Baptista Research

November 16, 2022

INITIATING COVERAGE

Equity | Healthcare/ Technology

Sharps Technology Inc.
(NASDAQ:STSS; Target Price: $5.50)

Sharps Technology comes across as a highly relevant opportunity given the fact that there is a rising demand for safety syringes. This was one of many products like masks and hand sanitizers which saw a significant increase in demand due to the Covid-19 outbreak. Its demand is anticipated to remain robust over time, given the rising worldwide population and the rising number of vaccinations. With regard to the anticipated market expansion of the safety syringe and pre-filled syringe markets, many market research firms have raised their projections. The sector needs to address a number of major issues, including wastage. Sharps Technology's distinctive syringe technology maximizes safety while reducing waste and addressing worldwide shortage concerns with its robust technology and solid production base.

INVESTMENT THESIS

This is our first report on Sharps Technology and we look to provide a detailed account of the various drivers that will be responsible for the company's growth in the coming years. As the company starts reporting revenues in 2023, Sharps is expected to see its stock fly. With the Nephron transaction and income generation from the Hungarian facility, this is anticipated to start reporting a positive top-line starting in Q1 2023. It is important to note that Sharps has a 20 million unit production capacity for just its Sharps Provensa RTF PS glass pre-fillable syringes, which are in high demand and could easily be offered by them for $1 per unit. The company would have no trouble utilizing 100% of this capacity because the demand side of the equation is so strong, which would straightaway result in a $20 million top-line. This revenue stream in collaboration with Nephron would be from pre-fillable syringes alone and there is also the huge sales potential of the syringes produced in Hungary. This is why we are bullish on the company. Baptista Research looks to evaluate the different factors that could influence Sharps Technology' price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology to determine a suitable price for the company's stock.

COMPANY OVERVIEW

Sharps Technology Inc. is a medical technology firm that analyses, designs, develops, produces, distributes, and sells safety syringe devices in the United States. Its main product is the Sharps Provensa, an ultra-low waste space syringe for injecting a wide range of medications and vaccines. This is the company's premium line of smart safety syringes that eliminate accidental needlestick injuries, reduce medicine and vaccine waste, and prevent needle reuse. The management aims to address global issues through high-quality innovation with this service and its other studies while guaranteeing a safer future for healthcare professionals and people everywhere. Sharps' selection of smart safety syringes eradicates accidental injuries, reduces vaccine and medication waste, and inhibits needle reuse while keeping the user-friendly simplicity of traditional syringes. Its main objective is to develop medicine delivery systems in the future. With its corporate headquarters in Melville, New York, the business was founded in 2017.

Key Report Highlights

Industry View:	Attractive
Stock Rating:	Buy
Price Target:	$5.50
Current Price:	$1.04
52-Week-Range:	$0.85 - $1.58

Annual Income Statement	2021	2022E	2023E
Revenues	0.00	20.00	37.80
Cost of Goods Sold	0.00	-15.00	-26.76
Gross Income (excl. D&A)	0.00	5.00	11.04
EBITDA	-4.47	0.40	5.84
EBIT (incl. extraordinary exp)	-4.50	0.37	5.81
Net Income	-4.66	0.19	5.63
Cash from Operations	-3.15	0.37	5.42
Free Cash Flows	-0.88	2.84	8.12

Growth & Margins	2021	2022E	2023E
Sales Growth	NA	32.0%	189.0%
EBITDA Margin	NA	2.0%	15.5%
EBIT Margin	NA	1.8%	15.4%
Net Profit Margin	NA	0.9%	14.9%

Valuation Ratios	2022E	2023E	2024E
EV/ Sales	NA	2.4	1.6
EV/ EBITDA	NA	117.6	10.3
EV/ EBIT	NA	127.6	163.0
Price/Earnings	NA	268.7	12.8

KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

1. SHARPS PROVENSA – THE FLAGSHIP PRODUCT
2. THE SAFEGARD ACQUISITION & MANUFACTURING CAPABILITY
3. PARTNERSHIP WITH NEPHRON
4. FAST-GROWING MARKET SIZE
5. EXPERIENCED MANAGEMENT TEAM

