Dyadic (DYAI-NASDAQ) – Buy-Rated

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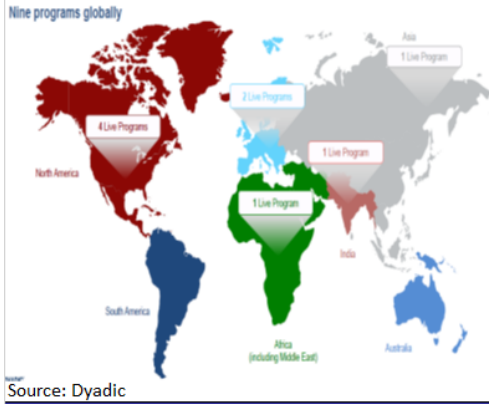
Second-Quarter Results – Burns $3M with $26M in Cash

Dyadic reported third-quarter results, spending $4M, which translated into a net loss of $3.3M and $29M in cash on the books. Multiple irons in the fire remain including several Covid Projects.

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%

Investment Highlights (*From the Press Release*):

- Rubic Consortium - C1 technology transfer has commenced, the DYAI-100 and other COVID-19 variant RBD's have been delivered. In addition, genetic tools, C1strains and protocols for engineering C1-cells and producing proteins from such C1-cells have been transferred. We are in discussion with Rubic regarding where, in addition to COVID-19, they can successfully apply the C1 technology for the development and commercialization of several other vaccine candidates.
- Syngene International - accelerated tech transfer of the DYAI-100 cell line has been completed, the manufacturing part of technology training on the C1 production platform has shown initial success, and a number of the SARS-CoV-2 RBD variant of concern antigens, including the Delta RBD, have been delivered.
- Medytox - C1 platform tech transfer has been completed and they are developing nanoparticle vaccine candidates for COVID-19 variants.
- Sorrento Therapeutics - the parties are continuing to negotiate the License Agreement, the terms of which may be materially different than the terms set forth in the binding term sheet announced on August 11, 2021; we can give no guidance if or when the License Agreement will be executed, but in the interim, technology transfer to Sorrento for DYAI-100 and the C1 platform has been initiated.
- **COVID-19 Vaccine Candidate**, DYAI-100, continues to advance towards first-in-human Phase 1 clinical trial:

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.

Exhibit 1. Income Statement

DYAI.: Income Statement ($000)																					
.: YE December 31	2018A	2019A	2020A	1Q21A	2Q21A	3Q21A	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	693	(457)	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	693	(457)	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**	**693**	**(457)**	**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	393	(159)	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	1,902	(1,973)	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				191	191	45	47	49	55	195	199	203	207	211	215	220	224	228
General & Adminastrative	4,523	5,520	6,085	1,554	1,748	1,693	1,212	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	30	(12)	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	4,017	(742)	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)	(3,324)	285	(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	1,609															
Total Other Income		-	**447**	**(3,294)**	**(3,846)**	**(1,715)**	**285**	**(8,570)**	**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)	(1,715)	285	(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)	(1,715)	285	(8,570)	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)	(0.06)	0.01	(0.31)	0.02	0.02	0.02	0.02	0.07	0.57	0.93	1.17	1.67	1.91	2.36	2.73	3.30
GAAP-EPS (Dil)	(0)	(0.31)	(0.34)	(0.12)	(0.14)	(0.06)	0.01	(0.31)	0.02	0.02	0.02	0.02	0.07	0.55	0.89	1.12	1.59	1.83	2.25	2.61	3.16
Wgtd Avg Shrs (Bas) - '000s	27,673	27,003	27,472	27,533	27,645	28,079	28,107	27,841	28,135	28,163	28,191	28,220	28,177	28,290	28,404	28,517	28,632	28,746	28,862	28,977	29,093
Wgtd Avg Shrs (Dil) - '000s	27,673	27,003	27,472	27,533	27,645	28,079	28,360	27,841	28,135	28,163	30,691	30,998	28,177	28,290	28,404	28,517	28,632	28,746	28,862	28,977	29,093

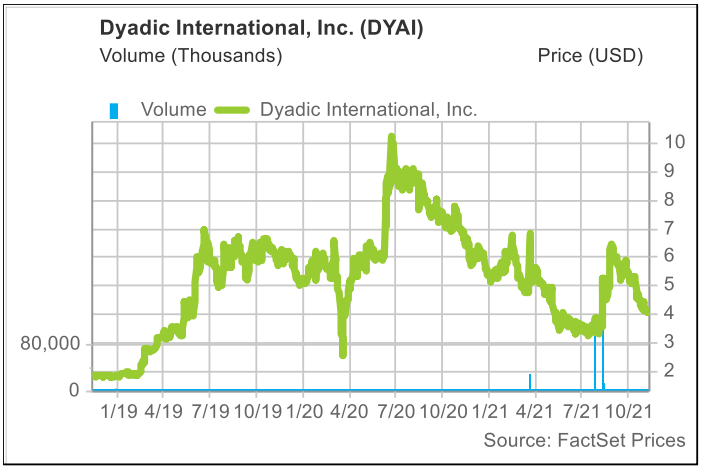
Source: Dawson James estimates, company reports

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
Update – Buy – November 11, 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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Current as of 10/15/21	**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%

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