

Member FINRA/SIPC

Toll-Free: 561-391-5555 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

Aditxt Therapeutics (NASDAQ: ADTX)

March 25, 2021

BUY: Not Just Diagnostics – Therapeutics, Too.

Aditxt's therapeutic program for psoriasis advances to Man (clinical trials). The trials are planned to evaluate clinical safety and efficacy of Aditxt's approach to achieving immune tolerance (reprogramming and retraining the immune system). The company expects trials to begin in Q4 2021.

Therapeutics, Too - Immune Reprogramming. The discovery of immunosuppressive (anti-rejection and monoclonal) drugs over 40 years ago has made possible life-saving organ transplantation procedures and blocking of unwanted immune responses in autoimmune diseases. However, immune suppression leads to significant undesirable side effects, such as increased susceptibility to life-threatening infections and cancers, because it indiscriminately and broadly suppresses immune function throughout the body. While the use of these drugs has been justifiable because they prevent or delay organ rejection, their use for treatment of autoimmune diseases and allergies may not be acceptable because of the above-mentioned side effects. Furthermore, transplanted organs often ultimately fail despite the use of immune suppression, and about 40% of transplanted organs survive no more than five years.

Aditxt is developing therapeutic products (ADi) for organ transplantation including skin grafting, autoimmune diseases, and allergies. The initial focus will be on skin allografts and psoriasis, as these indications are cost efficient in providing safety and efficacy data (proof of concept) in clinical trials. The company has conducted non-clinical studies in a stringent model of skin transplantation using genetically mismatched donor and recipient animals demonstrating a three-fold increase in the survival of the skin graft in animals that were tolerized with ADi compared to animals that receive immune suppression alone. Prolongation of graft life was observed despite discontinuation of immune suppression after the first five weeks. Additionally, in an induced non-clinical model for psoriasis, ADi treatment resulted in a 69% reduction in skin thickness and a 38% decrease in skin flaking (two clinical parameters for assessment of psoriasis skin lesions). The Phase 1/2a studies in psoriasis are planned to evaluate the safety/tolerability of ADi in patients with psoriasis. Since the drug will be administered in subjects diagnosed with psoriasis, effectiveness of the drug to improve psoriatic lesions will also be evaluated. In another Phase 1/2a study, patients requiring skin allografts will receive weekly intra-dermal injections of ADi in combination with standard immune suppression to assess safety/tolerability and possibility of reducing levels of immunosuppressive drugs as well as prolongation of graft life

Valuation: Please see the valuation section of this report.

Risks to our thesis include: (1) commercial; (2) financial; (3) intellectual property; (4) regulatory and (5) OEM and/or manufacturing. We review these risks in the Risks Analysis section of this report.

Jason H. Kolbert
 Head of Research
 646-465-6891
 jkolbert@dawsonjames.com

Current Price				\$2.78
Price Target				\$14.00
Estimates	F2020E	F2021E	F2022E	
Revenues (\$000s)	\$ -	\$ 11,000	\$ 42,416	
1Q March	\$ -	\$ -	\$ 10,180	
2Q June	\$ -	\$ 1,000	\$ 10,604	
3Q September	\$ -	\$ 4,500	\$ 10,392	
4Q December	\$ -	\$ 5,500	\$ 11,240	
	F2020E	F2021E	F2022E	
EPS (diluted)	\$ (0.73)	\$ 0.45	\$ 0.90	
1Q March	\$ -	\$ (0.21)	\$ 0.22	
2Q June	\$ (0.07)	\$ (0.10)	\$ 0.23	
3Q September	\$ (0.37)	\$ 0.32	\$ 0.22	
4Q December	\$ (0.29)	\$ 0.43	\$ 0.24	
EBITDA/Share			(\$0.73)	\$0.45
EV/EBITDA (x)			0.0	0.0
Stock Data				
52-Week Range	\$1.62	-	\$9.58	
Shares Outstanding (mil.)				14.0
Market Capitalization (mil.)				\$39
Enterprise Value (mil.)				\$27
Debt to Capital				0%
Book Value/Share				-\$0.01
Price/Book				-
Average Three Months Trading Volume (K)				331
Insider Ownership				23.6%
Institutional Ownership				6.8%
Short interest (mil.)				3.2%
Dividend / Yield				\$0.00/0.0%