Sharps Provensa – The Flagship Product

- Sharps Technology's flagship product, the Sharps Provensa, is a smart safety syringe that can be used universally by any individual without any particular skills or actions to activate its safety features.
- The Provensa decreases the reuse of needles, eliminating the risk of unintentional needlestick injuries, and concurrently reduces the amount of medical waste. It is intuitively simple, like other standard syringes.
- The Sharps Provensa needle tip accurately penetrates the skin, administering the medication or vaccination, and safely exits the body, safeguarding the healthcare professional and the general public.
- Sharps Technology's smart safety syringes, with its low-dead space feature, aim to reduce two million potentially infected accidental needlestick injuries as well as the billions of dollars in wasted medicine from today's ineffectual syringes.
- Additionally, it aims to offer complete safety and unwavering peace of mind to the healthcare staff and the general public.
- It is important to note that Sharps Technology is expanding its product pipeline to include customized delivery systems, pre-filled syringe models suitable for significant pharma manufacturing, and specialty market medications.

The Safegard Acquisition & Manufacturing Capability

- Sharps Technology has recently acquired the syringe manufacturing facility of Safegard Medical in Hungary in order to create a solid manufacturing base of safety syringes to satisfy the global demand.

- The company expects to begin manufacturing its unique syringes in Q4 2022, in compliance with WHO and U.S. regulatory requirements at its recently acquired ISO-certified, CE-Mark authorized, and FDA-cleared facility.

Source: Company Presentation

- We can see the facility and its key characteristics in the above snapshot. According to the terms of the original purchase agreement, which was signed in June 2020, Sharps Technology has been granted exclusive use of the R&D facility prior to the acquisition's termination.

- The company's expanding line of syringe products, which includes Sharps Provensa Ultra-Low Waste syringes, is an appealing choice for pharmaceutical companies seeking to reduce vaccine or medical waste.

- The purchase of their first manufacturing facility is an important step in changing from an R&D-focused firm to commercial operations that generate income.

- WHO has alerted governments and healthcare organizations around the world to a potential syringe shortage as well as a possible risk to syringe safety due to the rise in routine vaccinations. This would undoubtedly help new players like Sharps, who have developed a unique technology for smart safety syringes designed to prevent accidental needlestick injuries, minimize needle reuse, and significantly reduce vaccine and medical waste.

- The management believes they can meet the substantial and rising demand for smart safety syringes, which is anticipated to reach $14 billion globally by 2026, by producing and selling such high-quality syringes in response to this purchase.

- With regard to production, they plan to use the funds acquired from the company's April 2022 IPO to manufacture and deliver 100 million units of the 1 ml and 0.3 ml syringe products over the course of the next 24 months.

- The management further disclosed that they would boost their factory's capacity to 350 million units in 2023.

Partnership With Nephron

- Sharps' management recently signed a contract with InjectEZ, Nephron Pharmaceuticals Corporation, Nephron SC, Inc., and Nephron Sterile Compounding Center.

- The primary reason behind this agreement is to provide technical direction and support to support InjectEZ's manufacturing, sell specific quantities of syringes as the business may require or order, and work with Nephron on specifically related business ventures.

- Sharps is on schedule to enter into a manufacturing and supply agreement with InjectEZ for the development and manufacture of high-value pre-fillable syringes that can be utilized by Nephron as well as the pharmaceutical and healthcare industries.

- The company will start offering these parties its pre-fillable syringes with a specific technology that complies with industry standards by the beginning of early 2023.

- Sharps Technology can significantly increase its manufacturing capacity in collaboration with InjectEZ in order to fulfill future industry and customer demand for pre-fillable systems, as stated in the agreement.

- Along with the partnership, Sharps Technology and Nephron hope to launch a Pharma Services Program, creating additional business opportunities.

- Among them is developing and promoting fresh drug delivery technologies that Sharps will produce and offer to the pharmaceutical and healthcare industries.

- According to the contract, the company will also set up a supply program with Nephron through which it can use Nephron's outside logistics suppliers to distribute, qualify products, and carry out clinical studies with Nephron's healthcare clients for all of the company's developed products. The arrangement is expected to last for a minimum of four years which is good news for Sharps.

Fast-Growing Market Size

- The world saw a huge jump in the demand for syringes with the coronavirus pandemic and the high level of demand has sustained. In 2022, more than two billion syringes will be needed to administer Covid-19 vaccines.

