

Member FINRA/SIPC

Toll-Free: 866-928-0928 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

## Bluejay Diagnostics (NASDAQ: BJDJ) – Lowering to Neutral from Buy

August 1, 2023

### Reverse Stock Split Announced 1 for 20

*Jason Kolbert*

Managing Director & Senior Analyst  
jkolbert@dawsonjames.com

Bluejay recently announced a 1 for 20 reverse stock split. As a result, we have decided to lower our rating from Buy to Neutral. We expect it will take some time for the company to rebuild its shareholder base as the company works to bring its IL-6 Point of Care test to the market.

**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**Valuation:** As we are neutral rated, we do not publish our target. We do maintain a model including valuation. In that model we apply a conservative 10% 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.

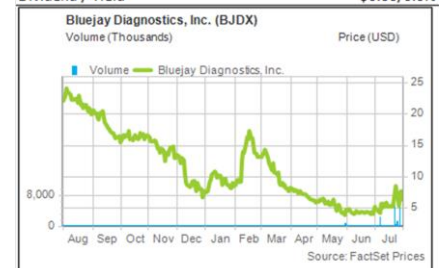
**Risks to our thesis include:** 1. Regulatory Approvals; 2. Clinical Science 3. Dependence on OEM suppliers; 4. Development of the target markets 5. Intellectual Capital 6. Dilution.



The Symphony System

Source: Bluejay

Stock Data	
52-Week Range	\$3.80 - \$24.80
Shares Outstanding (mil.)	1.0
Market Capitalization (mil.)	\$7
Enterprise Value (mil.)	-\$11
Debt to Capital	0%
Book Value/Share	NA
Price/Book	-
Average Three Months Trading Volume (K)	NA
Insider Ownership	44.4%
Institutional Ownership	0.6%
Short interest (mil.)	5.5%
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	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue (\$000)</b>																		
Symphony Revenues - IL6 (risk adjusted probability)	-	-	-	-	-	-	-	-	-	-	-	-	5,054	7,862	13,478	22,651	27,181	31,712
Symphony Revenues - Non- IL6															5,000	10,000	12,000	14,000
<b>Total Revenues</b>	-	249	-	-	-	-	-	-	-	-	-	-	5,054	7,862	18,478	32,651	39,181	45,712
<b>Expenses</b>																		
COGS	-	200	-	-	-	-	-	-	-	-	-	-	2,022	2,752	5,544	9,795	11,754	13,714
<b>% COGS</b>			50%	50%	50%	50%		50%	50%	50%	50%	#DIV/0!	40%	35%	30%	30%	30%	30%
Gross Profit	-	49	-	-	-	-	-	-	-	-	-	-	3,033	5,111	12,935	22,856	27,427	31,998
Research & Development	1,148	4,152	1,355	1,000	1,000	645	4,000	480	500	500	520	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	1,189	1,239	1,239	1,288	4,956	5,055	5,156	5,259	5,364	5,471	5,581
Marketing & Business Development	290	451	148	156	156	164	625	480	500	500	520	2,000	4,000	6,000	6,120	6,242	6,367	6,495
<b>Total expenses</b>	3,230	9,366	2,680	2,371	2,371	2,062	9,483	2,149	2,239	2,239	2,328	8,956	11,095	13,237	13,501	13,771	14,047	14,328
<b>Operating Profit</b>	(3,230)	(9,318)	(2,680)	(2,371)	(2,371)	(2,062)	(9,483)	(2,149)	(2,239)	(2,239)	(2,328)	(8,956)	(8,062)	(8,126)	(566)	9,085	13,380	17,671
<b>Oper Margin</b>																		
Interest Income (expense)	(258)	258	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	(237)	140	-	-	-	140	-	-	-	-	-	-	-	-	-	-	-
<b>Pre-tax income</b>	(3,488)	(9,297)	(2,540)	(2,371)	(2,371)	(2,062)	(9,344)	(2,149)	(2,239)	(2,239)	(2,328)	(8,956)	(8,062)	(8,126)	(566)	9,085	13,380	17,671
<b>Pretax Margin</b>																		
Income Tax (Benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	(813)	(113)	2,725	5,352	7,068
<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>	(3,488)	(9,297)	(2,540)	(2,371)	(2,371)	(2,062)	(9,344)	(2,149)	(2,239)	(2,239)	(2,328)	(8,956)	(8,062)	(7,313)	(453)	6,359	8,028	10,602
<b>GAAP-EPS</b>	(0.41)	(0.46)	(0.12)	(0.08)	(1.56)	(1.35)	(3.11)	(1.41)	(1.46)	(1.46)	(1.51)	(5.84)	(5.22)	(4.70)	(0.29)	4.03	5.06	6.63
Non GAAP EPS (dil)	(0.41)	(0.46)	(0.12)	(0.08)	(1.56)	(1.35)	(3.11)	(1.41)	(1.46)	(1.46)	(1.51)	(5.84)	(5.22)	(4.70)	(0.29)	4.03	5.06	6.63
Wgtd Avg Shrs (Bas) - '000s	8,522	20,164	20,375	30,416	1,524	1,527	13,460	1,530	1,533	1,536	1,539	1,535	1,547	1,559	1,572	1,584	1,597	1,610
Wgtd Avg Shrs (Dil) - '000s	8,522	20,164	20,375	30,416	1,524	1,527	13,460	1,528	1,531	1,535	1,538	1,533	1,544	1,555	1,566	1,576	1,588	1,599

