

## Dyadic (DYAI-NASDAQ) – Buy Rated

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### The Israel Institute for Biological Research (IIBR) & Dyadic Focus

*IIBR now plans to work with Dyadic to explore the C1 gene expression platform to express gene sequences and targets developed by IIBR into both an rVaccine candidate and monoclonal antibodies (mAbs) that may help combat the outbreak of the COVID-19 virus (Coronavirus).*

### Investment Highlights

An outbreak of a pneumonia-like illness that started in the city of Wuhan has put health authorities on high alert in China and around the world. The new coronavirus—named 2019-nCoV—is thought to have originated in the food market of the central China metropolis and has since infected more than a thousand people. The infected and death toll has already risen sharply since we first addressed the topic in January.

**Israel is Interested.** IIBR plans to explore the potential of Dyadic's C1 gene expression platform to express gene sequences and targets developed by IIBR. The research collaboration can combine IIBR's scientific capabilities and cGMP facilities with Dyadic's C1 gene expression platform to shorten the development cycle, lower the manufacturing cost and improve the performance of vaccines and mAbs. Beyond Corona, the idea has been to be in a position to provide certain countermeasures against nerve agents such as sarin and VX gas which are toxic and rapidly acting chemical warfare agents. The application of the C1 technology platform with Israeli and other government agencies (EU/U.S.) to help with the need to combat emerging biologic outbreaks whether that be pandemics, epidemics or other threats to national security and defense.

**The ZAPI Project too.** The Coronavirus appears to be is a virus that is transmitted from animals to people and now, a Zoonotic Virus which is then transmitted from person to person. Dyadic has developed a biomanufacturing technology platform, nicknamed C1 which helps to speed the development, lower the manufacturing cost and potentially improve the performance of biologic vaccines & drugs including vaccines against Zoonotic diseases. For the past five years plus Dyadic has been working with other pharmaceutical and biotech companies, universities and other institutes in the European Union Zoonotic Anticipation And Preparedness Initiative (ZAPI) Project, intending to create new platforms and technologies that will facilitate a fast, coordinated, and practical response to new animal and human infectious diseases such as the Coronavirus as soon as they emerge.

**Sanofi (SNA- Not Rated).** Dyadic is commercially working with Sanofi and various other top twenty-five pharma & biotech companies, as well as The Serum Institute of India, to further improve and apply the C1 gene expression platform to accelerate development, lower production costs and improve the performance of biologic vaccines, drugs, and other biologic products, at flexible commercial scales to make healthcare more accessible & affordable to patients globally.

Current Price	\$5.30
Price Target	\$14.00

Estimates	F2019E	F2020E	F2021E
<b>Expenses (\$000s)</b>	\$ 11,799	\$ 12,035	\$ 12,276
1Q March	\$ 2,844	\$ 2,768	\$ 2,823
2Q June	\$ 3,352	\$ 2,888	\$ 2,946
3Q September	\$ 2,398	\$ 3,009	\$ 3,069
4Q December	\$ 3,205	\$ 3,370	\$ 3,437
	F2019E	F2020E	F2021E
<b>EPS (diluted)</b>	\$ (0.34)	\$ (0.11)	\$ 0.87
1Q March	\$ (0.08)	\$ (0.03)	\$ 0.20
2Q June	\$ (0.10)	\$ (0.03)	\$ 0.21
3Q September	\$ (0.06)	\$ (0.03)	\$ 0.22
4Q December	\$ (0.09)	\$ (0.03)	\$ 0.24

EBITDA/Share	(\$0.34)	(\$0.11)	\$0.87
EV/EBITDA (x)	0.0	0.0	0.9

Stock Data		
52-Week Range	\$2.70	\$7.30
Shares Outstanding (mil.)	27.2	
Market Capitalization (mil.)	\$144	
Enterprise Value (mil.)	\$107	
Debt to Capital	0%	
Book Value/Share	\$1.76	
Price/Book	1.2	
Average Three Months Trading Volume (K)	84	
Insider Ownership	30.3%	
Institutional Ownership	16.2%	
Short interest (mil.)	5.2%	
Dividend / Yield	\$0.00/0.0%	



**The Serum Institute of India.** It is a for-profit company and the world's largest vaccine manufacturer by the number of doses produced and sold globally (more than 1.5 billion doses) which includes Polio vaccine as well as Diphtheria, Tetanus, Pertussis, Hib, BCG, r-Hepatitis B, Measles, Mumps and Rubella vaccines. It's estimated that about 65% of the children in the world receive at least one vaccine manufactured by Serum Institute. Vaccines manufactured by the Serum Institute are accredited by the World Health Organization, Geneva, and are being used in around 170 countries across the globe in their national immunization programs, saving millions of lives throughout the world.

