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CytoSorbents Corporation (NASDAQ/CTSO)

November 9, 2021

BUY: Reports 3Q – Focus on What’s Ahead

CytoSorbents reported 3Q results in-line with prior guidance (which had been previously lowered). We see the company’s efforts in Europe and particularly Germany as positive but we remain focused on the U.S. market which is yet to be commercialized. The first U.S. patient is now enrolled in the STAR-T trial (Safe and Timely Antithrombotic Removal – Ticagrelor).

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Investment Highlights

3Q21 Results: Total revenue, including product sales and grant income, for Q3 2021 was \$9.8 million, down from the prior period partially as a result of fewer COVID cases. Q3 2021 product sales in Germany are estimated to be \$3.7 million, a decrease of \$1.1 million or 24%, from product sales of \$4.8 million in Germany in Q3 2020. Core non-COVID-19 product sales for Q3 2021 were approximately \$7.8 million, up 4% from approximately \$7.5 million in Q3 2020. Estimated product sales related to COVID-19 were \$1.1 million in Q3 2021 versus approximately \$2.7 million in Q3 2020. The Company has a strong cash balance of \$61.0 million at September 30, 2021 and no debt.

IDE Approval (& first patient enrolled) in the STAR-D Trial: CytoSorbents received full approval of its Investigational Device Exemption (IDE) application by the FDA to conduct the pivotal STAR-D (Safe and Timely Antithrombotic Removal – Direct Oral Anticoagulants [DOAC]) double-blind, randomized, controlled trial in the United States to support FDA marketing approval. This is being performed under the previously announced FDA Breakthrough Device Designation granted to the DrugSorb-ATR™ Antithrombotic Removal System for the removal of apixaban (Eliquis®, Bristol-Myers-Squibb/Pfizer) and rivaroxaban (Xarelto®, Janssen/Bayer) in a cardiopulmonary bypass circuit to reduce the likelihood of serious perioperative bleeding in urgent cardiothoracic surgery.

About STAR: The STAR-T trial received full FDA IDE Approval in July 2021, and is being performed under the auspices of FDA Breakthrough Designation granted in April 2020. The STAR-T trial is expected to enroll up to 120 patients across 20 sites and be completed by 2022. The first patient was enrolled by Dr. Bradley S. Taylor, Chief of the Division of Cardiac Surgery and Director of Coronary Revascularization and site Principal Investigator at the University of Maryland Medical Center.

Valuation. We use a series of therapeutic models across the various indications and geographies and project product revenues for the Company out to the year 2030. In our U.S. therapeutic models, we apply a 30% risk cut (70% success probability) that both U.S. approvals and our market share forecasts can be realized. For us, valuation becomes an interesting question when we discuss the appropriate "r" risk-rate to use in our three-model metrics, free cash flow to the Firm (FCFF), Discounted EPS, and Sum-Of-The-Parts (SOP) models, which are equal-weighted, averaged and rounded to the nearest whole number. Typically for early-stage companies with no revenues, we use 30%, and for companies with established products and revenues, we use a lower 15%. CytoSorbents arguably is somewhere in the middle, as products are approved and selling in Europe but not yet in the U.S. If we select a conservative 30%, we derive a \$9.00 price target. If we select a more aggressive 15%, we arrive at a \$26.00 target. We select 25% to balance risk versus reward to derive a \$16.00 target,

Risks to our price target include: market, regulatory, financial, and commercialization risks.



Source: Cytosorbents

Stock Data			
52-Week Range	\$5.73	-	\$11.68
Shares Outstanding (mil.)	43.5		
Market Capitalization (mil.)	\$283		
Enterprise Value (mil.)	\$263		
Debt to Capital	0%		
Book Value/Share	\$0.35		
Price/Book	4.3		
Average Three Months Trading Volume (K)	688		
Insider Ownership	11.7%		
Institutional Ownership	43.8%		
Short Interest (mil.)	3.5%		
Dividend / Yield	\$0.00/0.0%		

