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## Aditxt Therapeutics (NASDAQ: ADTX)

August 16, 2021

### BUY: Reports Second Quarter; Lowering Target to \$8 from \$14

*Aditxt reported the quarter (10Q), spending \$6.1M and ending the period with \$8.6M in cash. The company has yet to report revenues. We are lowering our market share penetration assumptions from 10% to 1%, which lowers our target valuation to \$8 from \$14.*

### Investment Highlights

**You've been vaccinated, but are you immune?** Most tests are binary: I have COVID or I don't, but when it comes to immune status, the question is a bit more complex. Just how immune are we? The Aditxt score report provides feedback to physicians and patients on COVID immunity. The test measures nine markers and shows a range of detected antigen levels. The response is measured and scored against an expected range. One can see not only immune status but the robustness of the immunity. In fact, the Aditxt score may ultimately be predictive of which vaccine you took, if you had prior exposure to COVID, and if a booster is needed.

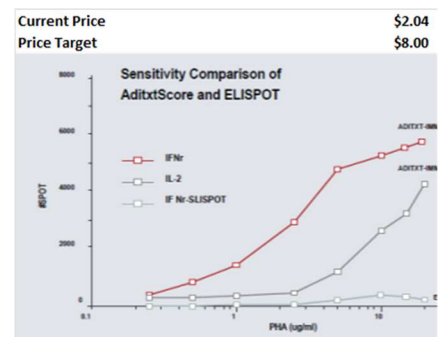
**Aditxt announced a partnership with Great Lakes Medical Laboratory, Inc. (GLML),** a full-service medical reference laboratory, to offer AditxtScore for COVID-19 throughout the State of Michigan.

**Drive-Thru testing too.** HealthBar and Aditxt have partnered to offer the AditxtScore for COVID-19 Immunity Status Monitoring to complement HealthBar's 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.

**Beyond COVID – Type 1 Diabetes & More.** Aditxt is developing an immune test for early detection of children and adults at risk for Type 1 diabetes. **Therapeutics, Too** – Beyond Diagnostics, the company is preparing to launch a Phase 1/2 trial in Psoriasis to demonstrate whether its immune tolerance platform works.

