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Aditxt Therapeutics (NASDAQ: ADTX)

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BUY: Reports 2nd Quarter – Cash is Tight, We Expect a Capital Raise. We are Lowering our Price Target from \$6.0 to \$1.0

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Aditxt reported the 2nd Quarter. Revenues remain nominal as the company appears to have missed the Covid testing window. As a result, we are lowering our revenue estimates across the board. The impact is our price target falls from \$6.00 to \$1.00. Given the fall in the stock, we can still justify our Buy rating as we take a wait and approach for the company's outlook.

Investment Highlights

Aditxt reported 2nd Quarter 2022 results. Revenues were just \$214k as the company hopes to build awareness around its Aditxt score diagnostic report. The company reported a loss in the quarter of \$5.8M and ended the period with \$0.8M in cash. Based on a quick review of the company's filings it appears the company is involved in raising capital from certain accredited investors. We have a call into management and hope to return with an update on the cash strategy, going forward. Given the lack of substantial revenues, the reduced opportunity in Covid, and the cash concerns we are reducing our revenue estimates. The result is our price target is reduced from \$6.0 to \$1.0.

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 the expansion of that testing into the type 1 diabetes at-risk testing market as well as some Covid testing. One could argue that a battery of new immune status tests that may be developed by the company represents the future of diagnostics. 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

Stock Data		
52-Week Range	\$0.12 -	\$3.95
Shares Outstanding (mil.)	44.7	
Market Capitalization (mil.)	\$8	
Enterprise Value (mil.)	-\$3	
Debt to Capital	0%	
Book Value/Share	-\$0.01	
Price/Book	-	
Average Three Months Trading Volume (K)	198	
Insider Ownership	5.2%	
Institutional Ownership	7.0%	
Short interest (mil.)	4.2%	
Dividend / Yield	\$0.00/0.0%	



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 therapeutic 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	\$	1
Price Target	\$	(1)
Year		2022

DCF Valuation Using FCF (mln):

Units (000 - CndS)	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(9,149)	(46,371)	(10,569)	(16,038)	(3,870)	12,756	20,199	26,789	34,520	41,382	48,379
Tax Rate	0%	0%	0%	20%	25%	28%	30%	31%	32%	35%	37%
EBIT(1-t)	(9,149)	(46,371)	(10,569)	(12,831)	(2,753)	9,184	14,139	18,484	23,473	26,898	30,478
CapEx	-	(227)	-	-	-	-	-	-	-	-	-
Depreciation	318	4,693	-	-	-	-	-	-	-	-	-
Change in NWC	-	-	-	-	-	-	-	-	-	-	-
FCF	(8,831)	(41,905)	(10,569)	(12,831)	(2,753)	9,184	14,139	18,484	23,473	26,898	30,478
PV of FCF	(14,925)	(54,477)	(10,569)	(9,870)	(1,629)	4,180	4,950	4,978	4,863	4,287	3,736
Discount Rate	30%										
Long Term Growth Rate	1%										
Terminal Cash Flow	106,149										
Terminal Value YE2030	13,013										
NPV	(36,537)										
NPV-Debt	0										
Shares out (thousands)	51,571	2030E									
NPV Per Share	\$	(1)									

Current Year	2022
Year of EPS	2030
Earnings Multiple	10
Discount Factor	30%
Selected Year EPS	\$ 0.59
NPV	\$ 1

		Discount Rate and Earnings Multiple Varies, Year is Constant					
		2030 EPS					
Earnings Multiple		5%	10%	15%	20%	25%	30%
		2		\$0.80	\$0.55	\$0.39	\$0.27
5		\$2.00	\$1.38	\$0.97	\$0.69	\$0.50	\$ 0.36
10		\$4.00	\$2.76	\$1.93	\$1.37	\$0.99	\$ 0.72
15		\$6.00	\$4.14	\$2.90	\$2.06	\$1.49	\$ 1.09
20		\$8.00	\$5.51	\$3.86	\$2.75	\$1.98	\$ 1.45
25		\$10.00	\$6.89	\$4.83	\$3.44	\$2.48	\$ 1.81
30		\$12.00	\$8.27	\$5.80	\$4.12	\$2.97	\$ 2.17
35		\$14.00	\$9.65	\$6.76	\$4.81	\$3.47	\$ 2.54

Sum of the Parts	LT Gr	Discount Rate	Yrs. to Mkt	% Success	Peak Sales MMs	Term Val
COVID-MaB Testing	1%	30%	1	70%	\$6	\$21
NPV						\$0.15
Rapid Testing Model	1%	30%	3	50%	\$30	\$103
NPV						\$0.32
Covid Therapeutics	1%	30%	3	50%	\$40	\$138
NPV						\$0.43
Diabetes	1%	30%	3	30%	\$63	\$216
NPV						\$0.40
Immune Tolerance Program	1%	30%	6	10%	\$200	\$690
NPV						\$0.19
Net Margin						70%
MM Shrs OS						52
Total						\$1

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.

