

Dyadic (DYAI-NASDAQ) – Buy-Rated

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Jason H. Kolbert

Senior Healthcare Analyst

646-465-6891

Second-Quarter Results - \$26M in Cash on the Books

Dyadic reported second-quarter results, spending \$4.8M, which translated into a net loss of \$3.8M and \$26M in cash on the books. The most recent development that interests us is news of a collaboration with Buy-rated Sorrento (SRNE) to develop a vaccine candidate.

Investment Highlights

- Executed binding term sheet with Sorrento Therapeutics to out license C1 protein production platform for the development and commercialization of vaccines, therapeutic antibodies, protein therapeutics, and diagnostics for coronaviruses, including DYAI-100, Dyadic's lead COVID-19 vaccine candidate
- New collaboration with India's Syngene International to develop a COVID-19 vaccine candidate
- New co-development collaboration with South Africa's Rubic consortium to establish a basis for researching, developing, and manufacturing multiple other C1 produced vaccines in addition to DYAI-100
- Multiple other partners across the world in geographies as diverse as Korea and India to N. America and Africa. In addition to Syngene, Dyadic also has two non-exclusive research license agreements, which include WuXi Biologics, to continue their C1 research projects in a CDMO and manufacturing environment at their own facilities. There have also been some advances in animal health, too, and multiple early-stage collaborations in human health.

We are hopeful that, in time, the company can advance and monetize some of the agreements.

Valuation: If we flip a 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. 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 broadly evaluate the utility of the C1 platform across several market segments such as the Pharma and Biotechnology areas, Biosimilars, Vaccines, and Industrial markets. For this modeling exercise, we apply a +/- 80% discount (or 20% +/- the 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 $r = 15\%$. 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-month price target of \$6.00.

Risks include: Partnership, commercialization, financial, clinical and regulatory, and legal and intellectual property.

 Current Price \$4.45
 Price Target \$6.00


Source: Dyadic

Stock Data			
52-Week Range	\$3.15	-	\$8.78
Shares Outstanding (mil.)	28.1		
Market Capitalization (mil.)	\$125		
Enterprise Value (mil.)	\$88		
Debt to Capital	0%		
Book Value/Share	\$1.76		
Price/Book	5.2		
Average Three Months Trading Volume (K)	266		
Insider Ownership	27.0%		
Institutional Ownership	13.6%		
Short interest (mil.)	5.3%		
Dividend / Yield	\$0.00/0.0%		



