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Bluejay Diagnostics (NASDAQ: BJDY) - Buy

November 2, 2022

Bluejay: Lowering Price Target from \$8.0 to \$4.0

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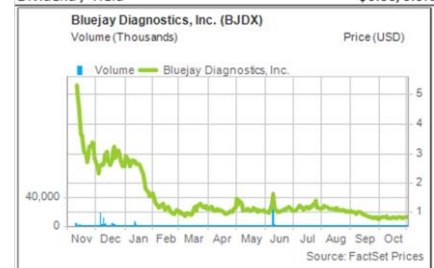
We are reducing our market share estimates for Bluejay's diagnostics to a peak share of 22% from 30%. The net effect is our target valuation is reduced from \$8.0 to \$4.0. The stock's performance has been lackluster and we take note of a recent 8k filing regarding a delisting notice. Bluejay reported \$15M in cash versus a \$2M operating loss in Q2-2022.



The Symphony System

Source: Bluejay

Stock Data			
52-Week Range	\$0.76	-	\$6.25
Shares Outstanding (mil.)	20.2		
Market Capitalization (mil.)	\$17		
Enterprise Value (mil.)	-\$6		
Debt to Capital	0%		
Book Value/Share	NA		
Price/Book	-		
Average Three Months Trading Volume (K)	NA		
Insider Ownership	50.7%		
Institutional Ownership	1.2%		
Short interest (mil.)	0.9%		
Dividend / Yield	\$0.00/0.0%		



Symphony is Something New. It is an automated diagnostic system consisting of a fluorescence immuno-analyzer that uses a single-use diagnostic test cartridge with reagents integrated into the cartridge. Symphony utilizes a 'sample-to-result' format, which means that once a specimen is taken from the patient, it is placed in the cartridge. Then the cartridge is placed inside the analyzer, where the test is run in minutes without further technician intervention or additional reagent.

A Point of Care Rapid Test for IL-6: Bluejay's IL-6 test for sepsis triage is intended to measure IL-6 levels in whole blood samples in near-patient settings. Interleukin-6 (IL-6) is an established biomarker of immune system activation. It is elevated in infection, inflammation, and cancer. IL-6 presents as an early "first responder" and needs to be measured quickly and reliably.

How is testing done today? Currently, testing is generally performed in a laboratory, and the transportation and associated logistics of moving the samples to the lab and obtaining the result typically takes between 8 and 48 hours. This compares to Bluejay's platform, which represents a "sample-to-result system" that has been shown in a clinical study to provide results in 24 minutes. **We see this as a paradigm shift.**

What do KOL's Think? From the emergency department and Intensive Care Unit (ICU) settings Bluejay's Symphony IL-6 test has the potential to provide simple, reliable, rapid, near-patient testing, by delivering quantitative measurements of IL-6 to guide additional patient care, acute intervention, and monitoring. This point of care testing has the potential to be a "game changer".

Valuation: We revised our model, adjusting projected market share out to 2030. We apply a conservative 30% success probability to our projected revenues in our Symphony product model in addition to our 30% risk rate applied in our Free Cash Flow to the Firm (FCFF), discounted EPS (dEPS), and Sum-of-the-Parts (SOP) models, which are then equal-weighted and averaged and rounded to the nearest whole number to derive our 12-month projected price target of \$4.0.

Risks to our thesis include: 1. Regulatory Approvals; 2. Clinical Science 3. Dependence on OEM suppliers; 4. Development of the target markets 5. Intellectual Capital 6. Dilution.

Risks to our thesis include: (1) Regulatory Approvals; (2) Clinical Science (3) Dependence on OEM suppliers; (4) Development of the target markets (5) Intellectual Capital (6) Dilution Risks. In addition, the company details the following additional risks:

- The company is likely to incur losses for the foreseeable future until it is able to generate sufficient revenue from product sales.
- Losses from operations could raise doubts regarding the company's ability to continue as a going concern. The ability to continue as a going concern likely requires additional funding to finance the company's operations.
- The company's product candidates are dependent on its license agreement with Toray. The license agreement imposes significant obligations on the company, including the potential obligation to pay the minimum royalties upon regulatory approval. If the company's license agreement with Toray is terminated for any reason, the company may not be able to generate revenues, and its business could cease.
- The regulatory approval pathway the company must navigate may be expensive, time-consuming and uncertain, and may prevent the company from obtaining approval for the marketing of its product candidates.
- There can be no assurance that the company will successfully complete any clinical evaluation studies necessary to receive regulatory approvals.
- The company's success is highly dependent on its IL-6 product candidates, which are yet to be approved and, even if approved, may not be accepted by the marketplace.
- The company is dependent on third parties to manufacture its product candidates.
- If Toray is unable to successfully protect or enforce its intellectual property and proprietary rights or elects not to do so, the company's competitive position will be harmed.
- If others claim that the company or Toray are infringing on their intellectual property rights, the company may be subject to costly and time-consuming litigation.
- The company may face competition from companies that have greater resources creating a tough to compete environment.