- The World Health Organization warned of this shortage. Given this situation, there is a high chance that the safety of syringes could potentially be compromised, which could affect routine vaccinations.

- Another important factor fuelling the market expansion for safety syringes is the rise in concerns about needle stick injuries to both patients and medical personnel.

- The development of self-injection devices, long-acting formulations, minimal side effects, excellent efficacy, and favorable reimbursement policies all contribute to the rise in demand for injectable formulations, which drives the market's expansion.

- The increase in hospital investments in surgical equipment and government initiatives to include the use of safety syringes in laws to reduce needle stick injuries and minimize needle re-use also significantly impact the market.

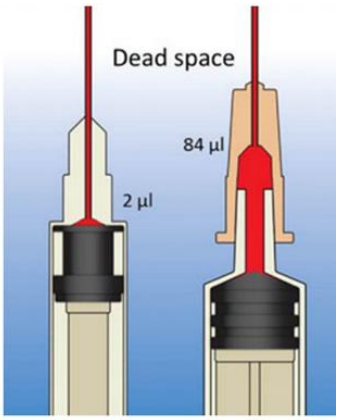
- Additionally, the market for safety syringes benefits from expanding healthcare infrastructure and the demand for better safety features for syringes.

- As per Market Data Forecast, the global safety syringe market size was $5.97 billion in 2022 and is expected to grow to $9.17 billion at a staggering CAGR of 8.96%. The Sharps Technology's Provensa offering falls within this domain and should be able to capture a good portion of this growing market pie.

Over-filling

Why Is It a BIG Problem?

- Every pharmaceutical company must overfill their vial or pre-filled syringe with the correct dose to cover the syringe waste space.
- Waste space in the syringe is the amount which fails to be injected into the patient and is thrown away with the used syringe.
- Depending on the inefficiency of the syringe, dose, and waste space a pharmaceutical company may overfill by 200% or twice the amount to be injected into the patient – a waste/cost born by all.
- Eliminating waste space produces more lifesaving doses of vaccines and drugs.
- Hard to manufacture drugs can be made available more rapidly.



Source: Company Presentation

- Even the market for pre-filled syringes has a solid macro and is expected to reach $3.6 billion by 2030 with a 7% CAGR as per the management which is why every pharmaceutical manufacturer must overfill their pre-filled syringes or vials with the appropriate dosage to cover the syringe waste space.

- Waste space in the syringe is the portion that is not injected into the patient and is discarded with the used syringe as shown in the above snapshot.

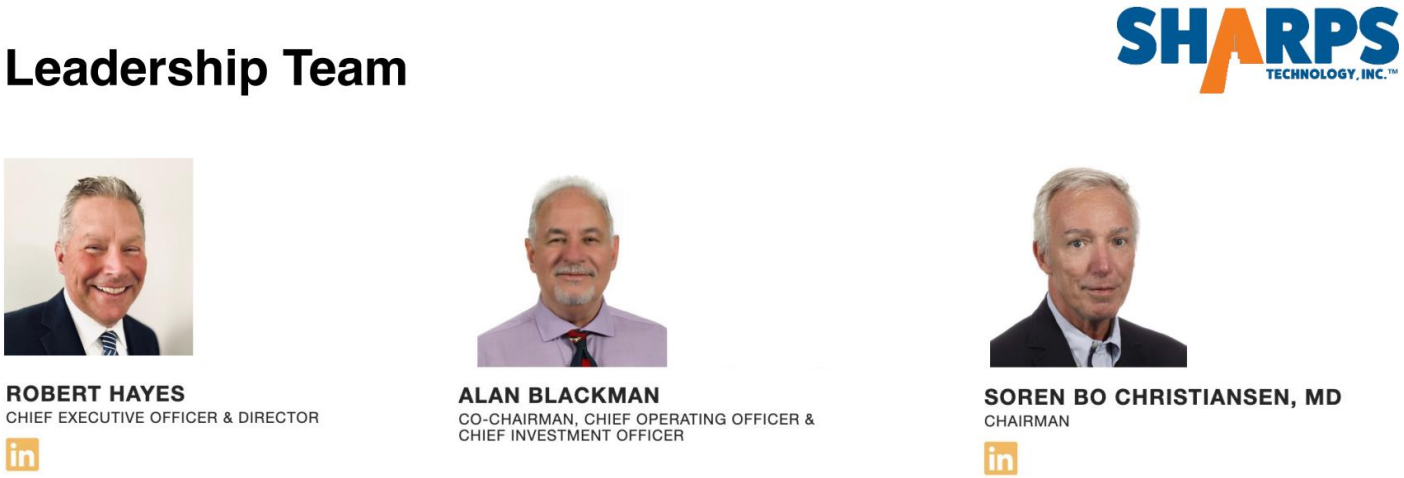
- Thus, a pharmaceutical corporation may double or overfill the amount to be injected into the patient, depending on the inefficiency of the syringe, dose, and waste space.

