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Aditxt Therapeutics (NASDAQ: ADTX)

April 28, 2022

BUY: Why Do We Like Aditxt – Introducing Our Webinar Series – An Open One Hour Discussion with CEO Amro Albanna

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We are introducing our Webinar series beginning with an open discussion with Aditxt's CEO Amro Albanna. In this open forum we ask all the questions one would expect from an investor-analyst-portfolio manager evaluating a company's prospects for an investment decision. The webcast (done on March 29, 2022) is open to all who are interested. Just click on the link <https://dawsonjames.com/webinars/>

Investment Highlights

An Open Discussion with Aditxt CEO Amro Albanna. Please click on the link to listen to Dawson James newest product – Our webinar series where we feature a one-on-one free-range discussion with management teams. Our goal is to understand the company and investment pros and cons. <https://dawsonjames.com/webinars/>

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 Makes an Acquisition: 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.

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		\$0.33
Price Target		\$6.00
Stock Data		
52-Week Range	\$0.32 -	\$3.95
Shares Outstanding (mil.)		44.7
Market Capitalization (mil.)		\$15
Enterprise Value (mil.)		\$4
Debt to Capital		0%
Book Value/Share		-\$0.01
Price/Book		-
Average Three Months Trading Volume (K)		717
Insider Ownership		5.5%
Institutional Ownership		9.9%
Short interest (mil.)		2.0%
Dividend / Yield		\$0.00/0.0%



Source: FactSet Prices

Please find Important Disclosures beginning on Page 5.

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

Audit 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	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	15,000,000
% Capacity Utilization	50%	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	\$20
Annual Operating Income (\$M)	\$0	\$10	\$75	\$100	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
Risk Adjusted	50%	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	\$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	5,000,000
Market Share	-	-	-	10%	15%	20%	20%	20%	20%	20%	20%	20%
Price	-	-	-	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Revenue	-	-	-	\$100	\$150	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Annual Operating Income (\$M)	-	-	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Risk Adjusted	-	-	-	50%	50%	50%	50%	50%	50%	50%	50%	50%
Risk Adjusted Operating Income (\$M)	-	-	-	\$50	\$75	\$100	\$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 - CndS)	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.

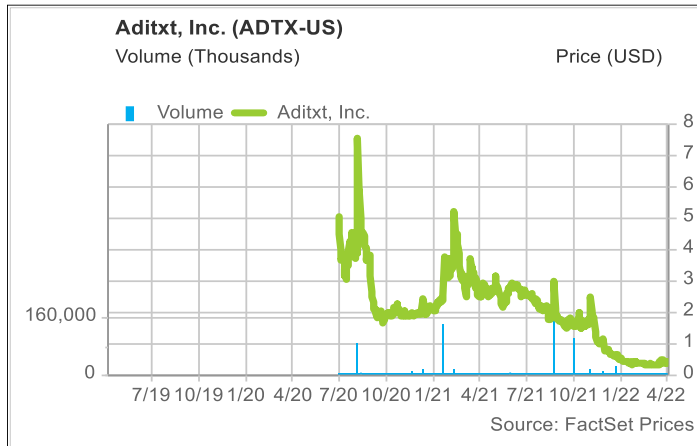
Exhibit 5. Income Statement

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	1,000	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)	5,000	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)	500	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	21,487	
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	290,714	
Oper Margin																				
Interest expense	(10)	(17)	(20)	(39)	(76)	(76)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Amortization of Debt Discount	1	0	0	43	43	43	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other (loss)	(268)	(270)	(384)	(3,692)	(4,346)	(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	290,714	
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	183,150	
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	3.55	
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	3.55	
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	36,932	
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	51,571	

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
 Update – Buy – April 5, 2022 – Price Target \$6.00
 Update – Buy – April 28, 2022 – Price Target \$6.00

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Although the statements in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the Firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Information about valuation methods and risks can be found in the "Valuation" and "Risk Analysis" sections of this report.

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Ratings Definitions:

- 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... 26-Apr-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	32	74%	4	13%
Market Perform (Neutral)	11	26%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	43	100%	4	9%

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.