**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 price target.

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Source: Aditxt

Stock Data	
52-Week Range	\$1.62 - \$6.73
Shares Outstanding (mil.)	14.7
Market Capitalization (mil.)	\$30
Enterprise Value (mil.)	\$19
Debt to Capital	0%
Book Value/Share	-\$0.01
Price/Book	-
Average Three Months Trading Volume (K)	213
Insider Ownership	23.4%
Institutional Ownership	4.7%
Short Interest (mil.)	5.7%
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	2020A	1Q21A	2Q21A	3Q21E	4Q21E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue (\$000)</b>															
COVID-MaB Test - 10% of US Population and 10% share		-		4,500	5,500	10,000	42,416	71,400	86,537	101,969	117,701	133,738	150,084	151,585	153,101
Type 1 Diabetes MaB Testing							-	48,682	98,337	198,641	210,659	222,897	235,359	248,048	260,967
Immune Tolerance Platform Technology															
<b>Total Revenues</b>	-	-	-	4,500	5,500	10,000	42,416	120,082	184,874	300,610	328,360	356,635	385,443	399,633	414,068
<b>Expenses</b>															
COGS	-	-	-	450	550	1,000	4,242	12,008	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%
Gross Profit	-	-	-	4,050	4,950	9,000	38,174	108,073	166,386	270,549	295,524	320,972	346,899	359,669	372,661
Sales (Advertising & Marketing) expense	12	59	44	250	647	1,000	3,000	5,000	6,000	6,120	6,242	6,367	6,495	6,624	6,757
General and administrative	7,852	5,099	4,798	1,250	(6,147)	5,000	6,000	8,000	9,000	9,180	9,364	9,551	9,742	9,937	10,135
Research & Development	82	936	933	125	(1,494)	500	2,500	4,000	4,080	4,162	4,245	4,330	4,416	4,505	4,595
<b>Total expenses</b>	<b>8,872</b>	<b>6,093</b>	<b>5,775</b>	<b>1,625</b>	<b>(6,993)</b>	<b>6,500</b>	<b>11,500</b>	<b>17,000</b>	<b>19,080</b>	<b>19,462</b>	<b>19,851</b>	<b>20,248</b>	<b>20,653</b>	<b>21,066</b>	<b>21,487</b>
Operating Profit	(8,872)	(6,093)	(5,775)	2,425	11,943	2,500	26,674	91,073	147,306	251,087	275,673	300,724	326,246	338,603	351,174
<b>Oper Margin</b>															
Interest expense	(10)	(17)	(20)			(36)	-	-	-	-	-	-	-	-	-
Amortization of Debt Discount	1	0	0			0	-	-	-	-	-	-	-	-	-
Other (loss)	(268)	(270)	(384)			(654)	-	-	-	-	-	-	-	-	-
<b>Pre-tax income</b>	<b>(9,149)</b>	<b>(6,380)</b>	<b>(6,178)</b>	<b>2,425</b>	<b>11,943</b>	<b>1,810</b>	<b>26,674</b>	<b>91,073</b>	<b>147,306</b>	<b>251,087</b>	<b>275,673</b>	<b>300,724</b>	<b>326,246</b>	<b>338,603</b>	<b>351,174</b>
<b>Pretax Margin</b>															
Income Tax (Benefit)							4,001	18,215	36,827	70,304	82,702	93,224	104,399	118,511	129,934
<b>Tax Rate</b>							15%	20%	25%	28%	30%	31%	32%	35%	37%
<b>GAAP Net Income</b>	<b>(9,149)</b>	<b>(6,380)</b>	<b>(6,178)</b>	<b>2,425</b>	<b>11,943</b>	<b>1,810</b>	<b>22,673</b>	<b>72,859</b>	<b>110,480</b>	<b>180,783</b>	<b>192,971</b>	<b>207,499</b>	<b>221,847</b>	<b>220,092</b>	<b>221,239</b>
<b>GAAP-EPS</b>	<b>(1.33)</b>	<b>(0.46)</b>	<b>(0.42)</b>	<b>0.17</b>	<b>0.82</b>	<b>0.10</b>	<b>0.90</b>	<b>2.90</b>	<b>4.39</b>	<b>7.17</b>	<b>7.63</b>	<b>8.19</b>	<b>8.74</b>	<b>8.65</b>	<b>8.68</b>
Non GAAP EPS (dil)	(1.33)	(0.46)	(0.42)	0.17	0.82	0.10	0.90	2.90	4.39	7.17	7.63	8.19	8.74	8.65	8.68
Wgtd Avg Shrs (Bas) - '000s	6,903	13,829	14,564	14,593	14,622	14,402	15,045	15,166	15,287	15,410	15,534	15,658	15,784	15,911	16,038
Wgtd Avg Shrs (Dil) - '000s	6,903	13,829	14,564	14,593	14,622	14,402	25,075	25,125	25,176	25,226	25,276	25,327	25,378	25,428	25,479

Source: Dawson James estimates, company reports

**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

Update – Buy – June 1, 2021 – Price Target \$14.00

Update – Buy – July 12, 2021 – Price Target \$14.00

Price Target Change – Buy – August 16, 2021 – Price Target Lowered to \$8.00 from \$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.
- 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.

As of: 3-Aug-21

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	<b># of Companies</b>	<b>% of Total</b>	<b># of Companies</b>	<b>% of Totals</b>
Market Outperform (Buy)	25	71%	4	16%
Market Perform (Neutral)	10	29%	0	0%
Market Underperform (Sell)	0	0%	0	0%
<b>Total</b>	<b>35</b>	<b>100%</b>	<b>4</b>	<b>11%</b>

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