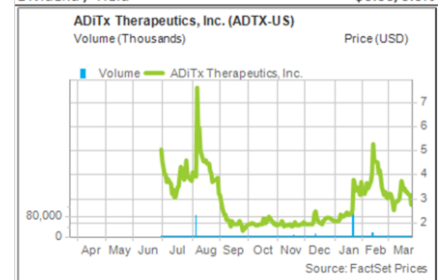
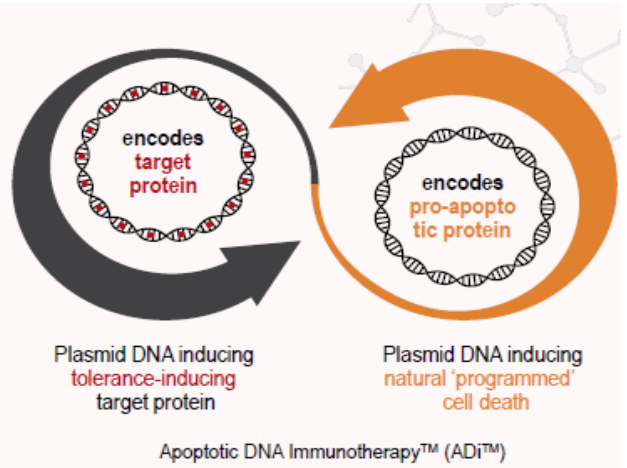


Exhibit 1. Aditxt Reprogramming Overview

Approach

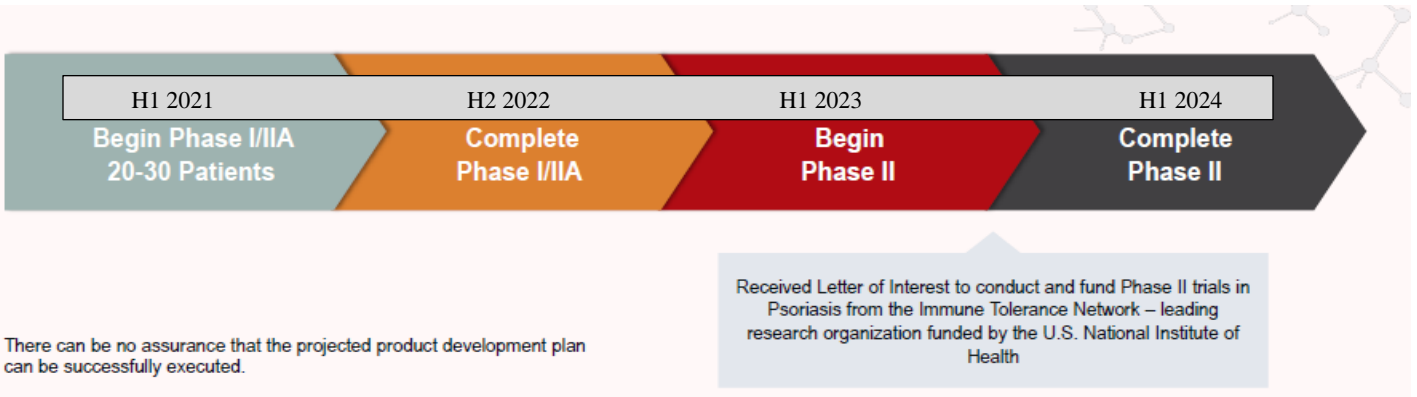
- Apoptosis, a natural process of “immune tolerance” used by the body to clear dying cells and to allow recognition and tolerance to self tissues
- ADi™’s technology-based therapeutics exploit DNA immunotherapy as a Selective Tolerance delivery system
 - In-body induction of targeted apoptosis
 - DNA delivery of antigen of interest
- ADi™ triggers a natural process of apoptosis that is used by the body to clear apoptosis-triggered dying cells, enabling the natural immune system cells to recognize the targeted tissues as “self”



For illustrative purposes only. There is no guarantee that any specific outcome will be achieved.