- Additionally, when waste space is reduced, more vaccination doses and life-saving pharmaceuticals can be manufactured, and slower-to-produce medications can be distributed more swiftly.

- This is where the company's Sharps Provensa ultra-low waste smart safety syringes come into the picture. When we talk about Covid-19 alone, Sharps' pre-filled syringes manufactured in collaboration with Nephron are FDA-cleared, Pfizer-approved, and Moderna-verified to deliver 7 doses from a 5-dose vial of Pfizer's Covid vaccine.

- The company is clearly operating in a market where demand is not a problem and is at a clear advantage being on the supply side..

Experienced Management Team



Source: Company Presentation

- Sharps Technology's organization is spearheaded by CEO Robert Hayes, an industry veteran with over 25 years of experience in healthcare, including syringe production and drug administration.

- He has built a solid healthcare network over the years and is a known expert in managing global sales, and key accounts, as well as innovating new products. Robert is ably assisted by the company's co-Chairman, COO, and CIO, Alan Blackman who has over 40 years of experience under his belt in the fields of financing and running businesses in the medical diagnostics, intravenous devices, chemical technology, surgical, and orthopedics field.

- The Chairman of the Board of Directors of Sharps Technology is Dr. Soren Christiansen. He has served as the former president of Merck Europe, Canada, the Middle East, and Africa and a senior vice president for Merck Vaccines.

- In his SVP position, he was in charge of a $10 billion company, which accounted for 25% of Merck's whole business. Dr. Christiansen is responsible for assisting the team in increasing the production volumes and capacity of safety syringes to help healthcare providers and patients.

- Andrew Crescenzo, the company's Chief Financial Officer, is also vastly experienced in his domain and has served in a variety of financial positions in the biotech, manufacturing, and distribution industries from 2006 to 2019.

- He was the CFO of United Metro Energy and Senior VP of Finance of Enzo Biochem. Prior to 2006, he worked with Grant Thornton LLP as a Senior Manager from 1997 to 2002 and as an Executive Director from 2002 to 2006.

- Last but not the least, Dr. Steven Hertz, the Chief Medical Officer of Sharps, has a strong expertise in consulting for medical equipment. Dr. Hertz spends his time between his ongoing responsibilities as Saint Barnabas Medical Center's Chief of Vascular Surgery and Site Director of the Vascular Fellowship Teaching Program.

- He previously held the position of President of the Vascular Society of New Jersey. Apart from the above-mentioned personnel, Sharps Technology also has a robustly experienced Board of Directors.

- Overall, the team's vast experience and knowledge should act as an enabler for Sharps Technology' growth in the long run.

HISTORICAL FINANCIAL STATEMENTS & PROJECTIONS

Particulars	9/30/21	12/31/21	3/31/22	6/30/22
Revenues	0.00	0.00	0.00	0.00
Cost of Goods Sold	0.00	0.00	0.00	0.00
Gross Income (excl. D&A)	0.00	0.00	0.00	0.00
EBITDA	-1.34	-1.41	-1.26	-2.70
Depreciation & Amortization	0.00	0.02	0.07	0.08
% of Fixed Assets	*0.0%*	*0.5%*	*1.8%*	*1.9%*
Extraordinary Expenses	0.00	0.00	0.01	0.01
EBIT (incl. extraordinary exp)	-1.34	-1.43	-1.34	-2.79
Pretax Income	-1.34	-1.60	-1.87	0.48
Income Tax	0.00	0.00	0.00	0.00
% rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Net Income	-1.34	-1.60	-1.87	0.48

