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## Bluejay Diagnostics (NASDAQ: BJDJ) - Buy

March 21, 2023

### Bluejay Reports Full Year 2022 Results – Submission 1H24

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Bluejay spent \$2.4M in the 4<sup>th</sup> Quarter and closed the period with \$10M in cash. Management stated: “Recent positive feedback from the FDA indicated an expansion of our clinical study would be necessary to support our planned de novo submission, extending our anticipated submission timeline to the first half of 2024. While the impact of this delay will require additional funding to reach commercialization, it also presents opportunities to expand awareness of the utility of our Symphony IL-6 test beyond COVID-19”.

**Symphony is Something New – “DeNovo”.** 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.**

**Valuation:** We recently 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.

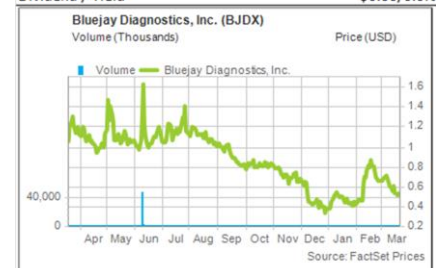
Current Price \$0.54  
Price Target \$4.00



The Symphony System

Source: Bluejay

Stock Data			
52-Week Range	\$0.28	-	\$1.83
Shares Outstanding (mil.)	20.2		
Market Capitalization (mil.)	\$11		
Enterprise Value (mil.)	-\$10		
Debt to Capital	0%		
Book Value/Share	NA		
Price/Book	-		
Average Three Months Trading Volume (K)	NA		
Insider Ownership	50.5%		
Institutional Ownership	1.4%		
Short interest (mil.)	0.3%		
Dividend / Yield	\$0.00/0.0%		



**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. 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	3Q22A	4Q22A	2022A	1Q23E	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue (\$000)</b>																		
Symphony Revenues - IL6 (risk adjusted probability)	-	-	-	-	-	-	809	842	842	876	3,370	15,163	35,179	58,968	101,088	169,884	203,861	237,838
Symphony Revenues - Non- IL6													2,000	5,000	15,000	25,000	35,000	40,000
<b>Total Revenues</b>	-	-	249	-	-	249	809	842	842	876	3,370	15,163	37,179	63,968	116,088	194,884	238,861	277,838
<b>Expenses</b>																		
COGS	-	-	200	-	-	200	404	421	421	438	1,685	7,582	14,871	22,389	34,826	58,465	71,658	83,351
<b>% COGS</b>							50%	50%	50%	50%	50%	50%	40%	35%	30%	30%	30%	30%
Gross Profit	-	-	49	-	-	49	404	421	421	438	1,685	7,582	22,307	41,579	81,262	136,419	167,203	194,486
Research & Development	1,148	695	756	1,380	1,321	4,152	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	1,196	1,284	963	4,763	1,166	1,215	1,215	1,263	4,858	4,956	5,055	5,156	5,259	5,364	5,471	5,581
Marketing & Business Development	290	54	81	146	170	451	111	115	115	120	460	2,000	4,000	6,000	6,120	6,242	6,367	6,495
<b>Total expenses</b>	<b>3,230</b>	<b>2,068</b>	<b>2,033</b>	<b>2,810</b>	<b>2,455</b>	<b>9,366</b>	<b>1,517</b>	<b>1,580</b>	<b>1,580</b>	<b>1,643</b>	<b>6,319</b>	<b>8,956</b>	<b>11,095</b>	<b>13,237</b>	<b>13,501</b>	<b>13,771</b>	<b>14,047</b>	<b>14,328</b>
<b>Operating Profit</b>	<b>(3,230)</b>	<b>(2,068)</b>	<b>(1,985)</b>	<b>(2,810)</b>	<b>(2,455)</b>	<b>(9,318)</b>	<b>(1,112)</b>	<b>(1,159)</b>	<b>(1,159)</b>	<b>(1,205)</b>	<b>(4,634)</b>	<b>(1,374)</b>	<b>11,213</b>	<b>28,343</b>	<b>67,760</b>	<b>122,647</b>	<b>153,156</b>	<b>180,159</b>
<b>Oper Margin</b>																		
Interest Income (expense)	(258)	55	48	(150)	305	258	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	(237)	(237)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Pre-tax income</b>	<b>(3,488)</b>	<b>(2,013)</b>	<b>(1,937)</b>	<b>(2,960)</b>	<b>(2,387)</b>	<b>(9,297)</b>	<b>(1,112)</b>	<b>(1,159)</b>	<b>(1,159)</b>	<b>(1,205)</b>	<b>(4,634)</b>	<b>(1,374)</b>	<b>11,213</b>	<b>28,343</b>	<b>67,760</b>	<b>122,647</b>	<b>153,156</b>	<b>180,159</b>
<b>Pretax Margin</b>																		
Income Tax (Benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	2,834	13,552	36,794	61,262	72,063
<b>Tax Rate</b>		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	10%	20%	30%	40%	40%
<b>GAAP Net Income</b>	<b>(3,488)</b>	<b>(2,013)</b>	<b>(1,937)</b>	<b>(2,960)</b>	<b>(2,387)</b>	<b>(9,297)</b>	<b>(1,112)</b>	<b>(1,159)</b>	<b>(1,159)</b>	<b>(1,205)</b>	<b>(4,634)</b>	<b>(1,374)</b>	<b>11,213</b>	<b>25,508</b>	<b>54,208</b>	<b>85,853</b>	<b>91,893</b>	<b>108,095</b>
<b>GAAP-EPS</b>	<b>(0.41)</b>	<b>(0.10)</b>	<b>(0.10)</b>	<b>(0.15)</b>	<b>(0.12)</b>	<b>(0.46)</b>	<b>(0.06)</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.17)</b>	<b>(0.05)</b>	<b>0.37</b>	<b>0.83</b>	<b>1.74</b>	<b>2.74</b>	<b>2.91</b>	<b>3.40</b>
Non GAAP EPS (dil)	(0.41)	(0.10)	(0.10)	(0.15)	(0.12)	(0.46)	(0.06)	(0.04)	(0.04)	(0.04)	(0.17)	(0.05)	0.37	0.83	1.74	2.74	2.91	3.40
Wgtd Avg Shrs (Bas) - '000s	8,522	20,142	20,151	20,152	20,192	20,164	20,233	30,273	30,334	30,394	27,808	30,547	30,792	31,039	31,288	31,539	31,792	32,047
Wgtd Avg Shrs (Dil) - '000s	8,522	20,142	20,151	20,152	20,192	20,164	20,182	30,223	30,283	30,344	27,758	30,465	30,679	30,894	31,111	31,330	31,549	31,771