Source: Aditxt

Exhibit 2. Aditxt Therapeutics Timeline



Source: Aditxt

Valuation: Our valuation for Aditxt is driven by its venture into COVID diagnostic testing and the expansion of that testing into the type 1 diabetes at-risk testing market. One could argue that COVID and even diabetes is just the beginning of a battery of new immune status tests that may be developed by the company. In other words, a platform technology. We have not included in our model the therapeutics potential of the Aditxt business (other than a nominal value in our sum of the parts model) around immune tolerance therapeutics. Our operating model applies a 30% risk cut or 70% probability of success, which is in addition to the 30% risk rate we use in our valuation models: free cash flow to the Firm (FCFF), discounted EPS (dEPS), and Sum-of-the-Parts (SOP). We select 30% for micro-capitalized growth companies and this represents our highest risk rate. The result of these three models is then equal-weighted and averaged and rounded to the nearest whole number to provide a 12-month target price.

Exhibit 3. Free Cash Flow Model

	Average	\$	14
Price Target	\$	17	
Year		2021	

DCF Valuation Using FCF (mln):	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
units ('000 - Cnd\$)	(5,458)	18,697	26,674	91,073	147,306	251,087	275,673	300,724	326,246	338,603	351,174
EBIT	(5,458)	18,697	26,674	91,073	147,306	251,087	275,673	300,724	326,246	338,603	351,174
Tax Rate	0%	0%	15%	20%	25%	28%	30%	31%	32%	35%	37%
EBIT(1-t)	(5,458)	18,697	22,673	72,859	110,480	180,783	192,971	207,499	221,847	220,092	221,239
CapEx	-	-	-	-	-	-	-	-	-	-	-
Depreciation	303	-	-	-	-	-	-	-	-	-	-
Change in NWC	-	-	-	-	-	-	-	-	-	-	-
FCF	(5,155)	18,697	22,673	72,859	110,480	180,783	192,971	207,499	221,847	220,092	221,239
PV of FCF	(6,702)	18,697	17,441	43,112	50,287	63,297	51,973	42,989	35,355	26,981	20,863
Discount Rate	30%										
Long Term Growth Rate	1%										
Terminal Cash Flow	770,523										
Terminal Value YE2030	72,660										
NPV	443,654										
NPV/Debt	0										
Shares out (thousands)	25,479	2030E									
NPV Per Share	\$	17									

Source: Dawson James estimates

Exhibit 4. Discounted EPS Model

Current Year	2021
Year of EPS	2030
Earnings Multiple	15
Discount Factor	30%
Selected Year EPS	\$ 8.68
NPV	\$ 12

		Discount Rate and Earnings Multiple Varies, Year is Constant					
		2030 EPS					
Earnings Multiple		5%	10%	15%	20%	25%	30%
		2	\$11.19	\$7.36	\$4.94	\$3.37	\$2.33
5	\$27.98	\$18.41	\$12.34	\$8.41	\$5.83	\$4.09	
10	\$55.97	\$36.82	\$24.68	\$16.83	\$11.65	\$8.19	
15	\$83.95	\$55.23	\$37.02	\$25.24	\$17.48	\$12.28	
20	\$111.94	\$73.65	\$49.36	\$33.65	\$23.31	\$16.38	
25	\$139.92	\$92.06	\$61.70	\$42.07	\$29.13	\$20.47	
30	\$167.91	\$110.47	\$74.04	\$50.48	\$34.96	\$24.56	
35	\$195.89	\$128.88	\$86.38	\$58.90	\$40.79	\$28.66	

Source: Dawson James estimates

Exhibit 5. Sum-of-the-Parts Model

Sum of the Parts	LT Gr	Discount Rate	Yrs. to Mkt	% Success	Peak Sales MM's	Term Val
COVID-MaB Test - 10% of US Population and 10% share	1%	30%	1	70%	\$153	\$528
NPV						\$7.81
Diabetes	1%	30%	3	30%	\$373	\$1,286
NPV						\$4.82
Immune Tolerance Program	1%	30%	6	10%	\$200	\$690
NPV						\$0.39
Net Margin						70%
MM Shrs OS						25
Total						\$13

Source: Dawson James estimates

Risk Analysis

Regulatory Risk. There can be no assurances that the company will be able to secure the required regulatory approvals to support its business.

Commercial risk. The focus of the company is on successfully developing its products and bringing them to the market. Competition may be intense from external players as well as customers who choose to “build it themselves.”

Financial risk. The company may need to raise capital in the marketplace relatively soon. There can be no assurance that the company will be able to raise capital and do so on favorable terms successfully.

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 the company may infringe on third parties' patents.