- Let us start off with analyzing the most recent and historical quarterly data reported by the company.
- Sharps Technology has reported a top-line of $0 million in its recent quarterly result. The company is yet to start generating revenues.
- The company reported a negative gross margin of 0.00% for the quarter ended 6/30/22.
- Its EBITDA for the quarter was $-2.7 million. Sharps Technology's operating income (EBIT) was reported at $-2.79 million.
- Sharps Technology reported a net income of $0.48 million which resulted in a diluted earnings per share (EPS) of $0.06.
- Sharps Technology burnt $-1.88 million in terms of operating cash flows for the quarter ended 6/30/22.
- As a result of the fundraising, the company had a final cash and short-term investment balance of $7.81 million.

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Particulars	**2019**	**2020**	**2021**
Revenues	0.00	0.00	0.00
Cost of Goods Sold	0.00	0.00	0.00
Gross Income (excl. D&A)	0.00	0.00	0.00
EBITDA	-2.05	-2.32	-4.47
Depreciation & Amortization	0.01	0.01	0.03
% of Fixed Assets	*33.3%*	*50.0%*	*0.8%*
Extraordinary Expenses	0.00	0.00	0.00
EBIT (incl. extraordinary exp)	-2.06	-2.33	-4.50

Pretax Income	-2.06	-2.34	-4.66
Net Income	-2.06	-2.34	-4.66

- When we analyze the company's annualized historical income statement, we see that the top-line was $0 million for the previous financial year ending in 2021.
- The revenue growth is expected to start from 2023 onwards.
- Non-cash expenses in the form of depreciation and amortization have gone up as compared to the result in 2020.

Particulars	**2019**	**2020**	**2021**
Assets			
Net Intangible Fixed Assets	0.00	0.00	0.00
Net Tangible Fixed Assets	0.03	0.02	3.76
Total Fixed Assets	**0.03**	**0.02**	**3.76**
LT Investments	0.00	0.00	0.00
Inventories	0.00	0.00	0.12

Accounts Receivable	0.00	0.00	0.00
Cash and ST Investments	0.64	1.79	1.48
Other Current Assets	0.00	0.05	0.01
Total Current Assets	**0.64**	**1.84**	**1.61**
Other Assets	-0.01	0.37	0.53
Total Assets	**0.66**	**2.23**	**5.90**
Liabilities & Shareholder's Equity			
Equity & Minorities	0.56	2.13	3.13
LT Debt	0.00	0.00	0.00
Other LT Liabilities	0.00	0.00	0.00
Total LT Liabilities	**0.00**	**0.00**	**0.00**
ST Debt	0.00	0.00	0.70

Accounts Payable	0.09	0.05	0.74
Other ST Liabilities	0.01	0.05	1.33
Total Current Liabilities	**0.10**	**0.10**	**2.77**
Total Liabilities	**0.10**	**0.10**	**2.77**
Total Liabilities & Shareholder's Equity	**0.66**	**2.23**	**5.90**

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Other Metrics	**2019**	**2020**	**2021**
Total Cash Dividends Paid	0.00	0.00	0.00
% growth	*NA*	*NA*	*NA*
Total Common Shares Outstanding	5	5	5
% change		*0.0%*	*0.2%*
Dividend Per Share	0.00	0.00	0.00
% change	*NA*	*NA*	*NA*

Other Performance Ratios	2019	2020	2021
Return on Assets	-312.1%	-104.9%	-79.0%
Return on Equity	-367.9%	-109.9%	-148.9%

- The company does not pay any dividend.
- Sharps Technology Inc's total common shares outstanding have increased in 2021 by 0.19% implying a share issuance.
- Return on assets is an excellent indicator of how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.
- On the other hand, the return on equity of a company measures the value creation of the management and profitability in relation to stockholders' equity.
- The company's overall Return on Assets is -78.98%.
- Sharps Technology's Return on Equity is -148.88%. The company's Return on Equity is lower than its Return on Assets and this is because it does not resort to using significant capital gearing. .

