

Aditxt Therapeutics (NASDAQ: ADTX)

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Aditxt (ADTX) Neutral Rated: Cash Versus Catalysts – Stay Tuned

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Aditxt raised cash last fall and paid off debt. We estimate the company will still need to raise capital this year. Can a raise be done at a higher valuation? We do see several catalysts that may play out favorably, including quarterly revenue growth for Aditxt score, clinical trials for Adimune, and closure of the AI Pharma deal. We remain neutral as these events continue to play out.

Investment Highlights

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. We are hopeful to see this test start to see revenues build this year.

ADI-100: Adimune's approach is to prevent the immune system attacks by restoring immune tolerance and addressing the root cause of skin cell build-ups. Treatment with ADI-100 reduced skin thickening by 69% and scaling by 38% over a 10-day study period in an established psoriasis model.

Aditxt Proposes 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/Reequon/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	\$1.00 - \$28.49
Shares Outstanding (mil.)	4.3
Market Capitalization (mil.)	\$6
Enterprise Value (mil.)	-\$5
Debt to Capital	0%
Book Value/Share	-\$0.58
Price/Book	-
Average Three Months Trading Volume (K)	353
Insider Ownership	1.4%
Institutional Ownership	12.4%
Short interest (mil.)	4.3%
Dividend / Yield	\$0.00/0.0%



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.

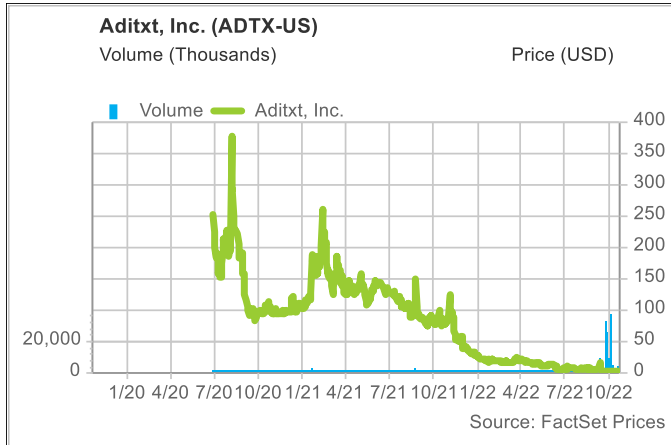
Exhibit 1. Income Statement

ADTX, Inc. Income Statement (\$000)																			
YE Dec. 31	2020A	2021A	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue (\$000)																			
COVID-MaB Testing		-	1,414	343	357	350	378	1,428	692	721	707	764	2,885	2,913	4,414	4,458	6,003	6,063	6,124
Point of Care Diagnostics				-	-	-	-		3,600	3,750	3,675	3,975	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Early Anti-Viral Treatment				-	-	-	-		1,200	1,250	1,225	1,325	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	1,414	343	357	350	378	1,428	5,492	5,721	5,607	6,064	22,885	47,845	59,477	69,853	81,935	92,740	103,756
Expenses																			
COGS	-	78	663	161	167	164	178	670	2,576	2,684	2,630	2,845	10,734	22,442	27,898	32,765	38,433	43,501	48,668
% COGS			47%	47%	47%	47%	47%	47%	47%	47%	47%	47%	47%	47%	47%	47%	47%	47%	47%
Gross Profit	-	27	751	182	190	186	201	758	2,916	3,038	2,977	3,220	12,150	25,403	31,578	37,088	43,503	49,239	55,088
Sales (Advertising & Marketing) expense	12	335	3,000	1,200	1,250	1,250	1,300	5,000	1,440	1,500	1,500	1,560	6,000	6,120	6,242	6,367	6,495	6,624	6,757
General and administrative	7,852	22,084	6,000	1,920	2,000	2,000	2,080	8,000	2,160	2,250	2,250	2,340	9,000	9,180	9,364	9,551	9,742	9,937	10,135
Research & Development	82	5,043	2,500	960	1,000	1,000	1,040	4,000	979	1,020	1,020	1,061	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	11,500	4,080	4,250	4,250	4,420	17,000	4,579	4,770	4,770	4,961	19,080	19,462	19,851	20,248	20,653	21,066	21,487
Operating Profit	(8,872)	(41,935)	(10,749)	(3,898)	(4,060)	(4,064)	(4,219)	(16,242)	(1,663)	(1,732)	(1,793)	(1,741)	(6,930)	5,941	11,728	16,840	22,850	28,173	33,601
Oper Margin																			
Interest expense	(10)	(93)	(743)					-	-	-	-	-	-	-	-	-	-	-	-
Amortization of Debt Discount	1	3	(1,500)					-	-	-	-	-	-	-	-	-	-	-	-
Other (loss)	(268)	(4,346)	56					-	-	-	-	-	-	-	-	-	-	-	-
Pre-tax income	(9,149)	(46,371)	(12,936)	(3,898)	(4,060)	(4,064)	(4,219)	(16,242)	(1,663)	(1,732)	(1,793)	(1,741)	(6,930)	5,941	11,728	16,840	22,850	28,173	33,601
Pretax Margin																			
Income Tax (Benefit)			-	(780)	(812)	(813)	(844)	(3,248)	(416)	(433)	(448)	(435)	(1,732)	1,664	3,518	5,220	7,312	9,861	12,432
Tax Rate			0%	20%	20%	20%	20%	20%	25%	25%	25%	25%	25%	28%	30%	31%	32%	35%	37%
GAAP Net Income	(9,149)	(46,371)	(12,936)	(3,118)	(3,248)	(3,251)	(3,375)	(12,993)	(1,247)	(1,299)	(1,345)	(1,306)	(5,197)	4,278	8,209	11,619	15,538	18,313	21,169
GAAP EPS	(1.33)	(2.43)	(5.22)	(0.15)	(0.16)	(0.08)	(0.08)	(0.48)	(0.06)	(0.06)	(0.07)	(0.06)	(0.26)	0.21	0.40	0.57	0.76	0.89	1.03
Non GAAP EPS (dil)	(1.33)	(1.56)	(5.22)	(0.15)	(0.16)	(0.08)	(0.08)	(0.48)	(0.06)	(0.06)	(0.07)	(0.06)	(0.26)	0.21	0.40	0.57	0.76	0.89	1.03
Wqtd Avg Shrs (Bas) - '000s	6,903	19,091	25,393	10,020	10,040	20,000	20,040	15,025	20,080	20,120	20,160	20,201	20,140	20,302	20,465	20,629	20,795	20,962	21,130
Wqtd Avg Shrs (Dil) - '000s	6,903	32,123	30,684	20,200	20,240	40,000	40,080	30,130	20,240	20,281	20,321	20,362	20,301	20,342	20,382	20,423	20,464	20,505	20,546

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
 Rating Change – Lowering from Buy to Neutral – September 16, 2022 Price Target - NA
 Update – Neutral – October 24, 2022 – Price Target - NA
 Update – Neutral – January 31, 2023 Price Target - NA

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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 30-Jan-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	70%	1	4%
Market Perform (Neutral)	9	27%	2	22%
Market Underperform (Sell)	1	3%	0	0%
Total	33	100%	3	9%

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