**Dyadic's last report:** Just under half a million in R&D revenues (\$454k) in the quarter and spent just \$1.6M in the period closing the quarter with \$37M in cash and equivalents. We met with management and see the potential for multiple additional catalysts to unfold over the next year plus.

**Valuation:** If we flip coin four times, the reality is we have no idea how many times it will be heads vs. tails. The same thing is true in terms of our ability to predict the next partnership or license deal Dyadic may announce. With that said, if we flip a coin, a hundred times, we can expect about half of the tosses to be heads (or tails). For Dyadic, we evaluate broadly the utility of the C1 platform across three market segments. Pharma and Biotechnology, Biosimilars, Vaccines, and Industrial markets such as Petroleum or Blue Jeans. We assume eight possible deals over the next ten years, in each of the three segments, or 24 possible revenue streams, each with their own milestones and royalties. We know its unlikely that the company will achieve all 24 deals, and we also know it is equally unlikely they will have no new deals (given the existing track record). For this modeling exercise, we apply a 70% discount (or 30% probability of success) factor to determine the revenue stream. This discount is in addition to our (r) discount rate that we use in our Free Cash Flow to the Firm (FCFF), discounted EPS (dEPS), and Sum of the Parts (SOP) models. For this rate we select  $r = 30\%$  (our highest discount). Our model uses a fully diluted projected out-year (2030) share count. Our three models (FCFF, dEPS, and SOP) are then equal-weighted, averaged and rounded to the nearest whole number to derive our 12 months price target of \$14.00.

**Risks:** Partnership risks, Commercialization risks, Financial risks, Clinical and regulatory risks, and Legal and intellectual property risk.

**Exhibit 1. Upcoming Catalysts for Dyadic**

Product	Geography	Event	Timeline	Impact
C1 to produce AAV vectors		large market demand for aav vectors	Future	+
Research Collaborations		Additional Collaborations with pharma companies	Future	+
Research Collaborations		Additional Collaborations with Biotrechnology companies	Future	+
Research Collaborations		Additional Collaborations with Biosimilar companies	Future	+
Research Collaborations		Additional Collaborations with Industrial companies	Future	+
Research Collaborations		Additional Collaborations with Vaccine Makers	Future	+
Serum Institute of India partnership		Expansion of the collaboration: Manufacture of up to 12 vaccines)	Future	+

Stock Significance Scale: + of moderate importance; ++ higher level; +++ very important

Source: Dawson James estimates.

**Product Modeling Assumptions.** Dyadic is a platform company based on its C1 technology. The company’s strategy, at this point in its evolution, is to pursue license and royalty structured deals across several focus areas which include:

- a. **Large Pharma and Biotechnology companies** that have products in early stages of development, so much so, that they can leverage the C1 manufacturing process (as more efficient, more cost-effective) early in the scale-up process.
- b. **Biosimilars.** We see “generic biologics” as a new and emerging industry. The industry is only partially focused on managing production costs. This is because makers' first priority has been to demonstrate that the manufactured product is truly the same as the brand. As the industry matures, we see the possibility of two key factors that may change, both of which could favor Dyadic.
  - i. The industry will ultimately compete on price, so makers with the lowest manufacturing cost will have a strategic advantage.
  - ii. Intellectual property Infringement. Brand companies have already pursued IP infringement to prevent generic biosimilars from entering the market. One key area is to claim infringement on the manufacturing process itself. By shifting to a C1 (Dyadic) process, companies would not be infringing on the brand makers process.
- c. **Vaccine Industry.** Dyadic currently has a partnership deal (milestones and royalties) with the Serum Institute of India. The arrangement allows Serum to select up to 12 additional projects.
  - i. We assume that the rising demand for cheaper, and faster, production of vaccines only continues to rise with time. The global need is great, and in emerging countries, cost-effective production is critical. As Dyadic demonstrates success in the industry we expect additional vaccine makers will utilize the C1 platform.
- d. **Industrial Industry.** Dyadic’s first production was to move the denim jeans “stone-washed” blue jeans away from using stones to using C1 product methods. Multiple industrial processes could benefit from the cost-effective production methods. We know that Dyadic has worked with the petroleum industry although Dupont acquired that technology in a \$75M deal with the company.

