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Bluejay Diagnostics (NASDAQ: BJDJ) - Buy

May 10, 2023

Bluejay Reports First Quarter Results

Bluejay spent \$2.5M in the 1st Quarter and closed the period with \$6.7M in cash and equivalents. There was little new information, outside the numbers – As far as we know, the timeline for submission is still targeting the first half of 2024. This is a delay from the original timeline as regulators requested expansion of the clinical trial (n value) to support the planned de-novo submission.

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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.

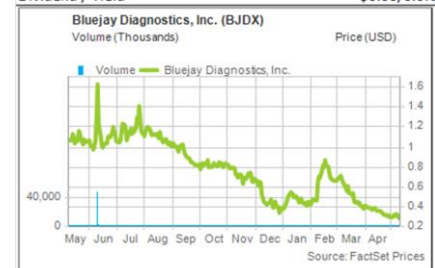
Risks to our thesis include: 1. Regulatory Approvals; 2. Clinical Science 3. Dependence on OEM suppliers; 4. Development of the target markets 5. Intellectual Capital 6. Dilution.



The Symphony System

Source: Bluejay

Stock Data			
52-Week Range	\$0.27	-	\$1.83
Shares Outstanding (mil.)	20.5		
Market Capitalization (mil.)	\$6		
Enterprise Value (mil.)	-\$11		
Debt to Capital	0%		
Book Value/Share	NA		
Price/Book	-		
Average Three Months Trading Volume (K)	NA		
Insider Ownership	50.7%		
Institutional Ownership	1.5%		
Short interest (mil.)	0.1%		
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	2022A	1Q23A	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue (\$000)														
Symphony Revenues - IL6 (risk adjusted probability)	-	-	-	-	-	-	-	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
Total Revenues	-	249	-	-	-	-	-	15,163	37,179	63,968	116,088	194,884	238,861	277,838
Expenses														
COGS	-	200	-	-	-	-	-	7,582	14,871	22,389	34,826	58,465	71,658	83,351
% COGS			50%	50%	50%	50%		50%	40%	35%	30%	30%	30%	30%
Gross Profit	-	49	-	-	-	-	-	7,582	22,307	41,579	81,262	136,419	167,203	194,486
Research & Development	1,148	4,152	1,355	1,000	1,000	645	4,000	2,000	2,040	2,081	2,122	2,165	2,208	2,252
General & Administrative	1,792	4,763	1,177	1,215	1,215	1,252	4,858	4,956	5,055	5,156	5,259	5,364	5,471	5,581
Marketing & Business Development	290	451	148	156	156	164	625	2,000	4,000	6,000	6,120	6,242	6,367	6,495
Total expenses	3,230	9,366	2,680	2,371	2,371	2,062	9,483	8,956	11,095	13,237	13,501	13,771	14,047	14,328
Operating Profit	(3,230)	(9,318)	(2,680)	(2,371)	(2,371)	(2,062)	(9,483)	(1,374)	11,213	28,343	67,760	122,647	153,156	180,159
Oper Margin														
Interest Income (expense)	(258)	258					-	-	-	-	-	-	-	-
Other Income	-	(237)	140				140	-	-	-	-	-	-	-
Pre-tax income	(3,488)	(9,297)	(2,540)	(2,371)	(2,371)	(2,062)	(9,344)	(1,374)	11,213	28,343	67,760	122,647	153,156	180,159
Pretax Margin														
Income Tax (Benefit)		-	-	-	-	-	-	-	-	2,834	13,552	36,794	61,262	72,063
Tax Rate		0%	0%	0%	0%	0%	0%	0%	0%	10%	20%	30%	40%	40%
GAAP Net Income	(3,488)	(9,297)	(2,540)	(2,371)	(2,371)	(2,062)	(9,344)	(1,374)	11,213	25,508	54,208	85,853	91,893	108,095
GAAP-EPS	(0.41)	(0.46)	(0.12)	(0.08)	(0.08)	(0.07)	(0.35)	(0.04)	0.36	0.82	1.73	2.72	2.89	3.38
Non GAAP EPS (dil)	(0.41)	(0.46)	(0.12)	(0.08)	(0.08)	(0.07)	(0.35)	(0.04)	0.36	0.82	1.73	2.72	2.89	3.38
Wgtd Avg Shrs (Bas) - '000s	8,522	20,164	20,375	30,416	30,477	30,538	27,951	30,691	30,937	31,185	31,435	31,688	31,942	32,198
Wgtd Avg Shrs (Dil) - '000s	8,522	20,164	20,375	30,416	30,477	30,538	27,951	30,660	30,875	31,092	31,310	31,530	31,751	31,974

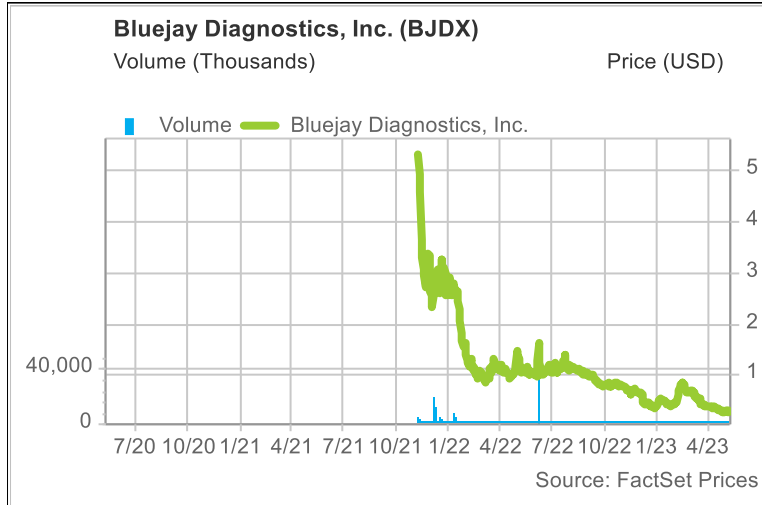
Source: Dawson James

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
- Update – Buy – May 10, 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 1-May-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	26	72%	2	6%
Market Perform (Neutral)	10	28%	1	3%
Market Underperform (Sell)	0	0%	0	0%
Total	36	100%	3	9%

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