OEM and/or manufacturing risk. Original Equipment Manufacturers (OEMs) may decide to make products themselves, and, as such, terminate production contracts before completion, creating revenue shortfalls. Manufacturing risks include the ability to produce and do so in a competitive, timely, and efficient way.

Exhibit 6. Income Statement

ADTX, Inc. Income Statement (\$000)																												
YE Dec. 31	2020E	1Q21E	2Q21E	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	
Revenue (\$000)																												
COVID-MaB Test - 10% of US Population and 10% share		-	1,000	4,500	5,500	11,000	10,180	10,604	10,392	11,240	42,416	17,136	17,850	17,493	18,921	71,400	20,769	21,634	21,201	22,932	86,537	101,969	117,701	133,738	150,084	151,585	153,101	
Type 1 Diabetes MaB Testing												11,684	12,170	11,927	12,901	48,682	23,601	24,584	24,093	26,059	98,337	198,641	210,659	222,897	235,359	248,048	260,967	
Immune Tolerance Platform Technology																												
Total Revenues			1,000	4,500	5,500	11,000	10,180	10,604	10,392	11,240	42,416	28,820	30,020	29,420	31,822	120,082	44,370	46,218	45,294	48,992	184,874	300,610	328,360	356,635	385,443	399,633	414,068	
Expenses																												
COGS	-	-	100	450	550	1,100	1,018	1,060	1,039	1,124	4,242	2,882	3,002	2,942	3,182	12,008	4,437	4,622	4,529	4,899	18,487	30,061	32,836	35,664	38,544	39,963	41,407	
% COGS		10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Gross Profit	-	-	900	4,050	4,950	9,900	9,162	9,544	9,353	10,116	38,174	25,938	27,018	26,478	28,639	108,073	39,933	41,597	40,765	44,092	166,386	270,549	295,524	320,972	346,899	359,669	372,661	
Sales (Advertising & Marketing) expense	12	240	250	250	260	1,000	720	750	750	780	3,000	1,200	1,250	1,250	1,300	5,000	1,440	1,500	1,500	1,560	6,000	6,120	6,242	6,367	6,495	6,624	6,757	
General and administrative	4,821	1,200	1,250	1,250	1,300	5,000	1,440	1,500	1,500	1,560	6,000	1,920	2,000	2,000	2,080	8,000	2,160	2,250	2,250	2,340	9,000	9,180	9,364	9,551	9,742	9,937	10,136	
Research & Development	589	120	125	125	130	500	600	625	625	650	2,500	960	1,000	1,000	1,040	4,000	979	1,020	1,020	1,061	4,080	4,162	4,245	4,330	4,416	4,505	4,595	
Total expenses	5,422	1,560	1,625	1,625	1,690	6,500	2,760	2,875	2,875	2,990	11,500	4,080	4,250	4,250	4,420	17,000	4,579	4,770	4,770	4,961	19,080	19,462	19,851	20,248	20,653	21,066	21,487	
Operating Profit	(5,422)	(1,560)	(725)	2,425	3,260	3,400	6,402	6,669	6,478	7,126	26,674	21,858	22,768	22,228	24,219	91,073	35,354	36,827	35,995	39,132	147,306	251,087	275,673	300,724	326,246	338,603	351,174	
Oper Margin																												
Interest expense	(1)																											
Amortization of Debt Discount	(35)																											
Other (loss)	-																											
Pre-tax income	(5,458)	(1,560)	(725)	2,425	3,260	3,400	6,402	6,669	6,478	7,126	26,674	21,858	22,768	22,228	24,219	91,073	35,354	36,827	35,995	39,132	147,306	251,087	275,673	300,724	326,246	338,603	351,174	
Pretax Margin																												
Income Tax (Benefit)							960	1,000	972	1,069	4,001	4,372	4,554	4,446	4,844	18,215	8,838	9,207	8,999	9,783	36,827	70,304	82,702	93,224	104,399	118,511	129,934	
Tax Rate							15%	15%	15%	15%	15%	20%	20%	20%	20%	20%	25%	25%	25%	25%	25%	28%	30%	31%	32%	35%	37%	
GAAP Net Income	(5,458)	(1,560)	(725)	2,425	3,260	3,400	5,442	5,668	5,506	6,057	22,673	17,486	18,215	17,782	19,376	72,859	26,515	27,620	26,996	29,349	110,480	180,783	192,971	207,499	221,847	220,092	221,239	
GAAP-EPS	(0.73)	(0.21)	(0.10)	0.32	0.43	0.45	0.22	0.23	0.22	0.24	0.90	0.70	0.73	0.71	0.77	2.90	1.06	1.10	1.07	1.16	4.39	7.17	7.63	8.19	8.74	8.65	8.68	
Non GAAP EPS (dil)	(0.73)	(0.21)	(0.10)	0.32	0.43	0.45	0.22	0.23	0.22	0.24	0.90	0.70	0.73	0.71	0.77	2.90	1.06	1.10	1.07	1.16	4.39	7.17	7.63	8.19	8.74	8.65	8.68	
Wgtd Avg Shrs (Bas) - '000s	7,447	7,462	7,476	7,491	7,506	7,484	15,000	15,030	15,060	15,090	15,045	15,120	15,151	15,181	15,211	15,166	15,242	15,272	15,303	15,333	15,287	15,410	15,534	15,658	15,784	15,911	16,038	
Wgtd Avg Shrs (Dil) - '000s	7,447	7,462	7,476	7,491	7,506	7,484	25,000	25,050	25,100	25,150	25,075	25,050	25,100	25,150	25,201	25,125	25,100	25,150	25,201	25,251	25,176	25,226	25,276	25,327	25,378	25,428	25,479	

