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Aditxt Therapeutics (NASDAQ: ADTX)

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Aditxt (ADTX)-Neutral Rated: 10K Filed

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Aditxt reported full-year 2022 results in a 10k. The company had just \$1.4M in revenues last year and spent \$17M on expenses. The filed report shows just \$2.7M remaining on the balance sheet. Aditxt did publish a shareholder's update letter highlighting recent initiatives, including PEARSANTA, ADIVIR, and ADIMUNE. We remain neutral rated for multiple reasons, including the low cash balance, the fact that the Covid opportunity has changed, and uncertainty about the strategic direction of the company given the multiple internal and external initiatives.

Investment Highlights

We reviewed the company's shareholder update and found it "confusing". The Aditxt story has shifted since we first launched coverage from diagnostic testing and immune tolerance to a new combination of strategic initiatives below:

PEARSANTA, INC.™ (IMMUNE MONITORING): Aditxt's Pearsanta designated as the backup bidder in Lucira Chapter 11 Auction. **CEO's Takeaway:** "The interest in the Lucira assets at auction shows the sheer value of the test-to-treat model," said Amro Albanna, co-founder, chairman and CEO of Aditxt and current acting CEO of Pearsanta. "Aditxt's mission is to advance innovations that allow people to make better, smarter, more informed decisions about their health based on more insightful data. The technology that we've already invested in—along with the therapeutics in our portfolio—mirror our mission of innovation built by the people and for the people."

ADIVIR, INC. (THERAPEUTICS): Adivir, Inc. is Formed as a Wholly Owned Subsidiary to Expand into Broad-Spectrum Antiviral Market: **CEO's Takeaway:** We believe that this proposed transaction with Cellvera will promote the Company's mission in developing innovative therapies for infectious diseases," said Albanna. "Avigan® is an attractive candidate for the treatment of a wide range of viral infections that today plague people the world over."

Valuation: Our valuation for Aditxt has been 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. We have not factored in ADVIR. Our operating model applies a 30% to 90% 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

Current Price		\$0.92
Price Target		NA
Stock Data		
52-Week Range	\$0.83 -	\$28.49
Shares Outstanding (mil.)		4.3
Market Capitalization (mil.)		\$4
Enterprise Value (mil.)		-\$7
Debt to Capital		0%
Book Value/Share		-\$0.58
Price/Book		-
Average Three Months Trading Volume (K)		479
Insider Ownership		1.3%
Institutional Ownership		27.0%
Short interest (mil.)		2.5%
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.

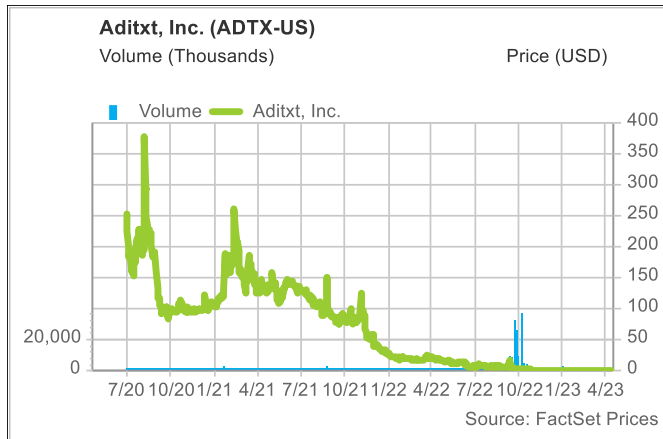
Exhibit 1. Income Statement

ADTX., Inc. Income Statement (\$000)															
YE Dec. 31	2020A	2021A	2022A	1Q23E	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue (\$000)															
COVID-MaB Testing		-	934	343	357	350	378	1,428	2,885	2,913	4,414	4,458	6,003	6,063	6,124
Point of Care Diagnostics				-	-	-	-			3,000	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
Type 1 Diabetes MaB Testing				-	-	-	-	-	-	9,932	20,063	30,395	40,932	51,677	62,632
Immune Tolerance Platform Technology															
Total Revenues	-	105	934	343	357	350	378	1,428	2,885	20,845	59,477	69,853	81,935	92,740	103,756
Expenses															
COGS	-	78	767	281	293	287	311	1,173	1,731	10,423	29,738	34,926	40,968	46,370	51,878
% COGS			82%	82%	82%	82%	82%	82%	60%	50%	50%	50%	50%	50%	50%
Gross Profit	-	27	167	61	64	63	68	255	1,154	10,423	29,738	34,926	40,968	46,370	51,878
Sales (Advertising & Marketing) expense	12	335	1,849	1,200	1,250	1,250	1,300	5,000	6,000	6,120	6,242	6,367	6,495	6,624	6,757
General and administrative	7,852	22,084	15,986	1,920	2,000	2,000	2,080	8,000	9,000	9,180	9,364	9,551	9,742	9,937	10,135
Research & Development	82	5,043	7,268	960	1,000	1,000	1,040	4,000	4,080	4,162	4,245	4,330	4,416	4,505	4,595
Impairment on Notes receivable		14,500	544												
Total expenses	8,872	41,962	25,647	4,080	4,250	4,250	4,420	17,000	19,080	19,462	19,851	20,248	20,653	21,066	21,487
Operating Profit	(8,872)	(41,935)	(25,480)	(4,019)	(4,186)	(4,187)	(4,352)	(16,745)	(17,926)	(9,039)	9,887	14,679	20,315	25,304	30,391
Oper Margin															
Interest expense	(10)	(93)	(753)					-	-	-	-	-	-	-	-
Amortization of Debt Discount	1	3	(1,476)					-	-	-	-	-	-	-	-
Other (loss)	(268)	(4,346)	59					-	-	-	-	-	-	-	-
Pre-tax income	(9,149)	(46,371)	(27,650)	(4,019)	(4,186)	(4,187)	(4,352)	(16,745)	(17,926)	(9,039)	9,887	14,679	20,315	25,304	30,391
Pretax Margin															
Income Tax (Benefit)				-	-	-	-	-	-	-	989	2,202	4,063	7,085	9,421
Tax Rate			0%	0%	0%	0%	0%	0%	0%	0%	10%	15%	20%	28%	31%
GAAP Net Income	(9,149)	(46,371)	(27,612)	(4,019)	(4,186)	(4,187)	(4,352)	(16,745)	(17,926)	(9,039)	8,899	12,477	16,252	18,219	20,970
GAAP-EPS	(1.33)	(2.43)	(14.89)	(2.78)	(2.89)	(0.10)	(0.11)	(5.88)	(12.32)	(6.20)	6.09	8.52	11.08	12.40	14.24
Non GAAP EPS (dil)	(1.33)	(1.56)	(14.89)	(2.78)	(2.89)	(0.10)	(0.11)	(5.88)	(12.32)	(6.20)	6.09	8.52	11.08	12.40	14.24
Wgtd Avg Shrs (Bas) - '000s	6,903	19,091	1,855	1,436	1,439	20,000	20,040	10,729	20,140	20,302	20,465	20,629	20,795	20,962	21,130
Wgtd Avg Shrs (Dil) - '000s	6,903	32,123	1,855	1,448	1,450	40,000	40,080	20,744	1,455	1,458	1,461	1,464	1,466	1,469	1,472

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

Update – Neutral – April 18, 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 17-Apr-23

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

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