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## CytoSorbents Corporation (NASDAQ/CTSO)

February 1, 2023

### BUY: Preliminary 4<sup>th</sup> Quarter Revenues: \$9.4M

*CytoSorbents published a letter to shareholders. In that letter, management states: "In 2023, our goal is to successfully complete the STAR-T trial, finalize our data analysis, and file for U.S. FDA and Health Canada regulatory approval. We believe this would be a game changing win for our company and have been working to put the pieces in place to achieve this". We agree.*

**Jason H. Kolbert**  
Managing Director & Senior Analyst  
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### Investment Highlights

**Recent Quarter's Results:** CytoSorbents pre-announced preliminary 4Q22 revenues. Total Q4 Revenues were approximately \$9.4 million versus \$8.1 in the prior quarter. Q4 2022 Product Sales were approximately \$7.6 million, up 18% sequentially from \$6.5 million in Q3 2022. **The Company closed third quarter with \$23.84M in cash on the balance sheet.** Management is prioritizing the U.S. STAR-T study. Our positive outlook is based on what we believe are the long-term prospects for principally CytoSorb in the U.S.

**STAR-T & STAR-D:** The Company has initiated two FDA-approved pivotal trials designed to support U.S. marketing approval of DrugSorb-ATR. The first, which is now prioritized, is the 120-patient, 30-center STAR-T (Safe and Timely Antithrombotic Removal-Ticagrelor) randomized, controlled trial evaluating the ability of intraoperative DrugSorb-ATR use to reduce perioperative bleeding risk in patients on ticagrelor undergoing cardiothoracic surgery.

**STAR-T Update:** (press release): *Patient enrollment in STAR-T continues to meet expectations. We expect to reach the second milestone of 80 patients enrolled this spring, which will trigger the next unblinded data review by the DSMB, and to complete enrollment of all 120 patients this summer, with database lock and topline data expected shortly thereafter. If positive, FDA and Health Canada regulatory submissions are planned upon the completion of the trial.*

**Valuation.** We use a series of therapeutic models across the various indications and geographies and project product revenues for the Company out to the year 2030. In our U.S. therapeutic models, we apply a 30% risk cut (70% success probability) that both U.S. approvals and our market share forecasts can be realized. For us, valuation becomes an interesting question when we discuss the appropriate "r" risk-rate to use in our three-model metrics, free cash flow to the Firm (FCFF), Discounted EPS, and Sum-Of-The-Parts (SOP) models, which are equal-weighted, averaged, and rounded to the nearest whole number. Typically for early-stage companies with no revenues, we use 30%, and for companies with established products and revenues, we use a lower 15%. CytoSorbents arguably is somewhere in the middle, as products are approved and selling in Europe but not yet in the U.S. If we select a conservative 30%, we derive a \$9.00 price target. If we choose a more aggressive 15%, we arrive at a \$26.00 target. We select 25% to balance risk versus reward to derive a \$16.00 target.

**Risks** to our price target include: market, regulatory, financial, and commercialization risks.

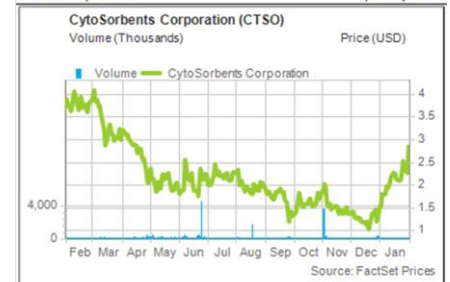
Current Price \$2.86  
Price Target \$16.00



Source: Cytosorbents

#### Stock Data

52-Week Range	\$1.03	-	\$4.15
Shares Outstanding (mil.)	43.6		
Market Capitalization (mil.)	\$125		
Enterprise Value (mil.)	\$105		
Debt to Capital	0%		
Book Value/Share	\$0.35		
Price/Book	2.9		
Average Three Months Trading Volume (K)	172		
Insider Ownership	12.4%		
Institutional Ownership	36.5%		
Short interest (mil.)	1.2%		
Dividend / Yield	\$0.00/0.0%		