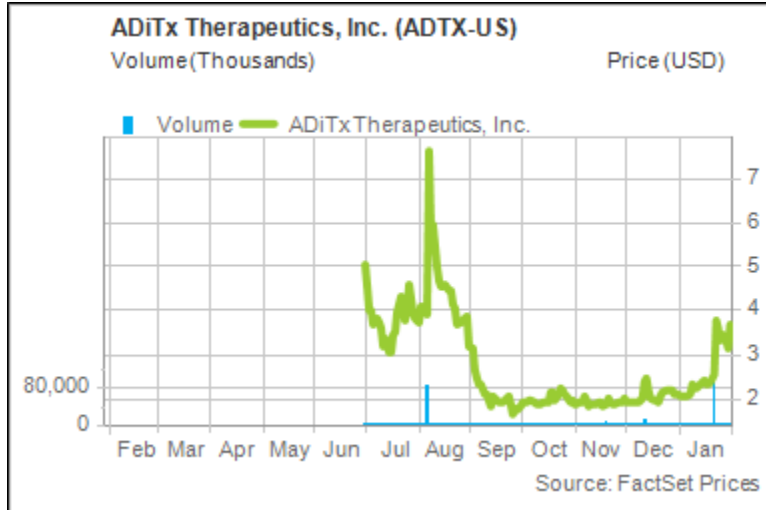
Source: Dawson James estimates, company reports

Companies mentioned in this report:

ProPhase Labs (Buy Rated)

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

Initiated – Buy – February 4, 2021 – Price Target \$14.00

Update – Buy – March 25, 2021 – Price Target \$14.00

Dawson James Securities, Inc. (the "Firm") is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

The Firm does not make a market in the securities of the subject company(s). The Firm has engaged in investment banking relationships with the subject company in the prior twelve months, as a manager or co-manager of a public offering and has received compensation resulting from those relationships. The Firm may seek compensation for investment banking services in the future from the subject company(s). The Firm has not received any other compensation from the subject company(s) in the last 12 months for services unrelated to managing or co-managing of a public offering.

Neither the research analyst(s) whose name appears on this report nor any member of his (their) household is an officer, director, or advisory board member of these companies. The Firm and/or its directors and employees may own securities of the company(s) in this report and may increase or decrease holdings in the future. As of February 25, 2021, the Firm as a whole did beneficially own 1% or more of any class of common equity securities of the subject company(s) of this report. The Firm, its officers, directors, analysts, or employees may affect transactions in and have long or short positions in the securities (or options or warrants related to those securities) of the company(s) subject to this report. The Firm may affect transactions as principal or agent in those securities.

Analysts receive no direct compensation in connection with the Firm's investment banking business. All Firm employees, including the analyst(s) responsible for preparing this report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of the Firm and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.

Although the statements in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the Firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Information about valuation methods and risks can be found in the "Valuation" and "Risk Analysis" sections of this report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.

Ratings Definitions:

- 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.
- 3) **Sell:** The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

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)	20	69%	6	30%
Market Perform (Neutral)	9	31%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	29	100%	6	21%

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.