**Exhibit 2. Market Models: For the purposes of modeling, we assume Dyadic will focus on three areas, Industrials, Vaccines and Pharma and Biotech. -Biosimilars.**
**Industrial Enzymes Production**

Milestone Revenues (M)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Biofuels (ethanol from fuels)			\$ 5.0			\$ 5.0			\$ 5.0				\$ 15.0
Animal Feed				\$ 10.0			\$ 20.0				\$ 25.0		
Pulp and Paper					\$ 10.0			\$ 5.0			\$ 5.0		
Textiles			\$ 5.0			\$ 5.0				\$ 15.0			
Food and Food Related				\$ 5.0			\$ 5.0		\$ 5.0			\$ 10.0	
Deal No. 6								\$ 5.0			\$ 5.0		\$ 5.0
<b>Probability of Success</b>			30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
<b>Total Milestone Revenues</b>	\$ -	\$ -	\$ 3.0	\$ 4.5	\$ 3.0	\$ 3.0	\$ 7.5	\$ 3.0	\$ 3.0	\$ 4.5	\$ 10.5	\$ 3.0	\$ 6.0

Royalty Revenues (M)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Biofuels (ethanol from fuels)				\$ 5.0	\$ 7.0	\$ 10.0	\$ 14.0	\$ 18.0	\$ 22.0	\$ 27.0	\$ 35.0	\$ 9.0	\$ 10.0
Animal Feed				\$ 5.0	\$ 7.0	\$ 9.0	\$ 9.9	\$ 10.9	\$ 12.0	\$ 13.2	\$ 14.5	\$ 15.9	\$ 17.5
Pulp and Paper				\$ 5.0	\$ 5.8	\$ 3.0	\$ 3.5	\$ 4.0	\$ 4.6	\$ 5.2	\$ 6.0	\$ 6.9	\$ 8.0
Textiles				\$ 5.0	\$ 10.0	\$ 15.0	\$ 20.0	\$ 30.0	\$ 40.0	\$ 50.0	\$ 60.0	\$ 70.0	\$ 80.0
Food and Food Related				\$ 5.0	\$ 7.0	\$ 10.0	\$ 11.0	\$ 12.1	\$ 13.3	\$ 14.6	\$ 16.1	\$ 17.7	\$ 19.5
Deal No. 6													
<b>Probability of Success</b>			30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
<b>Total Royalty Revenues</b>	\$ -	\$ -	\$ -	\$ 7.5	\$ 11.0	\$ 14.1	\$ 18.7	\$ 24.0	\$ 29.4	\$ 36.0	\$ 41.9	\$ 47.9	\$ 55.5

**Total Industrial Enzyme Adjusted Milestone & Royalty Revenues** \$ - \$ - \$ 3.0 \$ 12.0 \$ 14.0 \$ 17.1 \$ 26.2 \$ 27.0 \$ 32.4 \$ 40.5 \$ 52.4 \$ 50.9 \$ 61.5

**Serum Institute of India & "Other vaccine" Partnerships**

Milestone Revenues (M)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Development of up to 12 antibodies and vaccines			\$ 5.0			\$ 5.0			\$ 5.0				\$ 15.0
Deal No. 2				\$ 10.0			\$ 20.0				\$ 25.0		
Deal No. 3					\$ 10.0			\$ 5.0			\$ 5.0		
Deal No. 4			\$ 5.0			\$ 5.0				\$ 15.0			
Deal No. 5				\$ 5.0			\$ 5.0		\$ 5.0			\$ 10.0	
Deal No. 6								\$ 5.0			\$ 5.0		\$ 5.0
<b>Probability of Success</b>			30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
<b>Total Milestone Revenues</b>	\$ -	\$ -	\$ 3.0	\$ 4.5	\$ 3.0	\$ 3.0	\$ 7.5	\$ 3.0	\$ 3.0	\$ 4.5	\$ 10.5	\$ 3.0	\$ 6.0

