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Aditxt Therapeutics (NASDAQ: ADTX)

December 23, 2021

BUY: One Stop Shopping: Point of Care & A Therapeutic Too

Aditxt has been busy. The company is acquiring a “point of care” rapid diagnostic for Covid (as well as other indications). We see this as complementary to the recent AiPharma acquisition, which provides access to a Covid anti-viral. This coupled with the recent raise (\$17M) strengthens the company’s balance sheet and in total positions Aditxt as a one stop provider from point of care, immune score and therapeutic intervention. We have adjusted our model for the raise (reflecting the increased number of shares) and we include risk adjusted revenues for point of care testing and a Covid Therapeutic. The net effect is our price target now rises, from \$4.0 to \$6.0

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Investment Highlights

Multiple Acquisitions Coupled with Cash

- **Point of Care Diagnostics** – Aditxt has a binding letter of intent with a company providing rapid COVID tests (and others tests such as Celiac, H. Pylori, and cancers including ovarian and prostate).
- **Covid Therapeutic:** Aditxt entered into a transaction agreement to acquire (a subsidiary of), AiPharma Global. AiPharma develops antiviral therapies across a broad spectrum of infectious diseases. This includes rights to Avigan/Reequonus/Qifenda and all formulations of favipiravir, a broad spectrum oral antiviral drug that targets COVID-19 and other infectious diseases. We have not yet included any revenues or expenses for this program.
- **Cash to Operate:** Aditxt raises capital. Aditxt raised \$17.4M through the sale of 16.75M shares (& warrants).

Valuation: Our valuation for Aditxt is driven by diagnostic testing and principally the expansion of that testing into the type 1 diabetes at-risk testing market as well as Covid. One could argue that a battery of new immune status tests that may be developed by the company represents the future of diagnostics. 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% to 50% risk cut, 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.



Source: Barron's: We Need to Be Smarter About Covid-19 Immunity by Amro Albanna

Current Price		\$0.65
Price Target		\$6.00
Stock Data		
52-Week Range	\$0.61 -	\$6.73
Shares Outstanding (mil.)	43.5	
Market Capitalization (mil.)	\$28	
Enterprise Value (mil.)	\$18	
Debt to Capital	0%	
Book Value/Share	-\$0.01	
Price/Book	-	
Average Three Months Trading Volume (K)	3,860	
Insider Ownership	12.8%	
Institutional Ownership	5.4%	
Short interest (mil.)	0.5%	
Dividend / Yield	\$0.00/0.0%	



Source: FactSet Prices

Exhibit 1. Diabetes Testing Model

Percent Annual Testing of US at Risk Type 1 Diabetes Population Tested	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
U.S. Population - at Risk Type 1	30,000,000	30,000,000	30,300,000	30,603,000	30,909,030	31,218,120	31,530,302	31,845,605	32,164,061	32,485,701	32,810,558
90% Testing (annual)	27,000,000	27,000,000	27,270,000	27,542,700	27,818,127	28,096,308	28,377,271	28,661,044	28,947,655	29,237,131	29,529,502
Market Share of Testing	0%	0%	0%	1%	2%	3%	5%	8%	10%	14%	15%
No. of Tests	0	0	0	275,427	556,363	842,889	1,418,864	2,292,884	2,894,765	4,093,198	4,429,425
Net Margin per test	\$50	\$51	\$51	\$51	\$51	\$51	\$51	\$51	\$51	\$51	\$51
Annual Operating Income (\$M)	0	0	0	14	28	43	72	116	146	207	224
Risk Adjusted	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Risk Adjusted Operating Income (\$M)	\$0	\$0	\$0	\$10	\$20	\$30	\$50	\$81	\$102	\$145	\$157

Exhibit 2. Covid Immune Score Model

Percent Annual Testing of US Population for MaB Immunity	Inputs	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
U.S. Population		330,000,000	330,000,000	333,300,000	336,633,000	339,999,330	343,399,323	346,833,317	350,301,650	353,804,666	357,342,713	360,916,140
10% Testing (annual)		3,300,000	3,300,000	3,333,000	3,366,330	3,399,993	3,433,993	3,468,333	3,503,016	3,538,047	3,573,427	3,609,161
Market Share of Testing		0%	2%	3%	5%	6%	7%	8%	9%	10%	10%	10%
No. of Tests		0	66,000	99,990	168,317	204,000	240,380	277,467	315,271	353,805	357,343	360,916
Net Margin per test		\$30	\$61	\$61	\$61	\$61	\$61	\$61	\$61	\$61	\$61	\$61
Annual Operating Income (\$M)		0	4	6	10	12	15	17	19	21	22	22
Risk Adjusted		70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Risk Adjusted Operating Income (\$M)		\$0	\$3	\$4	\$7	\$9	\$10	\$12	\$13	\$15	\$15	\$15