Particulars	2020	2021	2022E	2023E	2024E
Revenues	0.00	0.00	20.00	37.80	66.49
% growth				*89.0%*	*75.9%*
Cost of Goods Sold	0.00	0.00	-15.00	-26.76	-46.54
% of revenue			*-75.0%*	*-70.8%*	*-70.0%*
Gross Income (excl. D&A)	0.00	0.00	5.00	11.04	19.95
% of revenue			*25.0%*	*29.2%*	*30.0%*
EBITDA	-2.32	-4.47	0.40	5.84	14.55
% of revenue			*2.0%*	*15.5%*	*21.9%*
Depreciation & Amortization	0.01	0.03	0.03	0.03	0.03

EBIT	-2.33	-4.50	0.37	5.81	14.51
% of revenue			*1.8%*	*15.4%*	*21.8%*
EBT (GAAP)	-2.34	-4.66	0.19	5.63	14.33
% of revenue			*0.9%*	*14.9%*	*21.6%*
Net Income (GAAP)	-2.34	-4.66	0.19	5.63	14.33
% of revenue	*#DIV/0!*	*#DIV/0!*	*0.9%*	*14.9%*	*21.6%*

Particulars	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Net Income (GAAP)	-2.34	-4.66	0.19	5.63	14.33
+ Depreciation & Amortization	0.01	0.03	0.03	0.03	0.03
+/- Working Capital, Deferred Taxes & Other Adjustments	0.45	1.48	0.15	-0.24	-0.47
Cash Flow from Operations	**-1.88**	**-3.15**	**0.37**	**5.42**	**13.89**
% of EBITDA	*81.0%*	*70.5%*	*91.9%*	*92.8%*	*95.5%*
Capital Expenditure	0.31	2.27	2.47	2.70	2.94
% of revenues	*#DIV/0!*	*#DIV/0!*	*-12.4%*	*-7.1%*	*-4.4%*
Other Investment Cash Flow items	0.08	0.07	0.07	0.07	0.07

Cash Flow after Investments	**0.39**	**2.34**	**2.54**	**2.77**	**3.01**
Free Cash Flow	**-1.57**	**-0.88**	**2.84**	**8.12**	**16.83**

Growth & Margins	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Sales Growth	0.0%	0.0%	0.0%	89.0%	75.9%
EBITDA Margin	0.0%	0.0%	2.0%	15.5%	21.9%
EBIT Margin	0.0%	0.0%	1.8%	15.4%	21.8%
Net Profit Margin	NA	NA	0.9%	14.9%	21.6%

Leverage Ratios	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Net Debt	-2	-1	-4	-12	-29
Net Debt/ Equity	-0.8	-0.2			
Net Debt/ EBITDA	NA	NA	NA	NA	NA

- Now let us move on to Baptista Research's forecasts for Sharps Technology's income statement and cash flows.
- We forecast a top-line growth of 0.0% for 2022, around 89.0% for 2023, and about 89.0% for 2024.
- This growth is expected to translate into an EBITDA of $0.4 million in 2022 with a margin of 2.00%
- Sharps Technology's EBIT margin is expected to be 1.84% in 2022, about 15.37% in 2023, and 15.37% in 2024.
- We expect the growth to follow a similar trend in 2023 and 2024.
- In terms of the cash flows, we expect Sharps Technology to generate around $0.3676 million in operating cash flows in 2022.
- This implies an EBITDA-to-Operating-Cash-Flow conversion ratio of 91.90%
- Sharps Technology is expected to invest a lower amount in capex and other investing activities in 2022.
- Overall, the company is expected to generate free cash flows to the tune of $2.8419 million in 2022.
- Sharps Technology's Net Debt is expected to decrease in 2022 and is expected to follow a similar trend over the coming years.
- The Net Debt-to-EBITDA ratio is a measure of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. It shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
- Sharps Technology's Net Debt-to-EBITDA ratio is expected to be NA in 2022 which indicates that the company is over-leveraged.
- Net-Debt-to-Equity ratio, also known as the gearing ratio shows how encumbered a company is with its debt.
- The company's Net Debt-to-Equity ratio for 2021 is -0.25 and it indicates that the company has no gearing.