Exhibit 1. Income Statement

DYAD: Income Statement (\$000)																					
YE December 31	2018A	2019A	2020A	1Q21A	2Q21A	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue:																					
Research & Development Revenue	1,295	1,681	1,602	461	937	408	(172)	1,634	383	400	417	467	1,667	1,700	1,734	1,769	1,804	1,840	1,877	1,914	1,953
Total Product Sales	1,295	1,681	1,602	461	937	408	(172)	1,634	383	400	417	467	1,667	1,700	1,734	1,769	1,804	1,840	1,877	1,914	1,953
Industrial Milestone Revenues				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Industrial Royalty Revenues			-	-	-	-	-	-	-	-	-	-	-	2,100	8,700	11,835	15,620	20,062	24,866	28,842	31,396
Vaccine & Related Milestone Revenues			-	-	-	-	-	-	-	-	-	-	-	3,000	1,500	1,500	4,500	3,000	3,000	4,500	10,500
Vaccine & Related Royalty Revenues			-	-	-	-	-	-	-	-	-	-	-	6,600	11,700	14,205	17,387	23,655	31,519	36,490	41,580
Pharma and Bio Related Milestone Revenues			-	-	-	-	-	-	690	720	750	840	3,000	4,500	3,000	3,000	7,500	3,000	3,000	4,500	10,500
Pharma and Bio Related Royalty Revenues			-	-	-	-	-	-	2,536	2,646	2,756	3,087	11,025	14,100	18,705	23,987	29,355	36,019	41,890	47,880	55,502
Total Revenue	1,295	1,681	1,602	461	937	408	(172)	1,634	3,226	3,366	3,506	3,927	14,025	30,300	43,605	54,527	74,363	85,737	104,276	122,212	149,478
Expenses:																					
Cost of research and development revenue	1,027	1,460	1,425	391	830	363	(130)	1,453	341	356	371	415	1,482	1,512	1,542	1,573	1,605	1,637	1,670	1,703	1,737
Research & Development	2,102	3,088	3,868	1,808	2,209	986	(1,058)	3,945	926	966	1,006	1,127	4,024	4,105	4,187	4,271	4,356	4,443	4,532	4,623	4,715
Research & Development (related party)	1,216	869	187			48	143	191	45	47	49	55	195	199	203	207	211	215	220	224	228
General & Administrative	4,523	5,520	6,085	1,554	1,748	1,552	1,353	6,206	1,456	1,519	1,583	1,773	6,331	6,457	6,586	6,718	6,852	6,990	7,129	7,272	7,417
Foreign Currency Exchange	21	28	62	28	18	16	2	64	15	16	16	18	65	66	67	69	70	72	73	75	76
Total Expenses	8,888	10,964	11,628	3,781	4,804	2,965	310	11,860	2,782	2,903	3,024	3,387	12,097	12,339	12,586	12,838	13,095	13,356	13,624	13,896	14,174
Operating Income (Loss)	(7,592)	(9,283)	(10,026)	(3,321)	(3,867)	(2,557)	(482)	(10,226)	443	463	482	540	1,928	17,961	31,019	41,689	61,268	72,380	90,652	108,315	135,304
Settlement of Litigation	-	-	285																		
Interest Income, net	895	985	447	27	21																
Total Other Income	(6,698)	(8,298)	(9,294)	(3,294)	(3,846)	(2,557)	(482)	(10,179)	443	463	482	540	1,928	17,961	31,019	41,689	61,268	72,380	90,652	108,315	135,304
Pretax Income	(6,698)	(8,298)	(9,294)	(3,294)	(3,846)	(2,557)	(482)	(10,226)	443	463	482	540	1,928	17,961	31,019	41,689	61,268	72,380	90,652	108,315	135,304
Income Tax Benefit (Provision)	1,006	12	31	-	-	-	-	-	-	-	-	-	-	1,796	4,653	8,338	13,479	17,371	22,663	29,245	39,238
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	10%	15%	20%	22%	24%	25%	27%	29%
Gain (Loss) from discontinued operations																					
GAAP Net Income (Loss)	(5,692)	(8,310)	(9,325)	(3,294)	(3,846)	(2,557)	(482)	(10,179)	443	463	482	540	1,928	16,165	26,366	33,352	47,789	55,009	67,989	79,070	96,066
GAAP-EPS	(0.21)	(0.31)	(0.34)	(0.12)	(0.14)	(0.09)	(0.02)	(0.37)	0.02	0.02	0.02	0.02	0.07	0.58	0.94	1.19	1.69	1.94	2.39	2.77	3.35
GAAP-EPS (Dil)	(0)	(0.31)	(0.34)	(0.12)	(0.14)	(0.08)	(0.02)	(0.36)	0.02	0.02	0.02	0.02	0.07	0.55	0.90	1.13	1.62	1.85	2.28	2.64	3.20
Wgtd Avg Shrs (Bas) - '000s	27,673	27,003	27,472	27,533	27,645	27,673	27,700	27,638	27,728	27,756	27,784	27,811	27,770	27,881	27,993	28,105	28,217	28,330	28,444	28,558	28,672
Wgtd Avg Shrs (Dil) - '000s	27,673	27,003	27,472	27,533	27,645	30,173	30,474	27,638	27,728	27,756	30,284	30,586	27,770	27,881	27,993	28,105	28,217	28,330	28,444	28,558	28,672

Source: Dawson James estimates, company reports

Companies related to Dyadic and/or mentioned in this report:

DuPont
Sanofi
Syngene
Biocon
WuXi
Sorrento Therapeutics, Inc. - Buy-rated

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
Update – Buy – April 20, 2020 – Price Target \$14.00
Update – Buy – June 10, 2020 – Price Target \$14.00
Update – Buy – July 9, 2020 – Price Target \$14.00
Price Target Change – Buy – August 25, 2020 – Price Target \$12.00
Update – Buy – October 23, 2020 – Price Target \$12.00
Update – Buy – December 4, 2020 – Price Target \$12.00
Update – Buy – March 18, 2021 – Price Target \$12.00
Update – Buy – March 22, 2021 – Price Target \$12.00
Price Target Change – Buy – May 17, 2021 – Price Target \$6.00
Update – Buy – May 26, 2021 – Price Target \$6.00
Update – Buy – July 27, 2021 – Price Target \$6.00
Update – Buy – August 11, 2021 – Price Target \$6.00
Update – Buy – August 18, 2021 – Price Target \$6.00

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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.

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As of: 3-Aug-21

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

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