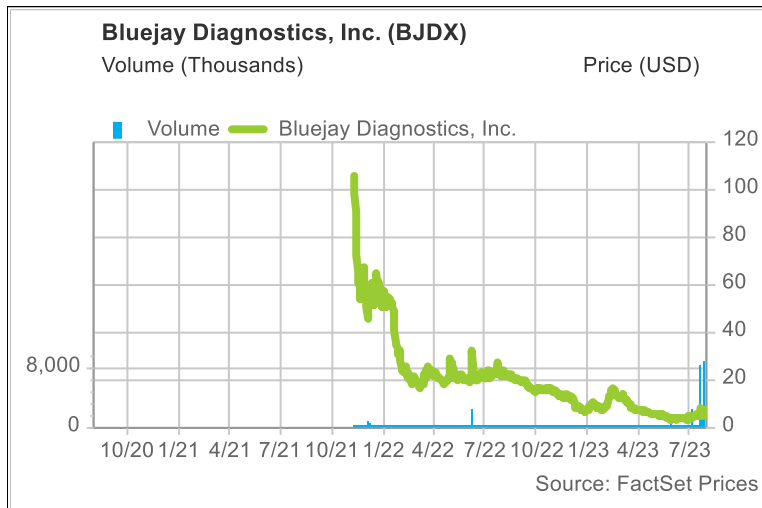
Source: Dawson James

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
- Update – Neutral – August 1, 2023 – Price Target NA

Dawson James Securities, Inc. (the "Firm") is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

The Firm does not make a market in the securities of the subject company(s). The Firm has not engaged in investment banking relationships with the subject company in the prior twelve months, as a manager or co-manager of a public offering and has not received compensation resulting from those relationships. The Firm may seek compensation for investment banking services in the future from the subject company(s). The Firm has not received any other compensation from the subject company(s) in the last 12 months for services unrelated to managing or co-managing of a public offering.

Neither the research analyst(s) whose name appears on this report nor any member of his (their) household is an officer, director, or advisory board member of these companies. The Firm and/or its directors and employees may own securities of the company(s) in this report and may increase or decrease holdings in the future. As of June 22, 2023, the Firm as a whole did not beneficially own 1% or more of any class of common equity securities of the subject company(s) of this report. The Firm, its officers, directors, analysts, or employees may affect transactions in and have long or short positions in the securities (or options or warrants related to those securities) of the company(s) subject to this report. The Firm may affect transactions as principal or agent in those securities.

Analysts receive no direct compensation in connection with the Firm's investment banking business. All Firm employees, including the analyst(s) responsible for preparing this report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of the Firm and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.

Although the statements in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the Firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

**Information about valuation methods and risks can be found in the "Valuation" and "Risk Analysis" sections of this report.**

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.

**Ratings Definitions:**

- 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 1-Aug-23

	Company Coverage		Investment Banking	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	24	69%	2	5.70%
Market Perform (Neutral)	11	31%	2	5.70%
Market Underperform (Sell)	0	0%	0	0.00%
Total	35	100%	4	11.40%

**Analyst Certification:**

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.