DISCOUNTED CASH FLOW (DCF) VALUATION

Key DCF Assumptions	
WACC	21.2%
CoD	3.7%
CoE	21.5%
Market Rate	6.0%
Risk Free Rate	3.5%
Beta	3
Perpetual Growth Rate (g)	18.9%
Terminal Value	716.6
Tax Rate	0.0%

- For the purpose of carrying out the discounted cash flow valuation of Sharps Technology, we have used the standard capital asset pricing model (CAPM).
- We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years.
- The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 3.45%.
- The company's stock is more volatile than the market as a whole and has a beta of 3.0 which we shall use without leveraging the same as we are going for the enterprise value approach.
- This is used in order to arrive at the cost of equity (CoE) of 21.5% which appears reasonable for a company like Sharps Technology.
- Based on the company's long term debt and interest payments, the cost of debt is 3.7%. After incorporating the CoE and the CoD and average tax rate of 0.0%, we arrive at a Weighted Average Cost of Capital (WACC) of 21.2%.
- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 1.3 to our forecasted revenues of 2024.

EV and Market Cap	Current	2022E	2023E	2024E
Price ($)	1.0	5.5	7.8	12.2
Outstanding Number of shares (million)	9.2	9.2	9.2	9.2
Total Market Cap (billion)	0.010	0.051	0.072	0.113
Net Debt	-1	-4	-12	-29
Enterprise Value (billion)	0.01	0.05	0.06	0.08

- After applying the discount rate (WACC) of 21.2%, we arrive at a price target of $5.5 for 2022.
- Our target price at the end of 2023 is $7.8 and for 2024 is $12.2 which implies a total appreciation of nearly 1077.6% in the coming 3 years in the stock price.
- During this phase, we see the EV/ EBITDA to be in the range of 5.79 and 117.58
- The EV/ EBIT will be in the range of 14.50 to 163.00 over the coming 3 years.

Valuation Ratios	Current	2022E	2023E	2024E
EV/ Sales	NA	2.4	1.6	1.3
EV/ EBITDA	NA	117.6	10.3	5.8
EV/ EBIT	NA	127.6	163.0	14.5
Price/Earnings	NA	268.7	12.8	7.9

KEY RISKS

- It is important to highlight the key risks associated with an investment in Sharps Technology Holdings as well as the inherent risks associated with the financial projections and price forecasts presented in this report.

- Sharps Technology may have a relatively unique technology but it does operate in a highly competitive domain with many large syringe manufacturers like Becton Dickinson, B. Braun Melsungen, Terumo, Teleflex, Smiths Medical, Cardinal Health, and so on. These companies are known to have huge R&D budgets and could launch competing syringes within their vast distribution network to counter Sharps Technology.

- In order to accommodate growth and compete effectively, the management will need working capital to expand their syringe manufacturing, develop additional procedures and controls and increase, train, motivate and manage its work force.

- Sharps Technology has no revenues so and is serving the global market since less than a decade which means it has a very limited operating history. As a result, many potential investors find it difficult to evaluate its business prospects and management.

- Sharps Technology's management may struggle to successfully implement and execute their business tactics, operating strategies and growth initiatives. If the management fails to accomplish their growth and organizational modification effectively, it may destroy their business and operational results.

- Sharps Technology relies on third parties like Nephron for the manufacturing of syringes. Therefore, any change in pledged relationships or disruption of service may badly affect them and subject them to liability. There is also the risk of the company's IP i.e., its battery design being infringed.

- With respect to our price projection, we would like to clarify that the valuation of Sharps Technology Holdings in this report is specific to the date of the analysis i.e. 14-11-2022.

- Another one of the biggest risks to Sharps Technology Holdings' model is the fact that the company's top-line growth is assumed to be consistently growing by a certain rate in the model. There is a possibility that this assumption might not hold true if the COVID-19 situation persists for too long. With respect to our price projection, we would like to clarify that the valuation of Sharps Technology Holdings in this report is specific to the date of the analysis i.e. 14th November 2022.

- We must emphasize that the projected valuation and the share price of Sharps Technology Holdings are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts. There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

ANALYST RATINGS

- Buy: Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.
- Outperform: Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.
- Sell: Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.
- Underperform: Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.
- Hold: Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

ANALYST INDUSTRY VIEWS

- Attractive: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
- In-Line: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
- Cautious: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
- Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI EM Latin America Index; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

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