)	-	-	**-**
Deposits and other	(20)	(142)	35	35	**-**
Net cash used in Investing	(35)	(143)	31	15	**(50)**
Cash Flows from Financing Activities					
Proceeds from related party advances	-	-	12,600	12,600	**-**
Offering costs accociated with underwriters in public offering	-	-	(1,260)	(1,260)	
Proceeds from related party advances	3	-	-	-	**-**
Proceeds (repayment) from note payable	-	50	(50)	(50)	**-**
Proceeds (repayment) from notes payable - related parties	-	300	-	(300)	**-**
Proceeds from convertible debt	350	-	2,779	2,779	**-**
Proceeds from convertible debt - related parties	150	-	-	-	**-**
Offering costs	-	(456)	(638)	(638)	**-**
Proceeds from subscription receivable	-	-	133	133	**-**
Proceeds from sale of preferred sotck	700	300	-	-	**-**
Proceeds from sale of common stock	-	2,164	-	-	**-**
Net cash provided by Financing	1,203	2,358	13,564	13,264	**-**
Net change in Cash	506	(302)	11,654	7,597	**(3,686)**
Cash Beginning of Period	10	516	214	214	**7,811**
Cash End of Period	$ 516	$ 214	$ 11,868	$ 7,811	**$ 4,125**

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	3	11
Hold		
Sell		
Not Rated	1	50

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 September 2018, the company paid Taglich Brothers a monetary fee of $6,000 (USD) representing payment for the creation and dissemination of research reports for three months. In February 2019, the company will begin paying Taglich Brothers a monthly monetary fee of $2,000 (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, Pershing, 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:

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.

Dropping Coverage – Research coverage discontinued due to the acquisition of the company, termination of research services, 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.