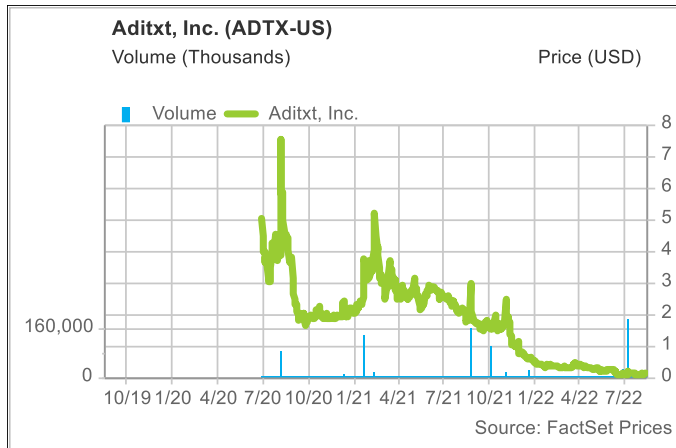
Exhibit 1. Income Statement

ADTX., Inc. Income Statement (\$000)															
YE Dec. 31	2020A	2021A	1Q22A	2Q22A	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue (\$000)															
COVID-MaB Testing		-	210	215	346	642	1,414	1,428	2,885	2,913	4,414	4,458	6,003	6,063	6,124
Point of Care Diagnostics									15,000	15,000	15,000	15,000	15,000	15,000	15,000
Early Anti-Viral Treatment									5,000	20,000	20,000	20,000	20,000	20,000	20,000
Type 1 Diabetes MaB Testing			-	-	-	-	-	-	-	9,932	20,063	30,395	40,932	51,677	62,632
Immune Tolerance Platform Technology															
Total Revenues	-	105	210	215	346	642	1,414	1,428	22,885	47,845	59,477	69,853	81,935	92,740	103,756
Expenses															
COGS	-	78	188	175	35	64	462	466	7,475	15,628	19,427	22,816	26,763	30,292	33,890
% COGS			10%	10%	10%	10%	33%	33%	33%	33%	33%	33%	33%	33%	33%
Gross Profit	-	27	22	40	312	578	952	962	15,410	32,217	40,049	47,037	55,172	62,448	69,866
Sales (Advertising & Marketing) expense	12	335	87	834	750	1,329	3,000	5,000	6,000	6,120	6,242	6,367	6,495	6,624	6,757
General and administrative	7,852	22,084	4,624	3,789	1,500	(3,913)	6,000	8,000	9,000	9,180	9,364	9,551	9,742	9,937	10,135
Research & Development	82	5,043	1,428	1,188	625	(741)	2,500	4,000	4,080	4,162	4,245	4,330	4,416	4,505	4,595
Impairment on Notes receivable		14,500													
Total expenses	8,872	41,962	6,139	5,811	2,875	(3,325)	11,500	17,000	19,080	19,462	19,851	20,248	20,653	21,066	21,487
Operating Profit	(8,872)	(41,935)	(6,117)	(5,771)	(2,563)	3,903	(10,548)	(16,038)	(3,670)	12,756	20,199	26,789	34,520	41,382	48,379
Oper Margin															
Interest expense	(10)	(93)	(15)	(82)			(97)	-	-	-	-	-	-	-	-
Amortization of Debt Discount	1	3	14	6			20	-	-	-	-	-	-	-	-
Other (loss)	(268)	(4,346)	59	(3)			56	-	-	-	-	-	-	-	-
Pre-tax income	(9,149)	(46,371)	(6,059)	(5,850)	(2,563)	3,903	(10,569)	(16,038)	(3,670)	12,756	20,199	26,789	34,520	41,382	48,379
Pretax Margin															
Income Tax (Benefit)								(3,208)	(918)	3,572	6,060	8,305	11,046	14,484	17,900
Tax Rate			0%	0%	0%	0%	0%	20%	25%	28%	30%	31%	32%	35%	37%
GAAP Net Income	(9,149)	(46,371)	(6,059)	(5,850)	(2,563)	3,903	(10,569)	(12,831)	(2,753)	9,184	14,139	18,484	23,473	26,898	30,478
GAAP-EPS	(1.33)	(2.43)	(0.14)	(0.13)	(0.05)	0.08	(0.24)	(0.25)	(0.05)	0.18	0.28	0.36	0.46	0.52	0.59
Non GAAP EPS (dil)	(1.33)	(1.56)	(0.14)	(0.13)	(0.05)	0.08	(0.24)	(0.25)	(0.05)	0.18	0.28	0.36	0.46	0.52	0.59
Wgtd Avg Shrs (Bas) - '000s	6,903	19,091	44,581	45,560	45,651	45,742	45,384	45,972	46,340	46,712	47,087	47,465	47,846	48,230	48,617
Wgtd Avg Shrs (Dil) - '000s	6,903	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

Price Target Change – Buy – August 16, 2022 – Price Target \$1.00 Price Target Lowered \$6.00 to \$1.00

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- 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 8-Aug-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	29	66%	4	14%
Market Perform (Neutral)	14	32%	0	0%
Market Underperform (Sell)	1	2%	0	0%
Total	44	100%	4	9%

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