Royalty Revenues (M)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Development of up to 12 antibodies and vaccines				\$ 5.0	\$ 7.0	\$ 10.0	\$ 14.0	\$ 18.0	\$ 22.0	\$ 27.0	\$ 35.0	\$ 9.0	\$ 10.0
Option to obtain exclusive commercial sublicense 15 yrs royalty				\$ 5.0	\$ 7.0	\$ 9.0	\$ 9.9	\$ 10.9	\$ 12.0	\$ 13.2	\$ 14.5	\$ 15.9	\$ 17.5
Deal No. 3				\$ 5.0	\$ 5.8	\$ 3.0	\$ 3.5	\$ 4.0	\$ 4.6	\$ 5.2	\$ 6.0	\$ 6.9	\$ 8.0
Deal No. 4				\$ 5.0	\$ 10.0	\$ 15.0	\$ 20.0	\$ 30.0	\$ 40.0	\$ 50.0	\$ 60.0	\$ 70.0	\$ 80.0
Deal No. 5				\$ 5.0	\$ 7.0	\$ 10.0	\$ 11.0	\$ 12.1	\$ 13.3	\$ 14.6	\$ 16.1	\$ 17.7	\$ 19.5
Deal No. 6													
<b>Probability of Success</b>			30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
<b>Total Royalty Revenues</b>	\$ -	\$ -	\$ -	\$ 7.5	\$ 11.0	\$ 14.1	\$ 18.7	\$ 24.0	\$ 29.4	\$ 36.0	\$ 41.9	\$ 47.9	\$ 55.5

**Total Serum Institute (India) & Other Vaccines Milestone & Royalty Revenues** \$ - \$ - \$ 3.0 \$ 12.0 \$ 14.0 \$ 17.1 \$ 26.2 \$ 27.0 \$ 32.4 \$ 40.5 \$ 52.4 \$ 50.9 \$ 61.5

**Pharma, Biotech and Biosimilars**

Milestone Revenues (M)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Deal No. 1			\$ 5.0			\$ 5.0			\$ 5.0				\$ 15.0
Deal No. 2				\$ 10.0			\$ 20.0				\$ 25.0		
Deal No. 3					\$ 10.0			\$ 5.0			\$ 5.0		
Deal No. 4			\$ 5.0			\$ 5.0				\$ 15.0			
Deal No. 5				\$ 5.0			\$ 5.0		\$ 5.0			\$ 10.0	
Deal No. 6								\$ 5.0			\$ 5.0		\$ 5.0
<b>Probability of Success</b>			30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
<b>Total Milestone Revenues</b>	\$ -	\$ -	\$ 3.0	\$ 4.5	\$ 3.0	\$ 3.0	\$ 7.5	\$ 3.0	\$ 3.0	\$ 4.5	\$ 10.5	\$ 3.0	\$ 6.0

Royalty Revenues (M)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Deal No. 1				\$ 5.0	\$ 7.0	\$ 10.0	\$ 14.0	\$ 18.0	\$ 22.0	\$ 27.0	\$ 35.0	\$ 9.0	\$ 10.0
Deal No. 2				\$ 5.0	\$ 7.0	\$ 9.0	\$ 9.9	\$ 10.9	\$ 12.0	\$ 13.2	\$ 14.5	\$ 15.9	\$ 17.5
Deal No. 3				\$ 5.0	\$ 5.8	\$ 3.0	\$ 3.5	\$ 4.0	\$ 4.6	\$ 5.2	\$ 6.0	\$ 6.9	\$ 8.0
Deal No. 4				\$ 5.0	\$ 10.0	\$ 15.0	\$ 20.0	\$ 30.0	\$ 40.0	\$ 50.0	\$ 60.0	\$ 70.0	\$ 80.0
Deal No. 5				\$ 5.0	\$ 7.0	\$ 10.0	\$ 11.0	\$ 12.1	\$ 13.3	\$ 14.6	\$ 16.1	\$ 17.7	\$ 19.5
Deal No. 6													
<b>Probability of Success</b>			30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
<b>Total Royalty Revenues</b>	\$ -	\$ -	\$ -	\$ 7.5	\$ 11.0	\$ 14.1	\$ 18.7	\$ 24.0	\$ 29.4	\$ 36.0	\$ 41.9	\$ 47.9	\$ 55.5

**Industrial, Vaccines and Pharma & Biotech - Vaccines Milestone & Royalty Revenues** \$ 3.0 \$ 12.0 \$ 14.0 \$ 17.1 \$ 26.2 \$ 27.0 \$ 32.4 \$ 40.5 \$ 52.4 \$ 50.9 \$ 61.5

Source: Dawson James estimates.