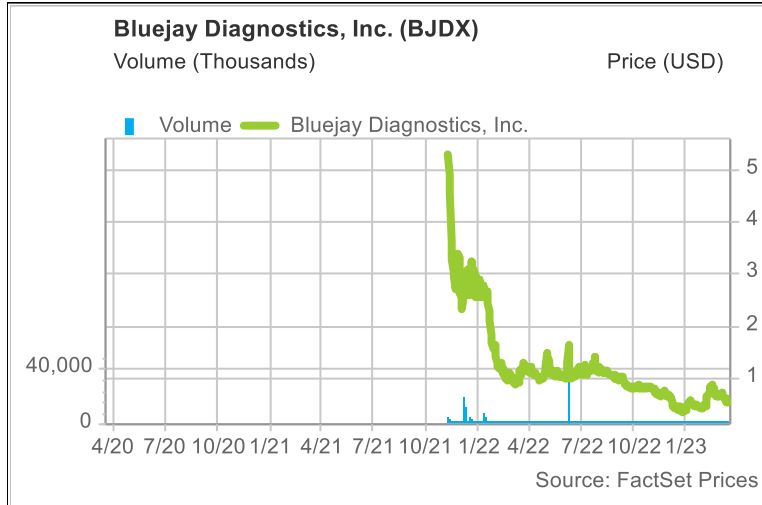
Source: Dawson James

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
- Price Target Change – Buy – November 2, 2022 – Price Target \$4.0
- Update – Buy – November 9, 2022 – Price Target \$4.0
- Update – Buy – February 16, 2023 – Price Target \$4.0
- Update – Buy – March 21, 2023 – Price Target \$4.0

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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 17-Mar-23

	Company Coverage		Investment Banking	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	69%	1	3%
Market Perform (Neutral)	11	31%	2	6%
Market Underperform (Sell)	0	0%	0	0%
<b>Total</b>	<b>36</b>	<b>100%</b>	<b>3</b>	<b>9%</b>

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