

TAGLICH BROTHERS

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Final Report

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

Catasys, Inc.

Dropping Coverage

John Nobile
April 26, 2019

CATS \$15.19 — (NASDAQ)

	<u>2016A</u>	<u>2017A</u>	<u>2018A</u>
Revenues (millions)	\$7.1	\$7.7	\$15.2
Earnings (loss) per share	\$(1.95)	\$(0.99)	\$(0.89)

52-Week range	\$15.43 – \$4.88	Fiscal year ends:	December
Common shares out as of 3/19/19	16.2 million	Revenue per share (TTM)	\$0.95
Approximate float	5.1 million	Price/Sales (TTM)	16.0X
Market capitalization	\$246 million	Price/Sales (FY2020)E	NA
Tangible book value/share	\$(0.55)	Price/Earnings (TTM)	NMF
Price/tangible book value	NMF	Price/Earnings (FY2020)E	NA

Catasys, headquartered in Los Angeles, California, provides specialized behavioral health management and integrated treatment services to health plans through its proprietary OnTrak program. OnTrak is designed to improve a member's health while lowering costs to the insurer where behavioral health conditions are causing or exacerbating medical conditions.

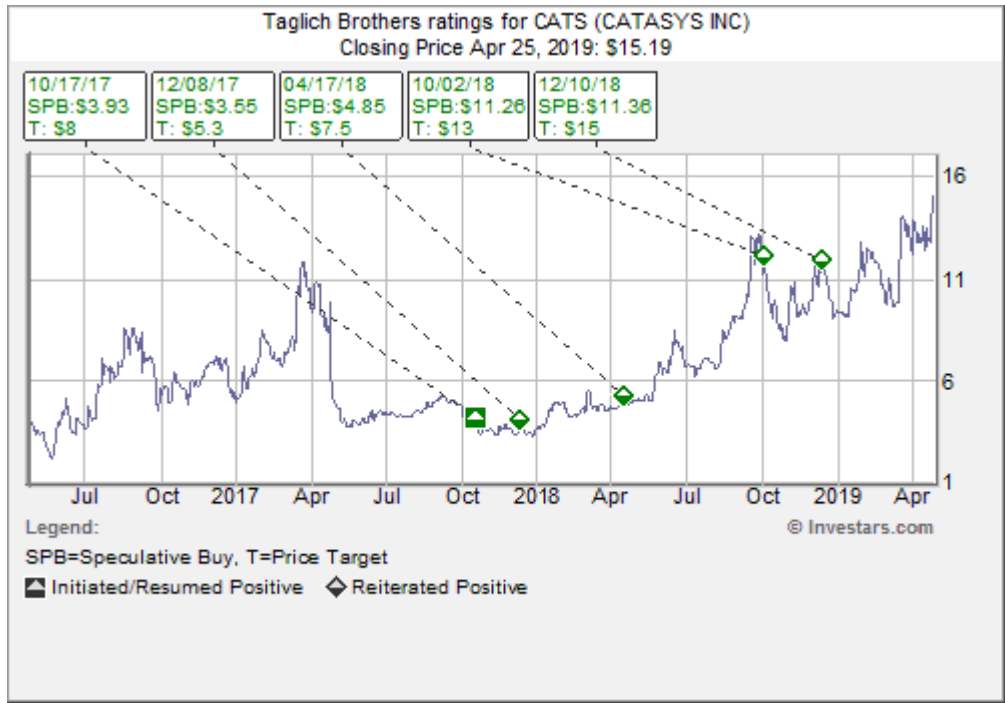
Key investment considerations:

Dropping coverage due to termination of research services.

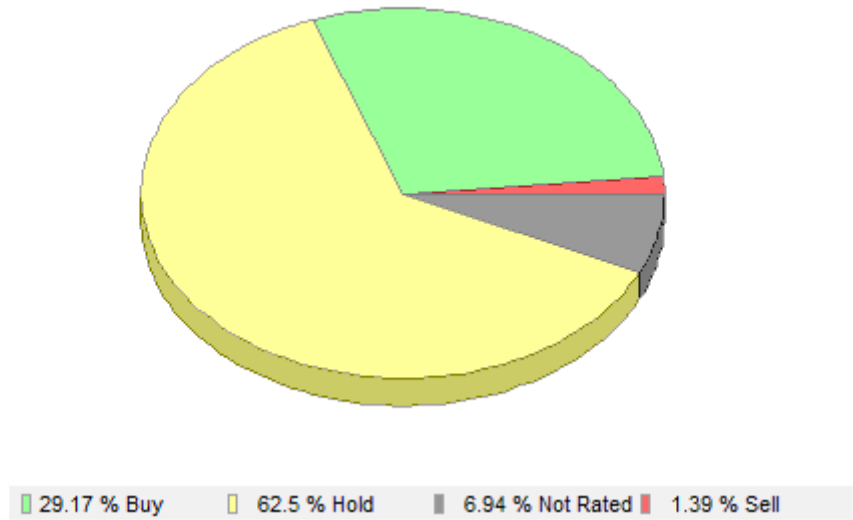
CATS reported (March 14, 2019) 2018 revenue nearly doubled to \$15.2 million from \$7.7 million. The loss per share was \$(0.89) versus \$(0.99).

****Please view our disclosures on pages 2 - 4.***

Price Chart



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	2	8
Hold		
Sell		
Not Rated	2	50

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I, John Nobile, 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.

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