**Valuation.** If we flip coin four times, the reality is we have no idea how many times it will be heads vs. tails. The same thing is true in terms of our ability to predict the next partnership or license deal, Dyadic may announce. With that said, if we flip a coin, a hundred times, we can expect about half of the tosses to be heads (or tails). For Dyadic, we evaluate broadly the utility of the C1 platform across three market segments. Pharma and Biotechnology, Biosimilars, Vaccines and Industrial markets such as Petroleum or Blue Jeans. We assume eight possible deals over the next ten years, in each of the three segments, or 24 possible revenue streams, each with their own milestones and royalties. We know it's unlikely that the company will achieve all 24 deals, and we also know its equally unlikely they will have no new deals (given the existing track record). For this modeling exercise, we apply a 70% discount (or 30% probability of success) factor, to determine the revenue stream. This discount is in addition to our (r) discount rate that we use in our Free Cash Flow to the Firm (FCFF), discounted EPS (dEPS), and Sum of the Parts (SOP) models. For this rate we select  $r = 30\%$  (our highest discount). Our model uses a fully diluted projected out-year (2030) share count. Our three models (FCFF, dEPS, and SOP) are then equal-weighted, averaged and rounded to the nearest whole number to derive our 12 months price target of \$14.00.

### Exhibit 3. Discounted Free Cash Flow Model

Average		14										
Price Target		14										
Year		2019										
units ('000)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(9,905)	(3,705)	23,041	28,856	37,817	64,862	66,934	82,758	106,964	142,284	137,455	169,017
Tax Rate	0%	0%	0%	0%	10%	15%	20%	22%	24%	25%	27%	29%
EBIT (1-t)	(9,905)	(3,705)	23,041	28,856	34,035	55,133	53,547	64,551	81,293	106,713	100,342	120,002
CapEx	(24,523)	-	-	-	-	-	-	-	-	-	-	-
Depreciation	91	-	-	-	-	-	-	-	-	-	-	-
Change in NWC	-	-	-	-	-	-	-	-	-	-	-	-
FCF	(34,338)	(3,705)	23,041	28,856	34,035	55,133	53,547	64,551	81,293	106,713	100,342	120,002
PV of FCF	(34,338)	(3,222)	17,422	18,974	19,460	27,411	23,150	24,267	26,575	30,335	24,803	25,794
Discount Rate	15%											
Long Term Growth Rate	1%											
Terminal Cash Flow	865,731											
Terminal Value YE2027	186,083											
NPV	386,712											
NPV-Debt	-											
Shares out ('000)	28,049	2030E										
NPV Per Share	14											

Source: Dawson James

### Exhibit 4. EPS Model

Current Year	2019
Year of EPS	2030
Earnings Multiple	15
Discount Factor	15%
Selected Year EPS	\$ 4.08
NPV	13.16

		Discount Rate and Earnings Multiple Varies, Year is Constant						
		13.16	5%	10%	15%	20%	25%	30%
Earnings Multiple	0	0	0	0	0	0	0	0
	5	11.94	7.16	4.39	2.75	1.75	1.14	
	10	23.87	14.31	8.78	5.50	3.51	2.28	
	15	35.81	21.47	13.16	8.24	5.26	3.42	
	20	47.74	28.62	17.55	10.99	7.01	4.56	
	25	59.68	35.78	21.94	13.74	8.77	5.70	
	30	71.62	42.93	26.33	16.49	10.52	6.83	
35	83.55	50.09	30.72	19.23	12.28	7.97		

Source: Dawson James

**Exhibit 5. Sum-of-the-Parts Model**

Dyadic	LT Gr	Discount Rate	Yrs to Peak	% Success	Peak Sales (MM's)	Term Val)
<b>Insutrial</b>	1%	15%	5	30%	\$205	\$1,464
NPV						\$5.1
<b>Vaccines</b>	1%	15%	5	30%	\$205	\$1,464
NPV						\$5.1
<b>Pharma &amp; Biotech</b>	1%	15%	5	30%	\$205	\$1,464
NPV						\$5.1
NPV						\$0.0
Net Margin						65%
MM Shrs OS (2030E)						28
<b>Total</b>						<b>\$15.18</b>

Source: Dawson James

**Risk Analysis**

In addition to the typical risks associated with development stage technology and biotechnology-related companies, potential risks specific to Dyadic are as follows:

**Partnership risk.** The company is also expected to make agreements with partners for additional products, but there can be no assurances that the company will be able to secure favorable partnerships.