Exhibit 3. Covid Rapid Testing Model

Aditix Rapid Test - Capacity Model	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Test Capacity per day	-	2,740	20,548	27,397	41,096	41,096	41,096	41,096	41,096	41,096	41,096
Annual Covid Immune Profile Tests	-	1,000,000	7,500,000	10,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
% Capacity Utilization	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Net Margin per test	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Annual Operating Income (\$M)	\$0	\$10	\$75	\$100	\$150	\$150	\$150	\$150	\$150	\$150	\$150
Risk Adjusted	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Risk Adjusted Operating Income (\$M)	\$0	\$5	\$38	\$50	\$75	\$75	\$75	\$75	\$75	\$75	\$75

Exhibit 4. Early Diagnose – AntiViral Treatment Model

Early Diagnosis - AntiViral Treatment	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Early Positive Patients - Annually	-	-	-	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Market Share	-	-	-	10%	15%	20%	20%	20%	20%	20%	20%
Price	-	-	-	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Revenue	-	-	-	\$100	\$150	\$200	\$200	\$200	\$200	\$200	\$200
Annual Operating Income (\$M)	-	-	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Risk Adjusted	-	-	-	50%	50%	50%	50%	50%	50%	50%	50%
Risk Adjusted Operating Income (\$M)	-	-	-	\$50	\$75	\$100	\$100	\$100	\$100	\$100	\$100

Valuation Models: Our valuation for Aditxt is driven by diagnostic testing and principally the expansion of that testing into the type 1 diabetes at-risk testing market as well as Covid. One could argue that a battery of new immune status tests that may be developed by the company represents the future of diagnostics. 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% to 50% risk cut, 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.

Average	\$	6
Price Target	\$	9
Year		2022

DCF Valuation Using FCF (mln):

Units ('000 - Cnd\$)	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(9,149)	(10,879)	26,067	88,189	141,409	174,032	193,383	222,237	242,452	280,302	290,714
Tax Rate	0%	0%	15%	20%	25%	28%	30%	31%	32%	35%	37%
EBIT(1-t)	(9,149)	(10,879)	22,157	70,551	106,057	125,303	135,368	153,343	164,867	182,196	183,150
CapEx	-	(227)	-	-	-	-	-	-	-	-	-
Depreciation	318	4,693	-	-	-	-	-	-	-	-	-
Change in NWC	-	-	-	-	-	-	-	-	-	-	-
FCF	(8,831)	(6,413)	22,157	70,551	106,057	125,303	135,368	153,343	164,867	182,196	183,150
PV of FCF	(14,925)	(8,336)	22,157	54,270	62,755	57,034	47,396	41,300	34,157	29,036	22,452
Discount Rate			30%								
Long Term Growth Rate			1%								
Terminal Cash Flow		637,867									
Terminal Value YE2030		78,196									
NPV		440,417									
NPV-Debt		0									
Shares out (thousands)		51,571	2030E								
NPV Per Share	\$	9									

Current Year	2022
Year of EPS	2030
Earnings Multiple	10
Discount Factor	30%
Selected Year EPS	\$ 3.55
NPV	\$ 4

		Discount Rate and Earnings Multiple Varies, Year is Constant					
		2030 EPS					
Earnings Multiple		5%	10%	15%	20%	25%	30%
		2		\$4.81	\$3.31	\$2.32	\$1.65
5		\$12.02	\$8.28	\$5.80	\$4.13	\$2.98	\$ 2.18
10		\$24.04	\$16.57	\$11.61	\$8.26	\$5.96	\$ 4.35
15		\$36.05	\$24.85	\$17.41	\$12.39	\$8.94	\$ 6.53
20		\$48.07	\$33.13	\$23.22	\$16.52	\$11.92	\$ 8.71
25		\$60.09	\$41.42	\$29.02	\$20.65	\$14.89	\$ 10.88
30		\$72.11	\$49.70	\$34.83	\$24.78	\$17.87	\$ 13.06
35		\$84.13	\$57.98	\$40.63	\$28.91	\$20.85	\$ 15.24

Sum of the Parts	LT Gr	Discount Rate	Yrs. to Mkt	% Success	Peak Sales MMs	Term Val
COVID-MaB Testing	1%	30%	1	70%	\$15	\$53
NPV						\$0.39
Rapid Testing Model	1%	30%	3	50%	\$150	\$517
NPV						\$1.60
Covid Therapeutics	1%	30%	3	50%	\$200	\$690
NPV						\$2.13
Diabetes	1%	30%	3	30%	\$157	\$540
NPV						\$1.00
Immune Tolerance Program	1%	30%	6	10%	\$200	\$690
NPV						\$0.19
Net Margin						70%
MM Shrs OS						52
Total						\$5

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.

