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## Hillstream BioPharma (HILS) – Raises \$2.6M

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### Buy Rated: Reports 1<sup>st</sup> Quarter, Post Raise

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Hillstream Bio reported 1<sup>st</sup> Quarter results. The stock has been under pressure since the company raised capital – 5.3M shares at \$0.50 for \$2.6M. The company reported a net loss of \$2.7M in 1Q23 and closed the period with \$3.6M in cash and equivalents on the balance sheet (plus the raised capital).

### Investment Thesis

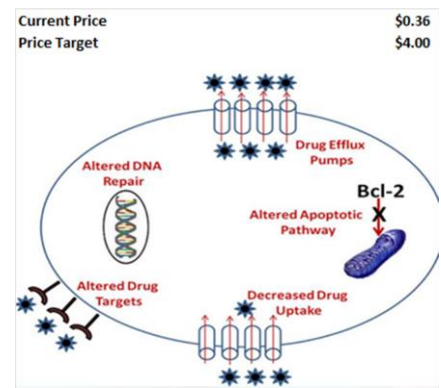
**Preliminary safety and PK of HSB-1216** was evaluated in IND-enabling studies using rats and dogs showing the Quatramer bound HSB-1216 throughout a 48-hour exposure period prevented degradation in the in systemic circulation until its targeted release at the tumor site. The data suggest Quatramer protects HSB-1216 from metabolic degradation until its release at the tumor site and is consistent with the promising efficacy data demonstrating effective reduction of tumor growth in pre-clinical studies.

**Early but Promising:** Ferroptosis, or iron-mediated cell death - IMCD, is an emerging regulated cell death process that decreases intracellular iron or the Labile Iron Pool LIP. Cancer cells increase the LIP leading to unregulated cell growth and metabolism. Decreasing the LIP induces iron-led ROS production and lipid peroxidation, two key hallmarks of ferroptosis/IMCD. HSB-1216 binds to iron in the cytoplasm of cancer cells and decreases the LIP, thereby inducing ferroptosis/IMCD, leading to regulated cell death. Areas of interest for the development of HSB-1216 are as a treatment of solid tumors, including TNBC, uveal melanoma, glioblastoma multiforme, head and neck squamous cell carcinoma, and other treatment-resistant cancers with high unmet needs.

**Reaching the Tumor Microenvironment TME: Quatramer represents the company's delivery to reach the TME while sparing healthy tissue.** This is accomplished by efficiently extending the circulation half-life, combined with targeted delivery to the tumor site; Quatramer traps drugs into the TME. This emerging orthogonal anti-cancer approach utilizes a fundamental recognized mechanism of iron-mediated tumor growth and metabolism.

**Valuation:** We project our model out to 2033. We apply a 30% risk cut to our projected revenues in our 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. We use a fully diluted out-year share count, assuming multiple raises. The result is equal-weighted, 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. Adoption Rates 4. The competitive landscape. 5. Intellectual Capital 6. Dilution.



Current Price		\$0.36
Price Target		\$4.00
Source: Hillstream		
Stock Data		
52-Week Range	\$0.30 -	\$2.65
Shares Outstanding (mil.)		16.8
Market Capitalization (mil.)		\$6
Enterprise Value (mil.)		\$2
Debt to Capital		0%
Book Value/Share		-
Price/Book		0.8
Average Three Months Trading Volume (K)		373
Insider Ownership		74.7%
Institutional Ownership		1.4%
Short interest (mil.)		1.0%
Dividend / Yield		\$0.00/0.0%



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- **Regulatory Approvals.** The company's products require regulatory approvals, and there can be no assurances that the requirements to achieve these approvals can be met.
- **Clinical Science:** The company will need to demonstrate the products work.
- **Adoption Rates:** There are no assurances that the oncology products once developed will be competitive on the complex oncology landscape.
- **The Competitive Landscape & IP.** The company plans to operate in the highly competitive oncology landscape where well financed "big pharma" dominates the field. The company does have intellectual property however there are no assurances that IP will not be challenged.
- **Dilution:** The company is likely to incur losses for the foreseeable future until it is able to generate sufficient revenue from product sales. Our model assumes a rising share count during this period. There can be no assurances that the company can successfully raise the capital required to execute its business strategy.