**Commercial risk.** There are no assurances that the company will be able to achieve significant sales, market share, or become profitable.

**Clinical and regulatory risk.** Dyadic may pursue the development of its products and face the associated regulatory risks.

**Financial risk.** The company may need to raise capital in the marketplace, and there can be no assurances that the company will be able to successful raise capital and or do so, at favorable terms.

**Legal and intellectual property risk.** The company may have to defend its patents and technical know-how, and there can be no assurances that the patents will not be infringed or will be held as valid if challenged, and or that the company may infringe on third parties' patents.

**Exhibit 6. Income Statement**

DYAL: Income Statement (\$000)																	
YE September 31	2018A	1Q19A	2Q19A	3Q19A	4Q19E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue:</b>																	
Research & Development Revenue	1,295	403	391	455	375	1,623	1,655	1,688	1,722	1,757	1,792	1,828	1,864	1,901	1,940	1,978	2,018
<b>Total Product Sales</b>	<b>1,295</b>	<b>403</b>	<b>391</b>	<b>455</b>	<b>375</b>	<b>1,623</b>	<b>1,655</b>	<b>1,688</b>	<b>1,722</b>	<b>1,757</b>	<b>1,792</b>	<b>1,828</b>	<b>1,864</b>	<b>1,901</b>	<b>1,940</b>	<b>1,978</b>	<b>2,018</b>
Industrial Milestone Revenues							3,000	4,500	3,000	3,000	7,500	3,000	3,000	4,500	10,500	3,000	6,000
Industrial Royalty Revenues							-	7,500	11,025	14,100	18,705	23,987	29,355	36,019	41,890	47,880	55,502
Vaccine & Related Milestone Revenues							3,000	4,500	3,000	3,000	7,500	3,000	3,000	4,500	10,500	3,000	6,000
Vaccine & Related Royalty Revenues							-	7,500	11,025	14,100	18,705	23,987	29,355	36,019	41,890	47,880	55,502
Pharma and Bio Related Milestone Revenues							3,000	4,500	3,000	3,000	7,500	3,000	3,000	4,500	10,500	3,000	6,000
Pharma and Bio Related Royalty Revenues							-	7,500	11,025	14,100	18,705	23,987	29,355	36,019	41,890	47,880	55,502
<b>Total Revenue</b>	<b>1,295</b>	<b>403</b>	<b>391</b>	<b>455</b>	<b>375</b>	<b>1,623</b>	<b>9,000</b>	<b>36,000</b>	<b>42,075</b>	<b>51,300</b>	<b>78,615</b>	<b>80,962</b>	<b>97,066</b>	<b>121,558</b>	<b>157,170</b>	<b>152,639</b>	<b>184,505</b>
<b>Expenses:</b>																	
Cost of research and development revenue	1,027	328	322	385	300	1,335	1,362	1,389	1,417	1,445	1,474	1,503	1,533	1,564	1,595	1,627	1,660
Research & Development	2,102	692	818	841	800	3,152	3,215	3,279	3,345	3,412	3,480	3,550	3,621	3,693	3,767	3,842	3,919
Research & Development (related party)	1,216	389	336	102	350	1,178	1,201	1,225	1,250	1,275	1,300	1,326	1,353	1,380	1,407	1,436	1,464
General & Administrative	4,523	1,428	1,871	1,056	1,750	6,105	6,227	6,352	6,479	6,608	6,740	6,875	7,013	7,153	7,296	7,442	7,591
Foreign Currency Exchange	21	6	5	14	5	30	30	31	32	32	33	33	34	35	35	36	37
<b>Total Expenses</b>	<b>8,888</b>	<b>2,844</b>	<b>3,352</b>	<b>2,398</b>	<b>3,205</b>	<b>11,799</b>	<b>12,035</b>	<b>12,276</b>	<b>12,521</b>	<b>12,772</b>	<b>13,027</b>	<b>13,288</b>	<b>13,554</b>	<b>13,825</b>	<b>14,101</b>	<b>14,383</b>	<b>14,671</b>
