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Aditx Therapeutics (NASDAQ: ADTX)

April 8, 2021

BUY: The COVID Vaccine – Are You Really Immune?

Aditx appears to be making steady progress on multiple fronts including new partner relationships that should translate into Aditx score reports. We believe that as more and more of us become vaccinated, it will become more important to know one's cellular immunity to COVID.

Drive-Thru testing. HealthBar and Aditx partner to offer the AditxScore for COVID-19 Immunity Status Monitoring to complement its Concierge and Drive-Thru Testing Services. HealthBar provides on-demand healthcare services to consumers and businesses across its service areas. The company offers drive-thru and concierge COVID-19 testing, including rapid, PCR, antibody, and antigen tests. HealthBar also partners with organizations to provide at-location testing for employees as well as an expanding menu of medical services.

Collection Sites LLC, too. Collection Sites LLC provides testing programs to various organizations and customers in different industries, including entertainment, travel, and education. The company is now an AditxScore Channel Partner. Collection Sites can offer its customers the AditxScore for COVID-19 as an immune monitoring service. Collection Sites plans to implement the test with current staff and no additional investment. Specimens collected are to be sent to, and processed at, Aditx's CLIA-certified AditxScore Center.

Switching from Reactive to Pro-Active Monitoring. CEO Amro Albanna gave an interview on CBS (below). In this interview, Amro describes the need for pro-active testing to determine if one has true cellularity immunity.

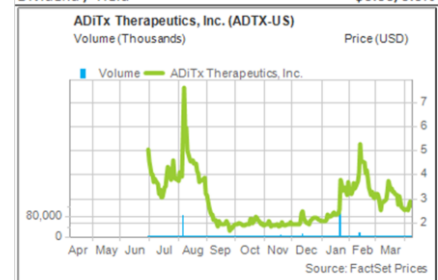
<https://www.wsbtv.com/news/local/being-vaccinated-doesnt-mean-immunity-covid-19/JDFXMQUYMVD7FCA7KZINGWPMPQ/>

Valuation: Our valuation for Aditx 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 Aditx 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.

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.

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Current Price				\$2.70
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.)				14.5
Market Capitalization (mil.)				\$39
Enterprise Value (mil.)				\$28
Debt to Capital				0%
Book Value/Share				-\$0.01
Price/Book				-
Average Three Months Trading Volume (K)				1,823
Insider Ownership				24.0%
Institutional Ownership				1.6%
Short interest (mil.)				2.9%
Dividend / Yield				\$0.00/0.0%



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 1. 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	

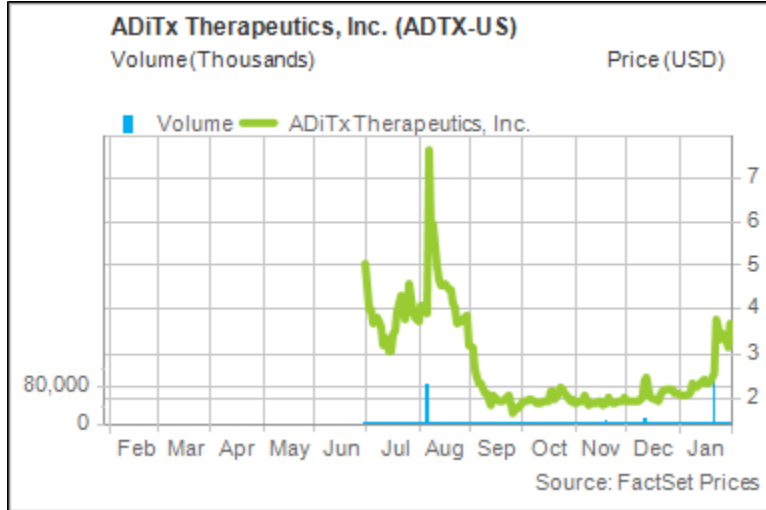
Source: Dawson James estimates, company reports

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

Update – Buy – April 8, 2021 – Price Target \$14.00

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- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months.
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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%

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