**Exhibit 1. Income Statement**

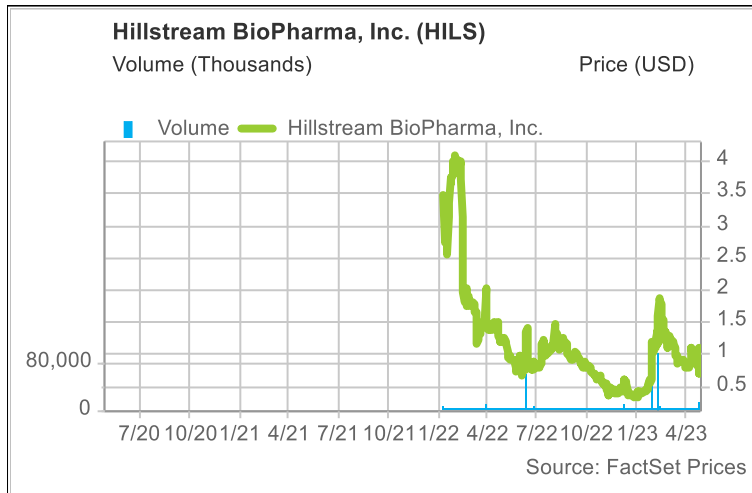
Hillstream BioPharma: Income Statement																
000 - YE December 31	2022A	1Q23A	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
<b>Product sales</b>																
Product 1 - Oncology											10,000	50,000	100,000	160,000	350,000	700,000
Product 2 - Oncology															200,000	500,000
<b>Total Product Sales</b>	-	-	-	-	-	-	-	-	-	-	10,000	50,000	100,000	160,000	550,000	1,200,000
<b>Expenses</b>																
COGS											3,000	14,000	25,000	40,000	137,500	240,000
COGS %		0%	0%	0%	0%						30%	28%	25%	25%	25%	20%
Research and Development	2,278	1,048	684	684	319	2,734	3,281	3,937	6,500	5,200	5,252	5,777	6,933	8,319	9,983	11,980
General and Administrative	4,604	1,667	1,162	1,162	658	4,650	4,696	4,743	4,790	8,000	10,000	14,000	15,000	15,150	15,302	15,455
<b>Total Operating Expenses</b>	<b>6,882</b>	<b>2,714</b>	<b>1,846</b>	<b>1,846</b>	<b>977</b>	<b>7,384</b>	<b>4,696</b>	<b>4,743</b>	<b>4,790</b>	<b>8,000</b>	<b>13,000</b>	<b>28,000</b>	<b>40,000</b>	<b>55,150</b>	<b>152,802</b>	<b>255,455</b>
Loss from Operations	(6,882)	(2,714)	(1,846)	(1,846)	(977)	(7,384)	(4,696)	(4,743)	(4,790)	(8,000)	(3,000)	22,000	60,000	104,850	397,199	944,545
<b>Other Expense</b>																
Interest Expense	(1,591)	(6)	-	-	-	(6)	-	-	-	-	-	-	-	-	-	-
Change in Redemption Value		32	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Expense</b>	<b>(1,591)</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Loss</b>	<b>(8,473)</b>	<b>(2,688)</b>	<b>(1,846)</b>	<b>(1,846)</b>	<b>(977)</b>	<b>(7,390)</b>	<b>(4,696)</b>	<b>(4,743)</b>	<b>(4,790)</b>	<b>(8,000)</b>	<b>(3,000)</b>	<b>22,000</b>	<b>60,000</b>	<b>104,850</b>	<b>397,199</b>	<b>944,545</b>
	-	-	-	-	-	-	-	-	-	-	-	1,100	6,000	24,954	132,347	330,969
<b>Tax Rate</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>24%</b>	<b>33%</b>	<b>35%</b>
<b>GAAP Net Income (loss)</b>	<b>(8,473)</b>	<b>(2,688)</b>	<b>(1,846)</b>	<b>(1,846)</b>	<b>(977)</b>	<b>(7,390)</b>	<b>(4,696)</b>	<b>(4,743)</b>	<b>(4,790)</b>	<b>(8,000)</b>	<b>(3,000)</b>	<b>20,900</b>	<b>54,000</b>	<b>79,896</b>	<b>264,852</b>	<b>613,577</b>
<b>GAAP-EPS</b>	<b>(0.75)</b>	<b>(0.23)</b>	<b>(0.16)</b>	<b>(0.07)</b>	<b>(0.04)</b>	<b>(0.50)</b>	<b>(0.17)</b>	<b>(0.11)</b>	<b>(0.07)</b>	<b>(0.09)</b>	<b>(0.03)</b>	<b>0.21</b>	<b>0.52</b>	<b>0.74</b>	<b>4.01</b>	<b>8.94</b>
GAAP EPS (dil)	(0.75)	(0.23)	(0.16)	(0.06)	(0.03)	(0.34)	(0.11)	(0.09)	(0.05)	(0.06)	(0.02)	0.14	0.36	0.74	4.01	8.94
Wgtd Avg Shrs (Bas) '000	11,316	11,514	11,629	26,746	27,013	19,226	34,755	42,871	72,552	86,664	95,309	99,179	103,206	107,397	65,982	68,661
Wgtd Avg Shrs (Dil) '000	11,316	11,514	11,629	31,746	32,063	21,738	42,355	53,087	93,334	127,577	140,446	146,148	152,083	158,258	65,982	68,661

Source: Dawson James estimates, company reports

Companies mentioned in this report:

**Important Disclosures:**

**Price Chart:**



Price target and ratings changes over the past three years:

- Initiated – Buy – February 22, 2023 – Price Target \$4.0
- Update Report – Buy – March 20, 2023 – Price Target \$4.0
- Update Report – Buy – April 11, 2023 – Price Target \$4.0
- Update Report – Buy – April 28, 2023 – Price Target \$4.0
- Update Report – Buy – May 24, 2023 – Price Target \$4.0

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Current as of 1-May-23

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# 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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