Operating Income (Loss)	(7,592)	(2,441)	(2,962)	(1,943)	(2,830)	(10,176)	(3,035)	23,724	29,554	38,528	65,588	67,674	83,513	107,734	143,069	138,256	169,834
Settlement of Litigation	-																
Interest Income, net	895	267	266	245	250	1,028	(3,035)	23,724	29,554	38,528	65,588	67,674	83,513	107,734	143,069	138,256	169,834
<b>Total Other Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,035)</b>	<b>23,724</b>	<b>29,554</b>	<b>38,528</b>	<b>65,588</b>	<b>67,674</b>	<b>83,513</b>	<b>107,734</b>	<b>143,069</b>	<b>138,256</b>	<b>169,834</b>
<b>Pretax Income</b>	<b>(6,698)</b>	<b>(2,174)</b>	<b>(2,696)</b>	<b>(1,698)</b>	<b>(2,580)</b>	<b>(9,149)</b>	<b>(3,035)</b>	<b>23,724</b>	<b>29,554</b>	<b>38,528</b>	<b>65,588</b>	<b>67,674</b>	<b>83,513</b>	<b>107,734</b>	<b>143,069</b>	<b>138,256</b>	<b>169,834</b>
Income Tax Benefit (Provision)	1,006	1	-	-	-	1	-	-	-	3,853	9,838	13,535	18,373	25,856	35,767	37,329	49,252
<b>Tax Rate</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>22%</b>	<b>24%</b>	<b>25%</b>	<b>27%</b>	<b>29%</b>
Gain (Loss) from discontinued operations																	
<b>GAAP Net Income (Loss)</b>	<b>(5,692)</b>	<b>(2,175)</b>	<b>(2,696)</b>	<b>(1,698)</b>	<b>(2,580)</b>	<b>(9,149)</b>	<b>(3,035)</b>	<b>23,724</b>	<b>29,554</b>	<b>34,675</b>	<b>55,750</b>	<b>54,139</b>	<b>65,140</b>	<b>81,878</b>	<b>107,302</b>	<b>100,927</b>	<b>120,582</b>
<b>GAAP-EPS</b>	<b>(0.21)</b>	<b>(0.08)</b>	<b>(0.10)</b>	<b>(0.06)</b>	<b>(0.09)</b>	<b>(0.34)</b>	<b>(0.11)</b>	<b>0.87</b>	<b>1.07</b>	<b>1.26</b>	<b>2.01</b>	<b>1.95</b>	<b>2.33</b>	<b>2.92</b>	<b>3.81</b>	<b>3.57</b>	<b>4.25</b>
GAAP-EPS (Dil)	(0)	(0.08)	(0.10)	(0.06)	(0.09)	(0.34)	(0.11)	0.83	1.02	1.20	1.92	1.86	2.22	2.79	3.64	3.41	4.06
Wgtd Avg Shrs (Bas) - '000s	27,673	26,713	26,829	27,181	27,208	26,983	27,276	27,386	27,495	27,605	27,716	27,827	27,938	28,050	28,163	28,276	28,389
Wgtd Avg Shrs (Dil) - '000s	27,673	26,713	26,829	27,181	27,208	26,983	27,276	27,386	27,495	27,605	27,716	27,827	27,938	28,050	28,163	28,276	28,389

Source: Dawson James estimates.

Companies related to Dyadic and or mentioned in this report:

DuPont  
Sanofi



**Important Disclosures:**

**Price Chart:**



Price target and rating changes over the past three years:

- Initiated – Buy – October 14, 2019 – Price Target \$14.00
- Update – Buy – November 4, 2019 – Price Target \$14.00
- Update – Buy – November 22, 2019 – Price Target \$14.00
- Update – Buy – January 27, 2020 – Price Target \$14.00
- Update – Buy – February 26, 2020 – Price Target \$14.00

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- 1) **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months;
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The following chart reflects the range of current research report ratings for all companies followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	88%	3	13%
Market Perform (Neutral)	3	12%	1	33%
Market Underperform (Sell)	0	0%	0	0%
Total	26	100%	4	15%

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