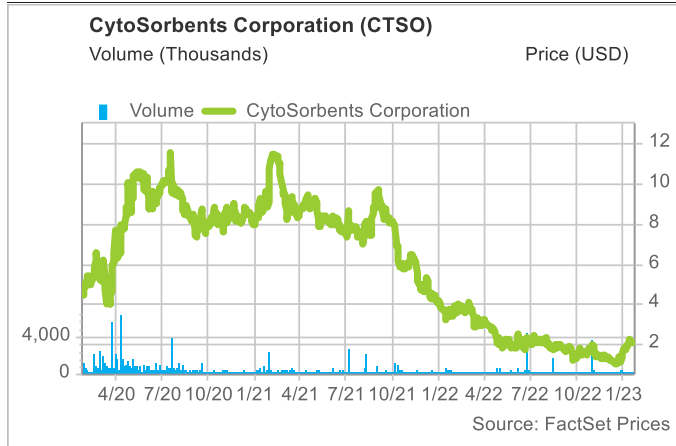
**Exhibit 1. Income Statement**

CTSO.: Income Statement (\$000)																
YE December 31	2019A	2020A	2021A	1Q22A	2Q22A	3Q22A	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue:</b>																
CytoSorb Direct Sales (Germany, Austria, Switzerland)	22,766	25,607	29,354	6,066	5,489	5,218	6,345	23,118	31,046	42,620	49,732	58,030	67,713	79,013	92,198	92,198
CytoSorb Distributor (Rest of EU)		10,240	10,498	1,800	1,500	1,200	1,200	5,700	13,649	15,878	18,472	21,490	25,001	29,085	33,837	33,837
CytoSorb (Cardiac surgery EU)		3,420							11,604	14,022	16,474	16,589	16,705	16,822	16,940	16,940
CytoSorb (Cardiac surgery US)		-	-	-	-	-	-	-	-	21,899	27,593	66,755	67,290	67,829	68,373	68,373
CytoSorb (other US)		-	-	-	-	-	-	-	-	38,459	78,231	190,960	283,238	395,071	602,722	602,722
VetResQ		185	194	58	49	45	55	207	217	228	239					
Other Sales					293	191		484								
<b>Total Product Sales</b>	<b>22,766</b>	<b>39,452</b>	<b>40,047</b>	<b>7,924</b>	<b>7,331</b>	<b>6,463</b>	<b>7,600</b>	<b>29,100</b>	<b>56,515</b>	<b>133,106</b>	<b>190,741</b>	<b>353,824</b>	<b>459,947</b>	<b>587,820</b>	<b>814,070</b>	<b>814,070</b>
Royalty (HemoDefend US)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	2,184	1,552	3,062	767	1,164	1,649	1,800	5,380	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>24,950</b>	<b>41,004</b>	<b>43,109</b>	<b>8,691</b>	<b>8,495</b>	<b>8,111</b>	<b>9,400</b>	<b>34,480</b>	<b>56,515</b>	<b>133,106</b>	<b>190,741</b>	<b>353,824</b>	<b>459,947</b>	<b>587,820</b>	<b>814,070</b>	<b>814,070</b>
<b>Expenses:</b>																
Costs of Goods Sold	7,364	11,052	11,047	2,278	3,551	4,494	3,420	13,743	11,303	26,621	38,148	70,765	91,989	117,564	162,814	162,814
	%COGS	25%	28%	32%	20%	48%	55%	45%	20%	20%	20%	20%	20%	20%	20%	20%
Research and Development	12,092	8,810	16,380	4,243	4,183	3,290	4,865	18,018	19,820	21,802	23,982	26,381	29,019	31,920	35,113	38,624
	%R&D	53%	22%	41%	54%	57%	51%	64%	62%	35%	16%	7%	6%	5%	4%	5%
Selling, General and Administrative	22,006	28,463	35,749	9,161	8,439	8,735	10,618	39,324	40,111	40,913	41,731	42,566	43,417	44,285	45,171	46,075
	%SG&A	97%	72%	89%	116%	115%	135%	140%	135%	71%	31%	12%	9%	8%	6%	6%
Legal, financial and other counseling	2,462	3,048	2,731	801	679	610	737	2,731	2,731	2,731	2,731	2,731	2,731	2,731	2,731	2,731
<b>Total Expenses</b>	<b>43,924</b>	<b>51,373</b>	<b>65,907</b>	<b>16,483</b>	<b>16,852</b>	<b>17,129</b>	<b>19,640</b>	<b>73,816</b>	<b>73,964</b>	<b>92,067</b>	<b>106,592</b>	<b>142,442</b>	<b>167,156</b>	<b>196,501</b>	<b>245,828</b>	<b>250,243</b>
Operating Income (Loss)	(18,974)	(10,369)	(22,799)	(7,792)	(8,357)	(9,017)	(10,240)	(39,336)	(17,449)	41,039	84,149	211,383	292,791	391,320	568,242	563,827
Interest income (expense), net				8	24	47										
Gain (loss) on foreign currency transactions	(1,384)	(1,201)	2	30	(2,523)	(3,230)										
Change in warrant liability		2,607	(2,569)	(1,213)	(23)	(0)										
Other income (expense), net																
<b>Total Other Income</b>	<b>(1,384)</b>	<b>1,406</b>	<b>(2,567)</b>	<b>(1,175)</b>	<b>(2,522)</b>	<b>(3,184)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Pretax Income</b>	<b>(20,358)</b>	<b>(8,964)</b>	<b>(25,366)</b>	<b>(8,967)</b>	<b>(10,880)</b>	<b>(12,201)</b>	<b>(10,240)</b>	<b>(39,336)</b>	<b>(17,449)</b>	<b>41,039</b>	<b>84,149</b>	<b>211,383</b>	<b>292,791</b>	<b>391,320</b>	<b>568,242</b>	<b>563,827</b>
Income Tax Benefit (Provision)	1,092	1,127	(2,537)							7,387	17,671	50,732	81,982	129,136	187,520	186,063
<b>Tax Rate</b>	<b>5%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>	<b>15%</b>	<b>18%</b>	<b>21%</b>	<b>24%</b>	<b>28%</b>	<b>33%</b>	<b>33%</b>	<b>33%</b>
<b>GAAP Net Income (Loss)</b>	<b>(19,266)</b>	<b>(7,837)</b>	<b>(22,829)</b>	<b>(8,967)</b>	<b>(10,880)</b>	<b>(12,201)</b>	<b>(10,240)</b>	<b>(39,336)</b>	<b>(17,449)</b>	<b>33,652</b>	<b>66,478</b>	<b>160,651</b>	<b>210,810</b>	<b>262,184</b>	<b>380,722</b>	<b>377,764</b>
<b>GAAP-EPS</b>	<b>(0.62)</b>	<b>(0.20)</b>	<b>(0.57)</b>	<b>(0.21)</b>	<b>(0.25)</b>	<b>(0.28)</b>	<b>(0.23)</b>	<b>(0.90)</b>	<b>(0.40)</b>	<b>0.77</b>	<b>1.51</b>	<b>3.63</b>	<b>4.74</b>	<b>5.87</b>	<b>8.49</b>	<b>8.39</b>
GAAP-EPS (Dil)	(0.60)	(0.20)	(0.53)	(0.21)	(0.25)	(0.28)	(0.23)	(0.90)	(0.40)	0.77	1.51	3.63	4.74	5.87	8.49	8.39
Wgtd Avg Shrs (Bas) - '000s	32,253	38,819	43,358	43,488	43,560	43,607	43,651	43,576	43,760	43,935	44,111	44,288	44,465	44,643	44,822	45,002
Wgtd Avg Shrs (Dil) - '000s	32,253	38,819	43,358	43,488	43,560	43,607	43,651	43,576	43,760	43,935	44,111	44,288	44,465	44,643	44,822	45,002