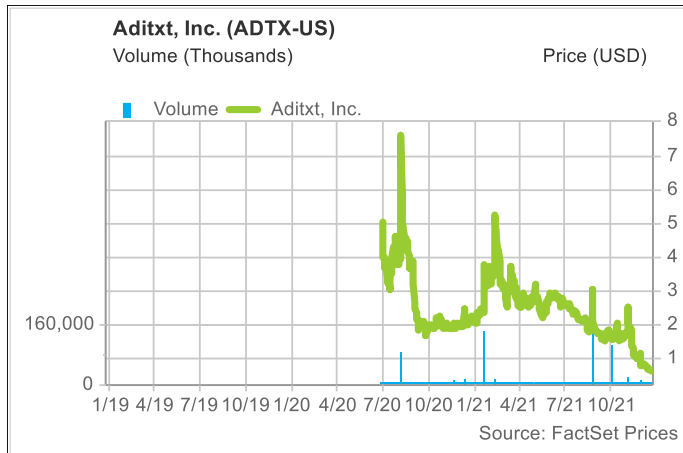
Exhibit 5. Income Statement

ADTX, Inc. Income Statement (\$000)																			
YE Dec. 31	2020A	1Q21A	2Q21A	3Q21A	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue (\$000)																			
COVID-MaB Testing		-				-	1,018	1,060	1,039	1,124	4,242	7,140	8,654	10,197	11,770	13,374	15,008	15,158	15,310
Point of Care Diagnostics							9,000	9,375	9,188	9,938	37,500	50,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Early Anti-Viral Treatment							-	-	-	-	-	50,000	75,000	100,000	100,000	100,000	100,000	100,000	100,000
Type 1 Diabetes MaB Testing							-	-	-	-	-	9,736	19,667	29,796	50,157	81,053	102,330	144,695	156,580
Immune Tolerance Platform Technology																			
Total Revenues		-	-	-	-	-	10,018	10,435	10,227	11,062	41,742	116,876	178,321	214,993	236,927	269,427	292,338	334,853	346,890
Expenses																			
COGS		-	-	-	-	-	1,002	1,044	1,023	1,106	4,174	11,688	17,832	21,499	23,693	26,943	29,234	33,485	34,689
% COGS							10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Gross Profit		-	-	-	-	-	9,016	9,392	9,204	9,955	37,567	105,189	160,489	193,494	213,234	242,485	263,105	301,368	312,201
Sales (Advertising & Marketing) expense		12	59	44	150	747	720	750	750	780	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	4,452	(9,348)	1,440	1,500	1,500	1,560	6,000	8,000	9,000	9,180	9,364	9,551	9,742	9,937	10,135
Research & Development		82	936	933	1,472	(2,840)	600	625	625	650	2,500	4,000	4,080	4,162	4,245	4,330	4,416	4,505	4,595
Total expenses		8,872	6,093	5,775	6,073	(11,441)	6,500	2,760	2,875	2,875	2,990	11,500	17,000	19,080	19,462	19,851	20,248	20,653	21,066
Operating Profit		(8,872)	(6,093)	(5,775)	(6,073)	11,441	(6,500)	6,256	6,517	6,329	6,965	26,067	88,189	141,409	174,032	193,383	222,237	242,452	280,302
Oper Margin																			
Interest expense		(10)	(17)	(20)	(39)	(76)													
Amortization of Debt Discount		1	0	0	43	43													
Other (loss)		(268)	(270)	(384)	(3,692)	(4,346)													
Pre-tax income		(9,149)	(6,380)	(6,178)	(9,762)	11,441	(10,879)	6,256	6,517	6,329	6,965	26,067	88,189	141,409	174,032	193,383	222,237	242,452	280,302
Pretax Margin																			
Income Tax (Benefit)							938	978	949	1,045	3,910	17,638	35,352	48,729	58,015	68,893	77,585	98,106	107,564
Tax Rate							15%	15%	15%	15%	15%	20%	25%	28%	30%	31%	32%	35%	37%
GAAP Net Income		(9,149)	(6,380)	(6,178)	(9,762)	11,441	(10,879)	5,318	5,539	5,380	5,921	22,157	70,551	106,057	125,303	135,368	153,343	164,867	182,196
GAAP-EPS		(1.33)	(0.46)	(0.42)	(0.20)	0.23	(0.85)	0.11	0.11	0.11	0.12	0.44	1.39	2.08	2.45	2.65	2.99	3.21	3.54
Non GAAP EPS (dil)		(1.33)	(0.46)	(0.42)	(0.20)	0.23	(0.85)	0.11	0.11	0.11	0.12	0.44	1.39	2.08	2.45	2.65	2.99	3.21	3.54
Wgtd Avg Shrs (Bas) - '000s		6,903	13,829	14,564	34,131	34,199	24,181	34,541	34,610	34,679	34,748	34,645	34,923	35,203	35,485	35,770	36,057	36,346	36,638
Wgtd Avg Shrs (Dil) - '000s		6,903	13,829	14,564	50,000	50,100	32,123	50,601	50,702	50,804	50,905	50,753	50,855	50,956	51,058	51,160	51,263	51,365	51,468

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
 Price Target Change – Buy – November 18, 2021 – Price Target Lowered to \$4.00 from \$8.00
 Price Target Change – Buy – December 23, 2021 Price Target Raised from \$4.00 to \$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.

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... 20-Dec-21

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	26	68%	5	19%
Market Perform (Neutral)	12	32%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	38	100%	5	13%

Analyst Certification:

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