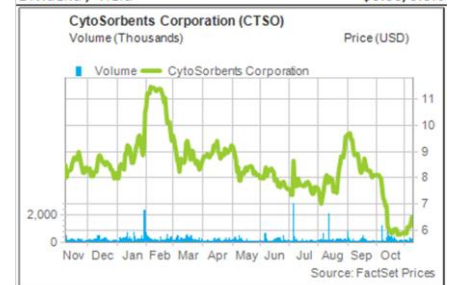


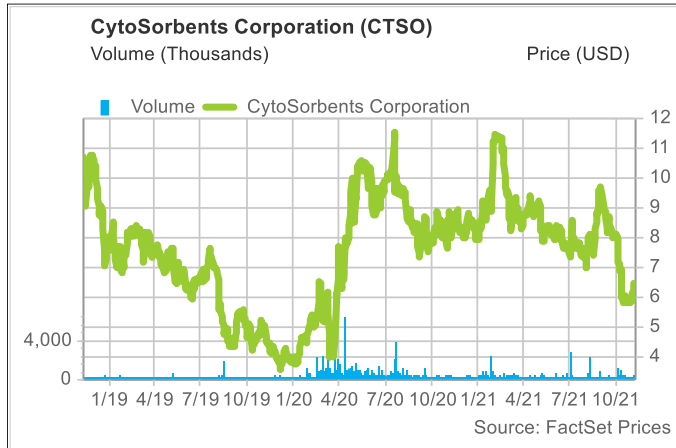
Exhibit 1. Income Statement

CTSO.: Income Statement (\$000)												
.. YE December 31	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue:												
CytoSorb Direct Sales (Germany, Austria, Switzerland)	22,766	25,607	27,314	31,302	41,427	70,058	99,520	115,405	131,735	148,520	150,699	150,699
CytoSorb Distributor (Rest of EU)		10,240	10,498	13,492	27,297	41,422	55,871	70,651	85,766	86,763	87,771	87,771
CytoSorb (Cardiac surgery EU)		3,420		9,218	11,604	14,022	16,474	16,589	16,705	16,822	16,940	16,940
CytoSorb (Cardiac surgery US)		-	-	-	-	21,899	27,593	66,755	67,290	67,829	68,373	68,373
CytoSorb (sepsis US)					45,376	92,302	187,755	200,508	223,353	246,919	271,225	271,225
VetResQ		185	194	204	214	225	236					
Other Sales												
Total Product Sales	22,766	39,452	38,007	54,216	125,919	239,928	387,449	469,908	524,849	566,853	595,008	595,008
Royalty (HemoDefend US)	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	2,184	1,552	1,978	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	24,950	41,004	39,985	54,216	125,919	239,928	387,449	469,908	524,849	566,853	595,008	595,008
Expenses:												
Costs of Goods Sold	7,364	11,052	9,973	10,843	25,184	47,986	77,490	93,982	104,970	113,371	119,002	119,002
%COGS	25%	28%	27%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Research and Development	12,092	8,810	9,691	10,660	11,726	12,898	14,188	15,607	17,168	18,885	20,773	22,850
%R&D	53%	22%	25%	20%	9%	5%	4%	3%	3%	3%	3%	4%
Selling, General and Administrative	22,006	28,463	32,733	36,006	36,726	37,461	38,210	38,974	39,753	40,549	41,360	42,187
%SG&A	97%	72%	86%	66%	29%	16%	10%	8%	8%	7%	7%	7%
Legal, financial and other counseling	2,462	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048
Total Expenses	43,924	51,373	55,445	60,557	76,684	101,392	132,936	151,611	164,939	175,852	184,182	187,086
Operating Income (Loss)	(18,974)	(10,369)	(15,460)	(6,341)	49,235	138,535	254,513	318,297	359,910	391,002	410,826	407,921
Interest income (expense), net												
Gain (loss) on foreign currency transactions	(1,384)	(1,201)										
Change in warrant liability		2,607										
Other income (expense), net												
Total Other Income	(1,384)	1,406	-	-	-	-	-	-	-	-	-	-
Pretax Income	(20,358)	(8,964)	(15,460)	(6,341)	49,235	138,535	254,513	318,297	359,910	391,002	410,826	407,921
Income Tax Benefit (Provision)	1,092	1,127	(1,546)	(761)	7,385	24,936	53,448	76,391	100,775	129,031	135,573	134,614
Tax Rate	5%	8%	10%	12%	15%	18%	21%	24%	28%	33%	33%	33%
GAAP Net Income (Loss)	(19,266)	(7,837)	(13,914)	(5,580)	41,850	113,599	201,066	241,906	259,135	261,971	275,253	273,307
GAAP-EPS	(0.62)	(0.20)	(0.49)	(0.13)	0.96	2.59	4.56	5.47	5.83	5.87	6.15	6.08
GAAP-EPS (Dil)	(0.60)	(0.20)	(0.32)	(0.13)	0.96	2.59	4.56	5.47	5.83	5.87	6.15	6.08
Wgtd Avg Shrs (Bas) - '000s	32,253	38,819	43,349	43,548	43,723	43,898	44,074	44,250	44,427	44,605	44,784	44,963
Wgtd Avg Shrs (Dil) - '000s	32,253	38,819	43,349	43,548	43,723	43,898	44,074	44,250	44,427	44,605	44,784	44,963

Source: Dawson James estimates and company reports

Important Disclosures:

Price Chart:



Price target and rating changes over the past three years:

- Initiated – Buy – July 11, 2019 – Price Target \$15.00
- Update – Buy – August 12, 2019 – Price Target \$15.00
- Update – Buy – August 15, 2019 – Price Target \$15.00
- Update – Buy – August 19, 2019 – Price Target \$15.00
- Update – Buy – November 6, 2019 – Price Target \$15.00
- Update – Buy – February 19, 2020 – Price Target \$15.00
- Price Target Increase – Buy – March 9, 2020 – Price Target \$17.00
- Update – Buy – March 25, 2020 – Price Target \$17.00
- Update – Buy – April 13, 2020 – Price Target \$17.00
- Update – Buy – May 6, 2020 – Price Target \$17.00
- Update – Buy – June 9, 2020 – Price Target \$17.00
- Update – Buy – July 31, 2020 – Price Target \$15.00
- Update – Buy – August 12, 2020 – Price Target \$16.00
- Update – Buy – September 16, 2020 – Price Target \$16.00
- Update – Buy – October 14, 2020 – Price Target \$16.00
- Update – Buy – November 5, 2020 – Price Target \$16.00
- Update – Buy – December 2, 2020 – Price Target \$16.00
- Update – Buy – January 12, 2021 – Price Target \$16.00
- Update – Buy – January 19, 2021 – Price Target \$16.00
- Update – Buy – April 20, 2021 – Price Target \$16.00
- Update – Buy – May 6, 2021 – Price Target \$16.00
- Update – Buy – July 6, 2021 – Price Target \$16.00
- Update – Buy – September 1, 2021 – Price Target \$16.00
- Update – Buy – October 15, 2021 – Price Target \$16.00
- Update – Buy – November 9, 2021 – Price Target \$16.00

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Information about valuation methods and risks can be found in the "VALUATION" and "RISKS" sections of this report.

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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.

Current as of... 15-Oct-21

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	69%	4	16%
Market Perform (Neutral)	11	31%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	36	100%	4	11%

Analyst Certification:

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