Exhibit 1. Income Statement

BJDX, Inc. Income Statement (\$000)																		
YE Dec. 31	2021A	1Q22A	2Q22A	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue (\$000)																		
Symphony Revenues - IL6 (risk adjusted probability)	-	-	-	-	-	-	2,426	2,527	2,527	2,628	10,109	30,326	73,289	126,360	196,560	270,270	324,324	378,378
Symphony Revenues - Non- IL6													2,000	5,000	15,000	25,000	35,000	40,000
Total Revenues	-	-	249	-	-	249	2,426	2,527	2,527	2,628	10,109	30,326	75,289	131,360	211,560	295,270	359,324	418,378
Expenses																		
COGS	-	-	-	-	-	-	1,213	1,264	1,264	1,314	5,054	15,163	30,116	45,976	63,468	88,581	107,797	125,513
% COGS							50%	50%	50%	50%	50%	50%	40%	35%	30%	30%	30%	30%
Gross Profit	-	-	200	-	-	200	1,213	1,264	1,264	1,314	5,054	15,163	45,173	85,384	148,092	206,689	251,527	292,865
Research & Development	1,148	695	756	201	(848)	804	240	250	250	260	1,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252
General & Administrative	1,792	1,320	1,197	1,250	1,233	5,000	1,224	1,275	1,275	1,326	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858
Marketing & Business Development	290	54	81	74	87	296	72	75	75	78	301	2,000	4,000	6,000	6,120	6,242	6,367	6,495
Total expenses	3,230	2,068	2,034	1,525	471	6,098	1,536	1,600	1,600	1,664	6,401	9,202	11,346	13,493	13,763	14,038	14,319	14,605
Operating Profit	(3,230)	(2,068)	(1,985)	(1,525)	(471)	(6,049)	(323)	(337)	(337)	(350)	(1,347)	5,961	33,827	71,891	134,329	192,651	237,208	278,259
Oper Margin																		
Interest Income (expense)	(258)	55	48			103					-	-	-	-	-	-	-	-
Other Income	-					-					-	-	-	-	-	-	-	-
Pre-tax income	(3,488)	(2,013)	(1,937)	(1,525)	(471)	(5,946)	(323)	(337)	(337)	(350)	(1,347)	5,961	33,827	71,891	134,329	192,651	237,208	278,259
Pretax Margin																		
Income Tax (Benefit)														7,189	26,866	57,795	94,883	111,304
Tax Rate		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	10%	20%	30%	40%	40%
GAAP Net Income	(3,488)	(2,013)	(1,937)	(1,525)	(471)	(5,946)	(323)	(337)	(337)	(350)	(1,347)	5,961	33,827	64,702	107,463	134,856	142,325	166,956
GAAP-EPS	(0.41)	(0.10)	(0.10)	(0.08)	(0.02)	(0.29)	(0.02)	(0.01)	(0.01)	(0.01)	(0.05)	0.20	1.10	2.09	3.45	4.30	4.51	5.25
Non GAAP EPS (dil)	(0.41)	(0.10)	(0.10)	(0.08)	(0.02)	(0.29)	(0.02)	(0.01)	(0.01)	(0.01)	(0.05)	0.20	1.10	2.09	3.45	4.30	4.51	5.25
Wgtd Avg Shrs (Bas) - '000s	8,522	20,142	20,151	20,191	20,232	20,179	20,272	30,313	30,373	30,434	27,848	30,587	30,832	31,079	31,329	31,580	31,834	32,089
Wgtd Avg Shrs (Dil) - '000s	8,522	20,142	20,151	20,191	20,232	20,179	20,182	30,223	30,283	30,344	27,758	30,465	30,679	30,894	31,111	31,330	31,549	31,771

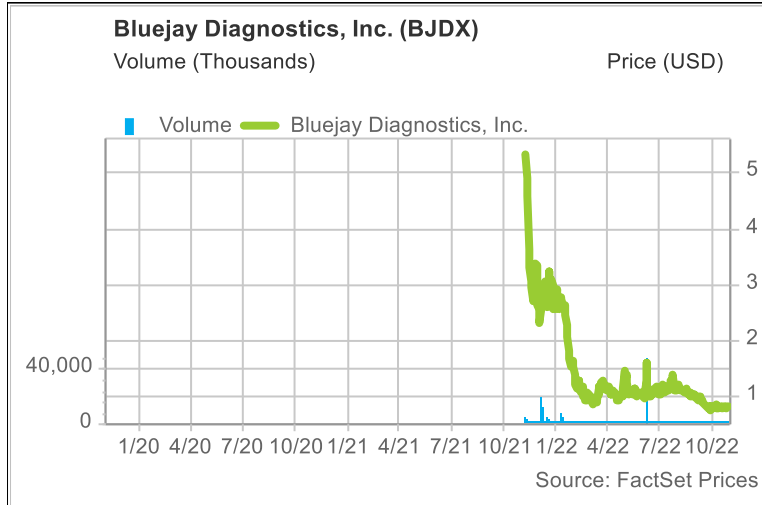
Source: Company reports and Dawson James

Companies mentioned in this report:

Toray (Japan)

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

- Initiated – Buy – January 12, 2022 – Price Target \$10.0
- Update – Buy – January 14, 2022 – Price Target \$10.0
- Update – Buy – January 31, 2022 – Price Target \$10.0
- Update – Buy – March 10, 2022 – Price Target \$10.0
- Update – Buy – April 21, 2022 – Price Target Change \$10.0 to \$8.0
- Update – Buy – June 28, 2022 – Price Target \$8.0
- Update – Buy – July 6, 2022 – Price Target \$8.0
- Update – Buy – July 27, 2022 – Price Target \$8.0
- Update – Buy – August 26, 2022 – Price Target \$8.0
- Update – Buy – November 2, 2022 – Price Target \$4.0

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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 28-Oct-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	24	80%	3	13%
Market Perform (Neutral)	5	17%	1	20%
Market Underperform (Sell)	1	3%	0	0%
Total	30	100%	4	13%

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