Source: Dawson James

**Important Disclosures:**

**Price Chart:**



Price target and rating changes over the past three years:

- Initiated – Buy – July 11, 2019 – Price Target \$15.00
- Update – Buy – August 12, 2019 – Price Target \$15.00
- Update – Buy – August 15, 2019 – Price Target \$15.00
- Update – Buy – August 19, 2019 – Price Target \$15.00
- Update – Buy – November 6, 2019 – Price Target \$15.00
- Update – Buy – February 19, 2020 – Price Target \$15.00
- Price Target Increase – Buy – March 9, 2020 – Price Target \$17.00
- Update – Buy – March 25, 2020 – Price Target \$17.00
- Update – Buy – April 13, 2020 – Price Target \$17.00
- Update – Buy – May 6, 2020 – Price Target \$17.00
- Update – Buy – June 9, 2020 – Price Target \$17.00
- Update – Buy – July 31, 2020 – Price Target \$15.00
- Update – Buy – August 12, 2020 – Price Target \$16.00
- Update – Buy – September 16, 2020 – Price Target \$16.00
- Update – Buy – October 14, 2020 – Price Target \$16.00
- Update – Buy – November 5, 2020 – Price Target \$16.00
- Update – Buy – December 2, 2020 – Price Target \$16.00
- Update – Buy – January 12, 2021 – Price Target \$16.00
- Update – Buy – January 19, 2021 – Price Target \$16.00
- Update – Buy – April 20, 2021 – Price Target \$16.00
- Update – Buy – May 6, 2021 – Price Target \$16.00
- Update – Buy – July 6, 2021 – Price Target \$16.00
- Update – Buy – September 1, 2021 – Price Target \$16.00
- Update – Buy – October 15, 2021 – Price Target \$16.00
- Update – Buy – November 9, 2021 – Price Target \$16.00
- Update – Buy – November 22, 2021 – Price Target \$16.00
- Update – Buy – January 18, 2022 – Price Target \$16.00
- Update – Buy – March 9, 2022 – Price Target \$16.00
- Update – Buy – April 29, 2022 – Price Target \$16.00
- Update – Buy – May 4, 2022 – Price Target \$16.00
- Update – Buy – August 3, 2022 – Price Target \$16.00
- Update – Buy – August 17, 2022 – Price Target \$16.00
- Update – Buy – October 6, 2022 – Price Target \$16.00
- Update – Buy – November 4, 2022 – Price Target \$16.00
- Update – Buy – November 15, 2022 – Price Target \$16.00
- Update – Buy – December 29, 2022 – Price Target \$16.00
- Update – Buy – January 24, 2023 – Price Target \$16.00
- Update – Buy – February 1, 2023 – Price Target \$16.00

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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 30-Jan-23

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# 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%
<b>Total</b>	<b>33</b>	<b>100%</b>	<b>3</b>	<b>9%</b>

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